UNITRONICS (1989) (R"G) LTD.

Quarterly Report as of March 31, 2009

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This report contains forward-looking information within the meaning of Section 32A of the Israeli Securities Law, 5728-1968, including forecasts, assessments, estimates, expectations or other information pertaining to future events or issues, the realization of which is uncertain and not solely under the Company's control, if at all. This information is identified as such where it is used in this report. Although such information is based on data available to the Company as of the date of the report, and reflects the Company's intents and assessments as of such date, the actual occurrences and/or results may differ substantially from those presented in the report or implied therefrom as projected or anticipated, since their realization is subject, *inter alia*, to uncertainties and other factors beyond the Company's control as set out in this report below.

CHAPTER A – PREFACE

1. General

Company Name:	Unitronics (1989) (R"G) Ltd. (hereinafter: the "**Company**" or "**Unitronics**")
Company No.:	520044199
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2. Description of the Company and its Business Environment

Unitronics engages, through its Products Department, in the design, development, production, marketing and sale of industrial automation products, mainly programmable logic controllers (hereinafter: "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, 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 mainly to customers in Israel, and in a few cases, also outside Israel.

The Company operates from facilities located in "Unitronics House", an office and industrial building which is leased, in part, by the Company. Unitronics House is situated at Airport City next to the David Ben-Gurion Airport, and it houses the Company's offices and all its other facilities in Israel.

As of May 2004 the Company's shares are traded on the Tel Aviv Stock Exchange, and as of September 1999 on the Belgian Stock Exchange (first on the EuroNM Stock Exchange and starting from the year 2000, on the EuroNext Stock Exchange in Brussels, Belgium).

3. Main Events in the Period of the Report and up to Its Publication

Renewal of Directors' and Officers' Policies

On April 12, 2005, the general meeting of the Company shareholders approved, pursuant to the approval of the Company's Audit Committee and Board of Directors, an increase in the insurance coverage under the directors' and officers' liability insurance policy, and an adjustment of the amount of the Company's deductable in respect of claims to be filed in the U.S. and Canada. In addition, it was resolved to authorize the Company's management to renew from time to time, under similar terms, the Company directors' and officers' liability insurance policy for additional periods of up to 18 months each time (for details, see Section 4.8.7 to the Company's annual report for the year 2008). Such renewals were approved on March 25, 2007 and March 13, 2008, during which the Audit Committee and Board of Directors resolved to approve renewal of the directors' and officers' liability insurance policy for additional periods of 12 months each, effective from December 2006 and December 2007, respectively, under the same terms.

On March 30, 2009, the Audit Committee and Board of Directors resolved to approve, once again, the renewal of the directors' and officers' liability insurance policy for an additional period of 12 months, effective from December 2008 under similar terms (for details, see immediate report concerning a transaction with a controlling shareholder or director that does not require Shareholders' approval, published on March 30, 2009).

Self-Purchase of the of Company's Debentures (Series 1) and Debentures (Series 2)

On January 8, 2009, the Company's Board of Directors approved the self-purchase, outside the stock exchange and not from interested parties, of 300,000 Debentures (Series 1) at the price of NIS 0.09065, and for NIS 272 thousand and 7,100,000 Debentures (Series 2) at the price of NIS 0.07445, and for NIS 5,558 thousand. The Board of Directors approved the self-purchase mainly because it is an opportunity to make a profitable deal economically, , which could improve the state of the Company's cash flow over time. Following the purchase, these bonds were cancelled and delisted, and taken out of circulation on January 20, 2009 (for details, see the immediate report concerning an event which is exceptional to the Company's usual business and immediate report on repurchase of Unitronics'securities from January 8, 2009).

Following the aforesaid purchases, and the subsequent cancellation and delisting, 17,200,000 par value Debentues (Series 1) and 26,900,000 par value Debentures (Series 2) remain in circulation (for details, see immediate reports concerning a change in Company's securities from January 8, 2009 and January 20, 2009).

Response to Publication of Details Regarding Negotiations for the Construction of an Automated Parking Facility

On February 4, 2009, the Israeli website "The Marker" published details regarding certain Company activities, in which the Company is engaged in, including that the Company had signed a contract for the construction of an automated parking facility in Mexico. Following the publications, the Company announced that it was conducting negotiations with a customer in Mexico for the construction of an automated parking facility in the capital Mexico City. No contract has been signed yet with this customer, however the customer has transferred an "intention fee" of a non-material amount, subject to signing of a binding agreement in the future. The transaction is estimated at approximately 4 million USD; however, the definitive terms of the agreement, including price, have not yet been finalized.

It was further reported that the Company is presently in various stages of exploring possibilities participated in other projects in the field of automated warehouses and/or parking facilities in Israel and around the world, all which have not yet at such stages requiring report. (For details, see immediate report which has been withheld concerning an event which is exceptional to the Company's usual business from February 9, 2009).

Change in Interest Calculation Method for Debentures (Series 1) and Payment of Interest Differences

Pursuant to the Company's decision to adopt the position of the Trustee for Debentures (Series 1) and in consultation with him, the Company, through an announcement published in two Hebrew-language newspapers in Israel and through an immediate report published on December 7, 2008, invited the debenture holders during specific periods to present proof to the Company regarding their holding of said Debentuers, the number of Debentues in their possession at the relevant times, and to furnish an address for transfer of the payment to them, within 60 days of the date of publication of the immediate report, and to receive the interest differences to which they are entitled to in accorcance with a new calculation (for details, see Section 1.19.4 in the Company's annual report for the year 2008, and the immediate report concerning an event which is exceptional to the Company's usual business, dated December 7, 2008).

As of May 6, 2009, applications were received from the holders of the aforesaid debentures or their representatives, entitling the holders to payment in respect of the aforesaid interest differences at a total amount of NIS 29,123, and the Company is operating to transfer the balance of interest differences of an insignificant amount.

Pursuant to the Trustee's request, the Company sees itself obligated to respond to applications of additional holders of debentues that may present the Company with proof, to its satisfaction, of their holdings of the aforementioned Debentures on one or more of the following dates: May 13, 2005, November 13, 2005, May 13, 2006, November 13, 2006, May 13, 2007, and to act to transfer the interest to them, provided these holders have not already been paid interest differences in accordance with the new calculation in respect of those same debentures held at the determining dates as defined in the notices, and provided that the aforesaid applications are received by the Company by the date of repayment or conversion of the entire Debenture series.

Signing of an Agreement for the Construction of an Automated Warehouse in Israel

On May 6, 2009, the Company signed an agreement for the construction of an automated warehouse in Israel (hereinafter: the "Agreement").

The framework of the Agreement includes the erection of an automated warehouse for a customer in Israel, and the Company is to integrate between the various parties taking part in the project in various aspects, involving work with subcontractors in some fields fields, and direct responsibility with respect to other fields. The Company signed an additional agreement with the customer and a racking sub-contractor for the project. The project is estimated at 23 million Euro (Approximately 15 million for the aspects under the Company's directly responsible and approximately 8 million for the aspects involving racking), an amount considered material for the Company and expected to have a significant effect on the Company's anticipated revenues and income. Payments are expected to be made in accordance with the achieving of milestones throughout the project. The project is expected to be finished by the beginning of 2011.

As security for the fulfillment of its obligations, the Company has undertaken to furnish bank guarantees and also agreed to a pre-determined compensation for breach, at progressive rates. In addition, the Company will insure its obligations under insurance policies at limits of liability of $10 million.

Following the Israeli Securities Authority request of the Company for clarification of certain details in connection with the abovementioned report, which detailed that the Company's anticipated income in accordance with the Agreement is approximately 15 million Euros out of the total amount of the project indicated in the report, for the aspects under the Company's responsibility under the Agreement. In addition, it was reported that the Company shall recognize in its financial statements the income from the project in accordance with the completion rate method, according to which the rate shall be determined on the basis of completion of engineering phases of the work in the project.
(For details regarding the signing of the Agreement, see the immediate report concerning an event which is exceptional to the Company's usual business, dated May 6, 2009, and the complementary report dated May 12, 2009).

Changes in the Holdings of Interested Parties

In consequence of the payment of the aforesaid Debenture payments and the self-purchase of shares by the Company as stated above and below, following the expiration of employee options, and the payment of the Debentures (Series 1) principal, the rate of the holdings of Mr. Haim Shani, Company CEO and a controlling shareholder, increased. Mr. Shani's holdings after the above changes stand at: 55.75% of the capital and 59.39% of the voting rights (and on a fully diluted basis after the change: 44.57% of capital and 47.47% of voting rights).

Legal Proceedings

Dispute with Sammy Gharb

In January 2006 the Company filed through its legal advisers in the U.S. a claim in the U.S. Federal Court against a private individual who had approached the Company and several distributors of the Company in the U.S. and in Europe claiming that they were infringing a registered patent of his, by marketing the Company's products. In the claim Unitronics petitioned the court to declare that the defendant's registered patent in the U.S. is invalid and that Unitronics' actions do not infringe the defendant's intellectual property rights. In addition, Unitronics claimed from the Defendant a sum of not less than US$1 million for damages incurred due to the defendant's actions, and mainly due to his applications to Unitronics' distributors in the U.S. The defendant did not submit a statement of defense within the stipulated time, but rather submitted a written response to the court, which decided to regard said letter as a response and statement of defense. Accordingly, and despite the Company's request to rule in its favor (in the absence of a defense), the court decided to continue with the proceeding. On June 2, 2006 a conference call hearing was held in the case, whereupon the court ruled that the case should progress to the discovery phase. On November 3, 2006 a further conference call hearing was held, whereupon, the defendant was required to submit documents and information in an orderly manner, no later than December 20, 2006. Towards the end of this period the defendant submitted to the court a letter in German. The court ruled on December 22, 2006 that court translation services were unavailable for civil proceedings and that the defendant should translate his letter into English no later than January 22, 2007. The defendant submitted several documents after this date. On February 1, 2007 Unitronics filed its response, claiming that the documents presented by the defendant do not warrant the court's rejection of Unitronics' claim.

On September 25, 2007 the court issued an interim ruling addressing certain of the parties' arguments, in which it accepted Unitronics' position and ruled that Unitronics had not infringed and does not infringe the defendant's patent the subject of the claim. In addition, the court rejected the defendant's counter-claims against Unitronics.

On October 24, 2007 the defendant submitted to the court a document, which the court classified as a "request for review of the ruling". On November 1, 2007 the Company filed several claims against the defendant, essentially comprising petitions to the court to prohibit the defendant from interfering in the Company's contractual relations with its customers and suppliers and a request that a declaration of the invalidity of Gharb's patent should not affect the Company's rights to additional proceedings, in addition to a request to reject Gharb's request for review of the court's ruling.

On January 30, 2008 the court ruled that Gharb is immediately and permanently enjoined from communicating threats and assertions of infringement in the matters forming the subject matter of the above claim, that Gharb is enjoined from filing suit in connection with the abovementioned patent against Unitronics or its customers in respect of manufacture, use, sale, offer to sell, or importation of PLCs, and finally, that he is enjoined from interfering in the Company's contractual relations with its customers in relation to the abovementioned patent.

The court also denied Gharb's motion for any payment, and ordered the case closed.

On June 11, 2008, Gharb filed with the court a "motion for payment", which the judge regarded as a notice of appeal, therefore on July 1, 2008 the appeal was recorded and submitted for processing to the US Court of Appeals for the Federal Circuit. In his motion, Gharb submitted documents and a letter of appeal and was required to pay court fees no later than June 14, 2008. On July 11, 2008 the Company submitted to the court the documents required in the framework of the appeal, and following delays, Gharb paid the court fees in September.

On September 19, 2008 Gharb submitted an informal brief summary document, which was accepted by the court. On October 9, 2008 the Company submitted its informal response to the brief. In its response the Company claimed that there was no need to hold an oral hearing in the case. On October 21, 2008 the court ruled that it was unnecessary to hold an oral hearing and that a panel of three judges would consider the appeal on December 2, 2008.

On November 5, 2008 Gharb submitted an additional brief summary document to the Court of Appeals (a copy of which was not served to the Company). The court officer refused to accept such brief.

On December 3, 2008, the Court of Appeals upheld the court's decision, stating that Gharb is to permanently desist from raising claims against the Company or any of its customers, pertaining to infringement of the aforesaid patent.

On January 8, 2009, Gharb filed an application for a further hearing, which was rejected by the Court of Appeals on February 19, 2009. The timeframe available to Gharb for appeal to the US Supreme Court elapsed, and since no appeal was filed, the proceedings in this case have come to an end.

Dispute with Mecalux

On March 19, 2009, the Company filed through its legal advisers a financial claim in the Tel Aviv-Yafo District Court against Mecalux Thyssen ("Thyssen"), a Spanish company engaged in the design, manufacture, sale and services of storage solutions, including shelving systems and automated warehouses - for damages incurred by the Company as a result of Thyssen's acts and omissions. The lawsuitstands at approximately 800 thousand Euro.

Around June 2005, the Company entered into an agreement with Maadanot Ltd. ("Maadanot"), a company engaged in the production of frozen food products, in the framework of a detailed purchase order for the construction of an automated storage and retrieval system for frozen products (i.e. an automated warehouse) in a commercial building in Gan Yavne, which was designated for the storage of its goods (the "Project"). Around July 2005, the Company entered into an agreement with Thyssen for the execution of works and services in connection with the construction of the Project, for the purpose of carrying out its obligations under its agreement with Maadanot.

According to the agreement with Thyssen, Thyssen undertook to supply all the materials and equipment and to act in a manner that would enable completion of the Project on time, in accordance with the definitions set for its work in the agreement. Thyssen undertook, *inter alia*, to supply the equipment, materials, documents and tools required for carrying out the Project, and also undertook to cooperate and to provide the Company with full access and information with respect to the equipment and works under the agreement. In addition, Thyssen undertook to train the Company's workers and to grant a warranty for the equipment and works executed by it in the framework of the Project.

However, as alleged in the lawsuit, Thyssen violated the agreement with the Company. Post factum, it became apparent to the Company that Thyssen provided misrepresentations regarding its qualifications, standard of equipment and professional work and other commitments it undertook toward the Company under the agreement, in consequence of which the Company incurred damages stemming primarily from failure to meet the contractual timetable, the undersupply of equipment, the supply of faulty equipment, communication problems, lack of cooperation, etc.

On March 25, 2009, the Company applied for leave to serve process outside of Israel. On the very same day the court approved the service of process outside the territory as requested, ruling that this should be carried out by an international courier company and by personal delivery. Likewise, it was also ruled that the statement of defense is to be filed within 45 days after delivery.

On April 5, 2009, a statement of claim was served to Huliot Logistic Systems Ltd., the representative of Mecalux Thyssen in Israel. To date, a statement of defense has not yet been filed.

Since the dispute is in the preliminary stage, the Company is unable to assess at present the claim's prospects on the merits of the dispute.

Chapter B – Board of Directors Report

1. Financial Position

Assets

Total assets according to the consolidated balance sheet of the Company as of March 31, 2009 decreased to approximately NIS 97,385 thousand compared to approximately NIS 102,421 thousand as of December 31, 2008. The decrease stemmed mainly from a decrease in the marketable securities and trade receivables items, as detailed below.

In the total of cash, cash equivalents and marketable securities items a decrease was recorded, and it stood at approximately NIS 37,536 thousand as of March 31, 2009 compared to approximately NIS 42,259 thousand as of December 31, 2008. The decrease was mainly a result of the self-purchase of Debentures Series 1 and Series 2, as detailed in Chapter A, Section 3 above.

In the trade receivables and income receivable item, a decrease was recorded from approximately NIS 11,295 thousand as of December 31, 2008 to approximately NIS 9,397 thousand as of March 31, 2009, attributable mainly to a decrease in the Company's revenues in the reported period, as detailed below.

An increase of some 5% was recorded in inventory and in the ordinary course of the Company's business, up from approximately NIS 13,326 thousand as of December 31, 2008 to approximately NIS 14,002 thousand as of March 31, 2009. At the same time, the Company seeks to continually streamline the processes of equipment procurement and inventory management. The Company regularly keeps an inventory of parts and raw materials for about 60-115 days, which is intended to meet anticipated demand for a two-month period. In addition, the Company has an inventory of finished products intended for filling ongoing orders for about 45-70 days (for additional details regarding raw materials, suppliers and inventory see Chapter A, section 1.9.21.1 of the Company's annual periodic report for the year 2008).

No significant change was recorded in fixed assets, which stood at approximately NIS 17,862 thousand as of March 31, 2009 compared to approximately NIS 18,208 thousand as of December 31, 2008.

In the other assets item an increase was recorded, totaling approximately NIS 14,255 thousand as of March 31, 2009, compared to approximately NIS 13,781 thousand as of December 31, 2008. The increase is largely attributable to the recording of Company development assets in respect of which the development costs satisfy the conditions for recognition as an intangible asset.

Liabilities

Total short-term credit amounted to approximately NIS 15,280 thousand as of March 31, 2009, compared to approximately NIS 16,941 thousand as of December 31, 2008. This amount derives mainly from current maturities of convertible Debentures (Series 1) payable in May 2009, current maturities of convertible Debentures (Series 2) payable August 2009, and current maturities of long-term loans.

There was no material change in trade payables, this item amounting to approximately NIS 9,246 thousand as of March 31, 2009, compared to approximately NIS 9,545 thousand as of December 31, 2008.

Other accounts payable amounted to approximately NIS 11,299 thousand as of March 31, 2009, compared to NIS 13,029 thousand as of December 31, 2008. The decrease is largely due to a decrease in the customer advances component.

Total non-current liabilities amounted to approximately NIS 36,693 thousand as of March 31, 2009, compared to approximately NIS 41,973 thousand as of December 31, 2008. The decrease is mainly attributable to the self-puchase of Debentures Sereis 1 and Series 2, as detailed in Chapter A, Section 3 above.

The Company’s working capital decreased to approximately NIS 26,319 thousand as of March 31, 2009, compared to approximately NIS 27,548 thousand as of December 31, 2008. The decrease is primarily due to a decrease in the cash and marketable securities items, offset by the decrease in other accounts payable, as explained above.

The Company’s shareholders' equity increased to approximately NIS 24,832 thousand as of March 31, 2009, compared to approximately NIS 20,700 thousand as of December 31, 2008. The increase is mainly due to the net profit recorded for the period, as detailed below.

2. Operating Results

Revenues

Company revenues in the quarter ended March 31, 2009, amounted to approximately NIS 17,723 thousand, compared to approximately NIS 18,276 thousand in the corresponding quarter in 2008, a 3% decrease due to a decrease in revenues from the products segment, offset by an increase in revenues from the systems segment.

Revenues from the products segment in the quarter ended March 31, 2009 amounted to approximately NIS 12,555 thousand, a 22% decrease compared to the same quarter in 2008. In the Company's estimation, the decrease in revenues from the products segment stems primarily from the effects of the financial crisis influencing the global markets since the second half of 2008, resulting in the toning down of demand for the Company's products and services (see Chapter B, Section 2.2.2 of the Company's annual periodic report for 2008).

Revenues from the systems segment in the quarter ended March 31, 2009 amounted to approximately NIS 4,999 thousand, a 157% increase compared to the same quarter in 2008. The increase in revenues from the systems segment stems, in the Company's estimation, from the actual rate of progress in the construction of several logistic systems by the Company's systems department. After the reported period, the Company announced that it had signed an agreement with a customer in Israel for the construction of an automated warehouse in Israel, for a material amount (see above).

Revenues from the products segment in the quarter ended March 31, 2009 constituted approximately 71% of total Company revenues in this quarter, while revenues from the systems segment in the same period accounted for approximately 28% of total revenues (another 1% accounted for other revenues). In the corresponding quarter in 2008, revenues from the products segment constituted approximately 89% of total Company revenues in that quarter, while revenues from the systems segment in the same period constituted approximately 11% of total revenues. Overall for the year 2008, revenues from products accounted for approximately 81% of total revenues, while revenues from systems accounted for approximately 18% of total revenues.

Cost of Revenues and Gross Profit

Total gross profit in the quarter ended March 31, 2009 totaled approximately NIS 5,901 thousand (about 33% of the revenues for the period), compared to approximately NIS 6,898 thousand in the corresponding quarter in 2008 (about 38% of the revenues for the period).

The decrease in gross profit rates stems mainly from the change in the mix of revenues from the different operating segments, as explained above. Gross profit rates in the products segment are higher than those in the systems segment.

Development Costs, Net

Development costs, net, remained essentially unchanged in the quarter ended March 31, 2009, totaling approximately NIS 514 thousand, compared to approximately NIS 374 thousand in the corresponding quarter in 2008. In the reported period an intangible asset was recognized in respect of development costs amounting to approximately NIS 1,487 thousand, costs which satisfied the conditions for recognition as an intangible asset.

Development costs in the reported quarter reflect continuing activity in developing technologies and products, which are needed to support continued operations by the Company. During the reported period, the Company adjusted the roster of its development teams to suit the changes in its activities, as detailed in this report, aimed at addressing its business plans.

Selling and Marketing Expenses

Selling and marketing expenses in the quarter ended March 31, 2009 amounted to approximately NIS 2,860 thousand (about 16% of revenues), compared to approximately NIS 2,903 thousand (about 16% of revenues) in the corresponding quarter in 2008.

There was no material change in the selling and marketing expenses in the reported quarter, and these included, *inter alia,* activity in developing new markets for the systems segment outside of Israel, visiting and participating in trade shows, and other marketing activities in Israel and around the world.

General and Administrative Expenses

General and administrative expenses increased slightly to approximately NIS 1,745 thousand in the quarter ended March 31, 2009, compared to approximately NIS 1,456 thousand in the corresponding period in 2008. The change stems primarily from expenditures required for the support and management of the Company's operations, including current costs in respect of professional consultancy and legal services.

Operating Profit

A decrease was recorded in operating profit for the quarter ended March 31, 2009, which amounted to approximately NIS 782 thousand, compared to operating profit of approximately NIS 2,165 thousand in the corresponding quarter in 2008.

The decrease in operating profit in the reported period is primarily due to the decrease in Company revenues and from the decrease in gross profit rate, as explained above.

Financing Expenses and Revenues

Financing revenues, net, in the quarter ended March 31, 2009 amounted to approximately NIS 2,636 thousand, compared to financing expenses, net, of approximately NIS 1,675 thousand in the corresponding period in 2008, and compared to financing expenses, net, of approximately NIS 2,031 thousand in the previous quarter.

The change in this item is largely due to a profit deriving from the self-purchase of Debentures Series 1 and Series 2, as detailed in Chapter A, Section 3 above (for an elaboration, see immediate report concerning an exceptional event to the Company's usual business, published January 8, 2009) and from Company revenues deriving from marketable securities, offset by financing expenses. The financing expenses include revaluation of Debentures (Series 2) that are linked to the Israeli Consumer Price Index according to the Company's August 2006 prospectus, the interest components of the Company's Debentures, mainly Debentures (Series 2), which were issued according to the August 2006 prospectus, as well as financing costs in respect of long-term credit.

Beginning May 2004, the Company's exposure to fluctuations in the exchange rate of the shekel against the dollar increased, following the issuance of convertible Debentures (Series 1) under the Company's May 2004 prospectus, which are linked to the dollar exchange rate and in respect of which repayment of the principal amount commenced May 2008. Apart from this exposure to fluctuations in the exchange rate, there is an interest component as a result of said issuance; therefore, the Company estimates that this item will be affected by these factors in the upcoming quarters.

Commencing August 2006 the Company's exposure to changes in the Israeli CPI rates increased, following the issuance of Debentures (Series 2) under the August 2006 prospectus, which are linked to the Israeli CPI. Apart from this exposure to fluctuations in the Israeli CPI, there is an interest component as a result of said issuance; therefore, the Company estimates that this item will be affected by these factors in the upcoming quarters.

Net Profit

In the reported quarter the Company presents a net profit totaling approximately NIS 3,418 thousand (about 19% of revenues), compared to a net profit of approximately NIS 490 thousand in the corresponding period in 2008 (some 2.7% of revenues).

The Company believes that the the financing revenues detailed above are the principal cause for the increase in net profit for the reported period.

Analysis of Business Results by Operating Segment

As aforementioned, the main commercial activity of the Company is conducted by means of two business departments, the Products Department and the Systems Department. Details of the results of the different segments appear below.

Products Segment

Results of the Products Segment in the reported period amounted to approximately NIS 4,352 thousand, compared to approximately NIS 6,335 thousand for the corresponding quarter in 2008. The decrease in this segment's results for the reported period is due, in the Company's estimation, to the decrease in its revenues from this segment in the reported period, as detailed above.

Systems Segment

Results of the Systems Segment in the reported quarter amounted to a loss of approximately NIS 1,235 thousand, compared to a loss of approximately NIS 1,825 thousand in the corresponding quarter in 2008. The improved results in this segment for the reported period stem, in the Company's estimation, from the increase in revenues from this segment during the reported period, as explained above; however, there are fixed expenditures that are required for this segment's continued support and activity.

3. Liquidity and Sources of Financing

The balance of cash, cash equivalents and marketable securities of the Company totaled as of March 31, 2009 approximately NIS 37,536 thousand, compared to approximately NIS 42,259 thousand as of December 31, 2008. This decrease stems mainly from a decrease in the marketable securities and trade receivables items, as explained above.

Cash flow from operating activities in the quarter ended March 31, 2009 amounted to a positive cash flow of approximately NIS 2,880 thousand, stemming mainly from the net profit for the period, as explained above.

Cash flow from investing activities in the quarter ended March 31, 2009 amounted to a positive cash flow of approximately NIS 5,828 thousand, primarily due to the sale of marketable securities during the reported period, offset by the recording of investments in development assets.

Cash flow from financing activities in the quarter ended March 31, 2009 amounted to a negative cash flow of approximately NIS 8,078 thousand, primarily due to the self-purchase of Debentures Series 1 and Series 2, as detailed in Chapter A, Section 3 above.

On March 31, 2009, total credit facilities available to the Company for current operations stood at approximately NIS 400 thousand. On March 31, 2009, a total of approximately NIS 67 thousand was utilized from this credit line mainly for securing the Company's obligations in projects carried out by the Systems Department.

4. Qualitative Report Concerning Exposure to Market Risks and Methods of Risk Management

The persons in the Company responsible for the management of market risks are the Company's CEO and CFO. The CFO is responsible for gathering information according to the list of risks detailed below, processing it and presenting it to the CEO on a quarterly basis. The CEO is responsible for analyzing the information and drawing operative conclusions in the framework of quarterly meetings with the CFO.

Exposure to Exchange Rate Fluctuations

The Company is exposed to exchange rate fluctuations, mainly changes in the rate of the US dollar and the Euro to the NIS, for the reasons detailed below:

In May 2004 the Company issued convertible Debentures (Series 1) according to the 2004 prospectus. The principal and interest of these Debentures are linked to the representative exchange rate of the US dollar (according to a base rate of NIS 4.59 per US$ 1); the repayment of the principal of the Debentures began in May 2007. Up to their full conversion or full repayment by May 2010, the Company is exposed to fluctuations in the dollar exchange rate in relation to the shekel.

On February 2001, the Company issued Euro-denominated convertible Debentures. On December 2003, 75% of the principal of these Debentures were converted into Company shares. Until their full repayment in September 2008, the Company was exposed to fluctuations in the exchange rate of the Euro against the NIS. Following their full repayment, there are no remaining Debentures of this class in circulation.

The Company's assets which are exposed to exchange rate fluctuations include mainly deposits in various currencies (mainly the Euro and US dollar), customer debts denominated in various currencies, depending on the customer, and which are not interest-bearing, and marketable securities linked to foreign currency.

The current liabilities items, which are exposed to exchange rate fluctuations, include current maturities of long-term loans, which are mostly linked to foreign currency, as well as trade payables in foreign currency (mainly in Euros). Non-current liabilities include liabilities in respect of a financing plan for acquisition of rights in the Company's facilities at Airport City, of which approximately 50% are denominated in US dollars and approximately 50% in Euros.

The Company's activity is conducted in foreign currency or in NIS linked to foreign currency. In the Company's Products Segment, revenues are mostly denominated in US dollars or linked to the US dollar exchange rate, with the exception of revenues deriving from sales in Europe, which are mostly denominated in Euros. In the Company's Systems Segment, most of the Company's revenues derive from sales denominated in Euros or linked to the Euro exchange rate.

The raw materials required for the manufacture of the Company's products mainly include various electronic and mechanical components, and their prices are denominated mostly in foreign currency, particularly in US dollars and Euros.

The exchange rate of the US dollar in relation to the NIS stood at the beginning of the reported period, on December 31, 2008, at NIS 3.802 per US dollar; at the end of the reported period, on March 31, 2009, it was NIS 4.1880 per US dollar; and immediately prior to the publication of this report it was NIS 4.091 per US dollar (as of May 20, 2009).

The exchange rate of the Euro in relation to the NIS stood at the beginning of the reported period, on December 31, 2008, at NIS 5.2973 per Euro; at the end of the reported period, on March 31, 2009, it was NIS 5.5736 per euro; and immediately prior to publication of this report it was NIS 5.5918 per euro (as of May 20, 2009).

Exposure to Fluctuations in the Consumer Price Index

In August 2006, the Company issued Debentures (Series 2). These Debentures are linked to the Israeli CPI, but not less than a base index of 188.1 (1993 average). As a result, commencing in August 2006 the Company's exposure to fluctuations in the Israeli CPI increased. Developments and changes in the Israeli economy, including depreciation and inflation, can cause changes in the CPI, impacting the financing income/expenses of the Company.

Risks Related to Marketable Securities

Part of the Company's financial means are invested in marketable securities. Exceptional developments in capital markets in Israel and abroad could cause fluctuations in the prices of the marketable securities on the Stock Exchange, and thus, in turn, could affect the Company's financing income/expenses.

Interest Risks

The Company has various loans relating to the acquisition of rights in the Company's facilities in Airport City, convertible Debentures (Series 1) issued by the Company according to the 2004 prospectus, as well as other credit facilities that bear various interest rates and which are exposed to possible changes in the prime and/or LIBOR interest rates.

The Company's Market Risk Management Policy

The Company's policy is to try and reduce, in every contract, its exposure to fluctuations in the exchange rate by matching the currency of the revenues to the currency of the main expenses. In the Company's Systems Segment, the Company usually links the payment terms (dates/ foreign currency) of the various customers to the payment terms of the subcontractors.

Company policy as to the diversification of investments is guided by the intention to reduce Company exposure to dollar liabilities (mainly payments of principal and interest on convertible Debentures (Series 1) which are linked to the dollar).

For this purpose, the Company, in consultation with professionals in the capital market, examined shortly after publication of the 2004 prospectus (and receipt of the issuance funds), several alternative investment possibilities, *inter alia*, the use of dollar-linked deposits, the use of derivatives and other financial instruments, as well as the use of shekel-linked investment channels.

In the Company's estimation, as its liabilities in respect of convertible Debentures (Series 1), issued pursuant under the 2004 prospectus, are linked to the dollar rate and not less than a base rate of NIS 4.59 per dollar, the use of dollar-linked deposits alone cannot secure the Company’s liabilities in respect of convertible Debentures (Series 1), especially following the drop in the dollar exchange rate below the base rate mentioned above. On May 24, 2007, the Company paid 25% of the total nominal value of the principal of the convertible Debentures (Series 1), totaling NIS 8,750 thousand according to the base rate, which is, as aforesaid, NIS 4.59 per dollar (whereas the representative exchange rate of the dollar on the payment date stood at only NIS 3.9910 per dollar).

On May 23, 2008, the Company repaid a further 25% of the total nominal principal of the aforesaid Debentures, amounting to NIS 8,750 thousand at the base rate, which is, as stated, NIS 4.59 per dollar (whereas the representative exchange rate of the dollar on the payment date stood at only NIS 3.333 per dollar).

Following the publishing of this report and following the Company's self-purchase of the aforesaid Debentures series as detailed above, the Company is expected to repay on May 24, 200950% of the nominal principal of convertible Debentures (Series 1), totaling NIS 8,600 thousand at the base rate, which is, as stated, NIS 4.59 per dollar. After this payment, the remaining principal for these Debentures will amount to NIS 8,600 thousand.

The use of derivatives and other financial instruments as security against fluctuations in the dollar exchange rate for the purpose of meeting the Company’s obligations in respect of convertible Debentures (Series 1) was found by the Company to be unprofitable in view of the high costs entailed.

Beyond the activities described above, the market risk management and the protective measures taken during the reported period are presented to the Board of Directors on a quarterly basis and in the framework of the discussions on the periodic reports.

The Board of Directors determined, following an examination of the four warning signs specified in Regulation 10(b)(14) of the Securities Regulations (Periodic and Immediate Reports), 5730-1970, regarding disclosure of the anticipated cash flow for financing payment of the Company's obligations, that the Company has no liquidity problems and is able to meet its obligations, including the full payment of its liabilities in respect of the issuance of Debentures (Series 1) and (Series 2).

5. Consolidated Linkage Bases Report

	As of March 31, 2009						
	Israeli Currency		Foreign Currency				
	Unlinked	CPI-Linked	In EURO	In USD	In Other Curr-encies	Non-Monetary Balances	Total
	NIS in Thousands						
Assets							
Cash and cash equivalents	4,848	-	4,646	5,882	-	-	15,376
Marketable securities	6,506	12,780	-	2,874	-	-	22,160
Trade receivables and income receivable	3,801	-	3,262	2,334	-	-	9,397
Other accounts receivable	485	-	-	88	-	233	806
Embedded derivatives	-	-	-	-	-	221	221
Inventory	-	-	-	-	-	14,002	14,002
Inventory of work in progress	-	-	-	-	-	217	217
Long-term deposits	-	-	-	-	-	104	104
Fixed assets, net	-	-	-	-	-	17,862	17,862
Prepaid expenses for operating lease – net					-	2,985	2,985
Intangible assets – net	-	-	-	-		14,255	14,255
Total assets	15,640	12,780	7,908	11,178	-	49,879	97,385
Liabilities							
Current maturities of non-current liabilities	-	5,709	514	9,057	-	-	15,280
Trade payables	7,493	-	897	856	-	-	9,246
Option warrants	-	-	-	-		35	35
Other accounts payable	8,315	-	-	143	-	2,841	11,299
Loans from banks and others	-	-	3,987	3,540	-	-	7,527
Convertible Debentures	-	-	-	7,990	-	-	7,990
Bonds	-	20,639	-	-	-	-	20,639
Liabilities for employee benefits – net		-	-	-	-	537	537
Total liabilities	15,808	26,348	5,398	21,586	-	3,413	72,553
Balance sheet total, net	(168)	(13,568)	2,510	(10,408)	-	46,466	24,832

6. **<u>Sensitivity Tests on Financial Instruments as of March 31, 2009</u>**

The Company conducted, as of the balance sheet date, four sensitivity tests in respect of changes within an upper and lower range of 5% and 10% in market factors.
The market factor tests were based on the model specified.

1) Table listing changes in the fair value of financial instruments sensitive to fluctuations in the dollar exchange rate

	Gain (Loss) on Change NIS in Thousands		NIS in Thousands	Gain (Loss) on Change NIS in Thousands	
	+10% NIS 4.61 per $	+5% NIS 4.40 per $	Fair Value NIS 4.188 per $	-5% NIS 3.98 per $	-10% NIS 3.77 per $
Cash and cash equivalents	588	294	5,882	294-	-588
Marketable securities	287	144	2,874	144-	-287
Trade receivables and income receivable	233	117	2,334	117-	-233
Other accounts receivable	9	4	88	4-	-9
Short-term credit and current maturities of long-term liabilities (*)	77-	23-	9,057-	23	46
Trade payables	86-	43-	856-	43	86
Other accounts payable	-14	7-	143-	7	14
Long-term loans	354-	177-	3,540-	177	354
Convertible Debentures(**)	-29	-	-7990	-	-
Total	557	309	10,408-	309-	-617

* For current maturities of convertible debentures issued at a minimum exchange rate of NIS 4.59 per $.

** The convertible debentures were issued at a minimum exchange rate of NIS 4.59 per $.

2) Table listing changes in the fair value of financial instruments sensitive to fluctuations in the euro exchange rate

	Gain (Loss) on Change NIS in Thousands		NIS in Thousands	Gain (Loss) on Change NIS in Thousands	
	+10% NIS 6.13 per €	+5% NIS 5.85 per €	Fair Value NIS 5.574 per €	-5% NIS 5.29 per €	-10% NIS 5.02 per €
Cash and cash equivalents	465	232	4,646	232-	465-
Trade receivables and income receivable	326	163	3,262	163-	326-
Short-term credit and current maturities of long-term liabilities	-51	-26	514-	26	51
Trade payables	-90	45-	897-	45	90
Long-term loans	-399	199-	3,987-	199	399
Total	251	125	1,495	125-	251-

3) Table listing changes in the fair value of financial instruments sensitive to fluctuations in the consumer price index

	Gain (Loss) on Change NIS in Thousands		NIS in Thousands	Gain (Loss) on Change NIS in Thousands	
	+10% 217.97 points	+5% 208.06 points	Fair Value 198.15 points	-5% 188.24 points	-10% 178.33 points
Marketable securities	1,278	639	12,780	639-	1,278-
Short-term credit and current maturities of long-term liabilities	-571	-285	5,709-	285	290
Debentures (***)	-2,064	1,032-	20,639-	1,032	1,047
Total	-1,357	678-	13,568-	678	59

*** Debentures issued based on base CPI of 188.1 points (1993 average)

4) Table listing changes in the fair value of financial instruments sensitive to fluctuations in rates of convertible securities

	Gain (Loss) on Change NIS in Thousands		NIS in Thousands	Gain (Loss) on Change NIS in Thousands	
	+10%	+5%	Fair Value	-5%	-10%
Local – government	685	343	6,854	343-	685-
Local – corporate	1,531	765	15,306	765-	1,531-
Total	2,216	1,108	22,160	1,108-	2,216-

7. **Details of the Process of Approval of the Company's Financial Statements**

The Company's financial statements are prepared by its CFO. The statements are reviewed (and in the relevant cases also audited) by the Company's auditor, who is given full access to all data and information in the Company, including meetings with the Company's employees and managers, as required by him. Following the auditor's review/audit, the statements are submitted to the members of the Company's Board of Directors for review prior to and in preparation for discussion in board meetings that are convened for this purpose. The Company regards the Board of Directors as the entity in charge of overall control of the Company's financial statements. The members of the Company's Board of Directors and their respective duties in the Company are as follows:

1. Mr. Haim Shani – Chairman of the Board and Company CEO, and a director with professional qualification.
2. Ms. Bareket Shani – Director with professional qualification, Vice President and Head of Human Resources, member of the Credit and Investment Committee and of the Securities Committee of the Company's Board of Directors.
3. Mr. Zvi Livneh, CPA – Director with accounting proficiency, member of the Audit Committee.
4. Mr. Moshe Braz, CPA – External director with accounting proficiency, member of the Audit Committee and of the Securities Committee of the Company's Board of Directors.
5. Mr. Joel Sela – External director with accounting proficiency, member of the Audit Committee and of the Credit and Investment Committee of the Company's Board of Directors.

Following the Board of Directors' perusal, a board meeting is held for the purpose of presentation and discussion of the financial statements. In the meeting the Company's management reviews the main data of the financial statements. The meeting is also attended by the Company's auditor, who reviews certain aspects of the statements, accounting issues related to the financial statements and the review and audit processes that were conducted by him in the Company, and answers questions of the board members that are addressed to him (together with the Company CEO and the CFO, who answer questions that are addressed to them). Within the framework of the Board of Directors' discussion, comments and/or clarifications or requests for additional data are often made, which are then reflected in the financial statements. At the end of the discussion, the statements are submitted for the Board's approval by a vote.

Zvi Livneh Director	Haim Shani Chairman and CEO

Date: May 21, 2009

UNITRONICS (1989) (R"G) LTD.

Condensed Consolidated Interim Financial Statements March 31,2009

(Unaudited)

Unitronics (1989) (R"G) Ltd.

Condensed Consolidated Interim Financial Statements

March 31, 2008

(unaudited)

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AMIT, HALFON C.P.A (ISR)
A member firm of **DFK** international

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REVIEW REPORT OF THE AUDITIORS OF UNITRONICS (1989) (R"G) LTD.

Introduction

We reviewed the attached financial information of Unitronics (1989) (R"G) Ltd. and its subsidiaries (hereinafter – "the Group") which include the condensed interim consolidated statement of condition as at March 31, 2009 and the condensed interim consolidated statements of operations, comprehensive income, changes in shareholders' equity and cash flows for the period of three months then ended. The Board of Directors and management are responsible for the preparation and presentation of the financial information for this interim period in accordance with IAS 34 "Financial reporting for interim periods", and they are responsible for the preparation for the preparation of financial information for this interim period under Chapter D of the Securities Regulations (Periodic and Immediate Report) – 1970. Our responsibility is to express a conclusion on the financial information for the interim periods, based on our review.

We did not review the condensed financial information for the interim periods of a consolidated company whose assets included in the consolidation comprise 5% of all the consolidated assets as at March 31, 2009 and whose revenues included in the consolidation comprise 17% of all consolidated revenues for the period of three months then ended. The condensed financial information for the interim periods of that company were reviewed by other auditors whose review report was furnished to us and our conclusions, to the extent that they relate to financial information for that company, are based on the review report of the other auditors**.**

Scope of the review

We prepared our review in accordance with Review Standard 1 of the Institute of Certified Public Accountants in Israel "Review of financial information for interim periods prepared by the entity's auditor". The review of the financial information for interim periods comprises clarifications, mainly with the people responsible for financial and accounting matters, and from adopting analytical and other review procedures. A review is more limited in scope to a much larger extent than an audit performed in accordance with generally accepted auditing standards, and therefore does not enable us to be certain that we will know of all the significant matters which could have been identified in an audit. Consequently, we are not issuing an opinion of an audit.

Conclusion

Based on our review, and on the review report of the other auditors, nothing came to our notice which would cause us to think that the above financial information is not prepared, in all significant aspects, in accordance with IAS34.

In addition to the remarks in the previous paragraph, based on our review and on the review report of the other auditors, nothing came to our attention which cause us to think that the above financial information does not meet, from all significant aspects, the provisions of Disclosure under Chapter D of the Securities Regulations (Periodic and Immediate Reports) – 1970.

Amit, Halfon
Certified Public Accountants (Israel)

Ramat Gan,
May 21, 2008

Unitronics (1989) (R"G) Ltd.
Condensed consolidated interim statement of financial position

	March 31, 2009	March 31, 2009	March 31, 2008	December 31, 2008
	(unaudited)	(unaudited)		(audited)
		(in thousands)		
	Convenience translation into Euro (1)	NIS		
Current assets				
Cash and cash equivalents	2,759	15,376	11,357	14,559
Marketable securities	3,976	22,160	39,075	27,700
Accounts receivable -				
Trade	1,686	9,397	10,410	11,295
Other	145	806	1,464	416
Embedded derivatives	40	221	-	-
Inventory	2,550	14,219	15,503	13,326
	11,156	62,179	77,809	67,296
Non-current assets				
Long-term deposits	19	104	415	134
Property and equipment, net	3,205	17,862	18,530	18,208
Prepaid leasehold rights expenses, net	536	2,985	3,055	3,002
Intangible assets, net	2,557	14,255	10,075	13,781
	6,317	35,206	32,075	35,125
	17,473	**97,385**	**109,884**	**102,421**

Haim Shani Chairman of the Board of Directors and C.E.O.	Tzvi Livne Director	Yair Itscovich Chief Financial Officer

Approved: May 21, 2009.

(1) See note 1C.

The notes to the condensed consolidated interim financial statements form an integral part thereof.

Unitronics (1989) (R"G) Ltd.
Condensed consolidated interim statement of financial position

	March 31, 2009	March 31, 2009	March 31, 2008	December 31, 2008
	(unaudited)	(unaudited)		(audited)
		(in thousands)		
	Convenience translation into Euro (1)	NIS		
Current liabilities				
Current maturities of non-current liabilities	2,741	15,280	11,140	16,941
Accounts payable -				
Trade	1,659	9,246	12,018	9,545
Other	2,028	11,299	6,266	13,029
Warrants	6	35	229	18
Embedded derivatives	-	-	-	215
	6,434	35,860	29,653	39,748
Non current liabilities				
Loans from banks and others	1,350	7,527	8,004	7,228
Convertible bonds	1,434	7,990	15,901	7,896
Conversion option of convertible bonds	-	-	1	-
Bonds	3,703	20,639	31,266	26,046
Liabilities for benefits to employees, net	97	537	247	803
	6,584	36,693	55,419	41,973
Shareholders' equity				
Share capital	63	352	352	352
Capital reserve from share-based payments	58	326	326	326
Share premium	9,016	50,250	50,250	50,250
Capital reserve from translation of foreign operations	(34)	(191)	(1,029)	(733)
Company shares held by the company	(526)	(2,931)	(2,853)	(2,931)
Accumulated loss	(4,122)	(22,974)	(22,234)	(26,564)
	4,455	24,832	24,812	20,700
	17,473	**97,385**	**109,884**	**102,421**

(1) See note 1C.

The notes to the condensed consolidated interim financial statements form an integral part thereof.

Unitronics (1989) (R"G) Ltd.
Condensed consolidated interim statement of operations

	For the three month period ended March 31,	For the three month period ended March 31,		For the year ended December 31,
	2009	2009	2008	2008
	(unaudited)	(unaudited)		(audited)
		(in thousands)		
	Convenience translation into Euro (1)	NIS		
Revenues	3,180	17,723	18,276	79,720
Cost of revenues	2,121	11,822	11,378	53,756
Gross profit	1,059	5,901	6,898	25,964
Development expenses, net	92	514	374	1,617
Selling & marketing expenses	513	2,860	2,903	12,449
General & administrative expenses	314	1,745	1,456	5,101
Operating profit	140	782	2,165	6,797
Financing income	764	4,260	352	286
Financing expenses	291	1,624	2,027	10,029
Profit (loss) for the period	613	3,418	490	(2,946)
Profit (loss) per 1 ordinary share NIS 0.02 par value (NIS)	0.055	0.310	0.044	(0.267)

(1) See note 1C.

The notes to the condensed consolidated interim financial statements form an integral part thereof.

Unitronics (1989) (R"G) Ltd.
Condensed consolidated interim statement of comprehensive income

	For the three month period ended March 31,	For the three month period ended March 31,		For the year ended December 31,
	2008	2009	2008	2008
	(unaudited)	(unaudited)		(audited)
	(in thousands)			
	Convenience translation into Euro (1)	NIS		
Profit (loss) for the period	613	3,418	490	(2,946)
Other comprehensive income				
Actuarial gain (loss)	31	172	-	(894)
Translation of foreign operation	97	542	(445)	(149)
Benefit arising from warrants granted	-	-	3	3
Other comprehensive income for the period	128	714	442	(1,040)
Total comprehensive income for the period	741	4,132	48	(3,986)

(1) See note 1C.

The notes to the condensed consolidated interim financial statements form an integral part thereof.

Unitronics (1989) (R"G) Ltd.
Condensed consolidated interim statement of changes in equity

	Share capital	Capital reserves from share-based payments	Share premium	Capital reserve from translation of foreign operations	Company shares held by the company	Accumulated Loss	Total
				NIS in thousands			
Balance at January 1, 2008 (audited)	352	323	50,250	(584)	(2,853)	(22,724)	24,764
Purchase of company shares by the company	-	-	-	-	(78)	-	(78)
Total comprehensive income for the year	-	3	-	(149)	-	(3,840)	(3,986)
Balance at December 31, 2008 (audited)	352	326	50,250	(733)	(2,931)	(26,564)	20,700
Total comprehensive income for the period	-	-	-	542	-	3,590	4,132
Balance at March 31, 2009 (unaudited)	352	326	50,250	(191)	(2,931)	(22,974)	24,832
Balance at January 1, 2008 (audited)	352	323	50,250	(584)	(2,853)	(22,724)	24,764
Total comprehensive income for the period	-	3	-	(445)	-	490	48
Balance at March 31, 2008 (unaudited)	352	326	50,250	(1,029)	(2,853)	(22,234)	24,812
				Convenience translation into Euro in thousands (unaudited) (1)			
Balance at January 1, 2009	63	58	9,016	(131)	(526)	(4,766)	3,714
Total comprehensive income for the period	-	-	-	97	-	644	741
Balance at March 31, 2009	63	58	9,016	(34)	(526)	(4,122)	4,455

(1) See note 1C.

The notes to the condensed consolidated interim financial statements form an integral part thereof.

Unitronics (1989) (R"G) Ltd.
Condensed consolidated interim statement of Cash Flows

	For the three month period ended March 31,	For the three month period ended March 31,		For the year ended December 31,
	2009	2009	2008	2008
	(unaudited)	(unaudited)		(audited)
		(in thousands)		
	Convenience translation into Euro (1)	NIS		
Cash flows from operating activities				
Profit (loss) for the period	613	3,418	490	(2,946)
Adjustments necessary to show the cash flows from operations (Appendix A)	(96)	(538)	(1,376)	13,607
Cash flows provided by (used in) operating activities	517	2,880	(886)	10,661
Cash flows from investing activities				
Sale of (investment in) marketable securities, net	1,316	7,336	(703)	8,405
Purchase of property and equipment	(8)	(47)	(225)	(1,191)
Repayment of long-term deposits	4	25	11	106
Investment in intangible assets	(267)	(1,486)	(1,861)	(7,689)
Cash flows provided by (used in) investing activities	1,045	5,828	(2,778)	(369)
Cash flows for financing activities				
Repayment of long-term loans	(50)	(281)	(252)	(1,010)
Repayment of convertible bonds	-	-	(559)	(10,329)
Early redemption of bonds	(1,345)	(7,497)	-	-
Early redemption of convertible bonds	(54)	(300)	-	-
Purchase of company shares by the company	-	-	-	(78)
Cash flows used in financing activities	(1,449)	(8,078)	(811)	(11,717)
Translation differences in respect of foreign operations cash balances	34	187	(253)	(101)
Change in cash and cash equivalents	147	817	(4,728)	(1,526)
Cash and cash equivalents at beginning of period	2,612	14,559	16,085	16,085
Cash and cash equivalents at end of period	2,759	15,376	11,357	14,559

(1) See note 1C.

The notes to the condensed consolidated interim financial statements form an integral part thereof.

Unitronics (1989) (R"G) Ltd.
Condensed consolidated interim statements of cash flows

	For the three month period ended March 31,	For the three month period ended March 31,		For the year ended December 31,
	2008	2009	2008	2008
	(unaudited)	(unaudited)		(audited)
		(in thousands)		
	Convenience translation into Euro (1)	NIS		
Appendix A - Adjustments necessary to show the cash flows from operations				
Depreciation and amortization	336	1,870	1,143	5,890
Loss (profit) from marketable securities, net	(322)	(1,796)	245	2,512
Profit from early redemption of bonds	(330)	(1,838)	-	-
Benefit arising from warrants granted	-	-	3	3
Increase (decrease) in liabilities for benefits to employees	(17)	(93)	85	(253)
Reevaluation of warrants and conversion option of convertible bonds	3	17	18	(194)
Exchange rate changes of long-term loans and convertible bonds	505	2,815	(277)	1,057
Reevaluation of embedded derivatives	(78)	(436)	-	215
Decrease in accounts receivable - trade	382	2,129	3,478	2,737
Decrease (increase) in accounts receivable - other	(75)	(418)	(1,205)	38
Increase in inventory	(138)	(768)	(2,290)	(107)
Decrease in accounts payable - trade	(53)	(298)	(611)	(3,093)
Increase (decrease) in accounts payable - other	(309)	(1,722)	(1,965)	4,802
	(96)	(538)	(1,376)	13,607
Appendix B - Additional information				
Cash paid during the period for:				
Interest	172	957	1,240	4,173
Taxes on income	5	27	27	108
Cash received during the period for:				
Interest	43	242	390	1,319

(1) See note 1C.

The notes to the condensed consolidated interim financial statements form an integral part thereof.

Unitronics (1989) (R"G) Ltd.
Notes to the Financial Statements

Note 1 - General

A. These financial statements have been prepared in a condensed format as of March 31, 2009, and for the three months period then ended ("consolidated interim financial statements"). These financial statements should be read in conjunction with the Company's audited annual financial statements and accompanying notes as of December 31, 2008 and for the year then ended.

B. Following are data regarding the Israeli CPI and the exchange rate of the U.S. dollar and the Euro:

As of	Israeli CPI	Exchange rate of one Euro	Exchange rate of one U.S. dollar
	Points (*)	NIS	NIS
March 31, 2009	198.15	5.5736	3.553
March 31, 2008	191.33	5.6169	4.155
December 31, 2008	198.42	5.2973	3.846
Change during the period	%	%	%
Three month ended March 31, 2009	(0.14)	5.22	10.15
Three month ended March 31, 2008	0.09	(0.75)	(7.62)
For the year ended December 31 2008	3.80	(6.39)	(1.14)

(*) The index on an average basis of 1993 = 100.

C. Convenience translation in EURO

For the convenience of the reader, the reported NIS amounts for the last reported period have been translated in EURO by dividing each reported NIS amount by the representative rate of exchange of the EURO as at March 31, 2009 (EURO 1 = NIS 5.5736).
The translated EURO amounts presented in these financial statements should not be construed as representing amounts receivable or payable in EURO unless otherwise indicated.

Note 2 - Significant Accounting Policies

A. The interim consolidated financial statements are prepared in accordance with generally accepted accounting principles for the preparation of financial statements for interim periods as set forth in IAS 34 – "Financial reporting for interim periods" including the requirements of disclosure under Chapter D of the Securities Regulations (Periodic and Immediate Reports) – 1970.
The significant accounting principles and the methods of calculation which were implemented in the preparation of the interim financial statements are identical to those used in the preparation of the last annual financial statements, apart from those mentioned in clause b below.

B. Disclosure of new IFRS

1. IAS 1 (amended) - Presentation of financial statements
According to the amendment to IAS 1, a separate statement must be presented "Statement of comprehensive income" in which apart from the amount of net income from the statement of operations, all the items which were posted during the period of report directly to shareholders' equity, and which do not result from transactions with shareholders, as shareholders, will be presented, such as the provision of translation between the financial statements of foreign operations, adjustments to fair value of financial assets classified as available for sale, adjustments to the revaluation reserve of fixed assets, etc. and the tax effect of these items, which is also posted directly to shareholders' equity. Other items only, which were posted to shareholders' equity, resulting from transactions with shareholders as shareholders (such as the issue of capital, the distribution of a dividend, etc.) will be presented in the statement of changes in shareholders' equity, as well as the total row from the statement of comprehensive income.

Note 2 - Significant Accounting Policies (cont'd)

B. Disclosure of new IFRS (cont'd)

1. IAS 1 (amended) - Presentation of financial statements (cont'd)
   Furthermore, the Standard stipulates that in cases of a change in the comparative figures, as a result of a change in the accounting policy applied retrospectively, a restatement or a reclassification, a balance sheet must also be presented for the beginning of the period of the comparative figures for which the change was made. The company chose to present two statements: statement of operations and statement of comprehensive income.
   IAS 1 is applied since January 1, 2009.

2. IFRS 8 - Operative segments
   As from January 1, 2009 the Group has adopted IFRS 8 "Operative segments" (hereinafter – "the Standard"). The Standard states that reporting of segments will be done in accordance with the "management approach", i.e. according to the form of internal reporting to the Group's chief operating decision maker.

   An operating segment is a component of the Group which meets the following three conditions:
   a. Is engaged in business operations from which it is likely to earn revenues and for which it is likely to incur expenses.
   b. The operating results are reviewed regularly by the Group's chief operating decision maker to make decisions regarding resources allocated to it in order to evaluate its performance.
   c. There is separate available financial information.

   The first implementation of the Standard did not have any effect on the composition of the Group's reportable segments.

3. Amendments, standards and interpretations to the existing standards which came into force and are binding for accounting periods starting January 1, 2009, but the first implementation did not have any significant effect on the Group's financial statements:

   a. IAS 23 (amended) - Financing costs
   b. IAS 32 (amended) - Financial instruments: Presentation, and IAS 1 (amended) - Presentation of financial statements (hereinafter: "the Standards")
   c. IFRS 2 (amended) - share-based payment
   d. IAS 20 (amended) - Government grants
   e. IAS 19 (Amended) - Benefits to employees
   f. IAS 28 (Amended) - Investments in affiliated companies
   g. IAS 38 (Amended) - Intangible assets
   h. IFRIC 16 - Hedging a net investment in foreign operations

C. Disclosure of new IFRS during the period prior to their implementation

1. IFRS 5 (amended) - Non current assets held for sale and discontinued operations
   According to the amendment to IFRS 5, when the parent company decides to realize part of its holdings in a subsidiary in such a way that after the realization the parent company will remain with a holding which does not give it control, such as rights which provide a significant influence, all the assets and liabilities relating to the subsidiary will be classified as held for sale and the relevant provisions of IFRS 5 will be applied, including presenting them as discontinued operations. The amendment to the Standard will be applied 'from here on' from the financial statements for periods starting January 1, 2010. Earlier adoption is possible.

   In the Company's opinion, the amendment to the Standard is not expected to have a significant effect on its financial position, results of operations and cash flows.

Note 2 - Significant Accounting Policies (cont'd)

C. Disclosure of new IFRS during the period prior to their implementation (cont'd)

2. IFRS 3 (amended) - Business combinations; and IAS 27 (amended) - separate and consolidated financial statements

Amended IFRS 3 and amended IAS 27 (hereinafter: "the Standards") will be applied for annual financial statements for periods starting January 1, 2010. Early application of the two Standards is possible jointly, starting from annual financial statements for periods starting January 1, 2008.

The following are the main changes expected to apply as a result of implementing the Standards:

- Today, IFRS 3 states that goodwill, contrary to the other identified assets and liabilities of the purchased company, will be measured as the surplus cost of acquisition of the purchasing company's share in the fair value of identified net assets on the purchase date. According to the Standards, it is possible to choose for every business combination transaction separately to measure goodwill on the basis of its full fair value, and not only the part purchased.
- Proceeds contingent on business combinations will be measured at fair value, where the changes in fair value of the contingent proceeds, which are not adjustments during the period of measurement to the cost of the acquisition, will not be recognized concurrently as an adjustment of goodwill. Generally, contingent proceeds will be considered a financial derivative on which IAS 39 will apply, which is presented as fair value with changes to it posted to the statement of operations.
- Costs of direct purchasing relating to a business combination transaction will be recognized to the statement of operations on their accrual, whereas the requirement up to now was to record them as part of the consideration in the cost of the business combination, was cancelled.
- A transaction with the minority, whether a sale or purchase, will be handled as a capital transaction and therefore will not result in recognition in the statement of operations or affect the amount of goodwill, respectively.
- Losses of a subsidiary, even if they result in a deficit in the subsidiary's shareholders' equity, will be divided between the parent company and the minority rights, even if the minority is not a guarantor or has no contractual obligations to support the subsidiary, or to make an additional investment in it.
- On the date of loss of control in the subsidiary, the balance of holdings, if existing, will be revalued to fair value against profit or loss from the realization and this fair value will be the basis for its cost for further treatment.

In the Company's opinion, the amendment to the Standards is not expected to have a significant effect on the financial position, results of operations and cash flows.

3. In April 2009 the International Accounting Standards Board published a standard regarding Improvements to International Financial Reporting Standards – 2009. In the framework of these improvements, amendments were made to some of the standards and interpretations, which change the method of presentation, recognition and measurement of various items in the financial statements. The starting date of most of the amendments is the annual period starting January 1, 2010 or thereafter where earlier implementation is permitted.

In the framework of the amendments made, there are number of amendments which are likely to be relevant to the Group:

a. Amendment to IFRS8 – "Operating segments" (hereinafter – "the Amendment")

The Amendment stipulates that disclosure will be made regarding the measurement of the segment's assets which are reportable only if this information is provided regularly to the chief operating decision maker.

The Amendment will be adopted retrospectively regarding annual periods of report starting January 1, 2010 or thereafter. Earlier implementation is permitted.

In the Company's opinion the Amendment to the Standard is not expected to have a significant effect on its financial position, results of operations and cash flows.

Note 2 - Significant Accounting Policies (cont'd)

C. Disclosure of new IFRS during the period prior to their implementation (cont'd)

3. (cont'd)

b. Amendment to IAS7 – "Statements of cash flows" (hereinafter – "the Amendment")

The Amendment clarifies that only costs which bring the asset recognized in the statement on the financial position are eligible for classifying as cash flows used for investing activities.
The Amendment will be applied retrospectively regarding annual periods of report starting January 1, 2010 or thereafter. Earlier implementation is permitted.

At this stage the Company cannot estimate the effect on the financial statements of implementing the Amendment.

c. Amendment to IAS 17 – "Leasing" ((hereinafter – "the Amendment")

According to the Amendment there is no longer a demand to classify leasing of land as operative leasing in every case where the ownership is not expected to be transferred to the lessee at the end of the leasing period. According to the amended standard, the demand is to examine the leasing of the land according to ordinary criteria to classifying financial leasing or operative leasing.

In addition, it stipulates that the components of the land and buildings in leasing of land and buildings are examined separately for the purpose of classifying the leasing, based on the criteria of the standard where the significant consideration in classifying the component of the land is the fact that the land generally has an undefined lifespan.

The Amendment applies to financial statements for annual periods starting January 1, 2010 or thereafter. Earlier implementation of the Amendment is possible while disclosing this fact. The Amendment will be applied retrospectively, i.e. the method of classifying of the land leasing must be examined on the basis of information which existed at the time of the engagement in the leasing, and if there is a change in the classification of the leasing, the instructions of International Accounting Standard 17 must be applied retrospectively from the date of the engagement in the leasing. But, if the entity does not have the information required to adopt the Amendment retrospectively, it must use the existing information on the date of adopting the Amendment and recognize the asset and liability relating to the leasing of the land classified as a result of the Amendment as financial leasing at their fair value at that time. Any difference between the fair value of the asset and the fair value of the liability will be recorded to retained earnings.

Note 3 - Events in the reported period

In the reported period the company purchased NIS 300 thousands convertible bonds (series 1) and NIS 7,100 thousands bonds (series 2) for NIS 5,558 thousands.
As a result of the purchase the company recorded gain from early redemption of bonds at a sum of NIS 1.8 million.

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Notes to the Financial Statements

Note 4 - Business segments

A. The Group defined the Company's CEO who makes the strategic decisions as the chief operating decision maker, of the Group. The CEO reviews the internal reports of the Group in order to evaluate performance and allocate recourses and determines the operating segments based on these reports.

The CEO examines the segments operating performance on the basis of measuring operating income, this measurement basis is not affected by one time expenses in the operating segments, such as the costs of structural change and an impairment in the value of assets, where the impairment in value results from a single one time event. Interest revenues and expenses are not included in the results in each of the operating segments examined by senior management.

B. The company and its subsidiaries operate in two main business segments.
- Programmable Logic Controllers systems (hereinafter "The products segment").
- System integration projects (hereinafter "The system integration projects segment").

C. Revenues

	For the three month period ended March 31,	For the three month period ended March 31,		For the year ended December 31,
	2009	2009	2008	2008
	(unaudited)	(unaudited)		(audited)
		(in thousands)		
	Convenience translation into Euro	NIS		
Products	2,253	12,555	16,183	64,418
System integration projects	897	4,999	1,944	14,597
Other	30	169	149	705
	3,180	17,723	18,276	79,720

B. Segment results

Products	781	4,352	6,335	22,348
System integration projects	(222)	(1,235)	(1,825)	(6,597)
Other	(3)	(16)	(12)	(11)
Unallocated corporate expenses	(416)	(2,319)	(2,333)	(8,943)
Operating profit	140	782	2,165	6,797
Unallocated financing income	764	4,260	352	286
Unallocated financing expenses	291	1,624	2,027	10,029
Profit (loss) for the period	613	3,418	490	2,946