Unitronics (1989) (R"G) Ltd

Quarterly Report as of June 30, 2010

Table of Contents

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
Address:	Unitronics House, Arava Street, Airport City, P.O.B. 300, Israel 70100
Email Address:	investors@unitronics.com
Telephone:	03 977 8888
Facsimile:	03 977 8877

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 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 Belgium 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

Share Purchase Plans

On March 4, 2010, the Company’s Board of Directors approved the adoption of a plan for the acquisition of the Company's own shares (the “**Second Plan**”), replacing a previous plan of the Company (the “**First Plan**”) on the same matter, whose unexcercised balance had expired. In the framework of the Second Plan, the Company’s Board of Directors approved the acquisition, from time to time, of Company shares in the course of trading on the Tel Aviv Stock Exchange or the EuroNext Stock Exchange in Belgium, or directly from unrelated parties, for an aggregate sum not exceeding NIS 1.5 million (including costs associated with the realization of the acquisition, inclusive of the fees of consultants, service providers and brokers in connection with the acquisition, hence the expected cost of the plan did not exceed NIS 1.5 million). The date designated for implementation of the Second Plan was by June 30, 2010. (For details see immediate report concerning an event or matter outside the ordinary course of the Company’s business, dated March 4, 2010, reference number 2010-01-404196.)

On May 23, 2010, the Board of Directors approved the adoption of a new plan for the acquisition of the Company's own shares (the "**Third Plan**"), replacing the Second Plan, detailed above (under which, up until its expiration, Company shares were purchased for a total of NIS 820,000 out of the NIS 1.5 million framework). In the framework of the Third Plan, the Board approved the acquisition, from time to time, of Company shares in the course of trading on the Tel Aviv Stock Echange or the EuroNext Stock Exchange in Belgium, or directly from unrelated parties, for an aggregate sum not exceeding NIS 1.5 million (including costs associated with the realization of the acquisition, inclusive of the fees of consultants and service providers in connection with the acquisition, hence the expected cost of the plan stands at up to NIS 1.5 million). The date designated for implementation of the Third Plan is by September 30, 2010. (For details see immediate report concerning an event or matter outside the ordinary course of the Company’s business, dated May 23, 2010, reference number 2010-01-489135.)

As of the date of publication of this report, the Company has a total of 1,476,116 shares that were purchased as stated (out of an existing 11,678,504 ordinary shares in the Company's issued share capital), including 181,748 shares that were purchased under the Third Plan. As long as these shares remain under the ownership of the Company, they are “dormant shares” as this term is defined in the Companies Law, 5759-1999. For further details concerning these purchases, see immediate reports that were issued by the Company from time to time in connection therewith, beginning on August 18, 2005.

Payment for Debentures (Series 1)

On May 23, 2010, the Company paid the fourth and last installment of principal and interest on debentures (Series 1), which were allotted by the Company in 2004 pursuant to a prospectus published on May 12, 2004. (For details see immediate report on the payment of debentures (Series 1) principal, dated May 23, 2010, reference number 2010-01-489102.)

Following this payment, no debentures (Series 1) convertible into Company shares remain outstanding, in accordance with the terms of those debentures.

Exercise and Expiry of Options (Series 2)

On April 22, 2010, the Company received notice of the exercise of 1,958 options (Series 2), which were allotted by the Company pursuant to a prospectus published by it on August 16, 2006 (the "**2006 Prospectus**"), into ordinary shares of the Company, and in respect thereof the Company allotted 1,958 ordinary shares as stated. Following the allotment, the Company's issued share capital increased to stand at 11,678,504 ordinary shares.

On August 24, 2010, the balance of 598,042 options (Series 2) convertible into shares of the Company expired, in accordance with the terms of those options. (For details see immediate report on status of the Company's share capital and registered securities and changes therein, dated August 24, 2010, reference number 2010-01-597303.)

Payment for Debentures (Series 2)

On August 25, 2010, the Company paid the second out of five installents of principal and interest on debentures (Series 2), which were allotted by the Company in 2006, pursuant to the 2006 Prospectus. (For details see immediate report on the payment of debentures (Series 2) principal, dated August 25, 2010, reference number 2010-01-598479.)

Following this payment, 16,140,000 debentures (Series 2) remain outstanding.

Changes in the Holdings of Interested Parties

Following the debenture payments, the exercise and expiry of the options and the self-purchase of shares by the Company, as stated above, and following the payment of principal and interest on debentures (Series 1), the rate of holdings of Mr. Haim Shani, Company CEO and a controlling shareholder, has increased. The rate of holdings of Mr. Shani, as of the date of publication of this report, is: 60.18% of the capital and 60.18% of the voting rights (and on a fully diluted basis after the change: 58.96% of capital and 58.96% of voting rights).

Agreement for the Construction of an Automated Warehouse

On May 9, 2010, the Company signed an agreement for the construction of an automated warehouse in Israel (hereinafter in this section: the "**Agreement**"). The Agreement is in effect as of April 30, 2010, which is the date of signing of the Agreement by the customer.

The project is estimated at approximately 1.4 million euros, a sum that is considered material for the Company. Payment of the consideration is expected in accordance with milestones achieved in the course of the project. Completion of the project is expected in early 2011.

As security for the fulfillment of its obligations under the Agreement, the Company has undertaken to furnish bank guarantees and to pay agreed compensation in certain cases (for details, see immediate report concerning an event or matter outside the ordinary course of the Company's business, dated May 9, 2010, reference number 2010-01-474579).

Changes in the Company's Board of Directors

On July 3, 2010, the Company CEO, Mr. Haim Shani, ceased serving as Chairman of the Board, after completing a term of three years (for details see immediate report on a senior officer who has ceased officiating, dated June 30, 2010, reference number 2010-01-537480).

On July 3, 2010, Ms. Bareket Shani, who served as a director and Vice President of the Company, was appointed to serve as Chairman of the Board of Directors instead of Mr. Haim Shani (for details see immediate report on the appointment of a director (not being a corporation) or an individual serving on behalf of a director corporation, dated June 30, 2010, reference number 2010-01-537471).

Legal Proceedings

Dispute with Robotic Parking

On December 28, 2006, Robotic Parking Systems Inc (hereinafter: "**Robotic**") filed an amended lawsuit (pursuant to the original lawsuit from June 2006) against Hoboken City Hall in the state of New Jersey, USA, and its heads, with regard to an automated parking system that was set up some years previously by Robotic. Unitronics and Unitronics Inc., a company wholly owned and controlled by Unitronics, were added to the amended lawsuit as additional defendants, *inter alia* in respect of infringement of patents and intellectual property rights, causation of breach of contract and libel. Under the terms of the agreements between Hoboken City Hall and Unitronics, Hoboken City Hall agreed, *inter alia*, to indemnify Unitronics for any damage that would be incurred by it in consequence of Robotic's claims.

This dispute was resolved by way of a settlement. The principles of the settlement: mutual withdrawal of existing and/or future claims and contentions in connection with the dispute the subject of the aforementioned proceedings, without payment of any damages whatsoever. The settlement agreement was signed by the parties on July 17, 2007 and was given the effect of a judgment by the US court on July 20, 2007.

In addition, on July 21, 2009, the court in New Jersey authorized the Company to present its position in the framework of an existing lawsuit filed by Robotic against Hoboken City Hall, solely in connection with the presence of protected trade secrets of the Company in the possession of Hoboken City Hall. On October 30, 2009, the Company filed an application for an injunction against Robotic, in order to prevent the latter's access to trade secrets and protected intellectual property of the Company, and an injunction as stated was granted, in part.

On January 19, 2010, the Company and Robotic each appealed the partial nature of the injunction, and on March 23, 2010, these appeals were rejected. The Company appealed the said decision once again, and the appeal was rejected. The Company plans to appeal the decision yet again, but meanwhile does not foresee real and present danger of exposure of its protected trade secrets.

On July 16, 2009, the Company brought a lawsuit in the state of New Jersey, USA, against Robotic, for the granting of an injunction and compensation for damages in respect of breach of an agreement, causation of breach of contract and abuse of legal proceedings, following Robotic's attempt to obtain information that is the Company's protected intellectual property and is in the possession of Hoboken City Hall. On September 24, 2009, Robotic filed an application to reject the Company's claims, on the grounds that they do not establish a cause for compensation. The company's application was rejected on June 18, 2010, in consequence of which the company submitted an appeal on August 9, 2010. The appeal is expected to be heard by September 23, 2010.

On October 6, 2009, the court denied the Company's application for an injunction that was intended to prevent Robotic's access to the Company's trade secrets and protected intellectual property. On November 5, 2009, the Company appealed the said decision. The appeal is scheduled to be heard on September 24, 2010.

On January 7, 2010, the Company filed an application to join Mr. Constantin Hague as a defendant in the case, and to add a contention regarding defamation on the part of Robotic and Mr. Hague. Its application in these matters was not accepted, and the Company intends to include this rulng in the framework of its above appeal.

At this stage, the Company is unable to evaluate the chances of these applications and lawsuits.

<u>Dispute with Hoboken City Hall in New Jersey</u>

According to the terms of the agreements between Unitronics and Hoboken City Hall in the state of New Jersey, USA, with regard to the automated parking lot system in the city of Hoboken, Hoboken City Hall undertook, *inter alia*, to indemnify Unitronics in respect of any damage that would be incurred by it in consequence of Robotic's lawsuits (see above).

On April 22, 2010, the Company brought a lawsuit in the state of New Jersey, USA, against Hoboken City Hall in the state of New Jersey, in respect of breach of an agreement, on the grounds that the Company was not paid legal expenses and other expenses in connection with the settlement agreement detailed above.

On April 27, 2010, the statement of claim was served upon Hoboken City Hall, and an application to waive summonses was filed. No response has been received from City Hall to date.

On June 6, 2010, the Company petitioned the court to order Hoboken City Hall to pay legal fees and legal expenses in the amount of 314,000 dollars. No hearing has been scheduled as yet in the application.

At this stage, the Company is unable to evaluate the chances of this lawsuit.

Chapter B – Board of Directors Report

1. Financial Status

Assets

Total assets according to the consolidated balance sheet of the Company as of June 30, 2010 grew to NIS 115,616,000 compared to NIS 105,407,000 as of December 31, 2009. The growth in total assets primarily stems from the increase in cash and cash equivalents and inventory after deducting a decease in the work in-process inventory as specified below.

The items of cash and cash equivalents and marketable securities recorded an increase and together they totaled NIS 43,452,000 as of June 30, 2010 compared to NIS 34,947,000 as of December 31, 2009. Most of the increase stems from a positive cash flow from operating activity.

No significant change was recorded in trade receivables and income receivable, which totaled NIS 12,485,000 as of June 30, 2010 compared to NIS 13,384,000 as of December 31, 2009.

Inventory increased to NIS 221,305,000 as of June 30, 2010 compared to NIS 11,953,000 as of December 31, 2009.. This increase is primarily due to special equipment procurement as a result of the extension of the delivery times for components in the electronics industry. The Company estimates that this trend is likely to continue, and consequently it effects and may continue to effect delivery timetables of Company products, as well as create further exposures for the Company (for details see Section 1.9.6 of the Company's annual report for 2009). As of the date of publication of this report, the Company has not yet accumulated enough data to enable quantification of such exposures (regarding the Company's methods of handling the aforementioned exposures, see the Company's Market Risk Management Policies set forth in section 4 below). The Company continues to maintain a current 70-120 day inventory of components and raw materials, which is intended to meet anticipated demand. In addition, the Company has an inventory of finished products, which is intended for the steady supply of orders for about 35-60 days (for additional details regarding raw materials, suppliers and inventory see Chapter A, section 1.9.23.1 of the Company's annual periodic report for 2009).

The work in-progress inventory decreased to NIS 38,000 as of June 30, 2010 compared to NIS 7,835,000 as of December 31, 2009. The contraction in work in progress inventory is primarily due to recognition of expenses in respect of work in progress in the Systems Segment, resulting from progress in the execution of projects, and thus reflects headway in executing projects on the reporting date only.

No significant change was recorded in fixed assets, which amounted to NIS 21,594,000 as of May 30, 2010, compared to NIS 21,849,000 as of December 31, 2009.

No significant change was recorded in the intangible assets, which amounted to NIS 14,904,000 as of May 30, 2010, compared to NIS 14,737,000 as of December 31, 2009. The main component in this item is the recording of the Company's development assets relative to development costs which satisfy conditions for recognition as intangible assets, after deducting current amortization.

Liabilities

Current maturities of long-term liabilities amounted to NIS 9,027,000 as of May 30, 2010, compared to NIS 15,292,000 as of December 31, 2009. The decrease mainly stems from the repayment of current maturities of bonds (series 1) which were convertible during the second quarter of 2010.

A decrease was recorded in trade payables which totaled NIS 21,758,000 as of June 30, 2010 down from NIS 10,755,000 as of December 31, 2009. The increase in this item is largely due to the growth in the Company's activity as well as the increase in inventories, as explained above.

The embedded derivatives item amounted to NIS 8,710,000 as of May 30, 2010, compared to NIS 1,501,000 as of December 31, 2009. The increase in this item is primarily due to the trend of decline in the Euro against the shekel during the reporting period, which was primarily reflected in the first quarter of 2010. The Company has sales contracts denominated in currencies that are not the Company's functional currency. These contracts include embedded derivatives in foreign currency.

Accounts payable decreased to NIS 20,321,000 as of June 30, 2010, compared to NIS 24,751,000 as of December 31, 2009. The decline in accounts payable is largely due to a decrease in expenses payable.

Total non-current liabilities as of June 30, 2010 amounted to NIS 29,816,000 compared to NIS 23,943,000 as of December 31, 2009. Most of the growth stems from a long-term bank loan provided to the Company.

The Company's working capital increased to NIS 18,724,000 as of May 30, 2010, compared to NIS 16,263,000 as of December 31, 2009. The decrease is primarily due to the receipt of a long-term bank loan net of current maturities as specified above and after deducting buyback of Company shares during the reporting period.

The Company's shareholders' equity decreased to NIS 25,721,000 as of June 30, 2010, compared to NIS 29,065,000 as of December 31, 2009. The decrease is mainly due to buyback of Company shares since the start of the year as stated above and the recognition of a cumulative loss for the period.

2. **<u>Operating Results</u>**

Revenue

The Company's revenue in the first half of 2010 amounted to NIS 72,466,000 compared to NIS 37,217,000 in the corresponding half of 2009 (a 95% increase). The Company's revenue in the quarter ended on June 30, 2010 totaled NIS 36,116,000 compared to NIS 19,494,000 in the same quarter of 2009 (an 85% increase). The growth mainly stems from an increase in revenue generated by the systems segment, as detailed below.

Revenue from the products segment in the quarter ended June 30, 2010 totaled NIS 16,777,000, a 21% increase from the NIS 13,829,000 in the same quarter of 2009. Revenue from the products segment in the first half of 2010 amounted to NIS 33,861,000, a 28% increase from NIS 26,384,000 in the first half of 2009. In the Company's opinion, the growth in revenue from the products segment primarily derives from the reversal of the downtrend in product sales that was triggered by the financial, and a return to the pace of product sales that was seen in the last few years (for additional details see Section 1.9.27 of the Company's annual periodic report for 2009).

Revenue from the systems segment in the quarter ended June 30, 2010 amounted to NIS 19,238,000, a 247% increase compared to the same quarter of 2009. Revenue in the first half of 2010 totaled NIS 38,413,000 a 264% increase compared to NIS 10,550,000 in the first half of 2009. The increase in revenue from the systems segment stems from the actual progress in the construction of several logistic systems by the Company's systems department, mainly the planning and construction of a logistics system for a customer in Israel (for details see Section 1.10.9 B of the Company’s annual periodic report for 2009).

Revenue from the products segment in the quarter ended June 30, 2010 accounted for 46% of total Company revenue in this quarter, while revenue from the systems segment in the same period accounted for 53% of total revenue (less than 1% was generated by other income). In the corresponding quarter of 2009, revenue from the products segment represented 71% of total Company revenue in the second quarter, while revenue from the systems segment in the same period constituted 28% of total revenues. In 2009 overall, revenue from products accounted for 68% of total revenue, while revenues from systems accounted for 31% of total revenue.

Cost of Revenue and Gross Profit

Total gross profit in the quarter ended June 30, 2010 totaled NIS 9,400,000 (26% of revenues for the period), compared to NIS 6,653,000 in the corresponding quarter of 2009 (34% of revenue for the period). Total gross profit in the first half of 2010 was NIS 20,908,000 (29% of revenue for the period) compared to NIS 12,554,000 in the first half of 2009 (34% of revenue for the period).

The decrease in gross profit rates margins primarily result from the change in the mix of revenue from the different operating segments, as explained above. The gross profit margins in the systems segment are lower than the margins in the products segment.

Development Expenses, net

Development expenses, net in the quarter ended on June 30, 2010 amounted to NIS 912,000 compared to NIS 419,000 in the same quarter of 2009. Development expenses, net, in the first half of 2010 totaled NIS 1,556,000 compared to NIS 933,000 in the first half of 2009. During the reporting period an intangible asset was recognized in respect of development expenses of NIS 2,276,000, which satisfied the terms for recognizing intangible assets. Development expenses in the reporting period, which grew from the same period last year, reflect a continued and even accelerated development of technologies and products, which are required to support the Company's operations. During the reporting period, the Company made changes to its development staff, in line with the changes in its activities, as detailed in this report, to better address its business plans.

Selling and Marketing Expenses

Selling and marketing expenses in the quarter ended June 30, 2010 totaled NIS 2,673,000 (7% of revenue), compared to NIS 2,580,000 (13% of revenue) in the same quarter of 2009. Selling and marketing expenses in the first half of 2010 totaled NIS 4,984,000 (75 of revenue) compared to NIS 5,540,000 (15%) in the same half of 2009.

In the reporting period there was a moderate increase in selling and marketing expenses and the Company estimates that this item could grow in the next few quarters, in line with the changes in its activity and in order to address its business plans.[1]

General and Administrative Expenses

No significant change was recorded in general and administrative expenses in the quarter ended June 30, 2010, and they amounted to NIS 1,402,000, compared to NIS 1,388,000 in the corresponding quarter of 2009. Adminstrative and general expenses in the first half of 2010 totaled NIS 3,072,000 compared to NIS 3,133,000 in the first half of 2009. In the Company's estimation, these expenses are required for the support and management of the Company's operations, including current expenses in the areas of professional consulting and legal services.

Operating Profit

An increase was recorded in operating profit for the quarter ended June 30, 2010, which amounted to NIS 4,413,000, compared to an operating profit of NIS 2,266,000 in the corresponding quarter of 2009.
In the first half of 2010 the operating profit grew to NIS 11,296,000 compared to an operating profit of NIS 3,048,000 in the same half of 2009.

The increase in operating profit in the reporting period is primarily due to a growth in the Company's revenue as detailed above.

Financing Expenses and Income

Financing expenses, net, in the quarter ended June 30, 2010 amounted to NIS 4,265,000, compared to financing expenses, net, of NIS 695,000 in the same quarter of 2009. Financing expenses, net in the first half of 2010 totaled NIS 12,331,000 compared to financing income, net, of NIS 1,941,000 in the first half of 2009.

The change in this item is primarily due to the recognition of expenses resulting from the revaluation of embedded derivatives following the decline in the Euro against the shekel in the reporting period. The Company has sales contracts denominated in currencies which are not the Company's functional currency. These contracts include embedded derivatives in foreign currency.

An additional change in this item was caused by the contraction in the Company's revenue from marketable securities compared to corresponding periods. In addition, in the same quarter of 2009 a one-off financing income was recorded as a result of gain from the early redemption of Debentures (Series 2).

As of August 2006, the Company's exposure to changes in the CPI increased due to the issue of debentures (Series 2) pursuant to the 2006 prospectus, which are linked to the Consumer Price Index.

Profit (Loss) for the Period

[1] The information regarding the anticipated growth in selling and marketing expenses is forward-looking information. The main data that were used as a basis for this information are projections for the Company's marketing activities including recruitment of staff, planned visits to exhibitions, training sessions for distributors and advertising expenses. The main factors that could lead to the non-realization of this information are changes in the Company's marketing plans that stem from circumstances beyond its control (such as changes with the Company's distributors, changes in the Company's main markets and/or markets where the Company is not active and marketing activities by competitors).

In the reported quarter the Company posted a loss of NIS 150,000 (les than 1% of revenue), compared to a net profit of NIS 1,571,000 in the same quarter of 2009 (8% of its revenue).

In the first half of 2010 the Company posted a loss of NIS 1,035,000 compared to a net income of NIS 4,989,000 in the first half of 2009 (13.4% of revenue).

The financing expenses detailed above are the principal cause for the loss recorded since the start of 2010.

Analysis of Business Results by Operating Segment

As aforementioned, the main commercial activity of the Company is carried out by two business departments, the Products Department and the Systems Department. Details of the results of the different segments are set forth below.

Products Segment

The profit of the products segment in the reported quarter amounted to NIS 5,135,000, compared to a profit NIS 4,010,000 in the corresponding quarter of 2009. The profit of the products segment in the first half of 2010 amounted to NIS 11,542,000 compared to NIS 8,362,000 in the first half of 2009. The growth in this segment's profit for the reported period is, in the Company's estimation, primarily due to the increase in the Company's revenue from this segment in the reported period, as detailed above, after offsetting the effect of the decrease in the gross profit margin in the products segment, which stemmed from the decline in the Euro against the shekel.

Systems Segment

The profit of the systems segment in the reported quarter amounted to NIS 1,467,000, compared to a profit of NIS 308,000 in the same quarter of 2009. The profit of the systems segment in the first half of 2010 totaled NIS 4,183,000 compared to a loss of NIS 927,000 in the first half of 2009. In the Company’s estimation, the shift to profitability in this segment stems from an increase in revenue from this segment in the reported period, as explained above, and from an improvement in the gross profit margin.

3. Liquidity and Financing Sources

The balance of the Company's cash, cash equivalents and marketable securities totaled NIS 43,452,000 as of June 30, 2010, compared to NIS 34,947,000 as of December 31, 2009. Most of the increase stems from cash flows from operating activity.

Cash flow from operating activities in the quarter ended June 30, 2010 amounted to a positive cash flow of NIS 9,076,000. In the first half of 2010 the positive cash flow from operating activity totaled NIS 13,930,000. The positive cash flows primarily stem from the deduction of non-cash expenses, an increase in trade receivable and a decrease in work in-progress inventory after deducting an increase in inventory.

The positive cash flow from investment activity in the quarter ended June 30, 2010 totaled NIS 1,010,000. In the first half of 2010 the negative cash flow from investment activity was NIS 585,000. The negative cash flow primarily results from the recording of investments in development assets and fixed assets after deducting the sale of marketable securities during the period.

The negative cash flow from financing activities in the quarter ended June 30, 2010 amounted to NIS 1,172,000. In the first half of 2010 the negative cash flow from financing activity was NIS 3,133,000. The negative cash flow primarily stems from the repayment of Series 1 debentures as detailed above and the buyback of Company shares after deducting a long-term bank loan.

On June 30, 2010, the Company's credit facilities for operating needs amounted ti NIS 20.9 million. On June 30, 2010, a total of NIS 20.5 million was drawn from the credit facility, primarily for securing the Company's liabilities in projects carried out by the Systems Department.

4. Qualitative Report Regarding Exposure to Market Risks and the Management Thereof

The market risk managers in the Company are the Company's CEO Mr. Haim Shani and the CFO Mr. Yair Itzkovich. The CFO is responsible for gathering information according to the list of risks detailed below, processing the data 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 US dollar and the Euro against the shekel, for the reasons set forth below:

The Company's assets which are exposed to exchange rate fluctuations mainly comprise cash and cash equivalents in various currencies (mainly the Euro and US dollar), trde receivable denominated in various currencies, depending on the customer, and which do not bear interest, and marketable securities linked to foreign currency.

Current liabilities, which are exposed to changes in exchange rates, comprise current maturities of long-term loans, which are mostly linked to foreign currency, as well as trade payables in foreign currency (mainly the Euro and the dollar), liabilities in respect of projects in the systems segment, which are exposed to the Euro as detailed above and embedded derivatives, the value of which reflects the exposure of future proceeds from projects in the systems segment to the Euro. Non-current liabilities include debts in respect of a financing plan for the acquisition of rights in the Company's facilities at Airport City and a long-term bank loan, 23% of which are denominated in US dollars and 77% in Euros.

Part of the Company's activity is conducted in foreign currency or in NIS linked to foreign currency. In the Products Segment, most of the Company's revenues are denominated in US dollars or linked to the dollar's exchange rate, except for revenues deriving from sales in Europe, which are mostly denominated in Euros. In the Systems Segment, most of the Company's revenues derive from sales denominated in Euros or linked to the Euro's exchange rate, and therefore a decrease in the NIS/Euro exchange rate is expected to adversely impact the Company's financing expenses, and as a result affect the profitability of Company's activities in Euro (Regarding the Company's methods for dealing with the decline in exchange rates, see details regarding the Company's Market Risk Management Policy below).

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

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 no 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, thereby affecting the Company's financing income/expenses.

Risks Related to Marketable Securities

Part of the Company's funds are invested in marketable securities. Exceptional developments in capital markets in Israel and abroad could cause fluctuations in the prices of marketable securities on the stock exchange, and thereby 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, a long-tern bank loan in foreign currency and 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, for every contract, its exposure to fluctuations in the exchange rate by matching the currency of the revenues to the currency of the main expenses and/or by hedging the exposure through future transactions in foreign currency. 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.

Due to the decrease in the NIS/Euro exchange rate over the reporting period, the Company executed several forward transactions, aimed at hedgeing the above exposure to the fluctuations in exchange rates.

Positions in derivatives

The Company has entered into transactions to hedge the Euro at a nominal amount of Euro 3,750,000, the value of which as of June 30, 2010 was NIS 617,000.

Risks related to the global electronics component industry

As detailed in Section 1 of Chapter B above, time-tables for delivery of components in the electronic industry have extended, to the extent that it may impact the delivery time-tables of Company products, as well as cause an inrease in the prices of the said components and create potential exposures for the Company. In order to deal with such exposures, the Company is continusouly endeavouring to streamline the processes of equipment procurement and inventory management, including acceleration of such procurement procedures, outsourcing of certain production activities, and support to the Company's staff that engage in purchasing and operation.

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

The Board of Directors has 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 the disclosure of projected cash flows for financing the 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 2). Such examination is performed by the Board of Directors on a quarterly basis, at the time of the approval of the financial statements for that quarter.

5. **Consolidated Linkage Bases Report**

	As of June 30, 2010							
	Israeli Currency			Foreign Currency				
	Unlinked	CPI-Linked		In Euro	In USD	In other Currencies	Non-Monetary Balances	Total
	NIS in Thousands							
Assets								
Cash and cash equivalents	5,866	-		17,523	3,703	-	-	27,092
Marketable securities	6,396	8,994		-	970	-	-	16,360
Trade and income receivable	3,870	-		5,371	3,244	-	-	12,485
Other accounts receivable	789	-		617	37	-	32	1,475
Embedded derivatives	-	-		48	-	-	-	48
Inventory	-	-		-	-	-	21,305	21,305
Inventory of work in progress	-	-		-	-	-	38	38
Long-term deposits	-	-		-	-	-	315	315
Fixed assets, net	-	-		-	-	-	21,594	21,594
Intangible assets – net	-	-		-	-	-	14,904	14,904
Total assets	16,921	8,994		23,559	7,954	-	58,188	115,616
Liabilities								
Current maturities of non-current liabilities	-	80		2,604	423	-	-	3,107
Current bond maturities	-	5,920		-	-	-	-	5,920
Trade payables	15,470	-		3,435	2,853	-	-	21,758
Option warrants	-	263		-	-	-	-	263
Embedded derivatives	-	-		8,710	-	-	-	8,710
Other accounts payable	6,198	-		13,864	259	-	-	20,321
Loans from banks and others	-	340		9,167	2,747	-	-	12,254
Bonds	-	16,612		-	-	-	-	16,612
Liabilities for employee benefits – net	-	-		-	-	-	950	950
Total liabilities	21,667	23,215		37,780	6,282	-	950	89,895
Balance sheet total, net	**(4,747)**	**(14,221)**		**(14,221)**	**1,672**	**-**	**57,238**	**25,721**

6. **Sensitivity Tests on Financial Instruments as of May 30, 2010**

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

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

	Gain (loss) from the changes, NIS, thousand		NIS, thousand	Gain (loss) from the changes, NIS, thousand	
	10%+ NIS4.26 per $	5%+ NIS 4.07 per $	Fair value NIS 3.875 per $	5% - NIS 3.68 per $	10% - NIS 3.49 per $
Cash and cash equivalents	**370**	**185**	**3,703**	**(185)**	**(370)**
Marketable securities	**97**	**49**	**970**	**(49)**	**(97)**
Trade and income receivable	**324**	**162**	**3,244**	**(162)**	**(324)**
Accounts receivable	**4**	**2**	**37**	**(2)**	**(4)**
Current maturities of loans	**(42)**	**(21)**	**(423)**	**21**	**42**
Trade payable	**(285)**	**(143)**	**(2,854)**	**143**	**285**
Accounts payable	**(26)**	**(13)**	**(259)**	**13**	**26**
Long-term loans	**(275)**	**(137)**	**(2,747)**	**137**	**275**
Total	**167**	**84**	**1,671**	**(84)**	**(167)**

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

	Gain (loss) from the changes, NIS, thousand		NIS, thousand	Gain (loss) from the changes, NIS, thousand	
	10% + NIS 5.23/ Euro	5% + NIS 5/ Euro	Fair value NIS 4.7575/ Euro	5%- NIS 4.52/ Euro	10%- NIS 4.28/ Euro
Cash and cash equivalents	**1,752**	**876**	**17,523**	**(876)**	**(1,752)**
Trade and income receivable	**537**	**269**	**5,371**	**(269)**	**(537)**
Current maturities of loans	**(260)**	**(130)**	**(2,604)**	**130**	**260**
Trade payable	**(344)**	**(172)**	**(3,435)**	**172**	**344**
Accounts payable	**(1,386)**	**(693)**	**(13,864)**	**693**	**1,386**
Long-term loans	**(917)**	**(458)**	**(9,167)**	**458**	**917**
Total	**(618)**	**(308)**	**(6,176)**	**308**	**618**

3) Table listing changes in the fair value of financial instruments sensitive to changes in the Consumer Price Index

	Gain (loss) from the changes, NIS, thousand		NIS, thousand	Gain (loss) from the changes, NIS, thousand	
	10% + NIS 5.23 /Euro	5% + NIS 5 / Euro	Fair value NIS 4.7575 /Euro	5% - NIS 4.52/ Euro	10% - NIS 4.28/ Euro
Marketable securities	**899**	**450**	**8,994**	**(450)**	**(899)**
Current loan maturities	**(8)**	**(4)**	**(80)**	**4**	**8**
Current maturities of bonds	**(592)**	**(296)**	**(5,920)**	**296**	**555**
Option warrants	**(26)**	**(13)**	**(263)**	**13**	**26**
Long-erm loans	**(34)**	**(17)**	**(340)**	**17**	**34**
Debentures (*)	**(1,661)**	**(831)**	**(16,612)**	**831**	**1,557**
Total	**(1,422)**	**(711)**	**(14,221)**	**(711)**	**(1,281)**

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

4) Table listing changes in the fair value of derivative financial instruments sensitive to changes in the underlying assets denominated in the Euro.

	Gain (loss) from the changes, NIS, thousand		NIS, thousand	Gain (loss) from the changes, NIS, thousand	
	10% gain in the underlying assets	5% gain in the underlying assets	Fair value	10% decline in the underlying assets	5% decline in the underlying assets
Hedge transactions	**(2,089)**	**(1,171)**	**617**	**931**	**1,817**
Embedded derivatives	**638**	**319**	**48**	**(319)**	**(638)**
Liabilities in respect of embedded derivatives	**5,474**	**2,737**	**(8,710)**	**(2,737)**	**(5,474)**
Total	**4,024**	**1,885**	**(8,045)**	**(2,126)**	**(4,295)**

5) Table listing changes in the fair value of financial instruments sensitive to changes in the prices of convertible securities

	Gain (loss) from the changes, NIS, thousand		NIS, thousand	Gain (loss) from the changes, NIS, thousand	
	10%+	5%+	Fair value	-5%	-10%
Government – domestic	**584**	**292**	**5,838**	**(292)**	**(584)**
Corporate-domestic	**1,052**	**526**	**10,522**	**(526)**	**(1,052)**
Total	**1,636**	**818**	**16,360**	**(818)**	**(1,636)**

7. **Disclosure to Bondholders**

The Corporation's Debentures:

(1)	Security:	Debentures (Series 2)
A	Issue date	August 2006
B	Total par value on issue date	34,000,000
C	Par value	21,520,000
D	Par value according to linkage terms – on the report date	23,590,000
E	Accrued interest on the report date	129,000
F	Book liability value on the report date	22,069,000
G	Value on the stock exchange	24,468,000
H	Type of interest, including description	6.1% annual interest
I	Payment dates of principal	Balance of four equal annual installments beginning on August 25, 2010
J	Payment dates of interest	On February and August 25 in the years of 2010-2013
K	Details of linkage basis of interest and principal	Principal and interest linked to the Consumer Price Index at a base rate of no less than 188.1 (July 2006 index)
L	Are the bonds convertible	Not convertible
M	Corporation's right to perform early redemption	Does not exist
N	Has a guarantee been provided for the payment of the bond in the trust deed	No
(2)	The trustee in charge of the series of bonds at the nominee company, the trustee's contact details	Hermetic Trust (1975) Ltd Dan Avnon and/or Merav Ofer-Oren, 113 Hayarkon Street, Tel Aviv 63573, telephone: 0305274867, Fax: 03-5271451, e-mail: hermetic@hermetic.co.il

(3) Convertible Debentures (Series 1) – **on May 23, 2010** the Company made the fourth and last payment of the principal and interest for Debentures (Series 1), which were allocated by the Company in 2004 in accordance with the prospectus published in May 12, 2004. Following this payment, no Debentures (Series 1) convertible into Company shares remain in circulation, in accordance with the terms of the said Debentures. (For details see Section 3 above).

(5+6) As of the end of the quarterly report period, the Company has been in compliance with all the terms and obligations of the trust deeds for the Debentures (Series 2), the Company was not found to be in violation of any obligation or terms prescribed in the trust deeds which are not of a technical nature, and there have been no conditions whch establish grounds for calling the bonds for immediate repayment.

(8) The Debentures (Series 2) are not secured by any pledge whatsoever. As long as the Company maintain an unpaid balance of the principal of the Debentures (Series 2) in circulation, plus interest and linkage differentials thereon, in order to secure the repayment thereof the Company will refrain from creating additional charges on its assets in addition to existing ones, in favor of any third party whatsoever, without the

trustees' advance written consent, save with regard to lien on real estate and/or equipment that is purchased by the Company, the pledging thereof will serve solely to secure the funding that was provided to acquire the pledged assets – and which the Company will be permitted to create without any restrictions, in favor of any person.

8. Disclosure on the Effectiveness of Internal Control in the Company

In accordance with Regulation 9b of Securities (Periodic and Immediate Reports) Regulations, 1970 (hereinafter – "the Regulation"), the Company carried out the following measures to implement the provisions of the Regulation concerning the internal control of financial reporting and disclosure. A plan was established to implement the Regulation, under which management mapped out the processes which it deemded to be essential to this matter and the CFO, Mr. Yair Itzkovitch was appointed as the manager of internal control in line with the preparations plan. This process is accompanied by advisors and specialists in this area.

The following processes have been defined as very significant to financial reporting and disclosure:

- The process of preparing the financial statements.
- Entity-level controls.
- Information technology general controls.
- Revenue process – recognition of revenue from projects
- Development expenses – establishment of assets, discounting and impairment of assets.

The following actions were performed by Company until the date of the interim report for the quarter ended June 30, 2010:

a. The process of assessing the risks of internal control, on the basis of which the processes significant for financial reporting and disclosure have been determined.

b. Documentation of the business processes and current internal controls of financial reporting and disclosure.

c. Analysis of existing gaps in the planning of internal control of financial reporting and disclosure.

9. 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. Yoel Sela, CPA – External director with accounting proficiency, member of the Audit Committee and of the Investments Committee of the Company's Board of Directors.
5. 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.

Following the Board of Directors' review, a board meeting is held for the purpose of presenting and discussing 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 vote.

Zvi Livneh	Haim Shani
Director	Chairman and CEO

Date: August 25, 2010

UNITRONICS (1989) (R"G) LTD.

Condensed Consolidated Interim Financial Statements
June 30, 2010

(Unaudited)

Unitronics (1989) (R"G) Ltd.

Condensed Consolidated Interim Financial Statements

June 30, 2010

(unaudited)

Table of contents

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

16 Aba Hillel Silver St. Ramat - Gan 52506 Israel Tel: 03-6123939 Fax: 03-6125030
E-mail: office@ahcpa.co.il

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 consolidated interim statement of financial position as at June 30, 2010 and the condensed consolidated interim 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 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 periods of a consolidated company whose assets included in the consolidation comprise 5 % of all the consolidated assets as at June 30, 2010 and whose revenues included in the consolidation comprise 13 % 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 in Israel, 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 remarks in 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 Israeli Securities Regulations (Periodic and Immediate Reports) – 1970.

Amit, Halfon
Certified Public Accountants (Israel)

Ramat Gan,
August 25, 2010

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

	June 30, 2010	June 30, 2010	June 30, 2009		December 31, 2009	
	(unaudited)	(unaudited)			(audited)	
		(in thousands)				
	Convenience translation into Euro (1)	NIS				
Current assets						
Cash and cash equivalents	5,695	27,092	8,976		16,828	
Marketable securities	3,439	16,360	20,121		18,119	
Accounts receivable -						
Trade	2,624	12,485	10,391		13,384	
Other	309	1,475	493		543	
Embedded derivatives	10	48	220		-	
Inventory	4,478	21,305	12,792		11,953	
Inventory - work in progress	8	38	4,805		7,835	
	16,563	78,803	57,798		68,662	
Non-current assets						
Long-term deposits	66	315	41		159	
Property and equipment, net	4,539	21,594	20,530	(*)	21,849	(*)
Intangible assets, net	3,133	14,904	15,093		14,737	
	7,738	36,813	35,664		36,745	
	24,301	115,616	93,462		105,407	

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

Approved: August 25, 2010.

(*) Applied retrospectively - see Note 2 B (1).

(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

	June 30, 2010	June 30, 2010	June 30, 2009	December 31, 2009
	(unaudited)	(unaudited)		(audited)
		(in thousands)		
	Convenience translation into Euro (1)	NIS		
Current liabilities				
Current maturities of long-term loans	653	3,107	971	986
Current maturities of bonds and convertible bonds	1,244	5,920	13,920	14,306
Accounts payable -				
Trade	4,573	21,758	11,050	10,755
Other	4,271	20,321	12,338	24,751
Warrants	55	263	144	100
Embedded derivatives	1,831	8,710	-	1,501
	12,627	60,079	38,423	52,399
Non-current liabilities				
Loans from banks and others	2,576	12,254	7,037	6,780
Bonds	3,492	16,612	21,222	16,226
Liabilities for benefits to employees, net	200	950	613	937
	6,268	29,816	28,872	23,943
Shareholders' equity				
Share capital	74	352	352	352
Share premium	10,633	50,588	50,250	50,576
Capital reserve from share-based payments	-	-	326	-
Capital reserve from translation of foreign operations	(127)	(604)	(454)	(743)
Company shares held by the company	(1,179)	(5,610)	(2,931)	(3,150)
Accumulated loss	(3,995)	(19,005)	(21,376)	(17,970)
	5,406	25,721	26,167	29,065
	24,301	**115,616**	**93,462**	**105,407**

(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 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,
	2010	2010	2009	2010	2010	2009	2009
	(unaudited)	(unaudited)		(unaudited)	(unaudited)		(audited)
				(in thousands)			
	Convenience translation into Euro (1)	NIS		Convenience translation into Euro (1)	NIS		
Revenues	15,232	72,466	37,217	7,591	36,116	19,494	84,118
Cost of revenues	10,837	51,558	24,663	5,616	26,716	12,841	55,385
Gross profit	4,395	20,908	12,554	1,975	9,400	6,653	28,733
Development expenses, net	327	1,556	933	192	912	419	2,116
Selling & marketing expenses	1,048	4,984	5,440	562	2,673	2,580	9,896
General & administrative expenses	646	3,072	3,133	295	1,402	1,388	6,613
Capital gain	-	-	-	-	-	-	63
Operating profit	2,374	11,296	3,048	926	4,413	2,266	10,171
Financing income	371	1,763	5,221	213	1,014	1,241	5,380
Financing expenses	2,962	14,094	3,280	1,109	5,277	1,936	7,069
Profit (loss) for the period	(217)	(1,035)	4,989	30	150	1,571	8,482
Profit (loss) per 1 ordinary share NIS 0.02 par value (NIS)	(0.021)	(0.099)	0.453	0.003	0.014	0.143	0.771

(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 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,
	2010	2010	2009	2010	2010	2009	2009
	(unaudited)	(unaudited)		(unaudited)	(unaudited)		(audited)
				(in thousands)			
	Convenience translation into Euro (1)	NIS		Convenience translation into Euro (1)	NIS		
Profit (loss) for the period	(217)	(1,035)	4,989	30	150	1,571	8,482
Other comprehensive income							
Actuarial gain	-	-	199	-	-	27	112
Translation of foreign operation	29	139	279	50	236	(263)	(10)
Other comprehensive income for the period	29	139	478	50	236	(236)	102
Total comprehensive income for the period	(188)	(896)	5,467	80	386	1,335	8,584

(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, 2009 (audited)	352	326	50,250	(733)	(2,931)	(26,564)	20,700
Purchase of company shares by the company	-	-	-	-	(219)	-	(219)
Expiration of options	-	(326)	326	-	-	-	-
Total comprehensive income for the year	-	-	-	(10)	-	8,594	8,584
Balance at December 31, 2009 (audited)	352	-	50,576	(743)	(3,150)	(17,970)	29,065
Purchase of company shares by the company	-	-	-	-	(2,460)	-	(2,460)
Exercise of options	(*)	-	12	-	-	-	12
Total comprehensive income for the period	-	-	-	139	-	(1,035)	(896)
Balance at June 30, 2010 (unaudited)	352	-	50,588	(604)	(5,610)	(19,005)	25,721
Balance at January 1, 2009 (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 April 1, 2010 (unaudited)	352	-	50,576	(840)	(4,972)	(19,155)	25,961
Purchase of company shares by the company	-	-	-	-	(638)	-	(638)
Exercise of options	(*)	-	12	-	-	-	12
Total comprehensive income for the period	-	-	-	236	-	150	386
Balance at June 30, 2010 (unaudited)	352	-	50,588	(604)	(5,610)	(19,005)	25,721
Balance at April 1, 2009 (unaudited)	352	326	50,250	(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
				Convenience translation into Euro in thousands (unaudited) (1)			
Balance at January 1, 2010	74	-	10,631	(156)	(662)	(3,778)	6,110
Purchase of company shares by the company	-	-	-	-	(517)	-	(517)
Exercise of options	(**)	-	2	-	-	-	2
Total comprehensive income for the period	-	-	-	29	-	(217)	(188)
Balance at June 30, 2010	74	-	10,633	(127)	(1,179)	(3,995)	5,406

(1) See note 1C.
(*) less than 1,000 NIS.
(**) less than 1,000 Euro.

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

nitronics (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,
	2010	2010	2009	2010	2010	2009	2009
	(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	(217)	(1,035)	4,989	30	150	1,571	8,482
Adjustments necessary to show the cash flows from operations (Appendix A)	3,146	14,965	(2,840)	1,876	8,926	(63)	9,749
Cash flows provided by operating activities	2,929	13,930	2,149	1,906	9,076	1,508	18,231
Cash flows for investing activities							
Sale of marketable securities, net	476	2,266	9,860	513	2,442	2,524	12,298
Purchase of property and equipment	(113)	(538)	(100)	(32)	(154)	(53)	(2,364)
Sale of property and equipment	-	-	-	-	-	-	180
Investment in long-term deposits	(37)	(177)	-	(16)	(77)	-	(166)
Repayment of long-term deposits	29	140	70	11	51	45	218
Investment in intangible assets	(478)	(2,276)	(2,932)	(263)	(1,252)	(1,446)	(4,829)
Cash flows provided by (used in) investing activities	(123)	(585)	6,898	213	1,010	1,070	5,337
Cash flows for financing activities							
Repayment of long-term loans	(138)	(656)	(555)	(87)	(415)	(274)	(1,076)
Receiving of long-term loans	1,802	8,572	-	1,802	8,572	-	-
Repayment of bonds	-	-	-	-	-	-	(5,858)
Repayment of convertible bonds	(1,808)	(8,600)	(8,600)	(1,808)	(8,600)	(8,600)	(8,600)
Early redemption of bonds	-	-	(5,286)	-	-	-	(5,286)
Early redemption of convertible bonds	-	-	(272)	-	-	-	(272)
Purchase of company shares by the company	(517)	(2,460)	-	(134)	(638)	-	(219)
Exercise of options	2	11	-	2	11	-	-
Short-term credit from banks, net	-	-	-	(21)	(102)	-	-
Cash flows used in financing activities	(659)	(3,133)	(14,713)	(246)	(1,172)	(8,874)	(21,311)
Translation differences in respect of foreign operations cash balances	11	52	83	(11)	(54)	(104)	12
Change in cash and cash equivalents	2,158	10,264	(5,583)	1,862	8,860	(6,400)	2,269
Cash and cash equivalents at beginning of period	3,537	16,828	14,559	3,833	18,232	15,376	14,559
Cash and cash equivalents at end of period	5,695	27,092	8,976	5,695	27,092	8,976	16,828

(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 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,
	2010	2010	2009	2010	2010	2009	2009
	(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	713	3,393	3,248	350	1,664	1,378	6,844
Profit from marketable securities, net	(99)	(473)	(2,281)	(43)	(203)	(485)	(2,717)
Profit from early redemption of bonds	-	-	(1,838)	-	-	-	(1,838)
Capital gain	-	-	-	-	-	-	(63)
Increase (decrease) in liabilities for benefits to employees, net	3	13	10	(31)	(148)	103	246
Reevaluation of warrants and	34	163	126	(23)	(108)	109	83
Exchange rate changes of long-term loans and convertible bonds	(44)	(209)	651	83	393	247	1,649
Reevaluation of embedded derivatives	1,505	7,161	(435)	399	1,900	1	1,286
Decrease (increase) in accounts receivable - trade	203	964	1,015	(50)	(240)	(1,114)	(2,106)
Decrease (increase) in accounts receivable - other	(229)	(1,088)	(71)	(279)	(1,326)	347	(273)
Decrease (increase) in inventory	(1,960)	(9,325)	574	(1,095)	(5,208)	1,173	1,364
Decrease (increase) in inventory - work in progress	1,639	7,797	(4,805)	186	883	(4,588)	(7,835)
Increase in accounts payable - trade	2,314	11,007	1,506	832	3,957	1,756	1,213
Increase (decrease) in accounts payable - other	(933)	(4,438)	(540)	1,547	7,362	1,010	11,896
	3,146	14,965	(2,840)	1,876	8,926	(63)	9,749
Appendix B - Additional information							
Cash paid during the period for:							
Interest	202	962	1,465	42	201	508	2,628
Taxes on income	11	54	54	6	27	27	108
Cash received during the period for:							
Interest	79	376	553	41	197	311	835

(1) See note 1C.

The notes to the condensed consolidated interim 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, 2010, 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 at December 31, 2009 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, 2010	207.56	4.7575	3.875
June 30, 2009	202.66	5.5346	3.919
December 31, 2009	206.19	5.4417	3.775
Change during the period	%	%	%
Six month ended June 30, 2010	0.67	(12.57)	2.65
Six month ended June 30, 2009	2.14	4.47	3.08
Three month ended June 30, 2010	1.53	(4.67)	4.36
Three month ended June 30, 2009	2.28	(0.70)	(6.42)
For the year ended December 31 2009	3.92	2.73	(0.71)

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

C. Convenience translation in EURO

For the convenience of the reader, the NIS amounts for the last reported period have been translated in EURO by dividing each NIS amount by the representative rate of exchange of the EURO as at June 30, 2010 (EURO 1 = NIS 4.7575).
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 Israeli 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. Amendment to IAS 17 – "Leasing" (hereinafter – "the Amendment")
In accordance with the amendment to IAS 17 the specific directive regarding the method of classifying the leasing of land as operative or financial leasing has been canceled. Consequently there is no longer a demand to classify the leasing of land as operative leasing in every case that ownership is not expected to be transferred to the lessee at the end of the lease period, but the leasing of land must be examined according to the general directives appearing in IAS 17 which relate to the classification of leasing as operative or financial while considering that land, generally, has an undefined economic lifespan.

The amendment is being implemented as from these financial statements, while implementing the comparative figures retrospectively. In order to implement them retrospectively, the classification of leasing the land was re-examined on the basis of the information which existed at the time of the engagement in the leasing according to the ordinary criteria appearing in IAS 17 for classifying financial or operative leasing. Consequently leasing land from the Israel Lands Administration is financial leasing.

Note 2 - Significant Accounting Policies (cont'd)

B. Disclosure of new IFRS (cont'd)

1. Amendment to IAS 17 – "Leasing" (hereinafter – "the Amendment") (cont'd)

   As a result of the first implementation of the Standard the balance of the prepayments for the leasing of land from the Israel Lands Administration was classified as an item of fixed assets as this relates to land on which the Company's offices have been built. Consequently there is an increase in the fixed assets item of NIS 3,001 thousand and NIS 3,037 thousand as at December 31, 2009 and June 30,2010 respectively.

   As the payment of lease was made on the date of the engagement, the amendment did not affect the measurement of land but its classification only, therefore there has been no effect on retained earnings as at December 31, 2009 and on comprehensive income (loss) for the periods presented.

2. Amendments, standards and interpretations to the existing standards which came into force and are binding for accounting periods starting January 1, 2010, but the first implementation did not have any significant effect on the Group's financial statements:

   a. IFRS 5 (amended) - Non current assets held for sale and discontinued operations
   b. IFRS 3 (amended) - Business combinations; and IAS 27 (amended) - separate and consolidated financial statements
   c. Amendment to IFRS 8 – "Operating segments"
   d. Amendment to IAS 7 – "Statements of cash flows"

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

IFRS 9 – Financial instruments

In November 2009, IFRS 9 'Financial Instruments' - which is the first stage in the project of replacing IAS 39 'Financial Instruments: Recognition and Measurement' - was published. IFRS 9 focuses mainly on the classification and measurement of financial instruments and applies to all financial instruments on which IAS 39 apply.
The Standard stipulates that on first recognition of the financial instruments (including complex instruments in which the hosting contract is a financial asset) all will be measured at fair value. During later periods, the debt instruments will be measured at a reduced cost only if the following accumulative conditions exist:

- The asset is held in the framework of a business model, whose object is to hold assets so as to back up contractual cash flows resulting from them.
- According to the contractual terms of the financial asset, the Company is entitled, at certain times, to receive cash flows which are only payments of principal and payments of interest on the balance of the principal.

The later measurement of all the other debt instruments and other financial assets will be at fair value.

Financial assets which are capital instruments will be measured at later periods at fair value, and the difference will be recorded to the statement of operations or to the comprehensive income, depending on the choice of the accounting policy regarding every instrument. If this relates to capital instruments held for trading purposes, it is compulsory to measure them at fair value through the statement of operations. The choice is final and cannot be changed. Nevertheless, when the Company changes its business model to manage the financial assets, it must reclassify all the financial instruments affected from the change in the business model in order to reflect this change. In all the other circumstances, no reclassification may be made of the financial instruments.

The starting date of the Standard is January 1, 2013. Earlier adoption is possible. The first adoption will be done retrospectively while restating the comparative figures subject to the exemptions stated in the Standard.
The Company is examining the possible effects of the new Standard; but, at this stage, it is unable to

estimate its effect, if any, on the financial statements.

Note 3 - Events in the reported period

A. In March 2010 the Board of Directors has approved adoption of a plan to purchase additional ordinary shares of the Company in an amount not to exceed NIS 1.5 million, replaces the company's previous plan in which the balance of its non-exploited expired. This program was valid until June 30, 2010.

In May 2010 the Board of Directors approved the adoption of a plan to purchase additional ordinary shares of the Company in an amount not to exceed NIS 1.5 million, replaces the company's previous plan in which the balance of its non-exploited expired. This program is valid until September 30, 2010.

As at 30 June 2010, the Company holds 1,389,931 shares, representing about 11.9% of the issued share capital of the Company, purchased in an amount of NIS 5,610 thousand (as at 31 December 2009, the Company holds 753,092 shares representing about 6.45% of the issued share capital of the company).

After the balance sheet date the Company continued to purchase ordinary shares of the company according to the plan approved in May 2010.

B. In April 2010 1,958 warrants (Series 2) were exercised to 1,958 ordinary shares of par value NIS 0.02 for an amount of NIS 11 thousand.

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").

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

Note 4 - 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 December 31,
	2010	**2010**	**2009**	**2010**	**2010**	**2009**	**2009**
	(unaudited)	**(unaudited)**		**(unaudited)**	**(unaudited)**		**(audited)**
				(in thousands)			
	Convenience translation into Euro	**NIS**		**Convenience translation into Euro**	**NIS**		
C. Revenues							
Products	7,118	33,861	26,384	3,526	16,777	13,829	57,496
System integration projects	8,074	38,413	10,550	4,044	19,238	5,551	26,133
Other	40	192	283	21	101	114	489
	15,232	72,466	37,217	7,591	36,116	19,494	84,118
D. Segment results							
Products	2,426	11,542	8,362	1,079	5,135	4,010	22,329
System integration projects	879	4,183	(927)	308	1,467	308	29
Other	7	33	(190)	8	39	(174)	(223)
Unallocated corporate expenses	(938)	(4,462)	(4,197)	(469)	(2,228)	(1,878)	(11,964)
Operating profit	2,374	11,296	3,048	926	4,413	2,266	10,171
Unallocated financing income	371	1,763	5,221	213	1,014	1,241	5,380
Unallocated financing expenses	2,962	14,094	3,280	1,109	5,277	1,936	7,069
Profit (loss) for the period	(217)	1,035)(	4,989	30	150	1,571	8,482

UNITRONICS (1989) (R"G) LTD.

Financial data from the consolidated financial statements attributed to the company itself

June 30 ,2010

(Unaudited)

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

16 Aba Hillel Silver St. Ramat - Gan 52506 Israel Tel: 03-6123939 Fax: 03-6125030
E-mail: office@ahcpa.co.il

To the shareholders of Unitronics (1989) (R"G) Ltd.

Re: Special review report on separate interim financial information under Regulation 38D to the Israeli Securities Regulations (Periodic and Immediate Reports)- 1970

Introduction

We reviewed the separate interim financial information presented under Regulation 38D to the Israeli Securities Regulations (Periodic and Immediate Reports) - 1970 of Unitronics (1989) (R"G) Ltd. (hereinafter – "the Company") as at June 30, 2010 and for the periods of six and three months then ended. The separate financial information is in the responsibility of the Company's Board of Directors and Management. Our responsibility is to express a conclusion on the separate interim financial information for the interim period, based on our review.

We did not review the separate interim financial information of an affiliated company which the investment in it amount to NIS 1,225 thousands as at June 30, 2010 and which the company's share of its loss amount to NIS 28 thousands for the period of six months then ended. The condensed financial information for the interim period of that company were reviewed by other auditors whose review report was furnished to us and our conclusion, 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 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 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 separate interim financial information is not prepared, in all significant aspects, in accordance with regulation 38D of the Israeli Securities Regulations (Periodic and Immediate Reports) -1970.

Amit, Halfon
Certified Public Accountants (Israel)

Ramat Gan,
August _25_, 2010

Unitronics (1989) (R"G) Ltd.

Assets and liabilities included in the consolidated financial statements attributed to the company

	June 30, 2010	June 30, 2010	June 30, 2009	December 31, 2009
	(unaudited)	(unaudited)		(audited)
		(in thousands)		
	Convenience translation into Euro (1)	NIS		
Current assets				
Cash and cash equivalents	5,181	24,649	7,538	13,232
Marketable securities	3,439	16,360	20,121	18,119
Accounts receivable -				
Trade	2,096	9,971	8,702	11,079
Other	301	1,431	381	483
Accounts receivable - other - subsidiaries	968	4,607	3,295	5,806
Embedded derivatives	10	48	220	-
Inventory	4,329	20,595	11,976	11,196
Inventory - work in progress	8	38	4,805	7,835
	16,332	77,699	57,038	67,750
Non-current assets				
Assets less liabilities associated with subsidiaries	257	1,225	791	1,114
Long-term deposits	66	315	41	159
Property and equipment, net	4,485	21,336	20,296 (*)	21,602 (*)
Intangible assets, net	3,133	14,904	15,093	14,737
	7,941	37,780	36,221	37,612
	24,273	**115,479**	**93,259**	**105,362**

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

Approved: August 25, 2010.

(*) Applied retrospectively - see Note 2 B (1) to the consolidated financial statements as at June 30, 2010.

(1) See note 1C.

Unitronics (1989) (R"G) Ltd.

Assets and liabilities included in the consolidated financial statements attributed to the company

	June 30, 2010	June 30, 2010	June 30, 2009	December 31, 2009
	(unaudited)	(unaudited)		(audited)
		(in thousands)		
	Convenience translation into Euro (1)	NIS		
Current liabilities				
Current maturities of non-current liabilities	1,897	9,027	14,891	15,292
Accounts payable -				
Trade	4,551	21,652	10,839	10,654
Other	4,209	20,025	12,086	24,511
Warrants	55	263	144	100
Embedded derivatives	1,831	8,710	-	1,501
	12,543	59,677	37,960	52,058
Non-current liabilities				
Loans from banks and others	2,576	12,254	7,037	6,780
Bonds	3,492	16,612	21,222	16,226
Liabilities for benefits to employees, net	200	950	613	937
Provision for loss of subsidiary	56	265	260	296
	6,324	30,081	29,132	24,239
Shareholders' equity				
Share capital	74	352	352	352
Share premium	10,633	50,588	50,250	50,576
Capital reserve from share-based payments	-	-	326	-
Capital reserve from translation of foreign operations	(127)	(604)	(454)	(743)
Company shares held by the company	(1,179)	(5,610)	(2,931)	(3,150)
Accumulated loss	(3,995)	(19,005)	(21,376)	(17,970)
	5,406	25,721	26,167	29,065
	24,273	**115,479**	**93,259**	**105,362**

(1) See note 1C.

Unitronics (1989) (R"G) Ltd.

Revenues and expenses included in the consolidated financial statements attributed to the company

	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,
	2010	2010	2009	2010	2010	2009	2009
	(unaudited)	(unaudited)		(unaudited)	(unaudited)		(audited)
				(in thousands)			
	Convenience translation into Euro (1)	NIS		Convenience translation into Euro (1)	NIS		
Revenues	13,241	62,995	30,814	6,605	31,424	16,197	68,810
Revenues from subsidiaries	1,387	6,599	4,458	710	3,376	2,113	10,428
Total revenues	14,628	69,594	35,272	7,315	34,800	18,310	79,238
Cost of revenues	10,713	50,966	23,937	5,529	26,302	12,605	54,165
Gross profit	3,915	18,628	11,335	1,786	8,498	5,705	25,073
Development expenses, net	327	1,556	933	192	912	419	2,116
Selling & marketing expenses	647	3,076	3,727	349	1,659	1,875	6,680
General & administrative expenses	517	2,462	2,542	228	1,083	1,121	5,447
General & administrative expenses to subsidiaries	57	272	252	31	147	129	546
Capital gain	-	-	-	-	-	-	63
Operating profit	2,367	11,262	3,881	986	4,697	2,161	10,347
Financing income	371	1,763	5,221	213	1,014	1,241	5,380
Financing expenses	2,955	14,062	3,262	1,128	5,366	1,787	6,971
Profit (loss) after finance	(217)	(1,037)	5,840	71	345	1,615	8,756
The Company's share of subsidiaries profits (losses)	(*)	2	(851)	(41)	(195)	(44)	(274)
Profit (loss) for the period attributed to the company's shareholders	(217)	(1,035)	4,989	30	150	1,571	8,482

(2) See note 1C.

(*) less than 1,000 Euro.

Unitronics (1989) (R"G) Ltd.

Comprehensive income included in the consolidated financial statements attributed to the company

	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,
	2010	2010	2009	2010	2010	2009	2009
	(unaudited)	(unaudited)		(unaudited)	(unaudited)		(audited)
				(in thousands)			
	Convenience translation into Euro (1)	NIS		Convenience translation into Euro (1)	NIS		
Profit (loss) for the period	(217)	(1,035)	4,989	30	150	1,571	8,482
Other comprehensive income							
Actuarial gain	-	-	199	-	-	27	112
Translation of foreign operation	29	139	279	50	236	(263)	(10)
Other comprehensive income for the period	29	139	478	50	236	(236)	102
Total comprehensive income for the period	(188)	(896)	5,467	80	386	1,335	8,584

(1) See note 1C.

Unitronics (1989) (R"G) Ltd.
Cash Flows included in the consolidated financial statements attributed to the company

	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,
	2010	2010	2009	2010	2010	2009	2009
	(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	(218)	(1,035)	4,989	30	150	1,571	8,482
Adjustments necessary to show the cash flows from operations (Appendix A)	3,140	14,940	(2,826)	1,825	8,681	(21)	10,032
Cash flows provided by operating activities of the company	2,922	13,905	2,163	1,855	8,831	1,550	18,514
Cash flows provided by operating activities from transactions with subsidiaries	252	1,199	998	(250)	(1,191)	394	(1,514)
Cash flows provided by operating activities	3,174	15,104	3,161	1,605	7,640	1,944	17,000
Cash flows for investing activities							
Sale of marketable securities, net	477	2,266	9,860	513	2,442	2,524	12,298
Purchase of property and equipment	(106)	(507)	(75)	(27)	(130)	(32)	(2,281)
Sale of property and equipment	-	-	-	-	-	-	180
Investment in long-term deposits	(37)	(177)	-	(16)	(77)	-	(166)
Repayment of long-term deposits	29	140	70	11	51	45	218
Investment in intangible assets	(478)	(2,276)	(2,932)	(263)	(1,252)	(1,446)	(4,873)
Cash flows provided by (used in) investing activities	(115)	(554)	6,923	218	1,034	1,091	5,376
Cash flows for financing activities							
Repayment of long-term loans	(138)	(656)	(555)	(87)	(415)	(274)	(1,076)
Receiving of long-term loans	1,802	8,572	-	1,802	8,572	-	-
Repayment of bonds	-	-	-	-	-	-	(5,858)
Repayment of convertible bonds	(1,808)	(8,600)	(8,600)	(1,808)	(8,600)	(8,600)	(8,600)
Early redemption of bonds	-		(5,286)	-	-	-	(5,286)
Early redemption of convertible bonds	-		(272)	-	-	-	(272)
Purchase of company shares by the company	(517)	(2,460)	-	(134)	(638)	-	(219)
Exercise of options	2	11	-	2	11	-	-
Short-term credit from banks, net	-	-	-	(21)	(102)	-	-
Cash flows used in financing activities	(659)	(3,133)	(14,713)	(246)	(1,172)	(8,874)	(21,311)
Change in cash and cash equivalents	2,400	11,417	(4,629)	1,577	7,502	(5,839)	1,065
Cash and cash equivalents at beginning of period	2,781	13,232	12,167	3,604	17,147	13,377	12,167
Cash and cash equivalents at end of period	5,181	24,649	7,538	5,181	24,649	7,538	13,232

(1) See note 1C.

Unitronics (1989) (R"G) Ltd.
Cash Flows included in the consolidated financial statements attributed to the company

	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,
	2010	2010	2009	2010	2010	2009	2009
	(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							
The Company's share of subsidiaries losses (profits)	(*)	(2)	851	41	195	45	274
Depreciation and amortization	707	3,371	3,219	348	1,653	1,365	6,828
Profit from marketable securities, net	(99)	(473)	(2,281)	(43)	(203)	(485)	(2,717)
Profit from early redemption of bonds	-	-	(1,838)	-	-	-	(1,838)
Capital gain	-	-	-	-	-	-	(63)
Increase (decrease) in liabilities for benefits to employees, net	3	13	10	(31)	(148)	103	246
Reevaluation of warrants	34	163	126	(23)	(108)	109	83
Exchange rate changes of long-term loans and convertible bonds	(44)	(209)	651	83	393	247	1,649
Reevaluation of embedded derivatives	1,505	7,161	(435)	399	1,900	1	1,286
Decrease (increase) in accounts receivable - trade	233	1,108	157	(103)	(490)	(1,034)	(2,220)
Decrease (increase) in accounts receivable - other	(232)	(1,102)	(104)	(283)	(1,346)	284	(304)
Decrease (increase) in inventory	(1,976)	(9,399)	518	(1,092)	(5,197)	1,140	1,298
Decrease (increase) in inventory - work in progress	1,639	7,797	(4,805)	186	883	(4,588)	(7,835)
Increase in accounts payable - trade	2,312	10,998	1,502	801	3,811	1,723	1,317
Increase (decrease) in accounts payable - other	(943)	(4,486)	(397)	1,542	7,338	1,069	12,028
	3,139	14,940	(2,826)	1,825	8,681	(21)	10,032

(2) See note 1C.
(*) less than 1,000 Euro.

Unitronics (1989) (R"G) Ltd.

Additional information

Note 1 - General

A. These separate interim financial information have been prepared in accordance with regulation 38D of the Israeli Securities Regulations (Periodic and Immediate Reports) - 1970 and do not includes all the information required in regulation 9C and the 10th addition of the Israeli Securities Regulations (Periodic and Immediate Reports), 1970 about separate financial information of the company. These financial statements should be read in conjunction with the Company's audited annual financial statements and accompanying notes as of December 31, 2009 and for the year then ended, and with the condensed consolidated interim financial statement as at June 30, 2010.

B. Consolidated companies - defined in Note 1D to the consolidated financial statements as at December 31, 2009.

C. Convenience translation in EURO

For the convenience of the reader, the NIS amounts for the last reported period have been translated into EURO by dividing each NIS amount by the representative rate of exchange of the EURO as at June 30, 2010 (EURO 1 = NIS 4.7575).

The translated EURO amounts presented in these financial statements should not be construed as representing amounts receivable or payable in EURO unless otherwise indicated.