Unitronics (1989) (R"G) Ltd

Quarterly Report as of June 30, 2011

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 Building, 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 the design, construction and maintenance services in the framework of projects for automation, computerization and integration of computerized production and/or logistics systems, mainly automated warehouses, automated distribution centers and automated parking facilities.

The Company's PLCs are distributed by over one hundred and forty distributors (and a wholly owned US subsidiary) in approximately fifty countries throughout Europe, Asia, America and Africa. The services of the Systems Department are provided mainly to customers in Israel, and in a few cases, also outside Israel.

The Company operates from facilities located in "Unitronics House", an office and industrial building which is leased, in part, by the Company. Unitronics

House is situated at Airport City next to the David Ben-Gurion Airport, and it houses the Company's offices and all its other facilities in Israel.

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

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

Creation of a lien in favor of the holders of Series 3 Debentures:
In accordance with a certificate of the Registrar of Companies dated April 28, 2011, a lien over the moneys in a bank account was registered, to secure the payment of interest pursuant to the terms of the debentures (Series 3) issued by the Company in March 2011. Pursuant to the certificate, the date of registration of the lien is April 4, 2011. For details see Immediate Report on the Registration of a Lien for Debenture Holders (Series 3), which is hereby included by way of reference, dated May 5, 2011, reference no: 2011-01-141294.

An agreement for the construction of an automated parking system in California

On June 21, 2011 the Company received an agreement signed by the City of West Hollywood in California, USA (hereinafter: **the "Customer**") which was signed by the Company on May 18, 2011, for the construction of an automated parking lot for 200 vehicles, for the Customer (hereinafter - **the "Project**").

The Project, which is expected to commence construction in 2012, is estimated at $2.6 million (about NIS 9 million), an amount that is not considered material for the Company, but the Company's penetration into the Western US market may have a significant impact on its operations in this area. Payment of the consideration will be done upon successful completion of milestones in the Project.

The Company shall recognize in its financial statements income from the Project in accordance with the completion rate method, which is determined on the basis of completion of engineering stages of the work in the Project. The Project is expected to be finished in the second half of 2013.
As security for the fulfillment of its obligations, the Company has undertaken to furnish bank guarantees and also agreed to a predetermined compensation in certain cases.

For additional details see immediate Report of an Incident or Matter Deviating from the Corporation's Ordinary Business, which hereby included by way of reference, dated May 11, 2011, reference no 2011-01-145434 and dated June 21, 2011, reference no 2011-01-189291.

Amendment of employment agreements of the CEO and Vice President - results of the general meeting

On March 27, 2011, the audit committee and board of directors of the Company, subject to the approval of the general meeting of shareholders of the Company, to amend each of the employment agreements of Mr. Haim Shani and Mrs. Shani, CEO, Chairman of the Board of Directors and controlling shareholder of the Company and Mrs Bareket Shani, the wife of Mr. Shani, director and Vice President of Human Resources at the Company, as follows:

- The wages of Mr. and Mrs. Shani will be in shekels and not in dollars as stipulated in existing employment agreements, and will be translated into New Israel Shekels, based on the NIS 4.00/US dollar exchange rate, such that commencing from the date of approval of the general meeting, Mr. Shani's wages will be NIS 60,000 and Mrs. Shani's wages will be NIS 30,000.
- The wages of Mr. and Mrs. Shani will be linked to the Consumer Price Index, such that as of January 2012, and each year, an amount equal to the percentage of change in the past year's CPI will be added to their wages.

All the other terms and conditions of the employment agreements of Mr. Haim Shani and Mrs. Bareket Shani will continue to apply with no change.

The audit committee and board of directors approved the amendment to the aforesaid employment agreements for the following reasons:

1. Given the recent years' erosion in the wages of Mr. and Mrs Shani, following the depreciation of the dollar against the shekel over the last 10 years, the audit committee and the board of directors decided to approve the amendment, such that their wages would reflect the remuneration which the Board intended to approve with the original signature of the employment agreements.
2. In addition, the audit committee and board of directors view the remuneration as appropriate for the services provided by Mr. and Mrs. Shani, given the importance and dependence attached by the Board to their continued employment in the Company, and as such will facilitate the continued provision of these services.

(For further details see immediate report on Transaction with a Controlling Shareholder, dated March 30, 2011, reference no 2011-01-100569, which is hereby included by way of reference).

On May 12, 2011 the general meeting of shareholders of the Company approved the amendment of the agreements, as set forth above (for details see immediate report on Results of a General Meeting, which is hereby included by way of reference, dated May 12, 2011, reference no 2011-01-146499).

<u>Buyback plan</u>

On March 27, 2011, the Board of Directors of the Company decided to adopt a new plan for the buyback of the Company's shares, pursuant to which the Board authorized the Company to purchase, from time to time, in the framework of trading on the Tel Aviv Stock Exchange or the Euronext Stock Exchange in Belgium, or directly from related or unrelated parties, shares of the Company for a total sum not exceeding NIS 1.5 million (including expenses related to the buyback, including the fees of consultants and service providers in connection with the buyback). This plan was valid until June 30, 2011. (For details regarding the buyback plan see immediate report of an Incident or Matter Deviating from the Corporation's Ordinary Business dated March 27, 2011, reference no 2011-01-094101). Pursuant to this plan, until the date of publication of this report 37,658 shares were acquired for the total amount of NIS 278,000.

As of the date of publication of this report, the Company has a total of 1,593,897 shares (out of 11,678,504 ordinary shares in the Company's issued share capital). 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, 1999. For details regarding previous buyback plans adopted by the Company, see immediate reports of an Incident or Matter Deviating from the Corporation's Ordinary Business, which are hereby included by way of reference: a report dated December 7, 2009, reference no: 2009-01-312105; a report dated March 4, 2011, reference no: 2010-01-404196; a report dated May 23, 2010, reference no: 2010-01-489135; a report dated November 11, 2010, reference no: 2010-01-676662.

Purchase of a Real-Estate Asset

On July 7, 2011, the Company signed with an entity which is not related to the Company or to the interested parties of the Company, an agreement to purchase an unbuilt plot of land in an area of approx. 11,000 m^2, in the industrial zone of Hevel Modi'in - Tirat Yehuda (hereinafter: the "**Asset**"), in consideration of NIS 17,370,000, plus VAT as duly required.

In order to finance the purchase, the Company intends to make use of its equity and a credit line in the amount of NIS 13,000,000, which was provided to the Company by Bank Leumi LeIsrael Ltd. (hereinafter: the "**Credit Line**"). The terms of the Credit Line to the Company have not yet been finally determined, and the Company has been given a number of possibilities and different interest tracks, to choose from. Pursuant to these terms, the Company shall charge its rights in the Asset in favor of the bank, in order to secure the Credit Line. The Company intends to publish a supplementary report in connection with the terms of the Credit Line, once the terms are finally determined.

The Company intends, subject to the adoption of a detailed plan and the performance of detailed planning pursuant to this plan, subject to the business developments of the Company and subject to any approval as required pursuant to law, to expand, primarily, the activities of its Systems Division, by setting up a plant/ workshop in the Asset, which shall be used for the production of various products and components in respect of which the Company is engaged in the marketing and installation thereof, mainly components for logistics centers, automated warehouses and automated parking solutions, which are sold and marketed by the Company, and also a center providing service and support to the customers of these systems.

According to the Company's assessment, the implementation of all of its plans with regard to the Asset, as set forth above, will require a total scope of investment in the Asset, together with the cost of purchase, as aforesaid, of approximately NIS 45,000,000. For this purpose, the Company intends to increase the Credit Line. The scope and the terms of the increased Credit Line have not yet been determined. For details with regard to the purchase of the Asset, see the amended immediate reports on an event or matter which deviate from the corporation's normal course of business, which is incorporated herein by way of reference dated July 7, 2011, Ref. No. 2011 – 01 – 207288.

Amendments to the Article of the Company

Following the Administrative Enforcement Act, Amendment No. 16 to the

Companies Law and certain updates in the requirements of the Belgian law, the Audit Committee and the Board of Directors of the Company resolved, on July 12, 2011, to recommend to the general meeting of the shareholders of the Company to approve an amendment to the Articles of Association of the Company, as follows: (1) in the chapter dealing with indemnity and insurance for officers, in such a manner so as to allow insurance and indemnity of officers in connection with the payment to parties injured by a breach who are permitted under the insurance and indemnity, and the expenses of administrative enforcement proceedings, pursuant to Chapter H3 (the imposition of a financial sanction by the Authority), Chapter H4 (the imposition of administrative enforcement means by the Administrative Enforcement Committee), and Chapter I1 (Arrangement to Prevent the Taking of Proceedings or the Cessation of Proceedings, which are Contingent upon Conditions) of the Securities Law, including reasonable litigation expenses, and including attorneys' fees, and including by way of indemnity in advance, and payment to the party injured by the breach, as stated in section 52 (54) (a)(1)(a) of the Securities Law; (2) amendments in light of the taking of effect of Amendment No. 16 of the Companies Law with regard to the expiration of the term of a director on the date of the giving of notice of the imposition of means of enforcement as stated in section 232 (a) of the Companies Law and in connection with indemnity against the background of a financial sanction; and (3) an amendment in the section concerning the reporting obligations to the Securities Authority in Belgium, so as to adjust them to the updated requirements of the Belgian law with regard to the entity to whom it is necessary to make a report of changes in the holdings of certain shareholders, because the shares of the Company are also traded on the Euronext Stock Exchange in Belgium.

(For additional details, see the report regarding the convening of a general meeting dated July, 24, 2011, which is incorporated herein by way of reference, Ref. No. 2011-01-220248).

The Company wishes to note, once again, as has been presented in the Company’s prospectuses which were published in the years 2004, 2006 and 2011, that in accordance with the requirements of the Belgian authorities in the course of the offering of shares of the Company to the public and the listing thereof for trading on the Belgian Stock Exchange, a provision has been included in the Company's Articles pursuant to which any entity (whether such entity is a shareholder or not) which is purchasing or selling shares of the Company shall give notice to the Company and to the relevant Belgian authorities with regard to the number of shares which the said entity owns, if the proportion of the voting rights in its possession out of the total voting rights at the Company is higher than 5%, 10%, 50% or 20%, and so on and so forth, at intervals of 5%.

<u>Re-approval and amendment of employment agreements with the controlling shareholder and his wife</u>

Pursuant to Article 275(a1) of the Companies Law, as prescribed in Amendment No. 16 to the Companies Law, the Company is required to submit employment agreements with controlling shareholders of the Company and their relatives for re-approval every three years, and accordingly the audit committee and board of directors of the Company decided, on July 12, 2011, to reapprove, subject to the approval of the general meeting of shareholders of the Company, the employment agreements with Mr. Haim Shani (controlling shareholder, CEO and Chairman of the Board) and with Mrs. Bareket Shani (the wife of Mr. Shani, who also serves as member of the board of director and Vice President of Human Resources in the Company), pursuant to the same article, such that the same terms continue to apply. In accordance with the employment agreements, Mr. Haim Shani serves as CEO of the Company, in charge of the management of the Company's business, while Mrs. Shani serves as Vice President, in charge of the management of human resources at the Company, both working a full-time job.

In view of the said amendment to the Companies Law, regarding the need to reapprove the employment agreements with the controlling shareholder and his wife every 3 years, the items in Mr. and Mrs' Shani's employment agreement, which relate to the automatic extension of the agreements for 5-year periods, have become redundant. Therefore, the audit committee and board of directors have decided, subject to the approval of the general meeting of shareholders, to approve the amendment to the employment agreements, so that they remain effective until September 2014, following which they will be renewed for 3-year periods, subject to receiving all the necessary approvals, as required by law.

(For additional details see Report regarding the Summoning of a General Meeting dated July 24, 2011, which is hereby included by way of reference, reference no:2011-01-220248).

<u>Amendment to insurance coverage and letters of indemnity to directors and officers of the Company</u>

Pursuant to the Law of Administrative Enforcement, on July 12, 2011 the audit committee and board of directors of the Company decided to authorize, subject to the approval of the general meeting of shareholders of the Company, an amendment to the letters of indemnity issued by the Company to all the officers of the Company, including the letters of indemnity issued in the past to Mr. Haim Shani, chairman of the board and CEO of the Company, who is a controlling shareholder of the Company, and to Mrs. Bareket Shani, wife of Mr. Haim Shani, who serves as director in the Company and Vice President of Human Resources in the Company, in order to allow indemnification in connection with administrative enforcement, as set forth below.

(For additional details, see Report regarding the Summoning of a general meeting dated July 24,, 2011, which is hereby included by way of reference, reference no: 2011-01-220248).

<u>Appointment of directors</u>

On July 12, 2011 the board of directors of the Company decided to submit proposals for appointment to the general meeting of shareholders of the Company, as follows:

To approve the appointment of Mr. Haim Shani, Chairman of the Board of Directors, CEO and controlling shareholder of the Company, and Mrs. Bareket Shani, the wife of Mr. Haim Shani, who serves as director and Vice President of Human Resources at the Company, for an additional term as directors (category C) of the Company, by the date of the annual general meeting of the Company in 2014, in accordance with the Company's Articles of Association.

To approve the appointment of Mr. Yoel Sela for an additional term as external director of the Company, for a period of three years, in accordance with the Company's Articles.

To appoint Ms. Edna Ramot as director of the Company (category A) by the date of the annual general meeting of the Company in 2013.

(For additional details, see Report regarding the Summoning of a General Meeting July 24, 2011, which is hereby included by way of reference, reference no: 2011-01-220248).

Indemnity and insurance for the candidate for directorship

On July 12, 2011 the audit committee and board of directors of the Company have decided, subject to the approval of the general meeting of shareholders of the Company, subject to the amendment of the Articles and the authorization of the version of the new letter of indemnity to directors and officers of the Company as aforesaid, and subject to the approval of her appointment as director (Category A) as aforesaid, to approve the granting of an indemnity to Ms. Edna Ramot, in accordance with the terms of the letter of indemnity, which apply to other directors in the Company.

In addition, the audit committee and board of directors have decided, subject to the approval of the general meeting of shareholders of the Company, and subject to the approval of Ms. Edna Ramot as director (Category A), to approve an insurance coverage for Ms. Edna Ramot, in line with criteria established in the resolutions of the general meeting, the board of directors and the audit committee, regarding an insurance coverage to directors and officers in the Company, and which apply to the other directors in the Company, amended as aforesaid.

(For additional details, see Report regarding the Summoning of a General Meeting dated July 24, 2011, which is hereby included by way of reference, reference no: 2011-01-220248).

Establishment of wholly owned subsidiary in the field of parking solutions

At the meeting of the Company's board of directors of August 2nd 2011, it was resolved to focus within a new wholly owned subsidiary of the Company, the Company's field of parking solutions and continue to develop such activity within such framework.
The Company intends to implement such resolution and publish the reports required under any applicable law.

(See immediate report of an Incident or Matter Deviating from the Corporation's Ordinary Business dated August 2, 2011, which is hereby included by way of reference, reference no: 2011-01-229365).

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, Mr. Sami Gharb (hereinafter: “the defendant” or “Gharb”), 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 the Company petitioned the court to declare that the defendant's registered patent in the U.S. is invalid, that Unitronics' actions do not infringe the defendant's intellectual property rights, and that the defendant deliberately interfered in the Company’s contractual relations with its customers and distributors.

On September 25, 2007, the court ruled that Unitronics had not violated the defendant's patent the subject of the claim. The defendant’s appeals in connection with this claim were rejected.

On April 22, 2007, before the above proceeding came to an end, Gharb's aforementioned patent expired due to failure to make payments in respect thereof.

On October 28, 2010, Gharb filed an application with the District Court which was classified as a "complaint' against Hoboken City Hall in the State of New Jersey, and which mentioned the Company, the subsidiary, Unitronics Inc. and others. Although this claim is vague, it seems that Gharb is claiming infringement of the patent which had already expired.
Given that by July 7, 2011, the complaint had not been submitted by Garb to Unitronics, to the subsidiary or to other defendants, the complaint has been struck out due to a lack of submission.

However, since Gharb’s patent expired on April 22, 2007, his claim for damages will be limited to infringements allegedly committed in the period between October 2004 and April 2007 (based on a limitation period of 6 years).

Dispute with Robotic Parking

During 2006 Hoboken City Hall in New Jersey (hereinafter – "Hoboken City Hall") hired the Company’s services for the repair and maintenance and rendering operational of an automated parking lot in the city (hereinafter – "the parking lot"), which was built and operated by Robotic Parking Systems Inc. (hereinafter – "Robotic"). During the performance of the works by the Company, Robotic filed a claim against Hoboken City Hall and against the Company, inter alia, for violating patent and intellectual property rights and causing breach of contract.

The dispute between the Company and Robotic was settled by way of settlement, principally the mutual withdrawal of existing and/or future claims and actions in connection with the dispute that is the object of the aforementioned proceedings, without payment of any damages whatsoever. The settlement agreement was signed by the parties on July 17, 2007 and was granted the status of a verdict 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 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 the Company's protected intellectual property and trade secrets, and an injunction as stated was granted, in part, on January 19, 2010. The Company and Robotic individually appealed the partial nature of the injunction, and on March 23, 2010, these appeals were rejected. The Company appealed the said ruling once again and its appeal was rejected. At this stage, the Company estimates that there is no imminent risk that its protected trade secrets will be exposed.

On March 16, 2011 Hoboken City Hall and Robotic held a conference call with the court's attendance. The Company petitioned the court to approve its participation in the call, but its request was denied. During the call, Hoboken city hall and Robotic reached a settlement agreement, and the court therefore struck out the claim and left the parties to renegotiate the matter if the agreement is not completed within 60 days.

On May 5, 2011 the court referred the company and Robotic to arbitration, despite the objection of both parties, and an arbitration session was scheduled for the end of July 2011.

On June 24, 2011, Robotic filed an application for the reopening of the hearing in its lawsuit against Hoboken city Hall in order to enforce the aforesaid settlement agreement. Although the attorneys of Hoboken City Hall reported that the City passed a resolution authorizing the settlement agreement, a hearing was scheduled in the file for August 15, 2011.

On July 16, 2009, the Company instituted proceedings in the State of New Jersey, USA, against Robotic, in a lawsuit for the granting of an injunction and compensation for damages in respect to breach of an agreement, breach of contract and abuse of legal proceedings, in consequence of Robotic's attempt to obtain information that is the Company's protected intellectual property and is in the possession of Hoboken City Hall. The Company's petition was rejected on June 18, 2010, and it subsequently filed another appeal.

On January 7, 2010 the Company submitted an application to add Mr. Constantine Hag as a defendant in the case against Robotic and to add a defamatory allegation to the claim on the part of Robotic and Mr. Hag. Its request in these matters was not accepted and the Company plans to include the said decision in the aforesaid appeal.

The rulings in the above appeals have been postponed pending the completion of arbitration proceeding between the parties under the court's supervision, which were held on December 20, 2010. As part of negotiations for a settlement, which were held on December 20, 2010, in connection with the above proceeding and other proceedings as set forth below regarding Robotics and Hoboken, the parties were unable to reach agreements. On December 22, 2010 the Company submitted a status report with the appeals court, in which it requested an oral hearing in the appeal. A date for a hearing has not yet been scheduled.

This matter was also discussed in the arbitration process detailed above, and subject to the enforcement of the agreement between Robotic and Hoboken

City Hall, the Company plans to file application to strike out the appeal, with the addition of an agreement with robotic, pursuant to which Robotic will not request access to the Company's computers and software programs, provided the negotiations with Robotic on the matter lead to an agreement.

Dispute with Hoboken City Hall in New Jersey

According to the terms of the agreements between the Company and Hoboken City Hall, with regard to the parking lot, Hoboken City Hall undertook, inter alia, to indemnify Unitronics in respect to any damage incurred thereby 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 legal proceedings between the Company and Robotic, as detailed above. On April 27, 2010 the Statement of Claim was submitted to Hoboken City Hall, and an application to waive summonses was filed.

In response to the claim, Hoboken City Hall made allegations of breach of contract, bad faith and negligent false representation against the Company, which the Company rejected. .

On July 6, 2010, the Company petitioned the court to order Hoboken City Hall to pay legal fees and legal expenses in the amount of US$ 300,000 in connection with the proceeding against Robotics. The court dismissed the Company's petition, stating that there was more than one way to interpret the clauses of the agreement, which relate to reimbursement of the Company's expenses.

On November 18, 2010 the Company petitioned for an order for discovery of documents by Robotic, which are connected with Hoboken City hall. The court rejected the Company's request, and the Company filed a motion with the court of appeals. This appeal was rejected on June 21, 2011.

On April 12, 2011, pursuant to the court's instruction, a conference call was held with the participation of a judge in the attempt to reach a settlement agreement, but the parties failed to reach agreements. The judge ordered the parties to furnish all the documents, by April 26, 2011, in accordance with the parties' requests for discovery of documents. Another call regarding the status of the proceedings was scheduled for May 10, 2011.

On June 3, 2011, the Company reached understandings regarding a settlement agreement with Hoboken City Hall. This agreement is conditional on the striking out of Robotic's lawsuit against Hoboken City hall as aforesaid. As a result, on June 6, 2011 the court struck out the Company's lawsuit against Hoboken City hall and allowed the parties to reopen the case if the agreement is not completed within 60 days. The Company awaits a settlement proposal from Hoboken City hall and the approval of the City Council to the agreement.

Administrative appeal against the Company

Following the Company's reports dated February 6, 2011 regarding the construction of an automated warehouse (hereinafter –the **"Project"**) for a customer in Israel (reference no 2011-01-038982) (hereinafter – **the**

"**Customer**")and dated March 30, 2011 regarding the receipt of a signed agreement from the Customer (reference no: 2011-01-100404) on June 28, 2011 the Company received an administrative appeal against the customer and against the Company (hereinafter – **the Appeal**").

Pursuant to the Appeal, the petitioner requested permission to review all the documents related and referring to the said tender, such that the customer's decision to declare the Company as a winner in the tender will be subject to scrutiny.

In addition, the petitioner asks the court to declare that until the process of review of the tender's documents by him is concluded and he is given an opportunity to investigate the customer's decision as aforesaid, the tender process has not in fact been completed and the customer may not enter into agreement with the Company in connection with the Project and/or issue an order to the Company and/or carry out the Customer's decision.

The district court set a date for hearing of the appeal, November 24, 2011. The Company plans, through its legal advisors, to submit a letter of response in connection with the petitioner's arguments, in the timetable scheduled by the court.

In the Company's opinion, the Appeal cannot, at this stage, delay the progress of the Project.

At this stage, the Company is unable to assess the chances of this proceeding. However, in the opinion of its legal advisors, the appeal was submitted with considerable delay, which may adversely affect the chances of the petitioner.

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, 2011 increased to NIS 174,820,000 compared to NIS 127,031,000 as of December 31, 2010. The increase primarily stemmed from a rise in cash and cash equivalents, as detailed below.

An increase was recorded in cash, cash equivalents and marketable securities to an aggregate of NIS 77,312,000 as of June 30, 2011 compared to NIS 36,242,000 as of December 31, 2010. Most of the increase stems from a positive cash flow arising from financing activities that primarily include the issuance of debentures (Series 3) in March 2011, net of cash flows used for investment activities, as explained in section 3 below.

As of June 30, 2011, cash limited in use in the amount of NIS 3,211,000 was recorded as part of the Company's liabilities in the trust deed for debentures (Series 3). As part of the issuance of these debentures, the Company pledged a bank deposit amounting to the annual interest payment on the debentures, in favor of the trustee and the holders of these debentures, to secure the payment of the current interest on the debenture principal (regarding actions to register the pledge in favor of Series 3 debenture holders and additional details, see Chapter A, section 3 above).

An increase was recorded in trade receivables and income receivable, which amounted to NIS 19,255,000 as of June 30, 2011 compared to NIS 14,219,000 as of December 31, 2010. Most of the increase stems from the growth in the balance of trade receivable in the systems segment.

A decrease was recorded in inventory to, and it stood at NIS 24,346,000 as of June 30, 2011 compared to NIS 29,898,000,as of December 31, 2010. In previous quarters, an increase was recorded in this item due to a special stocking up of inventories, as a result of delay in the lead times of components in the electronics industry as well as one-off effects from the outsourcing of production to subcontractors. The Company estimates that some improvement in the availability of components, a decrease in the one-off effects of the aforementioned and the streamlining of stocking procedures and inventory management, has contributed to the decrease in inventories.

Inventory of work in progress remained essentially unchanged, and it stood at NIS 7,314,000 as of June 30, 2011, compared to NIS 7,461,000 as of December 31, 2010. This reflects progress in the execution of projects on the reporting date only.

No significant change was recorded in fixed assets, which amounted to NIS 21,970,000 as of June 30, 2011, compared to NIS 21,819,000 as of December 31, 2010.

Intangible assets, net, increased to NIS 19,378,000 as of June 30, 2011 compared to NIS 15,717,000 as of December 31, 2010. This increase primarily stems from the recognition of the Company's development assets, with respect to development costs that meet the intangible asset recognition criteria, net of current amortization. For details on capitalized development expenses, see below.

Liabilities

Current maturities of long-term liabilities remained essentially unchanged, totaling NIS 10,516,000 as of June 30, 2011, compared to NIS 10,234,000 as of December 31, 2010.

A decrease was recorded in trade payables, which amounted to NIS 15,251,000 as of June 30, 2011, compared to NIS 25,755,000 as of December 31, 2010. This item decreased primarily due to a decline in trade balances in the products segment.

Liabilities in respect of embedded derivatives (net), amounted to NIS 1,207,000 as of June 30, 2011, compared to NIS 3,951,000 as of December 31, 2010. The decrease in this item is largely due to the Euro's appreciation against the shekel in the reported period and a decrease in the unpaid balance of installments in respect of sales contracts stated in currencies that are not the Company's functional currency. These contracts include embedded derivatives in foreign currency.

A moderate increase was recorded in accounts payable and accruals during the Company's ordinary business, amounting to NIS 25,127,000 as of June 30, 2011, compared to NIS 23,648,000 as of December 31, 2010.

Non-current liabilities item as of June 30, 2011 totaled NIS 80,786,000, compared to NIS 27,284,000 as of December 31, 2010. Most of the increase stems from the issuance of debentures (Series 3) of NIS 56,442,000 par value, as detailed above, net of issue expenses in the amount of NIS 2,569,000.

The Company's working capital increased to NIS 80,851,000 as of June 30, 2011, compared to NIS 25,503,000 as of December 31, 2010. Most of the increase stems from an increase in cash and cash equivalents, as detailed above.

The Company's shareholders' equity increased to NIS 41,796,000 as of June 30, 2011, compared to NIS 36,159,000 as of December 31, 2010. The increase in equity primarily stems from the net income for the period, after deducting the Company share buybacks since the beginning of the year, as detailed above.

2. **Operating Results**

Revenues

Company revenues in the first half of 2011 amounted to NIS 75,300,000, compared to NIS 72,466,000 in the corresponding half of 2010 (4% increase). This is mainly due to an increase in revenues from the products segment. Company revenues in the quarter ended June 30, 2011 amounted to NIS 34,933,000 compared to NIS 36,116,000 in the same quarter in 2010 (down 3%). This primarily stems from a decrease in revenues from the systems segment, as detailed below.

Company revenues from the products segment in the quarter ended June 30, 2011, amounted to NIS 20,752,000, a 24% increase from revenues of NIS 16,777,000 in the corresponding quarter in 2010. Revenues in the products segment in the first half of 2011 amounted to NIS 44,699,000, a 32% increase from revenues of NIS 33,861,000 in the first half of 2010. The growth in revenues from the products segment stems, in the Company's estimation, from an increase in the pace of sales, beyond the levels recorded in the years before the global economic crisis, which began at the end of 2008 (for details see section 1.9.27 of the Company's Periodic Report for 2010).

Company revenues from the systems segment in the quarter ended June 30, 2011 amounted to NIS 14,091,000, a 27% decrease compared to the same quarter in 2010. Revenues in the systems segment in the first half of 2011 amounted to NIS 30,422,000, a 21% decease from revenues of NIS 38,413,000 in the corresponding half in 2010. The decrease in revenues from the systems segment stems from changes in the actual rate of 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 2010).

Revenues from the products segment in the quarter ended June 30, 2011 accounted for 59% of total Company revenues in this quarter, whereas revenues from the systems segment in the same period accounted for 40% of total revenues. In the second quarter of 2010, revenues from the products segment constituted 46% of total Company revenues in that quarter, while revenues from the systems segment were 53% of total revenues. In the whole of 2010, revenues from products accounted for 51% of total revenues, while revenues from systems accounted for 48% of total revenues (less than 1% stems from other revenues).

Cost of income and gross profit

Gross profit in the quarter ended June 30, 2011 totaled NIS 8,721,000 (25% of the revenues for the period), compared to NIS 9,400,000 in the corresponding quarter in 2010 (26% of revenues for the period). Gross profit in the first half of 2011 totaled NIS 20,135,000 (27% of revenues in the period) compared to NIS 20,908,000 in the first half of 2010 (29% of revenues in the period).

Gross profit margins in the systems segment are lower than profit margins in the products segment (for an explanation on the change in the gross profit margin, see details below).

Development costs, net

Net development expenses in the quarter ended June 30, 2011, amounted to NIS 455,000, compared to NIS 912,000 in the corresponding quarter in 2010. Net development expenses in the first half of 2011 totaled NIS 1,218,000 compared to NIS 1,556,000 in the first half of 2010. In the reported period, an intangible asset was recognized in respect of development costs in the amount of NIS 5,140,000, which satisfied the criteria for recognition as an intangible asset. Development costs, which were recognized as an intangible asset in the reporting quarter, and which grew compared to the corresponding period, reflect a continuation and even an increase in the development of technologies, which are required to support the Company's continued operations. During the reporting period, the Company adjusted its development workforce to meet changes in its operations, as detailed in this report, aimed at addressing its business plans. The Company estimates that in 2011 development expenses in the products segment could grow as detailed in Chapter B (section 2.2.4) of the Periodic Report for 2010[1].

[1] Information regarding the projected development expenses as a percentage of total revenues from the products segment is forward looking information. The main data that constitute the basis for this information are the Company's development plans as set forth in Chapter A (section 1.9.12) of the Periodic Report for 2010, the stages of development at the reporting date, and the need for continued

Selling and Marketing Expenses

Selling and marketing expenses in the quarter ended June 30, 2011 amounted to NIS 3,317,000 (9.5% of revenues), compared to NIS 2,673,000 (7.4% of revenues) in the corresponding quarter in 2010. Selling and marketing expenses in the first quarter of 2011 amounted to NIS 6,648,000 (8.8% of revenues), compared to NIS 4,984,000 (6.9% of revenues) in the first half of 2010.

Most of the increase in selling and marketing expenses in the reported period stems from the growth in marketing expenses in the products segment. In the Company's estimation, this item is likely to increase in the next few quarters, in line with changes in its operation and in order to address its business plans[2].

Administrative and General expenses

Administrative and General expenses grew in the quarter ended June 30, 2011, totaling NIS 1,815,000, compared to NIS 1,402,000 in the corresponding quarter of 2010. Administrative and General expenses in the first half of 2011, amounted to NIS 4,140,000, compared to NIS 3,072,000 in the first half of 2010. Most of the growth in this item stems from adjustment of the expenses needed for support and management of the growth in the Company's business activity.

Operating Profit

The operating profit in the quarter ended June 30, 2011 decreased to NIS 3,134,000, compared to an operating profit of NIS 4,413,000 in the corresponding quarter of 2010. In the first half of 2011, the operating profit decreased to NIS 8,129,000, compared to an operating profit of NIS 11,296,000 in the corresponding half of 2010.

The decrease in operating profit in the reported period primarily stems from a decrease in the operating profit and an increase in marketing and selling expenses and in administrative and general expenses, as detailed above.

Financing income and expenses

Financing expenses, net, in the quarter ended June 30, 2011 amounted to NIS 2,146,000, compared to financing expenses, net, of NIS 4,263,000 in the

---

substantial investments in research and development to carry out the company's plans, including staff recruitment. The main factors likely to prevent this forecast from materializing are changes in the Company's development plans arising from reasons beyond its control (such as market needs and consumer preferences, competitors' developments, prices of raw materials and services required by the Company), lack of budget to finance any expenses required for continued development in general or to the extent required by the Company, and possible technological difficulties in connection with the completion of the development stages under these plans.

[2] The information with regard to the anticipated increase in selling and marketing expenses item is forward-looking information. The principal data that served as a basis for this information includes forecasts for the performance of marketing activities by the Company, including manpower recruitment, planned visits to trade shows, trainings for distributors and advertising expenses. The principal factors that might cause this information not to materialize are changes in the Company's marketing plans for reasons that are outside its control (such as changes at the Company's distributors, changes in the Company's principal markets and/or markets in which the Company is not active, and marketing activities on the part of competitors).

corresponding quarter in 2010. Financing expenses, net, in the first half of 2011 amounted to NIS 1,747,000, compared to financing expenses, net, of NIS 12,331,000 in the first half of 2010.

Most of the change in this item stems from income (net) recognized in respect of exchange rate differences and revaluation of embedded derivatives, as a result of changes in the Euro-shekel exchange rate in the said periods. The Company has sales contracts denominated in currencies that are not the Company's functional currency. These contracts include embedded derivatives in foreign currency.

As of March 2011, the Company began recognizing financing expenses in respect of interest on debentures (Series 3), which were issued in that month.

Profit (loss)

In the reported quarter the Company posted a net income of NIS 988,000 (3% of revenues), compared to a net income of NIS 150,000 in the corresponding quarter in 2010 (less than 1% of revenues).

In the first half of 2011, the Company posted a net income of NIS 6,382,000 (8.5% of revenues), compared to a loss of NIS 1,035,000 in the first half of 2010.

In the Company's estimation, the net income in the reporting period primarily stems from the decrease in financing expenses, net of an increase in selling and marketing expenses and in administrative and general expenses, as explained above.

Analysis of Business Results by Operating Segment

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

Products Segment

The products segment reported a profit of NIS 6,735,000 in the reported quarter, compared to a profit of NIS 5,135,000 in the corresponding quarter in 2010. In the first half of 2011, the products segment reposted a profit of NIS 14,110,000 compared to a profit of NIS 11,542,000 in the first half of 2010. The Company estimates that the growth in the segment's profit in the reported period primarily stems from the growth in revenues from this segment, as detailed above, net of a decrease in the gross profit margin and net of an increase in selling and marketing expenses in this segment. The decline in the gross profit margin stems from the effects of the outsourcing of production to a subcontractor, which is characterized by an increase in production costs, but leads to growth in production capacity and the ability to meet market demand, and from the effect of depreciation in the main selling currencies against the shekel.

Systems Segment

The systems segment reported a loss of NIS 566,000 in the reported quarter, compared to a profit of NIS 1,467,000 in the corresponding quarter in 2010. In the first half of 2011, the systems segment reported a profit of

NIS 887,000 compared to a profit of NIS 4,183,000 in the first half of 2010. The Company estimates that the decrease in profit stems from the decline in revenues from this segment in the reported period, as explained above and from the fixed expenses, which are required to support the segment's operations.

3. Liquidity and Financing Sources

The balance of cash, cash equivalents and marketable securities of the Company, as of June 30, 2011 totaled NIS 77,312,000, compared to NIS 36,242,000 as of December 31, 2010. Most of the increase stems from positive cash flows from financing activities, which included the issue of debentures (Series 3) in March 2011, net of cash flows used in investment activities, as explained below.

Cash flow from operating activities in the quarter ended June 30, 2011 amounted to positive cash flows of NIS 3,705,000. The positive cash flows mainly resulted from an increase in accounts payable and accruals and a decrease in inventory and inventories of work in progress, net of an increase in trade payable. In the first half of 2011, the Company reported negative cash flows from operating activities of NIS 297,000. The negative cash flows primarily stem from a decrease in trade payable and an increase in trade and income receivable, net of a decrease in inventory.

Cash flows used in investment activities in the quarter ended June 30, 2011 were negative totaling NIS 17,778,000. In the first half of 2011, the Company reported negative cash flows from investment activities of NIS 23,680,000. The negative cash flows primarily stems from the acquisition of marketable securities and the recording of investments in development assets.

Cash flows from financing activities in the quarter ended June 30, 2011 were negative totaling NIS 1,796,000. The negative cash flows primarily stem from the repayment of long-term loans. In the first half of 2011, cash flows from financing activities amounted to NIS 51,333,000. The positive cash flows primarily stem from the issue of Series 3 debentures.

On June 30, 2011, total credit facilities available to the Company for current operations stood at NIS 23.8 million. On June 30, 2011, a total of NIS 23.4 million from this credit facility was utilized mainly to secure the Company's obligations in projects carried out by the systems department. Subsequent to the reporting date, a credit facility of NIS 13 million was provided to the Company by Bank Leumi le'Israel Ltd, for the financing of a real estate property, as set forth in Section 3 above.

4. Qualitative Report Concerning Exposure and Management to Market Risks and their Management

Exposure to Fluctuations in the Consumer Price Index

In March 2011, the Company issued Debentures (Series 3). These Debentures are linked to the Israeli CPI, with a base index of no less than 212.73. As a result of this issue, the Company's exposure to fluctuations in the 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.

Except for the aforesaid, after from the reporting period for 2010 no additional material changes occurred regarding the Company's exposure to market risks and the management thereof.

5. Consolidated Linkage Bases Report

Consolidated Linkage Bases Report

	As of June 30, 2011					
	Israeli Currency		Foreign Currency			
	Unlinked	CPI-Linked	In EURO	In USD	Non-Monetary Balances	Total
	NIS in Thousands					
Assets						
Cash and cash equivalents	31,647	-	6,318	6,714	-	44,679
Cash limited in use	3,211					3,211
Marketable securities	16,145	16,140	-	348	-	32,633
Trade and income receivable	8,483	-	7,048	3,724	-	19,255
Embedded derivatives	-	-	137	-	-	137
Accounts receivable	1,259	-	-	255	-	1,514
Inventory	-	-	-	-	24,346	24,346
Inventory of work in progress	-	-	-	-	7,314	7,314
Long-term deposits	-	-	-	-	383	383
Fixed assets, net	-	-	-	-	21,970	21,970
Intangible assets, net	-	-	-	-	19,378	19,378
Total assets	60,745	16,140	13,503	11,041	73,391	174,820
Liabilities						
Current maturities of long-term liabilities	-	89	3,892	373	-	4,354
Current maturities of debentures	-	6,162	-		-	6,162
Trade payable	6,612	-	2,812	5,827	-	15,251
Embedded derivatives	-	-	1,344	-	-	1,344
Accounts payable and accruals	23,953	-	615	559	-	25,127
Loans from banks and others	-	250	10,481	2,049	-	12,780
Debentures	-	66,395	-	-	-	66,395
Liabilities due to employee benefits, net	-	-	-	-	1,611	1,611
Total liabilities	30,565	72,896	19,144	8,808	1,611	133,024
Net assets (liabilities)	30,180	(56,756)	(5,641)	2,233	71,780	41,796

6. Sensitivity Tests for Financial Instruments as of June 30, 2011

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

1) The following table presents changes in the fair value of financial instruments sensitive to fluctuations in the dollar's exchange rate

	Profit (loss) from changes NIS in Thousands		NIS in Thousands	Profit (Loss) from changes NIS in Thousands	
	+10%	+5%	Fair value	5%-	10%-
NIS to $	3.757	3.586	3.415	3.244	3.074
Cash and cash equivalents	671	336	6,714	(336)	(671)
Marketable securities	35	17	348	(17)	(35)
Trade and income receivable	372	186	3,724	(186)	(372)
Accounts receivable	26	13	255	(13)	(26)
Current maturities of loans	(37)	(19)	(373)	19	37
Trade payable	(583)	(291)	(5,827)	291	583
Accounts payable and accruals	(56)	(28)	(559)	28	56
Long-term loans	(205)	(102)	(2,049)	102	205
Total	**223**	**112**	**2,233**	**(112)**	**(223)**

2) The following table presents changes in the fair value of financial instruments that are sensitive to changes in the Euro's exchange rate

	Profit (loss) from changes NIS in Thousands		NIS in Thousands	Profit (loss) from changes NIS in Thousands	
	+10%	+5%	Fair value	5%-	10%-
NIS to Euro	5.439	5.191	4.944	4.697	4.45
Cash and cash equivalents	632	316	6,318	(316)	(632)
Trade and income receivable	705	352	7,048	(352)	(705)
Current maturities of loans	(389)	(195)	(3,892)	195	389
Trade payable	(281)	(141)	(2,812)	141	281
Accounts payable and accruals	(62)	(31)	(615)	31	62
Long-term loans	(1,048)	(524)	(10,481)	524	1,048
Total	**(443)**	**(223)**	**(4,434)**	**223**	**443**

3) The following table presents changes in the fair value of financial instruments sensitive to fluctuations in the Consumer Price Index

	Profit (loss) from changes NIS in Thousands		NIS in Thousands	Profit (loss) from changes NIS in Thousands	
	+10%	+5%	Fair value	5%-	10%-
CPI in points	237.90	227.08	216.27	205.46	194.64
Marketable securities	1,614	807	16,140	(807)	(1,614)
Current maturities of loans	(9)	(4)	(89)	4	9
Current maturities of debentures	(616)	(308)	(6,162)	308	616
Long-term loans	(25)	(13)	(250)	13	25
Debentures	(6,640)	(3,320)	(66,395)	3,320	6,640
Total	(5,676)	(2,838)	(56,756)	2,838	5,676

4) The following table presents changes in the fair value changes of derivative financial instruments that are sensitive to changes in underlying assets denominated in Euro:

	Profit (Loss) on the Change, NIS in Thousands		NIS in Thousands	Profit (Loss) on the Change, NIS in Thousands	
	10%increase in the underlying asset	5%increase in the underlying asset	Fair Value	5%decline in the underlying asset	10%decline in the underlying asset
Embedded derivatives	343	171	137	(171)	(343)
Liability in respect of embedded derivatives	1,309	658	(1,344)	(644)	(1,295)
Total	1,652	829	(1,207)	(815)	(1,638)

5) The following table presents changes in the fair value of financial instruments sensitive to fluctuations in convertible securities :

	Profit (loss) from changes NIS in Thousands		NIS in Thousands	Profit (loss) from changes NIS in Thousands	
	+10%	+5%	Fair value	5%-	10%-
Local – government	1,308	654	13,077	(654)	(1,308)
Local – corporate	1,656	828	16,557	(828)	(1,656)
Shares	300	150	2,999	(150)	(300)
Total	3,264	1,632	32,633	(1,632)	(3,264)

7. The balance of the Company's liabilities by repayment dates (Regulation 38e)

Below is a breakdown of the Company's liabilities by repayment dates, as of June 30, 2011:

a. Debentures issued to the public by the reporting corporation and held by the public, except for debentures held by the parent company of the corporation, the controlling shareholder therein, companies controlled by any of the aforesaid or companies controlled by the corporation - based on separate financial statements of the corporation ("solo" financial statements) (in NIS thousand):

	Payments of principal					
Period	**In NIS linked to the CPI**	**In Unlinked NIS**	**Euro**	**Dollar**	**Other**	**Gross interest payments (no tax deduction)**
First year	6,162	-	-	-	-	4,169
Second year	17,594	-	-	-	-	3,793
Third year	17,594	-	-	-	-	2,772
Fourth year	11,432	-	-	-	-	1,938
Fifth year and thereafter	22,864	-	-	-	-	1,938
Total	**75,646**	**-**	**-**	**-**	**-**	**14,610**

b. Private debentures and non-bank credit, except for debentures or credit extended by the parent company of the corporation, the controlling shareholder therein, companies controlled by any of the aforesaid or companies controlled by the corporation - based on separate financial statements of the corporation ("solo" financial statements) (in NIS thousand):

	Payments of principal					
Period	**In NIS linked to the CPI**	**In Unlinked NIS**	**Euro**	**Dollar**	**Other**	**Gross interest payments (no tax deduction)**
First year	89	-	-	-	-	30
Second year	99	-	-	-	-	20
Third year	109	-	-	-	-	10
Fourth year	43	-	-	-	-	1
Fifth year and thereafter	-	-	-	-	-	-
Total	**340**	-	-	-	-	**61**

c. Credit from Israeli banks - based on the Company's separate financial statements ("solo" financial statements) (NIS thousand):

	Payments of principal					
Period	**In NIS linked to the CPI**	**In Unlinked NIS**	**Euro**	**Dollar**	**Other**	**Gross interest payments (no tax deduction)**
First year	-	-	3,892	373	-	390
Second year	-	-	3,892	373	-	277
Third year	-	-	3,705	373	-	169
Fourth year	-	-	1,643	373	-	88
Fifth year and thereafter	-	-	1,239	931	-	76
Total	-	-	**14,371**	**2,423**	-	**1,000**

d. Table summarizing tables A-C, total bank credit, non-bank credit and debentures - based on the Company's separate financial statements ("solo" financial statements) (NIS thousand):

	Payments of principal					
Period	**In NIS linked to the CPI**	**In Unlinked NIS**	**Euro**	**Dollar**	**Other**	**Gross interest payments (no tax deduction)**
First year	6,251	-	3,892	373	-	4,589
Second year	17,693	-	3,892	373	-	4,090
Third year	17,703	-	3,705	373	-	2,951
Fourth year	11,475	-	1,643	373	-	2,027
Fifth year and thereafter	22,864	-	1,239	931	-	2,014
Total	**75,986**	**-**	**14,371**	**2,423**	**-**	**15,671**

e. Exposure of the off-balance sheet credit of all the consolidated companies, with the exception of companies that are reporting corporations as well as data of the reporting corporation, which were presented in table F above (NIS thousand):

	Payments of principal					
Period	**In NIS linked to the CPI**	**In Unlinked NIS**	**Euro**	**Dollar**	**Other**	**Gross interest payments (no tax deduction)**
First year	-	-	-	-	-	-
Second year	-	-	-	-	-	-
Third year	-	-	-	-	-	-
Fourth year	-	-	-	-	-	-
Fifth year and thereafter	-	-	-	-	-	-
Total	-	-	-	-	-	-

8. Disclosure to the Debenture Holders

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 as of the reporting date	16,140,000
D	Par value according to linkage terms – as of the report date	18,485,646
E	Accrued interest as of the report date	383,083
F	Liability value as of the report date	17,843,049
G	Stock exchange value	19,610,000
H	Type of interest, including description	6.1% annual interest
I	Payment dates of outstanding principal	Three equal annual payments beginning on August 25, 2011
J	Payment dates of interest	On the 25th of February and August in the years 2011-2013
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 debentures convertible	Not convertible
M	Corporation's right to perform early redemption	Does not exist
N	Has a guarantee been given for payment of a liability in the trust deed	No
O	Is the liability material to the Company	Yes
(2)	The trustee in charge of the debenture series in the trust company; the trustee's contact details	Hermetic Trust (1975) Ltd Dan Avnon and/or Merav Ofer-Oren, 113 Hayarkon Street, Tel Aviv 63573, Telephone: 03-5274867 Fax: 03-5271451, Email: hermetic@hermetic.co.il

(5+6) As of the end of the quarterly reporting period, the Company was in compliance with all the terms and obligations of the trust deed for Debentures (Series 2), the Company was not found to be in violation of any undertaking or term that was set in the trust deed, which are not of a technical nature, and there were no grounds to call for immediate repayment of the debentures.

(8) The Debentures (Series 2) are not secured by any charges whatsoever.

(1)	Security:	Debentures (Series 3)
A	Issue date	March 2011
B	Total par value on issue date	56,442,000
C	Par value as of the reporting date	56,442,000
D	Par value according to linkage terms – as of the report date	57,159,234
E	Accrued interest as of the report date	864,729
F	Liability value as of the report date	54,714,401
G	Stock exchange value	59,264,000
H	Type of interest, including description	5.65% annual interest
I	Payment dates of outstanding principal	Five equal annual payments as of March 23, 2013
J	Payment dates of interest	Every 23rd of March and September commencing from September 23, 2011 and until March 23, 2017 (inclusive)
K	Details of linkage basis of interest and principal	Principal + interest linked to the Consumer Price Index (February 2011 CPI)
L	Are the debentures convertible	Not convertible
M	Corporation's right to perform early redemption	Does not exist
N	Has a guarantee been given for payment of a liability in the trust deed	No
O	Is the liability material to the Company	Yes
(2)	The trustee in charge of the debenture series in the trust company; the trustee's contact details	Reznick, Paz, Nevo Trust Ltd 14, Yad Harutzim St, Tel Aviv 67778 Tel: 03-6389200; Fax: 03-6393316 Email: trust@rpn.co.il

(5+6) As of the date of approval of the quarterly report, the Company, to the best of its understanding, was in compliance with all the terms and obligations of the trust deed for Debentures (Series 3), the Company was not found to be in violation of any undertaking or term that was set in the trust deed, which are not of a technical nature, and there were no grounds to call for immediate repayment of the debentures.

(8) As specified in section 3 of Chapter A above, on April 4, 2011, a pledge over a bank account deposit was created at the Registrar of Companies, in the amount of the annual interest on the debentures, to secure the payment of interest pursuant to the terms of the debentures (Series 3). As long as the Company has an unpaid balance of the Debentures (Series 3), the Company will refrain from creating additional charges on its assets, in excess of the charges that existed on the date of signing the trust deed in connection with the debentures (Series 3), in favor of any third party whatsoever, without the trustees' advance and written consent, save with regard to charges on land and/or equipment that will be purchased by the Company subsequent to the date of signing the trust deed, the pledging thereof will serve solely for the purpose of securing

the funding that was given for the purchase of the asset that is the object of the charge – and which the Company is permitted to create without any restrictions in favor of any person whomsoever. Subject to the aforesaid, the Company shall be entitled to create, without any limitation, additional charges of any type on its assets, all or part thereof, without this derogating from the Company's ability to undertake towards third parties to refrain from creating additional charges and without derogating from the aforesaid undertakings which the Company made to the banks prior to the date of signing the Debenture trust Deed (Series 3).

9. Projected cash flow

The Board of Directors determined, after examining the four warning signs specified in Regulation 10(b)(14) of the Securities Regulations (Periodic and Immediate Reports), 5730-1970, regarding disclosure of the anticipated cash flow for financing payment of the Company's obligations, that the Company has no liquidity problems and is able to meet its obligations, including the full payment of its liabilities in respect of the issuance of Debentures (Series 2 and 3). Such examination is performed by the Board of Directors on a quarterly basis, at the time of approval of the financial statements published by the Company for the quarter in question.

10. Details of the Process of Approval of the Company's Financial Statements

10.1 Preparation of the financial statements

The Company's financial statements were prepared by the Company's CFO. The statements were reviewed 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. Subsequent to the auditor's review, the financial statements were submitted to the members of the committee for review of the financial statements.

10.2 Committee for review of the financial statements

The Company's audit committee also served as the balance sheet committee for review of the financial statements ("the Committee"). As of the reporting date, the following directors serve on this committee:

Name:	CPA Zvi Livne	CPA Yoel Sela	CPA Moshe Braz
An independent or an external director	No	External director	External director
Is he the Chairman of the committee for review of financial statements	No	No	Yes
Does he have accounting and financial expertise	Yes	Yes	Yes
Did he provide a statement prior to his nomination	Yes	Yes	Yes

* For details on the education and experience of the members of the committee for review of the financial statements, see section 4.11 of Chapter B in the Periodic Report for 2010.

As part of the process of approval of the financial Statements as of June 30, 2011, a committee meeting was held on August 2, 2011. In this meeting the committee discussed the effectiveness of internal control over financial reporting and disclosure by the Company, which are under the responsibility of the person in charge of reporting and the person in charge of control oversight, and which are supervised by the steering committee, which serves as a top-level supervising entity to ensure full compliance with reporting regulations, in accordance with internal procedures adopted by the Board of Directors on February 2, 2011 in connection with periodic and immediate reports. A comprehensive discussion of material issues took place in order to formulate the committee's recommendations to the board of directors, for the purpose of its approval of the financial statements; later, the committee approved its recommendations.

The following were invited and attended the committee's meeting on August 2, 2011: members of the committee (CPAs Zvi Livne, Yoel Sela and Moshe Braaz), Mr. Yair Itzkovitch, CFO, Mr. Eyal Saban, VP, Mr. Nir Weisberger, Company attorney, Mr. Gal Amit, from the Company's accounting firm, and Mr. Miguel Elhanati, the Company's internal auditor.

The committee discussed and formulated its recommendations to the board of directors in the following matters: assessments and estimates made in connection with the financial statements; internal controls related to the financial reporting process; the integrity and appropriateness of the disclosure in the financial statements; the accounting policy adopted and the accounting treatment implemented in material issues; valuations including the underlying assessments and estimates. The draft financial statements and committee recommendations were submitted to the board's review two business days before the board convened to discuss the financial statements, which is a reasonable timeframe, in the board's estimation, to submit the recommendations to the board of directors.

10.3 <u>Board of Directors of the Company</u>

The Company regards the Board of Directors as the entity in charge of internal control over 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 skills, member of the credit and investments committee, member of the Audit Committee and member of the committee for review of the financial statements.
4. Mr. Yoel Sela, CPA – External and independent director with accounting skills, member of the board's credit and investments committee, member of the Audit Committee and member of the committee for review of the financial statements.
5. Mr. Moshe Braz, CPA – External and independent director with accounting skills, member of the Audit Committee, member of the committee for review of the financial statements and member of the Securities Committee of the Company's Board of Directors.

Following the Board of Directors' review of the financial statements, a board meeting was held for the purpose of presenting and discussing the financial statements. In the meeting on August 4, 2011, the Company's management reviewed the main data of the financial statements. The Company's auditor attended the meeting and responded to the questions of the board of directors, which were addressed to him (together with the Company's CEO and CFO, who responded to questions addressed to them). At the end of the discussion, the financial statements were approved by the board of directors by a vote.

Zvi Livneh Director	Haim Shani Chairman and CEO

Date: August 4, 2011

UNITRONICS (1989) (R"G) LTD.

Condensed Consolidated Interim Financial Statements June 30, 2011

(Unaudited)

Unitronics (1989) (R"G) Ltd.

Condensed Consolidated Interim Financial Statements

June 30, 2011

(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, 2011 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 4 % of all the consolidated assets as at June 30, 2011 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 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 4, 2011

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

	June 30, 2011	June 30, 2011	June 30, 2010	December 31, 2010
	(unaudited)	(unaudited)		(audited)
		(in thousands)		
	Convenience translation into Euro (1)	NIS		
Current assets				
Cash and cash equivalents	9,037	44,679	27,092	17,456
Restricted cash	649	3,211	-	-
Marketable securities	6,600	32,633	16,360	18,786
Accounts receivable -				
Trade	3,895	19,255	12,485	14,219
Other	306	1,514	1,475	1,271
Embedded derivatives	28	137	48	-
Inventory	4,925	24,346	21,305	29,898
Inventory - work in progress	1,479	7,314	38	7,461
	26,919	133,089	78,803	89,091
Non-current assets				
Long-term deposits	77	383	315	404
Property and equipment, net	4,444	21,970	21,594	21,819
Intangible assets, net	3,919	19,378	14,904	15,717
	8,440	41,731	36,813	37,940
	35,359	**174,820**	**115,616**	**127,031**

Haim Shani | Tzvi Livne | Yair Itscovich

Chairman of the Board of Directors and C.E.O. | Director | Chief Financial Officer

Approved: August 4, 2011.

(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, 2011	June 30, 2011	June 30, 2010	December 31, 2010
	(unaudited)	(unaudited)		(audited)
		(in thousands)		
	Convenience translation into Euro (1)	NIS		
Current liabilities				
Current maturities of long-term loans	881	4,354	3,107	4,202
Current maturities of bonds	1,246	6,162	5,920	6,032
Accounts payable -				
Trade	3,085	15,251	21,758	25,755
Other	5,082	25,127	20,321	23,648
Warrants	-	-	263	-
Embedded derivatives	272	1,344	8,710	3,951
	10,566	52,238	60,079	63,588
Non-current liabilities				
Loans from banks and others	2,585	12,780	12,254	14,526
Bonds	13,429	66,395	16,612	11,175
Liabilities for benefits to employees, net	326	1,611	950	1,583
	16,340	80,786	29,816	27,284
Shareholders' equity				
Share capital	71	352	352	352
Share premium	10,232	50,588	50,588	50,588
Capital reserve from translation of foreign operation	(307)	(1,517)	(604)	(1,176)
Company shares held by the company	(1,344)	(6,643)	(5,610)	(6,239)
Accumulated loss	(199)	(984)	(19,005)	(7,366)
	8,453	41,796	25,721	36,159
	35,359	**174,820**	**115,616**	**127,031**

(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,		For the year ended December 31,
	2011	2011	2010	2011	2011	2010	2010
	(unaudited)	(unaudited)		(unaudited)	(unaudited)		(audited)
				(in thousands)			
	Convenience translation into Euro (1)	NIS		Convenience translation into Euro (1)	NIS		
Revenues	15,230	75,300	72,466	7,066	34,933	36,116	152,979
Cost of revenues	11,158	55,165	51,558	5,302	26,212	26,716	108,725
Gross profit	4,072	20,135	20,908	1,764	8,721	9,400	44,254
Development expenses, net	246	1,218	1,556	92	455	912	3,194
Selling & marketing expenses	1,345	6,648	4,984	671	3,317	2,673	11,189
General & administrative expenses	837	4,140	3,072	367	1,815	1,402	7,981
Capital gain	-	-	-	-	-	-	99
Operating profit	1,644	8,129	11,296	634	3,134	4,413	21,989
Financing income	443	2,189	1,763	61	303	1,014	1,884
Financing expenses	795	3,936	14,094	494	2,449	5,277	12,894
Profit (loss) for the period	1,292	6,382	(1,035)	201	988	150	10,979
Profit (loss) per 1 ordinary share NIS 0.02 par value (NIS):							
Basic Profit (loss) per 1 ordinary share	0.111	0.547	(0.099)	0.017	0.085	0.014	1.059
Diluted profit (loss) per 1 ordinary share	0.111	0.545	(0.099)	0.017	0.084	0.014	1.059

(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,		For the year ended December 31,
	2011	2011	2010	2011	2011	2010	2010
	(unaudited)	(unaudited)		(unaudited)	(unaudited)		(audited)
	(in thousands)						
	Convenience translation into Euro (1)	NIS		Convenience translation into Euro (1)	NIS		
Profit (loss) for the period	1,292	6,382	(1,035)	201	988	150	10,979
Other comprehensive income (loss)							
Actuarial loss	-	-	-	-	-	-	(375)
Translation of foreign operation	(69)	(341)	139	(34)	(169)	236	(433)
Other comprehensive income (loss) for the period	(69)	(341)	139	(34)	(169)	236	(808)
Comprehensive income (loss) for the period	1,223	6,041	(896)	167	819	386	10,171

(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	Share premium	Capital reserve from translation of foreign operation	Company shares held by the company	Accumulated Loss	Total
			NIS in thousands			
Balance at January 1, 2010 (audited)	352	50,576	(743)	(3,150)	(17,970)	29,065
Purchase of company shares by the company	-	-	-	(3,089)	-	(3,089)
Warrants exercise	(*)-	12	-	-	-	12
Comprehensive income for the year	-	-	(433)	-	10,604	10,171
Balance at December 31, 2010 (audited)	352	50,588	(1,176)	(6,239)	(7,366)	36,159
Purchase of company shares by the company	-	-	-	(404)	-	(404)
Comprehensive income for the period	-	-	(341)	-	6,382	6,041
Balance at June 30, 2011 (unaudited)	352	50,588	(1,517)	(6,643)	(984)	41,796
Balance at January 1, 2010 (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
Comprehensive loss 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 April 1, 2011 (unaudited)	352	50,588	(1,348)	(6,365)	(1,972)	41,255
Purchase of company shares by the company	-	-	-	(278)	-	(278)
Exercise of options						
Comprehensive income for the period	-	-	(169)	-	988	819
Balance at June 30, 2011 (unaudited)	352	50,588	(1,517)	(6,643)	(984)	41,796
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
Comprehensive income for the period	-	-	236	-	150	386
Balance at June 30, 2010 (unaudited)	352	50,588	(604)	(5,610)	(19,005)	25,721
	Convenience translation into Euro in thousands (unaudited) (1)					
Balance at December 31, 2010 (audited)	71	10,232	(238)	(1,262)	(1,491)	7,312
Purchase of company shares by the company	-	-	-	(82)	-	(82)
Comprehensive income for the period	-	-	(69)	-	1,292	1,223
Balance at June 30, 2011 (unaudited)	71	10,232	(307)	(1,344)	(199)	8,453

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

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,		For the year ended December 31,
	2011	2011	2010	2011	2011	2010	2010
	(unaudited)	(unaudited)		(unaudited)	(unaudited)		(audited)
				(in thousands)			
	Convenience translation into Euro (1)	NIS		Convenience translation into Euro (1)	NIS		
Cash flows - operating activities							
Profit (loss) for the period	1,292	6,382	(1,035)	201	988	150	10,979
Adjustments necessary to show the cash flows - operating activities (Appendix A)	(1,351)	(6,679)	14,965	550	2,717	8,926	2,168
Cash flows provided by (used in) operating activities	(59)	(297)	13,930	751	3,705	9,076	13,147
Cash flows - investing activities							
Sale (Purchase) of marketable securities, net	(2,852)	(14,099)	2,266	(2,837)	(14,026)	2,442	(16)
Purchase of property and equipment	(196)	(969)	(538)	(77)	(381)	(154)	(1,608)
Sale of property and equipment	-	-	-	-	-	-	115
Investment in restricted cash	(645)	(3,190)	-	-	-	-	-
Investment in long-term deposits	(10)	(47)	(177)	(3)	(15)	(77)	(260)
Repayment of long-term deposits	3	13	140	-	-	51	167
Investment in intangible assets	(1,090)	(5,388)	(2,276)	(679)	(3,356)	(1,252)	(5,010)
Cash flows provided by (used in) investing activities	(4,790)	(23,680)	(585)	(3,596)	(17,778)	1,010	(6,612)
Cash flows - financing activities							
Repayment of long-term loans	(438)	(2,166)	(656)	(220)	(1,090)	(415)	(2,713)
Receiving of long-term loans	-	-	8,572	-	-	8,572	14,552
Bonds issue	10,902	53,903	-	(87)	(428)	-	-
Repayment of bonds	-	-	-	-	-	-	(5,939)
Repayment of convertible bonds	-	-	(8,600)	-	-	(8,600)	(8,600)
Purchase of company shares by the company	(82)	(404)	(2,460)	(56)	(278)	(638)	(3,089)
Exercise of options	-	-	11	-	-	11	11
Short-term credit from banks, net	-	-	-	-	-	(102)	-
Cash flows provided by (used in) financing activities	10,382	51,333	(3,133)	(363)	(1,796)	(1,172)	(5,778)
Translation differences in respect of foreign operation cash balances	(28)	(133)	52	(16)	(75)	(54)	(129)
Change in cash and cash equivalents for the period	5,505	27,223	10,264	(3,224)	(15,944)	8,860	628
Cash and cash equivalents at beginning of period	3,532	17,456	16,828	12,261	60,623	18,232	16,828
Cash and cash equivalents at end of period	9,037	44,679	27,092	9,037	44,679	27,092	17,456

(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,		For the year ended December 31,
	2011	2011	2010	2011	2011	2010	2010
	(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 - operating activities							
Depreciation and amortization	594	2,938	3,393	312	1,542	1,664	6,370
Loss (Profit) from marketable securities, net	51	252	(473)	14	71	(203)	(651)
Increase (decrease) in liabilities for benefits to employees, net	6	28	13	(11)	(55)	(148)	271
Capital gain	-	-	-	-	-	-	(99)
Reevaluation of restricted cash	(4)	(21)	-	(4)	(21)	-	-
Reevaluation of warrants	-	-	163	-	-	(108)	(99)
Reevaluation of long-term loans, bonds and convertible bonds	333	1,647	(209)	175	863	393	(399)
Reevaluation of embedded derivatives	(555)	(2,744)	7,161	(81)	(400)	1,900	2,450
Decrease (increase) in accounts receivable - trade	(1,042)	(5,149)	964	20	97	(240)	(1,003)
Decrease (increase) in accounts receivable - other	(46)	(229)	(1,088)	122	604	(1,326)	(887)
Decrease (increase) in inventory	1,107	5,474	(9,325)	788	3,896	(5,208)	(18,080)
Decrease in inventory - work in progress	30	147	7,797	278	1,373	883	374
Increase (decrease) in accounts payable - trade	(2,125)	(10,504)	11,007	(1,503)	(7,428)	3,957	15,001
Increase (decrease) in accounts payable - other	300	1,482	(4,438)	440	2,175	7,362	(1,080)
	(1,351)	(6,679)	14,965	550	2,717	8,926	2,168
Appendix B - Non-cash operations							
Bonds issue expenses	6	30	-	-	-	-	-
Appendix C - Additional information on cash flows regarding operating activities							
Cash paid during the period for:							
Interest	169	838	962	29	142	201	2,065
Taxes on income	11	54	54	5	27	27	108
Cash received during the period for:							
Interest and dividend	155	767	376	107	528	197	639

(1) See note 1C.

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

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

Note 1 - General

A. These financial statements have been prepared in a condensed format as at June 30, 2011, 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, 2010 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 U.S. dollar	Exchange rate of 1 Euro
	Points (*)	NIS	NIS
June 30, 2011	216.27	3.415	4.9441
June 30, 2010	207.56	3.875	4.7575
December 31, 2010	211.67	3.549	4.7379
Change during the period	%	%	%
Six month ended June 30, 2011	2.17	(3.78)	4.35
Six month ended June 30, 2010	0.67	2.65	(12.57)
Three month ended June 30, 2011	1.46	(1.9)	(0.11)
Three month ended June 30, 2010	1.53	4.36	(4.67)
For the year ended December 31, 2010	2.66	(5.99)	(12.93)

(*) 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, 2011 (EURO 1 = NIS 4.9441).
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. IAS 34 - Financial Reporting for Interim periods
Since 1 January 2011 the Company applies the amendment to IAS 34, Financial Reporting for Interim periods, significant events and transactions, which was published in the framework of the improvements project for 2010. According to the amendment disclosure requirements were added to the interim financial statements relating to significant events and transactions. Furthermore, the requirement to evaluate the material essence of events and transactions was dropped from the minimal disclosure requirements.

   The amendment did not have any significant effect on the Group's disclosures to its consolidated interim financial statements.

Note 2 - Significant Accounting Policies (cont'd)

B. Disclosure of new IFRS implemented in the reported period (cont'd)

2. Amendments, standards and interpretations to the existing standards which came into force and are binding for accounting periods starting January 1, 2011, but the first implementation did not have any significant effect on the Group's financial statements:

   a. IFRS 7 - Financial Instruments: Disclosure.
   b. IAS 1 - Presentation of financial statements.
   c. IAS 24 - Related Party Disclosures.

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

In May 2011, the IASB published 4 New Standards: IFRS 10 - Consolidated Financial Statements, IFRS 11 - Joint Arrangements, IFRS 12 - Disclosure regarding Rights in other Entities (hereinafter: "the New Standards") and IFRS 13 - Measurement of Fair Value and amended 2 existing standards: IAS 27R (amended in 2011) - Separate Financial Statements, and IAS 28R (amended in 2011) Investments in Affiliated Companies and in Joint Ventures.

The New Standards will be implemented retrospectively as from the financial statements for annual periods starting January 1, 2013 or thereafter. Earlier implementation is possible. But if the Company decides to do so, it must adopt the New Standards in their entirety (excluding disclosure requirements in accordance with IFRS 12, which can be adopted separately). The Standards include transitory provisions with certain exemptions at the time of first implementation.

For the implementation date of IFRS 13 see Note 4 below.

The following are the main provisions of the Standards relevant for the Company and their expected effect on the Company:

1. IFRS 10 - Consolidated Financial Statements

   IFRS 10 replaces IAS 27 regarding the accounting treatment of consolidated financial statements, and includes the accounting treatment on the consolidation of structured entities which in the past were handled by SIC 12 - consolidation - entities for special purposes.

   IFRS 10 does not include changes in consolidation procedures, but changes the definition of control for purpose of consolidation and includes a single model for consolidation purposes. According to IFRS 10, in order for control to exist it requires the existence of power and exposure or the right to variable returns from the investee company. Power is the ability to affect and to direct the operations of the investee company, which significantly affect the return on the investment.

   IFRS 10 stipulates that at the time of examining the existence of control, potential voting rights must be taken in account, only if they are real, compared to IAS 27 prior to the amendment, which stipulated that potential voting rights will be taken into account only if they can be exercised immediately and when management's intentions must be ignored as well as the financial ability to exercise these rights.

   In addition, IFRS 10 stipulates that an investor may control even if he holds less than 50% of the voting rights in the investee company (effective control), and this contrary to the existing IAS 27 which enabled the choice of two models for consolidation - the effective control model and the legal control model.

   IFRS 10 will be implemented retrospectively as from the financial statements for annual periods starting January 1, 2013 or thereafter.

   In the Company's opinion, IFRS 10 is not expected to have a significant effect on the financial statements.

Note 2 - Significant Accounting Policies (cont'd)

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

2. IAS 27R - Separate Financial Statements

   IAS 27R replaces IAS 27 and only deals with separate financial statements. The existing directives regarding separate financial statements remain unchanged, in the framework of IAS 27R.

3. IFRS 12 - Disclosure regarding rights in other entities

   IFRS 12 sets forth the disclosures requirements regarding the Company's investee entities, including subsidiaries, joint arrangements, affiliated companies, and structured entities. IFRS 12 expands the disclosure requirements relating to the consideration and assumptions that management used in determining the existence of control, joint control or significant influence in investee entities, and also in determining the type of joint arrangements. IFRS 12 also includes disclosure requirements regarding significant investee entities.

   The relevant disclosures will be included in the Company's financial statements on the first adoption of the Standard.

4. IFRS 13 - Measurement of Fair Value

   IFRS 13 stipulates assumptions regarding the method of measurement of fair value to the extent that such measurement is required according to the international standards. IFRS 13 defines fair value as the price tat would have been received on the sale of an asset, or the price paid on the transfer of a liability in an orderly transaction between market participants at the time of the measurement.

   In addition, IFRS 13 details the characteristics of market participants and stipulates that fair value will be based on the assumptions that market participants would have used. In addition, IFRS 13 stipulates that the measurement of fair value will be based on the assumption that the transaction will be carried out in the main market of the asset or liability, or in the absence of a main market, in the most advantageous market.

   IFRS 13 stipulates that the use of data which can be observed in the market must be maximized compared to the use of data which cannot be observed in the market. In addition IFRS 13 sets forth levels of fair value according to the source of the data used in determining the fair value:
   Level 1: quoted prices (without adjustments) in an active market of identical assets and liabilities.
   Level 2: data which are not quoted prices included in Level 1 which can be observed directly or indirectly.
   Level 3: Data which are not based on market information which can be observed (valuation techniques without the use of market data which can be observed).

   In addition IFRS 13 sets forth certain disclosure requirements.

   The new disclosures, and the measurement of assets and liabilities of IFRS 13 required from now on, only relate to periods starting after the date of implementation - from the financial statements for annual periods starting January 1, 2013 or thereafter. Earlier adoption is possible. These new disclosures will not apply to comparative figures.

   The relevant disclosures will be included in the Company's financial statements on the first adoption of the Standard.

   In the Company's opinion, IFRS 13 is not expected to have a significant effect on the financial statements.

Note 2 - Significant Accounting Policies (cont'd)

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

5. IAS 19 (Amended) – Employee Benefits

On June 2011, the IASB published IAS 19 (Amended) (hereinafter: "the Amendment"). The main amendments which were included in the Standard are:

- Actuarial profits and losses will be recognized only in other comprehensive income and not recorded to the statement of operations.
- The "Strip" method that enabled a postponement of actuarial profits or losses is cancelled.
- The yield on plan's assets will be recognized in the statement of operations, based on the rate of discounting used to measure the liabilities from benefits to employees, without relating to the actual composition of the investments portfolio.
- The distinction between short-term employee benefits and long-term employee benefits, will be based on the date of expected settlement, and not based on the date on which the employee is entitled to the benefits.
- Cost of past services resulting from changes in the plan will be immediately recognized.

The Standard will be implemented retrospectively as from the financial statements for annual periods starting January 1, 2013 and thereafter. Early implementation is possible.
The Company is examining the possible effect to the Standard, although at this stage it is unable to estimate the effect, if any, on its financial statements.

6. IAS 1 - Presentation of Financial Statements

On June 2011, the IASB published the amendment to International Accounting Standard No. 1 - Presentation of Financial Statements (IAS 1). The amendment relates mainly to the method of presentation of other comprehensive income items in the financial statements (hereinafter: "the Amendment").

According to the Amendment, the method for presenting items of other comprehensive income in the financial statements will be changed, so that other comprehensive income items, which in the future will be transferred to the statement of operations in subsequent periods, will be presented separately in the statement to comprehensive income items which will never be transferred to the statement of operations.

The Amendment does not cancel the possibility existing today to present the statement of operations and the statement of comprehensive income in two separate statements. Should the statement of operations and the statement of comprehensive income be presented as one statement, then the amendment changes the name of the statement from "statement of comprehensive income" to "statement of operations and comprehensive income", but nevertheless companies may use alternative names.

The Amendment will apply to annual periods starting from January 1, 2013 and thereafter and will be implemented retrospectively. Early adoption is possible.

The method of presentation in the Company's financial statements will be adjusted on first adoption of the amendment.

Note 3 - Events in the reported period

A. In March 2011 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, 2011.

As at 30 June 2011, the Company holds 1,593,897 shares, representing about 13.65% of the issued share capital of the Company, purchased in an amount of NIS 6,643 thousand (as at 31 December 2010, the Company held 1,530,416 shares purchased in an amount of NIS 6,239 thousand representing about 13.1% of the issued share capital of the company).

Note 3 - Events in the reported period

B. On March 2011 the Company submitted a Shelf Offering Report pursuant to a Shelf Prospectus dated February 2011 (whose amendment was submitted in March 2011) (hereinafter - "Shelf Offering Report"). In accordance with the Shelf Offering Report, the Company issued NIS 56,442,000 par value bonds (Series 3) in exchange for their par value, repayable in five equal annual installments commencing from March 23, 2013. The bonds are linked to the Israeli Consumer Price index and bear a fixed annual interest of 5.65%, payable in semi-annual equal payments starting from September 23, 2011. The net proceeds of the issuance (net of issuance expenses) amounted to NIS 53,873,000. The annual effective interest rate is 7.12%.

Under the Shelf Offering Report, the Company entered into a trust Deed for bonds (Series 3) dated march 22, 2011 (hereinafter - "the trust Deed") pursuant to which it undertook, inter alia, to comply with financial covenants of a minimum shareholders equity which, for longer than two consecutive quarters, will not fall below NIS 20 million; a financial debt to CAP net, as the term is defined in the Trust Deed, of no more than 80% and to create a pledge in the amount of the annual interest payments on the bonds in favor of the holders of the bonds (Series 3).

C. On June 2011 an administrative appeal was filed against the Company and a customer of the Company (hereinafter: "the Appeal") in connection with the Company's winning of a tender to build an automatic warehouse (hereinafter: "the Project"). In the framework of the Appeal, the appellant requests to be able to view all the documents relating to the tender, in such a way that it will be possible to check the Customer's decision to declare the Company the winner of the tender, and to declare that until the process of viewing the tender documents by it is completed, the tender process should not be completed and the Customer will not be entitled to engage in an agreement with the Company in connection with the Project and/or to issue any order to the Company and/or to implement its decision.

In the Company's management's opinion, at this stage the Appeal should not delay the continued progress in the Project.
In the opinion of Company's legal advisers, the Appeal was filed after a considerable delay in such a way that this could detrimentally affect its chances.

Note 4 - Subsequent events

A. On July 2011 the Company engaged in an agreement for the acquisition of capitalized leasehold rights of a real estate with an area of 11 thousand sq. m. in the industrial area of the Modi'in Region – Tirat Yehuda (hereinafter: "the Rights") in consideration for an amount of NIS 17,370 thousand plus VAT, as prescribed by law.
The leasehold rights are registered with the Israel Lands Administration in the name of the Seller until January 1, 2057 (hereinafter: "the Lease Period"), and thereafter an additional lease period of 49 years.
As of the date of the approval of the financial statements, the rights in the real estate property have not yet been registered in the Company's name.
In addition, after the balance sheet date, a bank provided the Company with a loan to finance part of the cost of the acquisition; in order to secure this liability, a lien is intended to be registered up to the amount of the loan in favor of the bank.

B. After the balance sheet date the Board of Directors has resolved to focus within a new wholly owned subsidiary of the Company, the Company's field of parking solutions and continue to develop such activity within such framework.

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.

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

Note 4 - Business segments (cont'd)

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").

	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,
	2011	2011	2010	2011	2011	2010	2010
	(unaudited)	(unaudited)		(unaudited)	(unaudited)		(audited)
				(in thousands)			
	Convenience translation into Euro (1)	NIS		Convenience translation into Euro (1)	NIS		
C. Revenues							
Products	9,042	44,699	33,861	4,198	20,752	16,777	77,965
System integration projects	6,153	30,422	38,413	2,851	14,091	19,238	74,598
Other	35	179	192	17	90	101	416
Total revenues	15,230	75,300	72,466	7,066	34,933	36,116	152,979
D. Segment results							
Products	2,854	14,110	11,542	1,362	6,735	5,135	28,568
System integration projects	179	887	4,183	(114)	(566)	1,467	7,787
Other	(6)	(28)	33	10	51	39	69
Unallocated corporate expenses	(1,383)	(6,840)	(4,462)	(624)	(3,086)	(2,228)	(14,435)
Operating profit	1,644	8,129	11,296	634	3,134	4,413	21,989
Unallocated financing expenses, net	352	1,747	12,331	433	2,146	4,263	11,010
Profit (loss) for the period	1,292	6,382	(1,035)	201	988	150	10,979

(1) See note 1C.

UNITRONICS (1989) (R"G) LTD.

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

June 30 ,2011

(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, 2011 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 637 thousands as at June 30, 2011 and which the company's share of its loss amount to NIS 148 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 4, 2011

Unitronics (1989) (R"G) Ltd.

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

	June 30, 2011	June 30, 2011	June 30, 2010	December 31, 2010
	(unaudited)	(unaudited)		(audited)
		(in thousands)		
	Convenience translation into Euro (1)	NIS		
Current assets				
Cash and cash equivalents	8,684	42,935	24,649	16,468
Restricted cash	649	3,211	-	-
Marketable securities	6,600	32,633	16,360	18,786
Accounts receivable -				
Trade	3,282	16,228	9,971	11,483
Other	264	1,306	1,431	1,101
Accounts receivable - other - subsidiaries	1,168	5,776	4,607	4,437
Embedded derivatives	28	137	48	-
Inventory	4,664	23,055	20,595	28,298
Inventory - work in progress	1,479	7,314	38	7,461
	26,818	132,595	77,699	88,034
Non-current assets				
Assets less liabilities associated with subsidiaries	75	370	960	899
Long-term deposits	77	383	315	404
Property and equipment, net	4,387	21,690	21,336	21,564
Intangible assets, net	3,919	19,378	14,904	15,717
	8,458	41,821	37,515	38,584
	35,276	**174,416**	**115,214**	**126,618**

Haim Shani
Chairman of the Board of Directors and C.E.O.

Tzvi Livne
Director

Yair Itscovich
Chief Financial Officer

Approved: August 4, 2011.

(1) See note 1C.

Unitronics (1989) (R"G) Ltd.

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

	June 30, 2011	June 30, 2011	June 30, 2010	December 31, 2010
	(unaudited)	(unaudited)		(audited)
		(in thousands)		
	Convenience translation into Euro (1)	NIS		
Current liabilities				
Current maturities of long-term loans	881	4,354	3,107	4,202
Current maturities of bonds	1,246	6,162	5,920	6,032
Accounts payable -				
Trade	3,063	15,143	21,652	25,690
Other	5,021	24,831	20,025	23,300
Warrants	-	-	263	-
Embedded derivatives	272	1,344	8,710	3,951
	10,483	51,834	59,677	63,175
Non-current liabilities				
Loans from banks and others	2,585	12,780	12,254	14,526
Bonds	13,429	66,395	16,612	11,175
Liabilities for benefits to employees, net	326	1,611	950	1,583
	16,340	80,786	29,816	27,284
Shareholders' equity				
Share capital	71	352	352	352
Share premium	10,232	50,588	50,588	50,588
Capital reserve from translation of foreign operation	(307)	(1,517)	(604)	(1,176)
Company shares held by the company	(1,344)	(6,643)	(5,610)	(6,239)
Accumulated loss	(199)	(984)	(19,005)	(7,366)
	8,453	41,796	25,721	36,159
	35,276	**174,416**	**115,214**	**126,618**

(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,		For the year ended December 31,
	2011	2011	2010	2011	2011	2010	2010
	(unaudited)	(unaudited)		(unaudited)	(unaudited)		(audited)
				(in thousands)			
	Convenience translation into Euro (1)	NIS		Convenience translation into Euro (1)	NIS		
Revenues	12,712	62,847	62,995	5,926	29,301	31,424	131,953
Revenues from subsidiaries	1,736	8,584	6,599	846	4,185	3,376	16,250
Total revenues	14,448	71,431	69,594	6,772	33,486	34,800	148,203
Cost of revenues	10,943	54,104	50,966	5,255	25,981	26,302	108,155
Gross profit	3,505	17,327	18,628	1,517	7,505	8,498	40,048
Development expenses, net	246	1,218	1,556	92	455	912	3,194
Selling & marketing expenses	801	3,961	3,076	379	1,879	1,659	7,040
General & administrative expenses	702	3,472	2,462	306	1,513	1,083	6,733
General & administrative expenses to subsidiaries	54	267	272	29	141	147	613
Capital gain	-	-	-	-	-	-	99
Operating profit	1,702	8,409	11,262	711	3,517	4,697	22,567
Financing income	443	2,189	1,763	61	303	1,014	1,884
Financing expenses	817	4,038	14,062	505	2,500	5,366	12,986
Profit (loss) after finance	1,328	6,560	(1,037)	267	1,320	345	11,465
The Company's share of subsidiaries profit (loss)	(36)	(178)	2	(66)	(332)	(195)	(486)
Profit (loss) for the period attributed to the company's shareholders	1,292	6,382	(1,035)	201	988	150	10,979

(1) See note 1C.

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,		For the year ended December 31,
	2010	2011	2010	2011	2011	2010	2010
	(unaudited)	(unaudited)		(unaudited)	(unaudited)		(audited)
				(in thousands)			
	Convenience translation into Euro (1)	NIS		Convenience translation into Euro (1)	NIS		
Profit (loss) for the period attributed to the company's shareholders	1,292	6,382	(1,035)	201	988	150	10,979
Other comprehensive income (loss)							
Actuarial loss	-	-	-	-	-	-	(375)
Translation of foreign operation	(69)	(341)	139	(34)	(169)	236	(433)
Other comprehensive income (loss) for the period	(69)	(341)	139	(34)	(169)	236	(808)
Comprehensive income (loss) for the period attributed to the company's shareholders	1,223	6,041	(896)	167	819	386	10,171

(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,
	2011	2011	2010	2011	2011	2010	2010
	(unaudited)	(unaudited)		(unaudited)	(unaudited)		(audited)
				(in thousands)			
	Convenience translation into Euro (1)	NIS		Convenience translation into Euro (1)	NIS		
Cash flows - operating activities							
Profit (loss) for the period	1,292	6,382	(1,035)	201	988	150	10,979
Adjustments necessary to show the cash flows - operating activities (Appendix A)	(1,271)	(6,289)	14,940	577	2,858	8,681	4,203
Cash flows provided by operating activities of the company	21	93	13,905	778	3,846	8,831	15,182
Cash flows provided by (used in) operating activities from transactions with subsidiaries	(272)	(1,339)	1,199	155	765	(1,191)	369
Cash flows provided by (used in) operating activities	(251)	(1,246)	15,104	933	4,611	7,640	15,551
Cash flows - investing activities							
Sale (Purchase) of marketable securities, net	(2,852)	(14,099)	2,266	(2,837)	(14,026)	2,442	(16)
Purchase of property and equipment	(184)	(909)	(507)	(70)	(346)	(130)	(1,533)
Sale of property and equipment	-	-	-	-	-	-	115
Investment in restricted cash	(645)	(3,190)	-	-	-	-	-
Investment in long-term deposits	(10)	(47)	(177)	(3)	(15)	(77)	(260)
Repayment of long-term deposits	3	13	140	-	-	51	167
Investment in intangible assets	(1,090)	(5,388)	(2,276)	(679)	(3,356)	(1,252)	(5,010)
Cash flows provided by (used in) investing activities	(4,778)	(23,620)	(554)	(3,589)	(17,743)	1,034	(6,537)
Cash flows - financing activities							
Repayment of long-term loans	(438)	(2,166)	(656)	(220)	(1,090)	(415)	(2,713)
Receiving of long-term loans	-	-	8,572	-	-	8,572	14,552
Repayment of bonds	-	-	-	-	-	-	(5,939)
Bonds issue	10,902	53,903	-	(87)	(428)	-	-
Repayment of convertible bonds	-	-	(8,600)	-	-	(8,600)	(8,600)
Purchase of company shares by the company	(82)	(404)	(2,460)	(56)	(278)	(638)	(3,089)
Exercise of options	-	-	11	-	-	11	11
Short-term credit from banks, net	-	-	-	-	-	(102)	-
Cash flows provided by (used in) financing activities	10,382	51,333	(3,133)	(363)	(1,796)	(1,172)	(5,778)
Change in cash and cash equivalents for the period	5,353	26,467	11,417	(3,019)	(14,928)	7,502	3,236
Cash and cash equivalents at beginning of period	3,331	16,468	13,232	11,703	57,863	17,147	13,232
Cash and cash equivalents at end of period	8,684	42,935	24,649	8,684	42,935	24,649	16,468

(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,
	2011	2011	2010	2011	2011	2010	2010
	(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 - operating activities							
The Company's share of subsidiaries loss (profit)	36	178	(2)	66	332	195	486
Depreciation and amortization	589	2,913	3,371	310	1,531	1,653	6,321
Loss (profit) from marketable securities, net	51	252	(473)	14	71	(203)	(651)
Capital gain	-	-	-	-	-	-	(99)
Increase (decrease) in liabilities for benefits to employees, net	6	28	13	(11)	(55)	(148)	271
Reevaluation of restricted cash	(4)	(21)	-	(4)	(21)	-	-
Reevaluation of warrants	-	-	163	-	-	(108)	(99)
Reevaluation of long-term loans, bonds and convertible bonds	333	1,647	(209)	175	863	393	(399)
Reevaluation of embedded derivatives	(555)	(2,744)	7,161	(81)	(400)	1,900	2,450
Decrease (increase) in accounts receivable - trade	(960)	(4,745)	1,108	(63)	(310)	(490)	(404)
Decrease (increase) in accounts receivable - other	(37)	(181)	(1,102)	142	703	(1,346)	(770)
Decrease (increase) in inventory	1,060	5,243	(9,399)	790	3,906	(5,197)	(17,102)
Decrease in inventory - work in progress	30	147	7,797	278	1,373	883	374
Increase (decrease) in accounts payable - trade	(2,133)	(10,547)	10,998	(1,496)	(7,392)	3,811	15,036
Increase (decrease) in accounts payable - other	313	1,541	(4,486)	457	2,257	7,338	(1,211)
	(1,271)	(6,289)	14,940	577	2,858	8,681	4,203
Appendix B - Non-cash operations							
Bonds issue expenses	6	30	-	-	-	-	-

(1) See note 1C.

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 separate interim financial information should be read in with the Company's audited annual separate financial information as at December 31, 2010 and for the year then ended, and with the condensed consolidated interim financial statement as at June 30, 2011.

B. Consolidated companies - defined in Note 1D to the consolidated financial statements as at December 31, 2010.

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, 2011 (EURO 1 = NIS 4.9441).

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

Chapter D - Quarterly Report on Effectiveness of Internal Control over Financial Reporting and Disclosure

a. **Quarterly report on effectiveness of internal control over financial reporting and disclosure, pursuant to Regulation 38c(a) of Securities Law Regulations (Periodic and Immediate Reports), 1970 ("the regulations")**
b. **Certification by CEO pursuant to Regulation 38c(d)(1) of the regulations**
c. **Certification by CFO pursuant to Regulation 38c(d)(2) of the regulations**

Below is the quarterly report on effectiveness of internal control over financial reporting and disclosure, pursuant to Regulation 38c(a) of the regulations:

Management, supervised by the Board of Directors of UNITRONICS (1989) (R"G) Ltd. ("the corporation") is responsible to set and maintain proper internal control over financial reporting and disclosure by the corporation.

For this matter, management consists of:
HAIM SHANI, Company CEO
BAREKET SHANI, Deputy CEO
EYAL SABAN, VP
YAIR ITZKOVICH, CFO

Internal control over financial reporting and disclosure consists of existing controls and procedures at the corporation, designed by the general manager and most senior financial officer, or under their supervision, or by those acting in said capacities, under supervision of the corporation's Board of Directors, which are designed to provide reasonable certainty with respect to reliability of financial reporting and preparation of reports pursuant to statutory provisions, and to ensure that information which the corporation is required to disclose in reports issued pursuant to statutory provisions is collected, processed, summarized and reported on schedule and in the format prescribed by law.

Internal control includes, *inter alia*, controls and procedures designed to ensure that information which the corporation is required to disclose, is collected and submitted to corporate management, including to the general manager and to the most senior financial officer, or to those acting in said capacities, so as to enable decisions to be made at the appropriate time with regard to the required disclosure.

Due to structural limitations, internal control over financial reporting and disclosure is not designed to provide absolute certainty that misrepresentation or omission of information on the reports would be avoided or discovered.

In the annual report on the effectiveness of internal control financial reporting and the disclosure that was attached to the periodic report for the period ended on December 31, 2010 (hereinafter - “the last annual report on internal control”), the board of directors and management assessed the internal control system in the company; based on this assessment, the board of directors and the management concluded that the internal control as mentioned above, as of December 31, 2010, is effective.

Until the reporting date, no event or matter have been brought to the attention of the board of directors and management, which could change the assessment of effectiveness of internal control, as it was included in the annual report on internal control.

As of the reporting date, based on the assessment of effectiveness of internal control in the last annual report on internal control, and based on information brought to the attention of the board of directors and the management as stated above, the internal control is effective;

Certification by CEO pursuant to Regulation 38c(d)(1) of the regulations:

I, HAIM SHANI, certify that:

1. I have reviewed the periodic report of UNITRONICS (1989) (R"G) Ltd. ("the corporation") for the second quarter of 2011 ("the report").

2. To the best of my knowledge, the report is free of any misrepresentation of material fact and is not lacking any representation of material fact required for the representations made there in, under the circumstances in which they were made, to not be misleading in reference to the period covered by the report.

3. To the best of my knowledge, the financial statements and other financial information included in the report properly reflect, in all material aspects, the financial standing, operating results and cash flows of the corporation as of the dates and for the periods to which the report refers.

4. I have disclosed to the corporation's Independent Auditor, Board of Directors and Audit Committee of the corporation's Board of Directors, based on my most current assessment of the internal control over financial reporting and disclosure:
   a. All significant faults and material weaknesses in specification of operation of internal control over financial reporting and disclosure which may reasonably impact the corporation's capacity to collect, process, summarize or report financial information in a manner which may cast doubt over the reliability of financial reporting and preparation of financial statements pursuant to statutory provisions; and -
   b. Any fraud, whether or not material, involving the General Manager or any of the direct reports there of, or involving any other employees having a significant capacity in internal control over financial reporting and disclosure;

5. I, on my own or with others at the corporation:
   a. Have set controls and procedures and/or verified that controls and procedures have been specified and maintained under my supervision, designed to ensure that material information with regard to the corporation, including subsidiaries there of, as defined in Securities Regulations (Annual financial statements), 2010, is brought to my attention by others at the corporation and subsidiaries, specifically during preparation of the report; and -
   b. Have set controls and procedures and/or verified that controls and procedures have been specified and maintained under my supervision, designed to reasonably ensure the reliability of financial reporting and preparation of the financial statements pursuant to statutory provisions, including pursuant to generally-accepted accounting principles;
   c. No event or matter that occurred during the period between the last reporting date (quarterly or periodic, as the case may be) and this reporting date has been brought to my attention, which could change the conclusion of the board of directors and the management, regarding the effectiveness of internal control over financial reporting and the company's disclosure.

<u>Certification by CEO pursuant to Regulation 38c(d)(1) of the regulations:</u> (cont'd)

I, HAIM SHANI, certify that: (cont'd)

The foregoing shall not detract from my statutory responsibility, or that of any other person.

August 4, 2011

____

HAIM SHANI, CEO

Certification by CFO pursuant to Regulation 38c(d)(2) of the regulations

I, YAIR ITZKOVICH, certify that:

1. I have reviewed the interim financial statements and other financial information included in the report for interim periods report of UNITRONICS (1989) (R"G) Ltd. ("the corporation") for the second quarter of 2011 ("the report" or "the report for interim periods").

2. To the best of my knowledge, the interim financial statements and other financial information included in the report for interim periods is free of any misrepresentation of material fact and is not lacking any representation of material fact required for the representations made there in, under the circumstances in which they were made, to not be misleading in reference to the period covered by the report.

3. To the best of my knowledge, the interim financial statements and other financial information included in the report for interim periods properly reflect, in all material aspects, the financial standing, operating results and cash flows of the corporation as of the dates and for the periods to which the report refers.

4. I have disclosed to the corporation's Independent Auditor, Board of Directors and Audit Committee of the corporation's Board of Directors, based on my most current assessment of the internal control over financial reporting and disclosure:
   a. All significant faults and material weaknesses in specification of operation of internal control over financial reporting and disclosure which may reasonably impact the corporation's capacity to collect, process, summarize or report financial information in a manner which may cast doubt over the reliability of financial reporting and preparation of financial statements pursuant to statutory provisions; and-

   b. Any fraud, whether or not material, involving the General Manager or any of the direct reports there of, or involving any other employees having a significant capacity in internal control over financial reporting and disclosure;

5. I, on my own or with others at the corporation:
   a. Have set controls and procedures and/or verified that controls and procedures have been specified and maintained under my supervision, designed to ensure that material information with regard to the corporation, including subsidiaries there of, as defined in Securities Regulations (Annual financial statements), 2010, is brought to my attention by others at the corporation and subsidiaries, specifically during preparation of the report; and-
   b. Have set controls and procedures and/or verified that controls and procedures have been specified and maintained under my supervision, designed to reasonably ensure the reliability of financial reporting and preparation of the financial statements pursuant to statutory provisions, including pursuant to generally-accepted accounting principles;

<u>Certification by CFO pursuant to Regulation 38c(d)(2) of the regulations</u> (cont'd)

I, YAIR ITZKOVICH, certify that: (cont'd)

c. No event or matter that occurred during the period between the last reporting date (quarterly or periodic, as the case may be) and this reporting date has been brought to my attention, which could change the conclusion of the board of directors and the management, regarding the effectiveness of internal control over financial reporting and the company's disclosure.

The foregoing shall not detract from my statutory responsibility, or that of any other person.

August 4, 2011

____

YAIR ITZKOVICH, CFO

Unitronics (1989) (R"G) Ltd.

Fair Value Valuation of Embedded Derivatives

Valuation Date: 30/06/2011

3 Golda Meir St., Weizmann Science Park, Ness Ziona 74036
Tel. 972 – 8 – 9369801, Fax. 972 – 8 – 9369800, www.immunities.co.il

Limitation Conditions

The document was prepared solely for the management of Unitronics lt.d. (hereinafter: the "**Management**", " **Unitronics** " or the "**Company**") for the purposes stated herein and should not be relied upon for any other purpose. Unless required by law it shall not be provided to any third party without our prior written consent. In no event, regardless of whether consent has been provided, shall we assume any responsibility to any third party to which the report is disclosed or otherwise made available.

In the course of our analysis, we made use of financial and other information and representations provided to us by the Management or its representatives. We assume such information to be reliable. The more significant sources of this information are identified in the accompanying report. Our conclusions are dependent on such information being complete and accurate in all material respects; however, we have not examined such information and, accordingly, do not express an opinion or any other form of assurance thereon.

While our work has involved an analysis of financial information and accounting records, our engagement does not include an audit in accordance with generally accepted auditing standards of the existing business records of the Company. Accordingly, we assume no responsibility and make no representations with respect to the accuracy or completeness of any information provided by and on behalf of the Management.

Projections relating to future events are based on assumptions, which may not remain valid for the whole of the relevant period. Particularly, projections are based solely on the information that was available on Valuation Dates, and may differ from projections and/or financial results that were made available later on. Consequently this information cannot be relied upon to the same extent as that derived from audited accounts for completed accounting periods. We express no opinion as to how closely the actual results will correspond to those projected by the Company.

The valuation is not a precise science and the conclusions arrived at in many cases will of necessity be subjective and dependent on the exercise of individual judgment. Therefore, there is no indisputable single value and we normally express our opinion on the value as falling within a likely range. However, as purpose requires the expression of a single value, we have adopted a value at the mid-point of our valuation range.

Whilst we consider our value/range of values to be both reasonable and defensible based on the information available to us, others may place a different value on the business.

Excluding gross negligence and malice, Financial Immunities and its employees or any other party acting on its behalf, shall not be liable for any loss or damage whatsoever that the Company may suffer, directly or indirectly, as a result of Financial Immunities services.

Without derogating from the aforesaid, in any event whatsoever, Financial Immunities liability shall be limited to the amount of fees payable by the Company to Financial Immunities in respect with providing its services for preparing the Project.

The Company will indemnify Financial Immunities against all claims by third parties which arise out of or in connection with the Project and/or services rendered under this agreement

Finally, the results of our valuation do not constitute a Solvency Opinion or a Fairness Opinion, and should not be relied upon as such. Furthermore, the analysis we perform should not be taken to supplant any procedures that the Company should undertake in connection with the transaction.

Financial Immunities has no personal interest in the Company, and its fees are not contingent on the conclusions of this opinion.

We have not preformed in the past a fair value valuation for the Company.

Sincerely,

Financial Immunities Ltd.

3 Golda Meir St., Weizmann Science Park, Ness Ziona 74036
Tel. 972 – 8 – 9369801, Fax. 972 – 8 – 9369800, www.immunities.co.il

Contents

3 Golda Meir St., Weizmann Science Park, Ness Ziona 74036
Tel. 972 – 8 – 9369801, Fax. 972 – 8 – 9369800, www.immunities.co.il

Fair Value Valuation of Embedded Derivatives

1. Background

Unitronics Company focuses on the design, development, manufacture, marketing, sale and support of mass production line automation products and realization of logistic systems automation projects. The Company signed an agreement with a customer. Under the terms of the agreement, the Company undertook to accomplish a project expected to generate to the Company future cash flows denominated in euro. As of this moment, EUR does not represent the functional currency either for Unitronics or for the customer. Company's experience with the analogous projects indicates that there exists a reasonable probability for deviation of payment terms from the originally scheduled ones.

The table bellow presents the expected payments as reported by the Company:

Transaction No.	Date of order signing	Inflow in EUR
SO9024592	06/05/2009	€ 10,591,854
SO9024593	06/05/2009,07/12/2009	€ 4,497,003
SO9026013	29/09/2009,11/12/2009,15/01/2010, 24/03/2010	€ 1,440,190
SO9027063	23/12/2009	€ 177,000
SO10027583	04/02/2010	€ 137,458
SO9026912	17/12/2009,13/01/2010	€ 1,821,520
SO10028957	31/05/2010	€ 45,325
SO10029075	10/06/2010	€ 100,880
SO10028772	16/05/2010	€ 1,726,001
SO10029601	28/07/2010	€ 1,158,700
SO10029738	12/08/2010	€ 179,575
SO10030086	19/09/2010	€ 139,421
SO10030459	24/10/2010	€ 48,000
SO10030873	28/11/2010	€ 77,649
SO10030874	28/11/2010	€ 234,260
SO10031217	22/12/2010	€ 21,814
SO10031195	21/12/2010	€ 28,093
SO10030475	25/10/2010	€ 74,817
SO10031025	07/12/2010	€ 41,453
SO10030653	08/11/2010	€ 33,000
SO11033018	16/03/2011	€ 24,179
SO11033017	16/03/2011	€ 32,626
סה"כ		€ 22,630,818

3 Golda Meir St., Weizmann Science Park, Ness Ziona 74036
Tel. 972 – 8 – 9369801, Fax. 972 – 8 – 9369800, www.immunities.co.il

The following table reports the expected inflows in ILS as of the date of agreement signing and the valuation date (30/06/2011):

מס' הזמנה	Cumulative Actual Amount in EUR as of 30/06/2011	Total Cumulative Actual Amount in ILS as of 30/06/2011	2009 2009 Year Total Expected Amount in ILS	2009 2009 Year Total Actual Amount in ILS	2010 Previous Year Total Expected Amount in ILS	2010 Previous Year Total Actual Amount in ILS	2011 Current Year Total Expected Amount in ILS	2011 Current Year Total Actual Amount in ILS
SO9024592	€ 9,003,076	₪ 41,403,224	₪ 14,581,600	₪ 14,746,628	₪ 29,853,079	₪ 26,656,597	₪ 5,299,538	₪ 4,743,947
SO9024593	€ 4,497,003	₪ 17,392,306	₪ 6,921,908	₪ 6,875,196	₪ 11,706,174	₪ 10,517,110	₪ 6,231,103	₪ 5,588,291
SO9026013	€ 1,296,171	₪ 6,631,183	₪ 1,385,397	₪ 1,395,250	₪ 5,672,054	₪ 5,235,933	₪ 0	₪ 0
SO9027063	€ 177,000	₪ 683,235	₪ 0	₪ 0	₪ 719,853	₪ 683,235	₪ 239,194	₪ 223,383
SO10027583	€ 123,737	₪ 566,248	₪ 0	₪ 0	₪ 582,336	₪ 566,248	₪ 56,050	₪ 54,827
SO9026912	€ 1,301,640	₪ 6,657,687	₪ 0	₪ 0	₪ 7,079,185	₪ 6,657,687	₪ 0	₪ 0
SO10028957	€ 36,260	₪ 84,613	₪ 0	₪ 0	₪ 86,191	₪ 84,613	₪ 86,299	₪ 89,811
SO10029075	€ 60,528	₪ 302,640	₪ 0	₪ 0	₪ 280,644	₪ 302,640	₪ 0	₪ 0
SO10028772	€ 1,067,049	₪ 5,139,187	₪ 0	₪ 0	₪ 4,955,038	₪ 5,139,187	₪ 90,274	₪ 96,021
SO10029601	€ 869,025	₪ 2,011,463	₪ 0	₪ 0	₪ 2,011,463	₪ 2,011,463	₪ 2,294,912	₪ 2,338,778
SO10029738	€ 163,642	₪ 796,804	₪ 0	₪ 0	₪ 772,824	₪ 796,804	₪ 24,712	₪ 25,158
SO10030086	€ 13,942	₪ 0	₪ 0	₪ 0	₪ 0	₪ 0	₪ 67,949	₪ 70,383
SO10030459	€ 48,000	₪ 0	₪ 0	₪ 0	₪ 0	₪ 0	₪ 242,121	₪ 240,000
SO10030873	€ 38,825	₪ 182,273	₪ 0	₪ 0	₪ 182,273	₪ 182,273	₪ 0	₪ 0
SO10030874	€ 117,130	₪ 549,902	₪ 0	₪ 0	₪ 549,902	₪ 549,902	₪ 0	₪ 0
SO10031217	€ 0	₪ 0	₪ 0	₪ 0	₪ 0	₪ 0	₪ 0	₪ 0
SO10031195	€ 28,093	₪ 0	₪ 0	₪ 0	₪ 0	₪ 0	₪ 132,881	₪ 133,000
SO10030475	€ 52,371	₪ 237,162	₪ 0	₪ 0	₪ 237,162	₪ 237,162	₪ 18,838	₪ 18,789
SO10031025	€ 29,017	₪ 0	₪ 0	₪ 0	₪ 0	₪ 0	₪ 140,164	₪ 140,420
SO10030653	€ 24,750	₪ 0	₪ 0	₪ 0	₪ 0	₪ 0	₪ 124,280	₪ 124,916
SO11033018	€ 24,179	₪ 0	₪ 0	₪ 0	₪ 0	₪ 0	₪ 119,904	₪ 120,000
SO11033017	€ 0	₪ 0	₪ 0	₪ 0	₪ 0	₪ 0	₪ 0	₪ 0
	€ 18,971,437	₪ 82,637,927	₪ 22,888,905	₪ 23,017,074	₪ 64,688,177	₪ 59,620,853	₪ 15,168,219	₪ 14,007,723

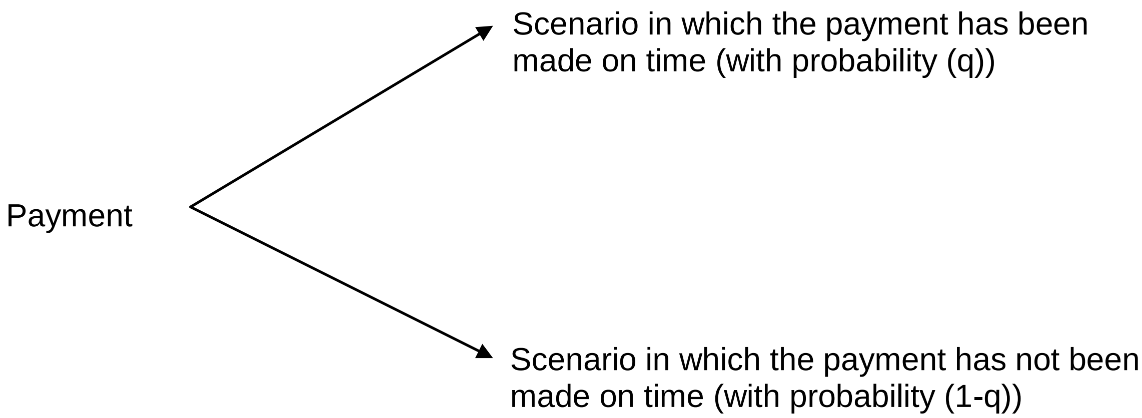
2. Methodology

An embedded derivative is a derivative that embedded in buy or sales contracts of products or services. In accounting literature, those contracts are also known as "Host Contracts". In Israel, embedded derivatives are often a part of transactions denominated in a currency, which is not the functional currency of a reporting company and/or of transaction counterpart's company (for example, foreign currency derivatives in such transactions as purchases from suppliers, sales to customers, or real estate rent contracts).

According to IAS 39 – "Financial Instruments: Recognition and Management", embedded derivatives have to be separated from host contracts, and treated as separate derivative financial instruments. In particular, embedded derivatives have to be evaluated with respect to their fair value estimated against corresponding profits and losses.

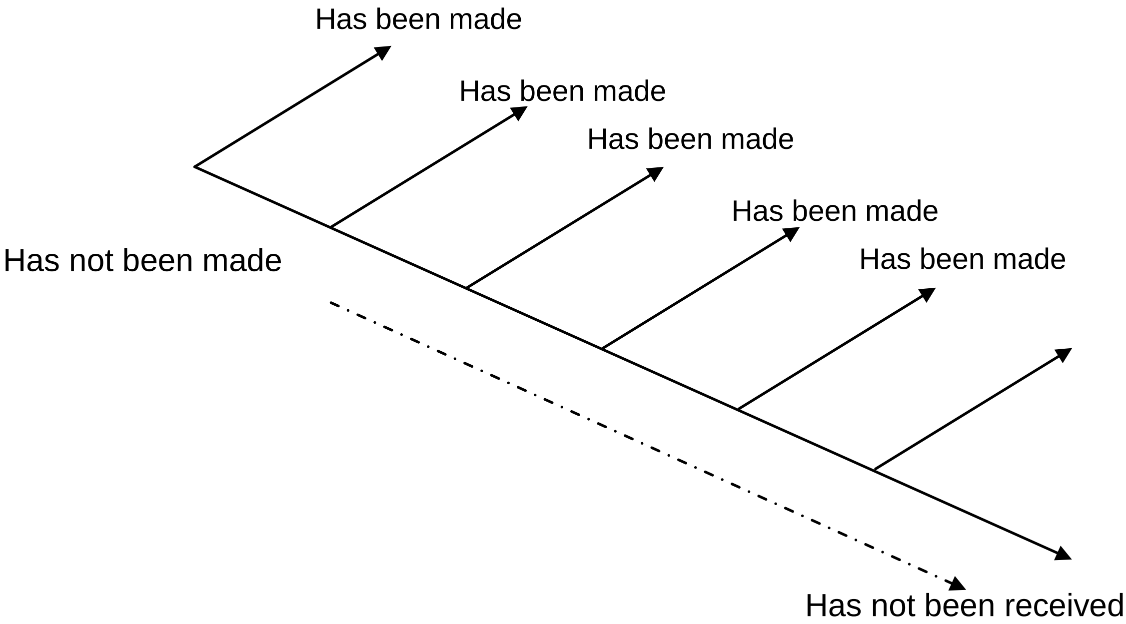
3. Calculation Model

We derive our calculation model from the decision making model. Since the exact date of payment is unknown and there is a probability for a delay, we chose to use the decision tree algorithm.



In accordance with the data obtained from the Company, the probability to each of the scenarios to occur is assumed equal (i. e. 50% probability for each of the scenarios).

The following figure illustrates possible implementation of the introduced above model. More specifically, the figure shows that if payment is made at the originally scheduled date, then no delay will be considered. In contrast, if the payment has not been made on time, we will move to the next point (of the model) – possible payment date next to the initially scheduled one - and then reexamine whether or not the payment is made.



4. ILS Cash Flow Calculations

A. Applying decision tree algorithm, we first compute forward rate, which afterward used for calculations of ILS payment equivalent as of the agreement inception date. The forward rate calculations based on the assumption that probability of not receiving payment in time is equal to 50%. Based on its experience with similar projects, the Company estimates possible delay in payment as of up to three months (with respect to the payment terms set forth in the project's schedule). To examine the probability of delay in the payment, we test a number of possible scenarios with different delay lengths (two weeks, month, and so on up to three months, increasing the lag period in 15 days each time). In order to estimate the forward rates, we used the forward rates as of agreement inception dates for each of the future scenario terms (06/05/2009, 29/09/2009, 07/12/2009, 11/12/2009, 17/12/2009, 23/12/2009, 13/01/2010, 15/01/2010, 04/02/2010, 24/03/2010/, 16/05/2010, 31/05/2010, 10/06/2010, 28/07/2010, 12/08/2010, 19/09/2010, 24/10/2010, 25/10/2010, 08/11/2010, 28/11/2010, 07/12/2010, 21/12/2010, 22/12/2010, 16/03/2011, 23/07/2011, 03/07/2011, 30/07/2011, 31/07/2011, 30/08/2011, 30/09/2011). For example: for the payment expected on 31/05/2010 there is a probability of 50% to be made on this date (in accordance with the future rate determined for the corresponding date), and a probability of 50% to be made during the next three months following after the initially scheduled date (according to the Company).

B. After we estimated the constant ILS inflow for each payment date, we estimate the forward rate for 30/06/2011 (the valuation date). We compute the forward rate for the valuation date in a similar way we do for the agreement inception date. Since such market parameters as interest rate, exchange rate, and others changed over the period between the agreement inception date and the valuation date, values of forward rates for those two dates are not the same.

C. The following table reports payments in ILS for a corresponding agreement inception date:

Transaction	Date of order signing	Inflow in ILS
SO9024592	06/05/2009	₪ 58,623,888
SO9024593	06/05/2009,07/12/2009	₪24,859,185
SO9026013	29/09/2009,11/12/2009,15/01/2010, 24/03/2010	₪7,845,629
SO9027063	23/12/2009	₪959,047
SO10027583	04/02/2010	₪709,135
SO9026912	17/12/2009,13/01/2010	₪9,906,487
SO10028957	31/05/2010	₪215,686
SO10029075	10/06/2010	₪467,929
SO10028772	16/05/2010	₪8,163,649
SO10029601	28/07/2010	₪5,742,040
SO10029738	12/08/2010	₪875,331
SO10030086	19/09/2010	₪679,766
SO10030459	24/10/2010	₪242,121
SO10030873	28/11/2010	₪371,400
SO10030874	28/11/2010	₪1,120,480
SO10031217	22/12/2010	₪102,762
SO10031195	21/12/2010	₪132,881
SO10030475	25/10/2010	₪369,045
SO10031025	07/12/2010	₪200,295
SO10030653	08/11/2010	₪165,712
SO11033018	16/03/2011	₪119,904
SO11033017	16/03/2011	₪161,793
סה"כ		**₪122,034,163**

D. The following tables summarize the data used for the forward rate and ILS payment calculations for corresponding agreement inception date.

Date: 06/05/2009.

	1 Day	1 Week	1 Month	2 Month	3 Month	6 Month	9 Month	1 Year	18 Month	2 Year	3 Year	4 Year	5 Year
Forward Points:	0.00015	0.00007	0.00006	-0.00035	-0.00043	0.00262	0.00763	0.01511	0.04709	0.09596	0.1828	0.27091	0.35537
EUR Depo Rate:	0.375	0.68	0.85	1.13	1.39	1.59	1.51	1.65	1.803	1.956	2.315	2.606	2.846
ILS Depo Rate:	0.711	0.755	0.874	1.108	1.379	1.707	1.716	1.951	2.406	2.866	3.468	3.882	4.18

06/05/2009		
(Original) Date of Payment	Forward Rate	Remarks/Approx Time Period
15/01/2010	5.5147	
01/03/2010	5.5181	
01/04/2010	5.5212	
01/05/2010	5.5245	
01/08/2010	5.5376	Six Months
01/07/2010	5.5340	
01/07/2010	5.5244	Four Months
01/10/2010	5.5367	Six Months
01/11/2010	5.5583	
01/11/2010	5.5583	
01/12/2010	5.5654	
23/12/2010	5.5563	Five Months
23/03/2011	5.5953	

Date: 29/09/2009.

	1 Day	1 Week	1 Month	2 Month	3 Month	6 Month	9 Month	1 Year	18 Month	2 Year	3 Year	4 Year	5 Year
Forward Points	-0.00005	-0.00033	-0.00221	-0.00254	-0.00383	-0.00459	-0.00208	0.00372	0.03468	0.08638	0.17453	0.27354	0.37392
EUR Depo Rat	0.28	0.29	0.31	0.57	0.78	1.07	1.03	1.15	1.406	1.666	2.157	2.431	2.697
ILS Depo Rate	-0.038	-0.015	-0.146	0.30	0.523	0.916	0.993	1.235	1.852	2.484	3.257	3.718	4.097

29/09/2009	
(Original) Date of Payment	Forward Rate
31/01/2010	5.4864
31/07/2010	5.4894
30/06/2011	5.5246

Date: 07/12/2009.

	1 Day	1 Week	1 Month	2 Month	3 Month	6 Month	9 Month	1 Year	18 Month	2 Year	3 Year	4 Year	5 Year
Forward Points:	0.00002	0.00011	-0.00035	-0.00212	-0.00323	-0.00524	-0.00802	-0.01053	-0.00391	0.01073	0.06152	0.12813	0.2075
EUR Depo Rate:	0.32	0.25	0.42	0.45	0.60	0.92	1.10	1.19	1.482	1.777	2.226	2.445	2.683
ILS Depo Rate:	0.424	0.351	0.357	0.234	0.375	0.745	0.927	1.017	1.456	1.899	2.628	3.057	3.467

07/12/2009		
(Original) Date of Payment	Forward Rate	Remarks/Approx Time Period
01/03/2010	5.6343	
01/04/2010	5.6325	
01/05/2010	5.6313	
01/07/2010	5.6269	Four Months
01/08/2010	5.6180	Six Months
01/10/2010	5.6152	Six Months

Date: 11/12/2009.

	1 Day	1 Week	1 Month	2 Month	3 Month	6 Month	9 Month	1 Year	18 Month	2 Year	3 Year	4 Year	5 Year
Forward Points:	-0.00001	-0.00005	-0.0012	-0.00176	-0.00256	-0.00334	-0.00492	-0.00642	0.01018	0.04028	0.11647	0.21267	0.31777
EUR Depo Rate:	0.33	0.29	0.40	0.56	0.79	1.06	1.10	1.28	1.511	1.744	2.136	2.425	2.674
ILS Depo Rate:	0.27	0.245	0.149	0.383	0.613	0.953	0.995	1.18	1.657	2.139	2.879	3.431	3.869

11/12/2009	
(Original) Date of Payment	Forward Rate
31/03/2010	5.5551
31/07/2010	5.5511
30/06/2011	5.5564

Date: 17/12/2009.

	1 Day	1 Week	1 Month	2 Month	3 Month	6 Month	9 Month	1 Year	18 Month	2 Year	3 Year	4 Year	5 Year
Forward Points:	0.00	-0.00002	-0.00047	-0.00085	-0.00138	-0.00093	-0.00193	-0.00327	0.01129	0.03691	0.10283	0.1899	0.28592
EUR Depo Rate:	0.305	0.22	0.33	0.46	0.76	0.53	1.18	1.32	1.49	1.66	2.042	2.347	2.605
ILS Depo Rate:	0.301	0.204	0.234	0.376	0.669	0.503	1.149	1.277	1.651	2.028	2.71	3.26	3.697

17/12/2009		
(Original) Date of Payment	Forward Rate	Remarks/Approx Time Period
30/05/2010	5.4517	
30/05/2010	5.4466	Five Months
30/07/2010	5.4499	
15/08/2010	5.4495	
03/10/2010	5.4342	Nine Months
19/01/2011	5.4439	Five and a half Months
19/04/2011	5.4544	

3 Golda Meir St., Weizmann Science Park, Ness Ziona 74036
Tel. 972 – 8 – 9369801, Fax. 972 – 8 – 9369800, www.immunities.co.il

Date: 23/12/2009.

	1 Day	1 Week	1 Month	2 Month	3 Month	6 Month	9 Month	1 Year	18 Month	2 Year	3 Year	4 Year	5 Year
Forward Points:	0.00001	0.00007	-0.00011	-0.00074	-0.00116	-0.00014	-0.00172	-0.00429	0.02005	0.05685	0.14635	0.24947	0.36269
EUR Depo Rate:	0.29	0.22	0.33	0.47	0.75	1.03	1.16	1.30	1.497	1.695	2.094	2.445	2.728
ILS Depo Rate:	0.367	0.29	0.311	0.393	0.677	1.039	1.134	1.238	1.767	2.248	3.029	3.631	4.098

23/12/2009		
(Original) Date of Payment	Forward Rate	Remarks/Approx Time Period
31/03/2010	5.4202	
31/05/2010	5.4055	Eight Months

Date: 13/01/2010.

	1 Day	1 Week	1 Month	2 Month	3 Month	6 Month	9 Month	1 Year	18 Month	2 Year	3 Year	4 Year	5 Year
Forward Points:	0.00014	0.00024	0.00198	0.0023	0.00329	0.0071	0.01108	0.01546	0.03999	0.07317	0.15718	0.26377	0.3837
EUR Depo Rate:	0.30	0.40	0.47	0.495	0.575	0.85	1.10	1.20	1.441	1.694	2.10	2.414	2.676
ILS Depo Rate:	0.544	0.638	0.90	0.768	0.833	1.131	1.395	1.507	1.969	2.411	3.121	3.69	4.149

13/01/2010		
(Original) Date of Payment	Forward Rate	Remarks/Approx Time Period
30/05/2010	5.3426	
30/05/2010	5.3383	Five Months
15/08/2010	5.3446	
19/01/2011	5.3544	
19/04/2011	5.3647	

Date: 15/01/2010.

	1 Day	1 Week	1 Month	2 Month	3 Month	6 Month	9 Month	1 Year	18 Month	2 Year	3 Year	4 Year	5 Year
Forward Points:	0.00006	0.00047	0.00184	0.00265	0.00316	0.00769	0.01055	0.01271	0.03715	0.07004	0.14992	0.25249	0.3645
EUR Depo Rate:	0.45	0.325	0.35	0.375	0.475	0.86	1.04	1.16	1.397	1.639	2.052	2.369	2.631
ILS Depo Rate:	0.838	0.79	0.764	0.689	0.718	1.165	1.323	1.419	1.891	2.331	3.03	3.598	4.041

15/01/2010	
(Original) Date of Payment	Forward Rate
30/03/2010	5.3028
30/07/2010	5.3058
30/06/2011	5.3182

Date: 04/02/2010.

	1 Day	1 Week	1 Month	2 Month	3 Month	6 Month	9 Month	1 Year	18 Month	2 Year	3 Year	4 Year	5 Year
Forward Points:	-0.00001	0.00007	0.00276	0.00511	0.00766	0.01558	0.02516	0.03607	0.05308	0.06577	0.11818	0.19141	0.27068
EUR Depo Rate:	0.29	0.305	0.395	0.445	0.485	0.825	1.10	1.19	1.388	1.589	1.958	2.27	2.505
ILS Depo Rate:	0.208	0.375	1.102	1.068	1.091	1.448	1.776	1.918	2.107	2.261	2.762	3.241	3.599

04/02/2010		
(Original) Date of Payment	Forward Rate	Remarks/Approx Time Period
31/03/2010	5.1562	
31/03/2010	5.1516	Thirteen Months
31/05/2010	5.1608	Eight Months
01/06/2010	5.1639	
01/08/2010	5.1642	Nine Months
01/09/2010	5.1704	

Date: 24/03/2010.

	1 Day	1 Week	1 Month	2 Month	3 Month	6 Month	9 Month	1 Year	18 Month	2 Year	3 Year	4 Year	5 Year
Forward Points:	0.00042	0.0009	0.00181	0.00385	0.00635	0.0138	0.02205	0.03203	0.04968	0.06851	0.12498	0.19499	0.26943
EUR Depo Rate:	0.28	0.235	0.365	0.405	0.455	0.82	1.03	1.18	1.319	1.459	1.818	2.133	2.413
ILS Depo Rate:	0.902	0.836	0.796	0.872	0.955	1.378	1.632	1.841	2.006	2.171	2.683	3.143	3.527

24/03/2010	
(Original) Date of Payment	Forward Rate
31/07/2010	5.0034
30/09/2010	5.0076
30/06/2011	5.0234

Date: 16/05/2010.

	1 Day	1 Week	1 Month	2 Month	3 Month	6 Month	9 Month	1 Year	18 Month	2 Year	3 Year	4 Year	5 Year
Forward Points:	0.00007	0.00027	0.00107	0.00282	0.00532	0.01496	0.02399	0.03476	0.06839	0.11256	0.20127	0.28795	0.37868
EUR Depo Rate:	0.285	0.305	0.38	0.48	0.63	0.97	1.09	1.11	1.172	1.234	1.533	1.86	2.167
ILS Depo Rate:	0.554	0.571	0.655	0.843	1.092	1.623	1.791	1.879	2.172	2.463	2.991	3.421	3.804

16/05/2010		
(Original) Date of Payment	Forward Rate	Remarks/Approx Time Period
15/06/2010	4.7106	
15/09/2010	4.7066	Ten Months
15/10/2010	4.7198	
15/02/2011	4.7311	
03/04/2011	4.7366	
03/07/2011	4.7501	

חיסונים
פיננסים

Date: 31/05/2010.

	1 Day	1 Week	1 Month	2 Month	3 Month	6 Month	9 Month	1 Year	18 Month	2 Year	3 Year	4 Year	5 Year
Forward Points:	-0.00003	0.00029	0.00112	0.00117	0.00501	0.00983	0.01542	0.02346	0.05165	0.09153	0.16863	0.25835	0.35614
EUR Depo Rate:	0.30	0.31	0.475	0.47	0.63	0.915	1.025	1.16	1.235	1.311	1.582	1.842	2.093
ILS Depo Rate:	0.068	0.63	0.767	0.623	1.056	1.34	1.474	1.673	1.98	2.292	2.783	3.217	3.60

31/05/2010	
(Original) Date of Payment	Forward Rate
31/07/2010	4.7540
30/11/2010	4.7600
28/02/2011	4.7652

Date: 10/06/2010.

	1 Day	1 Week	1 Month	2 Month	3 Month	6 Month	9 Month	1 Year	18 Month	2 Year	3 Year	4 Year	5 Year
Forward Points:	-0.00004	0.00018	0.00125	0.00359	0.00468	0.01084	0.01742	0.02537	0.05356	0.09229	0.17258	0.25482	0.33587
EUR Depo Rate:	0.295	0.29	0.415	0.47	0.625	0.935	1.08	1.20	1.231	1.262	1.538	1.832	2.104
ILS Depo Rate:	-0.014	0.497	0.747	0.922	1.031	1.413	1.598	1.767	2.02	2.274	2.794	3.216	3.56

10/06/2010		
(Original) Date of Payment	Forward Rate	Remarks/Approx Time Period
31/07/2010	4.6344	
31/10/2010	4.6388	
31/12/2010	4.6369	Six Months
30/06/2011	4.6487	

Date: 28/07/2010.

	1 Day	1 Week	1 Month	2 Month	3 Month	6 Month	9 Month	1 Year	18 Month	2 Year	3 Year	4 Year	5 Year
Forward Points:	0.00043	0.00092	0.00342	0.00546	0.00597	0.01119	0.01528	0.01915	0.03185	0.0463	0.08169	0.14202	0.19368
EUR Depo Rate:	0.465	0.435	0.55	0.67	0.775	1.015	1.26	1.495	1.467	1.44	1.679	1.928	2.171
ILS Depo Rate:	1.54	1.408	1.372	1.34	1.271	1.478	1.694	1.91	1.922	1.934	2.259	2.679	2.989

28/07/2010	
(Original) Date of Payment	Forward Rate
31/01/2011	4.9512
28/02/2011	4.9524
30/04/2011	4.9545
31/07/2011	4.9586

Date: 12/08/2010.

	1 Day	1 Week	1 Month	2 Month	3 Month	6 Month	9 Month	1 Year	18 Month	2 Year	3 Year	4 Year	5 Year
Forward Points:	0.00012	0.00064	0.00238	0.00419	0.00537	0.01119	0.01736	0.02459	0.05063	0.08208	0.14672	0.21328	0.2902
EUR Depo Rate:	0.36	0.585	0.455	0.525	0.935	1.07	1.13	1.42	1.35	1.28	1.515	1.687	1.907
ILS Depo Rate:	1.276	1.274	1.036	1.031	1.387	1.543	1.626	1.952	2.068	2.147	2.544	2.804	3.119

12/08/2010	
(Original) Date of Payment	Forward Rate
31/08/2010	4.8701
31/10/2010	4.8726
31/01/2011	4.8772
30/04/2011	4.8827

Date: 19/09/2010.

	1 Day	1 Week	1 Month	2 Month	3 Month	6 Month	9 Month	1 Year	18 Month	2 Year	3 Year	4 Year	5 Year
Forward Points:	0.0001	0.00084	0.00226	0.00406	0.0058	0.0101	0.00932	0.01782	0.03683	0.06299	0.11568	0.18465	0.26553
EUR Depo Rate:	0.405	0.375	0.52	0.61	0.83	1.15	1.17	1.41	1.462	1.515	1.621	1.827	2.03
ILS Depo Rate:	1.197	1.167	1.093	1.112	1.322	1.586	1.446	1.802	1.996	2.193	2.444	2.807	3.152

19/09/2010	
(Original) Date of Payment	Forward Rate
30/11/2010	4.8737
31/01/2011	4.8759

Date: 24/10/2010.

	1 Day	1 Week	1 Month	2 Month	3 Month	6 Month	9 Month	1 Year	18 Month	2 Year	3 Year	4 Year	5 Year
Forward Points:	0.00004	0.00031	0.00021	-0.00035	-0.00118	-0.00126	-0.00069	0.00099	0.01501	0.03789	0.07913	0.13638	0.21277
EUR Depo Rate:	0.405	0.725	0.775	0.815	0.94	1.18	1.36	1.51	1.567	1.623	1.736	1.92	2.11
ILS Depo Rate:	0.691	1.015	0.834	0.786	0.86	1.146	1.361	1.551	1.789	2.024	2.286	2.625	2.983

24/10/2010		
(Original) Date of Payment	Forward Rate	Remarks/Approx Time Period
31/12/2010	5.0442	Six Months

Date: 25/10/2010.

	1 Day	1 Week	1 Month	2 Month	3 Month	6 Month	9 Month	1 Year	18 Month	2 Year	3 Year	4 Year	5 Year
Forward Points:	0.00006	0.00045	0.00001	-0.0007	-0.00118	-0.00131	-0.00113	0.00052	0.01432	0.03754	0.07736	0.13887	0.22117
EUR Depo Rate:	0.405	0.615	0.785	0.825	0.955	1.15	1.35	1.5	1.569	1.638	1.775	1.914	2.106
ILS Depo Rate:	0.873	1.086	0.798	0.753	0.875	1.113	1.338	1.532	1.783	2.037	2.317	2.635	3.016

25/10/2010	
(Original) Date of Payment	Forward Rate
30/01/2011	5.0369
28/02/2011	5.0367
30/04/2011	5.0362
03/07/2011	5.0361

Date: 08/11/2010.

	1 Day	1 Week	1 Month	2 Month	3 Month	6 Month	9 Month	1 Year	18 Month	2 Year	3 Year	4 Year	5 Year
Forward Points:	0.00011	0.00039	0.00058	0.0002	0.00031	0.00027	0.0035	0.00762	0.01938	0.03703	0.06912	0.11845	0.19014
EUR Depo Rate:	0.405	0.89	0.755	1.055	1.06	1.25	1.25	1.44	1.525	1.612	1.781	1.903	2.062
ILS Depo Rate:	0.814	1.306	0.906	1.093	1.099	1.278	1.361	1.613	1.805	2.003	2.265	2.519	2.845

08/11/2010	
(Original) Date of Payment	Forward Rate
31/01/2011	5.0215
28/02/2011	5.0212
30/04/2011	5.0211
31/07/2011	5.0234

Date: 28/11/2010.

	1 Day	1 Week	1 Month	2 Month	3 Month	6 Month	9 Month	1 Year	18 Month	2 Year	3 Year	4 Year	5 Year
Forward Points:	0.00011	0.00086	0.00159	0.00209	0.00262	0.00616	0.01313	0.02288	0.03885	0.05814	0.09598	0.13954	0.20649
EUR Depo Rate:	0.405	0.45	0.705	0.95	1.05	1.24	1.34	1.46	1.552	1.646	1.831	2.087	2.347
ILS Depo Rate:	1.217	1.263	1.112	1.216	1.283	1.512	1.723	1.957	2.114	2.273	2.522	2.841	3.234

28/11/2010	
(Original) Date of Payment	Forward Rate
30/06/2011	4.8713

Date: 07/12/2010.

	1 Day	1 Week	1 Month	2 Month	3 Month	6 Month	9 Month	1 Year	18 Month	2 Year	3 Year	4 Year	5 Year
Forward Points:	0.00005	0.00009	0.00022	0.00052	0.001	0.00397	0.0092	0.01651	0.03661	0.06422	0.11282	0.20423	0.25323
EUR Depo Rate:	0.405	0.625	0.82	0.85	0.98	1.24	1.38	1.52	1.602	1.682	1.843	2.153	2.444
ILS Depo Rate:	0.8	0.728	0.884	0.926	1.078	1.424	1.657	1.891	2.138	2.382	2.661	3.254	3.538

07/12/2010		
(Original) Date of Payment	Forward Rate	Remarks/Approx Time Period
07/12/2010	4.8273	Seven Months
15/01/2011	4.8327	
30/01/2011	4.8327	
15/02/2011	4.8329	
30/04/2011	4.8344	
30/07/2011	4.8385	

Date: 21/12/2010.

	1 Day	1 Week	1 Month	2 Month	3 Month	6 Month	9 Month	1 Year	18 Month	2 Year	3 Year	4 Year	5 Year
Forward Points:	0.00012	0.00089	0.00205	0.00273	0.0029	0.00672	0.01243	0.01943	0.03575	0.05609	0.10248	0.17019	0.2499
EUR Depo Rate:	0.405	0.7	0.78	0.9	1.02	1.235	1.38	1.37	1.53	1.688	2.004	2.304	2.557
ILS Depo Rate:	1.336	1.694	1.287	1.255	1.284	1.54	1.755	1.808	2.062	2.314	2.766	3.248	3.659

21/12/2010	
(Original) Date of Payment	Forward Rate
28/02/2011	4.7300

Date: 22/12/2010.

	1 Day	1 Week	1 Month	2 Month	3 Month	6 Month	9 Month	1 Year	18 Month	2 Year	3 Year	4 Year	5 Year
Forward Points:	0.0003	0.00076	0.00217	0.00279	0.00328	0.00758	0.01416	0.02214	0.04081	0.06484	0.11755	0.19416	0.27851
EUR Depo Rate:	0.405	0.435	0.535	0.695	0.865	1.155	1.18	1.32	1.48	1.641	1.965	2.245	2.504
ILS Depo Rate:	1.198	1.288	1.085	1.055	1.16	1.496	1.598	1.811	2.085	2.361	2.834	3.314	3.725

22/12/2010	
(Original) Date of Payment	Forward Rate
28/02/11	4.7108

Date: 16/03/2011.

	1 Day	1 Week	1 Month	2 Month	3 Month	6 Month	9 Month	1 Year	18 Month	2 Year	3 Year	4 Year	5 Year
Forward Points:	0.0008	0.00109	0.00333	0.0061	0.00646	0.0104	0.0104	0.00796	0.02421	0.04812	0.10976	0.19695	0.31323
EUR Depo Rate:	0.405	0.695	0.87	0.92	1.08	1.42	1.695	1.845	1.962	2.076	2.308	2.546	2.757
ILS Depo Rate:	1.876	1.848	1.625	1.669	1.602	1.856	1.999	2.033	2.319	2.598	3.089	3.584	4.06

16/03/2011	
(Original) Date of Payment	Forward Rate
30/04/11	4.9590

E. The following tables present the data used for the forward rate and ILS payment calculations for the valuation date (30/06/2011):

30/06/2011				
Transaction No.	Order Date	(Original) Date of Payment	(Revised) Date	Forward Rate
SO9024592	06/05/2009	23/03/2011	23/07/2011	4.9393

30/06/2011				
Transaction No.	Order Date	(Original) Date of Payment	(Revised) Date	Forward Rate
SO9026013	29/09/2009	31/03/2011	30/07/2011	4.9393
SO9026013	29/09/2009	31/03/2011	30/07/2011	4.9393
SO9026013	29/09/2009	31/03/2011	30/07/2011	4.9393
SO9026013	29/09/2009	31/03/2011	30/07/2011	4.9393
SO9026013	11/12/2009	31/03/2011	30/07/2011	4.9393
SO9026013	11/12/2009	31/03/2011	30/07/2011	4.9393
SO9026013	15/01/2010	31/03/2011	30/07/2011	4.9393
SO9026013	15/01/2010	31/03/2011	30/07/2011	4.9393
SO9026013	24/03/2010	31/03/2011	30/07/2011	4.9393

30/06/2011				
Transaction No.	Order Date	(Original) Date of Payment	(Revised) Date	Forward Rate
SO10027583	04/02/2010	31/03/2010	30/07/2011	4.9665
SO10027583	04/02/2010	01/08/2010	30/07/2011	4.9594

30/06/2011				
Transaction No.	Order Date	(Original) Date of Payment	(Revised) Date	Forward Rate
SO9026912	17/12/2009	03/10/2010	30/09/2011	4.9474
SO9026912	17/12/2009	19/01/2011	30/08/2011	4.9445
SO9026912	13/01/2010	19/01/2011	30/07/2011	4.9487
SO9026912	17/12/2009	19/04/2011	30/09/2011	4.9368
SO9026912	17/12/2009	19/04/2011	30/09/2011	4.9368
SO9026912	13/01/2010	19/04/2011	30/07/2011	4.9368

30/06/2011				
Transaction No.	Order Date	(Original) Date of Payment	(Revised) Date	Forward Rate
SO10028957	31/05/2010	28/02/2011	30/07/2011	4.9441

30/06/2011				
Transaction No.	Order Date	(Original) Date of Payment	(Revised) Date	Forward Rate
SO10029075	10/06/2010	31/12/2010	30/09/2011	4.9447
SO10029075	10/06/2010	31/03/2011	30/08/2011	4.9393

30/06/2011				
Transaction No.	Order Date	(Original) Date of Payment	(Revised) Date	Forward Rate
SO10028772	16/05/2010	15/09/2010	30/09/2011	4.9507
SO10028772	16/05/2010	15/09/2010	30/09/2011	4.9507
SO10028772	16/05/2010	15/02/2011	30/07/2011	4.9441
SO10028772	16/05/2010	03/04/2011	30/07/2011	4.9368
SO10028772	16/05/2010	03/07/2011	03/07/2011	4.9368

30/06/2011				
Transaction No.	Order Date	(Original) Date of Payment	(Revised) Date	Forward Rate
SO10029601	28/07/2010	30/04/2011	30/07/2011	4.9368
SO10029601	28/07/2010	31/07/2011	31/07/2011	4.9368

30/06/2011				
Transaction No.	Order Date	(Original) Date of Payment	(Revised) Date	Forward Rate
SO10029738	12/08/2010	30/04/2011	30/07/2011	4.9368

30/06/2011				
Transaction No.	Order Date	(Original) Date of Payment	(Revised) Date	Forward Rate
SO10030086	19/09/2010	31/01/2011	30/07/2011	4.9464

30/06/2011				
Transaction No.	Order Date	(Original) Date of Payment	(Revised) Date	Forward Rate
SO10030873	28/11/2010	31/03/2011	30/08/2011	4.9393

30/06/2011				
Transaction No.	Order Date	(Original) Date of Payment	(Revised) Date	Forward Rate
SO10030874	28/11/2010	31/03/2011	30/08/2011	4.9393

30/06/2011				
Transaction No.	Order Date	(Original) Date of Payment	(Revised) Date	Forward Rate
SO10031217	22/12/2010	28/02/2011	30/07/2011	4.9393

30/06/2011				
Transaction No.	Order Date	(Original) Date of Payment	(Revised) Date	Forward Rate
SO10030475	25/10/2010	28/02/2011	30/07/2011	4.9500
SO10030475	25/10/2010	30/04/2011	30/07/2011	4.9368
SO10030475	25/10/2010	03/07/2011	03/07/2011	4.9368
30/06/2011				
Transaction No.	Order Date	(Original) Date of Payment	(Revised) Date	Forward Rate
SO10031025	07/12/2010	15/02/2011	30/07/2011	4.9441
SO10031025	07/12/2010	30/04/2011	30/07/2011	4.9368
SO10031025	07/12/2010	30/07/2011	30/07/2011	4.9368
30/06/2011				
Transaction No.	Order Date	(Original) Date of Payment	(Revised) Date	Forward Rate
SO10030653	08/11/2010	30/04/2011	30/07/2011	4.9368
SO10030653	08/11/2010	31/07/2011	31/07/2011	4.9368
30/06/2011				
Transaction No.	Order Date	(Original) Date of Payment	(Revised) Date	Forward Rate
SO11033017	16/03/2011	30/04/2011	30/07/2011	4.9368
SO11033017	16/03/2011	30/04/2011	30/07/2011	4.9368
SO11033017	16/03/2011	30/04/2011	30/07/2011	4.9368
SO11033017	16/03/2011	30/04/2011	30/07/2011	4.9368
SO11033017	16/03/2011	30/04/2011	30/07/2011	4.9368

5. Fair Value Calculations

The fair value for 30/06/2011 computed as the difference between multiples of expected payment and forward rate on agreement inception date, and multiples of expected payment and forward rate on the valuation date. Each of the obtained results (profit/loss), discounted by risk free rate estimated for the corresponding period. This value discounted to 30/06/2011 by risk free rate matching to this period.

EUR/ILS exchange rate data:

5.5069 – 06/05/2009

5.4968 – 29/09/2009

5.6437 – 07/12/2009

5.5644 – 11/12/2009

5.4603 – 17/12/2009

5.4274 – 23/12/2009

5.3439 – 13/01/2010

5.3050 – 15/01/2010

5.1542 – 04/02/2010

4.9991 – 24/03/2010

4.7132 – 16/05/2010

4.7564 – 31/05/2010

4.6363 – 10/06/2010

4.9471 – 28/07/2010

4.8735 – 12/08/2010

4.8749 – 19/09/2010

5.0606 – 24/10/2010

4.8745 – 28/11/2010

4.7147 – 22/12/2010

4.7342 – 21/12/2010

5.0465 – 25/10/2010

4.8392 – 07/12/2010

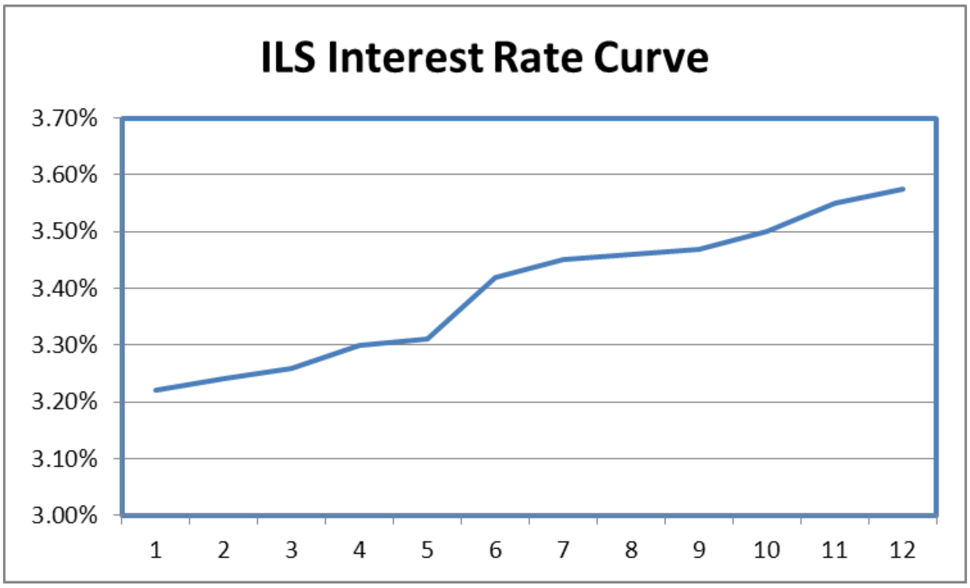
5.0291 – 08/11/2010

4.9630 – 16/03/2011

4.9495 – 31/03/2011

F. The following table and figure show the risk free rate curve we use to define discount rate in the implemented model.

	30/06/2011											
Month	1	2	3	4	5	6	7	8	9	10	11	12
Rate of Return	3.57%	3.55%	3.50%	3.47%	3.46%	3.45%	3.42%	3.31%	3.30%	3.26%	3.24%	3.22%



6. Findings

The table below presents the Fair Value as of 30/06/2011:

Transaction No.	Transaction Volume in EUR	Expected CF in ILS	Transaction Volume Balance in EUR as of 30/06/2011	Expected CF in ILS Balance as of 30/06/2011	CF in ILS Balance as of 30/06/2011	Fair Value as of 30/06/2011
SO9024592	€ 10,591,854	₪58,623,888	€ 1,588,778	₪8,889,671	₪7,847,466	- ₪1,040,126
SO9024593	€ 4,497,003	₪24,859,185	€ 0	₪0	₪0	₪0
SO9026013	€ 1,440,190	₪7,845,629	€ 144,019	₪788,178	₪711,354	- ₪76,624
SO9027063	€ 177,000	₪959,047	€ 0	₪0	₪0	₪0
SO10027583	€ 137,458	₪709,135	€ 13,722	₪70,748	₪68,114	- ₪2,628
SO9026912	€ 1,821,520	₪9,906,487	€ 519,880	₪2,827,302	₪2,568,840	- ₪256,664
SO10028957	€ 45,325	₪215,686	€ 9,065	₪43,196	₪44,818	₪1,618
SO10029075	€ 100,880	₪467,929	€ 40,352	₪187,285	₪199,448	₪12,077
SO10028772	€ 1,726,001	₪8,163,649	€ 658,952	₪3,118,337	₪3,256,333	₪137,524
SO10029601	€ 1,158,700	₪5,742,040	€ 289,675	₪1,435,664	₪1,430,072	- ₪5,578
SO10029738	€ 179,575	₪875,331	€ 15,933	₪77,796	₪78,658	₪861
SO10030086	€ 139,421	₪679,766	€ 125,479	₪611,817	₪620,665	₪8,826
SO10030459	€ 48,000	₪242,121	€ 0	₪0	₪0	₪0
SO10030873	€ 77,649	₪371,400	€ 38,825	₪189,127	₪191,766	₪2,626
SO10030874	€ 234,260	₪1,120,480	€ 117,130	₪570,578	₪578,541	₪7,921
SO10031217	€ 21,814	₪102,762	€ 21,814	₪102,762	₪107,746	₪4,971
SO10031195	€ 28,093	₪132,881	€ 0	₪0	₪0	₪0
SO10030475	€ 74,817	₪369,045	€ 22,446	₪113,045	₪110,910	- ₪2,131
SO10031025	€ 41,453	₪200,295	€ 12,436	₪60,131	₪61,424	₪1,290
SO10030653	€ 33,000	₪165,712	€ 8,250	₪41,432	₪40,729	- ₪701
SO11033018	€ 24,179	₪119,904	€ 0	₪0	₪0	₪0
SO11033017	€ 32,626	₪161,793	€ 32,626	₪161,793	₪161,069	- ₪722
	€ 22,630,818	**₪122,034,163**	**€ 3,659,381**	**₪19,288,862**	**₪18,077,954**	**- ₪1,207,461**

The fair value is the liability in amount of (1,207,461) ILS.