



**UNITRONICS (1989) (R"G) LTD.**

**PRESS RELEASE**

**Airport City, Israel**

**March 31, 2016**

**\*\*\*Regulated Information\*\*\***

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

**Re: Immediate Report Concerning a Transaction Between a Company and  
a Controlling Shareholder Therein**

**Airport City, Israel – March 31, 2016** – Unitronics published the attached Report, pursuant to the requirements of Israeli law, in concerning with a Transaction Between a Company and a Controlling Shareholder Therein.

**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 Systems 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 forty distributors (and a wholly owned US subsidiary) in approximately fifty 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")

March 31, 2016

**To:**

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

**To:**

Tel Aviv Stock Exchange Ltd.  
[www.tase.co.il](http://www.tase.co.il)

**Re: Immediate report concerning transaction and contracting by the Company in which the controlling shareholder of the Company has a personal interest and convening a General Meeting of the Company's shareholders**

Hereby is an immediate report (hereinafter: "the **Report**") with regard to convening an extraordinary General Meeting of the Company's shareholders, with the agenda including the following matters - and a transaction report pursuant to the Companies Law, 1999 (hereinafter: "the **Companies Law**"), Securities Regulations (Transaction between a Company and its Controlling Shareholder), 2001 (hereinafter: "the **Controlling Shareholder Transaction Regulations**"), Securities Regulations Private offering of securities in a listed company), 2000 (hereinafter: "the **Private Offering Regulations**"), Securities Regulations (Periodic and immediate reports), 1970 (hereinafter: "the **Reporting Regulations**"), Corporate Regulations (Notice of General Meeting and Class General Meeting of Public Company), 2000, Corporate Regulations (Written vote and position statements), 2005, and Corporate Regulations (Proof of ownership of stock for voting at General Meeting), 2000.

### **1. Agenda of the General Meeting**

- 1.1. Approval of engagement by the Company of an investment transaction with FIMI Fund (hereinafter: "**FIMI Fund**" and "**the Transaction**", respectively), including:
  - 1.1.1. Approval of an investment transaction in the Company by FIMI Fund, in conformity with provisions of Sections 275(a) and 274 of the Companies Law;
  - 1.1.2. Amendment of employment agreement of Mr. Haim Shani, the controlling shareholder of the Company;
  - 1.1.3. Amendment of Company's Article;
  - 1.1.4. Amendment of the Company's compensation policy;
  - 1.1.5. Appointment of Ms. Rivka Granot as external Director of the Company; Approval of compensation to Ms. Granot as external Director of the Company; Award of Letter of Indemnification and Waiver to Ms. Granot and inclusion of Ms. Granot on the Company's Board member and officer liability insurance policy.

- 1.1.6. Appointment of Messrs. Amit Ben-Zvi, Yariv Avisar and Gillon Beck as Directors of the Company; Approval of compensation to Messrs. Avisar and Beck as Directors of the Company; Award of Letter of Indemnification and Waiver to Messrs. Ben-Zvi, Avisar and Beck and inclusion thereof for a three-year term on the Company's Directors and officer liability insurance policy.
- 1.1.7. Approval of remuneration to Mr. Ben-Zvi as Active Chairman of the Company Board of Directors.

**Note that the matters listed in section 1.1 above are brought for approval by the General Meeting as one.**

- 1.2. Approval of continued office of Directors other than external Directors, after closing of the transaction with FIMI Fund.
- 1.3. Approval of employment agreements of Mr. Haim Shani and Ms. Bareket Shani, the controlling shareholder of the Company and his wife, for a further three-year term as from the date of the General Meeting, in conformity with Section 275(a1) of the Companies Law.
- 1.4. Approval of continued validity of letters of indemnification and waiver of Mr. Haim Shani and Ms. Bareket Shani, for an additional three years as from the date of the General Meeting, in conformity with Section 275(a1) of the Companies Law and inclusion Mr. and Ms. Shani on the Company's Board member and officer liability insurance policy.

## **2. Summary description of resolutions in sections 1.1, 1.3 and 1.4 of the agenda and key terms thereof:**

- 2.1. Approve contracting by the Company of investment transaction with FIMI Fund (topic 1.1 on the agenda for the General Meeting):
  - 2.1.1. Approval of contracting by the Company of an investment transaction with FIMI Fund (hereinafter: "the **Investment Agreement**"), whereby FIMI Fund would invest in the Company, through the limited partnerships FIMI Opportunity Five (Delaware) Limited Partnership and FIMI Israel Opportunity Five Limited Partnership, NIS 60,000,000 and in return, the Company would allot to FIMI Fund, by way of exceptional private allotment (as defined in the Private Offering Regulations) 3,750,000 Company ordinary shares of NIS 0.02 par value each (hereinafter: "**Ordinary Shares**") at a price of NIS 16 per share which would constitute, after allotment thereof, 27.27% of the Company's issued and paid-in share capital, fully diluted (hereinafter: "**the Allotted shares**"). The Investment Agreement also contains adjustment provisions whereby, upon fulfillment of certain conditions, the share price may be reduced down to NIS 14 per share by way of allotment of additional shares by the Company to FIMI Fund (hereinafter: "**the Adjustment Provisions**"). Should the Adjustment Provisions be applied, the Company would allot to FIMI Fund, for no additional consideration, up to an additional 535,714 Company ordinary shares (hereinafter:

**"the Additional Shares"**)<sup>1</sup>. For more information about the share price adjustment provisions and the number of Additional Shares which may be allotted to FIMI Fund as part of the Transaction, see section 3.6.1 of the immediate report below. The Company would issue an immediate report about allotment of the Additional Shares to FIMI Fund, if allotted, in conformity with provisions of the Private Offering Regulations and would comply with provisions of the Bylaws of the Tel Aviv Stock Exchange Ltd. (hereinafter: **"the Stock Exchange"**) and with the Stock Exchange directives, as they may be at that time, to obtain approval by the Stock Exchange for listing for trading of the aforementioned Additional Shares.

Furthermore, as the Company was informed by the controlling shareholder thereof, Mr. Haim Shani, he has signed concurrently an agreement with FIMI Fund (hereinafter: **"Agreement with the Controlling Shareholder"**), whereby FIMI Fund would acquire from him 3,125,000 Company shares he owns, for a total amount of NIS 50,000,000 for the same price of NIS 16 per share, which would constitute, upon acquisition, 22.72% of the Company's issued and paid-in share capital, fully diluted (after closing of both transactions). The share price in the Agreement with the Controlling Shareholder is also subject to the aforementioned adjustment provisions. Should the aforementioned Adjustment Provisions be applied, Mr. Shani would transfer to FIMI Fund, for no additional consideration, up to an additional 446,429 Company ordinary shares<sup>2</sup>. Immediately following the sale of his shares to FIMI Fund and closing of the transaction as described above, Mr. Shani would hold 21.92% of the Company's issued and paid-in share capital and would continue to serve as CEO of the Company.

Consequently, upon closing of the aforementioned transactions, according to both agreements, FIMI Fund would hold in total 49.99% of the Company's issued and paid-in share capital<sup>3</sup>. For more information about the adjustment provisions and the Additional Shares to be transferred by Mr. Shani to FIMI Fund in conjunction with the transaction, see section 3.7.2 of the immediate report below.

Mr. Shani has also informed the Company that upon closing of the Transaction, he and FIMI Fund would sign a shareholder agreement (hereinafter: **"the Shareholder Agreement"**), whereby they would co-operate in voting on various matters, including with regard to appointment of Board members (including the Chairman of the Board of Directors to be nominated by FIMI Fund) and would govern various rights in cases where any party

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<sup>1</sup> Since the operation of the aforementioned adjustment mechanism is conditional on the sale price of all the shares to be allotted and delivered to FIMI specified in Sections 3.6.1 and 3.7.2 in the immediate report below, ie after FIMI will be sold the shares acquired as part of the deal, the result of operating the adjustment mechanism will not be increasing its holdings of FIMI beyond its holdings on the closing date, and therefore the company is not presents in this report the matching shares in the calculation of FIMI's holdings of the company in fully diluted basis.

<sup>2</sup> See Footnote 1 above.

<sup>3</sup> See Footnote 1 above.

would conduct certain transactions involving their shares. It was further agreed that the Chairman to be appointed by FIMI Fund would be eligible to 55% of the cost to the employer for the Company CEO position, plus VAT and expenses. These arrangements are restricted in time and/or in holding stake of either party in the Company. For more information about the Shareholder Agreement, see section 3.8 of the immediate report below.

2.1.2. Amendment of employment agreement of Mr. Haim Shani, the controlling shareholder of the Company:

In view of understandings reached by Mr. Haim Shani, the controlling shareholder of the Company, and FIMI Fund, which are an integral part of the terms and conditions of the Transaction and in view of the intent to align Mr. Shani's employment agreement with these understandings, the Company and the controlling shareholder agreed, subject to closing of the Transaction, to terminate the provisions of the employment agreement whereby Mr. Shani's role would include the position of Chairman of the Board of Directors of the Company. The parties also agreed that the annual bonus for which Mr. Shani is eligible, out of the Company's pre-tax earnings - as set forth in Mr. Shani's employment agreement - would be capped at NIS 1.14 million per annum, linked to the Consumer Price Index known upon closing of the Transaction.

All other terms and conditions of Mr. Shani's employment agreement would remain unchanged.

2.1.3. Amendment of Company's Article:

As part of the agreements between the Company and FIMI Fund as part of the Transaction, which are an integral part thereof, it is proposed to amend Company's Article, subject to closing of the The Transaction, including as follows: The staggered structure of the Board of Directors would be canceled and all Company Board members, other than external Board members, would be elected annually by the annual General Meeting of Company shareholders (unless no Board members are elected at such General Meeting, in which case the Board members would continue in office, as set forth in the Article); the Company Board of Directors would be exclusively authorized to decide on any distribution, as this term is defined in the Companies Law, 1999; the requirements for a special majority and special resolutions at General Meetings of Company shareholders would be canceled. For the proposed wording of the amended Article (hereinafter: "**the Amended Article**"), see Appendix 2.1.3 to the immediate report below.

2.1.4. Amendment of the compensation policy:

As set forth below, the Transaction includes proposed changes in the composition of the Board of Directors, including appointment of a paid Active Chairman of the Board of Directors. Therefore, it is proposed to amend, subject to closing of the Transaction, the Company's compensation policy so as to include benchmarks and criteria for compensation of such officer. For the

proposed wording of the amendment of the compensation policy, see **Appendix 2.1.4** to the immediate report below.

2.1.5. **Appointment of Ms. Rivka Granot as external Board member of the Company; Approval of remuneration to Ms. Granot as external Board member of the Company; Award of Letter of Indemnification and Waiver to Ms. Granot and inclusion of Ms. Granot on the Company's Board member and officer liability insurance policy.**

It is proposed to appoint Ms. Rivka Granot as external Director of the Company for a three-year term in office, as from the transaction closing date, subject to closing of the transaction. The declaration by Ms. Granot, in conformity with provisions of sections 224b and 241(a) of the Companies Law, is enclosed with this report as **Appendix 2.1.5(a)** to the immediate report. For further Details with regard to Ms. Granot see **Appendix 2.1.5(b)** to the immediate report. It is proposed that for her office as external Board member of the Company, Ms. Granot would be entitled to receive annual remuneration and attendance remuneration, in conformity with the the Company's compensation policy and the External Board Member Remuneration Regulations, in the amount specified in said Regulations (and reimbursement of expenses as stated in those regulations), as from the effective start date of their appointment as external Board member of the Company. It is also proposed to award a Letter of Indemnification and Waiver to Ms. Granot worded as approved and signed with other Company Directors (for further information, including wording of the Letter of Indemnification and Waiver currently in use by the Company, see immediate report of indemnification of officer dated September 22, 2011, reference no. 2011-01-282483 (hereinafter: "the Letter of Indemnification in Use")), and to include Ms. Granot in the Company's Board member and officer liability insurance policy, in conformity with the Company's compensation policy, as from the effective start date of their appointment.

2.1.6. **Appointment of Messrs. Amit Ben-Zvi, Yariv Avisar and Gillon Beck as Directors of the Company; Approval of remuneration to Messrs. Avisar and Beck as Directors of the Company; Award of Letter of Indemnification and Waiver to Messrs. Ben-Zvi, Avisar and Beck and inclusion thereof on the Company's Board member and officer liability insurance policy.**

It is proposed to appoint, subject to the completion of the Transaction, Messrs. Amit Ben-Zvi, Yariv Avisar and Gillon Beck as Directors of the Company, as from the Transaction closing date through the next annual General Meeting of Company shareholders or a later date, as set forth in the amended Company's Article. For declarations provided by Messrs. Ben-Zvi, Avisar and Beck in conformity with Section 224b of the Companies Law, see Appendices **2.1.6 (a)(1-3)** to the immediate report, respectively. For further information about Messrs. Ben-Zvi, Avisar and Beck, see Appendices **2.1.6 (b)(1-3)** to the immediate report, respectively. It is proposed that for their office as Company Board members, each of Messrs. Avisar and Beck would be entitled to payment

of annual remuneration and attendance remuneration, in conformity with the the Company's compensation policy and the External Board Member Remuneration Regulations, in the fix amount specified in said Regulations (and reimbursement of expenses as stated in those regulations), as from the effective start date of their appointment as Company Board members (subject to completion of the Transaction, Mr. Ben-Zvi would serve as Active Chairman of the Board of Directors; Mr. Ben-Zvi's proposed remuneration is set forth in section 2.1.7 below. It is also proposed to award a Letter of Indemnification and Waiver to each of Messrs. Ben-Zvi, Avisar and Beck, worded as the Letter of Indemnification in Use and to include each of Messrs. Ben-Zvi, Avisar and Beck for three years in the Company's Board member and officer liability insurance policy, in conformity with the Company's compensation policy, as from their appointment date as Board members.

**2.1.7. Approval of remuneration to Mr. Amit Ben-Zvi as Active Chairman of the Company Board of Directors:**

As noted above, in conjunction with the Transaction, it is proposed to appoint a paid Active Chairman of the Board of Directors. Therefore, it is proposed to approve, subject to closing of the Transaction and to appointment as Active Chairman, remuneration to Mr. Amit Ben-Zvi as Active Chairman of the Company Board of Directors such that as from the transaction closing date, Mr. Ben-Zvi would be entitled, for his office as Active Chairman of the Company Board of Directors, to annual pay equal to 55% of the cost to the employer for the Company CEO position, plus VAT and expenses. Mr. Ben-Zvi would be paid quarterly for services rendered to the Company in the previous calendar quarter.

For a summary table of Mr. Ben-Zvi's remuneration, had he served as Active Chairman of the Company Board of Directors in 2015, based on the cost to the employer for the Company CEO position in 2015, in conformity with Addendum VI to the Periodic and Immediate Reports Regulations, see **Appendix 3.14** to the immediate report below.

**2.2. Approval of employment agreement of Mr. Haim Shani and Ms. Bareket Shani for an additional three years (topic 1.3 on the agenda):**

- 2.2.1. According to their employment agreements, Mr. Shani's monthly salary is NIS 60,000 and Ms. Shani's monthly salary is NIS 30,000. Furthermore, the salary is linked to the Consumer Price Index such that as from January 2012, every year, their salary is increased by the percentage change in the CPI for the previous year.
- 2.2.2. Mr. Shani's salary is paid partially by the Company's wholly-owned subsidiary, Unitronics Inc., and the balance of his salary is paid by the Company for his services as Company CEO.
- 2.2.3. In addition to the aforementioned salary, pursuant to their employment agreements, Mr. and Ms. Shani are eligible for the following: (a) Customary

social benefits, such as retirement insurance (contribution at 5% of monthly salary by the employee and 13.33% by the Company); (c) Study fund (contribution at 2.5% of monthly salary by the employee and 7.5% by the Company); (d) Use of a company car (of un-specified category) and expense reimbursement; (e) Annual paid leave of 30 days, which may be accrued for up to two years. Mr. Haim Shani is also eligible for an annual bonus for each calendar year, as from 2005 and for as long as Mr. Shani is employed as CEO of the Company, within 30 days from the approval date of the financial statements by the Company Board of Directors for each calendar year, at 7.5% of the pre-tax earnings for said year (cost to the Company). As noted in section 2.1.2 above, subject to closing of the Transaction, this annual bonus would be capped at NIS 1.14 million, linked to the known Consumer Price Index upon the Transaction closing date.

2.2.4. According to their employment agreements, termination of Mr. Shani's employment agreement is subject to 6 months' advance notice; Mr. Shani may terminate the agreement for any reason, subject to 3 months' advance notice; As for Ms. Shani, either party may terminate the agreement by 2 months' notice and the Company would be required to provide a material explanation of termination, if initiated by the Company.

2.2.5. For a summary table of Mr. and Ms. Shani's remuneration, in conformity with Addendum VI to the Periodic and Immediate Reports Regulations, see **Appendix 3.14** to the immediate report below.

2.2.6. On March 29, 2016, the Company's Compensation Committee and Board of Directors resolved to extend for a further three years, effective as from the date of the General Meeting, subject to approval by the General Meeting of Company shareholders, the aforementioned employment agreements pursuant to Section 275(a1) of the Companies Law, so as to continue to apply with the same terms and conditions but subject to amendment of Mr. Shani's employment agreement as set forth in section 2.1.2 above.

2.3. **Extension by a further three years of letters of indemnification and waiver for Mr. Shani and Ms. Shani and their inclusion on the Company's Board members and officer liability insurance policy (topic 1.4 on the agenda of the General Meeting):**

2.3.1. On March 29, 2016, the Company Compensation Committee and Board of Directors approved, subject to approval by the General Meeting of Company shareholders in conformity with Section 275(a1) of the Companies Law, the extension of validity of letters of indemnification and waiver for Mr. and Ms. Shani, pursuant to said Section, for a further three years as from the date of the General Meeting, at terms and conditions identical to those approved for officers other than controlling shareholders of the Company and relatives thereof, as well as inclusion of Mr. and Ms. Shani on the Company's Board members and officer liability insurance policy, for a further three years as from the date of the General Meeting, at terms and conditions identical to those approved for officers other than controlling shareholders of the Company and relatives thereof.



**3. Names of controlling shareholders having a personal interest in the transactions and the nature of such interest:**

- 3.1. The controlling shareholder of the Company having a personal interest in the transactions is Mr. Haim Shani. Mr. Shani holds 6,139,551 Company ordinary shares of NIS 0.02 par value each (hereinafter: "the **Shares**"), which constitute 61.38% of the Company's issued and paid-in share capital (61.38% fully diluted)), and serves as Board member, Chairman of the Board of Directors and CEO of the Company and as Board member of subsidiaries thereof.
- 3.2. Ms. Bareket Shani, wife of Mr. Shani, serves as Deputy CEO, VP, Human Resources of the Company and Director of the Company and of subsidiaries thereof.
- 3.3. Mr. Haim Shani and Ms. Bareket Shani have a personal interest in approval of resolution 1.1 on the agenda, since Mr. Shani, as integral part of the Transaction, agreed to an agreement to sell some of his Company shares to FIMI Fund (as set forth in section 2.1.1 above and in section 3.7 of the immediate report below) and his intention to agree to the Shareholder Agreement with FIMI Fund (as set forth in section 2.1.1 above and in section 3.8 below).
- 3.4. Mr. Haim Shani and Ms. Bareket Shani have a personal interest in approval of resolution 1.1 on the agenda, since approval of said resolution by the General Meeting convened by this report is a suspensive condition for closing of the Transaction. Consequently, resolution 1.1 on the agenda, including all resolutions set forth in sub-sections thereof, is submitted for approval by the majority stipulated in Section 275 of the Companies Law.
- 3.5. Furthermore, Mr. Haim Shani and Ms. Bareket Shani have a personal interest in approval of resolutions 1.3-1.4 on the agenda, since these resolutions concern their terms of employment and office with the Company.
- 3.6. Therefore, Mr. and Ms. Shani did not take part in discussion and voting by the Audit Committee, Compensation Committee and the Board of Directors with regard to approval of the Transaction and with regard to the recommendation made by the Board of Directors to the General Meeting to approve the transaction, approve the amendment of Mr. Shani's employment agreement, approve a three-year extension of Mr. Shani's amended employment agreement and Ms. Shani employment agreement and approve extension by a further three years of validity of the letters of indemnification and waiver to Mr. Shani and Ms. Shani, worded as the Letter of Indemnification in Use.

**4. Names of Board members having a personal interest in the transactions and the nature of such interest:**

Mr. and Ms. Shani have a personal interest in approval of resolutions 1.1, 1.3 and 1.4 on the agenda of the General Meeting, as set forth in section 3 above.

**5. Information required pursuant to the Private Offering Regulations:**

Below is additional information about share allotment to FIMI Fund, which constitutes an exceptional private offering (as defined in the Private Offering Regulations):

**5.1. Names of offerees**

The offerees in the exceptional private offering (as defined in the Private Offering Regulations) are FIMI Opportunity Five (Delaware) Limited Partnership and FIMI Israel Opportunity Five Limited Partnership (hereinafter jointly: "**the Offeree**"). The General Partner of each of these Partnerships is FIMI Five 2012 Ltd., a private company incorporated in Israel, ultimately controlled by Mr. Yishai Davidi.

5.2. **Offeree as interested party**

Following the share allotment by the Company and the share purchase from Mr. Haim Shani in conjunction with the Transaction, the Offeree would hold Company shares as listed in the table in section 13.7 of the immediate report below, hence making it an interested party, as this term is defined in Section 270(5) of the Companies Law.

The Company Board of Directors was informed of FIMI Fund being an interested party as set forth above.

5.3. **Terms and conditions of securities proposed to be issued**

In conjunction with the transaction, the Company would allot to FIMI Fund 3,750,000 Company ordinary shares of NIS 0.02 par value each (hereinafter: "**the Allotted Shares**"), at a price of NIS 16 per share (hereinafter: "**the Share Price**"), which after the allotment would constitute 27.27% of the Company's issued and paid-in share capital and 27.27% of voting rights therein (ditto fully diluted). The Allotted Shares would be allotted to the Offeree in the name of Mizrahi Tefahot Nominee Company Ltd., would be listed for trading on the stock exchange (subject to approval of such listing by the stock exchange) as from their allotment date and would confer equal rights, for all intents and purposes, as Company ordinary shares of NIS 0.02 par value in the Company's share capital, but would be subject to restrictions listed in section 13.10 of the immediate report, including blocking restrictions pursuant to the Securities Act and regulations based there upon.

The Investment Agreement also contains adjustment provisions whereby, upon fulfillment of certain conditions, the share price may be reduced down to NIS 14 per share by way of allotment of additional shares by the Company to FIMI Fund for no additional consideration. Should the Adjustment Provisions be applied, the Company would allot to FIMI Fund up to an additional 535,714 Company ordinary shares (hereinafter: "**the Additional Shares**")<sup>4</sup>. For more information about the share price adjustment provisions and the number of Additional Shares which may be allotted to FIMI Fund as part of the Transaction, see section 3.6.1 of the immediate report below. The Company would issue an immediate report about allotment of the Additional Shares to FIMI Fund, if allotted, in conformity with provisions of the Private Offering Regulations and would comply with provisions of the Bylaws of the Tel Aviv Stock Exchange Ltd. (hereinafter: "**the Stock Exchange**") and with the Stock Exchange directives, as they may be at that time, to obtain approval by the Stock Exchange for listing for trading of the aforementioned Additional Shares.

5.4. **Consideration for the offered securities:**

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<sup>4</sup> See Footnote 1 above.

The Offered Shares are offered at a price of NIS 16 per share. For more information about the consideration for the Offered Shares and how it was determined, see sections 3, 4 and 7 of the immediate report below.

5.5. **Material shareholders or officers of the Company having a personal interest in the consideration and the nature of such personal interest**

For more information about the personal interest of material shareholders and officers of the Company in the transaction and in the consideration, see sections 3 and 4 above and sections 6 and 11 below in this immediate report.

5.6. **Information about Company shares:**

The price per Company Share on the Tel Aviv Stock Exchange, soon prior to approval of the Transaction by the Company Board of Directors, including the exceptional private offering (March 17, 2016) and soon prior to the issue date of the immediate report about signing of the Investment Agreement (March 20, 2016) was NIS 12.32. The price per Company share on the Tel Aviv Stock Exchange soon prior to the issue date of this report (close of trading on March 30, 2016) was NIS 16.69. The ratio of share price in the Transaction to the price per Company share on the Tel Aviv Stock Exchange soon prior to the issue date of the immediate report about signing the Investment Agreement (March 20, 2016) was 129.87%.

For several days prior to approval of the Transaction by the Company Board of Directors, including the exceptional private offering (March 17, 2016) and prior to the issue date of the immediate report about signing the Investment Agreement (March 20, 2016), there were no transactions in Company shares on the Euronext stock exchange in Belgium. The most recent price per Company share previously determined on the Euronext stock exchange was EUR 2.05.

6. **Convening an extraordinary General Meeting, date and conducting thereof:**

6.1. **Place and time of the General Meeting:** Notice is hereby given of convening an annual and extraordinary General Meeting of Company shareholders ("the **General Meeting**"), to be convened on Monday, May 9, 2016 at 12:00 noon (Belgium time) at the Sheraton Zaventem Hotel in Brussels, Belgium.

6.2. **Legal quorum and continued General Meeting:** Legal quorum, in conformity with Company's Article, would be present when 2 or more shareholders are present, in person or by proxy, who together hold at least thirty percent (30%) of all voting rights in the Company. Should there be no legal quorum present at the General Meeting within 30 minutes of the time set for the start of the General Meeting, the General Meeting would be postponed by one week, at the same time and place. Legal quorum at the continued General Meeting would be present when 2 shareholders are present, in person or by proxy, regardless of their voting rights.

6.3. **The majority required at the General Meeting for approval of resolutions on the agenda:**

- 6.3.1. The majority required for approval of the matter on the agenda as set forth in section 1.2 above is a majority of shareholders present, eligible to vote and taking part in voting.
- 6.3.2. The majority required for approval of the matters listed in sections 1.1, 1.3 and 1.4 above is a majority of shareholders present, eligible to vote and taking part in voting, subject to one of the following being fulfilled: (a) votes cast at the General Meeting shall include at least a majority of all votes of shareholders other than those having a personal interest in approval of the Transaction and other than controlling shareholders of the Company or anyone with a personal interest in approval of the appointment of the nominee for external Board member of the Company, other than a personal interest which does not result from relations with the controlling shareholder, taking part in the voting; the vote count of such shareholders shall not include abstaining votes; and (b) Total NO votes of such shareholders listed in sub-section (a) above shall not exceed two percent of all voting rights in the Company.
- 6.3.3. Notwithstanding the foregoing in section 6.3.2 above, the majority required for approval of the matter listed in section 1.1.3 above is 75% of votes cast by shareholders eligible to attend the General Meeting and taking part in voting.
- 6.3.4. Note that in conformity with provisions of Section 267a(c) of the Companies Law, the Company Board of Directors may approve the amendment of the compensation policy even should the General Meeting convened by the immediate report object to approval of the amendment of the compensation policy as set forth in section 1.1.4 above, provided that the Compensation Committee and then the Board of Directors resolve, based on detailed reasoning and after re-considering the compensation policy, that approval of the amendment to the compensation policy despite the General Meeting being opposed, is in the Company's best interest.
- 6.4. Voting eligibility effective date: In conformity with Section 182 (b) of the Companies Law, Corporate Regulations (Written vote and position statements), 2005 and Corporate Regulations (Relief for public companies whose shares are listed for trading on a stock exchange outside Israel), 2000, the effective date would be Wednesday, April 6, 2016 (hereinafter: "the **Effective Date**"), such that each holder of Company shares at the close of trading on the effective date would be eligible to attend the General Meeting and vote, in person or by proxy.

The number of shares constituting 5% of all voting rights in the Company is: 500,116 Company ordinary shares (accounting for dormant shares which do not confer voting rights).

The number of shares constituting 5% of all voting rights in the Company not held by the controlling shareholder is: 193,138 Company ordinary shares (accounting for dormant shares which do not confer voting rights).

## **7. Review of documents:**

This immediate report and documents mentioned therein, as well as the full text of the resolutions on the agenda, may be viewed at Company offices at Unitronics House, Airport City, Lod from Sunday to Thursday during normal business hours, by prior appointment with Mr. Gabriel Badusa (Telephone: 03-9778888 Fax: 03-9778877), through the date of the General Meeting.



**Unitronics (1989) (RG) Ltd.**  
**("the Company")**

Through T-133  
PUBLIC

March 31, 2016

**To:**  
Israel Securities Authority  
[www.isa.gov.il](http://www.isa.gov.il)

**To:**  
Tel Aviv Stock Exchange Ltd.  
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**Re: Immediate report concerning transaction and engagement by the Company in which the controlling shareholder of the Company has a personal interest and convening a General Meeting of Company shareholders**

Hereby is an immediate report (hereinafter: "the **Report**") with regard to convening an extraordinary General Meeting of Company shareholders, with the agenda including the following matters - and a transaction report pursuant to the Companies Law, 1999 (hereinafter: "the **Companies Law**"), Securities Regulations (Transaction between a Corporation and its Controlling Shareholder), 2001 (hereinafter: "the **Controlling Shareholder Transaction Regulations**"), Securities Regulations Private offering of securities in a listed company), 2000 (hereinafter: "the **Private Offering Regulations**"), Securities Regulations (Periodic and immediate reports), 1970 (hereinafter: "the **Reporting Regulations**"), Corporate Regulations (Notice of General Meeting and Class General Meeting of Public Company), 2000, Corporate Regulations (Written vote and position statements), 2005, and Corporate Regulations (Proof of ownership of stock for voting at General Meeting), 2000.

**Part I – Convening a General Meeting and matters on the agenda**

**1. Time, place and agenda:**

Notice is hereby given of convening an extraordinary General Meeting of Company shareholders ("the **General Meeting**"), to be convened on Monday, May 9, 2016 at 12 noon at the Sheraton Zaventem Hotel in Brussels, Belgium.

**2. Matters on the agenda for the General Meeting and summary of proposed resolutions:**

**2.1 Approval of engagement by the Company of an investment transaction with FIMI Group funds (hereinafter: "**FIMI Fund**"), including:**

**2.1.1 Approval of an investment transaction in the Company by FIMI Fund, in conformity with provisions of Sections 275(a) and 274 of the Companies Law.**

Including approval of extraordinary private offering of Company shares and allotment of 3,750,000 Company ordinary shares to FIMI Fund, as set forth in section 3.1 below.

**Summary of proposed resolution:**

Approve contracting by the Company of the Transaction described herein as a transaction in which the controlling shareholder has a personal interest in accordance with the provisions of Articles 274 and 275 (a) of the Companies Law, and signing of the Investment Agreement, and subject to closing of the Transaction, approve an exceptional private offering of Company shares and Company obligations pursuant to the Investment Agreement and other related agreements, including approve allotment of 3,750,000 Company ordinary shares to FIMI Fund, upon fulfillment of the conditions listed in the Agreement for closing of the Transaction and approve reserving for future allotment another 535,714 Company ordinary shares and allotment thereof to FIMI Fund upon fulfillment of the conditions listed in the Investment Agreement and according to its provisions and approve listing of all the aforementioned shares for trading on the Tel Aviv Stock Exchange.

**2.1.2 Amendment of employment agreement of Mr. Haim Shani, the controlling shareholder of the Company.**

Approval of an amendment to employment agreement of Mr. Haim Shani. Chairman (until the date of completion of the transaction (**the: "closing date"**)), CEO and controlling shareholder of the Company, as set forth in section 3.9 below.

**Summary of proposed resolution:**

Approve, subject to closing of the transaction, the amendment to Mr. Shani's employment agreement, effective as from the transaction closing date.

**2.1.3 Amendment of Company's Article.**

Approval of amendment of Company's Article, as set forth in section 3.10.

**Summary of proposed resolution**

Approve, subject to closing of the transaction, the amendment of Company's Article, as worded in **Appendix 2.1.3** enclosed with this report, effective as from the transaction closing date.

**2.1.4 Amendment of the Company's compensation policy.**

**Summary of proposed resolution**

Approve, subject to closing of the transaction, the amendment of the Company's compensation policy, as worded in **Appendix 2.1.4** enclosed with this report, effective as from the transaction closing date.

**2.1.5 Appointment of Ms. Rivka Granot as external Director of the Company; Approval of remuneration to Ms. Granot as external Director of the Company ;**

**Award of Letter of Indemnification and Waiver to Ms. Granot and inclusion of Ms. Granot on the Company's Board member and officer liability insurance policy.**

2.1.5.1 It is proposed to appoint Ms. Rivka Granot, subject to closing of the Transaction, as an external Board member of the Company for a three-year term in office, as from the closing date, in conformity with Company's Article. The declaration by Ms. Granot, whereby she fulfill the stipulated conditions for serving the Company as external Board member, in conformity with provisions of sections 224b and 241(a) of the Companies Law, is enclosed with this report as **Appendix 2.1.5(a)** to the immediate report. Details of Ms. Granot in conformity with Regulations 26 and 36b(a)(10) of the Periodic and Immediate Reports Regulations are enclosed with this report as **Appendix 2.1.5(b)** to the immediate report. The Company Board of Directors, at its meeting held on March 29, 2016, determined that Ms. Granot has accounting and financial expertise.

**Summary of proposed resolution:**

Subject to closing of the transaction, appoint Ms. Rivka Granot as external Director of the Company for a three-year term in office, as from the transaction closing date.

2.1.5.2 Subject to approval of the appointment of Ms. Granot as external Director of the Company, it is proposed to approve payment of annual remuneration and attendance remuneration to Ms. Granot, as from the effective start date of their appointment, in conformity with the Company's compensation policy and the External Board Member Remuneration Regulations, in the fix amount specified in said Regulations (and reimbursement of expenses as stated in those regulations).

**Summary of proposed resolution:**

Subject to appointment of Ms. Granot as external Director of the Company, to approve payment of annual remuneration and attendance remuneration to Ms. Granot, as from the effective start date of their appointment, in conformity with the Company's compensation policy and the External Board Member Remuneration Regulations, in the fix amount specified in said Regulations (and reimbursement of expenses as stated in those regulations).

2.1.5.3 Subject to approval of the appointment of Ms. Granot as external Director of the Company, award a Letter of Indemnification and Waiver to Ms. Granot, worded as approved and signed with other Company Board members (for more information, including wording of the Letter of Indemnification and Waiver currently in use by the Company, see immediate report of indemnification of officer dated September 22, 2011, reference no. 2011-01-282483 (herein: "**the Letter of Indemnification in use**")), and include Ms. Granot in the Company's Board member and officer liability insurance



policy, all as from the effective start date of their appointment, as noted above, and in conformity with the Company's compensation policy.

**Summary of proposed resolution:**

Subject to approval of the appointment of Ms. Granot as external Board member of the Company, award the Letter of Indemnification and waiver to Ms. Granot, worded as the Letter of Indemnification in use, and include Ms. Granot in the Company's Board member and officer liability insurance policy, all as from the effective start date of their appointment as external Board member of the Company and in conformity with the Company's compensation policy.

**2.1.6 Appointment of Messrs. Amit Ben-Zvi, Yariv Avisar and Gillon Beck as Board members of the Company; Approval of remuneration to Messrs. Avisar and Beck, as Directors of the Company; Award of Letter of Indemnification and Waiver to Messrs. Ben-Zvi, Avisar and Beck and inclusion thereof on the Company's Board member and officer liability insurance policy.**

2.1.6.1 It is proposed to appoint, subject to closing of the Transaction, Messrs. Amit Ben-Zvi, Yariv Avisar and Gillon Beck as Directors of the Company, as from the Transaction closing date through the next annual General Meeting of Company shareholders or a later date, in conformity with provisions of the amended Company's Article. The declarations provided by Messrs. Ben-Zvi, Avisar and Beck whereby they fulfill the stipulated conditions for serving the Company as Board member, in conformity with provisions of section 224b of the Companies Law, are enclosed with this report as **Appendix 2.1.6(a)(1-3)**. Information about Messrs. Ben-Zvi, Avisar and Beck in conformity with Regulations 26 and 36b(a)(10) of the Periodic and Immediate Reports Regulations are enclosed with this report as **Appendix 2.1.6(b)(1-3)**. The Company Board of Directors, at its meeting held on March 29, 2016, determined that Messrs. Ben-Zvi and Beck has accounting and financial expertise.

**Summary of proposed resolution:**

Subject to completion of the Transaction, appoint Mr. Amit Ben-Zvi, Mr. Yariv Avisar and Mr. Gillon Beck as Directors of the Company, as from the Transaction closing date through the next annual General Meeting of Company shareholders or a later date, in conformity with provisions of the amended Company's Article.

2.1.6.2 Subject to approval of the appointment of each of Messrs. Avisar and Beck as Board members of the Company, it is proposed to approve payment of annual remuneration and attendance remuneration to each of Messrs. Avisar and Beck, as from the effective start date of their appointment, in conformity with the Company's compensation policy and the External Board Member Remuneration Regulations, in the fix amount specified in said Regulations (and reimbursement of expenses as stated in those regulations).

For more information about remuneration paid to Company Board members, see section 24 of the Company's compensation policy, as published in an immediate report convening a General Meeting dated November 17, 2013, reference no. 2013-01-193608, included herein by way of reference (herein: **"the Compensation Policy"**). Previously, the Company's Audit Committee, Board of Directors and General Meetings of Company shareholders approved from time to time (on multiple meetings between 2001 and 2008) payment to external Board members of the Company and to Board members who are not officers of the Company, of annual remuneration and attendance remuneration equal to the "Specified Amount", as set forth in Addendums II and III to the Corporate Regulations (Rules for remuneration and expense reimbursement for external Board members), 2000 (herein: **"the External Board Member Remuneration Regulations"**) in conformity with the relevant rating of Company equity.

**Summary of proposed resolution:**

Subject to approval of the appointment of each of Messrs. Avisar and Beck as Board members of the Company, approve payment of annual remuneration and attendance remuneration to each of Messrs. Avisar and Beck, as from the effective start date of their appointment, in conformity with the Company's compensation policy and the External Board Member Remuneration Regulations, in the amount specified in said Regulations (and reimbursement of expenses as stated in those regulations).

- 2.1.6.3 Subject to the appointment of each of Messrs. Ben-Zvi, Avisar and Beck as Board members of the Company, award a Letter of Indemnification and Waiver to each of Messrs. Ben-Zvi, Avisar and Beck, worded as the Letter of Indemnification in Use and to include each of Messrs. Ben-Zvi, Avisar and Beck for three years in the Company's Board member and officer liability insurance policy, in conformity with the Company's compensation policy, as from their appointment date as Board members.

**Summary of proposed resolution:**

Subject to the appointment of each of Messrs. Ben-Zvi, Avisar and Beck as Board members of the Company, award a Letter of Indemnification and Waiver to each of Messrs. Ben-Zvi, Avisar and Beck, worded as the Letter of Indemnification in Use and to include each of Messrs. Ben-Zvi, Avisar and Beck for three years in the Company's Board member and officer liability insurance policy, in conformity with the Company's compensation policy, as from their appointment date as Board members.

**2.1.7 Approval of remuneration to Mr. Amit Ben-Zvi as Active Chairman of the Company Board of Directors.**

As noted above, in conjunction with the Transaction, it is proposed to appoint a paid Active Chairman of the Board of Directors. Therefore, it is proposed to approve, subject to closing of the Transaction and to appointment Mr. Ben-Zvi as Active

Chairman, remuneration to Mr. Ben-Zvi as Active Chairman of the Company Board of Directors such that as from the transaction closing date, Mr. Ben-Zvi would be entitled, for his office as Active Chairman of the Company Board of Directors, to annual pay equal to 55% of the cost to the employer for the Company CEO position, plus VAT and expenses. Mr. Ben-Zvi would be paid quarterly for services rendered to the Company in the previous calendar quarter.

**Summary of proposed resolution:**

Approve, subject to closing of the Transaction and to appointment Mr. Ben-Zvi as Active Chairman, remuneration to Mr. Amit Ben-Zvi as Active Chairman of the Company Board of Directors such that as from the transaction closing date, Mr. Ben-Zvi would be entitled, for his office as Active Chairman of the Company Board of Directors, to annual pay equal to 55% of the cost to the employer for the Company CEO position, plus VAT and expenses. Mr. Ben-Zvi would be paid quarterly for services rendered to the Company in the previous calendar quarter.

**Note that the matters listed in section 2.1 above are brought for approval by the General Meeting as one.**

**2.2 Approval of continued office of Board members other than external Board members, after closing of the Transaction.**

It is proposed to approve continued office of Company Board members other than external Board members, after closing of the Transaction, the effective start date of the Amended Article and cancellation of provisions with regard to a Staggered Board.

**Summary of proposed resolution**

Approve that, after closing of the Transaction, the effective start date of the Amended Article and cancellation of provisions with regard to a Staggered Board, Board members other than external Board members would continue in office through the next annual General Meeting of Company shareholders, or a later date in conformity with amended Company's Article, provided that their term in office has not expired previously, in conformity with provisions of the amended Company's Article and/or all statutory provisions.

**2.3 Approval of employment agreements of Mr. Haim Shani and Ms. Bareket Shani, the controlling shareholder of the Company and his wife, for a further three-year term from the date of the General Meeting, in conformity with Section 275(a1) of the Companies Law.**

It is proposed to approve the employment agreements of Mr. Haim Shani, Chairman (until the closing date), CEO and controlling shareholder of the Company and Ms. Bareket Shani, wife of Mr. Shani, who serves the Company as Board member, Deputy CEO and VP, Human Resources, for a further three years, as set forth in section 4 below.

**Summary of proposed resolution**

Approve employment agreements of Mr. Haim Shani, Chairman (through the Transaction closing date), CEO and controlling shareholder of the Company and Ms. Bareket Shani,

wife of Mr. Shani, who serves the Company as Board member, Deputy CEO and VP, Human Resources, in conformity with Section 275(a1) of the Companies Law, for a further three-year term from the date of the General Meeting.

**2.4 Approval of continued validity of letters of indemnification and waiver of Mr. Haim Shani and Ms. Bareket Shani, for an additional three years as from the date of the General Meeting, in conformity with Section 275(a1) of the Companies Law and their inclusion on the Company's Board members and officer liability insurance policy.**

It is proposed to approve the extension of validity of letters of indemnification and waiver for Mr. and Ms. Shani, pursuant to Section 275(a1) of the Companies Law, for a further three years as from the date of the General Meeting, at terms and conditions identical to those approved for officers other than controlling shareholders of the Company and relatives thereof, as well as inclusion of Mr. and Ms. Shani on the Company's Board members and officer liability insurance policy, for a further three years as from the date of the General Meeting, at terms and conditions identical to those approved for officers other than controlling shareholders of the Company and relatives thereof.

Summary of proposed resolution

Approve the extension of validity of letters of indemnification and waiver for Mr. Haim Shani, Chairman (through the Transaction closing date), CEO and controlling shareholder of the Company and Ms. Bareket Shani, wife of Mr. Shani, who serves the Company as Board member, Deputy CEO and VP, Human Resources, worded as the Letter of Indemnification in Use, and include Mr. and Ms. Shani on the Company's Board members and officer liability insurance policy, for a further three years as from the date of the General Meeting in conformity with Section 275(a1) of the Companies Law, at terms and conditions identical to those approved for officers other than controlling shareholders of the Company and relatives thereof.

**Part II – Transaction Report for Topics 2.1, 2.3 and 2.4 on the agenda of the General Meeting ("the Transactions")**

**3. Approve engagement by the Company of an investment transaction in the Company with FIMI Fund (topic 2.1 on the agenda):**

- 3.1 After discussions by the Company's Audit Committee and Board of Directors in early March 2016, and after approval by the Company's Audit Committee and Board of Directors on March 17, 2016, the Company contracted on March 20, 2016 an agreement with FIMI Fund (**hereinafter: "the Investment Agreement"**). Pursuant to the Investment Agreement, upon closing of the Transaction, FIMI Fund would acquire from the Company and the Company would allot to FIMI Fund by way of exceptional private allotment (as defined in the Private Offering Regulations), 3,750,000 Company ordinary shares of NIS 0.02 par value each (**hereinafter: "the Allotted Shares"**) against payment of NIS 16 per share, for a total of NIS 60 million (**hereinafter: "the Investment Amount"**), reflecting a Company valuation of NIS 160 million. The allotted shares, immediately following the allotment thereof, would constitute 27.27% of the Company's issued and paid-in share capital, fully diluted. The Investment Agreement also contains adjustment provisions whereby, upon fulfillment of certain conditions, the share price may be reduced down to NIS 14 per share by way of allotment of additional shares by the Company to FIMI Fund for no additional consideration. Should the Adjustment Provisions be applied, the Company would allot to FIMI Fund up to an additional 535,714 Company ordinary shares (**hereinafter: "the Additional Shares"**)<sup>5</sup>. For more information about the share price adjustment provisions and the number of Additional Shares which may be allotted to FIMI Fund as part of the Transaction, see section 3.6.1 of the immediate report below. The Company would issue an immediate report about any future allotment of the Additional Shares to FIMI Fund, if allotted, in conformity with provisions of the Private Offering Regulations and would comply with provisions of the Bylaws of the Tel Aviv Stock Exchange Ltd. (**hereinafter: "the Stock Exchange"**) and with the Stock Exchange directives, as they may be at that time, to obtain approval by the Stock Exchange for listing for trading of the aforementioned Additional Shares. For more information about allotment of the Allotted Shares to FIMI Fund by way of exceptional private offering, pursuant to the Private Offering Regulations, see section 13 below.
- 3.2 Upon signing the Investment Agreement, Mr. Haim Shani, the controlling shareholder of the Company, informed the Company that he has signed concurrently an agreement with FIMI Fund (**hereinafter: "the Controlling Shareholder Agreement"; the Investment Agreement and the Controlling Shareholder Agreement, hereinafter jointly: "the Acquisition Agreements"**), whereby FIMI Fund would acquire from them Company shares they own, for a total amount of NIS 50 million which would constitute 22.72% of the Company's issued and paid-in share capital, fully diluted (after closing of both transactions) and therefore, after the transactions with FIMI Fund, Mr. Shani would continue to hold 21.92% of Company shares and would continue to serve as CEO of the Company. Consequently, upon closing of the aforementioned transactions, according to both agreements, FIMI Fund would hold in total 49.99% of the Company's issued and

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<sup>5</sup> See Footnote 1 above.

paid-in share capital<sup>6</sup>. For more information about the share price adjustment provisions and the number of Additional Shares which Mr. Shani would transfer to FIMI Fund as part of the Transaction, see section 3.7.2 of the immediate report below.

- 3.3 Mr. Shani has also informed the Company that upon closing of the Transaction, they and FIMI Fund would sign a shareholder agreement (hereinafter: "the Shareholder Agreement"), whereby they would co-operate in voting on various matters, including with regard to appointment of Board members (including the Chairman of the Board of Directors to be nominated by FIMI Fund) and would govern various rights in cases where any party would conduct certain transactions involving their shares. It was further agreed that the Chairman to be appointed by FIMI Fund would be eligible to 55% of the cost to the employer for the Company CEO position, plus VAT and expenses. These arrangements are restricted in time and/or in holding stake of either party in the Company. Highlights of the provisions of the shareholder agreement are listed in section 3.8 below.
- 3.4 The Investment Agreement stipulates that the Transaction closing would occur within 12 business days after fulfillment of all suspensive conditions for closing of the Transaction as listed in section 3.6.4 below, including approval by the General Meeting convened pursuant to this immediate report of all matters related to the Transaction on the agenda (unless the eligible party waived their fulfillment in conformity with provisions of the agreement), or at a later date to be agreed by the parties to the agreement (hereinafter: "**the Transaction Closing Date**").
- 3.5 Note that closing of the Investment Transaction is subject to the conditions listed in section 3.6.4 of this immediate report.

3.6 **Other provisions of the Investment Agreement**

3.6.1 **to the mechanism of adjustment of share price in the transaction**

As noted, the price per share, for both the Investment Agreement and the Agreement with the Controlling Shareholder, is NIS 16 subject to adjustment provisions, whereby should the cash amounts received by FIMI Fund in conjunction with (a) all shares acquired thereby in conjunction with the Transaction from the Company and from the controlling shareholder thereof, Mr. Haim Shani, and (b) in conjunction with any other securities to be allotted to FIMI Fund after closing of the Transaction due to FIMI Fund holding of shares allotted there to or acquired thereby from the controlling shareholder in conjunction with the Transaction, including due to spin-off of Company operations or subsidiaries thereof, re-organization, share split, distribution of bonus shares or due to any other action (whether by sale, dividends or indemnification pursuant to the acquisition agreements) (hereinafter: "**Total Consideration for the Acquired Shares**") would be less than 250% of the total amount paid for them (i.e. less than NIS 275,000,000), would be reduced to NIS 15 per share (reflecting a Company valuation of NIS 140,000,000) by way of allotment of Additional Shares to FIMI Fund by the Company (and transfer of Additional Shares to FIMI Fund by Mr. Shani, in conformity with provisions of

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<sup>6</sup> See Footnote 1 above.

the Agreement with the Controlling Shareholder), for no additional consideration. The adjustment provisions would apply as from the closing date and would expire 8 years thereafter. Notwithstanding the foregoing, these provisions would not apply should FIMI Fund sell a majority of the shares to be acquired pursuant to the Acquisition Agreements within 2 years after the closing date, unless Mr. Shani has previously sold over 10% of his holding stake in the Company as of the closing date. The parties further agreed that should the adjustment provisions be applied, the total number of Additional Shares to be allotted to FIMI Fund by the Company would not exceed the lowest of (a) the number of ordinary shares for which the consideration, if sold at NIS 14 per share, plus the consideration for the Additional Shares of the controlling shareholder (as defined below), if sold at NIS 14 per share as well, plus the Total Consideration for the Acquired Shares (as defined above), would exceed NIS 275,000,000; (b) the number of Additional Shares.

Should Additional Shares be allotted to FIMI Fund in conformity with the adjustment provisions, the Company would issue an immediate report about the allotment of such Additional Shares, in conformity with provisions of the Private Offering Regulations and in compliance with provisions of the Bylaws of the Tel Aviv Stock Exchange Ltd. ("the **Stock Exchange**") and with the Stock Exchange directives, as they may be at that time, in order to obtain approval from the Stock Exchange for listing said shares for trading.

### 3.6.2 **Representations**

The Investment Agreement includes representations by the Company and by FIMI Fund with regard, *inter alia*, to their lawful incorporation, their authority to contract the agreement, absence of any legal impediment to contracting the agreement and with regard to the agreement being enforceable on both parties. The Investment Agreement also includes representations by the Company with regard to the Company, including representations with regard to Company capital and holding of subsidiaries, absence of contradiction between contracting of the agreement by the Company and the Company's Articles of Association and/or material agreements to which the Company is party, permits and approvals required from third parties for closing of the Transaction by the Company and with regard to the Allotted Shares being free and clear as of the Transaction closing date.

Furthermore, the agreement includes representations by the Company with regard to operations and business of the Company and subsidiaries thereof, *inter alia*, with regard to the Company's consolidated financial statements for 2013-2015 and with regard to the normal course of business for the Company and subsidiaries thereof since December 31, 2015; legal proceedings; loans, liens and guarantees; interested party transactions; approvals, licenses and permits required for their operations; Company compliance with disclosure requirements stipulated in the Securities Act, 1968 ("the **Securities Act**") and regulations based there upon, as well as laws and regulations applicable to the

Company with regard to listing its shares for trading on the Euronext stock exchange in Belgium; material agreements; labor relations; real estate properties and other tangible assets; intellectual property; environmental protection; insurance; brokers; taxes; financing from Government entities and representations with regard to customers and suppliers. Except as set forth in section 3.6.5.1 below, the Company's representations would expire on March 31, 2018 and FIMI Fund would no longer be entitled to indemnification with regard there to.

The agreement also includes representations by FIMI Fund with regard to brokers; acquisition of the Acquired Shares for FIMI Fund alone with no intention to immediately sell them; the experience of FIMI Fund with investments in companies similar to the Company and its capacity to bear the risk associated with such transactions; no representations made by the Company and no reliance by FIMI Fund on Company representations with regard to taxation aspects of the Transaction or other economic consideration and no liability by the Company toward FIMI Fund for any such implications; and with regard to blocking provisions to which the Allotted Shares would be subject, pursuant to provisions of the Securities Act.

### 3.6.3 **Interim period**

The Investment Agreement stipulates that in the interim period, between signing the Investment Agreement and the Transaction closing date (hereinafter: "**the Interim Period**"), the Company would act in the normal course of business there for. The Company and FIMI Fund have committed to co-operate during the Interim Period to carry out all actions and to file all documents required by law with Government entities, including the Anti-trust Supervisor, Stock Exchange, the Euronext stock exchange and others.

### 3.6.4 **Conditions precedent for closing the Transaction**

Closing of the Transaction under the Investment Agreement is subject to the fulfillment of various conditions precedent (which the party entitled to a fulfillment of a condition may waive), the principal ones being as follows:

#### 3.6.4.1 **Conditions precedent for the Company's obligation to close the Transaction:**

- (1) Correctness of the Company's representations as of the signing of the Investment Agreement, and the essential correctness of the Company's representations as of the Transaction closing date.
- (2) FIMI Fund's fulfillment of all its obligations under the Investment Agreement, by or before the Transaction closing date.



- (3) Obtaining the third party consents required for closing the Transaction<sup>7</sup> (including the approval of the General Meeting of the Company's shareholders convened under this Convening Report, for the Transaction and the approval of the Israel Antitrust Commissioner for execution of the Transaction in accordance with the Restrictive Trade Practices Law, 5748-1988, provided it does not include conditions or restrictions). As of the date of the report, the Company is working on preparing the application to the Antitrust Commissioner and will be submitting it within the coming days.

3.6.4.2 Conditions precedent for the FIMI Fund's obligation to close the Transaction:

- (1) Correctness of the FIMI Fund's representations as of the signing of the Investment Agreement, and the essential correctness of the FIMI Fund's representations as of the Transaction closing date.
- (2) The Company's fulfillment of all the obligations it is required to meet under the provisions of the Investment Agreement, by or before the Transaction closing date.
- (3) All the documents whose date of submission to the FIMI Fund has been set as the closing date, have been duly signed, are ready for passing on to the FIMI Fund, and are acceptable in form and substance to the FIMI Fund.
- (4) No judicial, governmental or regulatory body or other person has commenced (or threatened to commence) judicial proceedings that contest, restrict or preclude the signing of the Investment Agreement or execution of the transactions thereunder or under the other transaction documents, or render them illegal, and no judicial injunction, temporary or permanent, or other provision has been issued that restricts, or is likely to restrict, the FIMI Fund's ownership of the Allocated Shares or its ability to vote by virtue thereof.
- (5) Starting from the date of signing the Investment Agreement until the closing date there has been no material adverse change. In this regard, "**material adverse change**" means an adverse change in business, in assets, in the financial position, in the obligations or in the activity of the Company or its consolidated subsidiaries in a cumulative amount of 5% of the Company's consolidated working capital as of the closing date, as shall be

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<sup>7</sup> Such approvals include the approval of the Israel Antitrust Commissioner, the Israel Investment Center at the Israel Ministry of Economy and a notice to the Office of the Chief Scientist's Office of Israel's Ministry of Economy, which are expected and required to be obtained by the completion date.

determined in accordance with generally accepted accounting principles.

- (6) Obtaining the third party consents required for closing the Transaction, including the approval of the Israel Antitrust Commissioner for execution of the Transaction, provided it does not include conditions or restrictions. As of the date of the report, the Company is working on preparing the application to the Antitrust Commissioner and will be submitting it within the coming days.
- (7) Receiving the approval of the General Meeting of the Company's shareholders for executing the Transaction.
- (8) Lawful appointment, effective from the closing date, of the directors on behalf of the FIMI Fund to the Company's Board of Directors.
- (9) Completion of purchase by the FIMI Fund of Mr. Haim Shani's shares, in accordance with the agreement with the controlling shareholder, and concurrently with the completion of the extraordinary private placement to the FIMI Fund in accordance with the Investment Agreement.

### 3.6.5 **Indemnification**

3.6.5.1 In the framework of the agreement, each party has undertaken to indemnify the other party, its members, officers and employees with respect to any loss, cost, damage and expense (except indirect and consequential damages) incurred to them during the indemnification period of the counterparty (as set out in this section below), which originate in the breach of any representation made in the Investment Agreement or in other transaction documents or in that any such representation proves to be incorrect. In this regard, the "significant" threshold limitations determined in the parties' representations in the Investment Agreement are not to be taken into consideration.

In this regard, the "**Indemnification Period**" – with respect to the Company: up to March 31, 2018 – in respect of all the Company's representations, and thereafter, until 84 months after the closing date – in respect of the Company's representations regarding its incorporation, its capital, its authority to enter into the Investment Agreement, its compliance with the disclosure requirements prescribed in the Securities Law and the regulations made by virtue thereof and the applicable rules, and also due to the listing of the Company's shares on the Euronext Stock Exchange and the absence of the need for receiving third party consents.

- 3.6.5.2 To the extent the Company indemnifies the FIMI Fund in accordance with the indemnification arrangements laid down, as set out above and below, these amounts shall be taken into account for calculating the total consideration in respect of the Acquired Shares and for determining whether there is room for invoking the adjustment mechanism set out in section 3.6.1 above.
- 3.6.5.3 For each party, the minimum amount of damages accrued in respect of which it is entitled to demand indemnification shall be two (2) million shekels. In the event the damages accrued exceed the said amount, the party that caused these damages shall indemnify the other for the full amount of the damages, starting from the first shekel.
- 3.6.5.4 A party shall not be liable for indemnification of the other party under this agreement for an amount exceeding the amount invested by the FIMI Fund in the Company or in respect of indirect, punitive or consequential damages. The indemnification arrangements detailed above and below shall constitute an exclusive remedy with respect to the propriety of the Company's financial statements or with respect to the Company's compliance with the disclosure requirements prescribed in the Securities Law and the regulations thereto, as well as the securities rules applying to the Company by virtue of the listing of the Company's shares on the Euronext Stock Exchange, provided that: (a) the Company's shareholders other than the FIMI Fund initiated the said judicial proceeding; and (b) in any case, the overall indemnification amount to be paid by the Company to the FIMI Fund shall not exceed the amount invested by the FIMI Fund in the Company.

### 3.6.6 **Termination of the Investment Agreement**

To the extent that any of the conditions precedent set forth in section 3.6.4 above is not fulfilled within 90 days of the date of signing the Investment Agreement (i.e. from March 20, 2016), and the party entitled to the fulfillment of that same condition precedent does not waive its fulfillment, the party entitled to the fulfillment of the unfulfilled condition precedent shall be entitled to terminate the Investment Agreement by giving notice thereof to the other party to the agreement. Further indemnification arrangements that are essentially similar to the arrangements stated in section 3.6.5.4 above have been laid down in respect of non-fulfillment of a condition precedent arising from the intentional non-fulfillment of an obligation by a party to the agreement or breach of the agreement by a party thereto.

### 3.7 **Agreement with the controlling shareholder**

Following are the main points of the agreement between the FIMI Fund and the Company's controlling shareholder, Mr. Haim Shani, as presented to the Company by Mr. Shani:

- 3.7.1 Conclusion of an agreement with Mr. Shani is a condition precedent for closing the Transaction between the Company and the FIMI Fund.
- 3.7.2 Under an agreement with Mr. Shani, the FIMI Fund shall purchase 3,125,000 ordinary shares of the Company from Mr. Shani, constituting upon their purchase 22.72% of the issued and paid-up share capital of the Company, fully diluted (after closing of the entire transaction), for a total of NIS 50,000,000, reflecting a price of NIS 16 per share and a company value of NIS 160,000,000. The price per share is subject to the adjustment mechanism whose principles are the same as those set forth in section 3.6.1 above, whereby, insofar as the said adjustment mechanism is invoked, Mr. Shani shall transfer to the FIMI Fund, for no additional consideration, up to a further 446,429 ordinary shares of the Company (hereinafter: the "additional shares of the controlling shareholder."<sup>8</sup>
- 3.7.3 Similar to the arrangement with the Company in the framework of the Investment Agreement, it has been agreed between Mr. Shani and the FIMI Fund that if the adjustment mechanism is invoked, the total number of the additional shares of the controlling shareholder to be transferred by Mr. Shani to the FIMI Fund, shall not exceed the lower of (a) the number of ordinary shares whose consideration, if sold at a price of NIS 14 per share, along with the consideration in respect of the additional shares of the Company, if also sold at a price of NIS 14 per share, plus the overall consideration in respect of the Acquired Shares, total an amount exceeding NIS 275,000,000; (b) the number of the additional shares of the controlling shareholder.
- 3.7.4 At the Transaction closing date the additional shares of the controlling shareholder shall be placed in a trust with Mizrahi Tefahot Trust Company Ltd. (hereinafter: the "Trustee") and shall be released to either of the parties as follows: (a) to Mr. Shani, if the overall consideration in respect of the Acquired Shares exceeds NIS 275,000,000; (b) to the FIMI Fund, if the overall consideration in respect of the Acquired Shares is lower than NIS 275,000,000.
- 3.7.5 Closing of the agreement with the controlling shareholder shall be within 12 business days after the fulfillment of all the conditions precedent for closing the Transaction set out in section 3.7.8 below (or waiver of their fulfillment by the party entitled thereto in accordance with the provisions of the agreement), or on another date to be agreed upon by the parties to the agreement (hereinafter: the "Transaction closing date").
- 3.7.6 To the extent that any of the conditions precedent set forth in section 3.7.8 below is not fulfilled within 90 days of the signing of the agreement between the FIMI Fund and the controlling shareholder (i.e. from March 20, 2016), and the party entitled to the fulfillment of that same condition precedent does not waive its fulfillment, the party entitled to the fulfillment of the unfulfilled condition precedent shall be allowed to terminate the agreement between the FIMI Fund and the controlling shareholder by giving notice to the other party to the

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<sup>8</sup> See Footnote 1 above.

agreement, with indemnification arrangements similar in essence to the arrangements stated in section 3.6.6 above applying under circumstances as specified there.

### 3.7.7 **Representations**

The agreement with the controlling shareholder includes representations of Mr. Shani and the FIMI Fund, inter alia in relation to their authority to enter into the agreement, the absence of statutory preclusion of their entering into the agreement and with respect to the agreement being enforceable against them. Likewise, the agreement with the controlling shareholder contains representations of Mr. Shani in connection with his ownership of the shares acquired pursuant to this agreement and these shares being listed on the stock exchange; absence of the need for third party consents for discharging his obligations under the agreement; and with respect to intermediaries.

In addition, the agreement includes representations of the FIMI Fund with regard to intermediaries; acquisition of the Acquired Shares for the FIMI Fund alone and with no plan for their immediate sale; absence of representations from Mr. Shani and absence of reliance on the part of the FIMI Fund on these representations in all pertaining to taxation of the Transaction or any other economic consideration and the absence of liability on Mr. Shani's part toward the FIMI Fund for any implication in connection with these.

### 3.7.8 **Conditions precedent for completion of the sale of shares by the controlling shareholder**

Closing of the Transaction under the agreement with the controlling shareholder is subject to the fulfillment of various conditions precedent (which the party entitled to the fulfillment of any condition precedent may waive), the principal ones being as follows:

#### 3.7.8.1 **Conditions precedent for Mr. Shani's obligation to close the Transaction:**

- (1) The FIMI Fund's fulfillment of all its obligations under the agreement with the controlling shareholder, by or before the Transaction closing date.
- (2) Completion of the FIMI Fund's acquisition of the Allocated Shares, pursuant to the Investment Agreement, concurrently with the closing of the agreement with the controlling shareholder.

#### 3.7.8.2 **Conditions precedent for the FIMI Fund's obligation to close the Transaction:**

- (1) Correctness of Mr. Shani's representations as of the date of signing the agreement with the controlling shareholder and as of the Transaction closing date.

- (2) Mr. Shani's fulfillment of all the obligations he is required to meet pursuant to the provisions of the agreement with the controlling shareholder, by or before the Transaction closing date.
- (3) Obtaining third-party consents required for completing the acquisition of shares from Mr. Shani or for closing the Transaction with the Company pursuant to the Investment Agreement (as stated in section 3.6.4.2 above), including the approval of the Antitrust Commissioner for executing the Transaction, provided it does not contain conditions or restrictions. As of the date of the report, the Company is working on preparing the application to the Antitrust Commissioner and will be submitting it within the coming days.
- (4) Signing of a trust agreement between Mr. Shani, the FIMI Fund and the Trustee in respect of the additional shares of the controlling shareholder, effective as of the closing date.
- (5) The directors on behalf of the FIMI Fund (as these are defined in the Investment Agreement) have been duly appointed to the Company's Board of Directors and the Board's composition shall be as stated in the Shareholders' Agreement, all the above effective as of the closing date.
- (6) Completion of the acquisition by the FIMI Fund of the Allocated Shares, pursuant to the Investment Agreement.

### 3.7.9 **Indemnification**

- 3.7.9.1 In the framework of the agreement, each party has undertaken to indemnify the other party, its members, officers and employees with respect to any loss, cost, damage and expense (except goodwill damages, and indirect and consequential damages) incurred to them, without any time limitation, which originate in the breach of any representation made in the agreement with the controlling shareholder or in that any such representation proves to be incorrect.
- 3.7.9.2 To the extent that the FIMI Fund shall be entitled to indemnification due to the Company's breach of its representations under the Investment Agreement (whether or not it has exercised its said right to indemnification), the price per share under the agreement with the controlling shareholder shall decrease so as to reflect the Company's effective value in light of the damage incurred to the FIMI Fund as a result of the Company's breach of representations (hereinafter: the "**adjusted share price**"). Within 14 days of the date on which the aforesaid entitlement vests in the FIMI Fund, Mr. Shani shall indemnify the FIMI Fund by paying the difference between the price paid to him by the FIMI Fund under the agreement and the total

obtained from multiplying the number of shares sold to the FIMI Fund by Mr. Shani under the agreement by the adjusted share price. This indemnification shall constitute an exclusive remedy to which the FIMI Fund shall be entitled from Mr. Shani with respect to the incorrectness or breach of the Company's representations included in the Investment Agreement.

3.7.9.3 For each party, the minimum amount of damages accrued (whether caused in connection with the agreement with the controlling shareholder or in connection with the Investment Agreement) in respect of which it is entitled to demand indemnification shall be two (2) million shekels. In the event the damages accrued exceed the said amount, the party that caused these damages shall indemnify the other for the full amount of the damages, starting from the first shekel.

3.7.9.4 A party shall not be liable for indemnification of the other party under this agreement for an amount exceeding the amount to be paid by the FIMI Fund to Mr. Shani pursuant to the provisions of the agreement with the controlling shareholder (provided no fraud is involved), nor for indirect, punitive or consequential damages.

### 3.8 **Shareholders' Agreement**

As the Company was informed by Mr. Shani, on the closing date Mr. Shani and the FIMI Fund shall enter into the Shareholders' Agreement, formalizing the relationship between them in connection with their joint control of the Company after the closing of the Transaction. In the framework of the Shareholders' Agreement, the following matters were formalized:

#### 3.8.1 **The Company's Board of Directors**

3.8.1.1 Mr. Shani and the FIMI Fund (each hereinafter referred to individually as "**shareholder**" and jointly as the "**shareholders**") have undertaken to vote, any time after the closing of the Transaction, by virtue of all the Company shares held by them, at any General Meeting of the Company's shareholders whose agenda includes the appointment of Company directors, for the appointment of the director candidates designated by each party as follows:

- (1) Appointment of up to six (6) directors (not including external directors, as defined in the Companies Law), in accordance with that set forth below:
  - a. So long as a shareholder holds at least 11% of the Company's issued and paid-up share capital, it will be entitled to recommend the appointment of three (3) Company directors.
  - b. So long as a shareholder holds less than 11% but at least 5% of the Company's issued and paid-up share capital, it will be

entitled to recommend the appointment of one (1) Company director.

- c. One of the candidates/the candidate appointed by Mr. Shani shall be qualified to serve on the Audit Committee of the Company and one of the candidates/the candidate appointed by the FIMI Fund shall be appointed Chairman of the Board of Directors (who shall have a casting vote in case of a tie vote).
- (2) Subject to the provisions of any law, the Company's Board of Directors shall include two (2) external directors (as this term is defined in the Companies Law), with one to be recommended by the FIMI Fund and the other to be recommended by Mr. Haim Shani, in both cases so long as the relevant shareholder holds at least 5% of the Company's issued and paid-up share capital. If one of the incumbent external directors does not resign from the Company's Board on the Transaction closing date, then Mr. Shani shall cause the resignation of one of the directors recommended by him from the Board, so that at the Transaction closing date, four (4) of the Company's incumbent directors shall be directors recommended by the FIMI Fund.

### 3.8.2 **Restrictions on the transfer of shares**

The Shareholders' Agreement lays down various restrictions on the transfer of Company shares held by the shareholders after the closing of the Transaction, which shall lapse eight (8) years after the Transaction closing date. Such restrictions include:

- 3.8.2.1 **Right of first offer** – Transfer or sale of Company shares by Mr. Haim Shani is subject to the FIMI Fund's right of first offer.
- 3.8.2.2 **Tag-along right** – Insofar as the FIMI Fund will be interested in transferring or selling all or some of the Company shares it owns (hereinafter: the "**selling shareholder**"), Mr. Shani shall be entitled to demand to join the FIMI Fund in the share sale transaction, pro rata, in accordance with the conditions laid down in the Shareholders' Agreement.
- 3.8.2.3 The foregoing notwithstanding, pursuant to the provisions of the Shareholders' Agreement, the right of first offer and the tag-along right may be assigned to a permitted transferee<sup>9</sup> and they shall not apply to: (a) the transfer of shares by a shareholder to a permitted transferee; and/or (b) sales accrued on the stock exchange by a

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<sup>9</sup> In this regard, "**permitted transferee**" denotes: (1) a transferee by virtue of inheritance; (2) family members of the first degree of the shareholders; (3) a related investment fund managed by the same general partner or by the same management company; (4) investors in the shareholders, to the extent this concerns the transfer of a substantive portion of the shareholder's assets to said investors; (5) any entity controlled by, having control of, or under joint control along with the shareholder or its permitted transferee; or (6) a trust created in favor of the shareholder or its permitted transferee.



shareholder of up to 10% of the shares held by said shareholder as of the Transaction closing date.

**3.8.3 Chairman of the Board; Company's CEO and Deputy CEO/Vice President; Lease**

3.8.3.1 So long as the FIMI Fund holds at least 11% of the Company's issued share capital, Mr. Shani shall vote by virtue of all the Company shares held by him, at any and all meetings of the Company's shareholders, for approval of payment of annual compensation to the active Chairman of the Board of Directors (recommended by the FIMI Fund), in an amount equivalent to 55% of the employer's cost to be borne by the Company with respect to the employment of the Company CEO, plus VAT and reimbursement of expenses. The compensation shall be paid on a quarterly basis, in respect of the services provided to the Company during the preceding calendar quarter, starting from the closing date.

3.8.3.2 So long as Haim Shani holds at least 11% of the Company's issued share capital, the FIMI Fund shall vote by virtue of all the Company shares held by it, at any and all meetings of the Company's shareholders for approval of (a) the employment and/or service agreements of Mr. Haim Shani and Ms. Bareket Shani (Mr. Shani's wife, Deputy CEO, VP Human Resources and a Company director), as worded as of the closing date, and (b) a lease agreement for the lease of space in the Unitronics Building at Airport City from a related company of Mr. Shani and Ms. Shani, as worded as of the closing date (all except the changes to be mutually agreed upon between the FIMI Fund and Mr. Haim Shani).

**3.8.4 Joint decisions**

So long as each of the shareholders holds at least 50% of its holdings immediately after the closing date, the following matters shall not be referred for the approval of the Company's Audit Committee, the Company Board or the General Meeting of the Company's shareholders, without the consent of the two parties: (a) any payment or transfer of any asset to a shareholder or to related parties of that same shareholder (as this term is defined below) exceeding the amounts paid or approved for payment at the closing date, excluding any distribution to the Company's shareholders on a pro rata basis, as the term "distribution" is defined in the Companies Law; (b) a change in the proportion of the number of directors that each of the parties can recommend to appoint to the Company (as set forth in section 3.8.1 above); (c) a material change in the Company's sphere of activity. A "related party" denotes any person or body that (1) controls a shareholder; (2) is not a relative of the shareholder (as this term is defined in the Companies Law; or (3) Active Chairman of the Board of Directors whose appointment shall be recommended by the FIMI Fund.

3.9 **Amendment of the employment agreement of Mr. Haim Shani, the Company's controlling shareholder**

In light of the understandings reached by Mr. Haim Shani, the Company's controlling shareholder, and the FIMI Fund, which form an integral part of the terms and conditions of the Transaction, and pursuant to the intent to adjust Mr. Shani's employment agreement to these understandings, the Company and the controlling shareholder have agreed, subject to the closing of the Transaction, to the cancellation of the provisions of the employment agreement whereby Mr. Shani's functions include also the role of Chairman of the Board of Directors of the Company. Likewise, it has been agreed that the annual bonus amount to which Mr. Shani is entitled out of the Company's pre-tax profits as prescribed in the employment agreement, shall be limited to a total of NIS 1.14 million per annum, linked to the consumer price index known at the Transaction closing date.

All the remaining terms and conditions of the employment agreement of Mr. Shani shall continue to apply without any change.

Likewise, it has been clarified that termination of Mr. Shani's term of office as Chairman of the Board upon the closing of the Transaction shall not entitle him to severance pay, and Mr. Shani shall not be entitled to any remuneration from the Company in respect of the change in this function of his.

To remove any doubt, it is hereby clarified that in the event the Transaction is not consummated for whatever reason, the aforesaid amendment shall not go into effect, and Mr. Haim Shani shall continue to be entitled to a bonus under the conditions set forth in his employment agreement existing at the date of this report.

3.10 **Amendment of the Company's Articles of Association**

As part of the understandings reached by the Company and the FIMI Fund in the framework of the Transaction, which form an integral part of the Transaction, it has been proposed to amend the Company's Articles of Association, subject to the closing of the Transaction, inter alia in the following manner: the hierarchical structure of the Board of Directors should be cancelled and all Company directors who are not external directors should be chosen each year by an annual general meeting of the Company's shareholders (unless no directors have been chosen during a specific meeting, in which case they would continue to serve in office as set forth in the Articles of Association); the Company Board should be exclusively authorized to decide on a distribution, within the meaning of this term in the Companies Law, 5759-1999; the requirements for a special majority and special resolutions at general meetings of the Company's shareholders should be cancelled. For the proposed wording of the amended Articles of Association (hereinafter: the "**Amended Articles of Association**") see **Appendix 2.1.3** to this immediate report.

3.11 **Amendment of the Company's Compensation Policy**

As mentioned above, in the framework of the Transaction, it was proposed to make changes to the Board's composition, which includes appointing a salaried active

Board Chairman. Therefore, it is proposed to amend, subject to the closing of the Transaction, the Company's Compensation Policy and to establish therein criteria for remunerating this officer (hereinafter: the "**Amended Compensation Policy**"), as follows: If the Board Chairman does not serve also as an officer of the Company (besides being a director), then the Chairman of the Board shall be entitled to an annual compensation of up to 55% of the overall annual employment cost for the Company's CEO, plus VAT insofar as applicable, according to its rate from time to time, with the addition of reimbursement of expenses. A chairman receiving said compensation shall not be paid directors' compensation.

For the proposed wording of the Amendment to the Compensation Policy see **Appendix 2.1.4** to this immediate report.

3.12 **Appointment of Ms. Rivka Granot as an external director of the Company; approval of the payment of remuneration to Ms. Granot as an external director of the Company; grant of a letter of exemption and indemnification to Ms. Granot and his inclusion in the Company's directors and officers insurance policy**

It is proposed to appoint, subject to the closing of the Transaction, Ms. Rivka Granot as an external director of the Company for a period of three years as of the Transaction closing date. The declaration by Ms. Granot, whereby they fulfill the stipulated conditions for serving the Company as external Director, in conformity with provisions of sections 224b and 241(a) of the Companies Law, is enclosed with this report as **Appendix 2.1.5(a)** to the immediate report. Details of Ms. Granot in conformity with Regulations 26 and 36b(a)(10) of the Periodic and Immediate Reports Regulations are enclosed with this report as **Appendix 2.1.5(b)** to the immediate report. It is proposed that for her service as an external director of the Company, Ms. Granot will be entitled to payment of an attendance fee and annual compensation, in accordance with the Company's Compensation Policy and the External Directors' Remuneration Regulations, in the fixed amount as defined in those regulations (and reimbursement of expenses as stated in those regulations), effective as of the date of her appointment as an external director of the Company. In addition, it is proposed to grant Ms. Granot a letter of exemption and indemnification, in the customary wording, and to include Ms. Granot in the Company's directors and officers insurance policy, in accordance with the Company's Compensation Policy, as of the date of his appointment as an external director.

3.13 **Appointment of Messrs. Amit Ben-Zvi, Yariv Avisar and Gillon Beck as directors of the Company; approval of the payment of remuneration to Messrs. Avisar and Beck as directors of the Company; grant of a letter of exemption and indemnification to Messrs. Ben-Zvi, Avisar and Beck as directors of the Company and their inclusion in the Company's directors and officers insurance policy**

It is proposed to appoint, subject to the closing of the Transaction, Messrs. Amit Ben-Zvi, Yariv Avisar and Gillon Beck as directors of the Company, as of the Transaction closing date until the end of the next Annual General Meeting of the Company's

shareholders or a later date as prescribed in the Amended Articles of Association. The declarations provided by Messrs. Ben-Zvi, Avisar and Beck whereby they fulfill the stipulated conditions for serving the Company as directors, in conformity with provisions of section 224b of the Companies Law, are enclosed with this report as **Appendix 2.1.6(a)(1-3)** to the immediate report. Information about Messrs. Ben-Zvi, Avisar and Beck in conformity with Regulations 26 and 36b(a)(10) of the Periodic and Immediate Reports Regulations are enclosed with this report as **Appendix 2.1.6(b)(1-3)** to the immediate report. It is proposed that for their service as directors of the Company, each of Messrs. Avisar and Beck will be entitled to payment of an attendance fee and annual compensation, in accordance with the Company's Compensation Policy and the External Directors' Remuneration Regulations, in the fixed amount as defined in those regulations (and reimbursement of expenses as stated in those regulations), effective as of the date of their appointment as directors of the Company (subject to the closing of the Transaction, Mr. Ben-Zvi will serve as an active Chairman of the Board of Directors; the proposed terms of remuneration of Mr. Ben-Zvi are set out in section 3.14 below) . In addition, it is proposed to grant each of Messrs. Ben-Zvi, Avisar and Beck a letter of exemption and indemnification, in the customary wording, and to include each of Messrs. Ben-Zvi, Avisar and Beck in the Company's directors and officers insurance policy for three years, in accordance with the Company's Compensation Policy, as of the date of their appointment as directors.

3.14 **Approval of the payment of remuneration to Mr. Amit Ben-Zvi as an active Chairman of the Board of Directors of the Company**

As noted above, as part of the Transaction it is proposed to appoint a salaried, active Chairman of the Board of Directors. Accordingly, it is proposed to approve, subject to the closing of the Transaction and to his appointment as an Active Chairman, the payment of remuneration to Mr. Ben-Zvi as an active Chairman of the Board of Directors of the Company, such that as of the Transaction closing date Mr. Ben-Zvi will be entitled, for his service as an active Chairman of the Board of Directors of the Company, to total annual compensation equivalent to 55% of the employer's cost for the Company CEO, plus VAT and expenses. Said compensation will be paid to Mr. Ben-Zvi on a quarterly basis, for services provided to the Company in the previous calendar quarter.

The proposed compensation for Mr. Ben-Zvi is consistent with the provisions of the Amended Compensation Policy.

For a table summarizing the remuneration to which Mr. Ben-Zvi would have been entitled had he served as an active Chairman of the Board of Directors of the Company in 2015, based on data of the employer's cost for the Company CEO, in accordance with the Sixth Schedule to the Periodic and Immediate Reports Regulations, see **Appendix 3.14** to this report.

4. **Approval of the employment agreements of Mr. Haim Shani and Ms. Bareket Shani, the Company's controlling shareholder and his wife, for a further period of three years from the date of the Meeting, in accordance with section 275(a1) of the Companies Law (item 2.3 on the agenda of the Meeting):**

- 4.1 The Company is bound by personal employment agreements with Mr. Haim Shani (controlling shareholder, CEO and Chairman of the Board of Directors prior to the closing of the Transaction with the FIMI Fund and the amendment of his employment agreement as detailed in section 3.9 above) and with Ms. Bareket Shani (Mr. Shani's wife, who also serves as a director, as Deputy CEO and as VP Human Resources of the Company) (hereinafter: the "**Employment Agreements**"), which were extended until September 4, 2017. In accordance with the Employment Agreements, Mr. Shani serves as Company CEO, in charge of the management of the Company's entire business operation, and Ms. Shani serves as Deputy CEO, in charge of the management of the Company's human resources, both in a full-time capacity.
- 4.2 Under the Employment Agreements, Mr. Shani's salary is NIS 60,000 and Ms. Shani's salary is NIS 30,000. In addition, the salary is linked to the consumer price index, such that each year, starting from January 2012 and onwards, an amount equivalent to the percentage of change in the last year's index is added to their salary.
- 4.3 Mr. Shani's salary is split, such that a part is paid by the wholly owned subsidiary Unitronics Inc., and the balance is paid by the Company, for his services as Company CEO.
- 4.4 In addition to the salary specified above, Mr. Shani and Ms. Shani are entitled to the following: (a) customary social benefits, such as executive insurance (5% contribution by the employee and 13.33% contribution by the Company from the monthly salary); (b) study fund (2.5% contribution by the employee and 7.5% contribution by the Company from the monthly salary); (c) use of a company car (with no specification of a car category) and reimbursement of expenses; and (d) 30 day's annual vacation accruable up to a maximum of two years. In addition, Mr. Shani is entitled to an annual bonus for each calendar year starting from 2005 and as long as he is employed as Company CEO, payable within 30 days from the date of the Board of Directors' approval of the financial statements for each such calendar year, at a rate of 7.5% of the profit before tax in that year (cost to the Company). Subject to the approval of the amendment to Mr. Shani's employment agreement, as detailed in section 3.9 above, starting from the closing date the amount of said bonus will be limited to NIS 1,140,000 linked to the consumer price index known on the closing date, as set out above.
- 4.5 The termination of Mr. Shani's agreement is subject to prior notice of at least six months. Mr. Shani may terminate the agreement for any reason, subject to three months' prior notice. As to Ms. Shani, each party may terminate the agreement by two months' notice, and the Company is required to provide a substantive reason for dismissal, if it initiates such termination.

For a table summarizing the remuneration data of Mr. Shani and Ms. Shani in accordance with the Sixth Schedule to the Periodic and Immediate Reports Regulations, see **Appendix 3.14** to this report.

- 4.6 On March 29, 2016 the Compensation Committee and the Board of Directors of the Company resolved to approve the above Employment Agreements for a further three

years, effective as of the date of the Meeting, and subject to the approval of the General Meeting of the Company's shareholders, in accordance with section 275 (a1) of the Companies Law, such that they will continue to apply at the same terms but subject to the amendment of Mr. Shani's agreement as set out in section 2.1.2 above.

4.7 **Qualifications of Mr. Shani and Ms. Shani for their position:**

- a. As the Company's founders, Mr. Shani and Ms. Shani have many years of close and direct familiarity with the entire range of technologies and products developed, manufactured and distributed by the Company from its inception to this day, as well as with the Company's markets, customers and service providers.
- b. Mr. Shani and Ms. Shani are well known and have a good reputation in the Company's areas of business, and the Company's reputation and goodwill are closely tied to the fact that Mr. Shani and Ms. Shani are controlling shareholders and senior officers of the Company.

5. **Approval of the continued application of the letters of exemption and indemnification of Mr. Haim Shani and Ms. Bareket Shani for a further period of three years, from the date of the Meeting, in accordance with section 275(a1) of the Companies Law, and the inclusion of Mr. Shani and Ms. Shani in the Company's directors and officers insurance policy (item 2.4 on the agenda of the Meeting):**

- 5.1 On March 29, 2016 the Compensation Committee and the Board of Directors of the Company resolved to approve, subject to the approval of the General Meeting of the Company's shareholders in accordance with section 275(a1) of the Companies Law, the continued application of the letters of exemption and indemnification of Messrs. Shani, in the customary wording, in accordance with that section, for a further three years as of the date of the Meeting, at the same terms as those approved for officers who are not controlling shareholders of the Company or their relatives.
- 5.2 In addition, on March 29, 2016 the Compensation Committee and the Board of Directors of the Company approved the inclusion of Messrs. Shani in the Company's directors and officers liability insurance policy for a further three years as of the date of the Meeting, at the same terms as the other officers who are not controlling shareholders of the Company or their relatives.

6. **Names of the controlling shareholders having a personal interest in the transactions and the nature of such interest**

- 6.1 The controlling shareholder of the Company having a personal interest in the transactions is Mr. Haim Shani. Mr. Shani holds 6,139,551 ordinary shares of the Company of NIS 0.02 par value each (hereinafter: "**shares**") representing 61.38% of the issued and paid-up share capital of the Company (61.38% fully diluted) and serves as a director of the Company, as Chairman of the Board of Directors and CEO of the Company and as a director of the Company's subsidiaries.

- 6.2 Ms. Bareket Shani, Mr. Shani's wife, serves as Deputy CEO and VP Human Resources of the Company, as a director of the Company and as a director of its subsidiaries.
- 6.3 Mr. Haim Shani and Ms. Bareket Shani have a personal interest in the approval of resolution 2.1 on the agenda, due to Mr. Shani entering, as an integral part of the Transaction, into an agreement for the sale of some of his shares in the Company to the FIMI Fund, as detailed in section 3.7 above, as well as his intention to enter into the Shareholder's Agreement with the FIMI Fund, as detailed in section 3.8 above.
- 6.4 Mr. Haim Shani and Ms. Bareket Shani have a personal interest in the approval of resolution 2.1 on the agenda, since receiving the approval of the General Meeting that is being convened by this report to said resolution is a condition precedent to the closing of the Transaction. Accordingly, resolution 2.1 on the agenda, including all the resolutions set out in its subsections, is being submitted for approval by the majority prescribed in section 275 of the Companies Law.
- 6.5 In addition, Mr. Haim Shani and Ms. Bareket Shani have a personal interest in the approval of resolutions 2.3-2.4 on the agenda, since these resolutions deal with the terms of their service and employment by the Company.
- 6.6 Consequently, Mr. Shani and Ms. Shani did not participate in the discussion and in the votes held by the Audit Committee, the Compensation Committee and the Board of Directors regarding the approval of the Transaction and regarding the Board of Directors' recommendation to the General Meeting to approve the Transaction, to approve the amendment to Mr. Shani's employment agreement, to approve for three years Mr. Shani's amended employment agreement and Ms. Shani's employment agreement and to approve the continued application of the letters of exemption and indemnification, in their customary wording, to Mr. Shani and Ms. Shani.

7. **Manner of setting the consideration:**

- 7.1 Approval of the investment transaction per item 2.1 on the agenda: The terms of the Investment Agreement, including the percentage of shares in the Company's issued and paid-up share capital which are to be allocated to the FIMI Fund following the closing of the Transaction, the price per share (NIS 16) and the company value used as a basis for the Transaction, were set in negotiations between the Company and the FIMI Fund. The terms of the agreement were set taking into account, inter alia: (a) the limited marketability of the Company's shares both on the Tel Aviv Stock Exchange and on the Euronext Exchange; (b) the price of the Company's share on the Tel Aviv Stock Exchange immediately prior to the approval of the Transaction by the Audit Committee and the Board of Directors (NIS 12.3); and (c) the premiums in investment transactions with similar characteristics to those of the Transaction which is being submitted for approval pursuant to this immediate report, made in recent years by public companies in Israel. For a summary of the reasons of the Audit Committee and the Board of Directors for approving the Transaction, including the consideration in respect thereof, see section 10 below.

- 7.2 Approval of the Employment Agreements per item 2.3 on the agenda: The consideration paid to each of Messrs. Shani for their services is consistent with the Company's Compensation Policy and with the contribution of Mr. Shani and Ms. Shani to the Company, as determined by the Compensation Committee and the Board of Directors of the Company when approving the Employment Agreements and given the importance and dependence attributed by the Audit Committee and the Board of Directors to their continued employment by the Company. In accordance with the Company's Compensation Policy, the Audit Committee and the Board of Directors examined the salary levels of officers in similar positions in companies with a similar scope of activity and found that the terms of employment of Mr. Shani and Ms. Shani (as detailed in section 4 above) are commensurate with their positions and qualifications.
- 7.3 Approval of the continued application of the letters of exemption and indemnification and inclusion in the directors and officers liability insurance policy per item 2.4 on the agenda: The terms of the letters of exemption and indemnification are intended to provide for the maximum protection permitted by law, in the same manner as for all the directors and officers of the Company. Similarly, the terms of the Company's directors and officers liability insurance policy are the same for all the Company's officers, including both those who are and those who are not controlling shareholders of the Company or their relatives.
8. **Required approvals or terms set for the execution of the transactions:**
- 8.1 Under section 275 of the Companies Law, a private placement in which the controlling shareholder has a personal interest requires the approval of the Audit Committee and the Board of Directors, and under section 274, a private placement to someone who will become an interested party requires the approval of the Board of Directors. Such a private placement was approved by the Audit Committee and the Board of Directors of the Company on March 17, 2016. Furthermore, transactions with the controlling shareholder or his relatives relating to the terms of their service and employment require the approval of the Compensation Committee and the Board of Directors. These transactions (items 2.3 and 2.4 on the agenda of the Meeting) were approved by the Compensation Committee and the Board of Directors of the Company on March 29, 2016.
- 8.2 The private placement as well as the transactions relating to the terms of service and employment of the Company's controlling shareholder or his relatives also require the approval of the General Meeting of the Company's shareholders under sections 274 and 275 of the Companies Law, convened in the manner detailed below, by the majority required by law as described there.
- 8.3 In addition, the closing of the transaction of investment by the FIMI Fund in the Company (item 2.1 on the agenda) is subject to the fulfillment of the conditions precedent set forth in sections 3.6.4 and 3.7.8 above. Resolutions 2.1.1-2.1.7 on the agenda of the Meeting are subject to the closing of the Transaction, and insofar as these resolutions are adopted by the General Meeting, they will become effective upon the closing of the Transaction.



9. **Similar transactions between the Company and the controlling shareholder made in the last two years or still in effect:**

9.1 Approval of the investment transaction:

In the two years prior to the date of approval of the investment transaction by the Board of Directors, the Company did not make any transactions of the same type as or similar to the investment transaction and no transactions of this sort were concluded.

9.2 Approval of the employment agreements of the controlling shareholders and the amendment thereof (items 2.1.2 and 2.3 on the agenda of the Meeting):

On May 27, 2014 and on June 30, 2014, respectively, and thereafter in additional meetings on July 20, 2014, the Compensation Committee and the Board of Directors of the Company, and subsequently on September 4, 2014 the General Meeting of the Company's shareholders, resolved to approve the employment agreements of the Company's controlling shareholder and his wife, in accordance with section 275(a1) of the Companies Law.

9.3 Grant of letter of exemption and indemnification to the controlling shareholder and his wife (item 2.4 on the agenda of the Meeting):

On May 27, 2014 and on June 30, 2014, respectively, and thereafter in additional meetings on July 20, 2014, the Compensation Committee and the Board of Directors of the Company, and subsequently on September 4, 2014 the General Meeting of the Company's shareholders, resolved to grant Messrs. Shani letters of exemption and indemnification, for three years effective as of the date of the Meeting, in accordance with section 275(a1) of the Companies Law, at the same terms as those approved for officers who are not controlling shareholders of the Company or their relatives.

10. **Summary of reasons of the Compensation Committee and the Board of Directors for approving the transactions on the agenda of the General Meeting:**

10.1 Approval of the investment transaction:

The Audit Committee and the Board of Directors of the Company approved the Investment Agreement according to its terms as detailed above, including the Company's signing of the Investment Agreement and performance of its obligations thereunder, the extraordinary private allocation of the Allocated Shares to the FIMI Fund, effective as of the closing date of the Transaction, in the name of Mizrahi Tefahot Nominee Company Ltd. on behalf of the FIMI Fund, the holding of the Additional Shares in reserve in the Company's capital and approval of their allocation in the future, should the FIMI Fund be entitled to them by virtue of the activation of the adjustment mechanism and in accordance with the provisions of the Investment Agreement, and the listing of the Allocated Shares and the Additional Shares (should they be allocated in the future), and the Compensation Committee approved the aspects of employment and service conditions as described in this report above, all of the above for the reasons set out below:

10.1.1 The Company will use the consideration from the Transaction for its day-to-day needs, for increasing the Company's capital and for financing its current

operations, including financing the expansion and development of the Company's activity in the automated parking solutions segment.

- 10.1.2 The percentage of the Allocated Shares in the Company's issued and paid-up capital after the closing of the Transaction, the price per share (NIS 16) and the company value used as a basis for the Transaction are appropriate and fair, inter alia considering: (a) the limited marketability of the Company's shares both on the Tel Aviv Stock Exchange and on the Euronext Exchange; (b) the price of the Company's share on the Tel Aviv Stock Exchange immediately prior to the approval of the Transaction by the Audit Committee and the Board of Directors (NIS 12.3); and (c) the premiums in investment transactions with similar characteristics to those of the Transaction which is being submitted for approval pursuant to this immediate report, made in recent years by public companies in Israel.
- 10.1.3 Based on the excellent reputation of the FIMI Fund and its possession of proven experience, resources and business connections, on becoming a controlling shareholder of the Company the FIMI Fund can be expected to contribute to the Company's value, plans, advancement and activity, including the development of the Company's business strategy, the location and realization of new business opportunities and the branding and positioning of the Company in the markets in which it operates.
- 10.1.4 The planned appointment of candidates recommended by the FIMI Fund to the Board of Directors of the Company has the potential to add significant value to the Company and its activity, inter alia in view of their qualifications and experience as directors on the boards of numerous private and public companies, and particularly as directors on the boards of industrial companies.
- 10.1.5 The Audit Committee and the Board of Directors of the Company considered the terms of the Investment Agreement and determined that entering into the agreement does not involve a "distribution" as this term is defined in the Companies Law.
- 10.1.6 The amendment of the employment agreement of the Company's controlling shareholder is consistent with its Compensation Policy.
- 10.1.7 The grant of a letter of exemption and indemnification to the directors recommended by the FIMI Fund is an accepted protection provided by the Company to all its directors and is also an accepted protection in public companies for officers including directors who act on their behalf, enabling them to act in the company's interest in the knowledge that even in the event of an error on their part they will be granted protection, subject to the limitations of the law.
- 10.1.8 The inclusion of officers, including directors, in officers liability insurance policies is customary in public companies in Israel and is also essential for

enabling the Company's officers, including its directors, to act freely in the Company's interest while reducing their personal exposure.

- 10.1.9 In the estimation of the Compensation Committee and the Board of Directors of the Company, the terms of office and employment offered to the directors, as detailed in section 3.13 above, are fair, reasonable and commensurate with their responsibilities as directors of the Company, considering the Company's size, scope of operations and profitability as well as their education, expertise and professional experience.
- 10.1.10 Mr. Amit Ben-Zvi has proven experience of many years in managerial positions with companies in a variety of areas. Given his close familiarity with the capital market, the Compensation Committee and the Board of Directors of the Company see great importance in engaging with Mr. Ben-Zvi and in his appointment as Chairman of the Board of Directors of the Company. The proposed remuneration for Mr. Ben-Zvi is lower than the amount of the remuneration for managers of his standing in companies of the same kind and size as the Company. In light of all the foregoing, the Compensation Committee and the Board of Directors of the Company estimate that the terms of service and employment of Mr. Ben-Zvi, which are being submitted for approval pursuant to this immediate report, are appropriate, reasonable and fair and comply with the provisions of the Company's Compensation Policy, and they are in the Company's interest.
- 10.1.11 In light of all the foregoing, the members of the Audit Committee and the Board of Directors of the Company believe that the Company's entry into the investment transaction with the FIMI Fund, including the extraordinary private placement of shares of the Company to the FIMI Fund as part of the Transaction, and the approval of the allocation of the Additional Shares in accordance with the adjustment mechanism, is fair, appropriate and reasonable and in the Company's interest.

**The assessments of the Audit Committee, Compensation Committee and the Board of Directors of the Company as to the impact of the Transaction on the Company, its activity and its financial results constitute forward-looking information, as the term is defined in the Securities Law, 5728-1968. These assessments might not be realized, or might be realized only partially or in a different manner than expected, due to various events over which the Company does not have full control, including changes in the capital market, future resolutions of the Company's competent organs, changes in the industry in which the Company operates, full exploitation of the advantages offered by the investment, etc.**

10.2 Approval of the Employment Agreements per item 2.3 on the agenda:

The Compensation Committee and the Board of Directors of the Company approved the Employment Agreements for the reasons set out below:

- 10.2.1 The Employment Agreements are fully consistent with the Company's Compensation Policy.
- 10.2.2 The Compensation Committee and the Board of Directors acknowledge the significant and ongoing contribution of Mr. Shani and Ms. Shani and see a direct connection between each of them, the terms of their remuneration and the Company's success. Accordingly, the Audit Committee and the Board of Directors consider that the approval of the Employment Agreements is commensurate with the services and qualifications of Mr. Shani and Ms. Shani, given the importance and dependence attributed by the Board of Directors to their continued employment by the Company, and will facilitate the continued receipt of these services, and they believe as well that this is the accepted remuneration for holders of corresponding positions in companies with a similar scope of activity.
- 10.2.3 The Board of Directors of the Company determined that the Company has a significant dependence on the services of Mr. Haim Shani and Ms. Bareket Shani, due inter alia to the following reasons:
- a. As the Company's founders, Mr. Shani and Ms. Shani have many years of close and direct familiarity with the entire range of technologies and products developed, manufactured and distributed by the Company from its inception to this day, as well as with the Company's markets, customers and service providers.
  - b. Mr. Shani and Ms. Shani are well known and have a good reputation in the Company's areas of business, and the Company's reputation and goodwill are closely tied to the fact that Mr. Shani and Ms. Shani are controlling shareholders and senior officers of the Company.
  - c. As an outcome, Mr. Shani and Ms. Shani are actively involved at all levels of the Company's day-to-day activity, and their replacement would entail an especially prolonged handover period, apart from which finding replacements with the same scope of knowledge and experience as Mr. Shani and Ms. Shani could involve substantial inputs.
  - d. In addition, the replacement of Mr. Shani and Ms. Shani could involve high costs, given the low salary they have drawn from the Company over the years compared to holders of similar positions in companies operating on a similar scale.
- 10.2.4 These transactions are in the Company's interest.
- 10.3 Approval of the continued application of the letters of exemption and indemnification per item 2.4 on the agenda:

The Compensation Committee and the Board of Directors of the Company approved the continued application of the letters of exemption and indemnification of Messrs. Shani, in the customary wording, in accordance with section 275(a1) of the Companies Law, for a further three years as of the date of the Meeting, at the same

terms as those approved for officers who are not controlling shareholders of the Company or their relatives, for the reasons set out below:

- 10.3.1 The letters of exemption and indemnification and the inclusion of Messrs. Shani in the Company's officers liability insurance policy are consistent with the Company's Compensation Policy.
- 10.3.2 The Company seeks to grant all its officers the maximum protection permitted by law.
- 10.3.3 In the opinion of the Compensation Committee and the Board of Directors of the Company, the continued application of the letters of exemption and indemnification of Mr. Shani and Ms. Shani and their inclusion in the directors and officers liability insurance policy is reasonable and appropriate in the circumstances of the case, given the major contribution made by Mr. Shani and Ms. Shani to the Company, the scope of their activity in the Company and their exposure in their positions with the Company.
- 10.3.4 The continued application of the letters of exemption and indemnification of Mr. Shani and Ms. Shani, in the same wording as for the Company's other officers, and their inclusion in the insurance policy, are in line with the Company's policy of not discriminating between different officers of the Company in the protection granted to them against insurable and indemnifiable exposures in their capacity as officers.
- 10.3.5 The transaction is in the Company's interest.

11. **Names of the directors who participated in the discussions of the Board of Directors, the Audit Committee and the Compensation Committee regarding the approval of the transactions in question, including the identification of external directors:**

- 11.1 Names of the directors who participated in the discussions of the Board of Directors and the Audit Committee regarding the approval of item 2.1 on the agenda and the approval in principle of items 2.1.2-2.1.7, 2.3 and 2.4 on the agenda on March 17, 2016: Mr. Doron Shinar (external director), Mr. Joel Sela (external director), Mr. Zvi Livne (director), Ms. Edna Ramot (director).
- 11.2 Names of directors who participated in the discussions of the Compensation Committee and the Board of Directors regarding the approval of items 2.1.2-2.1.7, 2.3 and 2.4 on the agenda on March 29, 2016: Mr. Doron Shinar (external director), Mr. Joel Sela (external director), Mr. Zvi Livne (director), Ms. Edna Ramot (director).

12. **Names of the directors who have a personal interest in the transactions and the nature of such interest:**

- 12.1 Mr. Shani and Ms. Shani have a personal interest in the approval of resolutions 2.1, 2.3 and 2.4 on the agenda of the Meeting, as described in sections 3-5 above.

- 12.2 Mr. Shani and Ms. Shani were not present and did not participate in the discussions and votes held by the Audit Committee, the Compensation Committee and the Board of Directors regarding the approval of the transactions as detailed above.

13. **Additional details as required by the Private Placement Regulations**

Following are additional details on the share allocation to the FIMI Fund, which constitutes an extraordinary private placement (as the term is defined in the Private Placement Regulations).

13.1 **Names of the Offerees**

The Offerees in the extraordinary private placement (as the term is defined in the Private Placement Regulations) are: FIMI Opportunity Five (Delaware), Limited Partnership, and FIMI Israel Opportunity Five, Limited Partnership (hereinafter, together: the "**Offerees**"). The general partner in each of these partnerships is FIMI Five 2012 Ltd., a private company incorporated in Israel, in which the ultimate shareholder is Mr. Ishay Davidi.

13.2 **The Offeree is an interested party**

Following the allocation of shares of the Company and acquisition of shares from Mr. Haim Shani in the framework of the Transaction, the Offeree will hold shares of the Company at the percentages listed in the table in section 13.7 below, making it an interested party as the term is defined in section 270(5) of the Companies Law.

The Board of Directors of the Company was informed of the fact that the FIMI Fund is an interested party.

13.3 **Terms of the securities it is proposed to issue**

In the framework of the Transaction, 3,750,000 ordinary shares of the Company of NIS 0.02 par value each (hereinafter: the "**Allocated Shares**") will be issued to the FIMI Fund at a price of NIS 16 per share (hereinafter: "**price per share**"), constituting immediately following their allocation 27.27% of the Company' issued and paid-up share capital and 27.27% of its voting rights (including on a fully diluted basis). The Allocated Shares will be allocated on behalf of the Offeree in the name of Mizrahi Tefahot Nominee Company Ltd., will be listed on the stock exchange from the date of their allocation and will have equal rights in all respects to the ordinary shares of NIS 0.02 par value in the Company's capital, but they will be subject to the restrictions set out in section 13.10 below including the lock-up restrictions by virtue of the Securities Law and the regulations thereto.

In addition, the Investment Agreement provides for an adjustment mechanism, whereby upon the fulfillment of certain conditions the price per share might be reduced up to NIS 14 per share through the allocation of additional shares to the FIMI Fund by the Company at no additional consideration. If said adjustment mechanism is activated, the Company will allocate to the FIMI Fund up to 535,714 additional ordinary shares (hereinafter: the "**Additional Shares**").<sup>10</sup> For further details on the

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<sup>10</sup> See Footnote 1 above.

price-per-share adjustment mechanism and the number of additional shares that might be allocated to the FIMI Fund in the framework of the Transaction, see section 3.6.1 above. The Company will issue an immediate report regarding any future allocation, if at all, of additional shares to the FIMI Fund, in accordance with the Private Placement Regulations, and it will comply with the regulations and directives of the Tel Aviv Stock Exchange Ltd. (hereinafter: the "TASE"), as in effect at the time, for receiving the TASE's approval for the listing of the Additional Shares.

**13.4 The consideration for the offered securities:**

The offered shares are offered at a price of NIS 16 per share. For details on the consideration for the offered shares and the way in which it was determined, see sections 3, 4 and 7 above.

**13.5 Significant shareholders or officers of the Company who have a personal interest in the consideration and the nature of the personal interest**

For details on the personal interest of significant shareholders and officers of the Company in the Transaction and the consideration, see sections 6 and 13.2 above.

**13.6 Information on the Company's shares:**

The average price of the share in the six months prior to the date of publication of the report, taking into account any distribution, split or rights issue, is NIS 15.78. The price of the Company's share on the Tel Aviv Stock Exchange immediately prior to the Board of Directors' approval of the Transaction, including the extraordinary private placement (March 17, 2016), and immediately prior to the date of publication of the immediate report on the signing of the Investment Agreement (March 20, 2016), was NIS 12.32. The price of the Company's share on the Tel Aviv Stock Exchange immediately prior to the date of publication of this report (end of the trading day of March 30, 2016) is NIS 16.69. The ratio between the price of the Company's share in the framework of the Transaction and its price on the Tel Aviv Stock Exchange immediately prior to the publication of the immediate report on the signing of the Investment Agreement (March 20, 2016) is 129.87%.

During several days prior to the Board of Directors' approval of the Transaction, including the extraordinary private placement (March 17, 2016), and prior to the date of publication of the immediate report on the signing of the Investment Agreement (March 20, 2016), no transactions were made in shares of the Company on the Euronext Exchange in Belgium. The last price set for the Company's share before then on the Euronext Exchange was EUR 2.05.

**Holdings of the Offeree, interested parties in the Company and all other shareholders in the Company's issued share capital and voting rights:**

Below are details on the amount and percentage of holdings of the Offeree and interested parties in the Company and the total holdings of all other shareholders in the Company's issued and paid-up capital and voting rights following the closing of the Transaction:

	Amount and percentage of holdings in capital and voting rights before the allocation discussed in this report		Amount and percentage of holdings in capital and voting rights after the allocation discussed in this report and after the sale of the controlling shareholder's shares to the FIMI Fund (with no price adjustment)	
<b>Holder's name</b>	<b>Number of shares of NIS 0.20 par value</b>	<b>Percentage holding in capital and voting rights</b>	<b>Number of share of NIS 0.02 par value</b>	<b>Percentage holding in capital and voting rights</b>
Haim Shani	6,139,551	61.38%	3,014,551	21.92%
Unitronics (1989) (R"G) Ltd.	1,676,192	0%	1,676,192	0%
Peer Hammer Sorensen	685,121	6.85%	685,121	4.98%
FIMI Fund*	0	0%	6,875,000	49.99%
Other shareholders	3,177,640	31.77%	3,177,640	23.11%
<b>Total</b>	<b>11,678,504</b>	<b>100%</b>	<b>15,428,504</b>	<b>100%</b>

\* Since the activation of the aforementioned adjustment mechanism is conditional on the sale price of all the shares allocated and transferred to the FIMI Fund, as set forth in sections 3.6.1 and 3.7.2 of this immediate report, that is, when the FIMI Fund sold its shares that were acquired by it in the framework of the Transaction, the outcome of the activation of the adjustment mechanism will not be an increase in the holdings of the FIMI Fund beyond its holdings on the Transaction closing date, and therefore the Company does not present in this report the adjustment shares in the calculation of the FIMI Fund's holdings in the Company on a fully diluted basis.

### **13.7 Use of proceeds of allocated shares**

The Company will use the proceeds of the transaction for its daily requirements, increasing the equity of the Company and financing its daily operations.

### **13.8 Approvals required or prescribed terms for implementation of the private placement**

For details of the necessary approvals and terms stipulated for making the private placement, see section 8 above.

### **13.9 Agreements regarding shares of the Company to which the offeree is a party**

To the best knowledge of the Company, after an examination conducted together with the FIMI Fund in this regard, at the time of the report there are no agreements between the offeree and the holders of shares in the Company or with third parties, whether written or oral, regarding the acquisition or sale of securities of the Company



or regarding the voting rights thereto, excluding the investment agreement, the agreement with the controlling shareholder and the shareholder's agreement, as specified in section 3 above.

**13.10 Prevention or restriction in performing transactions with the offering of securities**

Listed below are details of the restrictions in performing transactions with the allocated shares applicable to the offeree under the stock exchange articles of association, under any law or under an undertaking assumed by the offeree, to the best knowledge of the Company:

13.10.1 For details of the restrictions, pursuant to the shareholder's agreement, on the transfer of securities of the Company, see section 3.8.2 above.

13.10.2 In accordance with the Securities Law and the Securities Regulations (Details with Regard to Sections 15A to 15C of the Law), 5760 - 2000, the restrictions listed below will apply to the sale of the allocated shares during trading on the stock exchange:

13.10.2.1 Forbidden to offer the allocated shares during trading on the stock exchange for a period of six months from the date of allocation of the shares.

13.10.2.2 During the subsequent six quarters following the end of the aforementioned six months, the offeree will be entitled on any trading day to offer a number of shares not exceeding the average daily trading volume of the shares of the Company on the stock exchange during the period of eight weeks preceding the date of the offering, provided it does not offer in one quarter a number of shares exceeding one percent of the issued and paid-up capital of the Company.

13.10.2.3 The foregoing will also apply to shares that will be acquired from the offeree during the aforementioned periods that are not in accordance with the Prospectus, and not during trading on the stock exchange.

**13.11 Board of Director reasons to approve the private placement, the value set for the offered securities and the value of the proceeds therefrom, as well as the names of the Directors which participated in the Board of Directors discussion on the approval of the private placement**

For the reasons of the Board of Directors to approve the private placement as part of the transaction, the value set for the offered securities and the value of the proceeds therefrom, see section 10.1 above.

For the names of the Directors which participated in the Board of Directors discussion on the approval of the private placement, see section 12 above.

**13.12 Date of allocation of the allocated shares**

The date of allocation of the allocated shares is the transaction closing date (subject to receipt of the approval of the stock exchange for the listing of the allocated shares).



**Part C – Convening of an Extraordinary General Meeting, the date and implementation thereof**

**14. Date, location and quorum**

- 14.1 Notice is hereby given of the convening of an Annual General Meeting of Shareholders of the Company (the "**Meeting**") which will convene on Monday, May 9, 2016, at 12:00 (noon) at the Sheraton Hotel (Zaventem), Brussels, Belgium.
- 14.2 In accordance with the articles of association of the Company, a quorum shall be constituted with the attendance, in person or by proxy, of two shareholders, who hold at least thirty percent (30%) of the total voting rights. If a quorum was not present at the General Meeting within half an hour from the time set for the beginning of the Meeting, the Meeting will be postponed for one week, on the same day, at the same time and at the same place. A quorum at an adjourned Meeting shall be constituted with the attendance, in person or by proxy, of two shareholders, regardless of the percentage of votes they represent.

**15. Majority required at a General Meeting to approve the transaction:**

- 15.1 The majority required to approve item on the agenda as specified in section 2.2 above, is a majority of the shareholders present who are entitled to participate in the vote.
- 15.2 The majority required for approval of the items on the agenda as specified in sections 2.1, 2.3 and 2.4 above, is the majority of the shareholders entitled to participate in the Meeting and who participated in the voting, provided there is compliance with one of the following: (a) the majority of votes cast at the Meeting will include a majority of the votes of shareholders who do not have an interest in the approval of the transaction and are not controlling shareholders in the Company or have a personal interest in approving the appointment of a candidate for the position of external director in the Company, excluding a personal interest that is not a result of his relationship with the controlling shareholder, the participants in the voting, wherein the counting of all the votes of the said shareholders, the abstentions shall not be taken into account; And (b) the total opposition votes of the shareholders referred to in subsection (a) above does not exceed two percent of the voting rights in the Company.
- 15.3 Without derogating from the foregoing in section 15.2 above, the majority required for approval of the item, as specified in section 2.1.3 above, is a majority of 75% of the votes of shareholders who are entitled to participate in the Meeting and who participated in the voting.
- 15.4 It should be noted that in accordance with the provisions of Article 267 A (C) of the Companies Law, even if the convened General Meeting pursuant to this Immediate Report will oppose the approval of the amendment to the Compensation Policy, as specified in section 2.1.4 above, the Board of Directors of the Company shall be entitled to approve an amendment to the Compensation Policy, provided that the Compensation Committee, followed thereafter by the Board of Directors, decide,

based on detailed reasoning and following re-discussion of the Compensation Policy, that approval of the Compensation Policy, despite the opposition of the General Meeting, is in the interests of the Company.

**16. Eligibility to vote:**

- 16.1 Pursuant to Article 182 (B) of the Companies Law, the Companies Regulations (Written Vote and Position Notices), 5766 - 2005 and the Companies Regulations (Relief for Public Companies the Shares of which are Listed on a Stock Exchange Outside Israel), 5760 -2000, the effective date will be on Wednesday, April 6, 2016 (hereinafter: the "**Effective Date**"), such that each shareholder of the Company at the end of trading day on the Effective Date shall be entitled to participate in the Meeting and vote in person or by proxy.
- 16.2 In accordance with the Companies Regulations (Proof of Ownership of a Share for Voting at the General Meeting), 5760 - 2000 (hereinafter: "**Proof of Ownership Regulations**"), an owner of a share registered with a member of the Tel Aviv Stock Exchange Ltd. and / or with a registered broker under Belgian law, and that share is included among the shares of the Company registered in the Register of Shareholders in the name of a nominee company and / or Interprofessionnelle Effeotendeposito - en Girokas NV - Caisse Interprofessionnelle de Depots et de Virements de Titres S.A. / EuroClear Belgium, and who wishes to vote at the General Meeting, will provide the Company with confirmation from the stock exchange member and / or registered broker under Belgian law, with whom the right to the share is registered, with respect to its ownership of the share, on the Effective Date, in accordance with Form 1 of the Schedule to the Regulations or alternatively will send confirmation of ownership to the Company through the electronic voting system. Meeting participation and voting proxies are to be deposited at least 48 hours prior to the convening date of the special General Meeting.
- 16.3 In accordance with the Companies Law, shareholders whose shares are registered with a member of the stock exchange are entitled to receive the confirmation of ownership from the member of the stock exchange through which he holds his shares, in the branch of the member of the stock exchange or by mail to his address for the postage costs only, if he so requested. A request of this type should be made in advance to a specific securities account. Furthermore, a non – registered shareholder is entitled to order that his certificate of ownership be transferred to the Company through the electronic voting system.
- 16.4 The number of shares representing 5% of the total voting rights in the Company is: 500,116 ordinary shares of the Company (taking into account dormant shares that do not confer voting rights).
- 16.5 The number of shares representing 5% of the total voting rights 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).

**17. Voting Instrument:**

A shareholder is entitled to vote at the General Meeting by means of a voting instrument on items 2.1, 2.3 and 2.4 on the agenda, as follows:

- 17.1 Voting in writing will be accomplished using the second part of the voting instrument attached to this report, as published on the distribution site (as defined in section 17.6 below).
- 17.2 A shareholder is entitled to contact the Company directly and receive therefrom the text of the voting instrument and position statements.
- 17.3 The member of the stock exchange will send by email, at no charge, a link to the text of the voting instrument and the position statements on the distribution site, to any shareholder who is not registered in the Register of Shareholders and the shares of which are registered with that member of the stock exchange, if the shareholder advised that he is interested in such, provided that notice is given regarding a specific securities account and on a date prior to the Effective Date.
- 17.4 A shareholders whose shares are registered with a member of the stock exchange is entitled to receive the confirmation of ownership from the member of the stock exchange through which he holds his shares, in the branch of the member of the stock exchange or by mail to his address for the postage costs only, if he so requested. A request of this type shall be made in advance to a specific securities account.
- 17.5 The voting instrument shall only be valid if the documents specified therein are attached thereto (the "**Attached Documents**"), and if delivered to the offices of the Company up to 4 hours prior to the convening of the Meeting. In this regard, "delivery date" is the date on which the voting instrument and the Attached Documents reached the offices of the Company. The deadline for delivery of position statements to the Company is up to 10 days following the Effective Date.

The deadline for delivery of position statements to the Company is: April 29, 2016.

The deadline for delivery of the response of the Board of Directors to the position statements is: May 4, 2016.

The deadline for delivery of the voting instruments to the Company is: Monday, May 9, 2016, at 08:00.

- 17.6 The text of the voting instrument and the position statements, as defined in Article 88 of the Companies Law, can be found on the Israel Securities Authority website (<http://www.magna.isa.gov.il/>) (the "**Distribution Site**"), the Tel Aviv Stock Exchange Ltd. website (<http://maya.tase.co.il/>), the distribution site of the Euronext Stock Exchange in Belgium (<http://www.euronext.com>) or on the Company website (<http://www.unitronics.com>).

## **18. Voting by electronic voting instrument**

As per the foregoing, a non - registered shareholder is entitled to vote on the resolutions on the agenda of the Meeting specified in section 1 above, using a voting instrument that will be transferred through the electronic voting system, as defined in the voting regulations (hereinafter: the "**Electronic Voting Instrument**").

The Electronic Voting Instrument is opened for voting at the end of the Effective Date. Voting through the electronic voting system will end 6 hours prior to the time of the Meeting (namely, on Monday, May 9, 2016, at 06:00), at which time the electronic voting system will be closed.

The electronic vote will be able to be amended or canceled up to the time the electronic voting system is locked and it will not be possible to amend it after this time. If a shareholder voted in more than one manner, his latest vote will be counted. In this regard, the shareholder's vote, in person or by proxy shall be deemed later than a vote by an electronic voting instrument.

**19. The authority of the Israel Securities Authority:**

Pursuant to the shareholders regulations, within 21 days from the date of submission of the Immediate Report, the Israel Securities Authority (the "**Authority**"), or employee so designated pursuant to article 10 of the controlling shareholder's regulations controlling shareholders, is entitled to order the Company to provide, within the period determined thereby, an explanation, details, information and documents regarding transactions that are the subject of this Immediate Report and to order the Company to amend this Immediate Report in the manner and within the time specified thereby. If instructions are given for such amendment, the Authority is entitled to order the postponement of the date of the General Meeting to a date not earlier than three business days and not later than thirty-five business days from the date of publication of the amended to this Immediate Report.

**20. Company representatives regarding the handling of an Immediate Report:**

Mr. Gabriel Badusa, who serves as Chief Financial Officer of the Company, is the representative of the Company for handling this Immediate Report. Address: Unitronics Building, Airport City, Lod. Telephone: 03-9778888; Fax: 03-9778877.

**21. Review of documents:**

This Immediate Report and the documents referred to therein as well as the full text of the resolutions on the agenda can be reviewed at the offices of the Company in the Unitronics Building, Airport City, Lod, Sunday through Thursday, during regular office hours after prior coordination with Mr. Gabriel Badusa (Tel: 03-9778888 Fax: 03-9778877).

**Yours sincerely**

**Unitronics (1989) (Ramat Gan) Ltd.**

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Haim Shani, Chief Executive  
Officer and Chairman of  
the Board of Directors

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Gabriel Badusa, Chief Financial Officer

### **Appendix 2.1.3 - Amendment of Company's Article**

**ARTICLES OF ASSOCIATION**  
**of**  
**UNITRONICS (1989) (R" G) LTD.**

(Hebrew Name)

..... יוניטרוניקס (1989) (ר"ג) בע"מ .....

AS AMENDED ON DECEMBER 27, 2000, AUGUST 9, 2001, OCTOBER 2,  
2002, APRIL 13, 2004, MAY 9, 2006, SEPTEMBER 22, 2011 ~~AND~~ JULY  
16,  
2015  
AND MAY 9, 2016



**THE COMPANIES LAW**  
**COMPANY LIMITED BY SHARES**  
**ARTICLES OF ASSOCIATION**  
of  
**UNITRONICS (1989) (R" G) LTD.**

(Hebrew Name)

**יוניטרוניקס (ר"ג) בע"מ (1989)**

INTERPRETATION

1. In these Articles the words standing in the first column of the table next hereinafter contained shall bear the meanings set opposite them respectively in the second column thereof, if not inconsistent with the subject or context:

<u>Words</u>	<u>Meanings</u>
The Company	The above-named company
Companies Law	The Israeli Companies Law, 1999 as amended from time to time including any law or statute replacing it
Companies Ordinance	The Israeli Companies Ordinance (New Version) 1983(the "Companies Ordinance") as amended from time to time including any law or statute replacing it
The Statutes	The Companies Law, The Companies Ordinance, The Israeli Securities Law 1968, and every other Israeli Ordinance or Law for the time being in force concerning companies and affecting the Company
These Articles	These Articles of Association as shall be altered from time to time by <del>Special</del> <u>Ordinary</u> Resolution
The Office	The registered office for the time being of the Company
The Seal	The rubber stamp of the Company
Month	Gregorian month
Record Date	The record date as determined pursuant to the provisions of Article 55(a) of these Articles
Writing	Printing, lithography, photography, and any other mode or modes of representing or reproducing words in a visible form
Shares	Shares of the Company as defined in Article 4 of these

## Articles

Office Holder As such term is defined under the Companies Law

Ordinary Resolution As defined in Article 51(a) hereinbelow

~~Special Resolution~~ ~~As defined in Article 51(b) hereinbelow~~

Words importing the singular only shall include the plural, and vice versa.

Words importing the masculine gender shall include the feminine gender; and words importing person shall include corporations.

The captions in the Articles are for convenience only and shall not be deemed a part hereof or affect the construction of any provision hereof.

Subject as aforesaid, any words or expressions defined in the Statutes shall, except where the subject or context forbids, bear the same meanings in the Articles.

2. (Cancelled).

PUBLIC COMPANY

3. The Company is a public company.
4. The registered share capital of the Company is two million (2,000,000) New Israeli Shekels, divided into one hundred million (NIS 100,000,000) Ordinary Shares of a nominal value of NIS 0.02 each, all ranking pari-passu (hereinafter, the "Shares").  
Each Share entitles its holder, subject to the provisions of these Articles, to receive notices of and to attend, participate and vote at all the General Meetings of the Company, the right to be paid its proportional part in any dividends that may be declared by the Company, and to take part in the division of the surplus assets in the case of the winding-up of the Company.

SHARES

5. Subject to these Articles or to the terms of any resolution creating new shares, the unissued Shares from time to time shall be under the control of the Board of Directors, who shall have the exclusive authority to issue the Shares in whole or in part, or otherwise dispose of them to such persons, on such terms and conditions, and either at par or at a premium, or, subject to the provisions of the Statutes, at a discount, and at such times, as the Board of Directors may think fit, and the power to give to any person the option to acquire from the Company any Shares, either at par or at a premium, or, subject as aforesaid, at a discount, during such time and for such consideration as the Board of Directors may think fit.
6. If two or more persons are registered as joint holders of any Shares, any one of such persons may give effectual receipts for any dividends or other moneys in respect of such Shares.
7. No person shall be recognised by the Company as holding any Share upon any trust, and the Company shall not be bound by or required to recognise any equitable, contingent, future, or partial interest in any Share or any right whatsoever in respect of any Share other than an absolute right to the entirety thereof in the registered holder.

8. Every Shareholder shall be entitled without payment to receive within six months after allotment or registration of transfer (unless the conditions of issue provide for a longer interval) one certificate under the Seal for all the Shares registered in his name, specifying the number and denoting numbers of the Shares in respect of which it is issued and the amount paid up thereon. Provided that in the case of joint holders the Company shall not be bound to issue more than one certificate to all the joint holders, and delivery of such certificate to one of them shall be sufficient delivery to all.

Every certificate shall be signed by one Director and countersigned by another Director or the Secretary or some other person nominated by the Directors for the purpose.

9. If any Share certificate shall be defaced, worn out, destroyed or lost, it may be renewed on such evidence being produced, and such indemnity (if any) being given as the Directors shall require and (in case of defacement or wearing out) on delivery of the old certificate, and in any case on payment of such sum not exceeding NIS25 (twenty five New Israeli Shekels) as the Directors may from time to time require.
10. (Cancelled)
11. (Cancelled)
12. The Company may pay commissions and/or underwriting fees in consideration of subscription and/or underwriting and/or procuring of any Shares in the Company or other securities of the Company and/or agreeing to any such Ordinances (whether absolutely or conditionally); such payments may be made in cash, in paid-up Shares of the Company or any other form as the Board of Directors may deem fit. Nothing in the above shall prevent the Company from paying other fees, subject to the Statutes, including brokerage fees.

#### CALLS ON SHARES

13. No Shareholder shall be entitled to receive any dividend or to exercise any privileges as a Shareholder until he shall have paid all calls for the time being due and payable on every Share held by him, whether alone or jointly with any other person, together with interest and expenses (if any).
14. (a) If under the conditions of the issuance of Shares there is no fixed date for the payment due therefor, the Directors may from time to time make such calls upon the Shareholders in respect of all moneys then unpaid on Shares possessed by them and every Shareholder will pay the sum demanded of him at the place and time appointed by the Directors, provided that fourteen days notice as to the place and date of payment was served on him. Unless otherwise stipulated in the resolution of the Board of Directors, each payment in response to a call shall be deemed to constitute a pro rata payment on account of all the Shares in respect of which such call was made. A call may contain a call for payment in instalments. The Directors may revoke such call, in whole or in part, postpone the designated date(s) of payment or change the designated place of payment.
- (b) A call shall be deemed to have been made at the time when the Resolution of the Directors authorising such call was passed.
- (c) The joint holders of a Share shall be jointly and severally liable for the payment of all calls and instalments in respect thereof. A call duly made upon one of the joint holders shall be deemed to have been duly made upon all of the joint holders.

- (d) If before or on the day appointed for payment thereof, a call or instalment payable in respect of a Share is not paid, the holder or allottee of the Share shall pay interest on the amount of the call or instalment at such rate not exceeding the debitory rate prevailing at the largest Israeli commercial bank on the day appointed for the payment referred to, as the Directors shall fix, from the day appointed for payment thereof to the time of actual payment, but the Directors may waive payment of such interest wholly or in part.

The provision of this Article shall in no way deprive the Company of, or derogate from, any other right and remedies it may have against such Shareholder pursuant to the Articles and any pertinent law.

15. (a) Any sum which by the terms of allotment of a Share is made payable upon allotment or at any fixed date, whether on account of the amount of the Share or by way of premium, shall for all purposes of these Articles be deemed to be a call duly made, and payable on the date fixed for payment, and in case of non-payment the provisions of these Articles as to payment of interest and expenses, forfeiture and the like, and all other relevant provisions of these Articles shall apply as if such sum were a call duly made and notified as hereby provided;
- (b) The Directors may at the time of allotment of Shares make arrangements on the issue of Shares for a difference between the holders of such Shares in the amount of calls to be paid and in the time of payment of such call.
16. The Directors may, if they think fit, receive from any Shareholder willing to advance the same, all or any part of the moneys due upon his Shares beyond the sums actually called up thereon; and upon the moneys so paid in advance, or so much thereof as exceeds the amount for the time being called up on the Shares in respect of which such advance has been made, the Directors may pay or allow such interest as may be agreed by them and the Company.

#### TRANSFER OF SHARES

17. (a) No transfer of Shares shall be registered unless a proper writing or instrument of transfer (in any customary form or any other form satisfactory to the Board of Directors) has been submitted to the Company (or its transfer agent), together with the Share certificate(s) and such other evidence of title as the Board of Directors may reasonably require. Until the transferee has been registered in the Register of Shareholders in respect of the Shares so transferred, the Company may continue to regard the transferor as the owner thereof.
- (b) Any legal person or individual (Shareholder or not) that acquires or disposes of Shares, should notify the Company and the Belgian authorities and/or stock exchange as required under Belgian requirements on the number of Shares he possesses if the voting rights attached exceed 5%, 10%, 15%, 20% and so forth with an increase of each time 5%, of the total number of voting rights outstanding.
18. The Directors may refuse, without giving any reasons therefor, to register any transfer of Shares which have not been fully paid up or where the Company has a lien on the Share, constituting the subject matter of the transfer, but fully paid-up Shares may be transferred freely and such transfers do not require the approval of the Directors.

All instruments of transfer shall remain in the custody of the Company but any such instrument which the Directors refused to register shall be returned to the person from whom it was received, if such request be made by him. A transfer of title of Shares of the Company shall be recorded in the Register of Shareholders.

19. The Transfer Records and the Register of Shareholders and Debenture Holders (if any) and Debenture Stock Holders (if any) and other securities (if any) of the Company may be closed during such time as the Directors may deem fit, not exceeding in the aggregate, thirty days in each year. To avoid any doubt, the determination of a Record Date shall not constitute nor be deemed as a closing of any of the above records or registers.

#### TRANSMISSION OF SHARES

20. In the case of the death of a Shareholder, or a holder of a debenture, the survivor or survivors, where the deceased was a joint holder, and the executors and/or administrators and/or the legal heirs of the deceased where he was a sole or only surviving holder, shall be the only persons recognised by the Company as having any title to his Shares or his debentures, but nothing herein contained shall release the estate of a deceased joint holder from any liability in respect of any Share or any debenture jointly held by him.

Upon the death of a co-owner of a Share and before the registration of any transfer in accordance with Article 21 below, the Company shall recognise the other co-owner(s) alive as the only owner(s) of the Shares.

21. Any person who becomes entitled to a Share or a debenture in consequence of the death or bankruptcy of any Shareholder, may, upon producing such evidence of title as the Directors shall require, with the consent of the Directors, be registered himself as holder of the Share or the debenture or, subject to the provisions as to transfers herein contained, transfer the same to some other person.
22. A person entitled to a Share or a debenture by transmission shall be entitled to receive, and may give a discharge for, any dividends or interest or other moneys payable in respect of the Share or debenture, but he shall not be entitled in respect of it to receive notices of, or to attend or vote at meetings of the Company, or, save as aforesaid, to exercise any of the rights or privileges of a Shareholder or a holder of a debenture unless and until he shall become a Shareholder in respect of the Share or a holder of the debenture.

#### FORFEITURE OF SHARES

23. If any Shareholder fails to pay the whole or any part of any call or instalment of a call or interest thereon as provided for herein on or before the day appointed for the payment thereof, the Directors may at any time thereafter, during such time as the call or instalment or any part thereof or interest thereon remains unpaid, serve a notice on him, or on the person entitled to the Share by transmission requiring him to pay such call or instalment, or such part thereof as remains unpaid, together with any expenses incurred by the Company by reason of such non-payment.
24. The notice shall name a further day (not earlier than the expiration of thirty (30) days from the date of the notice) on or before which such call or instalment, or such part as aforesaid, and all interest and expenses that have accrued by reason of such non-payment, is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the Shares in respect of which such call was made

will be liable to be forfeited. Prior to the expiration of such period, the Board of Directors may extend the period specified in such notice or nullify such notice, but no such nullification shall estop the Board of Directors from adopting a further resolution of forfeiture in respect of the non-payment of said amount.

25. If the requisitions of any such notice as aforesaid are not complied with, any Share in respect of which such notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Directors to that effect. A forfeiture of Shares shall include all dividends in respect of the Shares not actually paid before the forfeiture, notwithstanding that they shall have been declared.
26. Notwithstanding any such forfeiture as aforesaid, the Directors may, at any time before the forfeited Share has been reissued or otherwise disposed of to a third party, nullify the forfeiture upon the terms of payment of all call and interest due upon and expenses incurred in respect of the Shares and upon such further terms (if any) as they shall see fit but no such nullification shall estop the Board of Directors from re-exercising its powers of forfeiture pursuant to this Article.

The Company, by resolution of the Board of Directors, may accept the voluntary surrender by any Shareholder of all of any part of his Shares

27. Every Share which shall be forfeited shall thereupon become the property of the Company and may be either cancelled or sold or re-allotted or otherwise disposed of either to the person who was before forfeiture the holder thereof, or entitled thereto, or to any other person, upon such terms and in such manner as the Board of Directors shall think fit and any proceeds received on account of such Shares shall belong to the Company.
28. A Shareholder whose Shares have been forfeited or surrendered shall cease to be a Shareholder in respect of the forfeited or surrendered Shares but shall, notwithstanding, be liable to pay to the Company all calls made and not paid on such Shares at the time of forfeiture or surrender, and interest thereon to the date of payment, and expenses owing upon or in respect of such Shares in the same manner in all respects as if the Shares had not been forfeited and to satisfy all (if any) of the claims and demands which the Company might have enforced in respect of the Shares at the time of forfeiture, without any deduction or allowance for the value of the Shares at the time of forfeiture, and the Board of Directors, at its discretion, may enforce the payment of such moneys, or any part thereof.
29. The forfeiture of a Share shall involve the extinction at the time of forfeiture of all interest in and all claims and demands against the Company in respect of the Share, and all other rights and liabilities incidental to the Share as between the Shareholder whose Share is forfeited and the Company, except only such of those rights and liabilities as are by these Articles expressly saved, or as are by the Statutes given or imposed in the case of past Shareholders.
30. A sworn declaration in writing that the declarant is a Director of the Company, and that a Share has been duly forfeited in pursuance of these Articles and stating the date upon which it was forfeited, shall, as against all persons claiming to be entitled to the Share adversely to the forfeiture thereof, to conclusive evidence of the facts therein stated, and such declaration, together with the receipt of the Company for the consideration (if any) given for the Share on the sale or disposition thereof, and a certificate of proprietorship of the Share under the Seal delivered to the person to whom the same is sold or disposed of, shall constitute a good title to the Share, and such person shall be registered as the holder of the Share and shall be discharged from all

calls made prior to such sale or disposition, and shall not be bound to see to the application of the purchase money (if any) nor shall his title to the Share be affected by any act, omission or irregularity relating to or connected with the proceedings in reference to the forfeiture, sale, re-allotment or disposal of the Share.

### LIEN

31. The Company shall have a first and paramount lien upon all Shares (which are not fully paid up) registered in the name of any Shareholder, either alone or jointly with any other person, for his debts, liabilities and engagements, whether solely or jointly with any other person, to or with the Company, whether the period for the payment, fulfilment or discharge thereof shall have actually arrived or not, and such lien shall extend to all dividends from time to time declared in respect of such Shares; but the Directors may at any time declare any Share to be exempt wholly or partially from the provisions of this Article.

### SALE OF SHARES AFTER FORFEITURE OR SURRENDER OR IN ENFORCEMENT OF LIEN

32. The Directors may sell the forfeited or surrendered Shares or those Shares subject to a lien as stated in these Articles at such time or times and in such manner as they shall think fit, but no sale shall be made until such time as the moneys in respect of which such lien exists, or some part thereof, are or is presently payable, or the liability or engagement in respect of which such lien exists is liable to be presently fulfilled or discharged, and until a demand and notice in writing stating the amount due or specifying the liability or engagement and demanding payment or fulfilment or discharge thereof and giving notice of intention to sell in default shall have been served on such Shareholder, or the persons (if any) entitled by transmission to the Shares, and default in payment, fulfilment or discharge shall have been made by him or them for fourteen days after such notice.
33. The net proceeds of such sale shall be applied in or towards satisfaction of the amount due to the Company, or of the liability or engagement, as the case may be, and the balance (if any) shall be paid to the Shareholder or the person (if any) entitled by transmission to the Shares so sold.
34. Upon any such sale (i.e., following forfeiture or foreclosing on a lien for and the *bona fide* use of the powers granted with respect thereto) the Directors may enter the purchaser's name in the Register as holder of the Shares and the purchaser shall not be bound to see the application of the purchase money, nor shall his title to the Shares be affected by any irregularity or invalidity in the proceedings in reference to the sale.
35. (cancelled)

### STOCK

36. (a) The Board of Directors may, with the sanction of the Shareholders previously given by SpecialOrdinary Resolution, convert any paid-up Shares into stock, and may, with like sanction, reconvert any stock into paid-up Shares of any denomination.
- (b) The holders of stock may transfer the same, or any part thereof, in the same manner and subject to the same regulations, as the Shares, from which the stock arose, might have been transferred prior to conversion, or as near thereto as circumstances admit, provided however, that the Board of Directors may from time to time fix the minimum amount of stock so transferable, and

restrict or forbid the transfer of fractions of such minimum, but the minimum shall not exceed the nominal value of each of the Shares from which such stock arose.

- (c) The holders of stock shall, in accordance with the amount of stock held by them, have the same rights and privileges as regards dividends, voting at Meetings of the Company and other matters as if they held the Shares from which such stock arose, but no such right or privilege, except participation in the dividends and profits of the Company, shall be conferred by any such aliquot part of such stock as would not, if existing in Shares, have conferred that right or privilege.
- (d) Such of the Articles of the Company as are applicable to paid-up Shares shall apply to stock, and the words "Share" and "Shareholder" therein shall include "stock" and "stockholder".

#### ALTERATION OF CAPITAL

37. The Company may from time to time by ~~Special~~Ordinary Resolution:
- (a) Consolidate and divide all or any of its Share capital into Shares of larger amount than its existing Shares; or
  - (b) Cancel any Shares which had not been taken or agreed to be taken by any person and diminish the amount of its Share capital by the aggregate nominal value of the Shares so cancelled; or
  - (c) Divide its Share capital or any part thereof into Shares of smaller amount than is fixed by its Articles of Association by sub-division of its existing Shares or any of them, subject, nevertheless, to the provisions of the Statutes, and so that as between the resulting Shares, one or more of such Shares may by the Resolution by which such sub-division is effected be given any preference or advantage as regards dividend, capital, voting or otherwise over the others or any other Shares; or
  - (d) Reduce its Share capital and any capital redemption reserve fund in any way that may be considered expedient.
38. The Company may, subject to applicable law, issue redeemable Shares and redeem the same, pursuant to such procedures, terms and conditions as the Board of Directors shall determine.

#### INCREASE OF CAPITAL

39. The Company may from time to time by ~~Special~~Ordinary Resolution, whether all the Shares for the time being authorised shall have been issued or all the Shares for the time being issued shall have been fully called up or not, increase its registered Share capital by an amount it thinks expedient by the creation of new Shares or otherwise create new classes of Shares; such new capital to be of such amount and to be divided into Shares of such respective amounts and classes (subject to any special rights for the time being attached to any existing class of Shares) and to carry such preferential, deferred or other special rights (if any) or to be subject to such conditions or restrictions (if any) in regard to dividend, return of capital, voting, liquidation or otherwise as the General Meeting deciding upon such increase directs.



40. Except so far as otherwise provided by or pursuant to these Articles or by the conditions of issue, any new Share capital shall be considered as part of the original ordinary Share capital of the Company, and shall be subject to the same provisions with reference to the payment of calls, lien, transfer, transmission, forfeiture and otherwise as the original Share capital.

#### MODIFICATION OF CLASS RIGHTS

41. If at any time the Share capital is divided into different classes of Shares, the rights attached to any class (unless otherwise provided by the terms of issue of the Shares of that class) may be varied with the consent in writing of the holders of all the issued Shares of that class, or by the adoption of a ~~Special~~Ordinary Resolution passed at a separate General Meeting of the holders of the Shares of the class. The provisions of these Articles relating to General Meetings shall apply *mutatis mutandis* to every such separate General Meeting.
42. Unless otherwise provided by the conditions of issue, the enlargement of an existing class of Shares, or the issuance of additional Shares thereof, shall not be deemed to modify or abrogate the rights attached to the previously issued Shares of such class or of any other class.

#### BORROWING POWERS

43. The Board of Directors may from time to time, in its discretion, cause the Company to borrow or secure the payment of any sum or sums of money for the purposes of the Company, and may secure or provide for the repayment of such sum or sums in such manner, at such times and upon such terms and conditions in all respects as it thinks fit, and, in particular, by the issuance of bonds, perpetual or redeemable debentures, debenture stock, or any mortgages, charges, or other securities on the undertaking, or, the whole or any part of the property of the Company, both present and future, including units uncalled or called but unpaid capital for the time being.

#### GENERAL MEETINGS

44. General Meetings shall be held at least once in every calendar year at such time, not being more than fifteen months after the holding of the last preceding General Meeting and at such place as may be determined by the Directors. Such Annual General Meetings shall be called "Ordinary Meetings" and all other General Meetings of the Company shall be called "Extraordinary Meetings".

The Annual General Meeting shall receive and consider the Directors' Report, the Profit and Loss Account and Balance Sheet, shall elect Directors, appoint Auditors and transact any other business which under these Articles or by the Statutes are to be transacted at a General Meeting of the Company.

45. The Directors may, whenever they think fit, and they shall upon such requisition in writing as is provided by Sections 63(b) and 64 of the Companies Law, convene an Extraordinary Meeting. Any such requisition must state the objects for which the meeting is to be called, be signed by the requisitionists, and must be deposited at the office. Such requisition may consist of several documents in like form, each signed by one or more requisitionists. If the Directors do not, within thirty-five days from the date of publication of notice of the Meeting, proceed to convene a Meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene the Meeting, but any Meeting so convened shall not be held after three months from the date of such deposit.

46. (a) At least 21 days' notice, specifying the place, the day and the hour of the meeting and the items on the agenda shall be given in the manner hereinafter mentioned, to such Shareholders as are, under the provisions of these Articles, and particularly under the provisions of Article 55(a), entitled to receive notices from the Company.

Notices shall be given in such manner as shall be prescribed by the Statutes and by any legally applicable Belgian requirement. Provided that the accidental omission to give such notice to or the non-receipt of such notice by any such Shareholder shall not invalidate any resolution passed or proceeding had at any such meeting, and, with the consent of all the Shareholders for the time being entitled to receive notices of meetings, a meeting may be convened upon a shorter notice or without notice and generally in such manner as such Shareholders may approve. Such consent may be given at the meeting or retrospectively after the meeting.

- (b) Notice with respect to any General Meetings shall be regarded proper and sufficient if it specifies the nature of the matter to be transacted at the General Meeting, or, without making the procedure hereinafter set forth mandatory, if it specifies that the draft of the resolution to be proposed to the General Meeting is available for inspection at a designated place during a designated time period.
- (c) A Shareholder entitled to receive notices of General meetings may waive such right, generally or in respect of a specific General meeting, and shall be deemed to have waived such right with respect to any General Meeting at which he was present, in person or by proxy.

#### PROCEEDINGS AT GENERAL MEETINGS

47. No business shall be transacted at any General Meetings unless a quorum is present when the meeting proceeds to business. The quorum at any Meeting shall be two Shareholders present in person or by proxy, holding or representing at least thirty percent (30%) of the total voting rights in the Company on the Record Date.

48. If within half an hour from the time appointed for the holding of a General Meeting a quorum is not present, the meeting shall stand adjourned to the same day in the next week at the same time and place or any time and hour as the Directors shall designate and state in a notice to the Shareholders, and if, at such adjourned meeting, a quorum is not present within half an hour from the time appointed for holding the meeting, two Shareholders present in person or by proxy shall be a quorum regardless of the number of votes represented.

The only business to be considered at an adjourned General Meeting shall be those matters which might have been lawfully considered and/ or transacted at the General Meeting originally called if a requisite quorum had been present and adopt only such types of resolutions which may have been adopted at the General Meeting originally called.

49. The Chairman (if any), chosen as such among the Directors, shall preside at every General Meeting, but if there shall be no such Chairman or if at any meeting he shall not be present within fifteen minutes after the time appointed for holding the same, or shall be unwilling to act as Chairman, the Shareholders present shall choose a Director, or, if no Director be present, or if all the Directors present decline to take the Chair, they shall choose a Shareholder present to be Chairman of the meeting.

50. The Chairman may, with the consent of any meeting at which a quorum is present, and shall, if so directed by the meeting, adjourn any meeting from time to time and from place to place as the meeting shall determine. Whenever a meeting is adjourned pursuant to the provisions of this Article for seven days or more, notice of the adjourned meeting shall be given to the Shareholders entitled to receive notices from the Company under the provisions of these Articles, and particularly under the provisions of Article 55(a), in the same manner as in the case of an original meeting.

Save as aforesaid, no Shareholder shall be entitled to any notice of an adjournment or of the business to be transacted at an adjourned meeting. No business shall be transacted at any adjourned meeting other than the business which might have been transacted at the meeting from which the adjournment took place.

#### VOTES OF SHAREHOLDERS

51. (a) An Ordinary Resolution shall be deemed adopted if approved by the holders of a majority of the voting rights in the Company ~~on the Record Date~~ represented at the meeting in person or by proxy, entitled to vote thereon ~~and voting thereon.~~
- ~~(b) A Special or Extraordinary Resolution shall be deemed adopted if approved by the holders of not less than seventy five percent (75%) of the voting power represented at the meeting in person or by proxy, entitled to vote thereon and voting thereon.~~
- ~~(c)~~b In the case of an equality of votes, the Chairman of the meeting shall be entitled to a further or casting vote.
52. At all General Meetings a resolution put to a vote at the meeting shall be decided on a show of hands. A declaration by the Chairman of the meeting that a resolution has been carried, or has been carried unanimously or by a particular majority, or lost, or not carried by a particular majority, shall be conclusive, and an entry to that effect in the Minute Book of the Company shall be conclusive evidence thereof, without proof of the number or proportion of the votes recorded in favour of or against such resolution.
53. (Cancelled)
54. (Cancelled)
55. (a) Notwithstanding any provision stated herein, the Board of Directors may fix a record date to determine the Shareholders entitled to notice of and/ or to attend and/or vote at any meeting of Shareholders or any adjournment thereof (the "Meeting"), which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall not be more than the maximum period before the date of the Meeting allowed under the Statutes nor less than the minimum period allowed under the Statutes before the date of the Meeting.

If no record date is fixed by the Board of Directors, the record date for determining Shareholders entitled to notice of and to attend and vote at the Meeting shall be the maximum period before the date of the Meeting allowed under the Statutes. A determination of Shareholders of record entitled to notice of and/ or to attend and/or vote at a meeting of Shareholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

- (b) Subject to any rights or restrictions for the time being attached to any class or classes of Shares, and subject to the provisions of Article 55(a), every Shareholder shall have one vote for each Share of which he is the holder.
56. If any Shareholder be a lunatic, idiot, or *non compos mentis*, he may vote by his committee, receiver, *curator bonis* or other legal curator and such last mentioned persons may give their votes either personally or by proxy.
  57. If two or more persons are jointly entitled to a Share, then in voting upon any question the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other registered holders of the Share, and for this purpose seniority shall be determined by the order in which the names stand in the Register of Shareholders.
  58. Votes may be given either personally or by proxy. A proxy need not be a Shareholder of the Company.
  59. The instrument appointing a proxy shall be in writing in the usual common form, or such form as may be approved by the Directors, and shall be signed by the appointor or by his attorney duly authorised in writing, or, if the appointee is a corporation, the corporation shall vote by its representative, appointed by an instrument duly signed by the corporation.
  60. A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the principal or revocation of the proxy or transfer of the Share in respect of which the vote is given unless an intimation in writing of the death, revocation or transfer shall have been received at the Office before the commencement of the meeting or adjourned meeting at which the proxy is used.
  61. The instrument appointing a proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of such power of attorney, shall be deposited at the Office or at such other place or places, whether in Israel or elsewhere, as the Directors may from time to time either generally or in a particular case or class of cases prescribe, at least forty-eight hours before the time appointed for holding the meeting or adjourned meeting at which the person named in such instrument proposes to attend and vote; otherwise the person so named shall not be entitled to vote in respect thereof; but no instrument appointing a proxy shall be valid after the expiration of twelve months from the date of its execution.
  62. Subject to the provisions of the Statutes, a resolution in writing signed by all the Shareholders, in person or by proxy, for the time being entitled to vote at General Meetings of the Company shall be as valid and as effectual as a resolution adopted by a General Meeting duly convened, held and constituted for the purpose of passing such resolution.
  63. A Shareholder will be entitled to vote at the Meetings of the Company by several proxies appointed by him, provided that each proxy shall be appointed with respect to different Shares held by the appointing Shareholder. Every proxy so appointed on behalf of the same Shareholder shall be entitled to vote as he sees fit.
  64. No Shareholder shall be entitled to vote at any General Meeting (or be counted as a part of the quorum thereof) unless all calls then payable by him in respect of his Shares in the Company shall have been paid.

## DIRECTORS

65. (a) The Board of Directors of the Company shall consist of not less than three and no more than eight Directors (including External Directors, as defined in the Companies Law), ~~classified with respect to the time for which they severally hold office, into up to three classes (not including the External Directors), each class to include up to two Directors (but in aggregate no more than four directors, not including External Directors), one class to hold office initially for a term expiring at the Annual General Meeting of the Company's shareholders to convene in the year 2004 ("Class A"), another class to hold office initially for a term expiring at the Annual General Meeting of the Company's shareholders to convene in the year 2006 ("Class B"), another class to hold office initially for a term expiring at the Annual General Meeting of the Company's shareholders to convene in the year 2008 ("Class C"), with the members of each class to hold office until their successors have been duly elected.~~ Subject to the provisions of these Articles and qualified. The the Companies Law, the Directors of the Classes above referenced, or part thereof, including the resolution as to the election of a Director to a certain Class, shall initially be appointed by the Annual General Meeting of the Company's shareholders. Unless otherwise determined by the Annual General Meeting of the Company's shareholders convened in the year 2004 or pursuant to Article 66(a) hereof, and thereafter, as provided by these Articles.
- (b) ~~At each Annual General Meeting of the Company's shareholders and subject to the provisions of the Statutes, a Director (excluding External Directors) shall be appointed for the term of office commencing with as of the date determined by the Annual General Meeting to convene in the year 2004, the successors to the class of Directors whose term expires at that meeting shall be elected to hold office for a term appointing such director and expiring at the end of the next Annual General Meeting of the Company's shareholders held in the third year following the year of their election and until their successors have been duly elected and qualified.~~
- (c) The above notwithstanding, if no Directors were appointed by an Annual General Meeting in accordance with Article 65(b), the Directors in office on the date of such meeting shall continue in their office, unless their service expires or terminates otherwise.
- ~~(c)(d)~~ Directors whose term of office has expired may be re-elected.
- ~~66. (a) In the event of any election of Directors in accordance herewith increasing the number of Directors then holding office up to the maximum number provided under Article 65(a) above, the additional Directors, and in the event of any vacancy on the Board of Directors due to death, resignation, removal, disqualification or any other cause, the successors to fill the vacancies shall be elected only by a majority of the Directors then in office.~~
- ~~(b) Directors appointed to newly created directorships in the manner provided in Article 66(a) resulting from any increase in the authorized number of Directors or any vacancies on the Board of Directors resulting from death, resignation, removal, disqualification or any other cause shall hold office for a term expiring at the next Annual General Meeting of the Company's shareholders at which term of the class to which they have been elected expires.~~
- ~~66. No decrease in the number of Directors constituting the Company's Board of Directors shall shorten the term of any incumbent Director. (a) Reserved.~~
- ~~(c)~~
67. Except for Directors whose term of office expired at the time the meeting was convened and for persons nominated for the office of a Director by the Directors, no person shall be nominated for the office of a Director at a General Meeting unless, not less than forty eight hours and not more than forty two days prior to the date set for such meeting, another notice signed by the Shareholder entitled to participate and also be present at

the meeting with respect to which notice was given, indicating his intention of nominating the candidate to the office of a Director and accompanied with the written consent thereto of the nominee, was delivered to the Office.

68. The Directors in their capacity as such, shall be entitled to receive remuneration and reimbursement of expenses incurred by them in the course of carrying out their duties as Directors as approved by the Company in accordance with and subject to the prevailing law at the time being.
69. The office of a Director shall be vacated, *ipso facto*:
- (1) upon his death;
  - (2) on the date at which he is declared bankrupt or, if the director is a corporation is put in liquidation;
  - (3) on the date he is declared legally incapacitated;
  - (4) on the date fixed in the resolution electing him to his office;
  - (5) on the date fixed in the resolution or notice of his removal, pursuant to Article 74;
  - (6) on the date fixed in a written notice of resignation given by him to Company or on the date of receipt of such notice by the Company, whichever is later;
  - (7) if he was indicted and found guilty of any of the offences detailed in Article 232 of the Companies Law;
  - (8) if an administrative enforcement means prohibiting him from serving as a director is imposed pursuant to Section 232A of the Companies Law.
  - (9) if a director ceases to comply with the requirements applicable to directors pursuant to the Israeli Companies Law, including but not limited to pursuant to Section 227A thereof.
70. (a) Subject to compliance with the provisions of the Companies Law, no Director shall be disqualified by virtue of his office from holding any office, or deriving any profit from any other office in the Company or from any company in which the Company shall be a Shareholder or otherwise interested, or from contacting with the Company as a vendor, purchaser or otherwise.
- (b) No person shall be disqualified to serve as a director by reason of his not holding Shares in the Company or by reason of his having served as a director in the past (subject to limitations under the Companies Law applicable to External Directors).
71. The Company may from time to time at a General Meeting, increase or decrease the number of Directors, ~~subject always to Article 65.~~
72. In the event of one or more vacancies in the Board of Directors, the continuing Directors may continue to act as long as the Board of Directors consists of at least a majority of the total number of Directors had there been no vacancies. However, in the event that the remaining Directors are not a majority of the total number of Directors, had there been no vacancies, the remaining Director or Directors may call for the convening of a General Meeting for the purpose of the election of Directors.
73. The Directors may at any time and from time to time, ~~subject always to Article 65,~~ appoint any other person as a Director, whether to fill a casual vacancy or to add to

their number. Any Director so appointed shall hold office until the first General Meeting convened after such appointment and may be re-elected.

~~74. Any Director or Directors may be removed from office at any time, but only for "cause" and only upon the affirmative vote of (i) the holders of 75% of the Ordinary Shares present in person or by proxy and voting thereon, or (ii) a majority of the Board of Directors of at least 75% of the Directors holding office at such time. For purposes of this Article 74, "cause" shall mean the willful and continuous failure of a Director substantially to perform such Director's duties to the Company (other than any such failure resulting from incapacity due to physical or mental illness) or the willful engaging by a Director in gross misconduct materially and demonstrably injurious to the Company.~~

74. Reserved.

74A Unless otherwise required by the Statutes, not more than two External Directors shall serve on the Company's board of directors. The nomination, authorities and powers, period and termination of service and any other matter relating to External Directors shall be governed by the provisions of the Companies Law and, in the event of any conflict between the Companies Law and these Articles, in any matter related to the External Directors, the provisions of the Companies Law shall prevail.

#### PRESIDENTS AND EXECUTIVE OFFICERS

75. The Board of Directors may from time to time appoint one or more persons as President or Presidents, as Chief Executive Officer or Officers (CEO), as Chief Operating Officer or Officers (COO) or as any other Executive Officer or Officers of the Company whether for a fixed term or without any limitation of time and the Board of Directors may from time to time remove or discharge him or them from office (subject to the provisions of any agreement between any such person and the Company) and appoint another or others in his or their place or places.
76. The Directors may from time to time appoint one or more Vice Presidents for certain functions, to carry out duties delegated to him (them) by the President, CEO or COO.
77. The Directors may from time to time confer upon and delegate to a President, CEO, COO or other Executive Officer then holding office such authorities and duties of the Board of Directors as they may deem fit, and they may delegate such authorities for such period and for such purposes and subject to such conditions and restrictions which they consider advantageous, and they may delegate such authorities with or without waiving the authorities of the Directors with respect thereto and their being in lieu of their authorities, in whole, or in part, and they may from time to time revoke, cancel and alter such authorities in whole or in part.
78. The remuneration of a President, CEO, COO or other Executive Officer shall be fixed by the Directors, taking into consideration any agreement between him and the Company, and it may be in whole or in part, in the form of wages or commissions or profit sharing or a combination thereof.
79. Notwithstanding anything to the contrary contained in Articles 77 and 78 hereof, approval of the remuneration of directors and Office Holders of the Company shall be subject to the provisions of the Companies Law.

#### DIRECTOR'S ACTS AND AUTHORITIES

80. The management of the business of the Company shall be vested in the Board of Directors, which may exercise all such powers and do all such acts and things as the Company is authorised to exercise and do, and are not hereby or by law required to be



exercised or done by the Company in General Meeting (as specified in section 57 of the Companies Law). The authority conferred on the Board of Directors by this Article 80 shall be subject to the provisions of the Companies Law, of these Articles and any regulation or resolution consistent with these Articles adopted from time to time by the Company in General Meeting, provided, however, that no such regulation or resolution shall invalidate any prior act done by or pursuant to a decision of the Board of Directors which would have been valid if such regulation or resolution had not been adopted.

The powers conferred upon the Board of Directors shall be vested in the Board as a collective body, and not in each one or more of the directors individually, and all such powers may be exercised by the Board of Directors by passing resolutions in accordance with the provisions of these Articles.

81. (a) The Directors shall meet
- (i) at least once every three months, and
  - (ii) whenever they are so requested subject to the provisions of section 98 of the Companies Law.

The Directors may meet together for the dispatch of the business of the Company and they may postpone their meetings and otherwise regulate them as they shall deem fit. A Director may call a meeting of the Board of Directors at any time and the Secretary, if so requested by a Director, shall accordingly convene such a meeting. The quorum for the dispatch of business by the Board of Directors in respect of any issue shall be the majority of the Directors then holding office who are entitled to participate and vote in respect of approval of the business ~~despatched~~dispatched.

- (b) If within half an hour from the time appointed for the meeting a quorum is not present, the meeting shall stand adjourned to the same day in the next week, at the same time and place.

If the requisite quorum is not present within half an hour from the time appointed at an adjourned Board of Directors meeting then any two Directors shall constitute a quorum. The only business to be considered at an adjourned Board of Directors meeting shall be those matters which might have been lawfully considered and/or transacted at the meeting originally called if a requisite quorum had been present.

- (c) Any notice convening a Board of Directors meeting may be given verbally, in person, by telephone conversation, or in writing provided that 24 hours notice before the scheduled meeting was provided, unless all those Directors then in Israel agreed on a shorter notice, provided they constitute a majority of the then acting Directors.

82. A resolution proposed at any meeting of the Board of Directors shall be deemed to have been passed by the Board if voted for by a majority of the directors attending such meeting and voting thereon.

A resolution in writing signed or otherwise approved by all the Directors then in office shall be as valid and as effectual as a resolution adopted by the Board of Directors at a meeting of the Board of Directors duly convened and held for the purpose of passing such resolution.

83. Every Director shall be entitled to be represented and to vote at any meeting of the Board of Directors by another person (other than a serving Director or an alternate of a

serving Director) appointed by him who shall act as his alternate for one meeting or for another specified period or until notice be given of the cancellation of the appointment. The appointment of an alternate shall be made in writing. A Director may appoint two alternates. However, if the two alternates of the same Director shall be present at the Board of Directors' meeting, only one of them shall have the right to vote thereat.

84. A Director being at any time absent from Israel shall be entitled during such time to notice of any Meetings of the Board of Directors, provided he notified the Company of an address to which such notice should be sent.
  85. (a) The Board of Directors shall from time to time elect a Chairman for their meeting whose term of office shall be until such time as a new chairman is elected, following the resignation of the serving chairman, or the termination of his office as a director in accordance herewith. In the event that a Chairman was not elected and if the Chairman should fail to be present at a meeting 15 minutes after the time set for its convening, the remaining Directors shall elect one of those present to be Chairman of the meeting.
  - (b) All questions that arise at meetings of the Board of Directors shall be decided by a majority of votes. In the case of an equality of votes, the Chairman of the meeting shall have a further or casting vote.
  86. Any meeting of the Board of Directors, at which a quorum is present, shall have the authority to exercise all or part of the authorities, powers of attorney and discretion invested at such time in the Directors or regularly exercised by them.
  87. The Directors may delegate subject to the provisions of the Companies Law, several of their authorities in whole or in part to committees each comprising one or more members of the Board of Directors as they shall deem fit and they may from time to time revoke such delegation or alter the powers so delegated. Any committee so created shall, in exercising the authorities granted to it, adhere to all the instructions of the Board of Directors given from time to time.
- The meetings and proceedings of any such committee shall be governed by the provisions of these Articles regulating the meetings of the Board of Directors in so far as appropriate thereto unless the Board of Directors shall otherwise regulate the meetings of such a committee (hereinafter "Committee of the Board of Directors").
88. All acts done *bona fide* at any meeting of the Board of Directors, or of a Committee of the Board of Directors or by any person(s) acting as Director(s) shall, notwithstanding that it may afterwards be discovered that there was some defect in the appointment of the participants in such meeting or any of them or any person(s) acting as aforesaid, or that they or any of them or any person(s) acting as aforesaid, or that they or any of them were disqualified, be as valid as if there were not such defect or disqualification.
  89. The Directors shall cause proper Minutes to be kept of the following:
    - (a) The names of all the Directors present at any meeting of the Board of Directors and at any meeting of a Committee of the Board of Directors;
    - (b) All resolutions and proceedings of General Meetings of the Company, Board of Directors' meetings and Committee of the Board of Directors' meetings.

Any Minutes as aforesaid, if purporting to be signed by the Chairman of the meeting or by the Chairman of the next succeeding meeting, shall constitute *prima facie* evidence of the matters recorded therein.

90. All *bona fide* acts carried out at any meeting of the Board of Directors shall be valid notwithstanding the fact that a Director who was absent from Israel at the time of the meeting did not receive a notice with respect to its convening.

#### BRANCH REGISTERS

91. Subject to and in accordance with the provisions of the Companies Law and to all orders and regulations issued thereunder, the Company may cause branch registers to be kept in any place outside Israel as the Board of Directors may think fit, and, subject to all applicable legal requirements, the Board of Directors may from time to time adopt such rules and procedures as it may think fit in connection with the keeping of such branch registers.

#### SECRETARY

92. The Board of Directors may from time to time appoint a Secretary to the Company as it deems fit and may appoint a temporary Assistant-Secretary who shall act as Secretary for the term of his appointment.

#### RIGHTS OF SIGNATURE - STAMP AND SEAL

93. (a) Authorisation to sign on behalf of the Company and thereby bind it shall be made and granted from time to time by the Board of Directors. The Company shall have at least one rubber stamp. The Company shall be bound by the signature of the aforesaid appointees if appearing together after its stamp or imprinted name (e.g. cheques).
- (b) The Board of Directors may provide for a seal. If the Board of Directors so provide, it shall also provide for the safe custody thereof. Such seal shall not be used except by the authority of the Board of Directors and in the presence of the person(s) authorised to sign on behalf of the Company, who shall sign every instrument to which such seal is affixed.

#### DIVIDENDS

94. Subject to any preferential, deferred, qualified or other rights, privileges or conditions attached to any special class of Shares, with regard to dividends, the profits of the Company available for dividend distribution pursuant to the Companies Law and resolved to be distributed, shall be applied in payment of dividends upon the Shares of the Company in proportion to the amount paid up or credited as paid up per the nominal value thereon respectively, otherwise than in advance of calls. Unless otherwise specified in the conditions of issuing of the Shares, all dividends with respect to Shares which were not fully paid up within a certain period, for which dividends were paid, shall be paid proportionally to the amounts paid or credited as paid on the nominal value of the Shares during any portion of the abovementioned period.

~~95. The Company in a General Meeting may declare a dividend to be paid to the Shareholders according to their rights and interests in the profits and may fix the time for payment. No larger dividend shall be declared than is recommended by the Directors, but the Company in a General Meeting may declare a smaller dividend.~~

~~96. The Directors may from time to time pay to the Shareholders on account of the next forthcoming dividend such interim dividends as in their judgement the position of the Company justifies.~~

~~95. Subject to the provisions of these Articles and the provisions of the Companies Law, the Board of Directors may from time to time decide on any Distribution (as such term is defined in the Companies Law) including the payment of a dividend or on the distribution of bonus shares. The Board of Directors may decide that the dividend will be paid, in whole or in part, in cash or distribution in kind, including in securities or in any other manner which the Board of directors may, in its sole discretion, determine, subject always to the provisions of the Companies Law.~~

~~96. (Reserved).~~

97. A transfer of Shares shall not pass the right to any dividend declared thereon after such transfer and before the registration of the transfer.
98. Notice of the declaration of any dividend, whether interim or otherwise, shall be given to the holders of registered Shares in the manner hereinafter provided.
99. Unless otherwise directed, any dividend may be paid by cheque or warrant, sent through the post to the registered address of the Shareholder or person entitled, or in the case of joint registered holders to that one of them first named in the register in respect of the joint holding. Every such cheque shall be made payable to the order of the person to whom it is sent. The receipt of the person whose name, at the date of the declaration of the dividend, appears on the Register of Shareholders as the owner of any Share, or in the case of joint holders, of any one of such joint holders, shall be a good discharge to the Company of all payments made in respect of such Share. All dividends unclaimed for one year after having been declared may be invested or otherwise used by the Directors for the benefit of the Company until claimed. No unpaid dividend or interest shall bear interest as against the Company.

#### PAYMENT IN SPECIE AND CAPITALISATION OF PROFITS

100. Upon the recommendation of the Board of Directors approved by Ordinary Resolution of the Company, and subject to the provisions of the Companies Law, a dividend may be paid, wholly or partly, by the distribution of specific assets of the Company or by distribution of paid up Shares, debentures or debenture stock or any other securities of the Company or of any other companies or by set-off against monies owed to the Company by the Shareholder entitled to receive the dividend or in any one or more of such ways.
101. Upon the recommendation of the Board of Directors, approved by Ordinary Resolution of the Company, the Company:
  - (i) may cause any moneys, investments, or other assets forming part of the undivided profits of the Company, standing to the credit of a reserve fund, or to the credit of a reserve fund for the redemption of capital, or in the hands of the Company and available for dividends, or representing premiums received on the issuance of Shares and standing to the credit of the Share premium account, to be capitalised and distributed among such of the Shareholders as would be entitled to receive the same if distributed by way of dividend and in the same proportion, or to be distributed only to a certain part of the Shareholders, while not distributed to other Shareholders as will be decided by the General Meeting on the footing that they become entitled thereto as capital, or may cause any part of such capitalised fund to be applied on behalf of such Shareholders in paying up in full, either at par or at such premium as the resolution may provide, any unissued Shares or debentures or debenture stock or any other securities of the Company which shall be distributed accordingly, or in payment, in full or in part, of the uncalled liability on any issued Shares or debentures or debenture stock; and
  - (ii) may cause such distribution or payment to be accepted by such Shareholders in full satisfaction of their interest in the said capitalised sum. When distributing Shares for capitalised profits all Shareholders shall receive Shares of one class - whether such class existed prior thereto or was created therefor; - or, every Shareholder shall receive Shares of the same class which conferred upon him the right to receive Shares from the capitalisation of profits, or of any other class or a combination of several classes of Shares - in accordance with the approval of the General Meeting.

102. (cancelled).
103. For the purpose of giving full effect to any resolution under Articles 100 and 101, the Directors may settle any difficulty which may arise in regards to the distribution as it thinks expedient and, in particular, may issue fractional certificates, and may fix the value for distribution to any Shareholders upon the footing of the value so fixed or determine that fractions of less nominal value than one New Israeli Sheqel may be disregarded in order to adjust the rights of all parties, and may vest any such cash, Shares, debentures, debenture stock or specific assets with trustees upon such trusts for the persons entitled to the dividend or capitalised fund as may seem expedient to the Board of Directors. Where requisite, a proper contract shall be filed in accordance with the requirements of the Companies Law and the Board of Directors may appoint any person to sign such contract on behalf of the persons entitled to the dividend or capitalised fund.

#### ACCOUNTS

104. The Board of Directors shall cause accurate books of account to be kept in accordance with the provisions of Companies Law and of any other applicable law. Such books of account shall be kept at the Office, or at such other place or places as the Board of Directors may think fit, and they shall always be open to inspection by all Directors. No Shareholder, not being a Director, shall have any right to inspect any account or book or other similar document of the Company, except as conferred by law or authorised by the Board of Directors or by Ordinary Resolution of the Company.
105. At least once in every fiscal year the accounts of the Company shall be audited and the correctness of the profit and loss account and balance sheet certified by one or more duly qualified auditors.
106. The appointment, authorities, rights and duties of the auditor(s) of the Company shall be regulated by the applicable law.

#### NOTICES

107. (a) Any notice or other document may be served by the Company upon any Shareholder either personally or by sending it by prepaid registered mail (air mail if sent to a place outside Israel) addressed to such Shareholder at his address as described in the Register of Shareholders or as prescribed by the Statutes and any legally applicable Belgian requirement, which notwithstanding any other provision of these Articles shall be considered as service of notice to the Shareholders on the date of publication pursuant to such requirements.

Any written notice or other document shall be deemed to have been served twelve (12) hours after it has been sent by facsimile, forty eight (48) hours after it has been posted (seven (7) days if sent to a place, or posted at a place outside Israel), or when actually received by the addressee if sooner than twelve (12), forty eight (48) hours or seven days, as the case may be, after it has been posted, or when actually tendered in person, to such Shareholder (or to the Secretary or the President), provided, however, that such notice or other document as mentioned above may be sent by cablegram and confirmed by registered mail as aforesaid, and such notice shall be deemed to have been given twenty-four (24) hours after such cablegram or telex has been sent or when actually received by such Shareholder (or by the Company), whichever is earlier. If a notice is, in fact, received by the addressee, it shall be deemed to have duly served when received, notwithstanding that it was defectively

addressed of failed, in some respect, to comply with the provisions of this Article.

- (b) The Company is under no obligation to give notice of General Meetings to a person entitled to Shares unless he is duly registered as a Shareholder.
- (c) All notices to be given to the Shareholders shall, with respect to any Share to which persons are jointly entitled, be given to whichever of such persons is named first in the Shareholder Register of Shareholders, and any notice so given shall be sufficient notice to the holders of such Share.
- (d) Any Shareholder whose address is not described in the Register of Shareholders, and who shall not have designated in writing an address for the receipt of notices, shall not be entitled to receive any notice from the Company by personal delivery, mail, facsimile, cablegram or telex.
- (e) Any notice or other document served upon or, sent to any Shareholder by publication in accordance with these Articles shall, notwithstanding that he be then deceased or bankrupt, and whether the Company has notice of his death or bankruptcy or not, be deemed to be duly served or sent in respect of any Shares held by him (either alone or jointly with others) until some other person is registered in his stead as the holder or joint holder of such Shares, and such service as the holder or joint holder of such Shares, and such service or sending shall be a sufficient service on or sending to his heirs, executors, administrators or assigns and all other persons (if any) interested in such Share.
- (f) Where a given number of days notice or notice extending over any period is required to be given, the day of service shall be counted in such number of days or other period.
- (g) Any accidental omission of notice of a General Meeting to a Shareholder or non-receipt thereof shall not derogate from the validity of any resolution of such General Meeting.
- (h) A person shall be deemed to have received any notice, document or other communication if and when same comes to his attention or is received by him or at the address furnished by him to the Company pursuant to this Article.
- (i) To avoid any doubt, the entitlement of a Shareholder to receive any notices relating to convening meetings of Shareholders under these Articles shall be as determined in Article 55(a).

#### RECONSTRUCTION

108. On any sale of the undertaking of the Company, the Directors, or the liquidators on a winding-up may, if authorised by SpecialOrdinary Resolution, accept fully paid or partly paid up Shares, debentures or securities of any other company, whether Israeli or foreign, either then existing or to be formed, for the purchase in whole or in part of the property of the Company, and the Directors (if the profits of the Company permit), or the liquidators (on a winding-up), may distribute such Shares, or securities, or any other property of the Company, amongst the Shareholders, without realisation, or vest the same in trustees for them, and any SpecialOrdinary Resolution may provide for the distribution or appropriation of the cash, Shares, or other securities, benefits, or property, otherwise than in accordance with the strict legal rights of the Shareholders as contributories of the Company, and for valuation of any such securities or property at such price and in such manner as the meeting may approve, and all holders of Shares shall be bound to accept and shall be bound by any valuation or distribution so authorised, and waive all rights in relation thereto, save only in the event that the Company is proposed to be or

is in the course of being wound up, such statutory rights (if any) under the provisions of the Statutes as are incapable of being varied or excluded by these presents.

#### INDEMNITY AND INSURANCE OF OFFICE HOLDERS

109. Subject to the provisions of the Companies Law, the Company may:

##### 109.1 INSURANCE

enter into a contract for the insurance of the liability, in whole or in part, of any of its Office Holders with respect to any of the following:

- (i) a breach of duty of care to the Company or to any other person in respect of an act performed by him by virtue of his being an Office Holder of the Company as long as such duty of care was not breached deliberately or recklessly, except if performed with negligence only.
- (ii) a breach of fiduciary duty to the Company provided that the Office Holder has acted in good faith and that he had reasonable grounds to assume that the act would not harm the good of the Company in respect of an act performed by him by virtue of his being an Office Holder of the Company;
- (iii) a financial liability which shall be imposed on such Office Holder in favour of any other person, in respect of an act performed by him by virtue of his being an Office Holder of the Company;
- (iv) a financial liability which shall be imposed on an Office Holder, as detailed in Section 52(54)(a)(1)(a) of the Securities Law.
- (v) expenses incurred by an Office Holder in connection with an Administrative Procedure in which he was involved, including reasonable litigation costs as well as lawyer's fees.

##### 109.2 EXEMPTION

- (1) The Company may exempt in advance, an Office Holder, from his liability in all or in part on account of damages due to a breach of duty of care towards the Company, provided that such duty of care was not breached deliberately or recklessly, except if performed with negligence only.
- (2) Notwithstanding subsection (1) above, the Company may not exempt in advance, director from his liability towards the Company due to breach of duty of care in distribution events.

##### 109.3 INDEMNITY

- (1) The Company may indemnify an Office Holder of the Company, and or any Office Holder on its behalf in a subsidiary of the Company and or in any affiliate of the Company (as defined in the Securities Law 5728-1968) (the "**Other Company**") post facto on account of liability or expense as detailed in subsection (4) below, imposed on him due to an act performed by him as an Office Holder of the Company.

- (2) The Company may indemnify an Office Holder of the Company and or in Other Company in advance in respect to types of events which, according to the Company's Board of Directors' opinion, are to be expected when the obligation to indemnify was granted, and which are limited to a sum or a criterion that the Board of Directors decided as reasonable in the circumstances of the matter, on account of liability or expense due to such types of events as detailed in subsection (4) below, which was imposed on the Office Holder due to an act performed by him as an Office Holder of the Company.
- (3) The indemnity obligation will detail the events, which, according to the Board of Directors' opinion, are to be expected in view of the Company's activity at the time when the obligation to indemnify was granted as well as the sum or criterion, which the Board of Directors decided as reasonable in the circumstances of the matter.
- (4) The terms "liability or expense" for the purpose of Subsections (1) and (2) shall mean:
  - (a) a financial liability imposed on him in favour of any other person by any judgement, including a judgement given as a result of a settlement or an arbitrator's award which has been confirmed by a court, in respect of any act performed by him by virtue of his being an Office Holder of the Company;
  - (b) reasonable litigation costs, including lawyer's fees, spent by an Office Holder due to an investigation or proceedings that was conducted against him by a competent authority authorized to conduct an investigation or proceedings, and which terminated without criminal charges against the Office Holder and without a financial liability imposed on him as an alternative to criminal proceedings, or which terminated without criminal charges against him but with financial liability imposed on him as an alternative to criminal proceedings in an offence which does not require the substantiation of mens rea or in connection with financial sanctions.

In this Section, termination of proceedings without criminal charges in a matter in which criminal investigation commenced – means case closure according to Section 62 of the Criminal Procedure Law (combine version) 5742-1982 (in this Section the Criminal Procedure Law), or proceedings' delay by the attorney general according to Section 231 of the Criminal Procedure Law.

"a financial liability as an alternative to criminal proceedings" - shall mean a financial liability imposed according to the law as an alternative to criminal proceedings, including administrative financial penalty according to the Administrative Crimes Law 5748-1985, a financial penalty for an offence which was declared as a financial penalty offence according to the Criminal Procedure Law, financial sanction or ransom.

- (c) reasonable litigation costs, including lawyer's fees, expended by an Office Holder or which were imposed against him by the court in a proceeding commenced by the Company or in its name or by any other person or in a criminal charge in which he



was acquitted, or in a criminal charge in which he was convicted for an offence which does not require the substantiation of mens rea in respect of an act performed by him by virtue of his being an Officer of the Company or an Other Company;

- (d) a financial liability which shall be imposed on an Office Holder, as detailed in Section 52(54)(a)(1)(a) of the Securities Law.
- (e) expenses incurred by an Office Holder in connection with an Administrative Procedure in which he was involved, including reasonable litigation costs as well as lawyer's fees, including by way of indemnification in advance.

For the purpose hereof, "Administrative Procedure" shall mean procedures pursuant to chapters H3 (Imposing of financial sanctions by the Israeli Securities Authority), H4 (Imposing administrative enforcement means by the administrative enforcement committee) and I1 (Settlement for the refrainment from measures or ceasing from measures, which are subject to terms) of the Securities Law, as amended from time to time.

- (f) liability or other expenditure allowed to be indemnified under law.
- (5) The sum of indemnity as mentioned in subsections (1) and (2) above, for any act or event will not exceed 25% (twenty five percent) of the Company's capital as registered in its' financial statements, as of the indemnification day, regarding all Office Holders in the Company.

#### WINDING-UP

110. If the Company shall be wound up, whether voluntarily or otherwise, the liquidators may with the sanction of an ~~Extraordinary~~Ordinary Resolution divide among the Shareholders in specie any part of the assets of the Company, and may, with like sanction, vest any part of the assets of the Company in trustees upon such trusts, for the benefit of the Shareholders, as the liquidators with like sanction shall think fit. The resolution sanctioning any such division may also sanction a division otherwise than in accordance with the legal rights of the Shareholders and may confer special rights on any class of Shareholder, but in case any resolution shall be passed sanctioning any division otherwise than in accordance with the legal rights of the Shareholders, any Shareholder who would be prejudiced thereby shall have a right to dissent, and, ancillary rights, as if such resolution were ~~a Special~~an Ordinary Resolution passed pursuant to Section 334 of the Companies Ordinance.

~~110.~~

#### **Appendix 2.1.4 - Amendment of the compensation policy**

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

**Officers Compensation Policy**

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## 1. Purposes of Compensation Policy Document

This document, dealing with the Compensation Policy for officers of the Company, in accordance with Amendment No. 20 of the Companies Law ("**Compensation Policy**"), sets out the Company's policy with respect to the terms of service and employment of its officers, including the compensation amount, the compensation components, the compensation determination method, the distinction made between the compensation of the Company's CEO or of a controlling-shareholder officer or his relative and the Company's other officers, etc.

## 2. Definitions

The terms contained in this Compensation Policy Document will have the meaning given them in the Companies Law and in the regulations made pursuant thereto, unless and to the extent that they are explicitly defined otherwise in this document, including the following terms:

" <b>Approving Entity</b> " – The entity or entities designated from time to time in the Companies Law as authorized to approve the terms of service and employment of any officers, as the case may be, based on the substance of the specific conditions and the identity of the specific officer.
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" <b>Company</b> " – Unitronics (1989) (R"G) Ltd.
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" <b>Board of Directors</b> " – The Board of Directors of the Company.
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" <b>Compensation Committee</b> " – The Compensation Committee of the Company.
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" <b>CEO</b> " – The Chief Executive Officer of the Company.
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" <b>Companies Law</b> " – The Companies Law, 5759-1999, and the regulations made pursuant thereto, as amended from time to time, including also directives as issued from time to time by the Israel Securities Authority and any other authority that is competent under any law to determine the manner of interpretation and/or implementation of the provisions of laws and regulations.
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" <b>Amendment No. 20</b> " – The Companies Law (Amendment No. 20), 5773-2012.
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" <b>salary</b> " or " <b>basic salary</b> " – The fixed component in an officer's terms of service and employment, comprising the basic salary (gross) set in the employment agreement between the Company and the officer, but excluding any bonus and/or grant and/or equity-based compensation and/or other variable components, and excluding insurance, indemnification and exemption, all in accordance with the provisions of the Compensation Policy.
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" <b>fringe benefits</b> " – An officer's terms of service and employment (excluding salary and bonus) which are regulated by law and/or in the employment agreement between him and the Company, including: (1) conditions defined in the law, such as National Insurance contributions, health tax, pension savings, vacation days, sickness days, prior notice, convalescence pay, etc.; and (2) generally accepted conditions in Israel, such as a company car, reimbursement of travel expenses, mobile phone and/or laptop computer, subsistence expenses, reimbursement of expenses, study fund and any other benefit approved by the Approving Entities, granted in connection with the officer's service at the Company and not included in another definition above or below, all in accordance with
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the provisions of any specific employment agreement signed between the Company and the officer, and all in accordance with the Compensation Policy.
<b>"bonus" and/or "grant" and/or "variable compensation"</b> – The variable component in an officer's terms of service and employment, including one-time components and/or components derived from defined (qualitative and/or quantitative) criteria that are conditional on compliance therewith based on the parameters defined therein, such as actual performance of the officer and/or the Company, period of employment, etc., all in accordance with the provisions of the Compensation Policy.
<b>"option"</b> – An undertaking that confers on the purchaser thereof a right to buy or sell the underlying asset at the exercise price, or to receive the difference between the exercise price and the value of the underlying asset, all at the times and terms specified in the option.
<b>"Zviran Survey" or "Zviran"</b> – A salary and benefits survey, including a senior management survey, based on salary data collected in Israel's technology sector and including more than 100,000 employees in more than 250 companies in the high-tech, technology and information-system sectors, providing comprehensive and up-to-date information on terms of service and employment, including: salaries, fringe benefits, bonuses and benefits. The companies included in the sample are classified according to the following criteria: size (number of employees), ownership (private or public company) and company's status (Israeli company or a subsidiary of an international company). The survey shows a weighted average to each of these criteria separately, and for each component separately (fixed, variable and inclusive) This sample is published by Zviran Consulting and Surveys Ltd. and updated twice a year.
<b>"Zviran Averege"</b> - average value of the officers compensation, calculated by the Company on the basis of Zviran data regarding matching companies to the Company in terms of values of the tested criteria (size - 150-500 employees, ownership - public and Status - Israel).

The Compensation Policy is written in the masculine gender for reasons of convenience only; its contents apply equally to women and men, without any difference or distinction.

### 3. Compensation Policy – general

- 3.1 In accordance with the provisions of Amendment No. 20, on November 22, 2012 the Board of Directors set up a Compensation Committee which was tasked with performing the functions assigned to it in the Companies Law, and *inter alia* recommending to the Board of Directors a Compensation Policy for officers of the Company.
- 3.2 On October 23, 2013, after accepting the recommendation of the Compensation Committee, the Board of Directors adopted a resolution approving a Compensation Policy for Company officers for a period of three years commencing on the date of approval of the Compensation Policy by the General Meeting. On November 17, 2013, after receiving the recommendation of the Compensation Committee, the Board decided to adopt certain changes in the Compensation Policy, which are detailed in the current version.
- 3.3 Starting from the date of approval of the Compensation Policy by the General Meeting, the terms of service and employment of Company officers will be determined and approved in accordance with the Compensation Policy and the

provisions of the Companies Law, subject to the exceptions specified in the Companies Law.

- 3.4 Although, as stated, the Compensation Policy requires the approval of the General Meeting, nevertheless, should the General Meeting oppose the approval of the Compensation Policy, wholly or partly, the Board of Directors may determine the Compensation Policy without the approval of the General Meeting, provided the Compensation Committee and thereafter the Board of Directors have reviewed the Compensation Policy and decided, based on detailed reasons, that the approval of the Compensation Policy in spite of the opposition of the General Meeting is to the Company's benefit.
- 3.5 The Compensation Policy was formulated in an orderly internal process, so as to realize, on the one hand, the Company's wish to compensate its officers for their success in achieving the Company's objectives, retain them over the long term and increase their sense of identification by creating a common interest, while ensuring, on the other hand, that the compensation according to the policy benefits the Company and its shareholders and accords with the Company's organization-wide strategy. To ensure that the foregoing is fulfilled, the Board of Directors established guiding principles for the implementation of the Compensation Policy through various mechanisms and tools, all as set out hereinafter in this document.
- 3.6 The Compensation Policy is an advanced tool, based on targets and measures derived, *inter alia*, from the Company's annual and multiannual work plans.
- 3.7 The Company will act in accordance with any present or future statutory provision relating to its Compensation Policy.
- 3.8 Deviations from the Compensation Policy, if and to the extent they are necessary, may be made according to the mechanisms established in the Companies Law. If an officer is granted terms of service and employment that are inferior to those set out in this Compensation Policy, this will not be considered a deviation or divergence from the Company's Compensation Policy, and such terms of service and employment will not require approval for that reason, apart from the approval of the Approving Entity, to the extent that such approval is required for terms of service and employment in deviation from a Compensation Policy.
- 3.9 Updates to the Compensation Policy will be examined, discussed and approved by the Approving Entities in accordance with the provisions of the Companies Law. In addition to the areas of responsibility of the Approving Entities in connection with the Compensation Policy, as set out below, maintaining the currency of the Compensation Policy is also the responsibility of the Company's Vice President of Human Resources.
- 3.10 It is clarified that this document does not in and of itself confer any right on officers and/or any other third party, explicitly or implicitly, and it may not be used in the interpretation of agreements or other legal documents, even if they deal with the terms of service and employment of officers.

#### **4. Compensation Policy formulation and approval process**

The following are the entities that participate in the formulation and approval of the Compensation Policy:

- 4.1 **Compensation Committee:** The Compensation Committee gives the Board of Directors its recommendation regarding the approval of the officers' Compensation Policy. Details of the functions and powers of the Compensation Committee are set out in Section 118B of the Companies Law and hereinafter in this document.
- 4.2 **Board of Directors:** The Board of Directors approves the Compensation Policy and considers from time to time the need to update it. Details of the functions and responsibilities of the Board of Directors in connection with the Compensation Policy, in addition to those established in the Companies Law, are set out in Section 6 below.
- 4.3 **General Meeting:** Approves the Compensation Policy in accordance with the provisions of the Companies Law, subject to the qualification referred to in Section 3.4 above.
- 4.4 **General:** Any other, different or additional entity defined from time to time in the Companies Law as an Approving Entity. In addition, the Board of Directors and/or the Compensation Committee will turn to external advisers, as they see fit, for assistance in the formulation/revision of the Compensation Policy as well as with respect to oversight and control over its actual implementation.

## **5. Purposes of Compensation Policy**

The purpose of the Compensation Policy is to help the Company advance its goals, work plans and policies in the long term, while striving to achieve the following objectives:

- 5.1 Recruitment and retention of quality personnel, in order to help the Company achieve its objectives.
- 5.2 Enhancing the motivation of Company officers, by creating a correlation between their personal success and the Company's success in achieving its objectives.
- 5.3 Improving the balance between the fixed and variable compensation components, as well as between the long-term and the short-term compensation components.
- 5.4 Setting benchmark ranges for the terms of service and employment of Company officers, both in comparison with standard terms of service and employment in the market and in comparison with the average salary of the Company's other employees.
- 5.5 Increasing the involvement of the Company's shareholders in determining the terms of service and employment of Company officers.

## **6. Oversight and Control of Officers' Compensation**

- 6.1 The Board of Directors is in charge of the management and implementation of the Compensation Policy as well as all the activities required for this purpose, including the authority to interpret the provisions of the Compensation Policy, as necessary, also but not only in case of a doubt regarding the manner of its implementation. Without derogating from the above, the Approving Entities will examine the degree of compliance with the criteria (benchmarks) set in the Compensation Policy, prior to the approval of terms of service and employment for a Company officer, taking into account the data presented to them by the Company's management.

- 6.2 The Board of Directors will discuss and decide on the manner of supervision of the proper implementation of the Compensation Policy, in order to ascertain that the officers' terms of service and employment accord with the Compensation Policy, while maintaining consistency between the Compensation Policy and the Company's annual and multiannual work plans and its budget. Among other things, the Board of Directors will establish rules for control, reporting and correction of deviations, if any, from the Compensation Policy.
- 6.3 The Board of Directors will review the Compensation Policy periodically, and at least once a year shortly before the date of approval of the Company's financial statements, as detailed in Section 6.4 below, with respect to the officers' performance level and compliance with predetermined targets, with respect to the conformance of the terms of service and employment actually granted by the Company to the benchmarks and other criteria set in this Compensation Policy, and with respect to the Company's risk level, and it will update the Compensation Policy (should it consider this necessary) after receiving the Compensation Committee's recommendation and subject to the approval of the General Meeting, insofar as required by the Companies Law.
- 6.4 Shortly before the date of approval of the Company's annual financial statements, beginning in the year in which the Compensation Policy has been approved, the Compensation Committee and the Board of Directors will discuss the implementation of the Compensation Policy in the relevant year and consider, *inter alia*, the measures underlying the compensation targets pursuant to the policy, as presented by the Company's management.
- 6.5 As part of the process of approval by the Board of Directors of each annual and multiannual work plan of the Company, including their various components, the Board of Directors will consider whether the Company's work plans and budget are consistent with its existing Compensation Policy.

## **7. Board of Directors' guiding principles for implementing the Compensation Policy**

The Board of Directors' guiding principles for implementing the Compensation Policy are intended to ensure a proper balance between the wish to incentivize and retain officers in the Company and the requirement that the Compensation Policy benefit the Company and its shareholders and accord with the Company's work plans and its organization-wide strategy.

In accordance with the Board of Directors' resolution, the Compensation Policy will not be implemented in a manner liable to create incentives for taking risks that deviate from the Company's risk policy, as determined from time to time by the competent organs.

Therefore, whenever the Company's management and the Approving Entities engage in implementing the Compensation Policy, their decisions will be guided, *inter alia*, by the following principles:

- 7.1 Conformance between the Compensation Policy and the Company's financial position and long-term goals – The Compensation Policy includes budget limitations as well as personal caps for officers, to which the Approving Entities must strictly adhere when considering and approving an officer's terms of service and employment. Any deviation from any or all of the provisions of the Compensation Policy is subject to the conditions set forth in Section 7.7 below.



- 7.2 Conformance between the Compensation Policy and compliance with targets – Implementation of the Compensation Policy must reflect the officer's contribution, within the organizational unit in which he operates, to the Company's operations and results. The compensation targets included in the Compensation Policy are classified at two levels within the Company: (a) quantitative targets connected with the organizational unit in which the officer is employed at the Company and/or with the Company as a whole; (b) qualitative targets connected with the officer himself and his functioning.
- 7.3 Connection between an officer's compensation and the Company's business results – The terms of service and employment of Company officers will be affected, among other factors, by the Company's business results and by each officer's contribution to the achievement of those results. The higher up an officer is in the managerial hierarchy, the greater the impact the Company's business results and his personal contribution to the achievement of those results will have on the amount of his compensation. Accordingly, the higher an officer's ranking in the managerial hierarchy, the greater the weight of the variable compensation components (to the extent there are any such in the officer's terms of service and employment) will be within the terms of service and employment of that officer.
- 7.4 Quantitative criteria – The Compensation Policy establishes quantitative criteria for examining an officer's performance in terms of compliance with different performance levels. These criteria must be reflected within the framework of the implementation of the Compensation Policy.
- 7.5 Qualitative criteria – The Compensation Policy establishes, in addition to financial criteria, qualitative criteria for examining an officer's performance also with respect to non-financial criteria. These criteria as well must be reflected within the framework of the implementation of the Compensation Policy. Such qualitative criteria will be applied, *inter alia*, on the basis of recommendations by the CEO to the appropriate organs of the Company to approve, subject to any law: (a) the grant of bonuses classified as short-term variable compensation plans within the framework of the qualitative components ("**manager's evaluation**"); and (b) the grant of a special bonus, all the above as detailed in Sections 15-16 below.
- 7.6 Balancing between the quantitative criteria and the qualitative criteria – In implementing the Compensation Policy, the Company must strive to achieve an appropriate balance between the variable components and the fixed components of the officers' terms of service and employment, giving the appropriate relative weight to the quantitative criteria, on the one hand, and the qualitative criteria, on the other.
- 7.7 Components designed to allow managerial flexibility in response to exceptional circumstances – The Compensation Policy includes definitions that allow the Approving Entities managerial flexibility when acting within the framework of the policy, as well as the possibility of deviating from any or all of the provisions of the policy, in "special cases,"<sup>1</sup> based on considerations of the Company's good, in accordance with the provisions of the Companies Law. Where approval is given for compensation not in accordance with the Compensation Policy, the Approving

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<sup>1</sup> Special cases can include exceptional qualifications of the officer, retention of an especially high-quality officer by the Company, exceptional achievements of an officer, and any other special circumstances determined by the Approving Entities to constitute a special case in this regard, based on reasons that will be set out in every such decision.

Entities will nevertheless examine all the considerations and criteria set out in this document and those obligated by the Companies Law.

## **8. Effect of the Company's size and the nature of its activity on officers' compensation**

In formulating the Compensation Policy, the Compensation Committee and the Board of Directors considered, among other things, the effect of the Company's size as well as the areas in which it operates and the scope of its operations on the Compensation Policy, relative to the Zviran Survey – a salary survey in Israel's technology sector in which the Company also participates. A comparison between the compensation components at the Company and the compensation components, according to the Zviran Survey, at companies which are similar to the Company in terms of size (150-500 employees), ownership (public) and status (Israeli company) (the comparison is based on the Zviran Survey, as discussed in Section 11.6 below), the compensation components detailed in this Compensation Policy Document for officers of the Company are appropriate, fair and reasonable. A similar ad-hoc examination will be performed for the terms of service and employment actually granted to each Company officer, prior to signing an agreement with him and from time to time at intervals to be determined.

In addition, if and to the extent that the scope of operations of the Company and/or its areas of operation change significantly, the Compensation Committee and the Board of Directors will examine the effect of such change on the terms, criteria and benchmarks set in this Compensation Policy Document, and, if necessary, will act to have it updated in accordance with the provisions of the Companies Law.

## **9. Ratio between officers' compensation and compensation of the Company's other employees**

The Company sees great importance in maintaining reasonable and fair differences between the compensation paid to Company officers and the compensation paid to non-officer employees.

The Compensation Committee and the Board of Directors examined the ratio between the existing terms of service and employment of officers and the existing average and median salary of the Company's other employees, as well as the ratio between the existing terms of service and employment of officers and the average and median current cost of employment of the Company's other employees. Based on this examination and considering the Company's nature, size and areas of operation, they found that this ratio is fair and reasonable and has no significantly adverse effect on labor relations at the Company. A similar ad-hoc examination will be performed for the terms of service and employment actually granted to each Company officer, prior to signing an agreement with him and from time to time at intervals to be determined.

In addition, for the purpose of maintaining such a fair and reasonable ratio, the Compensation Committee and the Board of Directors will examine from time to time, and at least once a year, the changes in this ratio. If it is found that the ratio is not fair and reasonable, *inter alia* considering the existing ratio at other public companies traded on the Tel Aviv Stock Exchange which are similar to the Company in terms of size, scope of operations and areas of operation, the Compensation Committee and the Board of Directors will consider how and by what means this ratio can again be made fair and reasonable, all in accordance with the provisions of any law.

## The ratio between cost of the terms of service and employment of officers and other employees of the Company

This ratio will be calculated in relation to the terms of service and employment (annual cost<sup>2</sup>) of each of the senior officers employed in that period by the Company, and the cost of the annual average and median salary of the Company's other employees (apart from officers) employed by the Company in the same period.<sup>3</sup> The following table presents the ratio in 2012:

Name	Position	Percentage of Position	Cost of Salary (NIS Thou.)	Variable Compensation	Total Cost (NIS Thou.)	Ratio to Cost of Median Salary at the Company	Ratio to Cost of Average Salary at the Company
Haim Shani <sup>4</sup>	CEO and Chairman of the Board <sup>5</sup>	100%	1,256	104	1,360	6.21	5.76
Amit Harari	VP and Products Division Manager	100%	582	145	727	3.32	3.08
Moshe Naar	VP and Systems Division Manager	100%	647		647	2.96	2.74
Bareket Shani <sup>6</sup>	Director <sup>7</sup> , Deputy Chief Executive Officer and VP of Human Resources	100%	663		663	3.03	2.81
Amir Anchel	VP and Budget Director	100%	616		616	2.82	2.61
Yair Itscovich	Chief Financial Officer	100%	553		553	2.53	2.34
Eyal Saban <sup>8</sup>	Vice President		404		404	2.48	2.30
	Other Directors		256		256		

## 10. Officer compensation components – general

10.1 The main components included in the terms of service and employment of Company officers are as follows:

- Fixed basic salary – The basic salary reflects, on the one hand, the requirements of the officer's position and his responsibilities, and, on the other hand, his qualifications, education and professional experience.
- Fringe benefits – Some of the fringe benefits are obligated by law and some are voluntary and granted in accordance with accepted practice in the labor market for officers of a similar level of seniority, with the aim of increasing the officer's motivation and to reflect the requirements and responsibilities of the position as well as the officer's qualifications, education and professional experience. The fringe benefit components are detailed in the definitions in Section 2 of this document, and the details of the terms granted in connection with each component are detailed hereinafter in this document.

<sup>2</sup> If the officer was employed for part of the year, this ratio will be based on the adjusted calculation for the full year (12 months)

<sup>3</sup> If the employee was employed for part of the year, this ratio will be based on the adjusted calculation for the full year (12 months)

<sup>4</sup> The Company's controlling shareholder.

<sup>5</sup> Without compensation for the performance of his duties as Chairman of the Board of Directors

<sup>6</sup> The wife of Mr. Haim Shani, the Company's controlling shareholder.

<sup>7</sup> Without compensation for the performance of her duties as a Director

<sup>8</sup> Mr. Eyal Saban provides consulting services to the Company through a company owned by him, and against a monthly management fee.

- Bonus and/or grant – This variable component is derived from defined (qualitative and/or quantitative) criteria, and varies according to the changes defined in them, such as actual performance of the officer and/or the Company, period of employment, etc. Its purpose is to compensate the officer for his efforts, achievements and contribution to the achievement of the Company's objectives, in direct proportion to his success in meeting the targets defined for him.
- Equity-based compensation – As set out in Section 23 below.

10.2 Whenever the Approving Entities are required to discuss and approve the terms of service and employment of a Company officer, all the proposed terms of service and employment for the officer will be presented to them, particularly those detailed in Sections 11-21 below, together with a comparison of each of them to the relevant benchmark. In the discussion, the Approving Entities will take into account all the terms and conditions, provisions, criteria and benchmarks detailed in this Compensation Policy Document, referring also to the updated Zviran measure as of then, including compliance with salary ranges, fringe benefits and variable components of the terms of service and employment, the ratio between the officer's terms of service and employment and those of the Company's other employees, the officer's education, qualifications, expertise, achievements, position and responsibilities, etc.

10.3 Any payment of a bonus or grant made, if at all, to a Company officer in accordance with the Compensation Policy, is not and shall not be deemed in any respect a part of the officer's fixed basic salary, it will not be taken into the account of the entitlement to and/or the calculation and/or accrual of any fringe benefit. Accordingly, without derogating from the generality of the foregoing, it will not serve as a component in the calculation of entitlement to vacation pay, severance pay (insofar as the officer is entitled thereto), contributions to provident and/or pension funds, etc, unless and to the extent that the governing labor laws obligate otherwise.

#### 10.4 Ratio between officer compensation components

The desirable ratios between the variable and equity compensation components and fixed component of the Company officers for a given year is shown in the following table:

Ranking	Fixed compensation including fringe benefits	Variable compensation		Equity-based compensation
		Qualitative component	Measurable component	
CEO	100%	100%	400%	50%
VP and/or another officer	100%	75%	300%	50%
Directors	100%	-	-	-

#### 10.5 Current Company officer compensation components compared to average data according to Zviran

The ratio between the scope of remuneration of Company officers in 2012 and the compensation components for officers in corresponding positions in similar companies according to the criteria of size (150-500 employees), ownership (public company) and status (Israeli company) according to the Zviran data for September 2012, was calculated in the following manner:

$$\% \text{ fixed salary to Zviran average (*)} = \frac{\text{Officer's fixed salary paid by the Company}}{\text{Zviran's Average of fixed salary}}$$

$$\% \text{ variable compensation to Zviran average} = \frac{\text{Officer's variable compensation paid by the Company}}{\text{Zviran's Average of variable compensation}}$$

$$\% \text{ total compensation to Zviran average} = \frac{\text{Officer's total compensation paid by the Company}}{\text{Zviran's average of total compensation}}$$

The ratio (in percentage) between the salary of the Company's officers for 2012 and Zviran averages for various components to corresponding positions in similar companies, based on a Zviran survey for September 2012, is presented in the table below, the table also lists the Zviran average values of September 2012 to equivalent positions in similar companies:

Component	Fixed Salary		Variable compensation		Total compensation	
	Ratio (%)	Zviran Average	Ratio (%)	Zviran Average	Ratio (%)	Zviran Average
CEO and Chairman of the Board	82%	94	31%	331	70%	121
VP and Products Division Manager	74%	51	109%	132	81%	62
VP and Systems Division Manager	89%	51	0%	132	73%	62
Director, Deputy CEO and VP Human Resources	97%	45	0%	75	85%	52
VP and Budget Director	77%	51	0%	132	64%	62
CFO	74%	52	0%	109	63%	61
VP	62%	51	0%	132	51%	62

(\*) May not exceed the limit set in Sections 11.6 and 12.6 for a non-CEO officer and/or a non-employee officer, respectively, and in Section 14.6 for an officer in the position of CEO and/or a controlling-shareholder officer and/or his relative.

## **11. Fixed compensation – salary of an employee officer (excluding the Company CEO and/or a controlling-shareholder officer or his relative and/or a Director**

In determining the basic salary for an officer, the following factors will be taken into account:

11.1 The officer's education, qualifications, expertise, professional experience and achievements.

- 11.2 The officer's position and responsibilities, and prior salary agreements signed with him (if at all).
- 11.3 The ratio between an officer's terms of service and employment and the salary of the Company's other employees as well as the employees of subcontractors employed at the Company, particularly the ratio to the average salary and the median salary of such employees and the effect of the differences between them on labor relations at the Company (collectively in this section – the "data"). For the purpose of determining an officer's salary (whether with reference to new employment terms or an adjustment of existing employment terms), the data will be submitted to the approval of the Approving Entity, including for consideration, if necessary, of their reasonableness relative to the industry, relative to the officer's qualifications and relative to the challenges and difficulties involved in the position.
- 11.4 The officer's basic salary and the fringe benefits will be determined during the negotiations prior to hiring him for the position at the Company, which will be conducted by the CEO or whoever is authorized by him from time to time. Any change in an officer's terms of service and employment is subject in any case to the approval of the Approving Entity relevant to the nature of the change and the identity of the officer.
- 11.5 A contract with an officer may not exceed a period of three years, and must be submitted to the Approving Entity for approval of an extension of the officer's service in accordance with the requirements of the Companies Law.
- 11.6 Market (benchmark) comparison – Fixed salary of an employee officer (excluding the Company CEO and/or a controlling-shareholder officer or his relative and/or a director)

In addition to any examination that must be carried out by the Approving Entity prior to approving an officer's terms of service and employment, and in addition to any consideration that should be taken into account by that entity, as detailed in this Compensation Policy Document and/or in the Companies Law, the ratio between the fixed basic salary of Company officers and the standard salary in the market will be maintained, as follows:

Market (benchmark) comparison – To determine a salary range for Company officers that conforms to the market standard and market terms, a comparison will be made between the fixed salary proposed for the officer and the Zviran's average of the salary for corresponding positions, , at companies with similar characteristics as detailed above.

For the purpose of implementing the comparison, as detailed above, the salary of a Company officer will be determined such that it does not exceed by more than 40% the average salary according to Zviran (the fixed salary cap prescribed in this section to an officer calculated according to Zviran average for September 2013, is in the range of NIS 65 to 78 thousand per month according to the position), for a corresponding position in similar companies, based on criteria of size (150-500 employees), ownership (public company) and status (Israeli company).

## **12. Fixed compensation – salary of a non-employee officer**

In determining the basic salary for a non-employee officer, the following factors will be taken into account:

- 12.1 The officer's education, qualifications, expertise, professional experience and achievements.
- 12.2 The officer's position and responsibilities, and prior salary agreements signed with him (if at all).
- 12.3 The ratio between the terms of service and employment of a non-employee officer and the salary of the Company's employees and service providers, particularly the ratio to the average salary and the median salary of such employees and service providers and the effect of the differences between them on labor relations at the Company (collectively in this section – the "data"). For the purpose of determining the consideration for the officer, the data will be submitted to the approval of the Approving Entity, including consideration, if necessary, of their reasonableness relative to the industry, relative to the officer's qualifications and relative to the challenges and difficulties involved in the position.
- 12.4 The consideration for the officer will be determined during the negotiations prior to contracting as a service provider to the Company, which will be conducted by the CEO or whoever is authorized by him from time to time. Any change in an officer's terms of service, and any change in the agreement, is subject in any case to the approval of the Approving Entity relevant to the nature of the change and the identity of the officer.
- 12.5 A contract with a non-employee officer may not exceed a period of three years, and must be submitted to the Approving Entity for approval of an extension of the officer's service in accordance with the requirements of the Companies Law.
- 12.6 Market (benchmark) comparison – Fixed salary of a non-employee officer (excluding the Company CEO and/or a controlling-shareholder officer or his relative and/or a director)

In addition to any examination that must be carried out by the Approving Entity prior to approving an officer's terms of service and employment, and in addition to any consideration that should be taken into account by that entity, as detailed in this Compensation Policy Document and/or in the Companies Law, the ratio between the consideration for a non-employee officer and the standard salary in the market will be maintained, as follows:

Market (benchmark) comparison – To determine a salary range for Company officers that conforms to the market standard and conditions, a comparison will be made between the fixed salary proposed for the officer and the Zviran's average of a salary for corresponding positions, , at companies with similar characteristics as detailed above.

For the purpose of implementing the comparison, as detailed above, the salary of a Company officer will be determined such that it does not exceed by more than 40% the updated Zviran's average salary (the fixed salary cap prescribed in this section to an officer calculated according to Zviran average for September 2013, is in the range of NIS 65 to 78 thousand per month according to the position), for a corresponding position in similar companies, based on criteria of size (150-500 employees), ownership (public company) and status (Israeli company), with the addition of the costs of employer's tax and social benefits as customary for employee officers.

An officer must undertake to transfer or to cause to be transferred to the appropriate authorities income tax payments, National Insurance contributions and any other tax and/or payment due in respect of the payments made to him by the Company.

An officer must undertake to the Company that if the court and/or another competent body determines that employer-employee relations existed between the officer and the Company, the Company's payments to the officer will be deemed to include all the payments to which the Company will be liable in respect of employer-employee relations.

An officer and the body employing him must indemnify the Company for any damage and/or costs incurred to the Company pursuant to a finding that employer-employee relations existed between the officer and the Company.

- 12.7 At the time of the signature of the contract with him, a non-employee officer, like the Company's other employees, must give an undertaking on matters of confidentiality, transfer of intellectual property rights and IT policies as detailed in Section 13.16 below.

### **13. Officers' fringe benefits (excluding the Company CEO and/or a controlling-shareholder officer or his relative and/or a director)**

In addition to any examination that must be carried out by the Approving Entity prior to the approval of an officer's terms of service and employment, and in addition to any consideration that must be taken into account by that entity, as detailed in this Compensation Policy Document and/or in the Companies Law, the Approving Entities must consider whether, and under what conditions, also to grant to officers all or any of the fringe benefits detailed in this section below or any other fringe benefits:

- 13.1 Prior notice – The prior notice period for an officer may not be less than the period required by law, and may not be more than six months, in the course of which the officer will undertake to actually continue providing services to the Company, unless the Company decides to release him from this obligation.
- 13.2 Severance grant – The Approving Entity may grant an officer a severance grant, in addition to the severance pay required by law, in an amount subject to the following limit:

<b><u>Employed up to 5 years at the Company</u></b>	<b><u>Employed 5 years or more at the Company</u></b>
6 months	12 months

Severance grants will be approved for an officer who has met all of the following conditions:

- He was employed by the Company for at least two years.
- During the period of his employment he made a significant contribution to promoting the Company's business.
- The officer is not leaving under circumstances that, in the Approving Entity's judgment, would justify withholding severance pay.
- The Company CEO recommended the payment of a severance grant.



- The inclusion of a clause in the employment agreement that guarantees the payment of a severance grant must be submitted to the approval of the Approving Entity prior to the signature of the agreement. For the avoidance of doubt, such a clause may not guarantee a severance grant that deviates from the above provisions. The severance grant will be paid upon the termination of employer-employee relations and will be limited to an amount equal to the number of months specified in the above table multiplied by the fixed salary of an employee officer (or the total monthly consideration of a non-employee officer), without any additional components.
  - The limit on the grant specified in the above table is the maximum limit that the Approving Entity is authorized to approve.
- 13.3 Non-competition – Each Company officer must undertake, when signing an employment agreement with the Company, not to compete with the Company during a period of no less than six months and no more than 36 months, in the Company's standard wording from time to time.
- 13.4 Reimbursement of expenses – Company officers are entitled to reimbursement of reasonable expenses actually incurred by them in the performance of their duties, both in and outside Israel, against the presentation of invoices and/or receipts to the Company in respect of those expenses, subject to limitations and in accordance with procedures as determined by the Company from time to time. Once a year the Board of Directors or whoever is appointed by it will examine the reasonableness of the costs borne by the Company pursuant to this subsection.
- 13.5 Annual vacation – Employee officers are entitled to annual vacation ranging from the minimum number of days specified in the law to a maximum of 30 days a year. The number of vacation days that may be accumulated will be no less than specified in the labor laws and no more than 30 days. Unused vacation days beyond this limit will be written off, without payment of any consideration to the officer, unless and to the extent that the employment agreement between the officer and the Company specifies otherwise and/or the law requires otherwise.
- 13.6 Sick leave – Employee officers may be absent from work due to sickness for a number of days in a year being no less than the number specified in the Sick Pay Law, 5736-1976. specified in the Sick Pay Law, 5736-1976. The Company may make the payment of sick pay conditional on the presentation of certificates in accordance with the provisions of any law.
- 13.7 Convalescence pay – Employee officers are entitled to convalescence pay as specified in the extension order concerning the payment of convalescence pay.
- 13.8 Pension savings – The Company will pay contributions to a pension provider (or several pension providers) or to a pension agent according to the written choice of each employee officer and in accordance with the provisions of any law governing the subject. The contributions will be on the officer's basic salary only, excluding any other compensation components.

The Company may condition payment of the contributions on the officer's agreement to deduct his share of the contributions from his salary.

The Company will insure employee officers for work disability, as part of their membership in a pension fund or as part of the insurance cover for officers insured under an executive insurance policy. The Company's contributions for work disability insurance will not exceed 2.5% of the salary of an employee officer.

Employee officers will be required to sign the wording of the Minister of Labor's general confirmation pursuant to Section 14 of the Severance Pay Law, 5723-1963 or any other or similar arrangement that may replace it, and the Company will pay the severance pay of employee officers into a pension fund or an executive insurance policy, according to the officers' choice with respect to contributions to pension insurance.

- 13.9 Study fund – The Company will contribute each month an amount equal to 7.5% of an employee officer's salary and deduct an additional 2.5% from his salary, and it will transfer these amounts to a study fund according to the officer's choice as notified by him in advance and in writing to the Company.
- 13.10 Car – The Company may place at the officers' disposal a car for use for their work, with all the car servicing and maintenance costs to be borne by the Company in accordance with its procedures. The Company will be entitled to gross up and pay the income tax due in respect of possession and use of the car.
- 13.11 Mobile phone and/or laptop computer – The Company will place at the officer's disposal a mobile phone and/or laptop computer for his personal use, according to the Company's choice. The officer will pay any tax that is due from him for the use of such phone and/or laptop.
- 13.12 Subsistence expenses – An officer is entitled to lunch at the Company's offices during work hours, and he will bear any tax payable on this benefit. The officer will be entitled to subsistence expenses also while traveling abroad on Company business, in accordance with the Company's procedures for all Company employees as in effect from time to time.
- 13.13 Continuing education programs and courses – The Company will bear the costs of continuing education programs and courses attended by its officers, according to its decision.
- 13.14 Overtime – Overtime will be paid in accordance with the law. Accordingly, some Company officers will be subject to the Hours of Work and Rest Law, 5711-1951, while others will not, since they are designated as "employees in management positions or in positions requiring a special degree of personal trust" as this term is defined in the Hours of Work and Rest Law, 5711-1951. Without derogating from the foregoing, the Company reserves the right to reach an agreement with an officer whose terms of employment are governed by the aforesaid law and who is required to do overtime, concerning the payment of a global monthly sum for overtime, instead of the payment of overtime on a daily or weekly basis.
- 13.15 Definition-dependent salary components – The Company may base a portion of the officer's salary on special components connected with the performance of specific tasks related to his area of responsibility, including payment based on shifts, on-call duty, etc.
- 13.16 Confidentiality, transfer of intellectual property rights, IT policies – When signing an employment agreement with the Company, each Company officer will commit to confidentiality, undertake to transfer to the Company all his rights in any developments and other intellectual property developed by him in the course of his employment by the Company, and agree to the Company's policies on the use of and access to the Company's IT systems, in the Company's standard wording from time to time.

## **14. Fixed compensation – salary of the Company CEO and/or a controlling-shareholder officer or his relative**

In determining the salary of the CEO and/or a controlling-shareholder officer or his relative, the following factors will be taken into account:

- 14.1 His education, qualifications, expertise, professional experience and achievements.
- 14.2 His responsibilities and prior salary agreements signed with him (if at all).
- 14.3 The ratio between the terms of service and employment of the CEO and/or the controlling-shareholder officer or his relative and the salary of the Company's other employees as well as the employees of subcontractors employed at the Company, particularly the ratio to the average salary and the median salary of such employees and the effect of the differences between them on labor relations at the Company (collectively in this section – the "data"). For the purpose of determining the salary of the CEO and/or a controlling-shareholder officer or his relative (whether with reference to new employment terms or an adjustment of existing employment terms), the data will be submitted to the approval of the Approving Entity, including a reference, if necessary, to their reasonableness relative to the industry, relative to the officer's qualifications and relative to the challenges and difficulties involved in the position.
- 14.4 The officer's basic salary and the fringe benefits will be determined during the negotiations for hiring him for the position at the Company, which will be conducted by the CEO or whoever is authorized by him from time to time. Any change in an officer's terms of service and employment is subject in any case to the approval of the Approving Entity relevant to the nature of the change and the nature of the officer.
- 14.5 A contract with an officer may not exceed a period of three years, and must be submitted to the Approving Entity for approval of an extension of the officer's service in accordance with the requirements of the Companies Law.
- 14.6 Market (benchmark) comparison – Fixed salary of the Company CEO and/or a controlling-shareholder officer or his relative

In addition to any examination that must be carried out by the Approving Entity prior to approving the terms of service and employment of the Company CEO and/or a controlling-shareholder officer or his relative, and in addition to any consideration that should be taken into account by that entity, as detailed in this Compensation Policy Document and/or in the Companies Law, the ratio between the fixed basic salary of the Company CEO and/or a controlling-shareholder officer or his relative and the standard salary in the market will be maintained, as follows:

Market (benchmark) comparison – To determine a salary for the CEO and/or a controlling-shareholder officer or his relative that conforms to the market standard and conditions, a comparison will be made between the salary proposed for each of them and the Zviran's average of a salary for corresponding positions, based on the Zviran Survey updated as of then. The salary of the CEO and/or of a controlling-shareholder officer or his relative will be determined such that it does not exceed by more than 40% the Zviran's average of a salary according to similar companies, based on criteria of size (150-500 employees), ownership (public company) and status (Israeli company).( the fixed salary cap prescribed in this section to an

officer is calculated according to Zviran's average for a CEO to September 2013, is NIS 129 thousand per month).

## **15. Fringe benefits of the Company CEO and/or a controlling-shareholder officer or his relative**

In addition to any examination that must be carried out by the Approving Entity prior to the terms of service and employment of the CEO and/or a controlling-shareholder officer or his relative, and in addition to any consideration that must be taken into account by that entity, as detailed in this Compensation Policy Document and/or in the Companies Law, the Approving Entities must consider whether, and under what conditions, also to grant to the CEO and/or a controlling-shareholder officer or his relative all or any of the fringe benefits detailed in this section below:

15.1 Prior notice and termination of employment – The prior notice period for the CEO and/or for a controlling-shareholder officer or his relative may not be less than the period required by law, and may not be more than six months, in the course of which such officer will undertake to actually provide services to the Company, unless the Company decides to release him from this obligation. The termination of the employment of the Company CEO can be made subject to special conditions, including a majority resolution of up to 75% of the members of the Company's Board of Directors.

15.2 Severance grant – The Approving Entity may grant the CEO and/or a controlling-shareholder officer or his relative a severance grant, in addition to the severance pay required by law, in an amount subject to the following limit:

<u><b>Employed up to 5 years at the Company</b></u>	<u><b>Employed 5 years or more at the Company</b></u>
6 months	12 months

Severance grants will be approved for an officer who has met all of the following conditions:

- He was employed by the Company for at least two years.
- During the period of his employment he made a significant contribution to promoting the Company's business.
- The officer is not leaving under circumstances that, in the Approving Entity's judgment, would justify withholding severance pay.
- The Company CEO (or the Chairman of the Board, in the case of a departing CEO) recommended the payment of a severance grant.
- The inclusion of a clause in the employment agreement that guarantees the payment of a severance grant to an officer must be submitted to the approval of the Approving Entity prior to the signature of the agreement. For the avoidance of doubt, such a clause may not guarantee a severance grant that deviates from the above provisions. The severance grant will be paid upon the termination of employer-employee relations and will be limited to an amount equal to the number of months specified in the above table multiplied by the fixed salary of the employee officer (or the total monthly consideration of a non-employee officer), without any additional components.

- The limit on the grant specified in the above table is the maximum limit that the Approving Entity is authorized to approve.
- 15.3 Non-competition – The CEO and/or a controlling-shareholder officer or his relative must undertake, when signing an employment agreement with the Company, not to compete with the Company during a period of no less than six months and no more than 36 months, in the Company's standard wording from time to time.
- 15.4 Reimbursement of expenses – The CEO and/or a controlling-shareholder officer or his relative are entitled to reimbursement of reasonable expenses actually incurred by them in the performance of their duties, both in and outside Israel, against the presentation of invoices and/or receipts to the Company in respect of those expenses, subject to limitations and in accordance with procedures as determined by the Company from time to time. Once a year the Board of Directors or whoever is appointed by it will examine the reasonableness of the costs borne by the Company pursuant to this subsection.
- 15.5 Annual vacation – The CEO and/or a controlling-shareholder officer or his relative are entitled to annual vacation ranging from the minimum number of days specified in the law to a maximum of 30 days a year. Vacation days may be accumulated during two years. Vacation days not utilized during said period of accumulation will be redeemed pro rata as salary and paid to the CEO and/or the controlling-shareholder officer or his relative.
- 15.6 Sick leave – The CEO and/or a controlling-shareholder officer or his relative may be absent from work due to sickness for a number of days in a year being no less than the number specified in the Sick Pay Law, 5736-1976, and no more than 30 days in a year, and receive full payment for these days. Sick days that were not utilized in a certain year will accumulate in the following years.
- 15.7 Convalescence pay – The CEO and/or a controlling-shareholder officer or his relative are entitled to convalescence pay as specified in the extension order concerning the payment of convalescence pay.
- 15.8 Pension savings – The Company will pay contributions to a pension provider (or several pension providers) or to a pension agent according to the written choice of the CEO and/or the controlling-shareholder officer or his relative and in accordance with the provisions of any law governing the subject. The contributions will be on the basic salary only of the CEO and/or the controlling-shareholder officer or his relative, excluding any other compensation components.

The Company may condition the payment of contributions for pension insurance on the agreement of the CEO and/or the controlling-shareholder officer or his relative to deduct his share of the contributions from his salary.

The Company will insure the CEO and/or the controlling-shareholder officer or his relative for work disability, as part of their membership in a pension fund or as part of the insurance cover for officers insured under an executive insurance policy. The Company's contributions for work disability insurance will not exceed 2.5% of the fixed salary of the CEO and/or the controlling shareholder officer or his relative.

The CEO and/or the controlling-shareholder officer or his relative will be required to sign the wording of the Minister of Labor's general confirmation pursuant to Section 14 of the Severance Pay Law, 5723-1963 or any other or similar arrangement that may replace it, and the Company will pay their severance pay into

a pension fund or an executive insurance policy, according to their choice with respect to contributions to pension insurance.

- 15.9 Study fund – The Company will contribute each month an amount equal to 7.5% of the salary of the CEO and/or the controlling-shareholder officer or his relative and deduct an additional 2.5% from his salary, and it will transfer these amounts to a study fund according to the choice of the CEO and/or the controlling-shareholder officer or his relative, as notified by him in advance and in writing to the Company.
- 15.10 Car – The Company may place at the officers' disposal a car for use for their work, with all the car servicing and maintenance costs to be borne by the Company in accordance with its procedures. The Company will be entitled to gross up and pay the income tax due in respect of possession and use of the car.
- 15.11 Mobile phone and/or laptop computer – The Company will place at the officer's disposal a mobile phone and/or laptop computer for his personal use, according to the Company's choice. The officer will pay any tax that is due from him for the use of such phone and/or laptop.
- 15.12 Subsistence expenses – The CEO and/or a controlling-shareholder officer or his relative is entitled to lunch at the Company's offices during work hours, and he will bear any tax payable on this benefit. The CEO and/or a controlling-shareholder officer or his relative will be entitled to daily subsistence expenses also while traveling abroad on Company business, in accordance with the Company's procedures for all Company employees as in effect from time to time.
- 15.13 Continuing education programs and courses – The Company will bear the costs of continuing education programs and courses attended by the CEO or a controlling-shareholder officer or his relative, according to its decision.
- 15.14 Overtime – Overtime will be paid in accordance with the law. Since the CEO and/or a controlling-shareholder officer or his relative are designated as "employees in management positions or in positions requiring a special degree of personal trust" as this term is defined in the Hours of Work and Rest Law, 5711-1951, this law does not apply to them.
- 15.15 Definition-dependent salary components – The Company may base a portion of the salary of the CEO and/or a controlling-shareholder officer or his relative on special components connected with the performance of specific tasks related to his area of responsibility, including payment based on shifts, on-call duty, etc.
- 15.16 Confidentiality, transfer of intellectual property rights, IT policies – When signing an employment agreement with the Company, the CEO or a controlling-shareholder officer or his relative will commit to confidentiality, undertake to transfer to the Company all his rights in any developments and other intellectual property developed by him in the course of his employment by the Company, and agree to the Company's policies on the use of and access to the Company's IT systems, in the Company's standard wording from time to time.

## **16. Variable compensation – special bonus to officers, excluding a controlling-shareholder**

In addition to all the foregoing, the Approving Entities will consider whether, and under what conditions, also to pay officers (excluding s controlling- shareholder) a special bonus.

The considerations for paying an officer (excluding s controlling- shareholder) a special bonus will include special effort, compliance with quality targets, retention of human capital and maintaining high motivation. The cap on the calendar annual special bonus for an officer (excluding s controlling- shareholder) shall be the higher between (a) 20% of the officer's total annual variable compensation or (b) 3 times the officer's monthly salary . The payment of a special bonus to an officer (excluding s controlling- shareholder) will be submitted to the approval of the Approving Entity, which, if necessary, will also consider the circumstances of the grant.

## **17. Variable compensation – bonus plan for officer excluding the Company CEO**

17.1 The mechanism for payment of an annual bonus and/or grant to officers excluding the CEO is determined based on one or more of the following components, compliance with which is examined on a yearly basis:

- a. Measurable components – Personal targets and/or targets of the organizational unit in which the officer is employed, as defined from time to time and for the specific officer by the Approving Entities, including but not limited to measures of profitability, return on equity, cash flow, sales targets, growth, EBIDTA, capital issues, business performance and/or a combination of one or more of these measures, or other measures.
- b. Non measurable components – CEO's evaluation.

17.2 The amount of the bonus to which an officer is entitled will be determined with reference to his rate of compliance with the aforesaid targets, as determined in advance and approved by the Approving Entities, who will consider, *inter alia*, the impact of those targets on the Company's risk management policy. Said targets will be, to the extent possible, realistic and reasonable, so that the officer does not assume excessive risks with the aim of achieving those targets and earning a bonus.

17.3 The CEO's evaluations relates to subjective and quality measures, such as initiative, innovativeness, quality of management, loyalty to the organization, determination, personal advancement,, team work, human relations, additional tasks, etc., all subject to the CEO's judgment.

### **17.4 Bonus determination mechanism**

The mechanism for calculation of the target-compliance bonus will be determined according to the following breakdown:

17.4.1 80% - 100% for at least two of the following financial targets according to the segment to which the officer belongs: volume of sales, gross profit, EBIDTA and segment result as calculated based on the Company's consolidated financial statements. A quantitative scale will be applied to each of the financial targets, as follows:

17.4.1.1 Minimum performance threshold below which an officer will not earn a bonus.

17.4.1.2 Maximum performance threshold within which the officer will earn a proportionate bonus and above which the officer's performance will be deemed exceptional and will earn him an addition bonus for a predetermined amount.

17.4.2 Up to 20% for qualitative targets based on the CEO's evaluation, as discussed above.

17.5 Threshold condition for payment of a bonus – The Approving Entities may set minimum threshold conditions for the payment of a grant, based on one or more measurable financial components with respect to the Company's performance during the year for which the grant is to be paid.

17.6 Bonus approval process and / or the actual bonus - at the end of each year, the degree of the officer's compliance his personal goals that had been set to him, in advance and in goals of the sub- organizational frame in which he is employed and a CEO evaluation shall be conducted. The actual grants be actual paid to officers, will be submitted to the approval of the Approving Entity, soon after the approval of the financial statements of the Company for the year for which the bonus is payable.

## **18.Variable compensation – bonus plan for the Company CEO**

In addition to all the foregoing, the Approving Entities will consider whether, and under what conditions, also to pay the Company CEO a special bonus, based on targets or other conditions as detailed above and below, according to a fixed mechanism or on an ad hoc basis.

18.1 Without derogating from the generality of the foregoing, the Company CEO is entitled to an annual grant for each calendar year during which he is employed as Company CEO, within 30 days from the date of approval of the financial statements for any calendar year by the Board of Directors, at a rate of of the pretax profit for that year (cost to the Company), net of minority interests in respect of investee companies ("**bonus on profits**"). The rate of the bonus from the profit, as approved by the Approving Entity shall not exceed 10%. The bonus on profits will be calculated for each year anew (and not cumulatively), without taking losses into account. The Company may pay the bonus fully from the Company itself or partly from the Company and partly from subsidiaries of the Company.

18.2 In case that the Company's CEO is also its controlling shareholder, any change in his fixed salary and/or a bonus is subject to the approval of the Approving Entity, in accordance with the provisions of the Companies Law, unless and to the extent that the Companies Regulations (Reliefs in Transactions with Interested Parties), 5760-2000 applies and/or in case of any other approval process applicable under any law.

## **19.Variable compensation – officers' bonus plan, including the Company CEO – Cap**

In addition to any examination that must be carried out by the Approving Entity prior to approving a bonus for a Company officer, including the Company CEO, based on quantitative and/or qualitative components as detailed above and below, and in addition to any consideration that should be taken into account by that entity, as detailed in this Compensation Policy Document and/or in the Companies Law, the amount of the variable compensation shall be limited as follows:

19.1 The total variable compensations for an officer of the Company who is not CEO shall not exceed 100 thousand per month. The total variable compensations for the CEO shall not exceed 250 thousand per month.



- 19.2 In a bonus plan linked to the Company's net profit, and in a year in which an exceptional net profit is recorded amounting to NIS 10 million and up, 10% of the amount beyond a net profit of NIS 10 million will be added to the aforesaid annual compensation cap.

## **20. Variable compensation – limitation and reduction**

- 20.1 Limitation on the variable compensation for meeting quality objectives (un-measurable component) in a bonus program and / or special bonus - the Company shall not grant both a variable compensation to officers for meeting quality goals during a certain calendar year, and in the bonus program as part of a special bonus. Meaning, an officer that a variable compensation granted to him in respect of the bonus plan for compliance with quality objectives in a given calendar year will not receive variable compensation as special bonus to meet the quality targets in the same calendar year, and vice versa.
- 20.2 Reduction of a bonus and/or grant – Notwithstanding anything stated in this Compensation Policy Document, the Board of Directors may, at its discretion, reduce a bonus and/or grant before it is resolved to grant it in the framework of the officer Compensation Policy, based on reasonable considerations taken into account by it, including considerations as to the Company's future financial position, its ability to meet the financial covenants to which it committed (if at all), the extent of the officer's contribution, his compliance with the targets set for him, and any other circumstance in light of which withholding such bonus and/or grant, or alternatively granting it, would benefit the Company.
- 20.3 Cap on the realizable value of equity-based variable compensation – Equity-based variable compensation plans as in effect from time to time at the Company will include a cap on the realizable value. Nevertheless, in the framework of these plans the Board of Directors will be authorized, on the date of any allocation of options to an officer, to set and change the exercise price, the vesting period, the exercise period and all the other terms applying to any option so allocated, subject to the Compensation Policy and principles set forth in this document.

## **21. Bonus entitlement for a partial employment period**

If employer-employee relations between an officer and the Company terminate in the course of a calendar year, the annual bonus mechanism according to this Compensation Policy will be adjusted to the partial employment period, such that the bonus amount paid to the officer will be adjusted to the period for which the officer is entitled to a bonus, including balances that would have been spread out over following years, and the bonus calculation will reflect the partial employment period only.

## **22. Bonus correction**

If the Company's audited consolidated financial statements for any year are corrected, in such manner that the amount of the grant and/or bonus for measurable components that was due to an officer for that year been calculated based on the corrected data, the officer would have received a bonus in different amount (higher or lower, as the case may be), the Company will pay the officer or the officer will return to the Company, as the case may be, the difference between the amount that was actually paid and the amount which should have been paid in light of such correction, on the date of payment of the officer's next salary after the publication of the corrected statements, and in accordance with the provisions of the Wage Protection Law, 5718-1958 ("**Wage Protection Law**") with

respect to the amount of the allowed deduction. This difference will be considered an agreed and liquidated amount for purposes of Sections 25(a)(6) and 25(b) of the Wage Protection Law.

The Company is permitted not to return such difference to the officer, whenever it becomes apparent that it was created due to that officer's negligent or willful act or omission.

For the purpose of implementing the foregoing, the officer will sign, on the date of payment of any bonus and/or grant, or earlier, an undertaking to return the relevant payments, in wording as determined by the Company.

## 23. Equity-based compensation

The Company may grant equity-based compensation, including options and shares, subject to the approval of the Approving Entity, as part of the officer's compensation mechanism, at terms to be determined by the Company.

The terms of an option plan and the exercise price will serve as an appropriate incentive for maximizing the Company's value in the long term and for encouraging the achievement of the Company's long-term objectives. In addition, criteria will be set based on which options will not be granted (such as in circumstances that justify dismissal without severance pay, noncompliance with the vesting conditions that were set, deterioration in the Company's situation due to the officer's actions, officer's breach of trust, and any other criteria determined by the Board of Director or the Board committee in charge of managing the Company's option plan).

### 23.1 Criteria for determining equity-based compensation

- 23.1.1 The Company will take into account the amount of the cumulative dilution resulting from all grants made by the Company. The maximum cumulative dilution allowed due to all grants made by the Company will be limited to 15%, taking into account the actual amount of unexpired grants from the last ten years, such that immediately before each grant date the current dilution percentage versus the maximum amount determined will be recalculated. In fluctuating market conditions, the dilution percentage will be calculated taking into account the difference between theoretical dilution and actual dilution.
- 23.1.2 The exercise price and the terms of the plan will not embody an immediate benefit ("in the money" options) and/or a rebate on the share price immediately before the grant date, taking into account the volatility of the share during the period. 4.
- 23.1.3 The vesting period may not be less than three years (or partial exercise over the years).
- 23.1.4 The exercise period may not be less than one year after each vesting date.
- 23.1.5 An option plan may not include an automatic renewal mechanism.
- 23.1.6 If the Company decides to grant phantom options (options which, on the exercise date thereof, the offeree is entitled to receive in cash (and not in shares) the **difference** between the price of the Company's share and the pre-determined exercise price) or restricted shares (RS or RSU)

(entitlement to receive shares of the Company which will be issued to the offerees after a certain restriction period), , they too will be considered equity-based compensation. To remove any doubt, the exercise price of phantom options shall not include an immediate bonus (In-the-Money Options). In the event of a plan to grant restricted shares, a goal-driven mechanism will be established, as specified in section 17.1 (a) in accordance with which the shares will be granted at the end of the restriction period.

- 23.1.7 No "poison pill" options/shares will be granted (preferred share arrangement, flip-over, flip-in and voting arrangement). No automatic mechanism enabling immediate acceleration of the terms of an equity-based grant will be permitted, other than in cases of a change in control.
- 23.1.8 The grant of options/shares of a related company will be considered based on the extent of the officer's involvement in the related company's business.
- 23.1.9 Granting of options / shares in a related company will be review based on the degree of involvement of the officer in the related company's businesses.
- 23.1.10 Re-pricing (reduction in the exercise price) of an option granted to an officer will not be permitted.
- 23.1.11 The exercise price and/or the number of exercise shares will be adjusted, as customary, to the distribution of dividends/bonus shares/rights or to changes in the Company's structure/capital.

## **23.2 Ceiling for the value of annual equity-based compensation on the grant date**

The value of equity-based compensation that is not settled in cash shall not exceed 6 times the monthly wages of an officer on the grant date, and in any case shall be limited in relation to the total compensation as specified in the table in section 10.4.

## **24. Compensation of Directors and Outside Directors**

- 24.1 Compensation of External Directors – The compensation paid to External Directors may not exceed an annual fee and an attendance fee at the rate specified in the "maximum amount" column in the Companies Regulations (Rules Concerning Compensation and Expenses of an Outside Director), 5759-2000. No share-based grants will be given to an Outside Director. Outside Directors as well will be entitled to reimbursement of expenses as provided above.
- 24.2 Compensation of non-officer Directors – The compensation and reimbursement of expenses paid to non-officer Directors of the Company will be the same as that paid to the Company's Outside Directors.
- 24.3 Chairman of the Board – As long as the Chairman of the Board also serves as an officer of the Company (in addition to being a Director), he will not be paid any compensation for serving as Chairman of the Board. If the Chairman of the Board does not also serve as an officer of the Company (in addition to being a Director), then ~~he~~the Chairman of the Board shall be entitled to an annual compensation ~~will be of up to 55% of the total annual cost of the CEO plus VAT as applicable, at it's~~

rate from time to time, plus reimbursement of expenses as specified in Section 13.4 above. This, as determined by the Approving Entities, and subject to any approval required by the law. The Chairman who is entitled to be paid in accordance with section 24.3, shall not be entitled to any Director's fee as specified in section 24.2.

## **25. Insurance, indemnification and exemption**

The Company may grant all or any of its Directors and officers one or more of the rights set out below, subject to the approvals required by law:

- 25.1 Insurance – Directors and officers of the Company will be insured under a directors and officers liability insurance policy for a sum up to \$10,000,000 (ten million US dollars) for any one event and in the aggregate for all damages arising during the insurance period (plus another \$5,000,000 in respect of legal defense costs) (the "**policy**"). The policy will be renewed every year, subject to approval by the Approving Entity to renew it from time to time at similar terms and for additional periods of up to 18 months each time.

The purpose of the policy is to confer on the Company's Directors and officers protection against claims. The terms of the policy are determined in negotiations between the Company and the insurance company, taking into consideration the areas of operation and the scope of operation of the Company and the Group, the geographical distribution of the Company's operations, the risk management policy applied by the Company, the number of insured covered by the policy and the standard terms in the market in this area.

Run-off cover – The insurance cover purchased by the Company for its Directors and officers may also include runoff arrangements for a period of up to seven years from the date of termination of their service as Directors and officers of the Company.

- 25.2 Indemnification and exemption – The Company may grant indemnification (prospectively and/or retrospectively) and an exemption to all or any of its Directors and officers, according to its discretion, to the maximum extent conforming to the Companies Law and the Increased Efficiency of Enforcement Proceedings at the Israel Securities Authority Law (Legislative Amendment), 5771-2011, in wording as approved by the General Meeting of the Company's shareholders on September 22, 2011.

**Appendix 2.1.5(a) - Ms. Rivka Granot's declaration**

**To:**

**Unitronics (1989) (R”G) Ltd.**

**Declaration of eligibility as an external director**

Pursuant to the Companies Law, 1999 (“**the Law**”)

I, the undersigned, Rivka Granot, bearer of I.D No: 022652457, of 8 Finland St. Haifa, after having been warned to state the truth, and that I shall be liable to the penalties prescribed by law should I fail to do so, hereby declare and undertake that I meet the qualifying requirements described in Section 240 of the Law, and declare that:

1. I am a resident of Israel.
2. I am not restricted from serving as a director of the Company under any items set forth in Sections 225 to 227A of the Law, regarding the restriction of appointment of a minor, incapacitated person, restriction of appointment due to conviction or the decision of an administrative enforcement committee or bankruptcy – as these restrictions were. The provisions of the sections, as being on the date of signing of this declaration, are specified in **Annex A** which is attached to this declaration as an integral part hereof.
3. I declare that I have all of the qualifications required, and the ability to dedicate the proper time to the fulfilment of the office of external director in the Company, taking into account, among others, the special needs and size of the Company.
4. I have financial and accounting expertise in accordance with the provisions of the Law and the regulations thereunder.
5. I am not a relative of the controlling shareholder of the Company and neither myself nor any of my relatives, partners, employers, a person to whom I am directly or indirectly subordinated or an entity in which I am a controlling shareholder, on the date of my appointment as external director of the Company or in the two years that preceded the date of my appointment, have affiliation with the Company, the controlling shareholder of the Company or a relative of the controlling shareholder on the date of my appointment, or with another corporate body;

Without derogating from Section 4 above, neither I, nor any of my relatives, partners or employers, nor any person to which I am directly or indirectly subordinated, nor a corporate body in which I am a controlling shareholder, have any business or professional relationship with the Company, the controlling shareholder of the Company or a relative of the controlling shareholder of the Company on the date of my appointment, or another corporate body, even if such relationships are not continuing, excluding insignificant relationships, and I have not received any payment in addition to the directors’ remuneration and reimbursement of expenses to which I am entitled by law, directly or indirectly, as an external director of the Company.

For purposes of this declaration –

“Affiliation” – The existence of employment relations, the existence of habitual business or professional relationship or control, and the holding of office as an officer, apart from the office of a director who was appointed to act as an outside director of a company which is about to make a first public offering of shares, except for matters which, as the minister determined, shall not constitute an affiliation.

“Another Corporation” – A corporation whose controlling shareholder, on or two years before the date of appointment, is the Company or its controlling shareholder.

“Relative” – spouse, sibling, parent, grandparents, offspring, and an offspring, sibling or parent of the spouse or the spouse of any of the above.

6. My other positions and occupations do not and may not create a conflict of interests with my duties as outside director, and will not prejudice my ability to hold office as outside director.
7. I do not serve as a director of any other company any of whose directors serve as an external director and/or independent director of the Company.
8. I am neither an employee of the Israel Securities Authority, nor an employee of the Tel Aviv Stock Exchange Ltd.
9. I hereby undertake to immediately notify the Company if any of the legal requirements, for serving as an external director cease to be met or in the case of a cause which may give rise to the termination of my tenure as external director of the Company.
10. Having read and understood all the foregoing, I hereby declare that all the aforesaid is the truth and that I am aware of all my rights and obligations under the Law and regulations thereunder.

Rivka Granot

March 28, 2016

(-)

Name

Date

Signature

**Attorney Certification**

I, the undersigned, Advocate Roi Cahani, L.N 45165 whose address is 2 Hamanofim st. Herzlia, hereby certify that on March 28, 2016 Ms. Rivka Granot, known to me personally, appeared before me and after I warned him that he must declare the truth and that he will be liable to the penalties prescribed by law should he fail to do so, he signed this declaration in my presence.

March 28, 2016

( - )

Date

Attorney Signature and Stamp

## **Appendix A**

### **Articles 225-227A of the Companies Law, 5759-1999**

#### **Duty of Disclosure**

**225. (a)** A person who is a candidate to hold office as a director shall disclose to the person appointing him:

(1) whether he has been convicted by a conclusive judgment of an offense referred to in section 226(a) and not yet passed the period in which he should not serve as a director under section 226;

(2) whether he has been convicted by a conclusive judgment of an offense referred to in section 226(a1) and not yet passed the period set by the court under that subsection;

(3) whether the Administrative Enforcement Committee imposed on him enforcement measure which prohibits him to serve as a director in any public company, and not yet passed the period set by the Administrative Enforcement Committee.

**(b)** In this section:

"enforcement measure" – as stated in section 52NF to the Securities Law which imposed under chapter H4 to the Securities Law, under chapter G2 to the Investment Advice and Investment Portfolio Management Law, 1995, or under chapter J1 to the Joint Investment Trust Law, 1994, as applicable;

"Administrative Enforcement Committee" - the committee appointed under section 52LB(a) to the Securities Law;

"Conclusive judgment" – judgment of a court of the first instance

#### **Restriction on Appointment Due to Conviction**

**226. (a)** A person convicted by a conclusive judgment of one of the following offenses shall not hold office as a Director in a public company unless five years have passed from the date on which the judgment by which he was convicted was given:

(1) Offenses under sections 290 to 297, 392, 415, 418 to 420 and 422 to 428 of the Penal Law, 5737-1977, and under sections 52C, 52D, 53(a) and 54 of the Securities Law;

(2) A conviction by a court outside Israel for offenses of bribery, deceit, offenses by managers of a corporate body or offenses involving misuse of inside information;

(3) (deleted)

**(a1)** A person convicted by a conclusive judgment, as it is defined in section 225(b), in an offense that was not mentioned in subsection (a), if the court determined that due to its nature, severity or circumstances he is not fit to serve as a director of public company for the period that the court determined which shall not exceed five years from the judgment.

**(b)** The court may determine, at the date of the conviction or thereafter, on the application of a person interested in being appointed as a director, that despite his conviction of offenses as laid down in subsections (a), and taking



into account, inter alia, the circumstances in which the offense took place, such person is not precluded from holding office as director of a public company, or the period in which he is precluded from holding office as director of public company or a private company which is a Debenture Company will be shorter than five years.

(c) The Minister may prescribe additional offenses to those laid down in subsection (a)(1).

(d) The court, or a court of appeal – if one was submitted, may order a stay of execution regarding the limitations of the appointment or termination of office under this section at the date and on such terms as it deems fit.

**Restriction on  
Appointment  
Due to  
Administrative  
Enforcement  
Committee  
decision**

**226A.** If the Administrative Enforcement Committee has imposed an enforcement measure on a person, which precludes him from holding office as director of a public company, such person shall not be appointed as a director of a company in which he is prohibited to serve as a director according to this measure; in this section “enforcement measure” and “Administrative Enforcement Committee” – as defined in section 225(b).

**Limitation of  
Appointment**

**227. (a)** A minor, a legally incompetent person, a person who has been declared bankrupt as long as such person remains undischarged, shall not be appointed as director, nor shall a corporation that has resolved to enter into voluntary liquidation or in respect of which a winding up order has been issued.

(b) A person nominated to hold office as director to whom the provisions of subsection (A) apply shall disclose such to the entity appointing him.

**Duty of  
Notice**

**227A.** A director that no longer fulfils one of the requirements for office as a director under this Law or there is ground for expiration of his office as a director shall notify the company immediately, and his office shall expire on the date of the notice.

**Appendix 2.1.5(b) - Ms. Rivka Granot's questionnaire**

## **Directors' Questionnaire**

Dear Sir or Madam,

Attached herewith is a questionnaire to be completed by the directors of Unitronics (1989) (R"G) Ltd. (hereinafter, the "**Company**"). If there are any questions or any explanations are required relating to the completion of the questionnaire, please contact: Advocate Gregory Irgo of Eitan Mehulal & Sadot Law Office of 10 Abba Eban Boulevard, Herzliya, tel: 09-9726000, fax: 09-9726001.

Please pass on to us the completed and signed questionnaire as soon as possible.

### **1. Instructions on Completion of Questionnaire**

Please properly answer all questions in detail. In the event a question is not relevant in your case, please write: "not relevant". If the reply to a question is no, please write: "no" or "none". Wherever you are required to complete the date or time, please specify wherever possible, the day, month and year.

### **2. Definitions**

#### **2.1 "Stakeholder" in a corporation –**

- (1) A person holding five percent or more of the issued share capital of the corporation or of the voting power therein, a person having authority to appoint one or more directors of a corporation or its general manager, a person serving as director of a corporation or as its general manager, or a corporation in which such person holds twenty five percent or more of its issued share capital or the voting power, or is entitled to appoint twenty five percent or more of its directors; for the purpose of this paragraph –
  - (a) A manager of a joint investment trust fund shall be regarded as a holder of the securities included in the fund's assets;
  - (b) Where a person held securities by means of a trustee, the trustee shall also be regarded as a holder of the aforesaid securities; for this purpose, "trustee" excludes a nominee company and excludes a person holding securities merely by virtue of his position as trustee for an arrangement within the meaning under Section 46(a)(2)(f), or as trustee for an allotment of shares to employees, as defined in Section 102 of the Income Tax Ordinance;
- (2) A subsidiary of a corporation, excluding a nominee company;

## 2.2 **"Holding" or "acquisition" –**

For the purpose of securities or voting power and the like – either alone or together with others, either directly or indirectly, by means of a trustee, a trust company, nominee company or in any other manner. In the case of a holding or acquisition by a company – also by implication, by its subsidiary or related company, and in the case of a holding or acquisition by an individual – an individual and his family members who live with him, or they are financially dependent on each other, shall be regarded as one person;

### **"Holding or acquisition of securities jointly with others" –**

Holding or acquisition of securities in collaboration between two or more under an agreement, either written or verbal; without prejudicing the generality of the aforesaid, the following persons shall *prima facie* be regarded as holding or acquiring securities jointly –

- (1) a corporation holding or acquiring securities (in this definition – corporation) jointly with a stakeholder therein or its related company;
- (2) a person whose business is the holding of or trading in securities for others, together with his customer, or with his family member who does not live with him and they are not dependent on each other financially, for whom he holds and manages the securities under a power of attorney granting discretion respecting the exercise of the voting right;

## 2.3 **"Family member" –**

A spouse, and also a sibling, parent, grandparent, child or child of spouse or spouse of any of the above;

## 2.4 **"Subsidiary" –**

A company in which another company holds twenty five percent or more of the nominal value of its issued share capital or its voting power or it is entitled to appoint half or more of the directors or its general manager;

## 2.5 **"Related company" –**

An affiliated company, as well as a company in which another company – which is not its parent company – invested an amount equal to twenty five percent or more of the equity capital of the other company, either in shares or in any other manner, excluding a loan granted in the ordinary course of business.

**2.6 "Affiliated company" –**

A company in which another company – which is not its parent company – holds twenty five percent or more of the nominal value of its issued share capital or the voting power therein, or is entitled to appoint twenty five percent or more of its directors.

**2.7 "Independent director" –**

An outside director or individual serving in office as director who satisfies the conditions set forth below, who was appointed or classified as such according to the provisions of Chapter 1, Part 6 of the Companies Law:

- (1) The qualifying conditions for the appointment of an outside director determined in Section 240(b) to (f) are satisfied in his case and the audit committee approved this;
- (2) He is not serving in office as director of the company for more than nine consecutive years, and for this purpose discontinuation in office not exceeding two years shall not be regarded as ending the continuity of office.

**2.8 "Outside director" –**

A member of the board of directors of a company who satisfies the qualifying conditions for appointment, as set forth in Section 240 of the Companies Law, 5759-1999.

**2.9 "Director with accounting and financial expertise" –**

A director with accounting and financial expertise is a person who due to his education, experience and qualifications has a high expertise and understanding of business – accounting matters and financial statements, in a manner enabling him to thoroughly understand the financial statements of the Company and to stimulate discussion as to the manner in which the financial data is presented; an evaluation of the accounting and financial expertise of the director shall be carried out by the board of directors and shall be presented as part of the overall considerations which are, *inter alia* his education, experience and knowledge on the following matters:

- A. Accounting and auditing issues characteristic of the sector of industry in which the Company and companies of the same size and complexity of the Company operate;
- B. The functions of the auditor and the obligations imposed on him;

- C. Preparation and approval of the financial statements under the Companies Law and under the Securities Law.

#### 2.10 **"Director with professional competence"** –

A director with professional competence is a person who satisfies one of the following conditions:

- A. He has an academic degree in one of the following subjects: economics, business administration, accountancy, law, public administration;
- B. He has another academic degree or has completed other higher education studies, all in the Company's main area of business or in an area relevant to the position.
- C. He has at least five years' experience in one of the following or he has at least five years' cumulative experience in two or more of the following:
  - 1) In a senior position in the field of business management of a corporation with a significant scope of business;
  - 2) In senior public office or in a senior position in the public service;
  - 3) In a senior position in the Company's main area of business.

#### 2.11 **"Expert outside director"** –

One of the following:

- A. A director having accounting and financial expertise;
- B. A director who due to his education, experience and qualifications has a high expertise and profound understanding of the Company's main area of business. An evaluation of the expertise and understanding of a director shall be carried out by the board of directors after the director added to its declaration under Section 241 of the Companies Law a declaration respecting his education, experience and qualifications, to the extent they are relevant to his evaluation, and attached the documents in support of his declaration.

#### 2.12 **"Senior office holder"** –

An office holder, as defined in the Companies Law, as well as the chairman of the board of directors, a substitute director, an individual appointed under Section 236 of the Companies Law on

behalf of a corporation serving in office as director, comptroller, internal auditor, independent authorized signatory and any person carrying out such position, even if his job description is different, in addition to any senior office holder in a corporation under the control of the corporation which has a significant influence over the corporation, and any individual engaged in the corporation in another position holding five percent or more of the nominal value of the issued share capital or voting power; for this purpose:

**"Office holder"** – general manager, chief business officer, deputy general manager, vice general manager, any person serving in such a position in a company, even if the title is different, as well as a director or manager directly subordinate to the general manager;

**"Independent authorized signatory"** – an authorized signatory having the power to bind the corporation without requiring the signature of any additional entity at the corporation for the purpose of a specific activity;

**"Authorized signatory"** – anyone with authority to bind the corporation or bind a corporation under the control of the corporation which is not a reporting corporation and is not a corporation to which Chapter E3 applies (hereinafter, "controlled corporation") as well as any person in a controlled corporation with authority to bind the controlled corporation by an amount exceeding five percent of the total assets in the corporation's balance sheet, according to its last audited financial statements; two or more authorized signatories who are family members are regarded as one authorized signatory;

**"Obligation"** – excluding a payment of tax, municipal taxes or any other compulsory payment collectible under the Taxes (Collection) Ordinance, and excluding any activity in the accounts of the corporation or controlled corporation concerning the acquisition or sale of securities, deposits, foreign currency and financial assets, as defined in the Consulting Law.

#### 2.13 **"Relative"** –

Spouse, brother or sister, parent, grandparents, children in addition to the spouse's child, brother, sister or parent and the spouse of each of the above stated.

#### 2.14 **"Another corporation"** –

A corporation whose controlling shareholder on the date of appointment or in the two years preceding the date of appointment, is a company or controlling shareholder thereof.

### 3. **Personal Details** – Directors

Full name:	<i>Rivka Granot</i>
I.D. number	<i>022652457</i>
Date of birth:	<i>March 4, 1967</i>
Address for the purpose of service of process:	<i>8 Finland st. Haifa</i>
Telephone number:	<i>+972-4-8266365 +972-54-6750049</i>
Nationality:	<i>Israeli</i>
Address/email address:	<a href="mailto:ragranot@gmail.com"><i>ragranot@gmail.com</i></a>
Fax number for sending an invitation to meetings of the board of directors:	<i>+972-4-8341561</i>
Membership in a committee or committees of the board of directors:	
Independent director or outside director:	<i>External Director</i>
Director having accounting and financial expertise or professional competence:	<i>Financial and professional expertise</i>
Expert outside director:	
Are you an employee of the company, its subsidiary, a related company or of a stakeholder therein? If so, please specify the position or the positions you are filling and the date on which you commenced in office:	<i>No.</i>
Are you a family member of another stakeholder in the corporation or of another office holder in the corporation? If so, please specify.	<i>No.</i>



4. **Academic Education**

Degree/Certificate	Main Subject	Name of Academic Institution and Year Degree Earned
<i>B.A</i>	<i>Economics and Business Administration</i>	<i>Haifa University</i>
<i>Science Magister in Business Administration</i>	<i>Business Administration</i>	<i>Thchnion</i>

5. **Additional Professional Training**

Degree/Certificate	Field/Subject	Name of Academic/Professional Institution and Year Certificate/Accreditation Earned
<i>Portfolio Management license</i>	<i>Portfolio Management</i>	<i>Israel Securities Authority</i>

6. **Professional and Management Positions in Last 5 Years:**

Dates From and To	Name of Corporation/Institution	Position and Area of Business

7. **Public Positions (Public Office/Position in Public Service)**

Dates From and To	Name of Corporation/Institution	Position and Area of Business

8. **Office of Director in Another Corporation in the Past and Present**

A. If you are serving in office or have served in office as director in the past, please specify the name of the corporation and the term of office.

Dates From and To	Name of Corporation/Institution
<i>7/2008-7/2010</i>	<i>Dor Chemicals</i>
<i>1/2010-5/2013</i>	<i>Clal Finance Mutual Funds</i>
<i>2/2010-2/2013</i>	<i>Halman Aldubi Funds and Pension</i>
<i>7/2012-8/2013</i>	<i>Meitav Investments Management</i>
<i>5/2011-4/2012</i>	<i>Volfman Industries</i>
<i>5/2011-current</i>	<i>PCD Technologies</i>
<i>1/2011-current</i>	<i>One1</i>
<i>3/2014-current</i>	<i>Robogroup</i> <i>K.M.R. - ADVANCEMENT OF</i> <i>MEDICAL CENTERS (subsidiarie</i> <i>of Rambam)</i>

B. Specify the positions you are carrying out at the Company (including membership in a committee or committees of the Company's board of directors):

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C. Are you carrying out any position whatsoever, including as an office holder or employee in a subsidiary or related company of the Company or in a stakeholder of the Company (see the definitions in the introduction to the questionnaire)? If yes, please state details:

*No.*

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9. **Ownership of Securities of the Company/Subsidiary/Related Company**

A. Specify your holdings and/or the holdings of any of your family members and/or relatives (including a holding jointly with others) of securities of the Company, their nominal value, the quantity of the holding and the amount of each class of securities on the date of completion of the questionnaire and on the date 12 months prior to this:

Name of Holder	Class of Security	On Date of Completion of Questionnaire		12 Months Prior to Date of Completion of Questionnaire	
		Number of Securities	Rate of Holding	Number of Securities	Rate of Holding

B. Specify your holdings and/or the holdings of any of your family members and/or relatives (including a holding jointly with others) of the securities of subsidiaries and related companies of the Company, specify the class of securities, their nominal value, the quantity and rate of holding on the date of completion of the questionnaire and on the date 12 months prior to this.

Name of Holder	Name of Company and Class of Security	On Date of Completion of Questionnaire		12 Months Prior to Date of Completion of Questionnaire	
		Number of Securities	Rate of Holding	Number of Securities	Rate of Holding

C. If you and/or any of your family members and/or relatives (including a holding jointly with others) hold a specific percentage of the issued share capital or voting power or of the authority to appoint directors of a corporation holding shares in the Company or shares of its subsidiary, or in any related company directly or indirectly, specify the class of securities, their nominal value, the quantity and rate of holding on the date of completion of the questionnaire and on the date 12 months prior to this:

Name of Holder	Name of Corporation and Class of Security	On Date of Completion of Questionnaire		12 Months Prior to Date of Completion of Questionnaire	
		Number of Securities	Rate of Holding	Number of Securities	Rate of Holding

D. Did the corporation undertake to acquire or the Company undertake to sell it the shares of the Company held by such corporation? If yes, specify the principles of the agreement and attach it to the questionnaire.

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E. Are you a party to an agreement of any kind whatsoever with the Company or with the shareholders or other holders of securities in the Company relating to its securities, voting rights or other rights in the Company (for example, the acquisition of shares, right of first refusal, voting agreements, mutual options and such like)? Specify the principles of the agreement and attach it to the questionnaire.

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F. Are you entitled to securities of the Company? If yes, specify:

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G. Do you hold 5% or more of the issued share capital or voting power or authority to appoint one or more directors or the general manager in a specific corporation? If yes, specify:

Name of Company/Subsidiary, Related Company	Quantity of Shares	Percentage of Issued Share Capital and Voting Rights

10. **Interest in Other Companies**

A. Specify the corporations in which you and/or any of your family members and/or relatives (including a holding jointly with others) are a stakeholder; state the holdings in such corporation on the date of completion of the questionnaire:

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11. **Fees and Benefits**

A. Did you receive a fee and/or directors' remuneration from the Company? If yes, specify the amounts you received three years prior to the date of completion of this questionnaire, the name of the paying company and the type of payment:

*No.*

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B. Is there an arrangement or agreement assuring you indemnification and/or insurance and/or a release in connection with any undertaking whatsoever which you are likely to make in connection with your position as director, office holder or shareholder of the Company. If yes, specify the terms of the arrangement and attach as an appendix to this questionnaire.

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C. Did you or your relative receive a fee or are you entitled to receive a fee directly or indirectly from a controlling shareholder of the Company, from the Company, a subsidiary of the Company or a related company to the Company? If yes, specify the amounts received in the last two years only, as set forth below:

Nature of Payment	Payment Amount	
	Year of Payment	Nominal
<i>No.</i>		

D. Have you and/or your relatives received a fee or are you entitled to receive a fee (management fees, consulting fee and such like) from a controlling shareholder of the Company, from the Company, a subsidiary of the Company or a related company to the Company, directly or indirectly? If yes, specify the amounts received in the last two years.

Nature of Payment	Payment Amount	
	Year of Payment	Nominal
<i>No.</i>		

E. Is there an agreement binding the controlling shareholder of the Company, the Company, its subsidiary or a related company to pay you or your relative any payment whatsoever or to grant benefits? If yes, describe the principles of

the agreement (method of calculation of payment, minimum promised, etc.) and attach it as an appendix to the questionnaire:

*No.*

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F. Did you or your relative receive or are you receiving directly or indirectly other benefits of any kind whatsoever from a controlling shareholder of the Company, from the Company, a subsidiary of the Company or a related company to the Company? If yes, specify the benefits you received in the last two years:

*No.*

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G. If the reply to the previous question is yes, please specify whether you received the aforesaid benefits embodied within an agreement? If yes, describe its principles and attach it as an appendix to the questionnaire:

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H. Is there an agreement for increased retirement compensation or improved retirement terms at the time of retirement between you and the Company? If yes, specify:

*No.*

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I. Are you entitled to shares or options of the Company, of a subsidiary and of related companies? If yes, specify:

*No.*

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J. Did the Company make any undertaking to allot shares, options or any other security convertible into shares? If yes, specify:

*No.*

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12. **Business Connections with Company**

A. Were you or are you and/or any of your family members and/or relatives (including a holding jointly with others) a party directly or indirectly to a transaction of any kind whatsoever with the Company, its subsidiary or a related company of the Company which was entered into in the last two years (and even if no longer in effect, or made previously but still in effect)? If yes, describe the transaction and its terms, and attach all documents relating to it (if you believe that the transaction is in the ordinary course of business – please state this):

*No.*

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B. Are negotiations being conducted in connection with a transaction of the kind described in Section 7 A. above?

*No.*

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C. Is there an arrangement or agreement, except for that stated in the articles of association of the Company, which promises you indemnification or insurance with respect to an undertaking you are likely to make in connection with your position as a senior office holder or shareholder of the Company? If yes, attach a copy of the agreement:

*No.*

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F. Did you, your relative, your partner, your employer, anyone you are directly or indirectly subordinate to or a corporation in which you are a controlling shareholder, on the date of appointment or in the two years preceding the date of appointment, have control, an employment relationship, business or professional connections generally with the Company, a controlling shareholder of the Company or a relative of a controlling shareholder? If so, please specify.

*No.*

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J. Did you ever receive by virtue of your position as outside director of any company whatsoever any additional benefit beyond the remuneration and reimbursement of expenses to which you were entitled for your office as director?

*No.*

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13. **Interest in Transactions**

A. In addition to the aforesaid in Section 8 above, do you or did you have an interest directly or indirectly in any agreement whatsoever or in any transaction whatsoever to which the Company, its subsidiary or its related company are a party or were a party in the two years preceding the date of completion of this questionnaire? If yes, specify the transaction or the agreement (even if it is verbal) and attach any document in connection with the transaction or this agreement:

*No.*

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B. Are negotiations taking place in connection with a transaction of the kind described in Section 9A above? If yes, please specify:

*No.*

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14. **Legal Proceedings**

A. Are any proceedings pending against you or were you ever convicted of one of the offenses currently enumerated in Article F of Chapter 11 of the Penal Law, 5737-1977 (offenses of bribery, deceit, blackmail and extortion) or offenses of directors in a corporation or offenses of misuse of inside information? Likewise, have you been convicted of another offense where the court has determined that by reason of such offense you are unfit to serve as director of a public company? If yes, specify.

*No.*

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B. Except for parking offenses and finable offenses within the meaning of the Transport Ordinance, are there any proceedings pending against you or were you ever convicted and served the penalty for the conviction in the last ten years? If yes, specify.

*I was convicted in a traffic accident, with no disgrace*

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C. Is there any legal proceeding taking place between you and the Company and/or a company under your control or a related company to you and the Company in which you are an opposing party to the Company or have you an interest in a proceeding contrary to the interests of the Company? If yes, specify.

*No.*

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I hereby declare that all the details given by me in reply to this questionnaire are correct and accurate and that I did not omit any detail and did not refrain from attaching any document which I was asked to deliver or attach to this questionnaire.

If there is any change in any of the details I passed on above, I will notify you immediately of the change.

I hereby confirm that I agree that you may use the details I passed on in this questionnaire, if necessary for the publication of a prospectus of the Company, as well as any report to be published after the date of this affidavit.

*March 28, 2016*

*Rivka Granot*

*( - )*

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Date

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Full Name

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Signature

**Appendices 2.1.6 (a)(1-3) - Messrs. Amit Ben-Zvi, Yariv Avisar and Gillon Beck declarations**

To:

**Unitronics (1989) (R”G) Ltd.**

**Declaration of Candidate for Office of Director in Public Company**

Under the Companies Law, 5759-1999 (the "**Law**")

I, the undersigned, Amit Ben-Zvi, after having been warned that I must state the truth and that I shall be liable to the penalties prescribed by law should I fail to do so, hereby declare as follows:

1. None of the restrictions determined in Sections 225 to 227A of the Law on restriction on appointment of a minor, an incompetent person, bankruptcy, a restriction on appointment as a result of the commission of an offense, a conviction or a decision of the administrative enforcement committee – as these restrictions are drafted on the date of execution of this declaration, as set forth in **Appendix A** and constituting an integral part hereof, are satisfied in my case.
2. Pursuant to the provisions of the Law, I am considered to have a "personal interest" as defined in the Law, in transactions between the Company and myself and between the Company and any of my relatives and between the Company and corporations and entities in which I or any of my relatives are stakeholders (hereinafter, the "**Corporations**").
3. My activities within the scope of my office as an office holder of the Company, as long as they are carried out in good faith, as long as they are not connected to me or my relatives or the Corporations personally, are not considered to be acts amounting to a conflict of interest or competition with the business of the Company or usurpation of a business opportunity of the Company with the object of obtaining a benefit for myself or any other person (hereinafter, "**Breach of Trust**") and do not harm the best interest of the Company, just because me or my relatives are stakeholders in the Corporations.
4. Were I to believe, according to my best knowledge, that an activity within the scope of my office as office holder of the Company is connected to me or my relatives or the Corporations personally, and also were the Company to enter into an exceptional transaction and/or an ordinary transaction connected to me or my relatives or the Corporations personally and it came to my knowledge – I shall notify the audit committee and/or the board of directors, as the case may be, of my personal interest, if the activity and/or transaction is presented for their approval, or to an entity and/or forum reaching a decision with respect to the act or approving the transaction, if the activity and/or transaction is not presented for the approval of the board of directors at the beginning of the deliberation on the activity and/or the transaction and I shall not be present at the meeting at the time of the deliberation on the activity and/or the

transaction; however, I may be entitled to participate at the beginning of the meeting for the purpose of passing on information only.

5. I possess all the skills required and the capacity to devote the appropriate time to perform my position as director of the Company, with attention *inter alia* to the special needs and size of the Company.
6. Likewise, I undertake that if any of the conditions required under the Law for my office as director of the Company cease to exist in my case, or if a ground for the expiration of my office as director of the Company exists in my case, I shall notify the Company thereof immediately and my office shall expire from the date of notification as stated in Section 227A of the Law (as set forth in Appendix A). I know that pursuant to Section 234 of the Law, a breach of such duty of notification shall be deemed a Breach of Trust on my part to the Company.
7. After having closely read and understood all that stated above, I declare that all that stated above is the truth and that I am fully aware of all my obligations and rights under the Law and Regulations.

Amit Ben-Zvi

March 28, 2016

( - )

\_\_\_\_\_  
Name

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

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**Attorney Certification**

I, the undersigned, Advocate Amiram Bam, L.N 25112 whose address is 98 Yigal Alon st. Tel Aviv, hereby certify that on March 28, 2016, Mr. Amit Ben-Zvi, known to me personally, appeared before me and after I warned him that he must declare the truth and that he will be liable to the penalties prescribed by law should he fail to do so, he signed this declaration in my presence.

March 28, 2016

( - )

\_\_\_\_\_  
Date

\_\_\_\_\_  
Attorney Signature and Stamp

## **Appendix A**

### **Articles 225-227A of the Companies Law, 5759-1999**

#### **Duty of Disclosure**

**225. (a)** A person who is a candidate to hold office as a director shall disclose to the person appointing him:

(1) whether he has been convicted by a conclusive judgment of an offense referred to in section 226(a) and not yet passed the period in which he should not serve as a director under section 226;

(2) whether he has been convicted by a conclusive judgment of an offense referred to in section 226(a1) and not yet passed the period set by the court under that subsection;

(3) whether the Administrative Enforcement Committee imposed on him enforcement measure which prohibits him to serve as a director in any public company, and not yet passed the period set by the Administrative Enforcement Committee.

**(b)** In this section:

"enforcement measure" – as stated in section 52NF to the Securities Law which imposed under chapter H4 to the Securities Law, under chapter G2 to the Investment Advice and Investment Portfolio Management Law, 1995, or under chapter J1 to the Joint Investment Trust Law, 1994, as applicable;

"Administrative Enforcement Committee" - the committee appointed under section 52LB(a) to the Securities Law;

"Conclusive judgment" – judgment of a court of the first instance

#### **Restriction on Appointment Due to Conviction**

**226. (a)** A person convicted by a conclusive judgment of one of the following offenses shall not hold office as a Director in a public company unless five years have passed from the date on which the judgment by which he was convicted was given:

(1) Offenses under sections 290 to 297, 392, 415, 418 to 420 and 422 to 428 of the Penal Law, 5737-1977, and under sections 52C, 52D, 53(a) and 54 of the Securities Law;

(2) A conviction by a court outside Israel for offenses of bribery, deceit, offenses by managers of a corporate body or offenses involving misuse of inside information;

(3) (deleted)

**(a1)** A person convicted by a conclusive judgment, as it is defined in section 225(b), in an offense that was not mentioned in subsection (a), if the court determined that due to its nature, severity or circumstances he is not fit to serve as a director of public company for the period that the court determined which shall not exceed five years from the judgment.

**(b)** The court may determine, at the date of the conviction or thereafter, on the application of a person interested in being appointed as a director, that

despite his conviction of offenses as laid down in subsections (a), and taking into account, inter alia, the circumstances in which the offense took place, such person is not precluded from holding office as director of a public company, or the period in which he is precluded from holding office as director of public company or a private company which is a Debenture Company will be shorter than five years.

(c) The Minister may prescribe additional offenses to those laid down in subsection (a)(1).

(d) The court, or a court of appeal – if one was submitted, may order a stay of execution regarding the limitations of the appointment or termination of office under this section at the date and on such terms as it deems fit.

**Restriction on  
Appointment  
Due to  
Administrative  
Enforcement  
Committee  
decision**

**226A.** If the Administrative Enforcement Committee has imposed an enforcement measure on a person, which precludes him from holding office as director of a public company, such person shall not be appointed as a director of a company in which he is prohibited to serve as a director according to this measure; in this section “enforcement measure” and “Administrative Enforcement Committee” – as defined in section 225(b).

**Limitation of  
Appointment**

**227. (a)** A minor, a legally incompetent person, a person who has been declared bankrupt as long as such person remains undischarged, shall not be appointed as director, nor shall a corporation that has resolved to enter into voluntary liquidation or in respect of which a winding up order has been issued.

(b) A person nominated to hold office as director to whom the provisions of subsection (A) apply shall disclose such to the entity appointing him.

**Duty of  
Notice**

**227A.** A director that no longer fulfils one of the requirements for office as a director under this Law or there is ground for expiration of his office as a director shall notify the company immediately, and his office shall expire on the date of the notice.



To:

**Unitronics (1989) (R”G) Ltd.**

**Declaration of Candidate for Office of Director in Public Company**

Under the Companies Law, 5759-1999 (the "**Law**")

I, the undersigned, Yariv Avisar, after having been warned that I must state the truth and that I shall be liable to the penalties prescribed by law should I fail to do so, hereby declare as follows:

1. None of the restrictions determined in Sections 225 to 227A of the Law on restriction on appointment of a minor, an incompetent person, bankruptcy, a restriction on appointment as a result of the commission of an offense, a conviction or a decision of the administrative enforcement committee – as these restrictions are drafted on the date of execution of this declaration, as set forth in **Appendix A** and constituting an integral part hereof, are satisfied in my case.
2. Pursuant to the provisions of the Law, I am considered to have a "personal interest" as defined in the Law, in transactions between the Company and myself and between the Company and any of my relatives and between the Company and corporations and entities in which I or any of my relatives are stakeholders (hereinafter, the "**Corporations**").
3. My activities within the scope of my office as an office holder of the Company, as long as they are carried out in good faith, as long as they are not connected to me or my relatives or the Corporations personally, are not considered to be acts amounting to a conflict of interest or competition with the business of the Company or usurpation of a business opportunity of the Company with the object of obtaining a benefit for myself or any other person (hereinafter, "**Breach of Trust**") and do not harm the best interest of the Company, just because me or my relatives are stakeholders in the Corporations.
4. Were I to believe, according to my best knowledge, that an activity within the scope of my office as office holder of the Company is connected to me or my relatives or the Corporations personally, and also were the Company to enter into an exceptional transaction and/or an ordinary transaction connected to me or my relatives or the Corporations personally and it came to my knowledge – I shall notify the audit committee and/or the board of directors, as the case may be, of my personal interest, if the activity and/or transaction is presented for their approval, or to an entity and/or forum reaching a decision with respect to the act or approving the transaction, if the activity and/or transaction is not presented for the approval of the board of directors at the beginning of the deliberation on the activity and/or the transaction and I shall not be present at the meeting at the time of the deliberation on the activity and/or the

transaction; however, I may be entitled to participate at the beginning of the meeting for the purpose of passing on information only.

5. I possess all the skills required and the capacity to devote the appropriate time to perform my position as director of the Company, with attention *inter alia* to the special needs and size of the Company.
6. Likewise, I undertake that if any of the conditions required under the Law for my office as director of the Company cease to exist in my case, or if a ground for the expiration of my office as director of the Company exists in my case, I shall notify the Company thereof immediately and my office shall expire from the date of notification as stated in Section 227A of the Law (as set forth in Appendix A). I know that pursuant to Section 234 of the Law, a breach of such duty of notification shall be deemed a Breach of Trust on my part to the Company.
7. After having closely read and understood all that stated above, I declare that all that stated above is the truth and that I am fully aware of all my obligations and rights under the Law and Regulations.

Yariv Avisar

March 28, 2016

( - )

\_\_\_\_\_  
Name

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

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**Attorney Certification**

I, the undersigned, Advocate Oren Shpaeizer , L.N 31024 , hereby certify that on 30.03.2016, Mr. Yariv Avisar, known to me personally, appeared before me and after I warned him that he must declare the truth and that he will be liable to the penalties prescribed by law should he fail to do so, he signed this declaration in my presence.

30.03.2016

( - )

\_\_\_\_\_  
Date

\_\_\_\_\_  
Attorney Signature and Stamp

## **Appendix A**

### **Articles 225-227A of the Companies Law, 5759-1999**

#### **Duty of Disclosure**

**225. (a)** A person who is a candidate to hold office as a director shall disclose to the person appointing him:

(1) whether he has been convicted by a conclusive judgment of an offense referred to in section 226(a) and not yet passed the period in which he should not serve as a director under section 226;

(2) whether he has been convicted by a conclusive judgment of an offense referred to in section 226(a1) and not yet passed the period set by the court under that subsection;

(3) whether the Administrative Enforcement Committee imposed on him enforcement measure which prohibits him to serve as a director in any public company, and not yet passed the period set by the Administrative Enforcement Committee.

**(b)** In this section:

"enforcement measure" – as stated in section 52NF to the Securities Law which imposed under chapter H4 to the Securities Law, under chapter G2 to the Investment Advice and Investment Portfolio Management Law, 1995, or under chapter J1 to the Joint Investment Trust Law, 1994, as applicable;

"Administrative Enforcement Committee" - the committee appointed under section 52LB(a) to the Securities Law;

"Conclusive judgment" – judgment of a court of the first instance

#### **Restriction on Appointment Due to Conviction**

**226. (a)** A person convicted by a conclusive judgment of one of the following offenses shall not hold office as a Director in a public company unless five years have passed from the date on which the judgment by which he was convicted was given:

(1) Offenses under sections 290 to 297, 392, 415, 418 to 420 and 422 to 428 of the Penal Law, 5737-1977, and under sections 52C, 52D, 53(a) and 54 of the Securities Law;

(2) A conviction by a court outside Israel for offenses of bribery, deceit, offenses by managers of a corporate body or offenses involving misuse of inside information;

(3) (deleted)

**(a1)** A person convicted by a conclusive judgment, as it is defined in section 225(b), in an offense that was not mentioned in subsection (a), if the court determined that due to its nature, severity or circumstances he is not fit to serve as a director of public company for the period that the court determined which shall not exceed five years from the judgment.

**(b)** The court may determine, at the date of the conviction or thereafter, on the application of a person interested in being appointed as a director, that

despite his conviction of offenses as laid down in subsections (a), and taking into account, inter alia, the circumstances in which the offense took place, such person is not precluded from holding office as director of a public company, or the period in which he is precluded from holding office as director of public company or a private company which is a Debenture Company will be shorter than five years.

(c) The Minister may prescribe additional offenses to those laid down in subsection (a)(1).

(d) The court, or a court of appeal – if one was submitted, may order a stay of execution regarding the limitations of the appointment or termination of office under this section at the date and on such terms as it deems fit.

**Restriction on  
Appointment  
Due to  
Administrative  
Enforcement  
Committee  
decision**

**226A.** If the Administrative Enforcement Committee has imposed an enforcement measure on a person, which precludes him from holding office as director of a public company, such person shall not be appointed as a director of a company in which he is prohibited to serve as a director according to this measure; in this section “enforcement measure” and “Administrative Enforcement Committee” – as defined in section 225(b).

**Limitation of  
Appointment**

**227. (a)** A minor, a legally incompetent person, a person who has been declared bankrupt as long as such person remains undischarged, shall not be appointed as director, nor shall a corporation that has resolved to enter into voluntary liquidation or in respect of which a winding up order has been issued.

(b) A person nominated to hold office as director to whom the provisions of subsection (A) apply shall disclose such to the entity appointing him.

**Duty of  
Notice**

**227A.** A director that no longer fulfils one of the requirements for office as a director under this Law or there is ground for expiration of his office as a director shall notify the company immediately, and his office shall expire on the date of the notice.

To:

**Unitronics (1989) (R”G) Ltd.**

**Declaration of Candidate for Office of Director in Public Company**

Under the Companies Law, 5759-1999 (the "**Law**")

I, the undersigned, *Gillon Beck*, after having been warned that I must state the truth and that I shall be liable to the penalties prescribed by law should I fail to do so, hereby declare as follows:

1. None of the restrictions determined in Sections 225 to 227A of the Law on restriction on appointment of a minor, an incompetent person, bankruptcy, a restriction on appointment as a result of the commission of an offense, a conviction or a decision of the administrative enforcement committee – as these restrictions are drafted on the date of execution of this declaration, as set forth in **Appendix A** and constituting an integral part hereof, are satisfied in my case.
2. Pursuant to the provisions of the Law, I am considered to have a "personal interest" as defined in the Law, in transactions between the Company and myself and between the Company and any of my relatives and between the Company and corporations and entities in which I or any of my relatives are stakeholders (hereinafter, the "**Corporations**").
3. My activities within the scope of my office as an office holder of the Company, as long as they are carried out in good faith, as long as they are not connected to me or my relatives or the Corporations personally, are not considered to be acts amounting to a conflict of interest or competition with the business of the Company or usurpation of a business opportunity of the Company with the object of obtaining a benefit for myself or any other person (hereinafter, "**Breach of Trust**") and do not harm the best interest of the Company, just because me or my relatives are stakeholders in the Corporations.
4. Were I to believe, according to my best knowledge, that an activity within the scope of my office as office holder of the Company is connected to me or my relatives or the Corporations personally, and also were the Company to enter into an exceptional transaction and/or an ordinary transaction connected to me or my relatives or the Corporations personally and it came to my knowledge – I shall notify the audit committee and/or the board of directors, as the case may be, of my personal interest, if the activity and/or transaction is presented for their approval, or to an entity and/or forum reaching a decision with respect to the act or approving the transaction, if the activity and/or transaction is not presented for the approval of the board of directors at the beginning of the deliberation on the activity and/or the transaction and I shall not be present at the meeting at the time of the deliberation on the activity and/or the

transaction; however, I may be entitled to participate at the beginning of the meeting for the purpose of passing on information only.

5. I possess all the skills required and the capacity to devote the appropriate time to perform my position as director of the Company, with attention *inter alia* to the special needs and size of the Company.
6. Likewise, I undertake that if any of the conditions required under the Law for my office as director of the Company cease to exist in my case, or if a ground for the expiration of my office as director of the Company exists in my case, I shall notify the Company thereof immediately and my office shall expire from the date of notification as stated in Section 227A of the Law (as set forth in Appendix A). I know that pursuant to Section 234 of the Law, a breach of such duty of notification shall be deemed a Breach of Trust on my part to the Company.
7. After having closely read and understood all that stated above, I declare that all that stated above is the truth and that I am fully aware of all my obligations and rights under the Law and Regulations.

Gillon Beck

March 28, 2016

( - )

\_\_\_\_\_  
Name

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

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**Attorney Certification**

I, the undersigned, Advocate \_\_\_\_\_, whose address is \_\_\_\_\_, hereby certify that on \_\_\_\_\_, Mr. \_\_\_\_\_, known to me personally, appeared before me and after I warned him that he must declare the truth and that he will be liable to the penalties prescribed by law should he fail to do so, he signed this declaration in my presence.

( - ) Amiram Bam L.n. 25112

\_\_\_\_\_  
Date

\_\_\_\_\_  
Attorney Signature and Stamp

## **Appendix A**

### **Articles 225-227A of the Companies Law, 5759-1999**

#### **Duty of Disclosure**

**225. (a)** A person who is a candidate to hold office as a director shall disclose to the person appointing him:

(1) whether he has been convicted by a conclusive judgment of an offense referred to in section 226(a) and not yet passed the period in which he should not serve as a director under section 226;

(2) whether he has been convicted by a conclusive judgment of an offense referred to in section 226(a1) and not yet passed the period set by the court under that subsection;

(3) whether the Administrative Enforcement Committee imposed on him enforcement measure which prohibits him to serve as a director in any public company, and not yet passed the period set by the Administrative Enforcement Committee.

**(b)** In this section:

"enforcement measure" – as stated in section 52NF to the Securities Law which imposed under chapter H4 to the Securities Law, under chapter G2 to the Investment Advice and Investment Portfolio Management Law, 1995, or under chapter J1 to the Joint Investment Trust Law, 1994, as applicable;

"Administrative Enforcement Committee" - the committee appointed under section 52LB(a) to the Securities Law;

"Conclusive judgment" – judgment of a court of the first instance

#### **Restriction on Appointment Due to Conviction**

**226. (a)** A person convicted by a conclusive judgment of one of the following offenses shall not hold office as a Director in a public company unless five years have passed from the date on which the judgment by which he was convicted was given:

(1) Offenses under sections 290 to 297, 392, 415, 418 to 420 and 422 to 428 of the Penal Law, 5737-1977, and under sections 52C, 52D, 53(a) and 54 of the Securities Law;

(2) A conviction by a court outside Israel for offenses of bribery, deceit, offenses by managers of a corporate body or offenses involving misuse of inside information;

(3) (deleted)

**(a1)** A person convicted by a conclusive judgment, as it is defined in section 225(b), in an offense that was not mentioned in subsection (a), if the court determined that due to its nature, severity or circumstances he is not fit to serve as a director of public company for the period that the court determined which shall not exceed five years from the judgment.

**(b)** The court may determine, at the date of the conviction or thereafter, on the application of a person interested in being appointed as a director, that

despite his conviction of offenses as laid down in subsections (a), and taking into account, inter alia, the circumstances in which the offense took place, such person is not precluded from holding office as director of a public company, or the period in which he is precluded from holding office as director of public company or a private company which is a Debenture Company will be shorter than five years.

(c) The Minister may prescribe additional offenses to those laid down in subsection (a)(1).

(d) The court, or a court of appeal – if one was submitted, may order a stay of execution regarding the limitations of the appointment or termination of office under this section at the date and on such terms as it deems fit.

**Restriction on  
Appointment  
Due to  
Administrative  
Enforcement  
Committee  
decision**

**226A.** If the Administrative Enforcement Committee has imposed an enforcement measure on a person, which precludes him from holding office as director of a public company, such person shall not be appointed as a director of a company in which he is prohibited to serve as a director according to this measure; in this section “enforcement measure” and “Administrative Enforcement Committee” – as defined in section 225(b).

**Limitation of  
Appointment**

**227. (a)** A minor, a legally incompetent person, a person who has been declared bankrupt as long as such person remains undischarged, shall not be appointed as director, nor shall a corporation that has resolved to enter into voluntary liquidation or in respect of which a winding up order has been issued.

(b) A person nominated to hold office as director to whom the provisions of subsection (A) apply shall disclose such to the entity appointing him.

**Duty of  
Notice**

**227A.** A director that no longer fulfils one of the requirements for office as a director under this Law or there is ground for expiration of his office as a director shall notify the company immediately, and his office shall expire on the date of the notice.



**Appendices 2.1.6 (b)(1-3) - Messrs. Amit Ben-Zvi, Yariv Avisar and Gillon Beck questionnaires**

## **Directors' Questionnaire**

Dear Sir or Madam,

Attached herewith is a questionnaire to be completed by the directors of Unitronics (1989) (R"G) Ltd. (hereinafter, the "**Company**"). If there are any questions or any explanations are required relating to the completion of the questionnaire, please contact: Advocate Gregory Irgo of Eitan Mehulal & Sadot Law Office of 10 Abba Eban Boulevard, Herzliya, tel: 09-9726000, fax: 09-9726001.

Please pass on to us the completed and signed questionnaire as soon as possible.

### **1. Instructions on Completion of Questionnaire**

Please properly answer all questions in detail. In the event a question is not relevant in your case, please write: "not relevant". If the reply to a question is no, please write: "no" or "none". Wherever you are required to complete the date or time, please specify wherever possible, the day, month and year.

### **2. Definitions**

#### **2.1 "Stakeholder" in a corporation –**

- (1) A person holding five percent or more of the issued share capital of the corporation or of the voting power therein, a person having authority to appoint one or more directors of a corporation or its general manager, a person serving as director of a corporation or as its general manager, or a corporation in which such person holds twenty five percent or more of its issued share capital or the voting power, or is entitled to appoint twenty five percent or more of its directors; for the purpose of this paragraph –
  - (a) A manager of a joint investment trust fund shall be regarded as a holder of the securities included in the fund's assets;
  - (b) Where a person held securities by means of a trustee, the trustee shall also be regarded as a holder of the aforesaid securities; for this purpose, "trustee" excludes a nominee company and excludes a person holding securities merely by virtue of his position as trustee for an arrangement within the meaning under Section 46(a)(2)(f), or as trustee for an allotment of shares to employees, as defined in Section 102 of the Income Tax Ordinance;
- (2) A subsidiary of a corporation, excluding a nominee company;

## 2.2 **"Holding" or "acquisition" –**

For the purpose of securities or voting power and the like – either alone or together with others, either directly or indirectly, by means of a trustee, a trust company, nominee company or in any other manner. In the case of a holding or acquisition by a company – also by implication, by its subsidiary or related company, and in the case of a holding or acquisition by an individual – an individual and his family members who live with him, or they are financially dependent on each other, shall be regarded as one person;

### **"Holding or acquisition of securities jointly with others" –**

Holding or acquisition of securities in collaboration between two or more under an agreement, either written or verbal; without prejudicing the generality of the aforesaid, the following persons shall *prima facie* be regarded as holding or acquiring securities jointly –

- (1) a corporation holding or acquiring securities (in this definition – corporation) jointly with a stakeholder therein or its related company;
- (2) a person whose business is the holding of or trading in securities for others, together with his customer, or with his family member who does not live with him and they are not dependent on each other financially, for whom he holds and manages the securities under a power of attorney granting discretion respecting the exercise of the voting right;

## 2.3 **"Family member" –**

A spouse, and also a sibling, parent, grandparent, child or child of spouse or spouse of any of the above;

## 2.4 **"Subsidiary" –**

A company in which another company holds twenty five percent or more of the nominal value of its issued share capital or its voting power or it is entitled to appoint half or more of the directors or its general manager;

## 2.5 **"Related company" –**

An affiliated company, as well as a company in which another company – which is not its parent company – invested an amount equal to twenty five percent or more of the equity capital of the other company, either in shares or in any other manner, excluding a loan granted in the ordinary course of business.

2.6 **"Affiliated company" –**

A company in which another company – which is not its parent company – holds twenty five percent or more of the nominal value of its issued share capital or the voting power therein, or is entitled to appoint twenty five percent or more of its directors.

2.7 **"Independent director" –**

An outside director or individual serving in office as director who satisfies the conditions set forth below, who was appointed or classified as such according to the provisions of Chapter 1, Part 6 of the Companies Law:

- (1) The qualifying conditions for the appointment of an outside director determined in Section 240(b) to (f) are satisfied in his case and the audit committee approved this;
- (2) He is not serving in office as director of the company for more than nine consecutive years, and for this purpose discontinuation in office not exceeding two years shall not be regarded as ending the continuity of office.

2.8 **"Outside director" –**

A member of the board of directors of a company who satisfies the qualifying conditions for appointment, as set forth in Section 240 of the Companies Law, 5759-1999.

2.9 **"Director with accounting and financial expertise" –**

A director with accounting and financial expertise is a person who due to his education, experience and qualifications has a high expertise and understanding of business – accounting matters and financial statements, in a manner enabling him to thoroughly understand the financial statements of the Company and to stimulate discussion as to the manner in which the financial data is presented; an evaluation of the accounting and financial expertise of the director shall be carried out by the board of directors and shall be presented as part of the overall considerations which are, *inter alia* his education, experience and knowledge on the following matters:

- A. Accounting and auditing issues characteristic of the sector of industry in which the Company and companies of the same size and complexity of the Company operate;
- B. The functions of the auditor and the obligations imposed on him;

- C. Preparation and approval of the financial statements under the Companies Law and under the Securities Law.

#### 2.10 "Director with professional competence" –

A director with professional competence is a person who satisfies one of the following conditions:

- A. He has an academic degree in one of the following subjects: economics, business administration, accountancy, law, public administration;
- B. He has another academic degree or has completed other higher education studies, all in the Company's main area of business or in an area relevant to the position.
- C. He has at least five years' experience in one of the following or he has at least five years' cumulative experience in two or more of the following:
  - 1) In a senior position in the field of business management of a corporation with a significant scope of business;
  - 2) In senior public office or in a senior position in the public service;
  - 3) In a senior position in the Company's main area of business.

#### 2.11 "Expert outside director" –

One of the following:

- A. A director having accounting and financial expertise;
- B. A director who due to his education, experience and qualifications has a high expertise and profound understanding of the Company's main area of business. An evaluation of the expertise and understanding of a director shall be carried out by the board of directors after the director added to its declaration under Section 241 of the Companies Law a declaration respecting his education, experience and qualifications, to the extent they are relevant to his evaluation, and attached the documents in support of his declaration.

#### 2.12 "Senior office holder" –

An office holder, as defined in the Companies Law, as well as the chairman of the board of directors, a substitute director, an individual appointed under Section 236 of the Companies Law on

behalf of a corporation serving in office as director, comptroller, internal auditor, independent authorized signatory and any person carrying out such position, even if his job description is different, in addition to any senior office holder in a corporation under the control of the corporation which has a significant influence over the corporation, and any individual engaged in the corporation in another position holding five percent or more of the nominal value of the issued share capital or voting power; for this purpose:

**"Office holder"** – general manager, chief business officer, deputy general manager, vice general manager, any person serving in such a position in a company, even if the title is different, as well as a director or manager directly subordinate to the general manager;

**"Independent authorized signatory"** – an authorized signatory having the power to bind the corporation without requiring the signature of any additional entity at the corporation for the purpose of a specific activity;

**"Authorized signatory"** – anyone with authority to bind the corporation or bind a corporation under the control of the corporation which is not a reporting corporation and is not a corporation to which Chapter E3 applies (hereinafter, "controlled corporation") as well as any person in a controlled corporation with authority to bind the controlled corporation by an amount exceeding five percent of the total assets in the corporation's balance sheet, according to its last audited financial statements; two or more authorized signatories who are family members are regarded as one authorized signatory;

**"Obligation"** – excluding a payment of tax, municipal taxes or any other compulsory payment collectible under the Taxes (Collection) Ordinance, and excluding any activity in the accounts of the corporation or controlled corporation concerning the acquisition or sale of securities, deposits, foreign currency and financial assets, as defined in the Consulting Law.

#### 2.13 **"Relative"** –

Spouse, brother or sister, parent, grandparents, children in addition to the spouse's child, brother, sister or parent and the spouse of each of the above stated.

#### 2.14 **"Another corporation"** –

A corporation whose controlling shareholder on the date of appointment or in the two years preceding the date of appointment, is a company or controlling shareholder thereof.

### 3. **Personal Details** – Directors

Full name:	<i>Amit Ben-Zvi</i>
I.D. number	<i>022644744</i>
Date of birth:	<i>September 11, 1966</i>
Address for the purpose of service of process:	<i>FIMI Opportunity Funds 98 Yigal Alon st. Tel Aviv</i>
Telephone number:	<i>+972-3-5652244</i>
Nationality:	<i>Israeli</i>
Address/email address:	<a href="mailto:amit@fimi.co.il"><i>amit@fimi.co.il</i></a>
Fax number for sending an invitation to meetings of the board of directors:	<i>+972-3-5652245</i>
Membership in a committee or committees of the board of directors:	<i>No.</i>
Independent director or outside director:	<i>No.</i>
Director having accounting and financial expertise or professional competence:	<i>Yes.</i>
Expert outside director:	<i>No.</i>
Are you an employee of the company, its subsidiary, a related company or of a stakeholder therein? If so, please specify the position or the positions you are filling and the date on which you commenced in office:	<i>Yes. Partner in FIMI Opportunity Funds (stakeholder in the company after the closing)</i>
Are you a family member of another stakeholder in the corporation or of another office holder in the corporation? If so, please specify.	<i>No.</i>

4. **Academic Education**

Degree/Certificate	Main Subject	Name of Academic Institution and Year Degree Earned
<i>LLB</i>	<i>Law</i>	<i>Tel Aviv University, 1995</i>
<i>BA</i>	<i>Accounting</i>	<i>Tel Aviv University, 1995</i>

5. **Additional Professional Training**

Degree/Certificate	Field/Subject	Name of Academic/Professional Institution and Year Certificate/Accreditation Earned
<i>N/A</i>		

6. **Professional and Management Positions in Last 5 Years:**

Dates From and To	Name of Corporation/Institution	Position and Area of Business
<i>10/2012-current</i>	<i>FIMI Opportunity Funds</i>	<i>Partner</i>
<i>2008-2012</i>	<i>Hermes Technologies</i>	<i>CEO</i>
<i>2008-2012</i>	<i>Magic Software</i>	<i>CEO of Europe and Japan</i>



7. **Public Positions (Public Office/Position in Public Service)**

Dates From and To	Name of Corporation/Institution	Position and Area of Business
N/A		

8. **Office of Director in Another Corporation in the Past and Present**

A. If you are serving in office or have served in office as director in the past, please specify the name of the corporation and the term of office.

Dates From and To	Name of Corporation/Institution
<i>8/2015-current</i>	<i>Hadera Paper Ltd</i>
<i>8/2014-current</i>	<i>Dimer Ltd</i>
<i>2013-current</i>	<i>Overseas Commerce Ltd</i>
<i>2013-current</i>	<i>Mer Ltd</i>
<i>2013-current</i>	<i>Novolog (Pharm-up 1966) Ltd</i>

B. Specify the positions you are carrying out at the Company (including membership in a committee or committees of the Company's board of directors):

*Chairman (after the closing)*

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C. Are you carrying out any position whatsoever, including as an office holder or employee in a subsidiary or related company of the Company or in a stakeholder of the Company (see the definitions in the introduction to the questionnaire)? If yes, please state details:

*Chairman (after the closing)*

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9. **Ownership of Securities of the Company/Subsidiary/Related Company**

A. Specify your holdings and/or the holdings of any of your family members and/or relatives (including a holding jointly with others) of securities of the Company, their nominal value, the quantity of the holding and the amount of each class of securities on the date of completion of the questionnaire and on the date 12 months prior to this:

Name of Holder	Class of Security	On Date of Completion of Questionnaire		12 Months Prior to Date of Completion of Questionnaire	
		Number of Securities	Rate of Holding	Number of Securities	Rate of Holding
N/A					

B. Specify your holdings and/or the holdings of any of your family members and/or relatives (including a holding jointly with others) of the securities of subsidiaries and related companies of the Company, specify the class of securities, their nominal value, the quantity and rate of holding on the date of completion of the questionnaire and on the date 12 months prior to this.

Name of Holder	Name of Company and Class of Security	On Date of Completion of Questionnaire		12 Months Prior to Date of Completion of Questionnaire	
		Number of Securities	Rate of Holding	Number of Securities	Rate of Holding
N/A					

C. If you and/or any of your family members and/or relatives (including a holding jointly with others) hold a specific percentage of the issued share capital or voting power or of the authority to appoint directors of a corporation holding shares in the Company or shares of its subsidiary, or in any related company

directly or indirectly, specify the class of securities, their nominal value, the quantity and rate of holding on the date of completion of the questionnaire and on the date 12 months prior to this:

Name of Holder	Name of Corporation and Class of Security	On Date of Completion of Questionnaire		12 Months Prior to Date of Completion of Questionnaire	
		Number of Securities	Rate of Holding	Number of Securities	Rate of Holding
N/A					

D. Did the corporation undertake to acquire or the Company undertake to sell it the shares of the Company held by such corporation? If yes, specify the principles of the agreement and attach it to the questionnaire.

*See Investment Agreement of FIMI in the company, Share Purchase Agreement from Haim Shani and Joint Control Agreement*

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E. Are you a party to an agreement of any kind whatsoever with the Company or with the shareholders or other holders of securities in the Company relating to its securities, voting rights or other rights in the Company (for example, the acquisition of shares, right of first refusal, voting agreements, mutual options and such like)? Specify the principles of the agreement and attach it to the questionnaire.

*See Investment Agreement of FIMI in the company, Share Purchase Agreement from Haim Shani and Joint Control Agreement*

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F. Are you entitled to securities of the Company? If yes, specify:

No.

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G. Do you hold 5% or more of the issued share capital or voting power or authority to appoint one or more directors or the general manager in a specific corporation? If yes, specify:

Name of Company/Subsidiary, Related Company	Quantity of Shares	Percentage of Issued Share Capital and Voting Rights
N/A		

10. **Interest in Other Companies**

A. Specify the corporations in which you and/or any of your family members and/or relatives (including a holding jointly with others) are a stakeholder; state the holdings in such corporation on the date of completion of the questionnaire:

N/A

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11. **Fees and Benefits**

A. Did you receive a fee and/or directors' remuneration from the Company? If yes, specify the amounts you received three years prior to the date of completion of this questionnaire, the name of the paying company and the type of payment:

No.

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B. Is there an arrangement or agreement assuring you indemnification and/or insurance and/or a release in connection with any undertaking whatsoever which you are likely to make in connection with your position as director, office holder or shareholder of the Company. If yes, specify the terms of the arrangement and attach as an appendix to this questionnaire.

*According to the Investment Agreement of FIMI in the company*

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C. Did you or your relative receive a fee or are you entitled to receive a fee directly or indirectly from a controlling shareholder of the Company, from the Company, a subsidiary of the Company or a related company to the Company? If yes, specify the amounts received in the last two years only, as set forth below:

Nature of Payment	Payment Amount	
	Year of Payment	Nominal
<i>I didn't receive fee in the past In the future – according to the Investment Agreement of FIMI in the company</i>		

D. Have you and/or your relatives received a fee or are you entitled to receive a fee (management fees, consulting fee and such like) from a controlling shareholder of the Company, from the Company, a subsidiary of the Company or a related company to the Company, directly or indirectly? If yes, specify the amounts received in the last two years.

Nature of Payment	Payment Amount	
	Year of Payment	Nominal
<i>According to the Investment Agreement of FIMI in the company</i>		

E. Is there an agreement binding the controlling shareholder of the Company, the Company, its subsidiary or a related company to pay you or your relative

any payment whatsoever or to grant benefits? If yes, describe the principles of the agreement (method of calculation of payment, minimum promised, etc.) and attach it as an appendix to the questionnaire:

*According to the Investment Agreement of FIMI in the company*

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F. Did you or your relative receive or are you receiving directly or indirectly other benefits of any kind whatsoever from a controlling shareholder of the Company, from the Company, a subsidiary of the Company or a related company to the Company? If yes, specify the benefits you received in the last two years:

*According to the Investment Agreement of FIMI in the company*

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G. If the reply to the previous question is yes, please specify whether you received the aforesaid benefits embodied within an agreement? If yes, describe its principles and attach it as an appendix to the questionnaire:

*According to the Investment Agreement of FIMI in the company*

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H. Is there an agreement for increased retirement compensation or improved retirement terms at the time of retirement between you and the Company? If yes, specify:

*No.*

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I. Are you entitled to shares or options of the Company, of a subsidiary and of related companies? If yes, specify:

*According to the Investment Agreement of FIMI in the company*

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J. Did the Company make any undertaking to allot shares, options or any other security convertible into shares? If yes, specify:

*According to the Investment Agreement of FIMI in the company*

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12. **Business Connections with Company**

A. Were you or are you and/or any of your family members and/or relatives (including a holding jointly with others) a party directly or indirectly to a transaction of any kind whatsoever with the Company, its subsidiary or a related company of the Company which was entered into in the last two years (and even if no longer in effect, or made previously but still in effect)? If yes, describe the transaction and its terms, and attach all documents relating to it (if you believe that the transaction is in the ordinary course of business – please state this):

*According to the Investment Agreement of FIMI in the company*

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B. Are negotiations being conducted in connection with a transaction of the kind described in Section 7 A. above?

*According to the Investment Agreement of FIMI in the company*

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C. Is there an arrangement or agreement, except for that stated in the articles of association of the Company, which promises you indemnification or insurance with respect to an undertaking you are likely to make in connection with your position as a senior office holder or shareholder of the Company? If yes, attach a copy of the agreement:

*According to the Investment Agreement of FIMI in the company*

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F. Did you, your relative, your partner, your employer, anyone you are directly or indirectly subordinate to or a corporation in which you are a controlling shareholder, on the date of appointment or in the two years preceding the date of appointment, have control, an employment relationship, business or professional connections generally with the Company, a controlling shareholder of the Company or a relative of a controlling shareholder? If so, please specify.

*No.*

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J. Did you ever receive by virtue of your position as outside director of any company whatsoever any additional benefit beyond the remuneration and reimbursement of expenses to which you were entitled for your office as director?

*No.*

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13. **Interest in Transactions**

A. In addition to the aforesaid in Section 8 above, do you or did you have an interest directly or indirectly in any agreement whatsoever or in any transaction whatsoever to which the Company, its subsidiary or its related company are a party or were a party in the two years preceding the date of completion of this questionnaire? If yes, specify the transaction or the agreement (even if it is verbal) and attach any document in connection with the transaction or this agreement:

*According to the Investment Agreement of FIMI in the company*

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B. Are negotiations taking place in connection with a transaction of the kind described in Section 9A above? If yes, please specify:

*According to the Investment Agreement of FIMI in the company*

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14. **Legal Proceedings**

A. Are any proceedings pending against you or were you ever convicted of one of the offenses currently enumerated in Article F of Chapter 11 of the Penal Law, 5737-1977 (offenses of bribery, deceit, blackmail and extortion) or offenses of directors in a corporation or offenses of misuse of inside information? Likewise, have you been convicted of another offense where the court has determined that by reason of such offense you are unfit to serve as director of a public company? If yes, specify.

*No.*

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B. Except for parking offenses and finable offenses within the meaning of the Transport Ordinance, are there any proceedings pending against you or were you ever convicted and served the penalty for the conviction in the last ten years? If yes, specify.

*No.*

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C. Is there any legal proceeding taking place between you and the Company and/or a company under your control or a related company to you and the Company in which you are an opposing party to the Company or have you an interest in a proceeding contrary to the interests of the Company? If yes, specify.

*No.*

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I hereby declare that all the details given by me in reply to this questionnaire are correct and accurate and that I did not omit any detail and did not refrain from attaching any document which I was asked to deliver or attach to this questionnaire.

If there is any change in any of the details I passed on above, I will notify you immediately of the change.

I hereby confirm that I agree that you may use the details I passed on in this questionnaire, if necessary for the publication of a prospectus of the Company, as well as any report to be published after the date of this affidavit.

*March 28, 2016*

*Amit Ben-Zvi*

*( - )*

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Date

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Full Name

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Signature

## **Directors' Questionnaire**

Dear Sir or Madam,

Attached herewith is a questionnaire to be completed by the directors of Unitronics (1989) (R"G) Ltd. (hereinafter, the "**Company**"). If there are any questions or any explanations are required relating to the completion of the questionnaire, please contact: Advocate Gregory Irgo of Eitan Mehulal & Sadot Law Office of 10 Abba Eban Boulevard, Herzliya, tel: 09-9726000, fax: 09-9726001.

Please pass on to us the completed and signed questionnaire as soon as possible.

### **1. Instructions on Completion of Questionnaire**

Please properly answer all questions in detail. In the event a question is not relevant in your case, please write: "not relevant". If the reply to a question is no, please write: "no" or "none". Wherever you are required to complete the date or time, please specify wherever possible, the day, month and year.

### **2. Definitions**

#### **2.1 "Stakeholder" in a corporation –**

- (1) A person holding five percent or more of the issued share capital of the corporation or of the voting power therein, a person having authority to appoint one or more directors of a corporation or its general manager, a person serving as director of a corporation or as its general manager, or a corporation in which such person holds twenty five percent or more of its issued share capital or the voting power, or is entitled to appoint twenty five percent or more of its directors; for the purpose of this paragraph –
  - (a) A manager of a joint investment trust fund shall be regarded as a holder of the securities included in the fund's assets;
  - (b) Where a person held securities by means of a trustee, the trustee shall also be regarded as a holder of the aforesaid securities; for this purpose, "trustee" excludes a nominee company and excludes a person holding securities merely by virtue of his position as trustee for an arrangement within the meaning under Section 46(a)(2)(f), or as trustee for an allotment of shares to employees, as defined in Section 102 of the Income Tax Ordinance;
- (2) A subsidiary of a corporation, excluding a nominee company;

## 2.2 **"Holding" or "acquisition" –**

For the purpose of securities or voting power and the like – either alone or together with others, either directly or indirectly, by means of a trustee, a trust company, nominee company or in any other manner. In the case of a holding or acquisition by a company – also by implication, by its subsidiary or related company, and in the case of a holding or acquisition by an individual – an individual and his family members who live with him, or they are financially dependent on each other, shall be regarded as one person;

### **"Holding or acquisition of securities jointly with others" –**

Holding or acquisition of securities in collaboration between two or more under an agreement, either written or verbal; without prejudicing the generality of the aforesaid, the following persons shall *prima facie* be regarded as holding or acquiring securities jointly –

- (1) a corporation holding or acquiring securities (in this definition – corporation) jointly with a stakeholder therein or its related company;
- (2) a person whose business is the holding of or trading in securities for others, together with his customer, or with his family member who does not live with him and they are not dependent on each other financially, for whom he holds and manages the securities under a power of attorney granting discretion respecting the exercise of the voting right;

## 2.3 **"Family member" –**

A spouse, and also a sibling, parent, grandparent, child or child of spouse or spouse of any of the above;

## 2.4 **"Subsidiary" –**

A company in which another company holds twenty five percent or more of the nominal value of its issued share capital or its voting power or it is entitled to appoint half or more of the directors or its general manager;

## 2.5 **"Related company" –**

An affiliated company, as well as a company in which another company – which is not its parent company – invested an amount equal to twenty five percent or more of the equity capital of the other company, either in shares or in any other manner, excluding a loan granted in the ordinary course of business.

**2.6 "Affiliated company" –**

A company in which another company – which is not its parent company – holds twenty five percent or more of the nominal value of its issued share capital or the voting power therein, or is entitled to appoint twenty five percent or more of its directors.

**2.7 "Independent director" –**

An outside director or individual serving in office as director who satisfies the conditions set forth below, who was appointed or classified as such according to the provisions of Chapter 1, Part 6 of the Companies Law:

- (1) The qualifying conditions for the appointment of an outside director determined in Section 240(b) to (f) are satisfied in his case and the audit committee approved this;
- (2) He is not serving in office as director of the company for more than nine consecutive years, and for this purpose discontinuation in office not exceeding two years shall not be regarded as ending the continuity of office.

**2.8 "Outside director" –**

A member of the board of directors of a company who satisfies the qualifying conditions for appointment, as set forth in Section 240 of the Companies Law, 5759-1999.

**2.9 "Director with accounting and financial expertise" –**

A director with accounting and financial expertise is a person who due to his education, experience and qualifications has a high expertise and understanding of business – accounting matters and financial statements, in a manner enabling him to thoroughly understand the financial statements of the Company and to stimulate discussion as to the manner in which the financial data is presented; an evaluation of the accounting and financial expertise of the director shall be carried out by the board of directors and shall be presented as part of the overall considerations which are, *inter alia* his education, experience and knowledge on the following matters:

- A. Accounting and auditing issues characteristic of the sector of industry in which the Company and companies of the same size and complexity of the Company operate;
- B. The functions of the auditor and the obligations imposed on him;

- C. Preparation and approval of the financial statements under the Companies Law and under the Securities Law.

#### 2.10 **"Director with professional competence"** –

A director with professional competence is a person who satisfies one of the following conditions:

- A. He has an academic degree in one of the following subjects: economics, business administration, accountancy, law, public administration;
- B. He has another academic degree or has completed other higher education studies, all in the Company's main area of business or in an area relevant to the position.
- C. He has at least five years' experience in one of the following or he has at least five years' cumulative experience in two or more of the following:
  - 1) In a senior position in the field of business management of a corporation with a significant scope of business;
  - 2) In senior public office or in a senior position in the public service;
  - 3) In a senior position in the Company's main area of business.

#### 2.11 **"Expert outside director"** –

One of the following:

- A. A director having accounting and financial expertise;
- B. A director who due to his education, experience and qualifications has a high expertise and profound understanding of the Company's main area of business. An evaluation of the expertise and understanding of a director shall be carried out by the board of directors after the director added to its declaration under Section 241 of the Companies Law a declaration respecting his education, experience and qualifications, to the extent they are relevant to his evaluation, and attached the documents in support of his declaration.

#### 2.12 **"Senior office holder"** –

An office holder, as defined in the Companies Law, as well as the chairman of the board of directors, a substitute director, an individual appointed under Section 236 of the Companies Law on

behalf of a corporation serving in office as director, comptroller, internal auditor, independent authorized signatory and any person carrying out such position, even if his job description is different, in addition to any senior office holder in a corporation under the control of the corporation which has a significant influence over the corporation, and any individual engaged in the corporation in another position holding five percent or more of the nominal value of the issued share capital or voting power; for this purpose:

**"Office holder"** – general manager, chief business officer, deputy general manager, vice general manager, any person serving in such a position in a company, even if the title is different, as well as a director or manager directly subordinate to the general manager;

**"Independent authorized signatory"** – an authorized signatory having the power to bind the corporation without requiring the signature of any additional entity at the corporation for the purpose of a specific activity;

**"Authorized signatory"** – anyone with authority to bind the corporation or bind a corporation under the control of the corporation which is not a reporting corporation and is not a corporation to which Chapter E3 applies (hereinafter, "controlled corporation") as well as any person in a controlled corporation with authority to bind the controlled corporation by an amount exceeding five percent of the total assets in the corporation's balance sheet, according to its last audited financial statements; two or more authorized signatories who are family members are regarded as one authorized signatory;

**"Obligation"** – excluding a payment of tax, municipal taxes or any other compulsory payment collectible under the Taxes (Collection) Ordinance, and excluding any activity in the accounts of the corporation or controlled corporation concerning the acquisition or sale of securities, deposits, foreign currency and financial assets, as defined in the Consulting Law.

#### 2.13 **"Relative"** –

Spouse, brother or sister, parent, grandparents, children in addition to the spouse's child, brother, sister or parent and the spouse of each of the above stated.

#### 2.14 **"Another corporation"** –

A corporation whose controlling shareholder on the date of appointment or in the two years preceding the date of appointment, is a company or controlling shareholder thereof.

### 3. **Personal Details** – Directors

Full name:	<i>Yariv Avisar</i>
I.D. number	<i>57418873</i>
Date of birth:	<i>December 24, 1961</i>
Address for the purpose of service of process:	<i>Hashachaf st. P.O.B 219 Ein Sarid</i>
Telephone number:	<i>+972-52-8576330</i>
Nationality:	<i>Israeli</i>
Address/email address:	<a href="mailto:yarivavisar@gmail.com"><i>yarivavisar@gmail.com</i></a>
Fax number for sending an invitation to meetings of the board of directors:	<i>+972-9-7962373</i>
Membership in a committee or committees of the board of directors:	<i>No.</i>
Independent director or outside director:	<i>No.</i>
Director having accounting and financial expertise or professional competence:	<i>No.</i>
Expert outside director:	<i>No.</i>
Are you an employee of the company, its subsidiary, a related company or of a stakeholder therein? If so, please specify the position or the positions you are filling and the date on which you commenced in office:	<i>No.</i>
Are you a family member of another stakeholder in the corporation or of another office holder in the corporation? If so, please specify.	<i>No.</i>



4. **Academic Education**

Degree/Certificate	Main Subject	Name of Academic Institution and Year Degree Earned
<i>Business Administration</i>	<i>International Marketing</i>	<i>The Collage of Management</i>

5. **Additional Professional Training**

Degree/Certificate	Field/Subject	Name of Academic/Professional Institution and Year Certificate/Accreditation Earned

6. **Professional and Management Positions in Last 5 Years:**

Dates From and To	Name of Corporation/Institution	Position and Area of Business
<i>12/2011-12/2015</i>	<i>SCR Engineers</i>	<i>CEO</i>
<i>8/2007-11/2011</i>	<i>Hp Industrial Printing</i>	<i>CEO</i>

7. **Public Positions (Public Office/Position in Public Service)**

Dates From and To	Name of Corporation/Institution	Position and Area of Business

8. **Office of Director in Another Corporation in the Past and Present**

A. If you are serving in office or have served in office as director in the past, please specify the name of the corporation and the term of office.

Dates From and To	Name of Corporation/Institution
<i>Till 12/2015</i>	<i>Director in subsidiaries of SCR Group</i>

B. Specify the positions you are carrying out at the Company (including membership in a committee or committees of the Company's board of directors):

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C. Are you carrying out any position whatsoever, including as an office holder or employee in a subsidiary or related company of the Company or in a stakeholder of the Company (see the definitions in the introduction to the questionnaire)? If yes, please state details:

*No.*

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9. **Ownership of Securities of the Company/Subsidiary/Related Company**

A. Specify your holdings and/or the holdings of any of your family members and/or relatives (including a holding jointly with others) of securities of the Company, their nominal value, the quantity of the holding and the amount of each class of securities on the date of completion of the questionnaire and on the date 12 months prior to this:

Name of Holder	Class of Security	On Date of Completion of Questionnaire		12 Months Prior to Date of Completion of Questionnaire	
		Number of Securities	Rate of Holding	Number of Securities	Rate of Holding
<i>No.</i>					

B. Specify your holdings and/or the holdings of any of your family members and/or relatives (including a holding jointly with others) of the securities of subsidiaries and related companies of the Company, specify the class of securities, their nominal value, the quantity and rate of holding on the date of completion of the questionnaire and on the date 12 months prior to this.

Name of Holder	Name of Company and Class of Security	On Date of Completion of Questionnaire		12 Months Prior to Date of Completion of Questionnaire	
		Number of Securities	Rate of Holding	Number of Securities	Rate of Holding

C. If you and/or any of your family members and/or relatives (including a holding jointly with others) hold a specific percentage of the issued share capital or voting power or of the authority to appoint directors of a corporation holding shares in the Company or shares of its subsidiary, or in any related company directly or indirectly, specify the class of securities, their nominal value, the

quantity and rate of holding on the date of completion of the questionnaire and on the date 12 months prior to this:

Name of Holder	Name of Corporation and Class of Security	On Date of Completion of Questionnaire		12 Months Prior to Date of Completion of Questionnaire	
		Number of Securities	Rate of Holding	Number of Securities	Rate of Holding

D. Did the corporation undertake to acquire or the Company undertake to sell it the shares of the Company held by such corporation? If yes, specify the principles of the agreement and attach it to the questionnaire.

*No.*

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E. Are you a party to an agreement of any kind whatsoever with the Company or with the shareholders or other holders of securities in the Company relating to its securities, voting rights or other rights in the Company (for example, the acquisition of shares, right of first refusal, voting agreements, mutual options and such like)? Specify the principles of the agreement and attach it to the questionnaire.

*No.*

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F. Are you entitled to securities of the Company? If yes, specify:

*No.*

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G. Do you hold 5% or more of the issued share capital or voting power or authority to appoint one or more directors or the general manager in a specific corporation? If yes, specify:

Name of Company/Subsidiary, Related Company	Quantity of Shares	Percentage of Issued Share Capital and Voting Rights

10. **Interest in Other Companies**

A. Specify the corporations in which you and/or any of your family members and/or relatives (including a holding jointly with others) are a stakeholder; state the holdings in such corporation on the date of completion of the questionnaire:

*No.*

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11. **Fees and Benefits**

A. Did you receive a fee and/or directors' remuneration from the Company? If yes, specify the amounts you received three years prior to the date of completion of this questionnaire, the name of the paying company and the type of payment:

*No.*

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B. Is there an arrangement or agreement assuring you indemnification and/or insurance and/or a release in connection with any undertaking whatsoever which you are likely to make in connection with your position as director, office holder or shareholder of the Company. If yes, specify the terms of the arrangement and attach as an appendix to this questionnaire.

Directors' insurance as acceptable in the company with regard to directors

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C. Did you or your relative receive a fee or are you entitled to receive a fee directly or indirectly from a controlling shareholder of the Company, from the Company, a subsidiary of the Company or a related company to the Company? If yes, specify the amounts received in the last two years only, as set forth below:

Nature of Payment	Payment Amount	
	Year of Payment	Nominal
<i>After the appointment – directors' fee as acceptable in the company with regard to directors</i>		

D. Have you and/or your relatives received a fee or are you entitled to receive a fee (management fees, consulting fee and such like) from a controlling shareholder of the Company, from the Company, a subsidiary of the Company or a related company to the Company, directly or indirectly? If yes, specify the amounts received in the last two years.

Nature of Payment	Payment Amount	
	Year of Payment	Nominal

E. Is there an agreement binding the controlling shareholder of the Company, the Company, its subsidiary or a related company to pay you or your relative any payment whatsoever or to grant benefits? If yes, describe the principles of the agreement (method of calculation of payment, minimum promised, etc.) and attach it as an appendix to the questionnaire:

*No.*

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F. Did you or your relative receive or are you receiving directly or indirectly other benefits of any kind whatsoever from a controlling shareholder of the Company, from the Company, a subsidiary of the Company or a related company to the Company? If yes, specify the benefits you received in the last two years:

*No.*

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G. If the reply to the previous question is yes, please specify whether you received the aforesaid benefits embodied within an agreement? If yes, describe its principles and attach it as an appendix to the questionnaire:

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H. Is there an agreement for increased retirement compensation or improved retirement terms at the time of retirement between you and the Company? If yes, specify:

*No.*

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I. Are you entitled to shares or options of the Company, of a subsidiary and of related companies? If yes, specify:

*No.*

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J. Did the Company make any undertaking to allot shares, options or any other security convertible into shares? If yes, specify:

*No.*

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12. **Business Connections with Company**

A. Were you or are you and/or any of your family members and/or relatives (including a holding jointly with others) a party directly or indirectly to a transaction of any kind whatsoever with the Company, its subsidiary or a related company of the Company which was entered into in the last two years (and even if no longer in effect, or made previously but still in effect)? If yes, describe the transaction and its terms, and attach all documents relating to it (if you believe that the transaction is in the ordinary course of business – please state this):

*No.*

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B. Are negotiations being conducted in connection with a transaction of the kind described in Section 7 A. above?

*No.*

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C. Is there an arrangement or agreement, except for that stated in the articles of association of the Company, which promises you indemnification or insurance with respect to an undertaking you are likely to make in connection with your position as a senior office holder or shareholder of the Company? If yes, attach a copy of the agreement:

*No.*

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F. Did you, your relative, your partner, your employer, anyone you are directly or indirectly subordinate to or a corporation in which you are a controlling shareholder, on the date of appointment or in the two years preceding the date of appointment, have control, an employment relationship, business or professional connections generally with the Company, a controlling shareholder of the Company or a relative of a controlling shareholder? If so, please specify.

*No.*

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J. Did you ever receive by virtue of your position as outside director of any company whatsoever any additional benefit beyond the remuneration and reimbursement of expenses to which you were entitled for your office as director?

*No.*

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13. **Interest in Transactions**

A. In addition to the aforesaid in Section 8 above, do you or did you have an interest directly or indirectly in any agreement whatsoever or in any transaction whatsoever to which the Company, its subsidiary or its related company are a party or were a party in the two years preceding the date of completion of this questionnaire? If yes, specify the transaction or the agreement (even if it is verbal) and attach any document in connection with the transaction or this agreement:

*No.*

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B. Are negotiations taking place in connection with a transaction of the kind described in Section 9A above? If yes, please specify:

*No.*

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14. **Legal Proceedings**

A. Are any proceedings pending against you or were you ever convicted of one of the offenses currently enumerated in Article F of Chapter 11 of the Penal Law, 5737-1977 (offenses of bribery, deceit, blackmail and extortion) or offenses of directors in a corporation or offenses of misuse of inside information? Likewise, have you been convicted of another offense where the court has determined that by reason of such offense you are unfit to serve as director of a public company? If yes, specify.

*No.*

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B. Except for parking offenses and finable offenses within the meaning of the Transport Ordinance, are there any proceedings pending against you or were you ever convicted and served the penalty for the conviction in the last ten years? If yes, specify.

*No.*

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C. Is there any legal proceeding taking place between you and the Company and/or a company under your control or a related company to you and the Company in which you are an opposing party to the Company or have you an interest in a proceeding contrary to the interests of the Company? If yes, specify.

*No.*

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I hereby declare that all the details given by me in reply to this questionnaire are correct and accurate and that I did not omit any detail and did not refrain from attaching any document which I was asked to deliver or attach to this questionnaire.

If there is any change in any of the details I passed on above, I will notify you immediately of the change.

I hereby confirm that I agree that you may use the details I passed on in this questionnaire, if necessary for the publication of a prospectus of the Company, as well as any report to be published after the date of this affidavit.

*March 28, 2016*

*Yariv Avisar*

*( - )*

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Date

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Full Name

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Signature

## **Directors' Questionnaire**

Dear Sir or Madam,

Attached herewith is a questionnaire to be completed by the directors of Unitronics (1989) (R"G) Ltd. (hereinafter, the "**Company**"). If there are any questions or any explanations are required relating to the completion of the questionnaire, please contact: Advocate Gregory Irgo of Eitan Mehulal & Sadot Law Office of 10 Abba Eban Boulevard, Herzliya, tel: 09-9726000, fax: 09-9726001.

Please pass on to us the completed and signed questionnaire as soon as possible.

### **1. Instructions on Completion of Questionnaire**

Please properly answer all questions in detail. In the event a question is not relevant in your case, please write: "not relevant". If the reply to a question is no, please write: "no" or "none". Wherever you are required to complete the date or time, please specify wherever possible, the day, month and year.

### **2. Definitions**

#### **2.1 "Stakeholder" in a corporation –**

- (1) A person holding five percent or more of the issued share capital of the corporation or of the voting power therein, a person having authority to appoint one or more directors of a corporation or its general manager, a person serving as director of a corporation or as its general manager, or a corporation in which such person holds twenty five percent or more of its issued share capital or the voting power, or is entitled to appoint twenty five percent or more of its directors; for the purpose of this paragraph –
  - (a) A manager of a joint investment trust fund shall be regarded as a holder of the securities included in the fund's assets;
  - (b) Where a person held securities by means of a trustee, the trustee shall also be regarded as a holder of the aforesaid securities; for this purpose, "trustee" excludes a nominee company and excludes a person holding securities merely by virtue of his position as trustee for an arrangement within the meaning under Section 46(a)(2)(f), or as trustee for an allotment of shares to employees, as defined in Section 102 of the Income Tax Ordinance;
- (2) A subsidiary of a corporation, excluding a nominee company;

## 2.2 **"Holding" or "acquisition" –**

For the purpose of securities or voting power and the like – either alone or together with others, either directly or indirectly, by means of a trustee, a trust company, nominee company or in any other manner. In the case of a holding or acquisition by a company – also by implication, by its subsidiary or related company, and in the case of a holding or acquisition by an individual – an individual and his family members who live with him, or they are financially dependent on each other, shall be regarded as one person;

### **"Holding or acquisition of securities jointly with others" –**

Holding or acquisition of securities in collaboration between two or more under an agreement, either written or verbal; without prejudicing the generality of the aforesaid, the following persons shall *prima facie* be regarded as holding or acquiring securities jointly –

- (1) a corporation holding or acquiring securities (in this definition – corporation) jointly with a stakeholder therein or its related company;
- (2) a person whose business is the holding of or trading in securities for others, together with his customer, or with his family member who does not live with him and they are not dependent on each other financially, for whom he holds and manages the securities under a power of attorney granting discretion respecting the exercise of the voting right;

## 2.3 **"Family member" –**

A spouse, and also a sibling, parent, grandparent, child or child of spouse or spouse of any of the above;

## 2.4 **"Subsidiary" –**

A company in which another company holds twenty five percent or more of the nominal value of its issued share capital or its voting power or it is entitled to appoint half or more of the directors or its general manager;

## 2.5 **"Related company" –**

An affiliated company, as well as a company in which another company – which is not its parent company – invested an amount equal to twenty five percent or more of the equity capital of the other company, either in shares or in any other manner, excluding a loan granted in the ordinary course of business.

2.6 **"Affiliated company" –**

A company in which another company – which is not its parent company – holds twenty five percent or more of the nominal value of its issued share capital or the voting power therein, or is entitled to appoint twenty five percent or more of its directors.

2.7 **"Independent director" –**

An outside director or individual serving in office as director who satisfies the conditions set forth below, who was appointed or classified as such according to the provisions of Chapter 1, Part 6 of the Companies Law:

- (1) The qualifying conditions for the appointment of an outside director determined in Section 240(b) to (f) are satisfied in his case and the audit committee approved this;
- (2) He is not serving in office as director of the company for more than nine consecutive years, and for this purpose discontinuation in office not exceeding two years shall not be regarded as ending the continuity of office.

2.8 **"Outside director" –**

A member of the board of directors of a company who satisfies the qualifying conditions for appointment, as set forth in Section 240 of the Companies Law, 5759-1999.

2.9 **"Director with accounting and financial expertise" –**

A director with accounting and financial expertise is a person who due to his education, experience and qualifications has a high expertise and understanding of business – accounting matters and financial statements, in a manner enabling him to thoroughly understand the financial statements of the Company and to stimulate discussion as to the manner in which the financial data is presented; an evaluation of the accounting and financial expertise of the director shall be carried out by the board of directors and shall be presented as part of the overall considerations which are, *inter alia* his education, experience and knowledge on the following matters:

- A. Accounting and auditing issues characteristic of the sector of industry in which the Company and companies of the same size and complexity of the Company operate;
- B. The functions of the auditor and the obligations imposed on him;

- C. Preparation and approval of the financial statements under the Companies Law and under the Securities Law.

#### 2.10 **"Director with professional competence"** –

A director with professional competence is a person who satisfies one of the following conditions:

- A. He has an academic degree in one of the following subjects: economics, business administration, accountancy, law, public administration;
- B. He has another academic degree or has completed other higher education studies, all in the Company's main area of business or in an area relevant to the position.
- C. He has at least five years' experience in one of the following or he has at least five years' cumulative experience in two or more of the following:
  - 1) In a senior position in the field of business management of a corporation with a significant scope of business;
  - 2) In senior public office or in a senior position in the public service;
  - 3) In a senior position in the Company's main area of business.

#### 2.11 **"Expert outside director"** –

One of the following:

- A. A director having accounting and financial expertise;
- B. A director who due to his education, experience and qualifications has a high expertise and profound understanding of the Company's main area of business. An evaluation of the expertise and understanding of a director shall be carried out by the board of directors after the director added to its declaration under Section 241 of the Companies Law a declaration respecting his education, experience and qualifications, to the extent they are relevant to his evaluation, and attached the documents in support of his declaration.

#### 2.12 **"Senior office holder"** –

An office holder, as defined in the Companies Law, as well as the chairman of the board of directors, a substitute director, an individual appointed under Section 236 of the Companies Law on

behalf of a corporation serving in office as director, comptroller, internal auditor, independent authorized signatory and any person carrying out such position, even if his job description is different, in addition to any senior office holder in a corporation under the control of the corporation which has a significant influence over the corporation, and any individual engaged in the corporation in another position holding five percent or more of the nominal value of the issued share capital or voting power; for this purpose:

**"Office holder"** – general manager, chief business officer, deputy general manager, vice general manager, any person serving in such a position in a company, even if the title is different, as well as a director or manager directly subordinate to the general manager;

**"Independent authorized signatory"** – an authorized signatory having the power to bind the corporation without requiring the signature of any additional entity at the corporation for the purpose of a specific activity;

**"Authorized signatory"** – anyone with authority to bind the corporation or bind a corporation under the control of the corporation which is not a reporting corporation and is not a corporation to which Chapter E3 applies (hereinafter, "controlled corporation") as well as any person in a controlled corporation with authority to bind the controlled corporation by an amount exceeding five percent of the total assets in the corporation's balance sheet, according to its last audited financial statements; two or more authorized signatories who are family members are regarded as one authorized signatory;

**"Obligation"** – excluding a payment of tax, municipal taxes or any other compulsory payment collectible under the Taxes (Collection) Ordinance, and excluding any activity in the accounts of the corporation or controlled corporation concerning the acquisition or sale of securities, deposits, foreign currency and financial assets, as defined in the Consulting Law.

2.13 **"Relative"** –

Spouse, brother or sister, parent, grandparents, children in addition to the spouse's child, brother, sister or parent and the spouse of each of the above stated.

2.14 **"Another corporation"** –

A corporation whose controlling shareholder on the date of appointment or in the two years preceding the date of appointment, is a company or controlling shareholder thereof.

3. **Personal Details – Directors**



Full name:	<i>Gillon Beck</i>
I.D. number	<i>057382780</i>
Date of birth:	<i>16.02.62</i>
Address for the purpose of service of process:	<i>34 Ha'arazim. Givat Ada</i>
Telephone number:	<i>03-5652244</i>
Nationality:	<i>Israel</i>
Address/email address:  Fax number for sending an invitation to meetings of the board of directors:	<i>34 Ha'arazim. Givat Ada 03-5652245</i>
Membership in a committee or committees of the board of directors:	<i>No</i>
Independent director or outside director:	<i>No</i>
Director having accounting and financial expertise or professional competence:	<i>Yes</i>
Expert outside director:	
Are you an employee of the company, its subsidiary, a related company or of a stakeholder therein? If so, please specify the position or the positions you are filling and the date on which you commenced in office:	<i>As of 2003, a senior partner in FIMI fund</i>
Are you a family member of another stakeholder in the corporation or of another office holder in the corporation? If so, please specify.	<i>No</i>

4. **Academic Education**

Degree/Certificate	Main Subject	Name of Academic Institution and Year Degree Earned
<i>BSC</i>	<i>Industrial Engineering</i>	<i>Technion 1990</i>
<i>MBA</i>	<i>Business Management-Finance</i>	<i>Bar Ilan 1992</i>

5. **Additional Professional Training**

Degree/Certificate	Field/Subject	Name of Academic/Professional Institution and Year Certificate/Accreditation Earned

6. **Professional and Management Positions in Last 5 Years:**

Dates From and To	Name of Corporation/Institution	Position and Area of Business
<i>CV attached herewith</i>		

7. **Public Positions (Public Office/Position in Public Service)**

Dates From and To	Name of Corporation/Institution	Position and Area of Business

8. **Office of Director in Another Corporation in the Past and Present**

A. If you are serving in office or have served in office as director in the past, please specify the name of the corporation and the term of office.

Dates From and To	Name of Corporation/Institution
<i>CV attached herewith</i>	

B. Specify the positions you are carrying out at the Company (including membership in a committee or committees of the Company's board of directors):

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C. Are you carrying out any position whatsoever, including as an office holder or employee in a subsidiary or related company of the Company or in a stakeholder of the Company (see the definitions in the introduction to the questionnaire)? If yes, please state details:

Senior Partner in FIMI Fund

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9. **Ownership of Securities of the Company/Subsidiary/Related Company**

A. Specify your holdings and/or the holdings of any of your family members and/or relatives (including a holding jointly with others) of securities of the Company, their nominal value, the quantity of the holding and the amount of each class of securities on the date of completion of the questionnaire and on the date 12 months prior to this:

Name of Holder	Class of Security	On Date of Completion of Questionnaire		12 Months Prior to Date of Completion of Questionnaire	
		Number of Securities	Rate of Holding	Number of Securities	Rate of Holding
<i>See Investment Agreement of FIMI Dated March 20</i>					

B. Specify your holdings and/or the holdings of any of your family members and/or relatives (including a holding jointly with others) of the securities of subsidiaries and related companies of the Company, specify the class of securities, their nominal value, the quantity and rate of holding on the date of completion of the questionnaire and on the date 12 months prior to this.

Name of Holder	Name of Company and Class of Security	On Date of Completion of Questionnaire		12 Months Prior to Date of Completion of Questionnaire	
		Number of Securities	Rate of Holding	Number of Securities	Rate of Holding

C. If you and/or any of your family members and/or relatives (including a holding jointly with others) hold a specific percentage of the issued share capital or voting power or of the authority to appoint directors of a corporation holding shares in the Company or shares of its subsidiary, or in any related company directly or indirectly, specify the class of securities, their nominal value, the quantity and rate of holding on the date of completion of the questionnaire and on the date 12 months prior to this:

Name of Holder	Name of Corporation and Class of Security	On Date of Completion of Questionnaire		12 Months Prior to Date of Completion of Questionnaire	
		Number of Securities	Rate of Holding	Number of Securities	Rate of Holding
<i>See Investment Agreement of FIMI Dated March 20</i>					

D. Did the corporation undertake to acquire or the Company undertake to sell it the shares of the Company held by such corporation? If yes, specify the principles of the agreement and attach it to the questionnaire.

*See Investment Agreement of FIMI Dated March 20*

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E. Are you a party to an agreement of any kind whatsoever with the Company or with the shareholders or other holders of securities in the Company relating to its securities, voting rights or other rights in the Company (for example, the acquisition of shares, right of first refusal, voting agreements, mutual options and such like)? Specify the principles of the agreement and attach it to the questionnaire.

*See Investment Agreement of FIMI Dated March 20*

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F. Are you entitled to securities of the Company? If yes, specify:

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G. Do you hold 5% or more of the issued share capital or voting power or authority to appoint one or more directors or the general manager in a specific corporation? If yes, specify:

Name of Company/Subsidiary, Related Company	Quantity of Shares	Percentage of Issued Share Capital and Voting Rights

10. **Interest in Other Companies**

A. Specify the corporations in which you and/or any of your family members and/or relatives (including a holding jointly with others) are a stakeholder; state the holdings in such corporation on the date of completion of the questionnaire:

11. **Fees and Benefits**

A. Did you receive a fee and/or directors' remuneration from the Company? If yes, specify the amounts you received three years prior to the date of completion of this questionnaire, the name of the paying company and the type of payment:

No

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B. Is there an arrangement or agreement assuring you indemnification and/or insurance and/or a release in connection with any undertaking whatsoever which you are likely to make in connection with your position as director, office holder or shareholder of the Company. If yes, specify the terms of the arrangement and attach as an appendix to this questionnaire.

According to Investment Agreement of FIMI Dated March 20

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C. Did you or your relative receive a fee or are you entitled to receive a fee directly or indirectly from a controlling shareholder of the Company, from the Company, a subsidiary of the Company or a related company to the Company? If yes, specify the amounts received in the last two years only, as set forth below:

Nature of Payment	Payment Amount	
	Year of Payment	Nominal
<i>Senior Partner In FIMI Fund</i>		
<i>I did not receive any fee from the Company</i>		

D. Have you and/or your relatives received a fee or are you entitled to receive a fee (management fees, consulting fee and such like) from a controlling shareholder of the Company, from the Company, a subsidiary of the Company or a related company to the Company, directly or indirectly? If yes, specify the amounts received in the last two years.

Nature of Payment	Payment Amount	
	Year of Payment	Nominal
<i>Senior Partner In FIMI Fund</i>		

E. Is there an agreement binding the controlling shareholder of the Company, the Company, its subsidiary or a related company to pay you or your relative any payment whatsoever or to grant benefits? If yes, describe the principles of the agreement (method of calculation of payment, minimum promised, etc.) and attach it as an appendix to the questionnaire:

Not from the Company  
Senior Partner In FIMI Fund

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F. Did you or your relative receive or are you receiving directly or indirectly other benefits of any kind whatsoever from a controlling shareholder of the Company, from the Company, a subsidiary of the Company or a related company to the Company? If yes, specify the benefits you received in the last two years:

Not from the Company  
Senior Partner In FIMI Fund

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G. If the reply to the previous question is yes, please specify whether you received the aforesaid benefits embodied within an agreement? If yes, describe its principles and attach it as an appendix to the questionnaire:

There are no benefits from the Company

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H. Is there an agreement for increased retirement compensation or improved retirement terms at the time of retirement between you and the Company? If yes, specify:

No

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I. Are you entitled to shares or options of the Company, of a subsidiary and of related companies? If yes, specify:

No

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J. Did the Company make any undertaking to allot shares, options or any other security convertible into shares? If yes, specify:

See Investment Agreement of FIMI Dated March 20

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12. **Business Connections with Company**

A. Were you or are you and/or any of your family members and/or relatives (including a holding jointly with others) a party directly or indirectly to a transaction of any kind whatsoever with the Company, its subsidiary or a related company of the Company which was entered into in the last two years (and even if no longer in effect, or made previously but still in effect)? If yes, describe the transaction and its terms, and attach all documents relating to it (if you believe that the transaction is in the ordinary course of business – please state this):

Investment Agreement of FIMI Dated March 20

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B. Are negotiations being conducted in connection with a transaction of the kind described in Section 7 A. above?

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C. Is there an arrangement or agreement, except for that stated in the articles of association of the Company, which promises you indemnification or insurance with respect to an undertaking you are likely to make in connection with your position as a senior office holder or shareholder of the Company? If yes, attach a copy of the agreement:

See answers above

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F. Did you, your relative, your partner, your employer, anyone you are directly or indirectly subordinate to or a corporation in which you are a controlling shareholder, on the date of appointment or in the two years preceding the date of appointment, have control, an employment relationship, business or professional connections generally with the Company, a controlling shareholder of the Company or a relative of a controlling shareholder? If so, please specify.

No

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J. Did you ever receive by virtue of your position as outside director of any company whatsoever any additional benefit beyond the remuneration and reimbursement of expenses to which you were entitled for your office as director?

No

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13. **Interest in Transactions**

A. In addition to the aforesaid in Section 8 above, do you or did you have an interest directly or indirectly in any agreement whatsoever or in any transaction whatsoever to which the Company, its subsidiary or its related company are a party or were a party in the two years preceding the date of completion of this questionnaire? If yes, specify the transaction or the agreement (even if it is verbal) and attach any document in connection with the transaction or this agreement:

See answers above

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B. Are negotiations taking place in connection with a transaction of the kind described in Section 9A above? If yes, please specify:

As mentioned above

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14. **Legal Proceedings**

A. Are any proceedings pending against you or were you ever convicted of one of the offenses currently enumerated in Article F of Chapter 11 of the Penal Law, 5737-1977 (offenses of bribery, deceit, blackmail and extortion) or offenses of directors in a corporation or offenses of misuse of inside information? Likewise, have you been convicted of another offense where the court has determined that by reason of such offense you are unfit to serve as director of a public company? If yes, specify.

No

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B. Except for parking offenses and finable offenses within the meaning of the Transport Ordinance, are there any proceedings pending against you or were you ever convicted and served the penalty for the conviction in the last ten years? If yes, specify.

No

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C. Is there any legal proceeding taking place between you and the Company and/or a company under your control or a related company to you and the Company in which you are an opposing party to the Company or have you an

interest in a proceeding contrary to the interests of the Company? If yes, specify.

No  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

I hereby declare that all the details given by me in reply to this questionnaire are correct and accurate and that I did not omit any detail and did not refrain from attaching any document which I was asked to deliver or attach to this questionnaire.

If there is any change in any of the details I passed on above, I will notify you immediately of the change.

I hereby confirm that I agree that you may use the details I passed on in this questionnaire, if necessary for the publication of a prospectus of the Company, as well as any report to be published after the date of this affidavit.

28.03.2016  
\_\_\_\_\_  
Date

Gillon Beck  
\_\_\_\_\_  
Full Name

( - )  
\_\_\_\_\_  
Signature

### Appendix 3.14

#### Compensation details for 2015 under the Third Schedule to the Securities Regulations (Periodic and Immediate Reports), 5730 -1970

Compensation receiver details				Compensation for services*							Other compensation*			
Name	Position	Position scope	Percentage holding of corporation's equity	Salary	Bonus *	Share – based payment	Management fees	Consulting fees	Commission	Other**	Interest	Rental fees	Other**	Total
Haim Shani	CEO	100%	(1) 61.38%	1,243	894 (2)	-	-	-	-	-	-	-	-	2,137
Bareket Shani	Director, Deputy CEO and VP Human Resources	100%		709	-	-	-	-	-	-	-	-	-	709
Amit Ben-Zvi (3)	Chairman of the Board of Directors	55%		684	492	-	-	-	-	-	-	-	-	1,176

(1) As of 31.12.15

(2) Since 2005, Mr. Shani is entitled to an annual bonus for each calendar year and as long as he is employed as CEO of the Company, 7.5% of the pre – tax profit in the same year (cost to the Company). The calculation is for every year anew (not cumulative). The current amendment to the agreement sets forth a maximum bonus amount of NIS 1,140 thousand (linked to the CPI known on the closing date stated in the report to which this appendix is attached).

(3) The salary to which Mr. Amit Ben-Zvi would have been entitled if he had been serving as Chairman of the Board of Directors in 2015 under the terms of the transaction - 55% of the salary of the CEO, Mr. Haim Shani.

\* The amounts of compensation shall be in terms of the cost to the Company.

\*\* Other – the type of compensation is to be specified

There is a lease agreement between the Company and a company controlled by the controlling shareholder, Mr. Haim Shani, the main points of which are as follows:

Unitronics House - leased from the controlling shareholder: In addition to the floors used in full by the Company, the Company leases space on private floors from a company owned by its controlling shareholder, in accordance with its changing needs from time to time, under identical terms to those of space leased on the private floors by third parties, which also reflects the customary leasing terms in Airport City in general. As of the date of this report, the lease ends on August 1, 2018, subject to the right of the Company to terminate it at any time with prior notice of three months, in accordance with a decision by the Audit Committee of the Company. As part of this lease the Company leases approximately 1,106 square meters of office space in Unitronics House, as well as 30 parking spaces. The leasing fees are NIS 74 per square meter per month, linked to the CPI of June 2009 (plus management fees to Airport City of NIS 4.5 per square meter per month, linked to the CPI of October 1999 and management fees of NIS 12.96 per square meter per month, linked to the CPI of March 2015, to Unitronics Management, which provides management and maintenance services to Unitronics House).

The leasing fee for the parking spaces is NIS 350, linked to the CPI of June 2009, for each parking space. The total cost of the leasing to the Company under the lease agreement is approximately NIS 124 thousand per month (in accordance with the linkage terms listed above).