

# Unitronics

# 2004

## First

### Quarter results

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EURONEXT Symbol: UNIT

## First Net Profit Since IPO: Unitronics Net Results Turns Positive in The First Quarter Of 2004 Following Ten Consecutive Quarters Of Growth In Sales

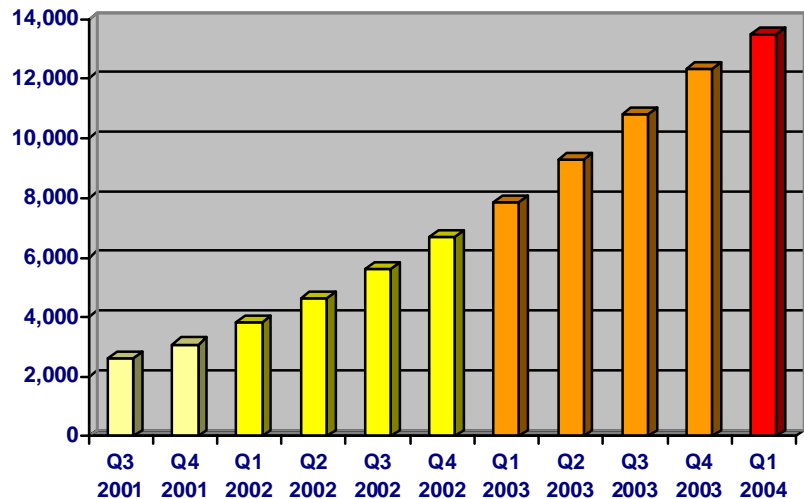
**Airport City, Israel, May 7, 2004.**

Unitronics (EuroNext Brussels symbol UNIT) an Israeli high-tech company that designs, develops, manufactures, and markets Programmable Logic Controllers (**PLCs**) and automation solutions, announced today that it realized a net profit of about NIS 515 thousand (approximately EUR 94 thousand) in the first quarter of 2004, compared to a net loss of about NIS 498 thousand (approximately EUR 90 thousand) in the fourth quarter of 2003, and a net loss of about NIS 1,454 thousand (approximately EUR 263 thousand) in the same period of 2003. This encouraging anticipated turning point is mainly attributable to the continuous increase in sales, without a corresponding increase of operational expenses.

Sales for the first quarter of 2004 reached a record of approximately NIS 13,477 thousand (about EUR 2,435 thousand). This represents an increase of approximately 9% as compared to the fourth quarter of 2003 and about 72% as compared to the same quarter of 2003.

Mr. Haim Shani, the Company's President and CEO, commented: "I believe that the positive developments in the Company's financial results during the last two

years, corresponding to the growth and proliferation of our business activities and the turning to net profitability, position us advantageously for a second public offering, which we hope will also allow us to expand the markets in which our securities are publicly traded, and to raise the funds required for our future plans". In March 2004 Unitronics announced the filing with the Israeli Securities Authority of a draft prospectus for a public offering of newly issued securities, and their listing for trade on the Tel-Aviv Stock Exchange in Israel.



Unitronics completed its Initial Public Offering on the Euro.NM Belgium (currently EuroNext) in October 1999, at a price of EUR 3.72 per share. In January and February 2001, the Company consummated private placements of shares and convertible bonds at a per-share price of EUR 4.57 and EUR 4.73, respectively and in January 2003 the Company consummated an additional private placement of shares at a per-share price of EUR 1.022. In December 2003, 2.25 million in principle amount of these bonds were converted into ordinary shares at a per share price of EUR 1.1825.

This report 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. When used in this report, the words "project", "anticipate", "believe", "estimate", "expect", "intend" and similar expressions, as they relate to the Company and/or its Management, identify forward-looking statements. 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.

## **Business Development during the period**

### **Financial Operations**

In March 2004, Unitronics filed with the Israeli Securities Authority of a draft prospectus for a public offering of newly issued securities, and their listing for trade on the Tel-Aviv Stock Exchange in Israel. The exact volume and timetables of the contemplated offering, as well as the nature of the securities to be offered, have not yet been finalized, however the Company believes that, if consummated, expected net proceeds may reach approximately NIS 35,000 thousand (about EUR 6,323 thousand).

### **Major Contracts**

In February 2004 Unitronics announced the execution of an agreement for the design, supply and installation of a new automated logistics system and storage facility, with Teva Pharmaceutical Industries Ltd. a global pharmaceutical company (Nasdaq: TEVA). The system is to be installed at one of Teva's production sites.

The agreement reflects performance-linked revenues of approximately EUR 3.3 Million, the majority of which is to be performed during the year 2004, with targeted completion by the first quarter of 2005. Unitronics is to supply an automated system based on Unitronics' PLCs, control technologies and Unitronics' proprietary UniStock™ management software package, designed to manage material flow and automated storage in logistic systems, control physical movements of goods in the plant, while continuously sharing information with the organization's ERP (Enterprise Resource Planning) system.

### **Sales and Profit**

Sales for the three months ended March 31, 2004 reached approximately NIS 13,477 thousand (EUR 2,435 thousand), approximately 9% more than sales for the three months ended December 31, 2003 and approximately 72% more than sales for the same quarter in the year 2003.

The gross profit for the three months ended March 31, 2004 reached approximately 36% of sales compared to approximately 35% of sales for the three months ended December 31, 2003 and approximately 34% for the same period in 2003.

The net profit for the three months ended March 31, 2004 amounted to approximately EUR 94 thousand, compared to a net loss of approximately EUR 90 thousand for the three months ended December 31, 2003 and a net loss of approximately EUR 263 for the same period in 2003.

## **Marketing Policy**

The Company continues to pursue and enhance the penetration of its products in the US market, and to enhance and expand the Company's distribution network world-wide including by way of in-depth technical training of existing distributors, and continuous search for new distributors.

### *Exhibitions and Tradeshow*

In March 2004, Unitronics participated in a major tradeshow: **National Manufacturing Week 2004** in Chicago, USA. The Company believes its participation in this show has been instrumental in attracting new distributors and major clients in the US market.

## **Research & Development**

The Company believe that highly innovative products and concepts in its market segments will likely provide significant growth potential for the future. As part of this long term strategy, the Company is planning the development of a new series of products, based on new proprietary technologies for which the Company filed a provisional patent application with the United States Patent and Trademark Office, which application is pending. The Company's principal research and development activities are currently focused on a suite of products termed **WilCo™** which are distributed control PLCs using wireless and wired networks. These products are intended to enable configuration of modular and distributed automation and control systems using components designed for wireless and/or wired connectivity.

The Company is currently in early stages of development of its WilCo™ technology, the successful development of which there can be no assurance.

**Unaudited Statements of Operations of Unitronics (1989) (R"G) Ltd.**  
 Convenience translation into EUR\*

	<i>For the three month period ended March 31, (Consolidated)</i>	<i>For the three month period ended March 31, (Consolidated)</i>
	<u>2004</u>	<u>2003</u>
	(in thousands)	
Revenues	2,435	1,416
Cost of revenues	1,550	932
<i>Gross profit</i>	<u>885</u>	<u>484</u>
Research & Development expenses	167	146
Selling & Marketing expenses, net	343	318
General & Administrative expenses	169	162
<i>Operating Profit (Loss)</i>	<u>206</u>	<u>(142)</u>
Financing expenses (income)	111	113
<i>Operating Profit (Loss) after financing expenses</i>	<u>95</u>	<u>(255)</u>
Other income (expenses)	0	0
<i>Profit (Loss) before tax benefits</i>	95	(255)
Tax (benefits)	1	8
<i>Profit (Loss) after tax</i>	<u>94</u>	<u>(263)</u>
The Company's share of affiliated company result	0	0
<i>Profit (Loss) for the period</i>	<u>94</u>	<u>(263)</u>
<i>Profit (Loss) per 1 ordinary share (under IAS)</i>	<u>0.01</u>	<u>(0.03)</u>

\* Figures for all periods above were translated at the exchange rate of the EUR against the NIS (New Israeli Shekel) as of 31 March, 2004 (1 EUR = 5.5353 NIS).

**Unaudited Statements of Operations of Unitronics (1989) (R"G) Ltd.**  
 Inflation adjusted NIS\*

	<i>For the three month period ended March 31, (consolidated)</i>	<i>For the three month period ended March 31, (consolidated)</i>
	2004	2003
(in thousands)		
Revenues	13,477	7,837
Cost of revenues	8,582	5,157
<i>Gross profit</i>	4,895	2,680
Research & Development expenses	926	806
Selling & Marketing expenses, net	1,896	1,758
General & Administrative expenses	934	898
<i>Operating Profit (loss)</i>	1,139	(782)
Financing expenses	617	624
<i>Operating Profit (loss) after financing expenses</i>	522	(1,406)
Other income (expenses)	-	(1)
<i>Profit (loss) before tax benefits</i>	522	(1,407)
Tax (benefits)	7	(47)
<i>Profit (loss) after tax</i>	515	(1,454)
The Company's share of affiliated company result	-	-
<i>Profit (Loss) for the period</i>	515	(1,454)
<i>Profit (Loss) per 1 ordinary share (under IAS)</i>	0.05	(0.16)

\* The inflation adjusted NIS figures are stated in terms of NIS of March 2004.

## Financial Statement Analysis

*Revenues* - Sales for the three months ended March 31, 2004 reached approximately EUR 2,435 thousand, about 9% more than sales for the three months ended December 31, 2003 and approximately 72% more than sales for the same quarter in the year 2003.

The increase in the development of the Company's business resulted mainly from the continued market penetration of the Company's new product lines.

As previously reported, the Company also focused on expanding and enhancing its factory automation and system integration activities, further promoting the sales and distribution of the Company's products, while concurrently affording additional revenues from systems' integration activities. The contract with Teva described above reflects this policy.

*Cost of Revenues and gross profit* – The cost of revenues for the three months ended March 31, 2004, includes materials, sub-contracting, salaries and production overhead, amounted to approximately EUR 1,550 thousand (64% of sales), as compared to approximately 65% of sales for the three months ended December 31, 2003 and approximately 66% for the same period in 2003. Gross profit for the three months ended March 31, 2003 amounted to approximately EUR 885 thousand (36% of sales) compared with approximately 35% of sales for the three months ended December 31, 2003 and approximately 34% for the same period in 2003.

*Research and Development Expenses* - The Company's R&D expenses amounted approximately to EUR 167 thousand (7% of sales) during the three months ended March 31, 2004, compared to approximately EUR 152 thousand (7% of sales) for the three months ended December 31, 2003 and approximately EUR 146 thousand (10% of sales) in the same period in the year 2003.

*Sales and Marketing Expenses* - Sales and Marketing Expenses including salaries, trade shows, sales materials, and other marketing expenses for the three months ended March 31, 2004 were approximately EUR 343 thousand (14% of sales), compared to approximately EUR 297 thousand (13% of sales) for the three months ended December 31, 2003 and approximately EUR 318 thousand (22% of sales) in the same period in the year 2003.

This relatively fixed amount reflects the Company's current policy following the completion of the first stage of establishing its worldwide distribution network, which commenced in 1999.

*General and Administrative Expenses* - General and Administrative Expenses for the three months ended March 31, 2004 amounted to approximately EUR 169 thousand compared to approximately EUR 182 thousand, for the three months ended December 31, 2003 and approximately EUR 162 thousands for the same period in 2003. The Company believes that such relatively fixed rate of expenses generally represents the rate currently required for the highly motivated and effort oriented staff of the Company.

*Operating Profit* – The total operating profit before financing costs for the three month period ended March 31, 2004, was approximately EUR 206 thousand, compared to a profit of approximately EUR 153 for the three months ended December 31, 2003 and a loss of approximately EUR 142 thousand for the same period in 2003. The notable improvement in such item resulted mainly from the above mentioned increase in revenues from sales, while refraining from increasing the rate of operational expenses.

*Financing Expenses* - Financing expenses for the three months period ended March 31, 2004, amounted to approximately EUR 111 thousand compared to approximately EUR 227 thousand for the three months ended December 31, 2003. The decrease in such item resulted mainly from the reduced exposure of the Company to exchange rate fluctuations on the NIS against the Euro, pursuant to the conversion of a material portion of the Company's convertible bonds into Company shares, in December 2003. As previously reported, the devaluation of the NIS (New Israeli Shekel) against the EURO, may affect financial instruments denominated in EUROS such as the Company's convertible bonds. Since the Company's financial statements are presented in NIS, the Company is exposed to exchange rate fluctuations of the NIS against the EURO.

*Profit for the period* – The Company's net profit for the three months ended March 31, 2004 was approximately NIS 515 thousand (EUR 94 thousand), compared to a net loss of approximately NIS 498 thousand (EUR 90 thousand) for the three months ended December 31, 2003 and approximately NIS 1,454 thousand (EUR 263 thousand) for the same period in 2003. This remarkable improvement is considered by the Company as a turning point, and is mainly attributable to the notable increase in revenues, without a corresponding increase of the operating expenses and to the decrease in financial expenses, all as further detailed above.



## About Unitronics and the business environment

**Unitronics** (Euronext Brussels symbol: **UNIT**) is an Israeli company that designs, develops, manufactures, and markets Programmable Logic Controllers (**PLCs**), the computer 'brains' that enable control of automated production, storage and similar systems. Our company is dedicated to the prime directive of PLC control—to make automation simple, efficient, and affordable.

Since 1989, we have introduced devices intended to provoke new trends in production line and/or warehousing automation. We created the **OPLC™** controller series: controllers that enable bi-directional man-machine communication through a simple user interface.

Our state-of-the art PLCs are installed in plants in a variety of industrial sectors: petrochemical, paper and corrugated, plastics and foods, energy and environment, air conditioning and building control, machine and process control applications, power generation, water and wastewater management—where automation and process control are needed.

We believe that in today's global economy, data has become an incredibly valuable commodity. In industry, production and warehousing, data must be freely distributed through all levels of an enterprise. Data must be equally available on the production floor, to marketing staff and to management. We believe proper data distribution leads to greater efficiency— a key element of success in an increasingly competitive marketplace.

This is driving a strong market trend towards PLCs that are integrated with advanced communication technologies, PLCs that enable vertical communications throughout an enterprise—on a global scale. Our **GSM-ready** PLCs are designed to allow wireless communications over cellular telephone networks. A mobile user can send and receive production data via a cell phone—even where the PLC itself is installed in a moving vehicle. The **Vision Series** bundled with the powerful **VisiLogic** software is an advanced series of small and medium PLCs with integrated graphic operator interface, optional snap-in I/O modules and powerful networking features

According to a Frost & Sullivan report (Report 7450-10), the world PLC market is expected to reach USD 9.02 billion by the year 2007. Our objective is to become a significant player within our market niche by developing technologically advanced products that are timed to meet market demand, and by developing and maintaining a global marketing network to deliver those products where market demand exists.

### For further information:

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