Unitronics (1989) (R"G) LTD.

Quarterly Report as of June 30, 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 some 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

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 Agreement subsumes the construction of an automated warehouse for a customer in Israel, coordination between the various entities operating in the project in various fields, involving work with subcontractors in some fields, and direct responsibility with respect to other fields. The Company signed another agreement with the customer and a shelving contractor in the project. The project is valued at 23 million euros (some 15 million in respect of aspects for which the Company is directly responsible and some 8 million in respect of the shelving aspect in the project), an amount considered material for the Company and expected to have an effect on the Company's projected revenues and profits. Payments are expected to be made according to the progress of milestones in the project's execution. 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 to provide an agreed upon compensation in certain cases, at progressive rates. In addition, the Company will secure its obligations at limits of liability of $10 million.

(For details regarding the signing of the Agreement, see the immediate report concerning an event or matter outside the ordinary course of Company business, dated May 6, 2009), as well as a complementary report, dated May 12, 2009).

At the request of the Israeli Securities Authority, the Company published on May 12, 2009 a clarification concerning the above report, according to which the Company's projected revenues from the project, pursuant to the Agreement, are approximately 15 million euros out of the total project scope, in respect of the segments for which it is responsible under the Agreement. Additionally, it was stated that the Company will report revenues from this project in its financial statements by completion rates, based on the completion of engineering stages of the project work.

Payment for Bonds (Series 1) and Options Expiration

On May 24, 2009, the Company made the third payment of principal and interest on bonds (Series 1), which were allotted by the Company in 2004, under the prospectus issued on May 12, 2004 (for further details see the immediate report concerning payment of principal on bonds (Series 1), dated May 24, 2009).

Also, on May 31, 2009, employee share options of the Company expired (for details see the immediate report concerning a change in the corporation's issued capital, dated May 31, 2009).

Following these payments, bonds (Series 1) remained in circulation convertible into 955,556 Company shares, in accordance with the terms of those bonds.

Interest rate on Principal Amount of Bonds (Series 1) for the Eleventh Period

On May 24, 2009, the Company announced that the interest rate on the principal amount of bonds (Series 1) in circulation, offered pursuant to the Company's prospectus dated May 12, 2004 (hereinafter: "the prospectus"), for the eleventh period, that is, from May 23, 2009 up until November 22, 2009, would be 2.1516%, based on an (annual) LIBOR interest rate (for a period of six months), as defined in Section 2.7.2.2 of the prospectus (hereinafter: "the source"), of 1.8031% + 2.5% per year.

This refers to the interest rate currently known to the Company, which will publish an amending report should a change occur after an updated interest rate is published in the source for further details, see the immediate report concerning an event or matter outside the ordinary course of Company business, dated May 24, 2009).

Changes in the Holdings of Interested Parties

In consequence of the bond payments and the expiration of option warrants as stated above, there was an increase in the rate of holdings in the Company, on a fully diluted basis, of Mr. Haim Shani, the Company CEO and holder of a controlling interest therein. Mr. Shani's holding rate after the changes is: 55.75% of the capital and 59.39% of the voting rights (and on a fully diluted basis after the change: 48.05% of capital and 51.18% of voting rights) (for details, see the immediate report concerning the status of holdings of interested parties and senior officers, dated May 31, 2009).

15% Salary Waiver by Holders of a Controlling Interest

On May 21, 2009, the Company's Audit Committee and Board of Directors resolved to approve the unilateral waiver by each of Mr. Haim Shani (holder of a controlling interest and Chairman of the Board) and Ms. Bareket Shani (Mr. Shani's wife who also serves as a member of the Board of Directors) of 15% of their salary and fringe benefits. The duration of the waiver is six months beginning from the salary of May 2009, at the end of which the salary and fringe benefits will revert to their level preceding the waiver. The approval of the unilateral waiver for a six month period as stated complies with regulation 1B(1) of the Companies Regulations (reliefs in transactions with interested parties), 5760-2000, namely that the sole purpose of the transaction is to benefit the Company.

(For further details concerning the terms of employment of Mr. Shani and Ms. Shani see the immediate report about a transaction with a holder of a controlling interest or with a director that does not require a general meeting, dated May 21, 2009).

Lease Agreement with Holders of a Controlling Interest

The Company rents a space of approximately 632 square meters in the building called "Unitronics House" from a company controlled by Mr. Haim Shani, holder of the controlling interest in the Company, who serves as Chairman of the Board and Company CEO, and Mr. Shani's wife, Ms. Bareket Shani, who serves as a director and the HR manager of the Company (hereinafter – "the lessor"), in accordance with agreements which concluded at the end of July 2009.

On May 21, 2009, the Company's Board of Directors and Audit Committee approved, subject to the approval of the shareholders general meeting, the signing of a new lease agreement with the lessor for the rental of 936 square meters of office space in Unitronics House, including 20 parking spaces. According to the agreement, the rental is for a period of thirty six months, starting August 1, 2009, and can be terminated at any time by a three month advance notice, by a decision of the Company's Audit Committee.

The Company's Audit Committee and Board of Directors affirmed that the growth in the Company's activities, including additions to the workforce, necessitates the rental of additional space. The approval of the said transaction will enable the Company to rent additional space in the quickest and most effective manner, in the same building, without moving expenses and/or expenses due to dividing the Company's activities among a number of centers.

Even though the Company's Board of Directors does not consider the aforementioned transaction an "exceptional transaction" as defined in the Companies Law, the Company's Audit Committee and Board of Directors decided, solely as a precaution, to take a conservative stance and deem the said transaction as an "exceptional transaction", and accordingly to bring the matter for approval by the Company shareholders general meeting, in accordance with Section 270 (4) of the Companies Law. The Audit Committee and Board of Directors further affirmed that this transaction is at market terms and in the ordinary course of business and that it does not harm the interests of the Company.

(For further details concerning the approval of the transaction by the Company's Board of Directors and Audit Committee, see the immediate report on an event or matter outside the ordinary course of Company business, dated May 21, 2009).

On July 29, the Company shareholders general meeting approved the rental transaction with the company controlled by Mr. Shani, as stated above.
(For further details, see the immediate report on the outcome of a meeting for approval of a transaction with a holder of a controlling interest and/or approval of a private offering, as well as the immediate report on the outcome of a meeting, dated July 29, 2009).

Collective Agreement

As part of the Company's process of aligning its employees' work conditions with the latest amendments in the labor laws, the applicability to the Company's employees of the extension order in the metal, electrical and electronic industry branches from the year 2004 was examined anew and it was determined that this order does not apply.

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 prejudice 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 bringing suit under the abovementioned patent against Unitronics or its customers in respect of manufacture, use, sale, offers 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 filed 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 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 document to the Court of Appeals (a copy of which was not served to the Company). The court officer refused to accept this 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, in all 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. Even though the amount of time available to Gharb to appeal to the US Supreme Court elapsed (and prima facie, since no appeal was filed, the proceedings in this case have come to an end), on June 5, 2009, Gharb sent the Company and its attorneys copies of documents testifying to an attempt by Gharb to appeal the decision of the Court of Appeals before the US Supreme Court. It is not known to the Company if these documents were in actual fact submitted by Gharb to the US Supreme Court, but nonetheless, the Company anticipates that, in light of the deficiencies in the documents sent by Gharb, the Supreme Court will not accept them as an appeal, should they be submitted. The Company continues to follow developments in this case.

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" or “the defendant”), a Spanish company engaging in the design, manufacture, sale and servicing of storage solutions, including shelving systems and automated warehouses, in respect of damages incurred by the Company as a result of Thyssen's acts and omissions. The amount of the claim is 800 thousand euros.

Around June 2005, the Company entered into an agreement with Maadanot Ltd. ("Maadanot"), a company engaging in the production of frozen food products, in the framework of a detailed purchase order for the construction of an automatic 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 connected with the construction of the project, and this 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 the 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 project.

However, as alleged in the statement of claim, Thyssen breached the agreement with the Company. Post factum, it became apparent to the Company that Thyssen made 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, and more.

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 done 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, the statement of claim was served to Huliot Logistic Systems Ltd., the representative of Mecalux Thyssen in Israel. According to an update by the defendant’s attorneys and with the agreement of the Company’s attorneys, a motion for a technical change in the defendant’s name from Mecalux Thyssen to Mecalux Servis SA was submitted to the court on June 3, 2009. To date, a statement of defense has not yet been filed. The defendant submitted a motion by consent for a time extension until after the court’s summer recess to submit a statement of defense. The court approved the motion. Subsequently, on June 4, 2009, the parties submitted a motion by consent for amendment of the statement of claim due to a name change and merger, requesting to change the name of the defendant to Mecalux Servis SA. The honorable court approved the requested amendment.

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.

Dispute with Robotic Parking

On December 28, 2006, the Robotic Parking Company (hereinafter "Robotic") filed an amended claim (pursuant to an original claim from June 2006) against Hoboken City Hall, New Jersey, USA, and against its heads, concerning the automatic parking system set up by Robotic a few years earlier. Unitronics and Unitronics Inc. were added to this amended claim as additional defendants, *inter alia*, for violating patent and intellectual property rights, causing breach of contract and slander. In accordance with the terms of the agreements between city hall and Unitronics, the former is obligated, *inter alia*, to compensate Unitronics for all damages caused to it by claims of Robotics.

This dispute was resolved by way of compromise. The key points of compromise: mutual withdrawal of existing and/or future claims and allegations in relation to the dispute, the subject of the aforementioned proceeding, without payment of any compensation. The compromise agreement was signed by the parties on July 17, 2007, and validated as a court ruling by the US Court on July 20, 2007.

On July 16, 2009, the Company initiated proceedings against Robotic in New Jersey, USA, in a claim for a prohibitory injunction and compensation for damages, on the grounds of breaching the compromise agreement, causing breach of contract and abusing legal proceeding, due to Robotic's attempts to obtain information at the disposal of Hoboken City Hall, that is the Company's protected intellectual property.

Additionally, on July 21, 2009, the court in New Jersey authorized the Company to present its position in an existing claim by Robotic against Hoboken City Hall, only in the context of the Company's protected trade secrets being at the disposal of Hoboken City Hall.

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

Chapter B – Board of Directors Report

1. Financial Position

Assets

Total assets according to the consolidated balance sheet of the Company as of June 30, 2009 decreased to approximately NIS 93,462 thousand compared to approximately NIS 102,421 thousand as of December 31, 2008. The decrease stemmed mainly from a decrease in the cash and marketable securities items, as detailed below.

The total of cash, cash equivalents and marketable securities decreased to approximately NIS 29,097 thousand as of June 30, 2009, compared to approximately NIS 42,259 thousand as of December 31, 2008. The decrease stems mainly from the payment of Series 1 bonds as explained above, and from the self purchase of bonds Series 1 and Series 2 as detailed in Chapter A, Section 3 of the first quarterly report for 2009 (for details see the periodic report dated May 21, 2009).

The trade receivables and income receivable item decreased from approximately NIS 11,295 thousand as of December 31, 2008 to approximately NIS 10,391 thousand as of June 30, 2009, mainly due to a decrease in the Company's revenues from the beginning of the year, as compared with the six months preceding this period, as detailed below.

An increase was recorded in inventory from approximately NIS 13,326 thousand as of December 31, 2008 to approximately NIS 17,598 thousand as of June 30, 2009, resulting mainly from the increase in the work in process inventory component, in the ordinary course of the Company's business. The Company seeks to continually streamline the processes of inventory procurement and 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).

A decrease was recorded in fixed assets, which stood at approximately NIS 17,492 thousand as of June 30, 2009 compared to approximately NIS 18,208 thousand as of December 31, 2008, mainly deriving from depreciation recorded for the period.

In the intangible assets item an increase was recorded to a total of approximately NIS 15,077 thousand as of June 30, 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 14,891 thousand as of June 30, 2009, compared to approximately NIS 16,941 thousand as of December 31, 2008. This amount derives mainly from current maturities of Series 2 bonds payable in August 2009, current maturities of convertible bonds (Series 1) payable in May 2010, and current maturities of long-term loans.

An increase was recorded in trade payables, this item amounting to approximately NIS 11,050 thousand as of June 30, 2009, compared to approximately NIS 9,545 thousand as of December 31, 2008. This increase results mainly from an increase in the accounts payable trade component of the systems' segment.

Other accounts payable amounted to approximately NIS 12,338 thousand as of June 30, 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 28,613 thousand as of June 30, 2009, compared to approximately NIS 41,973 thousand as of December 31, 2008. The decrease is mainly attributable to payment of Series 1 bonds as detailed above and the self-purchase of bonds Series 1 and Series 2, as detailed in Chapter A, Section 3 of the first quarterly report for 2009 (for details see the periodic report dated May 21, 2009).

The Company's working capital decreased to approximately NIS 19,444 thousand as of June 30, 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, as explained above.

The Company's shareholders' equity increased to approximately NIS 26,167 thousand as of June 30, 2009, compared to approximately NIS 20,700 thousand as of December 31, 2008. The increase is mainly due to the net profit accumulated from the start of the year, as detailed below.

2. Operating Results

Revenues

Company revenues in the first half of 2009, amounted to approximately NIS 37,217 thousand, compared to approximately NIS 39,974 thousand in the corresponding half in 2008 (a 7% decrease). Company revenues in the quarter ended June 30, 2009, amounted to approximately NIS 19,494 thousand, compared to approximately NIS 21,698 thousand in the corresponding quarter in 2008 (a 10% decrease). The decrease is mainly 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 June 30, 2009 amounted to approximately NIS 13,829 thousand, an increase of 10% compared to the previous quarter and a decrease of 17% compared to the same quarter in 2008. Revenues from the products segment in the first half of 2009 amounted to approximately NIS 26,384 thousand, a 20% decrease, compared to approximately NIS 32,844 thousand in the first half of 2008. In the Company's estimation, the changes in revenues from the products segment stem primarily from the effects of the financial crisis gripping the global markets since the second half of 2008, resulting in the slowing 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 June 30, 2009 amounted to approximately NIS 5,551 thousand, an 11% increase compared to the previous quarter and a 14% increase compared to the same quarter in 2008. Revenues from the systems segment in the first half of 2009 amounted to approximately NIS 10,550 thousand, a 55% increase compared to NIS 6,814 thousand in the same half in 2008. The increase in revenues from the systems segment stems, in the Company's estimation, from receipt of new orders to establish logistic systems by the Company's systems department and the actual rate of progress in the construction of several logistic systems of this type. During 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 significant amount (see above).

Revenues from the products segment in the quarter ended June 30, 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 by other revenues). In the corresponding quarter in 2008, revenues from the products segment constituted approximately 77% of total Company revenues in that quarter, while revenues from the systems segment in the same period constituted approximately 22% 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 June 30, 2009 was approximately NIS 6,653 thousand (about 34% of revenues for the period), compared to approximately NIS 6,706 thousand in the corresponding quarter in 2008 (about 31% of revenues for the period). Total gross profit for the first half of 2009 was approximately NIS 12,554 thousand (about 34% of revenues for the period), compared to approximately NIS 13,604 thousand in the first half of 2008 (about 34% of revenues for the period).

The changes in gross profit rates stem 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 June 30, 2009, totaling approximately NIS 419 thousand, compared to approximately NIS 417 thousand in the corresponding quarter in 2008. Development costs, net, in the first half of 2009 totaled approximately NIS 933 thousand, compared to approximately NIS 791 thousand in the corresponding half in 2008. In the reported period an intangible asset was recognized in respect of development costs, amounting to approximately NIS 2,800 thousand, 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, and facilitate its business plans.

Selling and Marketing Expenses

Selling and marketing expenses in the quarter ended June 30, 2009 amounted to approximately NIS 2,580 thousand (about 13% of revenues), compared to approximately NIS 3,059 thousand (about 14% of revenues) in the corresponding quarter in 2008. Selling and marketing expenses in the first half of 2009 amounted to approximately NIS 5,440 thousand (about 15% of revenues), compared to approximately NIS 5,962 thousand (about 15% of revenues) in the corresponding half in 2008.

There was a small reduction in selling and marketing expenses in the reported quarter, incurred *inter alia* 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, in accordance with changes in its activities as detailed in this report, and in order to facilitate its business plans.

General and Administrative Expenses

There was no material change in general and administrative expenses, which totaled approximately NIS 1,388 thousand in the quarter ended June 30, 2009, compared to approximately NIS 1,342 thousand in the corresponding quarter in 2008. General and administrative expenses in the first half of 2009 totaled approximately NIS 3,133 thousand, compared to approximately NIS 2,798 thousand in the corresponding half in 2008. The change from the beginning of the year 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

An increase was recorded in operating profit for the quarter ended June 30, 2009, which amounted to approximately NIS 2,266 thousand, compared to operating profit of approximately NIS 1,888 thousand in the corresponding quarter in 2008. The increase in operating profit in the reported period is primarily due to the decrease in the Company's selling and marketing expenses in this period, as explained above.

In the first half of 2009 a decrease was recorded in the operating profit, which totaled approximately NIS 3,048 thousand, compared to an operating profit of approximately 4,053 thousand in the corresponding half in 2008. The decrease in operating profit in the reported half is primarily due to the decrease in the gross profit, as explained above.

Financing Expenses and Revenues

Financing expenses, net, in the quarter ended June 30, 2009 amounted to approximately NIS 695 thousand, compared to financing expenses, net, of approximately NIS 1,423 thousand in the corresponding quarter in 2008, and compared to financing revenues, net, of approximately NIS 1,636 thousand in the previous quarter. Financing revenues, net, in the first half of 2009 amounted to approximately NIS 1,941 thousand, compared to financing expenses, net, of approximately NIS 3,098 thousand in the corresponding half in 2008.

The changes in this item are largely due to a profit deriving from the self-purchase of bonds Series 1 and Series 2, as detailed in Chapter A, Section 3 in the first quarterly report for 2009, and to Company revenues deriving from marketable securities, offset by financing expenses. Financing expenses include revaluation of bonds (Series 2) linked to the Israeli Consumer Price Index according to the Company's August 2006 prospectus, the interest components of the Company's bonds, mainly bonds (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 bonds (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 bonds (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 first half of 2009 the Company presents a net profit totaling approximately NIS 4,989 thousand (about 13.5% of revenues), compared to a net profit of approximately NIS 955 thousand in the corresponding half in 2008 (some 2.4% of revenues).

In the reported quarter the Company presents a net profit totaling approximately NIS 1,571 thousand (about 8% of revenues), compared to a net profit of approximately NIS 465 thousand in the corresponding period in 2008 (some 1.2% of revenues).

The Company believes that the financing revenues detailed above are the principal cause for the increase in net profit from the beginning of the year.

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 a profit of approximately NIS 4,010 thousand, compared to approximately NIS 4,882 thousand for the corresponding quarter in 2008. Results of the Products Segment in the first half of 2009 amounted to approximately NIS 8,362 thousand, compared to approximately NIS 11,217 thousand in the corresponding half 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 profit of approximately NIS 308 thousand, compared to a loss of approximately NIS 1,601 thousand in the corresponding quarter in 2008. Results of the Systems Segment in the first half of 2009 amounted to a loss of approximately NIS 927 thousand, compared to a loss of approximately NIS 3,426 thousand in the corresponding half 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, and from different profit rates of a number of transactions during this period.

3. Liquidity and Sources of Financing

The balance of cash, cash equivalents and marketable securities of the Company totaled as of June 30, 2009 approximately NIS 29,097 thousand, compared to approximately NIS 42,259 thousand as of December 31, 2008 The decrease stems mainly from the payment of Series 1 bonds as explained above, and from the self purchase of bonds Series 1 and Series 2 as detailed in Chapter A, Section 3 of the first quarterly report for 2009 (for details see the periodic report dated May 21, 2009).

Cash flow from operating activities in the quarter ended June 30, 2009 amounted to a positive cash flow of approximately NIS 1,508 thousand. In the first half of 2009 the cash flow from operating activities amounted to a positive cash flow of approximately NIS 2,149 thousand. The positive cash flow stems mainly from the net profit for the period, as explained above.

Cash flow from investing activities in the quarter ended June 30, 2009 amounted to a positive cash flow of approximately NIS 1,070 thousand. In the first half of 2009 the cash flow from investing activities amounted to a positive cash flow of approximately NIS 6,898 thousand. The positive cash flow is 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 June 30, 2009 amounted to a negative cash flow of approximately NIS 8,874 thousand. In the first half of 2009 the cash flow from financing activities amounted to a negative cash flow of approximately NIS 14,713 thousand. The negative cash flow is primarily due to the payment of Series 1 bonds as explained above, and from the self-purchase of bonds Series 1 and Series 2 as detailed in Chapter A, Section 3 of the first quarterly report for 2009.

On June 30, 2009, total credit facilities available to the Company for current operations stood at approximately NIS 13.4 million. On June 30, 2009, a total of approximately NIS 13 million 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 work 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 bonds (Series 1) according to the 2004 prospectus. The principal and interest of these bonds 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 bonds 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.

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 June 30, 2009, it was NIS 3.9190 per US dollar; and immediately prior to the publication of this report it was NIS 3.7960 per US dollar (as of August 25, 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 June 30, 2009, it was NIS 5.5346 per euro; and immediately prior to publication of this report it was NIS 5.4400 per euro (as of August 25, 2009).

Exposure to Changes in the Consumer Price Index

In August 2006, the Company issued bonds (Series 2). These bonds 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 bonds (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 bonds (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 bonds (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 bonds (Series 1), especially following the drop in the dollar exchange rate below the base rate mentioned above.

On May 24, 2009, the Company repaid 50% of the nominal principal of convertible bonds (Series 1) on that day, totaling NIS 8,600 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 3.3960 per dollar). After this payment, the total repayment balance stands at 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 bonds (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 projected 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 bonds (Series 1) and (Series 2).

5. Consolidated Linkage Bases Report

	As of June 30, 2009						
	Israeli Currency		Foreign Currency				
	Unlinked	CPI-Linked	In Euro	In USD	In Other Curren-cies	Non-Monetary Balances	Total
	NIS in Thousands						
Assets							
Cash and cash equivalents	2,059	-	3,077	3,840	-	-	8,976
Marketable securities	5,037	12,298	-	2,786	-	-	20,121
Trade receivables and income receivable	4,728	-	3,596	2,067	-	-	10,391
Other accounts receivable	266	-	-	45	-	251	562
Embedded derivatives	-	-	-	-	-	220	220
Inventory	-	-	-	-	-	17,592	17,592
Inventory of work in progress	-	-	-	-	-	-	-
Long-term deposits	-	-	-	-	-	41	41
Fixed assets, net	-	-	-	-	-	17,492	17,492
Prepaid expenses for operating lease – net	-	-	-	-	-	2,985	2,985
Intangible assets – net	-	-	-	-		15,077	15,077
Total assets	12,090	12,298	6,673	8,738	-	53,663	93,462
Liabilities							
Current maturities of non-current liabilities	-	5,779	511	8,601	-	-	14,891
Trade payables	4,962	-	5,691	433	-	-	11,050
Option warrants	-	-	-	-		144	144
Other accounts payable	10,700	-	-	-	-	1,638	12,338
Loans from banks and others	-	-	3,830	3,207	-	-	7,037
Bonds	-	21,222	-	-	-	-	21,222
Liabilities for employee benefits – net	-	-	-	-	-	613	613
Total liabilities	15,626	27,001	10,032	12,241	-	2,395	67,295
Balance sheet total, net	(3,536)	(14,703)	(3,359)	(3,503)	-	51,268	26,167

6. Sensitivity Tests on Financial Instruments as of June 30, 2009

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 4.31 per $	+5% NIS 4.11 per $	Fair Value NIS 3.919 per $	-5% NIS 3.72 per $	-10% NIS 3.53 per $
Cash and cash equivalents	384	192	3,840	-192	-384
Marketable securities	279	139	2,786	-139	-279
Trade receivables and income receivable	207	103	2,067	-103	-207
Other accounts receivable	5	2	45	-2	-5
Short-term credit and current maturities of long-term liabilities (**)	-43	-21	-8,601	21	43
Trade payables	-43	-22	-433	22	43
Other accounts payable	-	-	-	-	-
Long-term loans	-321	-160	-3,207	160	321
Convertible bonds(**)	-	-	-	-	-
Total	467	233	-3,503	-233	-467

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

** The convertible bonds 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 6.09 per €	+5% NIS 5.81 per €	Fair Value NIS 5.535 per €	-5% NIS 5.26 per €	-10% NIS 4.98 per €
Cash and cash equivalents	308	154	3,077	-154	-308
Trade receivables and income receivable	360	180	3,596	-180	-360
Short-term credit and current maturities of long-term liabilities	-51	-26	-511	26	51
Trade payables	-569	-285	-5691	285	569
Long-term loans	-383	-192	-3,830	192	383
Total	-305	-169	-3,359	169	305

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% 222.93 points	+5% 212.79 points	Fair Value 202.66 points	-5% 192.53 points	-10% 182.39 points
Marketable securities	1,230	615	12,298	-615	-1,230
Short-term credit and current maturities of long-term liabilities	-578	-289	-5,779	289	415
Bonds (***)	-2,122	-1,061	-21,222	1,061	1,525
Total	-1,470	-735	-14,703	735	710

*** Bonds 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	642	321	6,425	-321	-642
Local – corporate	1,370	685	13,697	-685	-1,370
Total	2,012	1,006	20,121	-1,006	-2,012

7. Independent Board Members

The Company’s Articles of Association do not incorporate provisions of the Companies Law with regard to the number of independent Board members. The Board of Directors discussed this issue and determined that in view of provisions of the Company’s Articles of Association which set a limit of 6 Board members on the Company Board of Directors, and since two of them are External Directors, the Company in actual fact has two independent Board members, hence the Board of Directors did not see fit to amend the Company’s Articles of Association.

The Company is currently served by two independent Board members: Mr. Moshe Braz and Mr. Yoel Sela – both experts having accounting and financial skills.

8. 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 board member with professional qualification.
2. Ms. Bareket Shani –Board member 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 – Board member with accounting proficiency, member of the Audit Committee.
4. Mr. Moshe Braz, CPA –External board member 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 board member 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: August 26, 2009

Unitronics (1989) (R"G) LTD.

Condensed Consolidated Interim Financial Statements As of June 30, 2009

(Unaudited)

Unitronics (1989) (R"G) Ltd.

Condensed Consolidated Interim Financial Statements

June 30, 2009

(unaudited)

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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 financial position as at June 30, 2009 and the condensed interim consolidated statements of operations, comprehensive income, changes in shareholders' equity and cash flows for the periods of six and three months then ended. The Board of Directors and management are responsible for the preparation and presentation of the financial information for this interim periods 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 periods under Chapter D of the Securities Regulations (Periodic and Immediate Reports) – 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 period of a consolidated company whose assets included in the consolidation comprise 5 % of all the consolidated assets as at June 30, 2009 and whose revenues included in the consolidation comprise 16 % of all consolidated revenues for the periods of six and 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 No. 1 of the Institute of Certified Public Accountants in Israel "Review of financial information for interim periods performed 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 audit opinion.

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 IAS 34.

In addition to the previous paragraph, 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 does not meet, in 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,
August 26, 2009

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

	June 30, 2009	June 30, 2009	June 30, 2008	December 31, 2008
	(unaudited)	(unaudited)		(audited)
		(in thousands)		
	Convenience translation into Euro (1)	NIS		
Current assets				
Cash and cash equivalents	1,622	8,976	14,483	14,559
Marketable securities	3,635	20,121	29,043	27,700
Accounts receivable -				
Trade	1,877	10,391	9,830	11,295
Other	102	562	610	416
Embedded derivatives	40	220	-	-
Inventory	3,180	17,597	13,913	13,326
	10,456	57,867	67,879	67,296
Non-current assets				
Long-term deposits	8	41	328	134
Property and equipment, net	3,160	17,492	18,626	18,208
Prepaid leasehold rights expenses	539	2,985	3,037	3,002
Intangible assets, net	2,724	15,077	11,765	13,781
	6,431	35,595	33,756	35,125
	16,887	**93,462**	**101,635**	**102,421**

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

Approved: August 26, 2009.

(1) See note 1C.

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

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

	June 30, 2009	June 30, 2009	June 30, 2008	December 31, 2008
	(unaudited)	(unaudited)		(audited)
		(in thousands)		
	Convenience translation into Euro (1)	NIS		
Current liabilities				
Current maturities of non-current liabilities	2,691	14,891	10,456	16,941
Accounts payable -				
Trade	1,997	11,050	8,279	9,545
Other	2,229	12,338	10,416	13,029
Warrants	26	144	178	18
Embedded derivatives	-	-	134	215
	6,943	38,423	29,463	39,748
Non-current liabilities				
Loans from banks and others	1,271	7,037	7,299	7,228
Convertible bonds	-	-	7,441	7,896
Bonds	3,834	21,222	32,247	26,046
Liabilities for benefits to employees, net	111	613	226	803
	5,216	28,872	47,213	41,973
Shareholders' equity				
Share capital	64	352	352	352
Share premium	9,079	50,250	50,250	50,250
Capital reserve from share-based payments	59	326	326	326
Capital reserve from translation of foreign operations	(82)	(454)	(1,347)	(733)
Company shares held by the company	(530)	(2,931)	(2,853)	(2,931)
Accumulated loss	(3,862)	(21,376)	(21,769)	(26,564)
	4,728	26,167	24,959	20,700
	16,887	**93,462**	**101,635**	**102,421**

(1) See note 1C.

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

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

	For the six months period ended June 30,	For the six months period ended June 30,		For the three months period ended June 30,	For the three months period ended June 30,		'or the year ended December 31,
	2009	2009	2008	2009	2009	2008	2008
	(unaudited)	(unaudited)		(unaudited)	(unaudited)		(audited)
				(in thousands)			
	Convenience translation into Euro (1)	NIS		Convenience translation into Euro (1)	NIS		
Revenues	6,725	37,217	39,974	3522	19,494	21,698	79,720
Cost of revenues	4,456	24,663	26,370	2320	12,841	14,992	53,756
Gross profit	2,269	12,554	13,604	1202	6,653	6,706	25,964
Development expenses, net	169	933	791	76	419	417	1,617
Selling & marketing expenses	983	5,440	5,962	466	2,580	3,059	12,449
General & administrative expenses	566	3,133	2,798	251	1,388	1,342	5,101
Operating profit	551	3,048	4,053	409	2,266	1,888	6,797
Financing income	944	5,221	1,751	266	1,241	1,399	286
Financing expenses	593	3,280	4,849	350	1,936	2,822	10,029
Profit (loss) for the period	902	4,989	955	325	1,571	465	(2,946)
Profit (loss) per 1 ordinary share NIS 0.02 par value (NIS)	0.082	0.453	0.086	0.029	0.143	0.042	(0.267)

(1) See note 1C.
The notes to the financial statements form an integral part thereof.

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

	For the six months period ended June 30,	For the six months period ended June 30,		For the three months period ended June 30,	For the three months period ended June 30,		'or the year ended December 31,
	2009	2009	2008	2009	2009	2008	2008
	(unaudited)	(unaudited)		(unaudited)	(unaudited)		(audited)
				(in thousands)			
	Convenience translation into Euro (1)	NIS		Convenience translation into Euro (1)	NIS		
Profit (loss) for the period	902	4,989	955	325	1,571	465	(2,946)
Other comprehensive income							
Actuarial gain (loss)	36	199	-	(6)	27	-	(894)
Translation of foreign operation	50	279	(763)	(47)	(263)	(318)	(149)
Benefit arising from warrants granted	-	-	3	-	-	-	3
Other comprehensive income for the period	86	478	(760)	(53)	(236)	(318)	(1,040)
Total comprehensive income for the period	988	5,467	195	272	1,335	147	(3,986)

(1) See note 1C.

The notes to the 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	-	-	-	279	-	5,188	5,467
Balance at June 30, 2009 (unaudited)	352	326	50,250	(454)	(2,931)	(21,376)	26,167
Balance at January 1, 2008 (audited)	352	323	50,250	(584)	(2,853)	(22,724)	24,764
Total comprehensive income for the period	-	3	-	(763)	-	955	195
Balance at June 30, 2008 (unaudited)	352	326	50,250	(1,347)	(2,853)	(21,769)	24,959
Balance at April 1, 2009 (unaudited)	352	326	52,250	(191)	(2,931)	(22,974)	24,832
Total comprehensive income for the period	-	-	-	(263)	-	1,598	1,335
Balance at June 30, 2009 (unaudited)	352	326	50,250	(454)	(2,931)	(21,376)	26,167
Balance at April 1, 2008 (unaudited)	352	326	50,250	(1,029)	(2,853)	(22,234)	24,812
Total comprehensive income for the period	-	-	-	(318)	-	465	147
Balance at June 30, 2008 (unaudited)	352	326	50,250	(1,347)	(2,853)	(21,769)	24,959
	Convenience translation into Euro in thousands (unaudited) (1)						
Balance at January 1, 2009	64	59	9,079	(132)	(530)	(4,800)	3,740
Total comprehensive income for the period	-	-	-	50	-	938	988
Balance at June 30, 2009	64	59	9,079	(82)	(530)	(3,862)	4,728

(1) See note 1C.
The notes to the financial statements form an integral part thereof.

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

	For the six months period ended June 30,	For the six months period ended June 30,		For the three months period ended June 30,	For the three months period ended June 30,		For the year ended December 31,
	2009	2009	2008	2009	2009	2008	2008
	(unaudited)	(unaudited)		(unaudited)	(unaudited)		(audited)
				(in thousands)			
	Convenience translation into Euro (1)	NIS		Convenience translation into Euro (1)	NIS		
Cash flows from operating activities							
Profit (loss) for the period	902	4,989	955	283	1,571	465	(2,946)
Adjustments necessary to show the cash flows from operations (Appendix A)	(514)	(2,840)	2,866	(11)	(63)	4,242	13,607
Cash flows provided by operating activities	388	2,149	3,821	272	1,508	4,707	10,661
Cash flows from investing activities							
Sale of marketable securities, net	1,782	9,860	9,805	457	2,524	10,508	8,405
Purchase of property and equipment	(18)	(100)	(756)	(10)	(53)	(531)	(1,191)
Repayment of long-term deposits	12	70	35	9	45	24	106
Investment in intangible assets	(530)	(2,932)	(3,849)	(261)	(1,446)	(1,988)	(7,689)
Cash flows provided by (used in) investing activities	1,246	6,898	5,235	195	1,070	8,013	(369)
Cash flows for financing activities							
Repayment of long-term loans	(100)	(555)	(493)	(50)	(274)	(241)	(1,010)
Repayment of convertible bonds	(1,554)	(8,600)	(9,924)	(1,554)	(8,600)	(9,365)	(10,629)
Early redemption of bonds	(955)	(5,286)	-	-	-	-	-
Early redemption of convertible bonds	(49)	(272)	-	-	-	-	-
Purchase of company shares by the company	-	-	-	-	-	-	(78)
Short-term credit from banks, net	-	-	54	-	-	54	-
Cash flows used in financing activities	(2,658)	(14,713)	(10,363)	(1,604)	(8,874)	(9,552)	(11,717)
Translation differences in respect of foreign operations cash balances	15	83	(295)	(19)	(104)	(42)	(101)
Change in cash and cash equivalents	(1,009)	(5,583)	(1,602)	(1,156)	(6,400)	3,126	(1,526)
Cash and cash equivalents at beginning of period	2,631	14,559	16,085	2,778	15,376	11,357	16,085
Cash and cash equivalents at end of period	1,622	8,976	14,483	1,622	8,976	14,483	14,559

(1) See note 1C.

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

Unitronics (1989) (R"G) Ltd.

Condensed consolidated interim statement of cash flows

	For the six months period ended June 30,	For the six months period ended June 30,		For the three months period ended June 30,	For the three months period ended June 30,		'or the year ended December 31,
	2009	2009	2008	2009	2009	2008	2008
	(unaudited)	(unaudited)		(unaudited)	(unaudited)		(audited)
				(in thousands)			
	Convenience translation into Euro (1)	NIS		Convenience translation into Euro (1)	NIS		
Appendix A - Adjustments necessary to show the cash flows from operations							
Depreciation and amortization	587	3,248	2,320	249	1,378	1,177	5,890
Loss (profit) from marketable securities, net	(412)	(2,281)	(231)	(88)	(485)	(476)	2,512
Profit from early redemption of bonds	(332)	(1,838)	-	-	-	-	-
Benefit arising from warrants granted	-	-	3	-	-	-	3
Increase (decrease) in liabilities for benefits to employees, net	2	10	65	20	103	(21)	(253)
Reevaluation of warrants and conversion option of convertible bonds	22	126	(35)	18	109	(52)	(194)
Exchange rate changes of long-term loans and convertible bonds	117	651	(24)	44	247	253	1,057
Reevaluation of embedded derivatives	(79)	(435)	134	- (*)	1	134	215
Capital loss	-	-	(25)	-	-	(25)	-
Decrease (increase) in accounts receivable - trade	183	1,015	3,953	(201)	(1,114)	475	2,737
Decrease (increase) in accounts receivable - other	(13)	(71)	(315)	63	347	890	38
Decrease (increase) in inventory	(764)	(4,231)	(840)	(617)	(3,415)	1,450	(107)
Increase (Decrease) in accounts payable - trade	272	1,506	(4,350)	317	1,756	(3,739)	(3,093)
Increase (decrease) in accounts payable - other	(97)	(540)	2,211	182	1,010	4,176	4,802
	(514)	(2,840)	2,866	(11)	(63)	4,242	13,607
Appendix B - Additional information							
Cash paid during the period for:							
Interest	265	1,465	2,346	92	508	1,106	4,173
Taxes on income	10	54	54	5	27	27	108
Cash received during the period for:							
Interest	100	553	918	56	311	528	1,319

(1) See note 1C.

(*) Less then 1,000 Euro.

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

Note 1 - General

A. These financial statements have been prepared in a condensed format as of June 30, 2009, and for the six and three months periods 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 1 Euro	Exchange rate of 1 U.S. dollar
	Points (*)	NIS	NIS
June 30, 2009	202.66	5.5346	3.919
June 30, 2008	195.62	5.2849	3.352
December 31, 2008	198.42	5.2973	3.802
Change during the period	%	%	%
Six month ended June 30, 2009	2.14	4.47	3.08
Six month ended June 30, 2008	2.34	(6.61)	(12.84)
Three month ended June 30, 2009	2.28	(0.70)	(6.42)
Three month ended June 30, 2008	2.24	(5.91)	(5.66)
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 June 30, 2009 (EURO 1 = NIS 5.5346).

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
   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 IFRS 8 – "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 IAS 7 – "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.

Note 4 - Events after the reported period

On July 23 2009 the economic efficiency law was published (legislation amendments for implementation of the economic plan for the years 2009 and 2010), 2009, that determined, among other things, additional gradual reduction of cooperate income tax starting from 2011 and forth: 2011 - 24%, 2012 - 23%, 2013 - 22%, 2014 - 21%, 2015 - 20%, 2016 and forward - 18%.

Note 5 - 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").

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

Note 5 - Business segments (cont'd)

	For the six months period ended June 30,	For the six months period ended June 30,		For the three months period ended June 30,	For the three months period ended June 30,		For the year ended Decembe 31,
	2009	**2009**	**2008**	**2009**	**2009**	**2008**	**2008**
	(unaudited)	**(unaudited)**		**(unaudited)**	**(unaudited)**		**(audited)**
				(in thousands)			
	Convenience translation into Euro	**NIS**		**Convenience translation into Euro**	**NIS**		
C. Revenues							
Products	4,768	26,384	32,844	2,500	13,829	16,661	64,41
System integration projects	1,906	10,550	6,814	1,002	5,551	4,870	14,59
Other	51	283	316	20	114	167	70
	6,725	37,217	39,974	3,522	19,494	21,698	79,72
D. Segment results							
Products	1,512	8,362	11,217	725	4,010	4,882	22,34
System integration projects	(168)	(927)	(3,426)	55	308	(1,601)	(6,597
Other	(35)	(190)	14	(31)	(174)	26	(11
Unallocated corporate expenses	(758)	(4,197)	(3,752)	(340)	(1,878)	(1,419)	(8,943
Operating Profit	551	3,048	4,053	409	2,266	1,888	6,79
Unallocated financing income	944	5,221	1,751	215	1,241	1,399	28
Unallocated financing expenses	593	3,280	4,849	299	1,936	2,822	10,02
Profit (loss) for the period	902	4,989	955	325	1,571	465	(2,946