



Unitronics (1989) (R”G) Ltd

Quarterly Report as of June 30, 2012

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This report contains forward-looking information within the meaning of Section 32A of the Israeli Securities Law, 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

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2. Description of the Company and Its Business Environment

Unitronics engages, through its Products Department, in the design, development, production, marketing and sale of industrial automation products, mainly programmable logic controllers (hereinafter: "**PLCs**"). PLCs are computer-based electronic products (hardware and software) used in the command and control of machines performing automatic tasks, such as production systems and automatic systems for industrial storage, retrieval and logistics, and automated parking facilities. The Company also engages, through its Systems Department, in design, construction and maintenance services in the framework of projects for automation, computerization and integration of computerized production and/or logistics systems, mainly automated warehouses, automated distribution centers and automated parking facilities. In addition, the Company engages in automated system design, development, production, construction and maintenance services for automated parking solutions, through Unitronics Parking Solutions Ltd., a wholly owned Israeli subsidiary of the Company, and through Unitronics Systems Inc., a wholly owned American subsidiary of the Company.¹

The Company's PLCs are distributed by over one hundred and forty distributors in approx. fifty countries throughout Europe, Asia, America and Africa, as well as by means of Unitronics Inc., a wholly owned company incorporated in the US. The Company's

¹ In its meeting on July 10, 2012, the Board of Directors of the Company resolved to concentrate the Company's Systems Department activities and/or the Company's activities in the field of parking solutions in the US and/or North America within the framework of Unitronics Systems Inc., as set forth in Paragraph 3.5 in Chapter A of this report.

services in the field of parking systems and solutions Department are provided mainly to customers in Israel, and, in a few cases, outside of Israel as well.

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

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

3. Main Events in the Period of the Report and Up To Its Publication

3.1 Agreement for Setting Up a Logistics System for a Customer in Israel

On May 13, 2012, the Company signed an agreement with a third party that is not connected to it or to the controlling shareholder therein, for setting up an automatic logistics system in Israel (hereinafter in this paragraph: "**the Agreement**" and "**the Project**").

The cost of the Project is estimated at approx. €10.2 million, a sum that is considered material to the Company. Payment of the consideration is expected to be remitted according to the progress of the Project implementation milestones. In its financial statements, the Company will recognize the income from the Project in accordance with the completion rate method, which is determined on the basis of the completion of engineering stages of the work in the Project.

The Project is expected to be completed in the first quarter of 2014. To guarantee fulfillment of its obligations in the Project, the Company has undertaken to submit bank guarantees as well as to provide agreed compensation in certain cases.

For additional details, see immediate report on an incident or matter deviating from the corporation's ordinary business, included herein by way of reference, dated May 13, 2012, Reference No. 2012-01-123351).

3.2 Plan for the Buyback of the Company Shares

On August 30, 2012, the Board of Directors of the Company resolved to adopt a plan for the buyback of the Company's shares ("**the New Plan**"), which replaced and cancelled a previous plan from May 2012, after the Company bought 11,535 shares as part of the May 2012 Plan. Within the framework of the New Plan, 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 unrelated parties, Company shares for a total sum not exceeding NIS 2 million (including expenses related to the buyback, including the fees of consultants and service providers in connection with the buyback and therefore, the anticipated cost of the plan stood at up to NIS 2 million). The planned date for implementation of the New Plan is up to December 31, 2012 (for details, see the immediate report on the approval of the purchase plan, included herein by way of reference, dated August 30, 2012, Ref. No. 2012-01-225633).

Within the framework of the May 2012 Plan, and during the period of said plan, the Company purchased 11,535 Company shares as part of the trading for a sum of approximately NIS 68 thousand. For further details on the Company's purchases, see

the report dated July 15, 2012, Ref. No. 2012-01-185475, the report dated July 23, 2012, Ref. No. 2012-01-192084, the report dated July 30, 2012, Ref. No. 2012-01-196938 and the report dated July 31, 2012, Ref. No. 2012-01-198216, which are included herein by way of reference.

As of the date of publication of this report, the Company holds a total of 1,605,432 shares (of 11,678,504 existing ordinary shares in the Company's issued share capital). As long as these shares remain under the ownership of the Company, the shares 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 included herein by way of reference: report dated December 7, 2009, Ref. No. 2009-01-312105; report dated March 4, 2010, Ref. No. 2010-01-404196; report dated May 23, 2010, Ref. No. 2010-01-489135; Report dated November 11, 2010, Ref. No. 2010-01-676662; report dated March 27, 2011, Ref. No. 2011-01-094101; report dated September 18, 2011, Ref. No. 2011-01-277599; report dated November 17, 2011, Ref. No. 2011-01-330585. In addition, and on the same matter, see immediate reports on the approval of a purchase plan, included herein by way of reference: report dated March 29, 2012, Ref. No. 2011-01-086538, report dated May 29, 2012, Ref. No. 2012-01-138882 and report dated August 30, 2012, Ref. No 2012-01-225633).

3.3 Approval of Registration of Property Rights

In July 2011, the Company signed an agreement for the acquisition of the capitalized leasing rights in a property intended for Company use, on an area of about 11,000 m² in the industrial zone of Hevel Modi'in-Tirat Yehuda (hereinafter: "**the Asset**") for consideration of NIS 17.37 million plus VAT ("**the Rights**"). For details on the acquisition of the rights in the asset, see the company's Immediate Report dated July 7, 2011, included herein by way of reference, Ref. No. 2011-01-207288. On May 9, 2012, the Company's rights in the asset were recorded at the Israel Land Administration.

3.4 Rent Agreement from a Controlling Shareholder and Approval of the Extension Thereof in a Special General Meeting

The Company mainly operates from facilities located in an office and industrial building situated at Airport City next to the David Ben-Gurion Airport (hereinafter: "**Unitronics Building**"). At Unitronics Building, the Company leases about 1,295 m² of floor space with the addition of adjacent yard space from the Israel Land Administration from August 2000. In addition, the Company leases from a company under the control of Mr. Haim Shani, the controlling shareholder in the Company who serves as its Chairman of the Board and CEO, and Mrs. Bareket Shani, the wife of Mr. Haim Shani, who serves as a director and Human Resources Manager at the Company ("**the Lessor**"), an approx. 1,106-m² area in Unitronics Building, according to agreements that expired at the end of July 2012 ("**the Previous Agreement**").

The following are the terms of the Previous Agreement:

Rental of Unitronics Building space totaling approx. 1,106 m² ("**the Rented Space**") for a monthly fee of approx. NIS 65 per m² for a total sum of NIS 72,000 per month ("**the Rental Fees**") linked to the June 2009 Consumer Price Index ("**the Index**") as well as 30 parking spaces ("**the Parking Spaces**") for a monthly fee of NIS 250 per space for a total sum of approx. NIS 7,500 for all 30 parking spaces. In addition, the Company is obliged to pay a monthly management and maintenance fee of approx. NIS 5.8 per m² (for a total sum of approx. NIS 6,400) for management and maintenance services provided by Airport City ("**Keshet**," "**Keshet Maintenance Services**" and "**Keshet Maintenance Fees**," respectively), as well as a monthly for management and maintenance fee of approx. NIS 9.5 per m² (for a total of approx. NIS 10,500) for management and maintenance services provided by Unitronics House Management and Maintenance (2003) Ltd ("**Unitronics Maintenance**," "**Unitronics Maintenance**

Services" and **"Unitronics Maintenance Fees,"** respectively), a wholly owned subsidiary of the Company.

On June 14, 2012, the General Meeting of the Company's Shareholders gave its approval for the signing of a new lease agreement with the Lessor ("the **Lease Agreement**"), after having been approved by the Audit Committee and Board of Directors of the Company on March 27, 2012, and by the Board of Directors of the Company on March 29, 2012, at terms that are essentially no different from the terms of the Previous Agreement. The rental period pursuant to the Lease Agreement is 36 months commencing on August 1, 2012, subject to the Company's right, pursuant to the Audit Committee's resolution, at any time, to terminate the Lease Agreement with advance notification of 3 months, with no penalties. The Company is not required to provide any guarantees as part of the Lease Agreement.

For details on the Lease Agreement, including the terms thereof and the reasons for approval thereof by the Audit Committee and Board of Directors of the Company, see the Company's immediate report on the convening of an Extraordinary General Meeting, dated March 29, 2012, Ref. No. 2012-01-086748, included herein by way of reference. For details on the results of said Extraordinary General Meeting, see the Company's immediate report dated June 14, 2012, Ref. No. 2012-01-156780, included herein by way of reference.

The Company's total rental fees for the Parking Spaces, Keshet Maintenance Fees and Rental Fees pursuant to the Lease Agreement, with the addition of rental fee linkage differentials, come to approx. NIS 100,000 per month.

3.5 Establishment of a Subsidiary in the US

In its meeting on July 10, 2012, the Board of Directors of the Company resolved to concentrate the Company's Systems Department activities and/or the Company's activities in the field of parking solutions in the US and/or North America at a subsidiary wholly owned by the Company. For details, see the Company's immediate report dated July 10, 2012, Ref. No. 2012-01-182154, included herein by way of reference, As of the date of publication of this report, this subsidiary had not begun to carry out any significant activities.

3.6 Adoption of a negligible transactions procedure

On August 30, 2012, the Board of Directors adopted the recommendation of the Audit Committee, to adopt Negligible Transactions Procedure, as defined in Article 41 (a) (6) of the Securities Regulations (Annual Financial Statements), 2010. For further details see the company's immediate report regarding an event or matter outside the ordinary business corporation, dated August 30, 2012 (Ref. No. 2012-01-225675)

3.7 A change in the holding officer's position

After the balance sheet date, on 19/08/2012, Mr. Ya'acov Vider, a Senior director of NPI quality and reliability, has ceased to hold office. For further details see immediate report dated 19/08/2012 about senior officer ceased to hold office, reference number 2012-01-214110.

3.8 Payment for the debentures (Series 2)

On August 26, 2012, the Company paid four out of five of the debentures Fund (Series 2), issued by the Company under the 2006 Prospectus. Following this payment, 5.38 million remain outstanding debentures (Series 2) (for details see immediate report on the number of Capital and registered securities of the corporation and modifications, hereby included by reference, dated 26 August 2012, reference No 2012-01-219201)

3.9 Legal Proceedings

3.9.1 Administrative Petition Against the Company

Pursuant to the Company's reports dated February 6, 2011, about the winning of a tender for the construction of an automated warehouse (hereinafter in this paragraph: "the **Project**") for a customer in Israel (Ref. No. 2011-01-038982) (hereinafter in this paragraph: "the **Customer**"), and dated March 30, 2011 about the receipt of an agreement signed by the Customer (Ref. No. 2011-01-100404), which are included herein by way of reference, on June 28, 2011, the Company received an administrative petition against the Customer and against the Company ("the **Petition**").

As part of the Petition, the petitioner asked to be given the opportunity to peruse all the documents related to the aforementioned tender, in a manner that will make it possible to assess the Customer's decision to declare that the Company won the tender. Moreover, the Petitioner asked the court to announce that, until it completes its perusal of the tender documents and is given an opportunity to examine and assess the aforementioned decision by the Customer, the tender process is incomplete, and the Customer may not enter into an agreement with the Company in relation to the Project and/or issue a job order to the Company and/or carry out the Customer's decision.

The district court set a date for hearing the Petition, October 24, 2011. However, on October 2, 2011, the district court approved a decision for a deliberative arrangement that the parties agreed to, according to which they would conduct a negotiation in an attempt to end the dispute between them outside of the walls of the court, which would render the proceedings redundant.

As part of a hearing that took place in the courtroom on January 22, 2012, on the matter of the Company's request to annul the administrative petition, the court handed down a verdict on the Petition that ends the proceedings thereon.

As part of the hearing, the Petitioner's legal representative announced that he was not attacking the tender proceedings and results, but he was reserving the right to file a monetary claim, if necessary.

Under these circumstances, the parties reached an agreement regarding continued clarification of the scope of the right to peruse the tender documents, in the framework of the Customer's tender committee, and pursuant to the procedures that were agreed upon. For details, see the Immediate Report of an incident or matter deviating from the corporation's ordinary business, dated January 22, 2012, included herein by way of reference, Ref. No. 2012-01-021807).

On April 1, 2012, the Petitioner requested that the verdict handed down by the district court be annulled, asserting that the representations on which the verdict was based do not actually exist. On April 2, 2012, the court ordered the Customer to respond, pointing out in its decision that, ostensibly, a verdict cannot be annulled in the manner exercised by the Petitioner.

On May 1, 2012, the Customer responded to the verdict annulment request and vehemently opposed it. Although the court did not instruct the Company to respond explicitly to the request to annul the verdict, the Company submitted a response that same day, opposing the verdict annulment request on procedural and material grounds. On May 15, 2012, the court rejected the Petitioner's request to annul the verdict.

3.9.2 A Law Suit by a Supplier Against the Company and a Countersuit

On December 15, 2011, a supplier of the Company (hereinafter in this paragraph: "the **Supplier**") filed a monetary claim in a summary procedure against the Company in an immaterial amount at the magistrate's court in Petach Tikvah, alleging that the Company was illegally withholding a payment balance, as well as for illegal forfeiture of a bank guarantee, all in relation to projects implemented by the Company for customers.

On December 27, 2011, the Company requested that a bank guarantee be deposited to guarantee payment of its expenses and to extend the deadline for submitting a request for permission to defend itself by 30 days following deposit of the bank guarantee.

On January 1, 2012, the court granted the Company an extension for submitting the request for permission to defend itself to January 22, 2012, and ordered the Supplier to respond to the request for deposit of a guarantee for expenses within 20 days.

On January 22, 2012, the Company requested, through its legal advisers, permission to defend itself. As part of said request, it made various claims against the Supplier, alleging that it had conducted itself improperly during the aforementioned projects, failed to implement the jobs it had undertaken to implement, and caused damage to the Company. In addition, the Company requested that the lawsuit sum be offset by larger sums for damages caused it and sought to demand said sums in a separate action.

On February 13, 2012, the Company filed, through its legal advisers, a monetary claim totaling NIS 2.5 million (for fee purposes) at the magistrate's court in Petach Tikvah against the Supplier.

As part of its claim statement, the Company claimed that the Supplier had committed material breaches in everything related to its obligations toward the Company pursuant to agreement regarding those Company projects for those customers and in relation to damages it was caused due to said breaches.

On March 26, 2012, the Supplier filed a defense statement and, in addition, a counter claim in the amount of approx. NIS 1.4 million for a payment balance that, as it claims, is owed to the Supplier by the Company, as well as for damages and losses that, as it claims, it was caused as a result of the Company's conduct.

On April 30, 2012, the Company filed a defense statement, as part of which it reiterated, inter alia, its allegations in the counter claim statement that it had filed, as stated above, on February 13, 2012.

On July 8, 2012, the court accepted the parties' motion to cancel their mutual claims, without an order for expenses, and as part of a compromise agreement that was signed by the parties. As part of the signed compromise agreement, the Company paid the Supplier an immaterial sum for the full and final cancellation of all the reciprocal claims and/or demands and/or petitions between the parties in this lawsuit and in the counter suit, as set forth above. The court granted the compromise agreement the validation of a decision and quashed the proceedings in these cases.

Chapter B – Board of Directors' Report

1. Financial Position

Assets

In the total assets per the consolidated balance sheet of the Company as of June 30, 2012, there was no material change, and they amounted to approx. NIS 169.206 million compared with approx. NIS 164.573 million as of December 31, 2011.

In the cash, cash equivalents and marketable securities items there was a decrease, and together they amounted to approx. NIS 48.059 million as of June 30, 2012, compared with approx. NIS 52.696 million as of December 31, 2011. Most of the decrease stems from a cash flow that was used for investment activity, as explained in Paragraph 3 below.

An increase was recorded in trade and income receivable which amounted to approx. NIS 21.727 million as of June 30, 2012, compared with approx. NIS 17.654 million as of December 31, 2011. This increase primarily stemmed from an increase in trade receivables in the area of systems.

An increase was recorded in inventory of work in progress, which stood at approx. NIS 8.697 million as of June 30, 2012, compared with approx. NIS 7.362 million as of December 31, 2011, and reflects progress in the implementation of projects on the reporting date only.

An increase was recorded in intangible assets, which amounted to NIS 28.607 million as of June 30, 2012, compared with approx. NIS 23.834 million as of December 31, 2011. The increase is mainly attributable to the recording of Company development assets in respect of which the development costs satisfy the conditions for recognition as an intangible asset, offset by current amortization.

In all the other asset items, there were no material changes as compared with June 30, 2011, and December 31, 2011.

Liabilities

An increase was recorded in short-term credit and current maturities of long-term liabilities, which totaled approx. NIS 22.292 million as of June 30, 2012, compared with approx. NIS 10.585 million as of December 31, 2011. The increase is mainly attributable to the first-time recording of a current maturity for debentures (Series 3).

An increase was recorded in trade payables, which amounted to approx. NIS 16.569 million as of June 30, 2012, compared with approx. NIS 14.175 million as of December 31, 2011. This item increased primarily due to a rise in trade balances in the products segment.

The non-current liabilities as of June 30, 2012, totaled approx. NIS 66.834 million, compared with NIS 79.257 million as of December 31, 2011. Most of the decrease stems from the first-time recording of a current maturity for debentures (Series 3), as stated above.

In all the other liability items, there were no material changes as compared with June 30, 2011, and December 31, 2011.

A decrease was recorded in the Company's working capital, which totaled approx. NIS 43.338 million as of June 30, 2012, compared with approx. NIS 58.199 million as of

December 31, 2011. Most of the decrease stems from the first-time recording of a current maturity for debentures (Series 3), as stated above.

The Company's shareholders' equity increased to approx. NIS 45.673 million as of June 30, 2012, compared with approx. NIS 43.703 million as of December 31, 2011. The increase was chiefly due to the net income for the period as detailed below.

2. Operating Results

Revenues

Company revenues in the first half of 2012 came to approx. NIS 71.745 million, compared with approx. NIS 75.3 million in the corresponding half of 2011 (a decrease of approx. 5%). The decrease since the beginning of the year mainly stems from revenues from the product segment, as detailed below. The Company's revenues in the quarter ended June 30, 2012, came to approx. NIS 37.158 million, compared with approx. NIS 34.933 million in the corresponding quarter of 2011 (an increase of approx. 6%). The decrease in this quarter mainly stems from revenues from the product segment, as detailed below.

Company revenues from the products segment in the quarter ended June 30, 2012, amounted to approx. NIS 23.829 million, an increase of approx. 15% compared with approx. NIS 20.752 million in the corresponding quarter of 2011. The revenues from the products segment in the first half of 2012 amounted to approx. NIS 46.726 million, an increase of approx. 5% compared with approx. NIS 44.699 million in the first half of 2011. The continual increase that was recorded in revenues from the products segment in the reporting period, in 2011 and 2010 stems, in the Company's estimation, from an increase in the rate of sale of the products as compared with corresponding periods (for details, see Paragraph 1.9.27 of the Company's Annual Periodic Report for 2011).

Revenues from the systems segment in the quarter ended June 30, 2012, amounted to approx. NIS 13.098 million, an approx. 7% decrease compared with approx. NIS 14.091 million in the corresponding quarter of 2011. The revenues from the systems segment in the firsts half of 2011 amounted to approx. NIS 24.707 million, an approx. 19% decrease compared with approx. NIS 30.422 million in the corresponding half of 2011. 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 in relation to the planning and construction of a logistics system for a customer in Israel (for details see Sections 1.10.9 of the Company's Annual Periodic Report for 2011), and from the rate of receipt of orders from customers for the construction of systems in the reporting period, which is explained partly by the relative volatility characteristic of this segment. During the reporting period, the Company signed an agreement for the construction of a logistics system with a customer in Israel, as set forth in Paragraph 3.1 of Chapter A above.

Revenues from the products segment in the quarter ended June 30, 2012, constituted some 64% of total Company revenues in this quarter, whereas revenues from the systems segment in the same period accounted for approx. 35% of total revenues. In the corresponding quarter of 2011; revenues from the products segment constituted some 59% of total Company revenues in that quarter, whereas revenues from the systems segment constituted approx. 40% of total revenues. Overall for the year 2011, revenues from products accounted for some 63% of total revenues, while revenues from systems accounted for approx. 37% of total revenues (less than 1% stems from other revenues).

Cost of Revenues and Gross Profit

The total gross profit in the quarter ended June 30, 2012, amounted to approx. NIS 10.364 million (about 28% of the revenues for the period), compared with approx. NIS 8.721 million in the corresponding quarter of 2011 (about 25% of the revenues for the period). The total gross profit in the first half of 2012 amounted to approx. NIS 19.652 million (about 27% of the revenues for the period), compared with approx. NIS 20.135 million in the corresponding half of 2011 (about 27% of the revenues for the period).

A change in the gross profit margins stems mainly from a change in the revenue mix from various activity segments (the gross profit margins the systems segment are lower than profit margins in the products segment, and accordingly, when the revenue mix from the systems segment rises, the weighted gross profit margin drops, and vice-versa) and from the change in the gross profit margins of the Company's operating segments (for details, see the analysis of business results by operating segment in Paragraph 2.2.4 of the Company's Annual Periodic Report for 2011).

Development Costs, Net

Net development costs in the quarter ended June 30, 2012, amounted to approx. NIS 1.287 million, compared with approx. NIS 455,000 in the corresponding quarter of 2011. Net development costs in the first half of 2012 amounted to approx. NIS 2.610 million, compared with approx. NIS 1.218 million in the corresponding half of 2011. In addition, during the reporting period, an intangible asset in respect of development costs which satisfied the criteria for recognition as an intangible asset was recognized in the amount of approx. NIS 6.652 million, compared with NIS 5.140 million in the corresponding half of 2011. The total development costs, including those that were recognized as an intangible asset in the reporting period, grew in comparison with the corresponding period. This reflects a continuation and even an increase in development activities of technologies required to support the Company's continued operations, through adjustment of its development workforce in order to meet changes in its operations and address its business plans. For details on the Company's estimate of its development costs in 2012, see the details in paragraphs 1.9.20 and 1.11.16 of the Periodic Report for 2011.²

Selling and Marketing Expenses

An increase was recorded in the selling and marketing expenses in the quarter ended June 30, 2012, and it came to approx. NIS 4.019 million (about 11% of revenues), compared with approx. NIS 3.317 million (about 9.5% of revenues) in the corresponding quarter of 2011. The selling and marketing expenses in the first half of 2012 came to approx. NIS 8.370 million (about 12% of revenues), compared with approx. NIS 6.648

² Information regarding the projected development expenses is forward-looking information. The main data that constitute the basis for this information are the Company's development plans, which are based, inter alia, on a market survey analysis, as set forth in Paragraph 1.7, 1.9.3 and 1.11.3 of the Periodic Report for 2011, a market needs analysis, and the consumers' preferences, as these manifest themselves in the Company's direct contacts with the markets, technological feasibility, the Company's estimations of the development costs required for financing the implementation of the developments, as well as the Company's estimations of the anticipated revenues. The main factors likely to prevent this forecast from materializing are the actual revenues that will materialize from sales in 2012; the level of investment that will be required in this activity, which could significantly deviate from the Company's budgets in these segments; limitations in relation to the ability to commercialize these technologies in competitive market prices or in general; the lack of development of markets and consumer culture that are compatible with the use of the developed technologies; and the superior financial and technological means at the disposal of a significant number of the Company's competitors, and all these in addition to the overall risks set forth in Paragraph 1.23 of the Company's Period Report for 2011.

million (about 8.8% of revenues) in the corresponding half of 2011. The increase mainly stemmed from a rise in selling and marketing expenses in the products segment, including the organizing of international conferences.

In the Company's estimation, this item is likely to increase in the coming quarters through adaptation to changes in its operations, in order to address its business plans³.

General and Administrative Expenses

No material change was recorded in the general and administrative expenses item in the quarter ended June 30, 2012, and it amounted to approx. NIS 2.301 million, compared with approx. NIS 1.815 million in the corresponding quarter of 2011, and in the first half of 2012 it amounted to approx. NIS 3.934 million, compared with approx. NIS 4.140 million in the corresponding half of 2011.

Operating Profit

A decrease in operating profit was recorded for the quarter ended June 30, 2012, which amounted to approx. NIS 2.757 million (about 7% of revenues), compared with an operating profit of approx. NIS 3.134 million in the corresponding quarter of 2011 (approx. 9% of revenues). The decrease in operating profit in the reporting period primarily stems from an increase in development expenses and from an increase in selling and marketing expenses offset by the increase in gross profit, as set forth above.

In the first half of 2012, a decrease was recorded in the operating profit, which amounted to approx. NIS 4.738 million, compared with an operating profit of approx. NIS 8.129 million in the corresponding half of 2011. The decrease in operating profit in the reporting period primarily stems from the increase in development expenses and from an increase in selling and marketing expenses, as set forth above.

Financing Income and Expenses

Net financing expenses in the quarter ended June 30, 2012, amounted to approx. NIS 2.605 million, compared with net financing expenses of approx. NIS 2.146 million in the corresponding quarter of 2011. Net financing expenses in the first half of 2012 amounted to approx. NIS 3.023 million, compared with net financing expenses of approx. NIS 1.747 million in the corresponding half of 2011.

Most of the increase in net financing expenses, as stated above in this paragraph, stems from a decrease in the recording of revenues from revaluation and exchange rate differentials for embedded derivatives, which was caused by an upward trend in the Euro-shekel exchange rate in the corresponding periods.

Profit

In the reporting quarter, the Company presents a net profit totaling approx. NIS 152,000 thousand, compared with a profit of approx. NIS 988 thousand in the corresponding quarter of 2011 (about 3% of revenues). In the first half of 2012, the Company presents

³ 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, training 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).

a net profit totaling approx. NIS 1.715 million (about 2% of revenues), compared with a profit of approx. NIS 6.382 million (about 8.5% of revenues) in the corresponding half of 2011.

The decrease in net profit and the net profit rate in the reporting period stems chiefly from the increase in development expenses and selling and marketing expenses, along with a drop in financing expenses, as set forth above.

Analysis of Business Results by Operating Segment

As mentioned above, the main commercial activity of the Company is conducted by means of two business departments: the Products Department and the Systems Department. As of the fourth quarter of 2011, the business activities were concentrated in the parking solutions segment, which, until that time, had constituted part of the systems segment, at a subsidiary wholly owned by the Company, Unitronics Parking Solutions Ltd., and at which, as of June 30, 2012, the activity volume in this segment is of a sum that is immaterial to the Company. For further details regarding the Company's activity segments, see Chapter A, paragraphs 1.8, 1.9, 1.10 and 1.11 of the Company's Periodic Report for 2011.

Details on the various segments' results appear hereunder.

Products Segment

No material change was recorded in the Products Segment, which produced a profit of approx. NIS 7.359 million in the reporting quarter, compared with a profit of approx. NIS 6.735 million in the corresponding quarter of 2011. The results of the Products Segment in the first half of 2012 came to approx. NIS 14.401 million, compared with a profit of approx. NIS 14.110 million in the corresponding half of 2011.

Systems Segment

The Systems Segment produced a loss of approx. NIS 478 thousand in the reporting quarter, compared with a loss of approx. NIS 566 million in the corresponding quarter of 2011. The Systems Segment produced a loss of approx. NIS 1.700 million in the first half of 2012, compared with a profit of approx. NIS 887 million in the corresponding half of 2011. The decrease in the results of the Systems Segment, in the Company's estimation, stems from the decrease in revenues from this segment during the reporting period, as explained above, and from fixed costs required to continue the operations and the support in this segment.

3. Liquidity and Sources of Financing

The balance of cash, cash equivalents and marketable securities of the Company, as of June 30, 2012, totaled approx. NIS 48.059 million, compared with approx. NIS 52.696 million as of December 31, 2011. Most of the decrease stems from a cash flow used for investment activities, as explained below.

The cash flow from current operations in the quarter ended June 30, 2012, amounted to a positive cash flow of approx. NIS 3.763 million. The net positive cash flow resulted mainly from neutralization of non-cash expenses and changes in the assets and liabilities (most of the increase in the inventory of work in progress, offset by an increase in accounts payable and credit balances, which, in the Company's estimation, stems from an increase in the advances component and expenses payable in the systems segment). In the first half of 2012, the cash flow from current operations amounted to a positive cash flow of approx. NIS 4.759 million. The positive cash flow resulted mainly

from the net profit for the period following neutralization of non-cash expenses, offset by changes in the assets and liabilities (an increase in the suppliers and service providers item and an increase in the trade and income receivable item, as explained above).

The cash flow used for investment activities in the quarter ended June 30, 2012, amounted to approx. NIS 2.854 million. In the first half of 2012, the cash flow used for investment activities amounted to a negative cash flow of approx. NIS 6.267 million. The negative cash flow was mainly due to the recording of investments in development assets during the period.

The cash flow used for financing activities in the quarter ended June 30, 2012, amounted to approx. NIS 1.095 million. In the first half of 2012, the cash flow used for investment activities amounted to approx. NIS 2.190 million. The negative cash flow mainly stems from the repayment of long-term loans.

On June 30, 2012, the total credit lines available to the Company for current operations stood at approx. NIS 14.5 million, of which approx. NIS 14.1 million was utilized for long-term loans and for guaranteeing the Company's obligations in projects carried out by the Systems Department.

4. Qualitative Report Concerning Exposure to Market Risks and Methods of Managing Them

There were no material changes during the reporting period and in the aggregate period from the end of 2011 until the date of publication this quarterly report with respect to the Company's exposure to market risks and the methods of managing them.

5. Acquisition Plans

For details on the Company's acquisition programs that it reported during the reporting period or which are in effect during the reporting period, see Paragraph 3.2 of Chapter A above.

6. Consolidated Linkage Bases Report

As of June 30, 2012						
Israeli Currency		Foreign Currency				Total
Unlinked	CPI-Linked	In EURO	In USD	In Other Currencies	Non-Monetary Balances	

NIS in Thousands						
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Assets

Cash and cash equivalents	7,689	-	2,030	3,088	10	-	12,817
Cash limited in use	3,318	-	-	-	-	-	3,318
Marketable securities	19,906	15,243	-	93	-	-	35,242
Trade and income receivable	10,612	-	6,001	5,114	-	-	21,727
Embedded derivatives	-	-	230	-	-	-	230
Accounts receivable	104	-	0	205	-	705	1,014
Inventory	-	-	-	-	-	16,992	16,992
Inventory of work in progress	-	-	-	-	-	8,697	8,697
Long-term deposits	-	-	-	-	-	199	199
Fixed assets	-	-	-	-	-	40,363	40,363
Intangible assets	-	-	-	-	-	28,607	28,607
Total assets	41,629	15,243	8,261	8,500	10	95,563	169,206

Liabilities

Short-term loans and current maturities of long-term loans	-	99	3,883	428	-	-	4,410
Current maturities of debentures	-	17,882	-	-	-	-	17,882
Suppliers and service providers	8,383	-	1,764	6,422	-	-	16,569
Embedded derivatives	-	-	1,031	-	-	-	1,031
Accounts payable and credit balances	7,947	-	-	53	-	8,807	16,807
Long-term loans from banks and others	-	150	11,503	1,926	-	-	13,579
Debentures	-	50,622	-	-	-	-	50,622
Liabilities due to employee benefits, net	-	-	-	-	-	2,633	2,633
Total liabilities	16,330	68,753	18,181	8,829	-	11,440	123,533

Net assets (liabilities)	25,299	(53,510)	(9,920)	(329)	10	84,123	45,673
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7. Sensitivity Tests on Financial Instruments as of June 30, 2012

The Company conducted, as of the balance sheet date, 5 sensitivity tests in respect of changes within an upper and lower range of 5% and 10% in market factors.

The market factor tests were based on the model specified.

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

	Profit (Loss) on Change, NIS in Thousands		NIS in Thousands Fair Value	Profit (Loss) on Change NIS in Thousands	
	10%	5%		-5%	-10%
NIS to \$	4.315	4.119	3.923	3.727	3.531
Cash and cash equivalents	309	154	3,088	(154)	(309)
Marketable securities	9	5	93	(5)	(9)
Trade and income receivable	511	256	5,114	(256)	(511)
Accounts receivable	21	10	205	(10)	(21)
Current maturities of loans	(43)	(21)	(428)	21	43
Trade payable	(642)	(321)	(6,422)	321	642
Accounts payable and accruals	(5)	(3)	(53)	3	5
Long-term loans	(193)	(96)	(1,926)	96	193
Total	(33)	(16)	(329)	16	33

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

	Profit (Loss) on Change, NIS in Thousands		NIS in Thousands Fair Value	Profit (Loss) on Change, NIS in Thousands	
	10%	5%		-5%	-10%
NIS to Euro	5.425	5.178	4.932	4.685	4.439
Cash and cash equivalents	203	102	2,030	(102)	(203)
Trade and income receivable	600	300	6,001	(300)	(600)
Current maturities of loans	(388)	(194)	(3,883)	194	388
Trade payable	(176)	(88)	(1,764)	88	176
Accounts payable and accruals	0	0	0	0	0
Long-term loans	(1,150)	(575)	(11,503)	575	1,150
Total	(911)	(455)	(9,119)	455	911

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

	Profit (Loss) on Change, NIS in Thousands		NIS in Thousands Fair Value	Profit (Loss) on Change, NIS in Thousands	
	10%	5%		-5%	-10%
CPI in points	240.87	229.92	218.97	208.02	197.07
Marketable securities	1,524	762	15,243	(762)	(1,524)
Current maturities of loans	(10)	(5)	(99)	5	10
Long-term loans	(15)	(8)	(150)	8	15
Debentures (*)	(6,850)	(3,425)	(68,504)	2,216	2,829
Total	(5,351)	(2,676)	(53,510)	1,467	1,330

(*) Series 3 debentures linked to the CPI 212.73 (1993 base)

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

	Profit (Loss) on Change, NIS in Thousands		NIS in Thousands Fair Value	Profit (Loss) on Change, NIS in Thousands	
	10% increase in the underlying asset	5% increase in the underlying asset		5% decline in the underlying asset	10% decline in the underlying asset
Embedded derivatives	4,250	2,125	230	(2,125)	(4,250)
Liability in respect of embedded derivatives	1,009	505	(1,031)	(505)	(1,009)
Total	5,260	2,630	(801)	(2,630)	(5,260)

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

	Profit (Loss) on Change NIS in Thousands		NIS in Thousands Fair Value	Profit (Loss) on Change NIS in Thousands	
	10%	5%		-5%	-10%
Local – government	1,816	908	18,157	(908)	(1,816)
Local – corporate	1,431	715	14,308	(715)	(1,431)
Shares	278	139	2,778	(139)	(278)
Total	3,525	1,762	35,243	(1,762)	(3,525)

8. Dedicated Disclosure to the Debenture Holders

The Corporation's Liability Certificates:

(1)	Security	Debentures (Series 2) ⁴
A	Issue date	August 2006
B	Total par value on issue date	34,000,000
C	Par value as of the reporting date	10,760,000
D	Par value according to linkage terms – as of the report date	12,526,000
E	Accrued interest as of the report date	261,000
F	Liability value as of the report date	12,273,000
G	Stock Exchange value	12,937,000
H	Type of interest, including description	6.1% annual interest
I	Payment dates of outstanding principal	Balance of two equal annual payments beginning on August 25, 2012
J	Future interest payment dates	On the 25th of February and August in the years 2012 and 2013 starting from August 25, 2012, and up to (and including) August 25, 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 according to the 1993 base)
L	Are the liability certificates convertible?	Not convertible
M	Corporation's right to perform early redemption	Does not exist
N	Has a guarantee been given for payment of the 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 reporting period, and throughout said period, the Company, to the best of its knowledge, was in full 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 forth in the trust deeds and which are not of a technical nature, and there were no grounds to call for immediate repayment of the liability certificates.

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

⁴ After the balance sheet date on 26 August 2012, outstanding payment of the fourth out of five debentures fund (series 2). Further details, see Section 3.9 of Chapter A of this quarterly report

(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	58,097,000
E	Accrued interest as of the report date	883,000
F	Liability value as of the report date	56,231,000
G	Stock Exchange value	58,790,000
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	Future interest payment dates	Every 23 rd of March and September starting from August 23, 2012, and continuing until March 23, 2017 (inclusive)
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 212.73 (February 2011 index according to the 1993 basis)
L	Are the liability certificates convertible?	Not convertible
M	Corporation's right to perform early redemption	Does not exist
N	Has a guarantee been given for payment of the 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 reporting period, and throughout said period, the Company, to the best of its knowledge, was in full 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 forth in the trust deeds and which are not of a technical nature, and there were no grounds to call for immediate repayment of the liability certificates.

(8) 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 outstanding balance of the debentures (Series 3), the Company will refrain from creating additional charges on its assets, in excess of those 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 trustee's advance 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 to be given for purchasing the asset that is the object of the charge – and which the Company will be permitted to create without any restrictions in favor of any person or corporation. 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. Quarterly Report on the Company's Liabilities by Repayment Dates

For details on the Company's liabilities by repayment dates, as of June 30, 2012, see report dated August 30, 2012, which the Company published concurrently with the publication of this report.

10. Projected Cash Flow

The Board of Directors determined, following an examination of the four warning signs specified in Regulation 10(b)(14) of the Securities Regulations (Periodic and Immediate Reports) – 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). An examination as stated 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.

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

11.1 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 Financial Statements Review Committee.

11.2 Financial Statements Review Committee

Once the Companies Regulations (Directives and Conditions Concerning the Procedure for Approving Financial Statements), 2010, went into effect, the Audit Committee was appointed by the Company's Board of Directors (during its meeting on November 11, 2010) to also serve as a Balance Sheet Committee for Review of the Financial Statements ("the **Committee**"), said committee being of a composition and significance that are in line with said regulations, in everything related to the Financial Statements as at December 31, 2010, and thereafter. As of the reporting date, the following directors serve on this committee:

Name	CPA Zvi Livneh	CPA Yoel Sela	CPA Moshe Braaz
An independent or an external director	No	External director	External director
Chairman of the Committee	No	No	Yes

for Review of the Financial Statements			
Has accounting and financial expertise	Yes	Yes	Yes
Did he provide a statement prior to his nomination?	Yes	Yes	Yes

* For details regarding the education and experience of the members of the Committee for Review of the Financial Statements, see Section 4.11 of Chapter D of the Periodic Report for 2011.

As part of the process of approval of the financial statements as of June 30, 2012, a Committee meeting was held on August 28, 2012. In this meeting, the Committee discussed the effectiveness of internal controls over financial reporting and disclosure by the Company, which are 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 people were invited to, and attended, the Committee meeting on August 28, 2012: members of the Committee (CPAs Yoel Sela, Zvi Livneh and Moshe Braaz), Mr. Yair Itzkovitch, CFO; Mr. Eyal Saban, VP; Mr. Nir Weisberger, Company attorney; CPA Avi Peleg, of the Company's accounting firm; and CPA Itzik Buchrits, of the Company's internal audit firm.

The committee discussed and formulated its recommendations to the Board of Directors regarding 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.

11.3 The Company's Board of Directors

The Company regards the Board of Directors as the entity in charge of overall control of the Company's financial statements. The members of the Company's Board of Directors and their respective duties in the Company are as follows:

1. Mr. Haim Shani – Chairman of the Board and Company CEO, and a director with professional qualifications.
2. Mrs. Bareket Shani – Director with professional qualifications, 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 Audit Committee, member of the Committee for Review of the Financial Statements, and member of the Board's Credit and Investments Committee.
5. Mr. Moshe Braaz, 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.
6. Mrs. Edna Ramot - Director with professional skills.

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 30, 2012, Company management reviewed the key 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 30, 2012

UNITRONICS (1989) (R"G) LTD.
Condensed Consolidated Interim
Financial Statements
June 30, 2012

(Unaudited)

Unitronics (1989) (R"G) Ltd.

**Condensed Consolidated Interim
Financial Statements**

June 30, 2012

(unaudited)

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REVIEW REPORT OF THE AUDITORS 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, 2012 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 6% of all the consolidated assets as at June 30, 2012 and whose revenues included in the consolidation comprise 22% and 22% 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 30, 2012

16 Aba Hillel Silver St. Ramat-Gan 52506 Israel Tel: +972-3-6123939 Fax: +972-3-6125030 e-mail: office@ahcpa.co.il

Amit, Halfon is a member firm of the PKF International Limited network of legally independent firms and does not accept any responsibility or liability for the actions or inactions on the part of any other individual member firm or firms.

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

	<u>June 30, 2012</u>	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>December 31, 2011</u>
	<u>(unaudited)</u>	<u>(unaudited)</u>		<u>(audited)</u>
		<u>(in thousands)</u>		
	<u>Convenience translation into Euro (1)</u>	<u>NIS</u>		
<u>Current assets</u>				
Cash and cash equivalents	2,599	12,817	44,679	16,467
Restricted cash	673	3,318	3,211	3,281
Marketable securities	7,146	35,242	32,633	36,229
Accounts receivable -				
Trade	4,405	21,727	19,255	17,654
Other	206	1,014	1,514	2,294
Embedded derivatives	47	230	137	20
Inventory	3,445	16,992	24,346	16,505
Inventory - work in progress	1,763	8,697	7,314	7,362
	<u>20,284</u>	<u>100,037</u>	<u>133,089</u>	<u>99,812</u>
<u>Non-current assets</u>				
Long-term deposits	40	199	383	264
Property and equipment, net	8,184	40,363	21,970	40,663
Intangible assets, net	5,801	28,607	19,378	23,834
	<u>14,025</u>	<u>69,169</u>	<u>41,731</u>	<u>64,761</u>
	<u>34,309</u>	<u>169,206</u>	<u>174,820</u>	<u>164,573</u>

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

Tzvi Livne
Director

Yair Itscovich
Chief Financial Officer

Approved: August 30, 2012.

(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

	<u>June 30,</u> <u>2012</u>	<u>June 30,</u> <u>2012</u>	<u>June 30,</u> <u>2011</u>	<u>December 31,</u> <u>2011</u>
	<u>(unaudited)</u>	<u>(unaudited)</u>		<u>(audited)</u>
		<u>(in thousands)</u>		
	<u>Convenience translation into Euro (1)</u>	<u>NIS</u>		
<u>Current liabilities</u>				
Current maturities of long-term loans	894	4,410	4,354	4,399
Current maturities of bonds	3,626	17,882	6,162	6,186
Accounts payable -				
Trade	3,360	16,569	15,251	14,175
Other	3,408	16,807	25,127	15,776
Embedded derivatives	209	1,031	1,344	1,077
	<u>11,497</u>	<u>56,699</u>	<u>52,238</u>	<u>41,613</u>
<u>Non-current liabilities</u>				
Loans from banks and others	2,753	13,579	12,780	15,748
Bonds	10,264	50,622	66,395	60,977
Liabilities for benefits to employees, net	534	2,633	1,611	2,532
	<u>13,551</u>	<u>66,834</u>	<u>80,786</u>	<u>79,257</u>
<u>Shareholders' equity</u>				
Share capital	72	352	352	352
Share premium	10,257	50,588	50,588	50,588
Capital reserve from translation of foreign operation	(80)	(393)	(1,517)	(648)
Company shares held by the company	(1,347)	(6,643)	(6,643)	(6,643)
Retained earnings (loss)	359	1,769	(984)	54
	<u>9,261</u>	<u>45,673</u>	<u>41,796</u>	<u>43,703</u>
	<u>34,309</u>	<u>169,206</u>	<u>174,820</u>	<u>164,573</u>

(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,
	2012	2012	2011	2012	2012	2011	2011
	(unaudited)	(unaudited)		(unaudited)	(unaudited)		(audited)
	Convenience translation into Euro (1)	NIS		(in thousands) Convenience translation into Euro (1)	NIS		
Revenues	14,547	71,745	75,300	7,534	37,158	34,933	141,702
Cost of revenues	10,562	52,093	55,165	5,433	26,794	26,212	102,719
Gross profit	3,985	19,652	20,135	2,101	10,364	8,721	38,983
Development expenses, net	529	2,610	1,218	261	1,287	455	2,991
Selling & marketing expenses	1,697	8,370	6,648	815	4,019	3,317	14,091
General & administrative expenses	798	3,934	4,140	466	2,301	1,815	8,201
Operating profit	961	4,738	8,129	559	2,757	3,134	13,700
Financing income	247	1,218	2,189	71	349	303	2,633
Financing expenses	860	4,241	3,936	599	2,954	2,449	8,400
Profit for the period	348	1,715	6,382	31	152	988	7,933
Profit per 1 ordinary share NIS 0.02 par value (NIS):							
Basic Profit per 1 ordinary share	0.034	0.170	0.547	0.003	0.015	0.085	0.786
Diluted profit per 1 ordinary share	0.034	0.170	0.545	0.003	0.015	0.084	0.782

(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, 2012		For the six months period ended June 30, 2011		For the three months period ended June 30, 2012		For the three months period ended June 30, 2011		For the year ended December 31, 2011
	(unaudited)		(unaudited)		(unaudited)		(unaudited)		(audited)
	<u>(in thousands)</u>								
	Convenience translation into Euro (1)	NIS		Convenience translation into Euro (1)	NIS				
Profit for the period	348	1,715	6,382	31	152	988	7,933		
<u>Other comprehensive income (loss)</u>									
Actuarial loss	-	-	-	-	-	-	(513)		
Translation of foreign operation	51	255	(341)	98	486	(169)	528		
Other comprehensive income (loss) for the period	51	255	(341)	98	486	(169)	15		
Comprehensive income for the period	<u>399</u>	<u>1,970</u>	<u>6,041</u>	<u>129</u>	<u>638</u>	<u>819</u>	<u>7,948</u>		

(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	Retained earnings (loss)	Total
<u>NIS in thousands</u>						
Balance at January 1, 2011 (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 year	-	-	528	-	7,420	7,948
Balance at December 31, 2011 (audited)	352	50,588	(648)	(6,643)	54	43,703
Comprehensive income for the period	-	-	255	-	1,715	1,970
Balance at June 30, 2012 (unaudited)	<u>352</u>	<u>50,588</u>	<u>(393)</u>	<u>(6,643)</u>	<u>1,769</u>	<u>45,673</u>
Balance at January 1, 2011 (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)	<u>352</u>	<u>50,588</u>	<u>(1,517)</u>	<u>(6,643)</u>	<u>(984)</u>	<u>41,796</u>
Balance at April 1, 2012 (unaudited)	352	50,588	(879)	(6,643)	1,617	45,035
Comprehensive income for the period	-	-	486	-	152	638
Balance at June 30, 2012 (unaudited)	<u>352</u>	<u>50,588</u>	<u>(393)</u>	<u>(6,643)</u>	<u>1,769</u>	<u>45,673</u>
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)
Comprehensive income for the period	-	-	(169)	-	988	819
Balance at June 30, 2011 (unaudited)	<u>352</u>	<u>50,588</u>	<u>(1,517)</u>	<u>(6,643)</u>	<u>(984)</u>	<u>41,796</u>
<u>Convenience translation into Euro in thousands (unaudited) (1)</u>						
Balance at December 31, 2011 (audited)	72	10,257	(131)	(1,347)	11	8,862
Comprehensive income for the period	-	-	51	-	348	399
Balance at June 30, 2012 (unaudited)	<u>72</u>	<u>10,257</u>	<u>(80)</u>	<u>(1,347)</u>	<u>359</u>	<u>9,261</u>

(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,
	2012		2012		2012		2012		2011
	(unaudited)		(unaudited)		(unaudited)		(unaudited)		(audited)
	Convenience translation into Euro (1)		NIS		Convenience translation into Euro (1)		NIS		
(in thousands)									
Cash flows - operating activities									
Profit for the period	348	1,715	6,382	31	152	988	7,933		
Adjustments necessary to show the cash flows - operating activities (Appendix A)	617	3,044	(6,679)	732	3,611	2,717	(2,034)		
Cash flows provided by (used in) operating activities	965	4,759	(297)	763	3,763	3,705	5,899		
Cash flows - investing activities									
Sale (Purchase) of marketable securities, net	175	864	(14,099)	101	501	(14,026)	(18,504)		
Purchase of property and equipment	(100)	(490)	(969)	(33)	(165)	(381)	(20,454)		
Investment in restricted cash	-	-	(3,190)	-	-	-	(3,215)		
Investment in long-term deposits	(6)	(30)	(47)	(4)	(20)	(15)	(58)		
Repayment of long-term deposits	1	3	13	-	-	-	21		
Investment in intangible assets	(1,341)	(6,614)	(5,388)	(643)	(3,170)	(3,356)	(12,618)		
Cash flows used in investing activities	(1,271)	(6,267)	(23,680)	(579)	(2,854)	(17,778)	(54,828)		
Cash flows - financing activities									
Receiving of long-term loans	-	-	-	-	-	-	4,907		
Repayment of long-term loans	(444)	(2,190)	(2,166)	(222)	(1,095)	(1,090)	(4,382)		
Bonds issue	-	-	53,903	-	-	(428)	53,903		
Repayment of bonds	-	-	-	-	-	-	(6,167)		
Purchase of company shares by the company	-	-	(404)	-	-	(278)	(404)		
Cash flows provided by (used in) financing activities	(444)	(2,190)	51,333	(222)	(1,095)	(1,796)	47,857		
Translation differences in respect of foreign operation cash balances	10	48	(133)	23	112	(75)	83		
Change in cash and cash equivalents for the period	(740)	(3,650)	27,223	(15)	(74)	(15,944)	(989)		
Cash and cash equivalents at beginning of period	3,339	16,467	17,456	2,614	12,891	60,623	17,456		
Cash and cash equivalents at end of period	2,599	12,817	44,679	2,599	12,817	44,679	16,467		

(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,
	2012	2012	2011	2012	2012	2011	2011
	(unaudited)	(unaudited)		(unaudited)	(unaudited)		(audited)
	Convenience translation into Euro (1)			Convenience translation into Euro (1)			
		NIS			NIS		
<u>Appendix A - Adjustments</u>							
necessary to show the cash flows - operating activities							
Depreciation and amortization	636	3,137	2,938	319	1,571	1,542	7,046
Loss from marketable securities, net	25	123	252	129	636	71	1,061
Change in liabilities for benefits to employees, net	21	101	28	13	65	(55)	436
Reevaluation of restricted cash	(8)	(37)	(21)	(3)	(17)	(21)	(66)
Reevaluation of long-term loans and bonds	178	880	1,647	183	904	863	2,233
Reevaluation of embedded derivatives	(52)	(256)	(2,744)	(47)	(231)	(400)	(2,894)
Decrease (increase) in accounts receivable - trade	(803)	(3,960)	(5,149)	135	666	97	(3,200)
Decrease (increase) in accounts receivable - other	280	1,381	(229)	147	726	604	(860)
Decrease (increase) in inventory	(82)	(403)	5,474	(2)	(9)	3,896	13,580
Decrease (increase) in inventory - work in progress	(269)	(1,326)	147	(692)	(3,412)	1,373	107
Increase (decrease) in accounts payable - trade	486	2,395	(10,504)	(139)	(686)	(7,428)	(11,581)
Increase (decrease) in accounts payable - other	205	1,009	1,482	689	3,398	2,175	(7,896)
	<u>617</u>	<u>3,044</u>	<u>(6,679)</u>	<u>732</u>	<u>3,611</u>	<u>2,717</u>	<u>(2,034)</u>
<u>Appendix B - Non-cash operations</u>							
Bonds issue expenses	-	-	30	-	-	-	30
<u>Appendix C - Additional information on cash flows regarding operating activities</u>							
Cash paid during the period for:							
Interest	469	2,313	838	29	143	142	3,433
Taxes on income	11	54	54	5	27	27	108
Cash received during the period for:							
Interest and dividend	194	956	767	69	341	528	1,444

(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, 2012, 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, 2011 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:

<u>As of</u>	<u>Israeli CPI</u> <u>Points (*)</u>	<u>Exchange rate of</u> <u>1 U.S. dollar</u> <u>NIS</u>	<u>Exchange rate of</u> <u>1 Euro</u> <u>NIS</u>
June 30, 2012	218.35	3.923	4.9319
June 30, 2011	216.27	3.415	4.9441
December 31, 2011	216.27	3.821	4.9381
<u>Change during the period</u>	<u>%</u>	<u>%</u>	<u>%</u>
Six month ended June 30, 2012	0.96	2.67	(0.13)
Six month ended June 30, 2011	2.17	(3.78)	4.35
Three month ended June 30, 2012	0.57	5.60	(0.43)
Three month ended June 30, 2011	1.46	(1.9)	(0.11)
For the year ended December 31, 2011	2.17	7.66	4.23

(*) 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, 2012 (EURO 1 = NIS 4.9319).

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. Initial implementation of new IFRS

IFRS 7 - Financial instruments: Disclosures

Since 1 January 2012 the Company applies the amendment to IFRS 7 (hereinafter: "the Amendment"), which deals with new disclosure extensive requirements for eliminating financial assets and disclosure requirements in cases where anomalies transfers are made around the time of reporting. The purpose of the amendment is to help users of financial statements to assess the exposure risks for transfers of financial assets and the effect of these risks on the company's financial position. The amendment increases the transparency of reporting of transfer transactions, and in particular of financial asset securitization transactions. Amendment applied prospectively. Amendment was not a significant effect on the interim financial statements disclosures of the company.

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

Note 2 - Significant Accounting Policies (cont'd)

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

For information about standards, interpretations and amendments to standards listed below, see Note 2 w to the consolidated financial statements of the Company as at December 31, 2011.

- a. IFRS 10 - Consolidated Financial Statements
- b. IAS 27R - Separate Financial Statements
- c. IFRS 12 - Disclosure regarding rights in other entities
- d. IFRS 13 - Measurement of Fair Value
- e. IAS 19 (Amended) - Employee Benefits
- f. IAS 1 - Presentation of financial statements.
- g. IFRS 9 - Financial Instruments.

Note 3 - Events in the reported period

- A. In March 2012 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 2 million, replaces the company's previous plan in which the balance of its non-exploited expired. This program was valid until June 30, 2012.

As at June 30, 2012, 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 (No change from previous period).

In May 2012 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 2 million, replaces the company's previous plan in which the balance of its non-exploited expired. This program is valid until September 30, 2012.

- B. On February 13, 2012 the Company filed through its legal counsel's claim of NIS 2.5 million against a supplier of the company engaged in manufacturing machinery systems and packaging lines (hereinafter - "the supplier", hereinafter together - "the parties"). According to the company, the supplier violated its obligations under the agreement and caused the company heavy damages. On March 14, 2012 the supplier submitted a counterclaim in the sum of NIS 1.4 million for payments the company owed him as well as for damages and losses sustained in his claim as a result of how the company operates. On July 8, 2012 the parties submitted to the court a request to delete mutual claims without order for costs as a part of a settlement agreement between them. As a part of the settlement agreement, the Company paid a insignificant sum to the supplier for a complete and final elimination of all claims and / or demands between the parties in both lawsuits.

Note 4 - Subsequent events

- A. After the balance sheet date the company purchased 11,535 of the company shares at a sum of NIS 68 thousands.
- B. After the balance sheet date the Company approved the concentration of the Systems segment and / or Parking Solutions segment in the U.S. and / or North American in a subsidiary (fully owned) established for this purpose.
- C. In August 2012 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 2 million, replaces the company's previous plan in which the balance of its non-exploited expired. This program is valid until December 31, 2012.

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

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 resources 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 5 - 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,
	2012	2012	2011	2012	2012	2011	2011
	(unaudited)	(unaudited)		(unaudited)	(unaudited)		(audited)
	(in thousands)						
	Convenience translation into Euro (1)	NIS		Convenience translation into Euro (1)	NIS		
C. Revenues							
Products	9,474	46,726	44,699	4,832	23,829	20,752	89,213
System integration projects	5,009	24,707	30,422	2,655	13,098	14,091	52,104
Other	64	312	179	47	231	90	385
Total revenues	<u>14,547</u>	<u>71,745</u>	<u>75,300</u>	<u>7,534</u>	<u>37,158</u>	<u>34,933</u>	<u>141,702</u>
D. Segment results							
Products	2,920	14,401	14,110	1,492	7,359	6,735	27,840
System integration projects	(345)	(1,700)	887	(97)	(478)	(566)	1,104
Other	(122)	(600)	(28)	(34)	(170)	51	(61)
Unallocated corporate expenses	<u>(1,492)</u>	<u>(7,363)</u>	<u>(6,840)</u>	<u>(802)</u>	<u>(3,954)</u>	<u>(3,086)</u>	<u>(15,183)</u>
Operating profit	961	4,738	8,129	559	2,757	3,134	13,700
Unallocated financing expenses, net	<u>613</u>	<u>3,023</u>	<u>1,747</u>	<u>528</u>	<u>2,605</u>	<u>2,146</u>	<u>(5,767)</u>
Profit for the period	<u>348</u>	<u>1,715</u>	<u>6,382</u>	<u>31</u>	<u>152</u>	<u>988</u>	<u>7,933</u>

(1) See note 1C.

UNITRONICS (1989) (R"G) LTD.

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

June 30 ,2012

(Unaudited)

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, 2012 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 periods, 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 849 thousands as at June 30, 2012 and which the company's share of its loss amount to NIS 786 thousands and NIS 245 thousands 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 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 30, 2012

16 Aba Hillel Silver St. Ramat-Gan 52506 Israel Tel: +972-3-6123939 Fax: +972-3-6125030 e-mail: office@ahcpa.co.il

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Unitronics (1989) (R"G) Ltd.

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

	<u>June 30, 2012</u>	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>December 31, 2011</u>
	<u>(unaudited)</u>	<u>(unaudited)</u>	<u>(unaudited)</u>	<u>(audited)</u>
	<u>(in thousands)</u>			
	<u>Convenience translation into Euro (1)</u>	<u>NIS</u>		
<u>Current assets</u>				
Cash and cash equivalents	2,122	10,464	42,935	14,211
Restricted cash	673	3,318	3,211	3,281
Marketable securities	7,146	35,242	32,633	36,229
Accounts receivable -				
Trade	3,537	17,444	16,228	14,289
Other	140	694	1,306	1,969
Accounts receivable - other -				
subsidiaries	2,051	10,117	5,776	6,825
Embedded derivatives	47	230	137	20
Inventory	3,132	15,446	23,055	15,115
Inventory - work in progress	1,621	7,996	7,314	7,243
	<u>20,469</u>	<u>100,951</u>	<u>132,595</u>	<u>99,182</u>
<u>Non-current assets</u>				
Assets less liabilities associated with				
subsidiaries	-	-	370	830
Long-term deposits	40	199	383	264
Property and equipment, net	8,075	39,822	21,690	40,301
Intangible assets, net	5,510	27,176	19,378	23,198
	<u>13,625</u>	<u>67,197</u>	<u>41,821</u>	<u>64,593</u>
	<u>34,094</u>	<u>168,148</u>	<u>174,416</u>	<u>163,775</u>

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

Tzvi Livne
Director

Yair Itscovich
Chief Financial Officer

Approved: August 30, 2012.

(1) See note 1C.

The additional information to the financial information forms an integral part thereof.

Unitronics (1989) (R"G) Ltd.

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

	June 30, 2012	June 30, 2012	June 30, 2011	December 31, 2011
	(unaudited)	(unaudited)	(unaudited)	(audited)
	(in thousands)			
	Convenience translation into Euro (1)	NIS		
<u>Current liabilities</u>				
Current maturities of long-term loans	894	4,410	4,354	4,399
Current maturities of bonds	3,626	17,882	6,162	6,186
Accounts payable -				
Trade	3,283	16,192	15,143	13,880
Other	3,137	15,471	24,831	15,273
Embedded derivatives	209	1,031	1,344	1,077
	<u>11,149</u>	<u>54,986</u>	<u>51,834</u>	<u>40,815</u>
<u>Non-current liabilities</u>				
Liabilities less assets associated with subsidiaries	133	655	-	-
Loans from banks and others	2,753	13,579	12,780	15,748
Bonds	10,264	50,622	66,395	60,977
Liabilities for benefits to employees, net	534	2,633	1,611	2,532
	<u>13,684</u>	<u>67,489</u>	<u>80,786</u>	<u>79,257</u>
<u>Shareholders' equity</u>				
Share capital	72	352	352	352
Share premium	10,257	50,588	50,588	50,588
Capital reserve from translation of foreign operation	(80)	(393)	(1,517)	(648)
Company shares held by the company	(1,347)	(6,643)	(6,643)	(6,643)
Retained earnings (loss)	359	1,769	(984)	54
	<u>9,261</u>	<u>45,673</u>	<u>41,796</u>	<u>43,703</u>
	<u>34,094</u>	<u>168,148</u>	<u>174,416</u>	<u>163,775</u>

(1) See note 1C.

The additional information to the financial information forms an integral part thereof.

Unitronics (1989) (R"G) Ltd.

**Revenues and expenses included in the interim 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,
	2012	2012	2011	2012	2012	2011	2011
	(unaudited)	(unaudited)		(unaudited)	(unaudited)		(audited)
	Convenience translation into Euro (1)	NIS		(in thousands) Convenience translation into Euro (1)	NIS		
Revenues	11,300	55,730	62,847	5,869	28,942	29,301	116,182
Revenues from subsidiaries	2,435	12,011	8,584	1,217	6,003	4,185	18,248
Total revenues	13,735	67,741	71,431	7,086	34,945	33,486	134,430
Cost of revenues	10,444	51,510	54,104	5,382	26,544	25,981	101,143
Gross profit	3,291	16,231	17,327	1,704	8,401	7,505	33,287
Development expenses, net	424	2,091	1,218	218	1,076	455	2,857
Selling & marketing expenses	916	4,516	3,961	431	2,125	1,879	8,045
General & administrative expenses	595	2,933	3,472	373	1,837	1,513	6,610
General & administrative expenses to subsidiaries	62	310	267	33	164	141	618
Capital gain	-	-	-	-	-	-	11
Operating profit	1,294	6,381	8,409	649	3,199	3,517	15,168
Financing income	247	1,218	2,189	71	349	303	2,633
Financing expenses	841	4,145	4,038	566	2,791	2,500	8,154
Profit after finance	700	3,454	6,560	154	757	1,320	9,647
The Company's share of subsidiaries loss	(352)	(1,739)	(178)	(123)	(605)	(332)	(1,714)
Profit for the period attributed to the company's shareholders	348	1,715	6,382	31	152	988	7,933

(1) See note 1C.

The additional information to the financial information forms an integral part thereof.

Unitronics (1989) (R"G) Ltd.

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

	For the six months period ended June 30, <u>2012</u>		For the six months period ended June 30, <u>2012</u> <u>2011</u>		For the three months period ended June 30, <u>2012</u>		For the three months period ended June 30, <u>2012</u> <u>2011</u>		For the year ended December 31, <u>2011</u>
	(unaudited)		(unaudited)		(unaudited)		(unaudited)		(audited)
					<u>(in thousands)</u>				
	Convenience translation into Euro (1)		NIS		Convenience translation into Euro (1)		NIS		
Profit for the period attributed to the company's shareholders	348	1,715	6,382	31	152	988	7,933		
<u>Other comprehensive income (loss)</u>									
Actuarial loss	-	-	-	-	-	-	(513)		
Translation of foreign operation	51	255	(341)	98	486	(169)	528		
Other comprehensive income (loss) for the period	51	255	(341)	98	486	(169)	15		
Comprehensive income for the period attributed to the company's shareholders	399	1,970	6,041	129	638	819	7,948		

(1) See note 1C.

The additional information to the financial information forms an integral part thereof.

Unitronics (1989) (R" G) Ltd.

**Cash Flows included in the interim 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,
	2012 (unaudited)	2012 (unaudited)	2011 (unaudited)	2012 (unaudited)	2012 (unaudited)	2011 (unaudited)	2011 (audited)
	Convenience translation into Euro (1)	NIS		Convenience translation into Euro (1)	NIS		
				(in thousands)			
Cash flows - operating activities							
Profit for the period attributed to the company's shareholders	348	1,715	6,382	31	152	988	7,933
Adjustments necessary to show the cash flows - operating activities (Appendix A)	1,071	5,283	(6,289)	1,107	5,463	2,858	(502)
Cash flows provided by operating activities of the company	1,419	6,998	93	1,138	5,615	3,846	7,431
Cash flows provided by (used in) operating activities from transactions with subsidiaries	(668)	(3,292)	(1,339)	(480)	(2,368)	765	(3,388)
Cash flows provided by (used in) operating activities	751	3,706	(1,246)	658	3,247	4,611	4,043
Cash flows - investing activities							
Sale (Purchase) of marketable securities, net	175	864	(14,099)	102	501	(14,026)	(18,504)
Purchase of property and equipment	(58)	(284)	(909)	(23)	(116)	(346)	(20,314)
Investment in restricted cash	-	-	(3,190)	-	-	-	(3,215)
Investment in long-term deposits	(6)	(30)	(47)	(4)	(20)	(15)	(58)
Repayment of long-term deposits	1	3	13	-	-	-	21
Investment in intangible assets	(1,179)	(5,816)	(5,388)	(580)	(2,859)	(3,356)	(12,087)
Cash flows used in investing activities	(1,067)	(5,263)	(23,620)	(505)	(2,494)	(17,743)	(54,157)
Cash flows - financing activities							
Repayment of long-term loans	(444)	(2,190)	(2,166)	(222)	(1,095)	(1,090)	(4,382)
Receiving of long-term loans	-	-	-	-	-	-	4,907
Bonds issue	-	-	53,903	-	-	(428)	53,903
Repayment of bonds	-	-	-	-	-	-	(6,167)
Purchase of company shares by the company	-	-	(404)	-	-	(278)	(404)
Cash flows provided by (used in) financing activities	(444)	(2,190)	51,333	(222)	(1,095)	(1,796)	47,857
Change in cash and cash equivalents for the period	(760)	(3,747)	26,467	(69)	(342)	(14,928)	(2,257)
Cash and cash equivalents at beginning of period	2,882	14,211	16,468	2,191	10,806	57,863	16,468
Cash and cash equivalents at end of period	2,122	10,464	42,935	2,122	10,464	42,935	14,211

(1) See note 1C.

The additional information to the financial information forms an integral part thereof.

Unitronics (1989) (R" G) Ltd.

**Cash Flows included in the interim 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,
	2012	2012 2011	2012	2012 2011	2011
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(audited)
	Convenience translation into Euro (1)	NIS	Convenience translation into Euro (1)	NIS	
			(in thousands)		
<u>Appendix A - Adjustments necessary to show the cash flows - operating activities</u>					
The Company's share of subsidiaries loss	352	1,739 178	123	605 332	1,714
Depreciation and amortization	628	3,094 2,913	313	1,545 1,531	6,989
Loss from marketable securities, net	25	123 252	129	636 71	1,061
Capital gain	-	- -	-	- -	(11)
Change in liabilities for benefits to employees, net	21	101 28	13	65 (55)	436
Reevaluation of restricted cash	(8)	(37) (21)	(3)	(17) (21)	(66)
Reevaluation of long-term loans and bonds	178	880 1,647	183	904 863	2,233
Reevaluation of embedded derivatives	(52)	(256) (2,744)	(47)	(231) (400)	(2,894)
Decrease (increase) in accounts receivable - trade	(639)	(3,155) (4,745)	225	1,112 (310)	(2,806)
Decrease (increase) in accounts receivable - other	277	1,367 (181)	163	804 703	(722)
Decrease (increase) in inventory	(67)	(331) 5,243	(3)	(16) 3,906	13,183
Decrease (increase) in inventory - work in progress	(153)	(753) 147	(603)	(2,972) 1,373	218
Increase (decrease) in accounts payable - trade	469	2,312 (10,547)	(92)	(454) (7,392)	(11,810)
Increase (decrease) in accounts payable - other	40	199 1,541	706	3,482 2,257	(8,027)
	<u>1,071</u>	<u>5,283</u> <u>(6,289)</u>	<u>1,107</u>	<u>5,463</u> <u>2,858</u>	<u>(502)</u>
<u>Appendix B - Non-cash operations</u>					
Bonds issue expenses	-	- 30	-	- -	30
Transfer of intangible assets against capital issue in a subsidiary	-	- -	-	- -	117
Capital note to subsidiary	-	- -	-	- -	1,000

(1) See note 1C.

The additional information to the financial information forms an integral part thereof.

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, 2011 and for the year then ended, and with the condensed consolidated interim financial statement as at June 30, 2012.
- B. Consolidated companies - defined in Note 1D to the consolidated financial statements as at December 31, 2011.
- 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, 2012 (EURO 1 = NIS 4.9319).

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**

Following is the Quarterly Report on Effectiveness of Internal Control Over Financial Reporting and Disclosure, pursuant to Regulation 38c(a) of the Regulations:

The 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, the 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 of 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 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 accumulated, processed, summarized and reported on schedule and in the format prescribed by Law.

Internal control includes, *inter alia*, controls and procedures which are designated to ensure that information which the Corporation is required to disclose, is accumulated and submitted to corporate's Management, including to the general manager and to the most senior financial officer, or to those acting in said capacities, in order 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 Quarterly Report on The Effectiveness of Internal Control Over Financial Reporting and Disclosure that was attached to the quarterly report for the period ended on March 31, 2012 (hereinafter - the "Last Quarterly Report on Internal Control"), the internal control system in the company was resolved as effective.

Until the reporting date, no event or matter have been brought to the attention of the board of directors and the Management, which could change the assessment of effectiveness of internal control, as it was resolved in the Last Quarterly Report on Internal Control.

As of the date of this report, based on the Last Quarterly 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 2012 (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 therein not to be misleading in reference to the period covered by the Report, under the circumstances in which they were made.
3. To the best of my knowledge, as of the dates and for the periods to which the Report refers, 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.
4. Based on my most current assessment of the internal control over financial reporting and disclosure, I have disclosed to the Corporation's Independent Auditor, the Board of Directors and the Audit Committee of the Corporation's Board of Directors:
 - a. All significant faults and material weaknesses in installation and operation of the internal control over financial reporting and disclosure, which may reasonably impact the Corporation's capacity to accumulate, process, summarize or report financial information, in a manner which may cast doubt over the reliability of the financial reporting and preparation of the financial statements, pursuant to statutory provisions; and -
 - b. Any fraud, whether or not material, involving the General Manager or any of the direct reports thereof, or any other involved employees having a significant capacity in the internal control over financial reporting and disclosure;
5. I, on my own or with others of the Corporation:
 - a. Have installed controls and procedures, or verified its installation or existence under my supervision, which designed to ensure that material information with regard to the Corporation, including subsidiaries thereof, as defined in Securities Regulations (Annual financial statements), 2010, is brought to my attention by others at the Corporation and its subsidiaries, and specifically during the period of preparation of the Report; and -
 - b. Have installed controls and procedures or verified its installation or existence under my supervision, which 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 periodically, as the case may be) and this reporting date 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, has been brought to my attention.

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

August 30, 2012

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 2012 (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 therein, not to be misleading in reference to the period covered by the Report under the circumstances in which they were made.
3. To the best of my knowledge, as of the dates and for the periods to which the Report refers to, 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.
4. Based on my most current assessment of the internal control over financial reporting and disclosure, I have disclosed to the Corporation's Independent Auditor, Board of Directors and Audit Committee of the Corporation's Board of Directors,:
 - a. All significant faults and material weaknesses in installation and operation of the internal control over financial reporting and disclosure, as relevant to the financial statements and other financial information included in the Reports, which may reasonably impact the Corporation's capacity to accumulate, 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 any other involved employees having a significant capacity in the internal control over financial reporting and disclosure;
5. I, on my own or with others at the Corporation:
 - a. Have installed controls and procedures or verified its installation or existence under our supervision, designed to ensure that material information with regard to the Corporation, including subsidiaries thereof, as defined in Securities Regulations (Annual financial statements), 2010, is brought to my attention by others at the Corporation and its subsidiaries, specifically during the period of preparation of the Report; and-
 - b. Have installed controls and procedures or verified its installation or existence 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, which could change, to my opinion the conclusion of the board of directors and the management, regarding the effectiveness of internal control over financial reporting and the company's disclosure that occurred during the period between the last reporting date (quarterly or periodic, as the case may be) and this reporting date was brought to my attention

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

August 30, 2012

YAIR ITZKOVICH, CFO

Unitronics (1989) (R"G) Ltd.

**Fair Value Valuation of
Embedded Derivatives**

Valuation Date: 30/06/2012

Limitation Conditions

The document was prepared solely for the management of Unitronics Ltd. (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 provide 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 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 previously mentioned, 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 that 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.



Sincerely,
Financial Immunities Ltd.

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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 below 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	€ 1,671,892
SO10028957	31/05/2010	€ 45,325
SO10029075	10/06/2010	€ 85,748
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
USO1202098	24/05/2012	€ 10,238,123
Total		€ 32,704,181

The following table reports the expected inflows in ILS as of the date of agreement signing and the valuation date (30/06/2012):

Transaction No.	Cumulative Actual Amount in EUR as of 30/06/2012	Total Cumulative Actual Amount in ILS as of 30/06/2012	2009		2010		2011		2012	
			Year 2009		Year 2010		Year 2011		Year 2012	
			Total Expected Amount in ILS	Total Actual Amount in ILS	Total Expected Amount in ILS	Total Actual Amount in ILS	Total Expected Amount in ILS	Total Actual Amount in ILS	Total Expected Amount in ILS	Total Actual Amount in ILS
SO9024592	€ 9,003,076	₪46,147,171	₪14,577,321	₪14,746,628	₪29,747,772	₪26,656,597	₪5,237,501	₪4,743,947	₪0	₪0
SO9024593	€ 4,497,003	₪22,980,597	₪6,918,719	₪6,875,196	₪11,682,369	₪10,517,110	₪6,191,981	₪5,588,291	₪0	₪0
SO9026013	€ 1,296,171	₪6,631,183	₪1,384,069	₪1,395,250	₪5,671,166	₪5,235,933	₪0	₪0	₪0	₪0
SO9027063	€ 177,000	₪906,618	₪0	₪0	₪719,572	₪683,235	₪239,650	₪223,383	₪0	₪0
SO10027583	€ 128,537	₪621,075	₪0	₪0	₪582,058	₪566,248	₪56,001	₪54,827	₪24,760	₪23,654
SO9026912	€ 1,409,140	₪7,200,670	₪0	₪0	₪7,077,563	₪6,657,687	₪585,143	₪542,983	₪0	₪0
SO10028957	€ 36,260	₪174,423	₪0	₪0	₪86,233	₪84,613	₪86,335	₪89,811	₪0	₪0
SO10029075	€ 85,748	₪428,740	₪0	₪0	₪280,603	₪302,640	₪116,978	₪126,100	₪0	₪0
SO10028772	€ 1,553,401	₪7,698,512	₪0	₪0	₪4,938,815	₪5,139,187	₪2,389,284	₪2,559,325	₪0	₪0
SO10029601	€ 1,158,700	₪5,829,432	₪0	₪0	₪2,004,760	₪2,011,463	₪3,728,806	₪3,817,969	₪0	₪0
SO10029738	€ 163,642	₪821,962	₪0	₪0	₪773,057	₪796,804	₪24,723	₪25,158	₪0	₪0
SO10030086	€ 139,421	₪684,614	₪0	₪0	₪0	₪0	₪679,862	₪684,614	₪0	₪0
SO10030459	€ 48,000	₪240,000	₪0	₪0	₪0	₪0	₪242,487	₪240,000	₪0	₪0
SO10030873	€ 77,649	₪358,539	₪0	₪0	₪189,002	₪182,273	₪170,136	₪176,266	₪18,897	₪18,883
SO10030874	€ 222,547	₪1,081,679	₪0	₪0	₪570,203	₪549,902	₪513,285	₪531,777	₪0	₪0
SO10031217	€ 21,814	₪0	₪0	₪0	₪0	₪0	₪0	₪0	₪102,697	₪106,849
SO10031195	€ 28,093	₪133,000	₪0	₪0	₪0	₪0	₪132,855	₪133,000	₪0	₪0
SO10030475	€ 67,335	₪331,341	₪0	₪0	₪244,980	₪237,162	₪94,170	₪94,179	₪0	₪0
SO10031025	€ 37,308	₪180,540	₪0	₪0	₪0	₪0	₪180,269	₪180,540	₪0	₪0
SO10030653	€ 33,000	₪167,134	₪0	₪0	₪0	₪0	₪165,701	₪167,134	₪0	₪0
SO11033018	€ 24,179	₪120,000	₪0	₪0	₪0	₪0	₪119,895	₪120,000	₪0	₪0
SO11033017	€ 32,626	₪161,923	₪0	₪0	₪0	₪0	₪161,772	₪161,923	₪0	₪0
USO1202098	€ 1,919,933	₪0	₪0	₪0	₪0	₪0	₪0	₪0	₪9,387,758	₪9,468,918
	€ 22,160,582	₪102,899,154	₪22,880,108	₪23,017,074	₪64,568,155	₪59,620,853	₪21,116,833	₪20,261,227	₪9,534,112	₪9,618,304

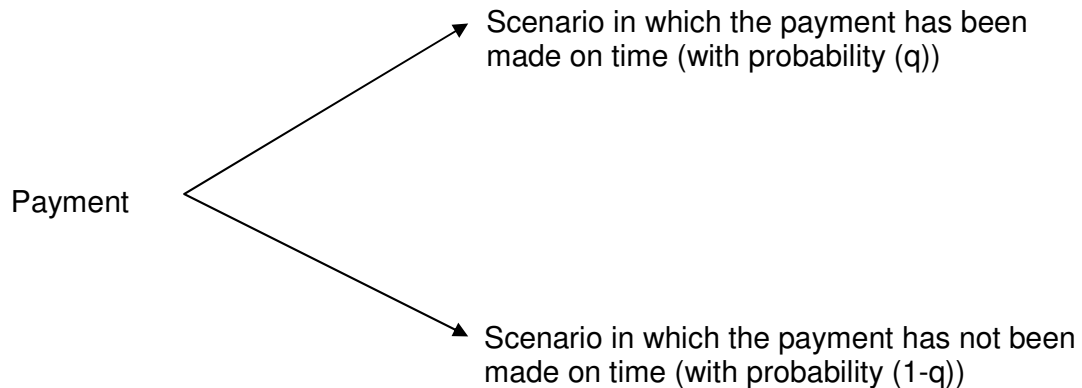
2. Methodology

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.

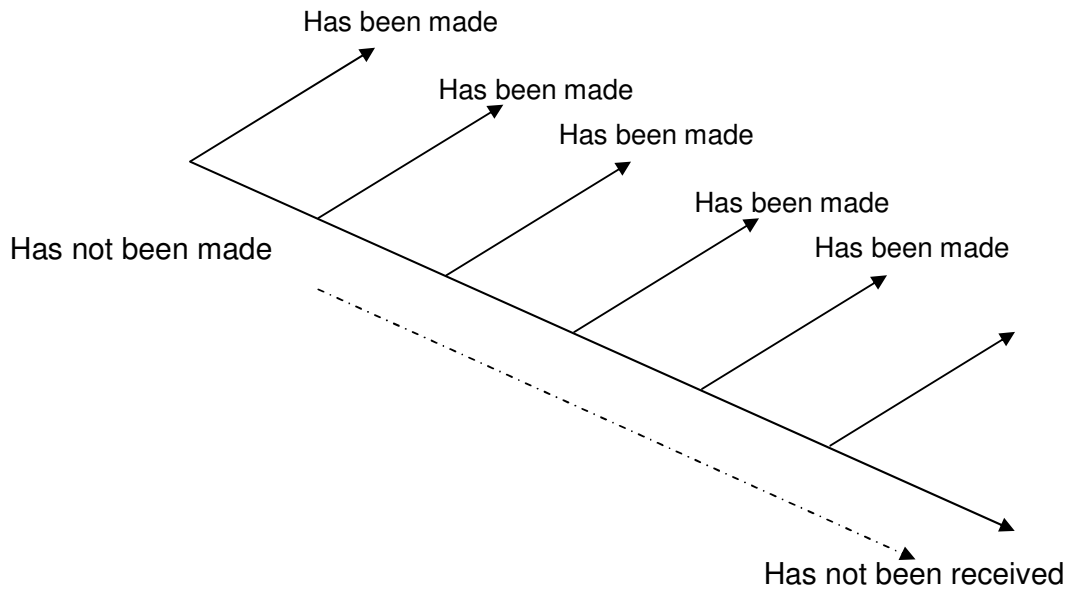
3. Calculation Model

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, 24/05/2012). 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 30/06/2012 (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	₪58,245,582
SO9024593	06/05/2009,07/12/2009	₪24,793,069
SO9026013	29/09/2009,11/12/2009,15/01/2010, 24/03/2010	₪7,842,707
SO9027063	23/12/2009	₪959,222
SO10027583	04/02/2010	₪709,552
SO9026912	17/12/2009,13/01/2010	₪9,091,121
SO10028957	31/05/2010	₪216,596
SO10029075	10/06/2010	₪397,581
SO10028772	16/05/2010	₪8,163,072
SO10029601	28/07/2010	₪5,733,566
SO10029738	12/08/2010	₪876,222
SO10030086	19/09/2010	₪679,862
SO10030459	24/10/2010	₪242,487
SO10030873	28/11/2010	₪378,036
SO10030874	28/11/2010	₪1,140,852
SO10031217	22/12/2010	₪102,697
SO10031195	21/12/2010	₪132,855
SO10030475	25/10/2010	₪377,088
SO10031025	07/12/2010	₪200,460
SO10030653	08/11/2010	₪165,701
SO11033018	16/03/2011	₪119,895
SO11033017	16/03/2011	₪161,772
USO1202098	24/05/2012	₪50,766,808
Total		₪171,496,802

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
15/01/2010	5.5147
01/03/2010	5.5181
01/04/2010	5.5212
01/05/2010	5.5245
01/07/2010	5.5340
01/08/2010	5.5551
01/10/2010	5.5515
01/11/2010	5.5583
01/12/2010	5.5654
23/12/2010	5.5711
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 Rate:	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
30/06/2012	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
01/03/2010	5.6343
01/04/2010	5.6325
01/05/2010	5.6313
01/07/2010	5.6286
01/08/2010	5.6271
01/10/2010	5.6244

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						
30/06/2012							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						
30/05/2010							5.4517						
30/07/2010							5.4499						
15/08/2010							5.4495						
03/10/2010							5.4476						
19/01/2011							5.4484						
19/04/2011							5.4544						

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						
31/03/2010							5.4202						
31/05/2010							5.4192						

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						
30/05/2010							5.3426						
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						
30/06/2012							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						
31/03/2010							5.1562						
31/05/2010							5.1638						
01/06/2010							5.1639						
01/08/2010							5.1672						
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						
30/06/2012							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						
15/06/2010							4.7106						
15/09/2010							4.7171						
15/10/2010							4.7198						
15/02/2011							4.7311						
03/04/2011							4.7366						
03/07/2011							4.7501						

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						
31/07/2010							4.6344						
31/10/2010							4.6388						
31/12/2010							4.6424						
30/06/2012							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
31/12/2010	5.0516

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
30/06/2012	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
07/12/2010	4.8273
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
28/02/2011	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
30/04/2011	4.9590

Date: 24/05/2012.

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24/05/2012	
(Original) Date of Payment	Forward Rate
31/05/2012	4.8961
31/08/2012	4.9077
30/09/2013	4.9917
31/01/2013	4.9389
31/01/2013	4.9389
30/04/2013	4.9584
30/04/2013	4.9584
30/06/2013	4.9717
30/04/2013	4.9584
30/06/2013	4.9717
30/06/2013	4.9717
31/07/2013	4.9784
31/01/2014	5.0173
31/03/2014	5.0301
31/05/2012	4.9017
30/09/2012	4.9132
31/03/2013	4.9518
30/04/2013	4.9584
30/06/2013	4.9717
30/06/2013	4.9717
31/07/2013	4.9784
30/09/2013	4.9917
30/09/2013	4.9917
30/11/2013	5.0039
30/11/2013	5.0039
31/01/2014	5.0173
31/03/2014	5.0301
31/05/2012	4.9017
30/09/2012	4.9132
30/06/2013	4.9717
30/09/2013	4.9917
31/07/2013	4.9784
30/09/2013	4.9917
30/11/2013	5.0039
31/01/2014	5.0173
31/05/2014	5.0433
31/07/2014	5.0565
31/05/2012	4.9017
30/09/2012	4.9132
30/06/2013	4.9717
30/09/2013	4.9917
31/05/2014	5.0433

E. The following tables present the data used for the forward rate and ILS payment calculations for the valuation date (30/06/2012):

30/06/2012				
Transaction No.	Order Date	(Original) Date of Payment	(Revised) Date	Forward Rate
SO9024592	06/05/2009	23/03/2011	30/08/2012	4.9430

30/06/2012				
Transaction No.	Order Date	(Original) Date of Payment	(Revised) Date	Forward Rate
SO9026013	29/09/2009	31/03/2011	30/08/2012	4.9430
SO9026013	29/09/2009	31/03/2011	30/08/2012	4.9430
SO9026013	29/09/2009	31/03/2011	30/08/2012	4.9430
SO9026013	29/09/2009	31/03/2011	30/08/2012	4.9430
SO9026013	11/12/2009	31/03/2011	30/08/2012	4.9430
SO9026013	11/12/2009	31/03/2011	30/08/2012	4.9430
SO9026013	15/01/2010	31/03/2011	30/08/2012	4.9430
SO9026013	15/01/2010	31/03/2011	30/08/2012	4.9430
SO9026013	24/03/2010	31/03/2011	30/08/2012	4.9430

30/06/2012				
Transaction No.	Order Date	(Original) Date of Payment	(Revised) Date	Forward Rate
SO10027583	04/02/2010	31/03/2010	30/07/2012	4.9363

30/06/2012				
Transaction No.	Order Date	(Original) Date of Payment	(Revised) Date	Forward Rate
SO9026912	17/12/2009	19/01/2011	30/08/2012	4.9430
SO9026912	17/12/2009	19/01/2011	30/08/2012	4.9430
SO9026912	13/01/2010	19/01/2011	30/07/2012	4.9363
SO9026912	17/12/2009	19/04/2011	30/09/2012	4.9493
SO9026912	17/12/2009	19/04/2011	30/09/2012	4.9493
SO9026912	13/01/2010	19/04/2011	30/07/2012	4.9363
SO9026912	13/01/2010	19/04/2011	30/07/2012	4.9363

30/06/2012				
Transaction No.	Order Date	(Original) Date of Payment	(Revised) Date	Forward Rate
SO10028957	31/05/2010	28/02/2011	30/07/2012	4.9363

30/06/2012				
Transaction No.	Order Date	(Original) Date of Payment	(Revised) Date	Forward Rate
SO10029075	10/06/2010	31/03/2011	30/08/2012	4.9430
SO10029075	10/06/2010	31/03/2011	30/08/2012	4.9430

30/06/2012				
Transaction No.	Order Date	(Original) Date of Payment	(Revised) Date	Forward Rate
SO10028772	16/05/2010	03/07/2011	31/07/2012	4.9366

30/06/2012				
Transaction No.	Order Date	(Original) Date of Payment	(Revised) Date	Forward Rate
SO10029738	12/08/2010	30/04/2011	30/07/2012	4.9363

30/06/2012				
Transaction No.	Order Date	(Original) Date of Payment	(Revised) Date	Forward Rate
SO10030874	28/11/2010	31/03/2011	30/08/2012	4.9430

30/06/2012				
Transaction No.	Order Date	(Original) Date of Payment	(Revised) Date	Forward Rate
SO10030475	25/10/2010	03/07/2011	31/07/2012	4.9366

30/06/2012				
Transaction No.	Order Date	(Original) Date of Payment	(Revised) Date	Forward Rate
SO10031025	07/12/2010	30/07/2011	30/07/2012	4.9363

30/06/2012				
Transaction No.	Order Date	(Original) Date of Payment	(Revised) Date	Forward Rate
USO1202098	24/05/2012	31/08/2012	31/08/2012	4.9432
USO1202098	24/05/2012	30/09/2013	30/09/2013	5.0149
USO1202098	24/05/2012	31/01/2013	31/01/2013	4.9716
USO1202098	24/05/2012	31/01/2013	31/01/2013	4.9716
USO1202098	24/05/2012	30/04/2013	30/04/2013	4.9871
USO1202098	24/05/2012	30/04/2013	30/04/2013	4.9871
USO1202098	24/05/2012	30/06/2013	30/06/2013	4.9982
USO1202098	24/05/2012	30/04/2013	30/04/2013	4.9871
USO1202098	24/05/2012	30/06/2013	30/06/2013	4.9982
USO1202098	24/05/2012	30/06/2013	30/06/2013	4.9982
USO1202098	24/05/2012	31/07/2013	31/07/2013	5.0039
USO1202098	24/05/2012	31/01/2014	31/01/2014	5.0370
USO1202098	24/05/2012	31/03/2014	31/03/2014	5.0477
USO1202098	24/05/2012	30/09/2012	30/09/2012	4.9493
USO1202098	24/05/2012	31/03/2013	31/03/2013	4.9816
USO1202098	24/05/2012	30/04/2013	30/04/2013	4.9871
USO1202098	24/05/2012	30/06/2013	30/06/2013	4.9982
USO1202098	24/05/2012	30/06/2013	30/06/2013	4.9982
USO1202098	24/05/2012	31/07/2013	31/07/2013	5.0039
USO1202098	24/05/2012	30/09/2013	30/09/2013	5.0149
USO1202098	24/05/2012	30/09/2013	30/09/2013	5.0149
USO1202098	24/05/2012	30/11/2013	30/11/2013	5.0258
USO1202098	24/05/2012	30/11/2013	30/11/2013	5.0258
USO1202098	24/05/2012	31/01/2014	31/01/2014	5.0370
USO1202098	24/05/2012	31/03/2014	31/03/2014	5.0477
USO1202098	24/05/2012	30/09/2012	30/09/2012	4.9493
USO1202098	24/05/2012	30/06/2013	30/06/2013	4.9982
USO1202098	24/05/2012	30/09/2013	30/09/2013	5.0149
USO1202098	24/05/2012	31/07/2013	31/07/2013	5.0039

USO1202098	24/05/2012	30/09/2013	30/09/2013	5.0149
USO1202098	24/05/2012	30/11/2013	30/11/2013	5.0258
USO1202098	24/05/2012	31/01/2014	31/01/2014	5.0370
USO1202098	24/05/2012	31/05/2014	31/05/2014	5.0589
USO1202098	24/05/2012	31/07/2014	31/07/2014	5.0700
USO1202098	24/05/2012	30/09/2012	30/09/2012	4.9493
USO1202098	24/05/2012	30/06/2013	30/06/2013	4.9982
USO1202098	24/05/2012	30/09/2013	30/09/2013	5.0149
USO1202098	24/05/2012	31/05/2014	31/05/2014	5.0589

5. Fair Value Calculations

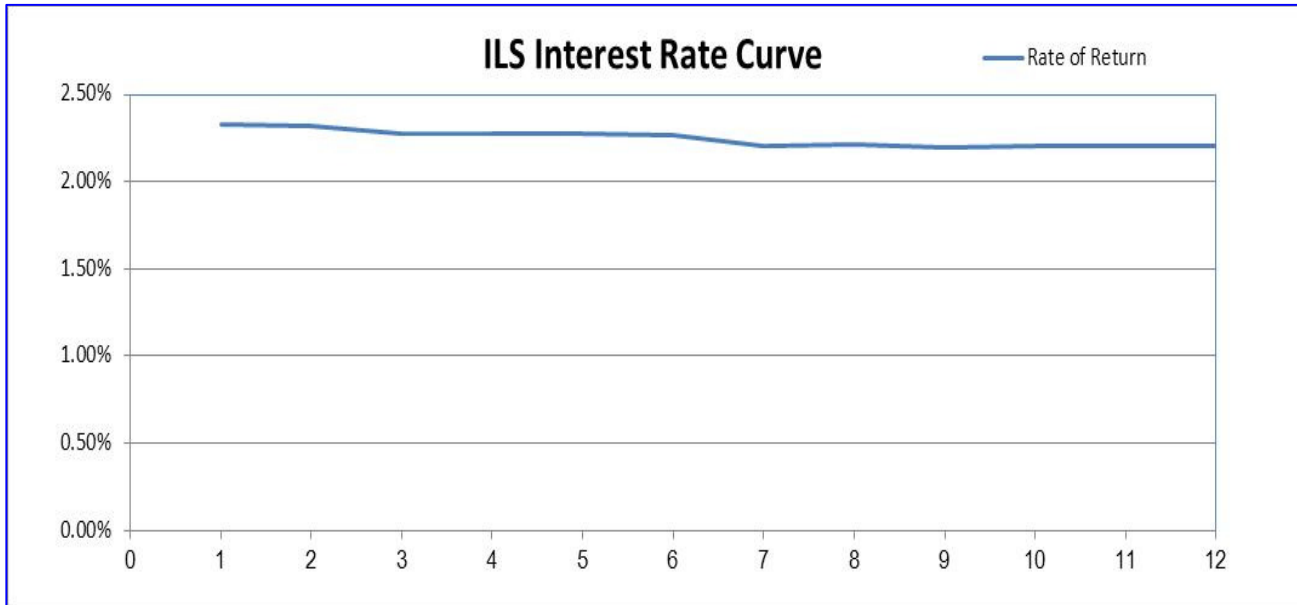
The fair value for 30/06/2012 computed as the difference between multiples of expected payment and forward rate on agreement inception date, and multiples of expected payment and forward rate on the valuation date. Each of the obtained results (profit/loss), discounted by risk free rate estimated for the corresponding period. This value discounted to 30/06/2012 by risk free rate matching to this period.

EUR/ILS Exchange Rate data:

Contract Inception Date	EUR/ILS Exchange Rate
06/05/2009	5.5069
29/09/2009	5.4968
07/12/2009	5.6437
11/12/2009	5.5644
17/12/2009	5.4603
23/12/2009	5.4274
13/01/2010	5.3439
15/01/2010	5.3050
04/02/2010	5.1542
24/03/2010	4.9991
16/05/2010	4.7132
31/05/2010	4.7564
10/06/2010	4.6363
28/07/2010	4.9471
12/08/2010	4.8735
19/09/2010	4.8749
24/10/2010	5.0606
25/10/2010	5.0465
08/11/2010	5.0291
28/11/2010	4.8745
07/12/2010	4.8392
21/12/2010	4.7342
22/12/2010	4.7147
16/03/2011	4.9630
24/05/2012	4.8359

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

30/06/2012												
Month	1	2	3	4	5	6	7	8	9	10	11	12
Rate of Return	2.33%	2.32%	2.27%	2.28%	2.27%	2.27%	2.20%	2.21%	2.19%	2.20%	2.20%	2.21%



6. Findings

The table below presents the Fair Value as of 30/06/2012:

Transaction No.	Transaction Volume in EUR	Expected CF in ILS	Transaction Volume Balance in EUR as of 30/06/2012	Expected CF in ILS Balance as of 30/06/2012	CF in ILS Balance as of 30/06/2012	Fair Value as of 30/06/2012
SO9024592	€ 10,591,854	₪58,245,582	€ 1,588,778	₪8,682,988	₪7,853,387	- ₪826,425
SO9024593	€ 4,497,003	₪24,793,069	€ 0	₪0	₪0	₪0
SO9026013	€ 1,440,190	₪7,842,707	€ 144,019	₪787,473	₪711,891	- ₪75,292
SO9027063	€ 177,000	₪959,222	€ 0	₪0	₪0	₪0
SO10027583	€ 137,458	₪709,552	€ 8,922	₪46,732	₪44,039	- ₪2,687
SO9026912	€ 1,671,892	₪9,091,121	€ 262,752	₪1,428,415	₪1,300,162	- ₪127,564
SO10028957	€ 45,325	₪216,596	€ 9,065	₪44,027	₪44,748	₪720
SO10029075	€ 85,748	₪397,581	€ 0	₪0	₪0	₪0
SO10028772	€ 1,726,001	₪8,163,072	€ 172,600	₪834,974	₪852,050	₪17,043
SO10029601	€ 1,158,700	₪5,733,566	€ 0	₪0	₪0	₪0
SO10029738	€ 179,575	₪876,222	€ 15,933	₪78,442	₪78,651	₪208
SO10030086	€ 139,421	₪679,862	€ 0	₪0	₪0	₪0
SO10030459	€ 48,000	₪242,487	€ 0	₪0	₪0	₪0
SO10030873	€ 77,649	₪378,036	€ 0	₪0	₪0	₪0
SO10030874	€ 234,260	₪1,140,852	€ 11,713	₪57,364	₪57,898	₪532
SO10031217	€ 21,814	₪102,697	€ 0	₪0	₪0	₪0
SO10031195	€ 28,093	₪132,855	€ 0	₪0	₪0	₪0
SO10030475	€ 74,817	₪377,088	€ 7,482	₪37,938	₪36,935	- ₪1,000
SO10031025	€ 41,453	₪200,460	€ 4,145	₪20,191	₪20,463	₪271
SO10030653	€ 33,000	₪165,701	€ 0	₪0	₪0	₪0
SO11033018	€ 24,179	₪119,895	€ 0	₪0	₪0	₪0
SO11033017	€ 32,626	₪161,772	€ 0	₪0	₪0	₪0
USO1202098	€ 10,238,123	₪50,766,808	€ 8,318,190	₪41,379,050	₪41,597,095	₪213,548
	€ 32,704,181	₪171,496,802	€ 10,543,599	₪53,397,594	₪52,597,318	- ₪800,649

The fair value is the liability in amount of (- ₪800,649) ILS.