



Unitronics (1989) (R”G) Ltd

Quarterly Report as of June 30, 2015

The Company is a “Small Corporation” as this term is defined in the Amendment to the Securities Regulations (Periodic and Immediate Reports) (Amendment), 2014 (hereinafter – “the Amendment”). On March 9, 2014 the Board of Directors of the Company adopted all the reliefs prescribed in the Amendment. For additional details see Immediate Report dated March 9, 2014 (Reference No. 2014-01-009177), which is hereby included by way of reference.

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CHAPTER A – PREFACE

1.1 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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1.2 Description of the Company and Its Business Environment

Unitronics operate in three main areas of activity:

Products: Design, development, production, marketing, sale and support of various models of programmable controllers which incorporate an operating panel (keyboard and display) as an integral part of the controller, and connectivity (including Internet, intranet and cellular phone communications), as well as external controller expansion units and software for controllers. The controllers are intended mainly for the management of automated systems including industrial automation, logistics systems, automatic parking systems, for the management of production floors and additional auxiliary items.

This activity is carried out by the Company as well as via a wholly owned subsidiary, Unitronics Inc., which is incorporated in the US (hereinafter: "**Unitronics Inc.**").

The Company's controllers and services are marketed and sold through the Company's own marketing system and via Unitronics Inc., as well as through a network of distributors comprising approximately 165 distributors (of which 110 in the US) in approximately sixty countries (including Israel) throughout Europe, Asia, South and Central America, North America and Africa.

Systems: Design, construction and maintenance services of computerized storage and/or logistics systems, mainly automated warehouses, and automated distribution centers, including the installation of new systems and/or the upgrading and servicing of existing systems and maintenance services for these systems based on framework agreements or individual call requests.

This activity is carried out through the Company and Unitronics Automated Solutions Ltd. (hereinafter: "**Unitronics Solutions**"), a wholly owned subsidiary of the Company (see also section 1.3.3 below).

The Company's services in the Systems segment are provided mainly to customers in Israel, and in a minority of cases also outside Israel.

Parking Solutions: Development, design, marketing, production, establishment and maintenance of automated parking systems, including the installation of new systems and/or the upgrading and servicing of existing systems and maintenance services for these systems based on framework agreements or individual call requests.

This activity is carried out through Unitronics Solutions and through Unitronics Systems Inc., a second-tier subsidiary wholly owned by Unitronics Solutions (hereinafter: "**Systems**").

The services in the Parking Solutions segment are provided mainly to customers in Israel and in the US.

The Company operates primarily 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 rented to the Company. Unitronics Building is situated at Airport City near the David Ben-Gurion Airport, and it houses the Company's offices and most of its facilities in Israel. For additional details see sections 1.13.1 and 1.13.2 in Chapter A of the Company's Periodic Report for 2014, which was published by the Company on March 12, 2015, reference no: 2015-01-050227 (hereinafter – "**the Periodic Report**").

As from May 2004, the Company's shares are traded on the Tel Aviv Stock Exchange, and as from 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).

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

1.3.1 Signature on a binding letter of intent - establishment of an automated parking lot in Canada

On March 4, 2015, an Canadian customer, unrelated to the Company or to interested parties therein, Prestige Properties Corp. (hereinafter the "**Customer**") signed, with the Company (through Unitronics Systems Inc.), a binding letter of intent (BLOI) (hereinafter the "**Letter of Intent**") for the design, supply and establishment of an automated parking system of 1,400 parking spaces in Calgary, Alberta, Canada (hereinafter: the "**Project**"). In accordance with the letter of intent, the customer will pay the Company for the project a total of US \$ 24 million (about NIS 96 million). For additional details see the Immediate Report dated March 8, 2015, on an Event or Matter Not in the Ordinary Course of the Corporation's Business, reference no. 2015-01-045496, included herein by way of reference).

1.3.2 Principal payment of Debenture (Series 4)

On February 1, 2015 the Company made the first payment of six principal payments of the debentures (Series 4), which were issued by the Company under a Shelf Prospectus published on February 22, 2011 and amended on March 17, 2011 (hereinafter – "**the 2011 Shelf Prospectus**") and a Shelf Offering Report published by the Company on January 24, 2013 pursuant to the 2011 Shelf Prospectus (hereinafter: "**2013 Offering Report**"). For a full version of the 2011 Shelf Prospectus see company report dated February 22, 2011, reference no.: 2011-01-058260 and March 17, 2011, reference no.: 2011-01-084435. For a full version of the 2013 Shelf Offering Report see company report dated January 24, 2013, reference no.: 2013-01-021699.

1.3.3 Reorganization – agreement signed to transfer the activity in the field of systems to a subsidiary

On March 15, 2015, the Board of Directors of the Company approved a restructuring agreement (hereinafter: the "**Restructuring Agreement**") with Unitronics Solutions, whereby the Company will transfer to Unitronics Solutions its activities in the field of design, establishment and maintenance of storage systems and/or logistics systems,

mainly automated warehouses and automated distribution centers. The restructuring agreement was signed on March 29, 2015; details of the assets, rights and obligations to be transferred to Unitronics Solutions within the framework of the transferred activities have yet to be finalized between the parties. However, as part of the restructuring agreement the Company and Unitronics Solutions agreed to complete the missing details regarding the composition of the assets, rights and obligations from time to time, as required and by mutual agreement, subject to all the approvals required by law. The restructuring is expected to be implemented as a transfer exempt from income tax in accordance with Part 2E of the Israeli Income Tax Ordinance and subject to the conditions set out therein. The validity of the restructuring agreement is conditional, among others, upon the receipt of a pre-ruling from the Tax Authority in this regard. In accordance with the restructuring agreement and subject to such pre-ruling approval, the restructuring was to have become effective from April 1, 2015 (for further details see immediate report dated March 15, 2015 regarding an event or matter outside the ordinary course of the corporation's business, reference no. 2015-01-501688, included herein by way of reference). Further to its application to the Tax Authority in this regard, the Company received a pre-ruling whose validity is conditional, among others, on the Company's notification to the Tax Authority, by October 1, 2015, as to whether it accepts the terms of the pre-ruling. If the Company does not accept the terms of said pre-ruling, the pre-ruling and the restructuring agreement will not go into effect.

1.3.4 Change of Company's officers

On March 15, 2015, Mr. Daniel Rafael Nygate, VP and Purchasing Manager, ceased to hold office, even though he continued to serve as a senior officer in the Company as specified below (for further details see immediate report dated March 15, 2015, regarding a senior officer that ceased to hold office, reference no. 2015-01-051697, included herein by way of reference).

On March 15, 2015, Mr. Daniel Rafael Nygate was appointed as the CEO of Unitronics Solutions (for further details see immediate report dated March 15, 2015 regarding the appointment of a senior officer, reference no. 2015-01-051721, included herein by way of reference).

On March 15, 2015, CPA Ronen Zalayet was appointed as the CFO of Unitronics Solutions (for further details see immediate report dated March 15, 2015 regarding the appointment of a senior officer, reference no. 2015-01-051709, included herein by way of reference).

On March 15, 2015, Mr. Josef Ratsabi was appointed as Vice President of Unitronics Solutions (for further details see immediate report dated March 15, 2015 regarding the appointment of a senior officer, reference no. 2015-01-051724, included herein by way of reference).

On July 16, 2015, Mr. Doron Shinar was appointed as an External Director of the Company (for further details see immediate report dated July 16, 2015 regarding the appointment of a director, reference no. 2015-01-074889, included herein by way of reference). On the same date, Mr. Zvi Livne was reappointed for an additional period as a Director of the Company, as detailed in section 1.3.5 below.

1.3.5 Annual General Meeting

On July 16, 2015, the General Meeting of the Company's Shareholders (hereinafter: "**the Meeting**") adopted the following resolutions: (a) To appoint Mr. Doron Shinar as an

External Director of the Company for a period of three years commencing on the date of approval of the appointment by the Meeting; (b) To approve an agreement of lease from a company controlled by Mr. Haim Shani, the Company's controlling shareholder, and Mrs. Bareket Shani, Mr. Shani's wife, for a further period of three years commencing on August 1, 2015 (the date of expiration of the previous lease agreement), under Section 275(a) of the Companies Law, in accordance with the terms of the New Contract as defined in the notice of convening of the Meeting (for further details see immediate report dated May 20, 2015 regarding the convening of an Annual and Extraordinary General Meeting, reference number 2015-01-024276, included herein by way of reference, hereinafter: "**the Meeting convening report**"); (c) To appoint Mr. Zvi Livne as a Director (Category B) of the Company for an additional period up to the date of holding of the Annual General Meeting of the Company's Shareholders for 2018, in accordance with the Company's Articles; (d) To re-approve the payment of an attendance fee and annual compensation to Mr. Zvi Livne, in accordance with the Company's compensation policy and the Companies Regulations (Rules on Compensation and Expenses of an External Director, 2000) (hereinafter: "**the External Directors Compensation Regulations**"), in the fixed amount as defined in those regulations; (e) To re-approve the grant of a letter of indemnification and exemption to Mr. Livne, in the wording approved and signed with the Company's other Directors (for further details, including the text of the Company's customary letter of indemnification and exemption, see immediate report regarding the grant of indemnification to an officer, reference number 2011-01-282483 (hereinafter: "**the customary indemnification letter**")), and Mr. Livne's inclusion in the Company's directors and officers insurance policy, in accordance with the Company's compensation policy; (f) To approve the amendment of article 65(a) in the Company's Articles of Association, as set out in the text attached to the Meeting convening report; (g) To approve the payment of an attendance fee and annual compensation to Mr. Doron Shinar, in accordance with the Company's compensation policy and the External Directors Compensation Regulations, in the fixed amount as defined in those regulations, starting from the date of his appointment as an External Director of the Company; (h) To approve the grant of a letter of indemnification and exemption to Mr. Shinar, in the wording of the customary indemnification letter, and Mr. Shinar's inclusion in the Company's directors and officers insurance policy, in accordance with the Company's compensation policy, starting from the date of his appointment as an External Director (for further details see immediate report dated July 16, 2015 regarding the results of a Meeting to approve a transaction with a controlling shareholder and/or to approve a private offering and/or to approve Chairman/CEO dual office holding and/or the appointment of an External director, reference number 2015-01-074880, included herein by way of reference).

1.3.6 Renewal and extension of the Company's directors and officers liability insurance policy

On August 24, 2015, the Compensation Committee of the Company resolved, in accordance with the provisions of Regulations 1B(5) and 1B(1) of the Companies Regulations (Reliefs in Transactions with Interested Parties), 2000 (hereinafter: "**the Reliefs Regulations**"), to approve the renewal and extension of the Company's directors and officers liability insurance policy (hereinafter: "**the Policy**") for all the directors and officers of the Company (those who are not controlling shareholders in the Company as well as those who are controlling shareholders of the Company or their relatives), with effect from July 1, 2015 to November 30, 2016, in accordance with the Company's compensation policy which was approved by the Meeting of the Company's Shareholders held on December 9, 2013 (for the text of the approved compensation policy see appendix to immediate report dated November 17, 2013 regarding the convening of a Meeting, reference number 2013-01-193608, included herein by way of

reference). In addition, further to the Compensation Committee's said approval, on August 24, 2015, the Board of Directors of the Company approved, in accordance with the provisions of Regulation 1b(5) of the Reliefs Regulations, the renewal and extension of the Policy for directors and officers of the Company who are controlling shareholders of the Company or their relatives, with effect from July 1, 2015 to November 30, 2016, in accordance with the Company's compensation policy (for details see immediate report dated August 24, 2015 regarding a transaction with a controlling shareholder or with a director that does not require the approval of the General Meeting, reference number 2015-01-103710, included herein by way of reference).

1.3.7 Legal proceedings

For details regarding the legal proceedings, see Note 4 to the consolidated financial statements of the Company as of June 30, 2015.

Chapter B – Board of Directors' Report

2.1 Financial Position

2.1.1 Balance Sheet

| | As of June 30 | | As of December 31, 2014 | Board of directors' explanations for changes in balance sheet balances compared to December 31, 2014 |
|---|-----------------|----------------|-------------------------------|--|
| | 2015 | 2014 | | |
| | NIS in thousand | | | |
| Current assets | 114,823 | 128,116 | 131,977 | The decrease is mainly attributable to the following items: A decrease of NIS 5,851 thousand in cash, cash equivalents and restricted cash; a decrease of NIS 6,951 thousand in marketable securities for repayment of part of the principal of debentures (Series 4) as explained below, and a decrease of NIS 5,002 thousand in inventory in the products segment, reflecting increased operating efficiency (following an increase in inventory in 2014 as explained in section 2.2.1 of the Periodic Report). |
| Non-current assets | 81,366 | 69,496 | 74,070 | The increase is mainly attributable to an increase of NIS 7,588 thousand in intangible assets due primarily to continued investments in development. |
| Total assets | 196,189 | 197,612 | 206,047 | |
| Current liabilities | 54,527 | 73,049 | 64,587 | The decrease is mainly attributable to the following items: A decrease of NIS 4,980 thousand in trade payables, stemming mainly from the products segment due to a decrease in inventory levels as explained above, and a decrease of NIS 4,141 thousand in accounts payable stemming mainly from a decrease in prepaid income from projects in the systems segment due to progress in the execution of projects on the reporting date. |
| Non-current liabilities | 84,260 | 79,759 | 91,800 | The decrease is mainly due to a decrease of NIS 6,726 thousand in debentures following the first principal payment (of six) of debentures (Series 4) during the reporting period. |
| Equity attributable to Company shareholders | 57,402 | 44,804 | 49,660 | |
| Total liabilities and equity | 196,189 | 197,612 | 206,047 | |

The Company's working capital as of June 30, 2015 totaled NIS 60,296 thousand compared to working capital as of December 31, 2014 totaling NIS 67,390 thousand. The decrease in the Company's working capital is mainly a result of the repayment of debentures as explained above.

2.1.2 Results of operations

| | For the six-month period ended June 30 | | For the three-month period ended June 30 | | For the year ended December 31 | Board of directors' explanations for changes in income statement items |
|------------------------------------|--|----------------|--|----------------|--------------------------------|---|
| | 2015 | 2014 | 2015 | 2014 | 2014 | |
| | NIS in thousand | | | | | |
| Income | 83,613 | 80,345 | 37,050 | 39,797 | 171,311 | In the reporting period and in the second quarter of 2015 there was no significant change in the Company's income compared to the same half in 2014 and compared to the same quarter in 2014. For details of income by segments, see section 2.1.3 below. |
| Cost of income | 52,587 | 56,900 | 22,530 | 27,692 | 117,566 | |
| Gross profit (gross profit margin) | 31,026 (37.1%) | 23,445 (29.2%) | 14,520 (39.2%) | 12,105 (30.4%) | 53,745 (31.4%) | The increase in gross profit margins in the reporting period and in the second quarter of 2015 compared to the same periods last year is mainly attributable to an increase in the gross profit margins in the products segment and in the systems segment, as detailed in section 2.1.3 below. |
| Development expenses, net | 3,199 | 2,904 | 1,616 | 1,603 | 6,102 | In the reporting period and in the second quarter of 2015 there was no significant change in net development expenses compared to the same half in 2014 and compared to the same quarter in 2014. Total development expenses in the reporting period reflect continued activity in the development of technologies required to support the Company's operations, with adjustments in the number of development personnel. |
| Selling and marketing expenses | 10,996 | 8,980 | 5,672 | 4,585 | 20,657 | The growth in the reporting period and in the second quarter of 2015 compared to the same periods last year is mainly attributable to an increase in these expenses in the products segment and is intended to help facilitate the Company's business plans in this segment. |

| | For the six-month period ended June 30 | | For the three-month period ended June 30 | | For the year ended December 31 | Board of directors' explanations for changes in income statement items |
|-------------------------------------|--|-------|--|-------|--------------------------------|--|
| | 2015 | 2014 | 2015 | 2014 | 2014 | |
| | NIS in thousand | | | | | |
| Administrative and general expenses | 6,893 | 5,296 | 3,387 | 2,670 | 11,148 | The increase in general and administrative expenses in the reporting period and in the second quarter of 2015 compared to the same periods last year is mainly due to a provision for a bonus for the Company's CEO in respect of the profit for those periods. |
| Other expenses | - | 2,191 | - | - | 2,150 | Other expenses in the first half of last year are mainly due to a capital loss from the sale of a real estate property as detailed in section 1.13.1 of the Periodic Report. |
| Profit from ordinary activities | 9,938 | 4,074 | 3,845 | 3,247 | 13,688 | |
| Financing expenses, net | 405 | 2,397 | 2,181 | 2,012 | 8,531 | In the reporting period the euro weakened against the shekel by approximately 10.69% (while in the first quarter of 2015 the euro weakened by approximately 9.55%). As a result, the Company recorded in the reporting period (mainly in the first quarter of 2015) exceptional financing income from euro-shekel hedging transactions and from erosion in the value of euro-denominated bank loans. |
| Profit before taxes on income | 9,533 | 1,677 | 1,664 | 1,235 | 5,157 | |
| Taxes on income | 1,002 | 599 | 107 | 409 | 1,811 | Tax expenses in the reporting period are mainly attributable to current taxes on the expected profit for tax purposes for the period and taking into account the tax benefits to which the Company is entitled under the approved enterprise program of the Investment Center as detailed in Note 24C to the financial statements for 2014 attached to the Periodic Report. Tax expenses in the second quarter of 2015 are mainly attributable to the reconciliation of deferred tax balances. |
| Net profit for the period | 8,531 | 1,078 | 1,557 | 826 | 3,346 | |

2.1.3 Analysis of Business Results by Operating Segments

As mentioned above, the Company's main commercial operations are carried out in three business segments: the Products segment, the Systems segment and the Parking Solutions segment. For further details regarding the Company's operating segments, see Chapter A, sections 1.8, 1.9, 1.10 and 1.11 of the Periodic Report.

During 2014, the Company's management began to examine the performance of the segments after allocation of the development costs to the Products segment and to the Parking Solutions segment. Accordingly, the development costs were attributed by comparative figures for the first and second quarters of 2014 for these segments.

2.1.3.1 Revenues

| | For the six-month period ended June 30 | | For the three-month period ended June 30 | | For the year ended December 31 | Board of directors' explanations for changes |
|--------------------------------------|--|--------|--|--------|--------------------------------|---|
| | 2015 | 2014 | 2015 | 2014 | 2014 | |
| | NIS in thousand | | | | | |
| Products | 55,193 | 52,368 | 27,206 | 27,749 | 108,442 | In the reporting period sales of products increased compared to the same period last year, mainly due to marketing activity and the launch of new products at the end of 2014, and despite the weakening of the euro as noted in section 2.1.2 above. In the second quarter of 2015 there was no significant change in sales compared to the same quarter last year. |
| Percentage of total company revenues | 66% | 65% | 73% | 70% | 63% | |
| Systems | 17,220 | 19,213 | 7,308 | 7,082 | 37,835 | The decrease in revenues in the systems segment during the reporting period stems from changes in the actual rate of progress in the construction of several logistics systems, mainly in connection with the design and construction of a logistics system for a major customer in Israel (for details see section 1.10.8 of the Periodic Report), and in the rate of receipt of orders from customers for the construction of systems during the reporting period, which can be explained, among other factors, by the volatility in this market. In the second quarter of 2015 there was no significant change compared to the same quarter last year. |
| Percentage of total company revenues | 21% | 24% | 20% | 18% | 22% | |

| | For the six-month period ended June 30 | | For the three-month period ended June 30 | | For the year ended December 31 | Board of directors' explanations for changes |
|--------------------------------------|--|-------|--|-------|--------------------------------|---|
| | 2015 | 2014 | 2015 | 2014 | 2014 | |
| | NIS in thousand | | | | | |
| Parking solutions | 11,017 | 8,593 | 592,4 | 4,880 | 24,641 | The growth in revenues in the parking solutions segment during the reporting period compared to the same period last year is mainly attributable to an increase in the actual rate of progress in the establishment of several automated parking systems. The decrease in the second quarter of 2015 compared to the same quarter last year is mainly due to a decline in the rate of progress in existing projects which are in the final completion stages and a delay in the start of execution of new projects. |
| Percentage of total company revenues | 13% | 11% | 7% | 12% | 14% | |

2.1.3.2 Segment results

| | For the six-month period ended June 30 | | For the three-month period ended June 30 | | For the year ended December 31 | Board of directors' explanations for changes |
|--------------------|--|---------|--|---------|--------------------------------|--|
| | 2015 | 2014 | 2015 | 2014 | 2014 | |
| | NIS in thousand | | | | | |
| Operating segments | | | | | | |
| Products | 12,468 | 12,158 | 6,637 | 6,642 | 26,535 | There was no significant change in the results of the segment in the reporting period and in the second quarter of 2015 compared to the same periods last year. |
| | | | | | | |
| Systems | 7,199 | 1,459 | 3,007 | 304 | 4,737 | The growth in profit from this segment in the reporting period and in the second quarter of 2015 compared to the same periods last year stems from a strong mix of projects with high profit margins and from a decrease in the expected costs to completion of projects which are nearing completion. |
| | | | | | | |
| Parking solutions | (4,676) | (3,407) | (3,395) | (1,725) | (7,109) | The increase in operating loss in the parking solutions segment compared to the same periods last year is mainly due to higher expenditures on preparations for an increase in the scope of activity, which is still not reflected in the revenues, as described above. |

2.2 Liquidity and Sources of Financing

The balance of cash, cash equivalents and marketable securities of the Company as of June 30, 2015 totaled to NIS 54,237 thousand compared with NIS 66,808 thousand as of December 31, 2014. Below are explanations on the changes in cash flows:

| | For the six-month period ended June 30 | | For the three-month period ended June 30 | | For the year ended December 31 | Board of directors' explanations for changes |
|-------------------------------------|--|----------|--|---------|--------------------------------|---|
| | 2015 | 2014 | 2015 | 2014 | 2014 | |
| | NIS in thousand | | | | | |
| Cash flow from operating activities | 8,972 | 11,161 | 8,329 | 1,509 | 14,264 | The positive cash flow in the reporting period is mainly due to the profit for the period, net of changes in the working capital items (mainly a decrease in trade payables and a decrease in inventory), compared to a positive cash flow in the same period last year which was mainly due to an increase in credit from trade payables and a decrease in the inventory - work in progress. |
| | | | | | | |
| Cash flow from investing activities | (6,372) | 7,918 | (8,193) | (7,036) | 454 | The negative cash flow in the reporting period is mainly due to continued investments in development offset by the proceeds from the sale of marketable securities (for payment of the first of six principal payments of debentures (Series 4)). In the same period last year the positive cash flow stemmed mainly from the sale of a real estate property, offset by investments in development. |
| | | | | | | |
| Cash flow from financing activities | (7,869) | (13,906) | (547) | (968) | (14,330) | The negative cash flow in the reporting period is mainly due to the first of six principal payments of debentures (Series 4), as detailed in section 1.3.2 above. The negative cash flow in the same period last year was mainly a result of the second principal payment of debentures (Series 3). |

On June 30, 2015, the total credit lines available to the Company for its operating activities amounted to NIS 23 million. As of June 30, 2015 a total of NIS 22 million of this amount was used, mainly to secure the Company's obligations in projects carried out in the systems and parking solutions segments.

2.3 Dedicated Disclosure to Debenture Holders

2.3.1

| | | |
|-----|---|---|
| (1) | Security | Debentures (Series 4) |
| A | Issue date | January 2013 |
| B | Total par value on issue date | 53,125,000 |
| C | Par value as of the reporting date | 46,484,375 |
| D | Par value according to linkage terms – as of the report date | 47,001,024 |
| E | Accrued interest as of the report date | 1,051,680 |
| F | Liability value as of the report date | 46,100,062 |
| G | Stock Exchange value | 51,132,813 |
| H | Type of interest, including description | 5.4% fixed annual interest |
| I | Payment dates of outstanding principal | Five unequal annual installments payable on January 31 of each year from 2016 to 2020 (inclusive), at the following rates (from the principal on the issuance date) by years in chronological order: (a) 12.5% of the principal, (b) 12.5% of the principal, (c) 20.5% of the principal (d) 21% of the principal, (e) 21% of the principal, (f) 21% of the principal. |
| J | Future interest payment dates | Every January 31 and July 31 from July 31, 2015 up to (and including) January 31, 2020 |
| K | Details of linkage basis of interest and principal | Principal and interest linked to the Consumer Price Index. |
| L | Are the debentures convertible? | Base index - December 2012 CPI without hedging Not convertible |
| M | Corporation's right to perform early redemption | Exists (for details regarding the terms of the Company to exercise its right to early redemption, see section 12 of the Shelf Offering Report dated January 24, 2013, Reference No. 2013-01-021699) |
| 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 | Mishmeret Trust Company Ltd. 48 Menachem Begin Road, Tel Aviv 66184, Israel Phone: 03-6374352, Fax: 03-6374344 Email: ramis@bdo.co.il (hereinafter in this section: "the Trustee") |

(5 +6) As of and during the reporting period, the Company, to the best of its knowledge, complied with all the terms and obligations in the trust deed for the debentures (Series 4), the Company is not in breach of any obligation or condition set forth in the Deed of Trust, and there are no grounds for calling for the immediate repayment of the debentures.

- (8) On February 12, 2013, a lien on the deposit funds in a bank account in the amount of the semi-annual interest on the debentures was created at the Registrar of Companies which was designated to secure the payment of interest pursuant to the debentures (Series 4). As long as the Company has an outstanding balance of debentures (Series 4), the Company and all of its subsidiaries (on the date of the signing of the Deed of Trust and any other subsidiary established or acquired until the date of full repayment of the debentures (Series 4) as it may be) shall avoid the creation of a general lien on its assets to any third party without the prior consent of a simple majority of the debenture holders. It is emphasized that the Company and / or any of its subsidiaries shall be entitled to grant a first and/or second ranking pledge over their property, in whole or in part, including cash and cash equivalents for the benefit of financing entities, which will provide it with financing for the purchase of property or equipment, including a floating charge over the specific asset/s, including for the purchase of building construction services, including the replacement of financing entities that hold specific pledges on other entities on the date of the Offering Report, without having to obtain consent of the holders of the debentures (Series 4) for this.

Pursuant to the terms of issue of the debentures (Series 4), the Company has made the following undertakings:

- Dividend distribution – the Company has undertaken that during the period in which the Debentures (Series 4) are outstanding, it shall not distribute dividend at a rate exceeding 30% of the annual cumulative net profit (calendar) attributable to the Company's shareholders, based on the recent audited consolidated financial statements of the Company, which were published prior to the date of the Company's resolution regarding distribution of the dividend, unless the Company obtains the prior consent of the debenture holders (Series 4), which was received by special resolution in a meeting of debenture holders convened in accordance with the Second Addendum to the Trust Deed of Debentures (Series 4). For additional details on the said restriction, see section 11.1 of the Offering Report that was published on January 24, 2013 (Reference No. 2013-01-021699) (hereinafter – **"2013 Offering Report"**).
- The net financial debt to CAP ratio – the Company undertook that as of the date of listing the debentures (Series 4) and as long as the debentures (Series 4) are outstanding, the ratio between the Company's net financial debt and the Company's net CAP (solo) according to its financial statements (solo), whether audited or reviewed (as the case may be), in relation to the Company's financial statements as of the periods ended June 30 and December 31, shall not exceed 80%. If the Company is in breach of this undertaking, at any review date, the rate of interest payable by the Company to the holders of Series 4 Debentures on the first payment date following the date of the breach, will be raised by 0.5% only per annum above the interest rate determined in the tender, during the period in which the breach occurred. Should the Company breach this undertaking on the date following the previous review date, the rate of interest which is to be paid by the Company to the holders of the Series 4 Debentures, shall be increased by an additional 0.5% per annum above the previous interest rate, from the date of the additional breach until the end of the breach period. If, on two consecutive review dates, such breach is discovered, such that this ratio is 85% or more, then such breach shall constitute grounds for declaring the outstanding balance of the Debentures (Series 4) immediately due and payable. For additional details regarding the aforesaid restriction, see section 11.2 of the 2013 Offering Report.

- The net financial debt to EBITDA ratio – the Company undertook that as of the date of listing the Debentures (Series 4) and as long as the Debentures (Series 4) are outstanding, the ratio between the Company's net financial debt and the Company's EBITDA according to its audited or reviewed consolidated financial statements (as the case may be), in relation to the Company's financial statements as of the periods ended June 30 and December 31, shall not exceed 10. Should the Company breach this undertaking, at any review date, the interest rate payable by the Company to the holders of the Series 4 Debentures on the first payment date following the date of the breach, will be raised by only 0.5% per annum above the interest rate determined in the tender, during the period of the breach. If the Company is in breach of this undertaking on the date following the previous review date, the interest rate which is to be paid by the Company to the holders of Series 4 Debentures, will be raised by an additional 0.5% per annum above the previous interest rate, from the date of the additional breach until the end of the breach period. If on two consecutive review dates said breach is discovered, such that this ratio is 12% or more, then such breach shall constitute grounds for declaring the outstanding balance of the Debentures (Series 4) immediately due and payable. For additional details regarding the aforesaid restriction, see section 11.3 of the 2013 Offering Report.
- Restriction on shareholders' equity – the Company's shareholders' equity according to the Company's audited or reviewed financial statements (solo) (as the case may be), as of June 30 and December 31, shall not be less than NIS 20 million during two consecutive quarters. Should the Company breach this undertaking, at any review date, the interest rate which is to be paid by the Company to the holders of the Series 4 Debentures on the first payment date following the publication of the recent financial statements which point to the breach, will be raised by only 0.5% per annum above the interest rate determined in the tender, during the period of the breach. If the Company is in breach of this undertaking on the date following the previous review date, the interest rate which is to be paid by the Company to the holders of Series 4 Debentures, shall be raised by an additional 0.5% per annum above the previous interest rate, from the date of the additional breach until the end of the breach period. If, on two consecutive review dates said breach is discovered, such that the shareholders equity fall below NIS 15 million, then such breach shall constitute grounds for declaring the outstanding balance of the Debentures (Series 4) immediately due and payable. For additional details regarding the aforesaid restriction, see section 11.4 of the 2013 Offering Report.
- The Company's undertaking not to create charges – the Company undertook not to create a floating charge over on its assets, and to ascertain that each of its subsidiaries (on the date of execution of the Trust Deed and any additional subsidiary of the Company that will be established or acquired until the date of final repayment of the Debentures (Series 4), if any) shall not create any charge as aforesaid. For additional details regarding the aforesaid restriction, see section 11.5 of the 2013 Offering Report.

The Company shall be entitled (but not obligated), in its sole discretion, to make an early redemption, in whole or in part, of the Debentures (Series 4), upon such terms and subject to such restrictions as set forth in the Amended Shelf Prospectus and in the 2013 Offering Report.

Upon the occurrence of certain events, and upon certain conditions, the trustee of the Debentures (Series 4) may declare the debentures immediately due and payable. Among these events, the following may be enumerated, in brief: a material deterioration

in the Company's business and a real concern that the Company may not be able to repay its debentures on time; the imposition of an attachment on the Company's assets, the performance of an execution action against the Company's assets, the appointment of a temporary or permanent receiver to the Company's assets, which were not removed and/or cancelled within 45 days; the sale of the bulk of the Company's assets; if Mr. Haim Shani ceases to be the controlling shareholder of the Company, whether directly or indirectly, without obtaining the consent of the holders of Series 4 Debentures to the transfer of control; a fundamental breach of the terms of the Debenture and the Deed of Trust (Series 4), which were not remedied within 14 days of the date on which the trustee notified the Company of the said breach; a breach of any of the financial covenants set forth in section 11 of the 2013 Offering Report, where it is explicitly stated that the breach thereof constitutes grounds for immediate repayment. For details regarding the list of the grounds available to the trustee for declaring the Debentures (Series 4) due and payable, see section 18.1 of the 2013 Offering Report.

In a meeting of the holders of debentures (Series 4) of the Company which was called for July 16, 2015, and which, in the absence of a quorum, adopted resolutions at an adjourned meeting held on July 20, 2015, the term of office of the Trustee was approved up to the full and final repayment of debentures (Series 4) of the Company. For further details see immediate report dated July 18, 2015 regarding the results of a meeting of debenture holders, reference number 2015-01-083988, included herein by way of reference.

2.3.2

| | | |
|-----|---|---|
| (1) | Security | Debentures (Series 5) |
| A | Issue date | September 2014 |
| B | Total par value on issue date | 40,000,000 |
| C | Par value as of the reporting date | 40,000,000 |
| D | Par value according to linkage terms – as of the report date | 40,000,000 |
| E | Accrued interest as of the report date | 769,130 |
| F | Liability value as of the report date | 38,857,714 |
| G | Stock Exchange value | 42,880,000 |
| H | Type of interest, including description | 5.8% fixed annual interest |
| I | Payment dates of outstanding principal | Nine unequal annual installments payable on August 31 of each year from 2015 to 2023 (inclusive), at the following rates (from the principal on the issuance date) by years in chronological order: (a) 10% of the principal, (b) 10% of the principal, (c) 5% of the principal, (d) 5% of the principal, (e) 5% of the principal, (f) 5% of the principal, (g) 20% of the principal, (h) 20% of the principal, (i) 20% of the principal. |
| J | Future interest payment dates | Every February 28 and August 31 from August 31, 2015 up to (and including) August 31, 2023. |
| K | Details of linkage basis of interest and principal | Unlinked |
| L | Are the debentures convertible? | Not convertible |
| M | Corporation's right to perform early redemption | Exists (for details regarding the terms in which the Company may exercise its right to early redemption, see section 8.4 of the Shelf Offering Report dated September 10, 2014, Reference No. 2014-01-155406) |
| 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. 113 Hayarkon Street, Tel Aviv, Israel Phone: 03-5274867, Fax: 03-5271736 Email: hermetic@hermetic.co.il |

(5 +6) As of and during the reporting period, the Company, to the best of its knowledge, complied with all the terms and obligations in the trust deed for the debentures (Series 5), the Company is not in breach of any obligation or condition set forth in the Deed of Trust, and there are no grounds for calling for immediate repayment of the debentures.

Pursuant to the terms of issue of the debentures (Series 5), the Company has made the following undertakings:

- Dividend distribution – the Company has undertaken that during the period in which the Debentures (Series 5) are outstanding, it shall not make a distribution, as this term is defined in the Companies Law, 1999, at a rate exceeding 30% of the annual

net profit in the last calendar year that ended prior to the distribution, attributable to the Company's shareholders, based on the recent audited consolidated financial statements of the Company, which were published prior to the date of the Company's resolution regarding distribution of the dividend, unless the Company obtains the prior approval of the debenture holders (Series 5), which was adopted by special resolution in a meeting of debenture holders convened in accordance with the Second Addendum to the Trust Deed of Debentures (Series 5). For additional details on the said restriction, see section 1 of Appendix 5 of the Shelf Offering Report published on September 10, 2014 (reference no. 2014-01-155406) (hereinafter: the "**Offering Report 2014**").

- The net financial debt to net CAP ratio – the Company undertook that as of the date of listing the debentures (Series 5) and as long as the debentures (Series 5) are outstanding, the ratio between the Company's net financial debt and the Company's net CAP (solo) according to its financial statements (solo), whether audited or reviewed (as the case may be), based on the Company's financial statements as of the periods ended June 30 and December 31, shall not exceed 70%. If the Company is in breach of this undertaking, at any review date, the rate of interest payable by the Company to the holders of Debentures (Series 5) on the first payment date following the date of the breach, will be raised by only 0.5% per annum above the interest rate determined in the tender, during the period in which the breach occurred. If the Company is in breach of this undertaking on the date following the previous review date, the rate of interest which is to be paid by the Company to the holders of Debentures (Series 5), shall be increased by an additional 0.5% per annum above the previous interest rate, from the date of the additional breach until the end of the breach period. If the said breach is discovered on two consecutive review dates, such that this ratio is 75% or more, then such breach shall constitute grounds for declaring the outstanding balance of the Debentures (Series 5) due and payable. For additional details regarding the aforesaid restriction, see section 2 of Appendix 5 to the 2014 Offering Report.
- Restriction on shareholders' equity – the Company's shareholders' equity according to the Company's audited or reviewed financial statements (solo) (as the case may be), as of June 30 and December 31, shall not be less than NIS 25 million. If the Company is in breach of this undertaking, at any review date, the interest rate payable by the Company to the holders of Debentures (Series 5) on the interest payment date following the publication of the last financial statements which point to the breach, will be raised by only 0.5% per annum above the interest rate determined in the tender, during the period of the breach. If the Company is in breach of this undertaking on the date subsequent to the previous review date, the interest rate payable by the Company to the holders of Debentures (Series 5), will be raised by an additional 0.5% per annum above the previous interest rate, from the date of the additional breach until the end of the breach period. If said breach is discovered on two consecutive review dates, such that the shareholders' equity falls below NIS 20 million, then such breach shall constitute grounds for declaring the outstanding balance of Debentures (Series 5) due and payable. For additional details regarding the aforesaid restriction, see section 3 of Appendix 5 to the 2014 Offering Report.
- The net financial debt to EBITDA ratio – the Company undertook that as of the date of listing the Debentures (Series 5) and as long as the Debentures (Series 5) are outstanding, the ratio between the Company's net financial debt and its EBITDA according to the Company's audited or reviewed consolidated financial statements (as the case may be), in relation to the 12 month period preceding the review date,

shall not exceed 10. The review of the Company's compliance with the net financial debt to EBITDA ratio shall be conducted twice in each calendar year on the date of publication of the financial statements as of June 30 and December 31 of each year. If the Company is in breach of this undertaking, at any review date, the interest rate payable by the Company to the holders of Debentures (Series 5) on the first payment date following the date of the breach, will be raised by only 0.5% per annum above the interest rate determined in the tender, during the period of the breach. If the Company is in breach of this undertaking on the date subsequent to the previous review date, the interest rate which is to be paid by the Company to the holders of Debentures (Series 5), will be raised by an additional 0.5% per annum above the previous interest rate, from the date of the additional breach until the end of the breach period. If said breach is discovered on two consecutive review dates, indicating a ratio of 12 or more, then this breach shall constitute grounds for declaring the outstanding balance of the Debentures (Series 5) due and payable. For additional details regarding the aforesaid restriction, see section 4 of Appendix 5 to the 2014 Offering Report.

- The Company's undertaking not to create charges – the Company undertook not to create a floating charge over on its assets, and to ascertain that each of its subsidiaries (on the date of signing the Trust Deed and any additional subsidiary of the Company that will be established or acquired until the date of final repayment of the Debentures (Series 5), if any) shall not create any charge as aforesaid. For additional details regarding the aforesaid restriction, see section 5 of Appendix 5 to the 2014 Offering Report.

The Company shall be entitled (but not obligated), in its sole discretion, to make an early redemption, in whole or in part, of Debentures (Series 5), upon such terms and subject to such restrictions as set forth in the 2014 Shelf Prospectus and in the 2014 Offering Report.

Upon the occurrence of certain events, and upon certain conditions, the trustee of the Debentures (Series 5) may declare the debentures due and payable. Among these events, the following may be set forth in brief: a material deterioration in the Company's business compared to the situation on the date of the offering and a real concern that the Company may not be able to repay its debentures on time; the debentures were not repaid on time or another material undertaking provided to the holders was not met; the Company failed to publish a financial statement that it is required to published under the law, within 30 days from the last date required by the statute; there is concern that the Company will not meet its material obligations to the holders; the Company ceased or announced its intention to cease payments; the Company is in breach of any of the financial covenants set forth in Appendix 5 to Trust Deed of the Debentures (Series 5), where it is explicitly stated that the breach thereof constitutes grounds for immediate repayment. For details regarding the list of grounds available to the trustee for declaring the Debentures (Series 5) due and payable, see section 8 of the 2014 Offering Report.

2.4 Quarterly report on the Company's liabilities by maturity dates

For details regarding the Company's liabilities by repayment dates, as of June 30, 2015, see the report dated August 27, 2015 published by the Company concurrently with the publication of this report.

2.5 Projected Cash Flows

The Board of Directors determined, following an examination of the warning signs specified in Regulation 10(b) (14) of the Securities Regulations (Periodic and Immediate Reports), 1970, regarding disclosure of the projected cash flows for repayment of the Company's obligations, that no warning sign exists, 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 Debentures (Series 4 and 5). An examination as stated is performed by the Board of Directors on a quarterly basis, concurrently with the approval of the quarterly financial statements published by the Company.

2.6 Details of the Approval Process of the Company's Financial Statements

2.6.1 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.

2.6.2 Financial Statements Review Committee

With the coming into effect of the Companies Regulations (Directives and Conditions Concerning the Procedure for Approving Financial Statements), 2010, the Audit Committee was appointed by the Company's Board of Directors (in its meeting on November 11, 2010) to also serve as a Financial Statements Review Committee (hereafter: "**the Committee**"), said committee having a composition and significance that are consistent with said regulations, in all matters related to the financial statements as of December 31, 2010, and thereafter. As of the reporting date, the following directors serve on this committee:

| Name | Zvi Livne, CPA | Yoel Sela, CPA | Moshe Braz, CPA | Doron Shinar |
|---|-------------------|-------------------|--------------------|-------------------|
| An independent or an external director | No | External director | External director | External director |
| Chairman of the Financial Statements Review Committee | No | No | Yes | No |
| Has accounting and financial expertise | Yes | Yes | Yes | Yes |
| Did he provide a statement prior to his nomination? | Yes | Yes | Yes | Yes |

* For details regarding the education and experience of the members of the Financial Statements Review Committee, see section 4.10 of Chapter D of the Periodic Report, and in connection with Mr. Shinar, also Appendix D to the Meeting convening report.

As a part of the approval process of the financial statements as of June 30, 2015, a Committee meeting was held on August 24, 2015. 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 approval of the financial statements; later, the Committee approved its recommendations.

The following people were invited to, and attended, the Committee meeting on August 24, 2015: members of the Committee (CPA Yoel Sela, CPA Zvi Livne, CPA Moshe Braz and Mr. Doron Shinar); the other members of the Board of Directors (Messrs. Haim Shani, Bareket Shani and Edna Ramot); CPA Gaby Badusa, CFO; CPA Avi Peleg, Controller; Mr. Nir Weisberger, Legal Counsel of the Company; CPA Haim Halfon, from the Company's auditing firm, and Mr. Miguel Eljanani, from the office of the Company's internal auditor.

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; the integrity and adequacy of the disclosure in the financial statements; the accounting policy adopted and the accounting policy implemented in material issues; valuations including the underlying assessments and estimates; the draft financial statements and Committee recommendations were submitted to the Board for review two business days before the Board convened to discuss the financial statements, which is, in the Board's estimation, a reasonable timeframe to submit the recommendations to the Board of Directors.

2.6.3 The Company's Board of Directors

The Company regards the Board of Directors as the entity in charge of entity-level 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. Ms Bareket Shani – Director with professional qualifications, Vice President and Head of Human Resources.
3. Mr. Zvi Livne, CPA – Director with accounting skills, member of the Audit Committee, member of the Financial Statements Review Committee and member of the Compensation Committee.
4. Mr. Yoel Sela, CPA – External and independent director with accounting skills, member of the Audit Committee, member of the Financial Statements Review Committee and a member of the Compensation Committee.
5. Mr. Moshe Braz, CPA – External and independent director with accounting skills, member and Chairman of the Audit Committee, member and Chairman of the Financial Statements Review Committee, member and Chairman of the Compensation Committee.
6. Mrs. Edna Ramot – director with professional qualifications.
7. Mr. Doron Shinar – External and independent director with accounting skills, member of the Audit Committee, member of the Financial Statements Review Committee and member of the Compensation Committee

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 a meeting held on August 27, 2015, the Company's management reviewed the main data of the financial statements. The Company's auditor attended the meeting and responded to the questions addresses to him by the Board of Directors (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 unanimously approved by a vote of the Board of Directors.

Zvi Livne
Director

Haim Shani
Chairman of the Board of Directors
and CEO

Date: August 27, 2015

UNITRONICS (1989) (R"G) LTD.

**Condensed Consolidated Interim
Financial Statements
June 30, 2015**

(Unaudited)

Unitronics (1989) (R"G) Ltd.

**Condensed Consolidated Interim
Financial Statements**

June 30, 2015

(unaudited)

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REVIEW REPORT OF THE AUDITORS TO THE SHAREHOLDERS 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 includes the condensed consolidated interim statement of financial position as of June 30, 2015 and the condensed consolidated interim statements of profit or loss, comprehensive income, changes in 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 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.

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, 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, 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 27, 2015

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

| | <u>June 30, 2015</u> | <u>June 30, 2015</u> | <u>June 30, 2014</u> | <u>December 31, 2014</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 | 8,264 | 34,868 | 43,569 | 40,488 |
| Restricted cash | 542 | 2,285 | 4,419 | 2,516 |
| Marketable securities | 4,590 | 19,369 | 26,794 | 26,320 |
| Accounts receivable - | | | | |
| Trade | 6,692 | 28,238 | 18,085 | 27,026 |
| Other | 753 | 3,176 | 2,612 | 2,486 |
| Other financial assets | 483 | 2,039 | 228 | 418 |
| Inventory | 5,443 | 22,965 | 20,732 | 27,967 |
| Inventory - work in progress | 446 | 1,883 | 11,677 | 4,756 |
| | <u>27,213</u> | <u>114,823</u> | <u>128,116</u> | <u>131,977</u> |
| <u>Non-current assets</u> | | | | |
| Long-term deposits | 88 | 370 | 428 | 432 |
| Property and equipment, net | 4,589 | 19,363 | 19,503 | 19,593 |
| Intangible assets, net | 14,607 | 61,633 | 49,565 | 54,045 |
| | <u>19,284</u> | <u>81,366</u> | <u>69,496</u> | <u>74,070</u> |
| | <u><u>46,497</u></u> | <u><u>196,189</u></u> | <u><u>197,612</u></u> | <u><u>206,047</u></u> |

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

Tzvi Livne
Director

Gabriel Badusa
Chief Financial Officer

Approved: August 27, 2015.

(1) See note 1C.

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

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

| | June 30, 2015 | June 30, 2015 | June 30, 2014 | December 31, 2014 |
|---|---|-----------------------|-----------------------|-----------------------|
| | (unaudited) | (unaudited) | | (audited) |
| | | (in thousands) | | |
| | Convenience translation into Euro (1) | | NIS | |
| <u>Current liabilities</u> | | | | |
| Current maturities of long-term loans | 293 | 1,236 | 2,370 | 1,915 |
| Current maturities of bonds | 2,430 | 10,252 | 18,023 | 10,259 |
| Accounts payable - | | | | |
| Trade | 4,164 | 17,565 | 22,539 | 22,545 |
| Other | 5,985 | 25,254 | 29,287 | 29,395 |
| Embedded derivatives | 52 | 220 | 830 | 473 |
| | <u>12,924</u> | <u>54,527</u> | <u>73,049</u> | <u>64,587</u> |
| <u>Non-current liabilities</u> | | | | |
| Loans from banks and others | 1,035 | 4,365 | 6,026 | 5,461 |
| Bonds | 17,705 | 74,706 | 69,455 | 81,432 |
| Liabilities for benefits to employees, net | 458 | 1,934 | 2,431 | 1,787 |
| Deferred taxes | 771 | 3,255 | 1,847 | 3,120 |
| | <u>19,969</u> | <u>84,260</u> | <u>79,759</u> | <u>91,800</u> |
| <u>Equity</u> | | | | |
| Share capital | 83 | 352 | 352 | 352 |
| Share premium | 11,989 | 50,588 | 50,588 | 50,588 |
| Capital reserve from translation of foreign operation | (78) | (331) | (1,625) | 458 |
| Company shares held by the company | (1,669) | (7,042) | (7,042) | (7,042) |
| Reserve deriving from a transaction with a controlling party | 25 | 104 | 104 | 104 |
| Retained earnings | 3,254 | 13,731 | 2,427 | 5,200 |
| | <u>13,604</u> | <u>57,402</u> | <u>44,804</u> | <u>49,660</u> |
| | <u>46,497</u> | <u>196,189</u> | <u>197,612</u> | <u>206,047</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 Profit or Loss

| | 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, |
|--|--|--|--------|---|--|--------|---------------------------------------|
| | 2015 | 2015 | 2014 | 2015 | 2015 | 2014 | 2014 |
| | (unaudited) | (unaudited) | | (unaudited) | (unaudited) | | (audited) |
| | Convenience translation into Euro (1) | NIS | | (in thousands) Convenience translation into Euro (1) | NIS | | |
| Revenues | 19,816 | 83,613 | 80,345 | 8,781 | 37,050 | 39,797 | 171,311 |
| Cost of revenues | 12,463 | 52,587 | 56,900 | 5,340 | 22,530 | 27,692 | 117,566 |
| Gross profit | 7,353 | 31,026 | 23,445 | 3,441 | 14,520 | 12,105 | 53,745 |
| Development expenses, net | 758 | 3,199 | 2,904 | 383 | 1,616 | 1,603 | 6,102 |
| Selling & marketing expenses | 2,606 | 10,996 | 8,980 | 1,344 | 5,672 | 4,585 | 20,657 |
| General & administrative expenses | 1,634 | 6,893 | 5,296 | 803 | 3,387 | 2,670 | 11,148 |
| Other expenses | - | - | 2,191 | - | - | - | 2,150 |
| Operating profit | 2,355 | 9,938 | 4,074 | 911 | 3,845 | 3,247 | 13,688 |
| Financing income | 1,154 | 4,869 | 1,229 | 181 | 764 | 730 | 1,927 |
| Financing expenses | 1,250 | 5,274 | 3,626 | 698 | 2,945 | 2,742 | 10,458 |
| Profit before taxes on income | 2,259 | 9,533 | 1,677 | 394 | 1,664 | 1,235 | 5,157 |
| Taxes on income | 237 | 1,002 | 599 | 25 | 107 | 409 | 1,811 |
| Net profit for the period | 2,022 | 8,531 | 1,078 | 369 | 1,557 | 826 | 3,346 |
| <u>Profit per 1 ordinary share NIS 0.02 par value (NIS):</u> | | | | | | | |
| Basic profit per 1 ordinary share | 0.202 | 0.853 | 0.108 | 0.037 | 0.156 | 0.083 | 0.335 |

(1) See note 1C.

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

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

| | For the six months period ended June 30, | For the six months period ended June 30, | | For the three months period ended June 30, | For the three months period ended June 30, | | For the year ended December 31, |
|---|---|--|-------|---|--|------|---------------------------------------|
| | 2015 | 2015 | 2014 | 2015 | 2015 | 2014 | 2014 |
| | (unaudited) | (unaudited) | | (unaudited) | (unaudited) | | (audited) |
| | | | | (in thousands) | | | |
| | Convenience translation into Euro (1) | NIS | | Convenience translation into Euro (1) | NIS | | |
| Net profit for the period | 2,022 | 8,531 | 1,078 | 369 | 1,557 | 826 | 3,346 |
| <u>Other comprehensive income (loss) (after tax)</u> | | | | | | | |
| Items that may not be classified afterwards to profit or loss: | | | | | | | |
| Re-measurement gain from defined benefit plans | - | - | - | - | - | - | 505 |
| Items that may be reclassified to profit or loss in the future if certain conditions are met: | | | | | | | |
| Adjustments arising from translating financial statements of foreign operations | (187) | (789) | (37) | (296) | (1,248) | (80) | 2,046 |
| Other comprehensive income (loss) for the period | (187) | (789) | (37) | (296) | (1,248) | (80) | 2,551 |
| Comprehensive income for the period | 1,835 | 7,742 | 1,041 | 73 | 309 | 746 | 5,897 |

(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 | Reserve deriving from a transaction with a controlling party | Retained earnings | Total |
|--|------------------|------------------|---|---|---|----------------------|---------|
| NIS, in thousands | | | | | | | |
| <u>Balance at January 1, 2014 (audited)</u> | 352 | 50,588 | (1,588) | (7,042) | 104 | 1,349 | 43,763 |
| Net profit for the year | - | - | - | - | - | 3,346 | 3,346 |
| Other comprehensive income for the year | - | - | 2,046 | - | - | 505 | 2,551 |
| Total comprehensive income for the year | - | - | 2,046 | - | - | 3,851 | 5,897 |
| <u>Balance at December 31, 2014 (audited)</u> | 352 | 50,588 | 458 | (7,042) | 104 | 5,200 | 49,660 |
| Net profit for the period | - | - | - | - | - | 8,531 | 8,531 |
| Other comprehensive loss for the period | - | - | (789) | - | - | - | (789) |
| Total comprehensive income (loss) for the period | - | - | (789) | - | - | 8,531 | 7,742 |
| <u>Balance at June 30, 2015 (unaudited)</u> | 352 | 50,588 | (331) | (7,042) | 104 | 13,731 | 57,402 |
| <u>Balance at January 1, 2014 (audited)</u> | 352 | 50,588 | (1,588) | (7,042) | 104 | 1,349 | 43,763 |
| Net profit for the period | - | - | - | - | - | 1,078 | 1,078 |
| Other comprehensive loss for the period | - | - | (37) | - | - | - | (37) |
| Total comprehensive income (loss) for the period | - | - | (37) | - | - | 1,078 | 1,041 |
| <u>Balance at June 30, 2014 (unaudited)</u> | 352 | 50,588 | (1,625) | (7,042) | 104 | 2,427 | 44,804 |
| <u>Balance at April 1, 2015 (unaudited)</u> | 352 | 50,588 | 917 | (7,042) | 104 | 12,174 | 57,093 |
| Net profit for the period | - | - | - | - | - | 1,557 | 1,557 |
| Other comprehensive loss for the period | - | - | (1,248) | - | - | - | (1,248) |
| Total comprehensive income (loss) for the period | - | - | (1,248) | - | - | 1,557 | 309 |
| <u>Balance at June 30, 2015 (unaudited)</u> | 352 | 50,588 | (331) | (7,042) | 104 | 13,731 | 57,402 |
| <u>Balance at April 1, 2014 (unaudited)</u> | 352 | 50,588 | (1,545) | (7,042) | 104 | 1,601 | 44,058 |
| Net profit for the period | - | - | - | - | - | 826 | 826 |
| Other comprehensive loss for the period | - | - | (80) | - | - | - | (80) |
| Total comprehensive income (loss) for the period | - | - | (80) | - | - | 826 | 746 |
| <u>Balance at June 30, 2014 (unaudited)</u> | 352 | 50,588 | (1,625) | (7,042) | 104 | 2,427 | 44,804 |

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 | Reserve arising from a transaction with a controlling party | Retained earnings | Total |
|---|------------------|------------------|---|---|--|----------------------|---------------|
| <u>Convenience translation into Euro (1), in thousands (unaudited)</u> | | | | | | | |
| <u>Balance at December 31, 2014</u> | 83 | 11,989 | 109 | (1,669) | 25 | 1,232 | 11,769 |
| Net profit for the period | - | - | - | - | - | 2,022 | 2,022 |
| Other comprehensive loss for the period | - | - | (187) | - | - | - | (187) |
| Total comprehensive income (loss) for the period | - | - | (187) | - | - | 2,022 | 1,835 |
| <u>Balance at June 30, 2015</u> | <u>83</u> | <u>11,989</u> | <u>(78)</u> | <u>(1,669)</u> | <u>25</u> | <u>3,254</u> | <u>13,604</u> |
| <u>Balance at April 1, 2015</u> | 83 | 11,989 | 218 | (1,669) | 25 | 2,885 | 13,531 |
| Net profit for the period | - | - | - | - | - | 369 | 369 |
| Other comprehensive loss for the period | - | - | (296) | - | - | - | (296) |
| Total comprehensive income (loss) for the period | - | - | (296) | - | - | 369 | 73 |
| <u>Balance at June 30, 2015</u> | <u>83</u> | <u>11,989</u> | <u>(78)</u> | <u>(1,669)</u> | <u>25</u> | <u>3,254</u> | <u>13,604</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, <u>2015</u> <u>(unaudited)</u> | For the six months period ended June 30, <u>2015</u> <u>2014</u> <u>(unaudited)</u> | | For the three months period ended June 30, <u>2015</u> <u>(unaudited)</u> <u>(in thousands)</u> | For the three months period ended June 30, <u>2015</u> <u>2014</u> <u>(unaudited)</u> | | For the year ended December 31, <u>2014</u> <u>(audited)</u> |
|---|--|---|----------|---|---|---------|--|
| | Convenience translation into Euro (1) | NIS | | Convenience translation into Euro (1) | NIS | | |
| <u>Cash flows - operating activities</u> | | | | | | | |
| Net profit for the period | 2,022 | 8,531 | 1,078 | 369 | 1,557 | 826 | 3,346 |
| Adjustments necessary to show the cash flows - operating activities (Appendix A) | 104 | 441 | 10,083 | 1,605 | 6,772 | 683 | 10,918 |
| Cash flows provided by operating activities | 2,126 | 8,972 | 11,161 | 1,974 | 8,329 | 1,509 | 14,264 |
| <u>Cash flows - investing activities</u> | | | | | | | |
| Sale of (investment in) marketable securities, net | 1,583 | 6,679 | (454) | (105) | (443) | (884) | (269) |
| Purchase of property and equipment | (132) | (557) | (490) | (100) | (424) | (414) | (1,442) |
| Sale of property and equipment | - | - | 18,300 | - | - | - | 18,490 |
| Investment in restricted cash | - | - | (929) | - | - | (929) | (929) |
| Repayment of restricted cash | 47 | 200 | 655 | - | - | - | 2,680 |
| investment in long-term deposits, net | (1) | (6) | (15) | (12) | (46) | (38) | (56) |
| Investment in intangible assets | (3,007) | (12,688) | (9,149) | (1,725) | (7,280) | (4,771) | (18,020) |
| Cash flows provided by (used in) investing activities | (1,510) | (6,372) | 7,918 | (1,942) | (8,193) | (7,036) | 454 |
| <u>Cash flows - financing activities</u> | | | | | | | |
| Repayment of long-term loans | (266) | (1,121) | (2,123) | (130) | (547) | (968) | (3,352) |
| Bonds issue | - | - | - | - | - | - | 38,702 |
| Repayment of bonds | (1,599) | (6,748) | (11,783) | - | - | - | (11,783) |
| Early redemption of bonds | - | - | - | - | - | - | (37,897) |
| Cash flows used in financing activities | (1,865) | (7,869) | (13,906) | (130) | (547) | (968) | (14,330) |
| Translation differences in respect of foreign operation cash balances | (83) | (351) | (46) | (165) | (698) | (71) | 1,658 |
| Change in cash and cash equivalents for the period | (1,332) | (5,620) | 5,127 | (263) | (1,109) | (6,566) | 2,046 |
| Cash and cash equivalents at beginning of period | 9,596 | 40,488 | 38,442 | 8,527 | 35,977 | 50,135 | 38,442 |
| Cash and cash equivalents at end of period | 8,264 | 34,868 | 43,569 | 8,264 | 34,868 | 43,569 | 40,488 |

(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, |
|---|--|------|---|--|------|---------------------------------------|
| 2015 | 2015 | 2014 | 2015 | 2015 | 2014 | 2014 |
| (unaudited) | (unaudited) | | (unaudited) | (unaudited) | | (audited) |
| | | | (in thousands) | | | |
| Convenience translation into Euro (1) | NIS | | Convenience translation into Euro (1) | NIS | | |

Appendix A - Adjustments necessary to show the cash flows - operating activities

Income and expenses which not involve cash flows:

| | | | | | | | |
|---|-------|---------|-------|-----|-------|-------|---------|
| Depreciation and amortization | 1,380 | 5,822 | 5,145 | 670 | 2,829 | 2,612 | 10,592 |
| Loss (profit) from marketable securities, net | 64 | 272 | (115) | 123 | 519 | (46) | 174 |
| Change in liabilities for benefits to employees, net | 35 | 147 | 33 | 12 | 51 | (47) | (10) |
| Capital loss | - | - | 2,191 | - | - | - | 2,150 |
| Reevaluation of long-term loans and bonds | (210) | (884) | (397) | 91 | 386 | 221 | (136) |
| Reevaluation of restricted cash | - | - | (9) | - | - | (3) | (40) |
| Change in deferred taxes | 38 | 162 | 599 | 53 | 224 | 409 | 1,811 |
| Reevaluation of embedded derivatives and other financial assets | (444) | (1,874) | (684) | 167 | 703 | (410) | (1,231) |
| Loss on early redemption of debentures | - | - | - | - | - | - | 2,991 |

Changes in assets and liabilities:

| | | | | | | | |
|--|---------|---------|---------|-------|---------|---------|---------|
| Decrease (increase) in accounts receivable - trade | (418) | (1,764) | (1,322) | 773 | 3,261 | (275) | (8,949) |
| Increase in accounts receivable - other | (166) | (702) | (1,283) | (156) | (660) | (1,314) | (1,091) |
| Decrease (increase) in inventory | 1,217 | 5,137 | (1,904) | 491 | 2,070 | (1,106) | (8,616) |
| Decrease in inventory - work in progress | 681 | 2,872 | 3,638 | 47 | 198 | 494 | 10,563 |
| Increase (decrease) in accounts payable - trade | (1,175) | (4,957) | 6,681 | 282 | 1,190 | 1,140 | 6,680 |
| Decrease in accounts payable - other | (898) | (3,790) | (2,490) | (948) | (3,999) | (992) | (3,970) |
| | 104 | 441 | 10,083 | 1,605 | 6,772 | 683 | 10,918 |

(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, |
|---|---|--|-------|---|--|------|---------------------------------------|
| | 2015 | 2015 | 2014 | 2015 | 2015 | 2014 | 2014 |
| | (unaudited) | (unaudited) | | (unaudited) | (unaudited) | | (audited) |
| | | | | (in thousands) | | | |
| Convenience translation into Euro (1) | | NIS | | Convenience translation into Euro (1) | NIS | | |
| Cash paid during the period for: | | | | | | | |
| Interest | 621 | 2,620 | 2,941 | 11 | 45 | 69 | 5,529 |
| Taxes on income | 6 | 27 | 54 | 3 | 13 | 27 | 90 |
| Cash received during the period for: | | | | | | | |
| Interest and dividend | 132 | 557 | 762 | 32 | 135 | 195 | 1,109 |

Appendix B - Additional information regarding
operating activities

Cash paid during the period for:

Interest

Taxes on income

Cash received during the period for:

Interest and dividend

(1) See note 1C.

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

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

Note 1 - General

- A. These financial statements have been prepared in a condensed format as of June 30, 2015, and for the six and three months periods then ended ("consolidated interim financial statements"). These financial statements should be read in conjunction with the Company's audited annual financial statements and accompanying notes as of December 31, 2014 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, 2015 | 222.92 | 3.769 | 4.2194 |
| June 30, 2014 | 223.80 | 3.438 | 4.6939 |
| December 31, 2014 | 223.36 | 3.889 | 4.7246 |
| <u>Change during the period</u> | <u>%</u> | <u>%</u> | <u>%</u> |
| Six months ended June 30, 2015 | (0.20) | (3.09) | (10.69) |
| Six months ended June 30, 2014 | - | (0.95) | (1.84) |
| Three months ended June 30, 2015 | 1.12 | (5.30) | (1.27) |
| Three months ended June 30, 2014 | 0.49 | (1.41) | (2.46) |
| For the year ended December 31, 2014 | (0.20) | 12.04 | (1.20) |

(*) 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 of June 30, 2015 (EURO 1 = NIS 4.2194).

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 - Accounting Policies

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 consolidated financial statements.

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

Note 3 - Significant events in the reported period

- A. On March 2015 a Canadian customer, which is not connected to the Company or to interested parties in it - Prestige Properties Corp. (hereinafter: "the Customer") signed with the Company (through a wholly owned sub-subsidiary incorporated in the US - Unitronics Systems Inc.) a Binding Letter of Intent (BLOI) for the planning, supply and construction of an automatic vehicle storage and retrieval system ("AVSRS") for 1,400 parking places in Calgary Alberta Canada (hereinafter: "the Project"), the largest automatic parking facility in North America, for one of the world's premier hotel chains.

According to the BLOI, the customer will pay the Company for the project, a total amount of 24 million US dollars (about NIS 96 million).

According to the BLOI the final agreement between the parties will be based on agreed versions of standard agreements proposed by the Design – Build Institute of America, which determines, inter alia, timetables, milestones and terms of payment.

- B. The Company's compliance with financial covenants bonds series 4 and 5

In the framework of the Shelf Offer Report from January 2013, the Company engaged in a trust deed for the bonds (Series 4) on January 17, 2013 (hereinafter – "the Trust Deed") according to which it undertook, inter alia, to meet financial covenants of a ratio of the financial debt to net CAP which will not exceed 80% and the ratio of financial debt to EBITDA which will not exceed 10, and a condition that the shareholders' equity will not be less than NIS 20 million, including setting a mechanism for updating the interest for exceptional periods from the financial covenants agreed, and circumstances which are grounds for immediate repayment, and all as detailed in the Trust Deed.

In the framework of the Shelf Offer Report from September 2014, the Company engaged in a trust deed for the bonds (Series 5) on September 10, 2014 (hereinafter – "the Trust Deed") according to which it undertook, inter alia, to meet financial covenants of a ratio of the financial debt to net CAP which will not exceed 70% and the ratio of financial debt to EBITDA which will not exceed 10, and a condition that the shareholders' equity will not be less than NIS 25 million, including setting a mechanism for updating the interest for exceptional periods from the financial covenants agreed, and circumstances which are grounds for immediate repayment, and all as detailed in the Trust Deed.

An examination whether the Company meets its financial covenants will be made twice a year in every calendar year on the date of publishing the financial statements as of June 30 and December 31, as long as the bonds exist and are in circulation.

As of June 30, 2015 the Company meets its financial covenants as mentioned above.

Note 4 - Subsequent events

In August 2015 the subsidiary Unitronics Automated Solutions Ltd. (hereinafter: "**Solutions**") filed against certain customers (and a principal shareholder and manager thereof), and concurrently those customers filed against Solutions, financial lawsuits in connection with agreements for the construction of automated parking systems. Solution's claim amounts to NIS 10,000 thousand (for court fee purposes), while the customers' claim amounts to NIS 2,915 thousand. Solution's claim is in respect of termination unlawfully and in bad faith and avoidance of performance of said agreements, in an attempt to cause damage to Solutions; the customer's claim is in respect of breach of the agreements, fraud, bad faith and negligence on the part of Solutions. In addition, the customers requested to reserve their rights in respect of damages not known on the date of filing the lawsuit.

Pursuant to its lawsuit, Solutions was granted a temporary injunction against the exercise of performance guarantees which it had provided, subject to the deposit of a bond, which was deposited in actual fact.

The customers' lawsuit was filed, as noted, very close to the date of approval of the financial statements, the suit is currently in the preliminary stages of being studied, and the formulation of a statement of defense has yet to begin.

The Company's legal advisers estimate that it is more likely than not that the lawsuit will be dismissed.

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

Note 5 - Financial Instruments

A. Fair value

Below the balances in the books and the fair value of financial instruments which are not presented in the financial statements according to their fair value, and there is a substantial difference between the carrying amount to fair value:

| | June 30, 2015 | |
|----------------------------------|---------------------|------------|
| | Book value | Fair value |
| | (unaudited) | |
| | NIS, (in thousands) | |
| <u>Financial liabilities (*)</u> | | |
| Bonds linked to the Israeli CPI | 46,100 | 51,133 |
| Bonds not linked | 38,858 | 42,880 |
| | | |
| | June 30, 2014 | |
| | Book value | Fair value |
| | (unaudited) | |
| | NIS, (in thousands) | |
| <u>Financial liabilities (*)</u> | | |
| Bonds linked to the Israeli CPI | 87,478 | 96,519 |
| | | |
| | December 31, 2014 | |
| | Book value | Fair value |
| | (audited) | |
| | NIS, (in thousands) | |
| <u>Financial liabilities (*)</u> | | |
| Bonds linked to the Israeli CPI | 52,930 | 56,047 |
| Bonds not linked | 38,761 | 40,004 |

(*) The fair value is based on stock market value as of the report date.

B. Classification of financial instruments at fair value rating

The financial instruments presented in the statement of financial position at fair value or that disclosure of their fair value, are classified, according to groups with similar characteristics, to the rating of fair value as follows, which is determined in accordance with the source of the data used in determining fair value:

- Level 1: Quoted prices (without adjustments) in an active market of identical assets and liabilities.
- Level 2: Data which is not quoted prices included in Level 1, which can be seen directly or indirectly.
- Level 3: Data which is not based on market data which can be seen (evaluation techniques without the use of market data which can be seen).

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

Note 5 - Financial Instruments (cont'd)

B. Classification of financial instruments at fair value rating (cont'd)

The Company holds financial instruments measured at fair value according to the classifications as follows:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|---|----------------------------|----------------|----------------|---------------|
| <u>As of June 30, 2015 (unaudited)</u> | <u>NIS, (in thousands)</u> | | | |
| <u>Financial assets at fair value:</u> | | | | |
| Marketable securities | <u>19,369</u> | <u>-</u> | <u>-</u> | <u>19,369</u> |
| Forward contracts | <u>-</u> | <u>2,039</u> | <u>-</u> | <u>2,039</u> |
| <u>Financial liabilities at fair value:</u> | | | | |
| Embedded derivatives | <u>-</u> | <u>220</u> | <u>-</u> | <u>220</u> |
| <u>As of June 30, 2014 (unaudited)</u> | | | | |
| <u>Financial assets at fair value:</u> | | | | |
| Marketable securities | <u>26,794</u> | <u>-</u> | <u>-</u> | <u>26,794</u> |
| Forward contracts | <u>-</u> | <u>228</u> | <u>-</u> | <u>228</u> |
| <u>Financial liabilities at fair value:</u> | | | | |
| Embedded derivatives | <u>-</u> | <u>830</u> | <u>-</u> | <u>830</u> |
| <u>As of December 31, 2014 (audited)</u> | | | | |
| <u>Financial assets at fair value:</u> | | | | |
| Marketable securities | <u>26,320</u> | <u>-</u> | <u>-</u> | <u>26,320</u> |
| Forward contracts | <u>-</u> | <u>418</u> | <u>-</u> | <u>418</u> |
| <u>Financial liabilities at fair value:</u> | | | | |
| Embedded derivatives | <u>-</u> | <u>473</u> | <u>-</u> | <u>473</u> |

During the specified periods, there were no transfers between Level 1 and Level 2, and there were no transfers to or from Level 3.

C. Evaluation techniques

The Company has sales contracts denominated in currencies which are not the Company's functional currency. These contracts included embedded derivatives which are measured based on the current spot rates, the yield curve of the relevant currencies and the margins between the currencies.

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

Note 6 - 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 segment's 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 and taxes are not included in the results in each of the operating segments examined by senior management.

From the fourth quarter of 2014 the company examines the segment's operating performance on the basis of measuring operating income, after development costs related to products segment and parking solutions segment. Until the third quarter of 2014, development costs were unallocated to these operative segments. Development costs were allocated in the comparison figures to those operative segments accordingly.

- B. The Group operates in three main business segments.
- Planning, development, manufacture and marketing of industrial controllers (Programmable Logic Controllers) (Hereinafter - "The products segment").
 - System integration projects (Hereinafter - "The system integration projects segment").
 - Planning, construction and maintenance of automated parking systems (hereinafter - "Parking solutions segment").

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

Note 6 - Business segments (cont'd)

| For the six months period ended June 30, | For the six months period ended June 30, | | For the three months period ended June 30, | For the three months period ended June 30, | | For the year ended December 31, |
|---|--|---------|---|--|---------|---------------------------------------|
| 2015 | 2015 | 2014 | 2015 | 2015 | 2014 | 2014 |
| (unaudited) | (unaudited) | | (unaudited) | (unaudited) | | (audited) |
| | | | (in thousands) | | | |
| Convenience translation into Euro (1) | NIS | | Convenience translation into Euro (1) | NIS | | |
| | | | | | | |
| 13,081 | 55,193 | 52,368 | 6,448 | 27,206 | 27,749 | 108,442 |
| 4,081 | 17,220 | 19,213 | 1,732 | 7,308 | 7,082 | 37,835 |
| 2,611 | 11,017 | 8,593 | 583 | 2,459 | 4,880 | 24,641 |
| 43 | 183 | 171 | 18 | 77 | 86 | 393 |
| 19,816 | 83,613 | 80,345 | 8,781 | 37,050 | 39,797 | 171,311 |
| | | | | | | |
| | | | | | | |
| 2,955 | 12,468 | 12,158 | 1,572 | 6,637 | 6,642 | 26,535 |
| 1,706 | 7,199 | 1,459 | 713 | 3,007 | 304 | 4,737 |
| (1,108) | (4,676) | (3,407) | (805) | (3,395) | (1,725) | (7,109) |
| - | - | (11) | 1 | 3 | (7) | (33) |
| (1,198) | (5,053) | (6,125) | (570) | (2,407) | (1,967) | (10,442) |
| 2,355 | 9,938 | 4,074 | 911 | 3,845 | 3,247 | 13,688 |
| 96 | 405 | 2,397 | 517 | 2,181 | 2,012 | 8,531 |
| 237 | 1,002 | 599 | 25 | 107 | 409 | 1,811 |
| 2,022 | 8,531 | 1,078 | 369 | 1,557 | 826 | 3,346 |

(1) See note 1C.

UNITRONICS (1989) (R"G) LTD.

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

June 30, 2015

(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 of June 30, 2015 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.

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 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, 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 27, 2015

Unitronics (1989) (R"G) Ltd.
Assets and liabilities included in the interim consolidated financial statements
attributed to the company

| | June 30, 2015 | June 30, 2015 | June 30, 2014 | December 31, 2014 |
|--|------------------|------------------|------------------|----------------------|
| | (unaudited) | (unaudited) | | (audited) |
| | | (in thousands) | | |
| Convenience translation into Euro (1) | | NIS | | |
| <u>Current assets</u> | | | | |
| Cash and cash equivalents | 7,188 | 30,324 | 35,648 | 33,884 |
| Restricted cash | 303 | 1,276 | 3,499 | 1,476 |
| Marketable securities | 4,590 | 19,369 | 26,794 | 26,320 |
| Accounts receivable - | | | | |
| Trade | 2,603 | 10,984 | 12,636 | 12,769 |
| Other | 272 | 1,148 | 1,168 | 1,297 |
| Other financial assets | 483 | 2,039 | 228 | 418 |
| Accounts receivable - other - subsidiaries | 5,508 | 23,241 | 20,925 | 10,303 |
| Inventory | 4,902 | 20,684 | 18,876 | 26,131 |
| Inventory - work in progress | 326 | 1,377 | 7,485 | 2,935 |
| | 26,175 | 110,442 | 127,259 | 115,533 |
| <u>Non-current assets</u> | | | | |
| Long-term deposits | 88 | 370 | 428 | 432 |
| Property and equipment, net | 4,391 | 18,529 | 18,996 | 18,940 |
| Long-term receivables - Subsidiary | 8,295 | 35,000 | 15,000 | 35,000 |
| Intangible assets, net | 9,851 | 41,567 | 38,281 | 40,024 |
| | 22,625 | 95,466 | 72,705 | 94,396 |
| | 48,800 | 205,908 | 199,964 | 209,929 |

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

Tzvi Livne
Director

Gabriel Badusa
Chief Financial Officer

Approved: August 27, 2015.

(1) See note 1B.

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

| | <u>June 30, 2015</u> | <u>June 30, 2015</u> | <u>June 30, 2014</u> | <u>December 31, 2014</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 | 293 | 1,236 | 2,370 | 1,915 |
| Current maturities of bonds | 2,430 | 10,252 | 18,023 | 10,259 |
| Accounts payable - | | | | |
| Trade | 3,070 | 12,956 | 19,490 | 19,526 |
| Other | 3,633 | 15,329 | 19,622 | 18,991 |
| Embedded derivatives | 52 | 220 | 830 | 473 |
| | <u>9,478</u> | <u>39,993</u> | <u>60,335</u> | <u>51,164</u> |
| <u>Non-current liabilities</u> | | | | |
| Liabilities less assets associated with subsidiaries | 5,749 | 24,253 | 15,066 | 17,305 |
| Loans from banks and others | 1,035 | 4,365 | 6,026 | 5,461 |
| Bonds | 17,705 | 74,706 | 69,455 | 81,432 |
| Liabilities for benefits to employees, net | 458 | 1,934 | 2,431 | 1,787 |
| Deferred taxes | 771 | 3,255 | 1,847 | 3,120 |
| | <u>25,718</u> | <u>108,513</u> | <u>94,825</u> | <u>109,105</u> |
| <u>Equity</u> | | | | |
| Share capital | 83 | 352 | 352 | 352 |
| Share premium | 11,989 | 50,588 | 50,588 | 50,588 |
| Capital reserve from translation of foreign operation | (78) | (331) | (1,625) | 458 |
| Company shares held by the company | (1,669) | (7,042) | (7,042) | (7,042) |
| Reserve from a transaction with a controlling party | 25 | 104 | 104 | 104 |
| Retained earnings | 3,254 | 13,731 | 2,427 | 5,200 |
| | <u>13,604</u> | <u>57,402</u> | <u>44,804</u> | <u>49,660</u> |
| | <u>48,800</u> | <u>205,908</u> | <u>199,964</u> | <u>209,929</u> |

(1) See note 1B.

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, <u>2015</u> <u>(unaudited)</u> | For the six months period ended June 30, <u>2015</u> <u>2014</u> <u>(unaudited)</u> | | For the three months period ended June 30, <u>2015</u> <u>(unaudited)</u> | For the three months period ended June 30, <u>2015</u> <u>2014</u> <u>(unaudited)</u> | | For the year ended December 31, <u>2014</u> <u>(audited)</u> |
|---|---|---|---------|---|---|---------|--|
| | Convenience translation into Euro (1) | NIS | | Convenience translation into Euro (1) | NIS | | |
| Revenues | 12,041 | 50,806 | 54,069 | 5,723 | 24,150 | 25,841 | 108,602 |
| Revenues from subsidiaries | 4,223 | 17,818 | 14,402 | 1,923 | 8,112 | 7,432 | 29,011 |
| Total revenues | 16,264 | 68,624 | 68,471 | 7,646 | 32,262 | 33,273 | 137,613 |
| Cost of revenues | 9,827 | 41,465 | 48,952 | 4,481 | 18,908 | 23,247 | 94,195 |
| Gross profit | 6,437 | 27,159 | 19,519 | 3,165 | 13,354 | 10,026 | 43,418 |
| Development expenses, net | 405 | 1,706 | 1,504 | 185 | 780 | 776 | 2,958 |
| Selling & marketing expenses | 1,044 | 4,401 | 3,998 | 528 | 2,229 | 2,046 | 8,918 |
| General & administrative expenses | 1,163 | 4,909 | 3,928 | 542 | 2,285 | 1,952 | 8,162 |
| General & administrative expenses to subsidiaries | 92 | 390 | 382 | 52 | 219 | 193 | 835 |
| Other expenses | - | - | 782 | - | - | - | 740 |
| Operating profit | 3,733 | 15,753 | 8,925 | 1,858 | 7,841 | 5,059 | 21,805 |
| Financing income | 1,316 | 5,552 | 1,581 | 267 | 1,126 | 928 | 2,830 |
| Financing expenses | 1,330 | 5,611 | 3,647 | 793 | 3,345 | 2,783 | 9,975 |
| Profit after financing, net | 3,719 | 15,694 | 6,859 | 1,332 | 5,622 | 3,204 | 14,660 |
| The Company's share of subsidiaries loss | (1,460) | (6,161) | (5,276) | (938) | (3,958) | (2,063) | (9,597) |
| Profit before taxes on income | 2,259 | 9,533 | 1,583 | 394 | 1,664 | 1,141 | 5,063 |
| Taxes on income | 237 | 1,002 | 505 | 25 | 107 | 315 | 1,717 |
| Net profit for the period attributed to the company's shareholders | 2,022 | 8,531 | 1,078 | 369 | 1,557 | 826 | 3,346 |

(1) See note 1B.

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>2015</u> (unaudited) | For the six months period ended June 30, <u>2015</u> <u>2014</u> (unaudited) | | For the three months period ended June 30, <u>2015</u> (unaudited) | For the three months period ended June 30, <u>2015</u> <u>2014</u> (unaudited) | | For the year ended December 31, <u>2014</u> (audited) |
|--|--|--|----------------|---|--|--|---|
| | | | | | | | |
| | | | (in thousands) | | | | |
| | Convenience translation into Euro (1) | NIS | | Convenience translation into Euro (1) | NIS | | |
| Net profit for the period attributed to the company's shareholders | 2,022 | 8,531 1,078 | | 369 | 1,557 826 | | 3,346 |
| <u>Other comprehensive income (loss) (after tax)</u> | | | | | | | |
| Items that may not be classified afterwards to profit or loss: | | | | | | | |
| Re-measurement gain from defined benefit plans | - | - - | | - | - - | | 505 |
| Items that may be reclassified to profit or loss in the future if certain conditions are met: | | | | | | | |
| Adjustments arising from translating financial statements of foreign operations | (187) | (789) (37) | | (296) | (1,248) (80) | | 2,046 |
| Other comprehensive income (loss) for the period | (187) | (789) (37) | | (296) | (1,248) (80) | | 2,551 |
| Total comprehensive income for the period attributed to the company's shareholders | 1,835 | 7,742 1,041 | | 73 | 309 746 | | 5,897 |

(1) See note 1B.

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, 2015 (unaudited) | For the six months period ended June 30, 2015 2014 (unaudited) | | For the three months period ended June 30, 2015 (unaudited) (in thousands) | For the three months period ended June 30, 2015 2014 (unaudited) | | For the year ended December 31, 2014 (audited) |
|---|---|--|----------|---|--|---------|---|
| | Convenience translation into Euro (1) | NIS | | Convenience translation into Euro (1) | NIS | | |
| Cash flows - operating activities | | | | | | | |
| Net profit for the period attributed to the company's shareholders | 2,022 | 8,531 | 1,078 | 369 | 1,557 | 826 | 3,346 |
| Adjustments necessary to show the cash flows - operating activities (Appendix A) | 1,753 | 7,396 | 12,485 | 2,044 | 8,624 | 2,796 | 21,871 |
| Cash flows provided by operating activities of the company | 3,775 | 15,927 | 13,563 | 2,413 | 10,181 | 3,622 | 25,217 |
| Cash flows used in operating activities from transactions with subsidiaries | (3,067) | (12,938) | (10,274) | (1,062) | (4,479) | (6,975) | (19,652) |
| Cash flows provided by (used in) operating activities | 708 | 2,989 | 3,289 | 1,351 | 5,702 | (3,353) | 5,565 |
| Cash flows - investing activities | | | | | | | |
| Sale of (investment in) marketable securities, net | 1,583 | 6,679 | (454) | (105) | (443) | (884) | (269) |
| Purchase of property and equipment | (68) | (289) | (461) | (46) | (198) | (399) | (1,256) |
| Sale of property and equipment | - | - | 18,300 | - | - | - | 18,490 |
| Repayment of restricted cash | 47 | 200 | 655 | - | - | - | 2,680 |
| Investment of long-term deposits, net | (1) | (6) | (15) | (11) | (46) | (38) | (56) |
| Investment in intangible assets | (1,248) | (5,264) | (5,425) | (651) | (2,745) | (2,770) | (10,605) |
| Cash flows provided by (used in) investing activities of the company | 313 | 1,320 | 12,600 | (813) | (3,432) | (4,091) | 8,984 |
| Cash flows provided by investing activities from transactions with subsidiaries | - | - | 1,409 | - | - | - | 1,409 |
| Cash flows provided by (used in) investing activities | 313 | 1,320 | 14,009 | (813) | (3,432) | (4,091) | 10,393 |
| Cash flows - financing activities | | | | | | | |
| Repayment of long-term loans | (266) | (1,121) | (2,123) | (130) | (547) | (968) | (3,352) |
| Bonds issue | - | - | - | - | - | - | 38,702 |
| Repayment of bonds | (1,599) | (6,748) | (11,783) | - | - | - | (11,783) |
| Early redemption of bonds | - | - | - | - | - | - | (37,897) |
| Cash flows used in financing activities | (1,865) | (7,869) | (13,906) | (130) | (547) | (968) | (14,330) |
| Change in cash and cash equivalents for the period | (844) | (3,560) | 3,392 | 408 | 1,723 | (8,412) | 1,628 |
| Cash and cash equivalents at beginning of period | 8,032 | 33,884 | 32,256 | 6,780 | 28,601 | 44,060 | 32,256 |
| Cash and cash equivalents at end of period | 7,188 | 30,324 | 35,648 | 7,188 | 30,324 | 35,648 | 33,884 |

(1) See note 1B.

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, 2015 | For the six months period ended June 30, 2015 2014 | | For the three months period ended June 30, 2015 | For the three months period ended June 30, 2015 2014 | | For the year ended December 31, 2014 |
|--|--|--|---|--|--|---|
| (unaudited) | (unaudited) | | (unaudited) | (unaudited) | | (audited) |
| | | | (in thousands) | | | |
| Convenience translation into Euro (1) | NIS | | Convenience translation into Euro (1) | NIS | | |

Appendix A - Adjustments necessary to show the cash flows - operating activities

Income and expenses not involving cash flows:

| | | | | | | | |
|---|-------|---------|-------|-----|-------|-------|---------|
| The Company's share of subsidiaries losses | 1,460 | 6,161 | 5,276 | 938 | 3,958 | 2,063 | 9,597 |
| Depreciation and amortization | 1,037 | 4,376 | 4,680 | 481 | 2,025 | 2,348 | 9,116 |
| Loss (Profit) from marketable securities, net | 64 | 272 | (115) | 123 | 519 | (46) | 174 |
| Change in liabilities for benefits to employees, net | 35 | 147 | 33 | 12 | 51 | (47) | (10) |
| Capital loss | - | - | 782 | - | - | - | 740 |
| Change in deferred taxes | 38 | 162 | 505 | 53 | 224 | 315 | 1,717 |
| Reevaluation of long-term loans and bonds | (210) | (884) | (397) | 91 | 386 | 221 | (136) |
| Reevaluation of restricted cash | - | - | (9) | - | - | (3) | (11) |
| Reevaluation of embedded derivatives and other financial assets | (444) | (1,874) | (684) | 167 | 703 | (410) | (1,231) |
| Loss from early redemption of bonds | - | - | - | - | - | - | 2,991 |

Changes in assets and liabilities:

| | | | | | | | |
|--|--------------|--------------|---------------|--------------|--------------|--------------|---------------|
| Decrease in accounts receivable - trade | 423 | 1,785 | 363 | 544 | 2,295 | 553 | 230 |
| Decrease (increase) in accounts receivable - other | 45 | 190 | (776) | 15 | 65 | (788) | (904) |
| Decrease (increase) in inventory | 1,360 | 5,737 | (1,848) | 550 | 2,321 | (979) | (9,033) |
| Decrease in inventory - work in progress | 369 | 1,558 | 4,985 | 33 | 141 | 952 | 9,535 |
| Increase (decrease) in accounts payable - trade | (1,557) | (6,570) | 5,737 | (295) | (1,245) | 1,191 | 5,773 |
| Decrease in accounts payable - other | (867) | (3,664) | (6,047) | (668) | (2,819) | (2,574) | (6,677) |
| | <u>1,753</u> | <u>7,396</u> | <u>12,485</u> | <u>2,044</u> | <u>8,624</u> | <u>2,796</u> | <u>21,871</u> |

(1) See note 1B.

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, |
|---|--|------|---|--|------|---------------------------------------|
| 2015 | 2015 | 2014 | 2015 | 2015 | 2014 | 2014 |
| (unaudited) | (unaudited) | | (unaudited) | (unaudited) | | (audited) |
| Convenience translation into Euro (1) | NIS | | Convenience translation into Euro (1) | NIS | | |
| | | | (in thousands) | | | |

Appendix B - Non-cash operations

| | | | | | | |
|---|---|---|---|---|---|--------|
| Providing long-term financing to a subsidiary | - | - | - | - | - | 20,000 |
|---|---|---|---|---|---|--------|

Appendix C - Additional information regarding
operating activities

| | | | | | | |
|--------------------------------------|-----|-------|-------|----|-----|-----|
| Cash paid during the period for: | | | | | | |
| Interest | 621 | 2,620 | 2,941 | 11 | 45 | 69 |
| Taxes on income | 6 | 27 | 54 | 3 | 13 | 27 |
| Cash received during the period for: | | | | | | |
| Interest and dividend | 132 | 557 | 762 | 32 | 135 | 195 |

(1) See note 1B.

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 as of June 30, 2015 and for the periods of six and three months then ended, have been prepared in accordance with regulation 38D of the Israeli Securities Regulations (Periodic and Immediate Reports), 1970. These separate interim financial information should be read in conjunction with the Company's audited annual separate financial information as of December 31, 2014 and for the year then ended, and with the related additional information.

B. 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 of June 30, 2015 (EURO 1 = NIS 4.2194).

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 - Statements by the CEO and CFO of the Corporation for the
Second Quarter of 2015**

- a. Statement by CEO pursuant to Regulation 38C(D)(1) of the regulations
- b. Statement by CFO pursuant to Regulation 38C(D)(2) of the regulations

Statement by the CEO pursuant to Regulation 38C(D)(1) of the regulations:

I, HAIM SHANI, certify that:

1. I have reviewed the quarterly report of UNITRONICS (1989) (R"G) Ltd. ("the corporation") for the second quarter of 2015 ("the Report").
2. To the best of my knowledge, the report is free of any misrepresentation of material fact and is not lacking any representation of material fact required for the representations made there in, under the circumstances in which they were made, to not be misleading in reference to the period covered by the report.
3. To the best of my knowledge, the financial statements and other financial information included in the report properly reflect, in all material aspects, the financial standing, operating results and cash flows of the corporation as of the dates and for the periods to which the report refers.
4. I have disclosed to the corporation's Independent Auditor, the Board of Directors and the Audit Committee of the corporation's Board of Directors, any fraud, whether material or not, involving the CEO or any direct report of the CEO, or involving any other employees that have a significant role in the financial reporting and in disclosure and control over financial reporting.

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

August 27, 2015

HAIM SHANI, CEO

Statement by the CFO pursuant to Regulation 38C(D)(2) of the regulations

I, GABRIEL BADUSA, certify that:

1. I have reviewed the interim financial statements and other financial information included in the interim reports of UNITRONICS (1989) (R"G) Ltd. ("the corporation") for the second quarter of 2015 (hereinafter - "the Report" or "the Interim Reports").
2. To the best of my knowledge, the interim financial statements and the other financial information included in the interim reports are free of any mis-representation of material fact and is not lacking any representation of material fact required for the representations made there in, under the circumstances in which they were made, to not be misleading in reference to the period covered by the report.
3. To the best of my knowledge, the interim financial statements and the other financial information included in the interim reports properly reflect, in all material aspects, the financial standing, operating results and cash flows of the corporation as of the dates and for the periods to which the report refers.
4. I have disclosed to the corporation's Independent Auditor, the Board of Directors and the Audit Committee of the corporation's Board of Directors, any fraud, whether material or not, involving the CEO or any direct report of the CEO, or involving any other employees that have a significant role in the financial reporting and in disclosure and control over financial reporting.

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

August 27, 2015

GAVRIEL BADUSA, CFO



UNITRONICS (1989) (R"G) LTD.

PRESS RELEASE
Airport City, Israel,
August 27, 2015

*****Regulated Information*****
*****For Immediate Release*****

Corporation's Liabilities Status Report by Dates of Payment

Airport City, Israel – August 27, 2015 - Unitronics published the attached Immediate Report pursuant to the requirements of Israeli law, in connection with the requirement to report the Corporation's liabilities status by dates of payment.

About Unitronics

Unitronics (1989) (R"G) Ltd. is an Israeli company that engages, through its Products Department, in the design, development, production, marketing and sale of industrial automation products, mainly Programmable Logic Controllers ("PLCs"). PLCs are computer-based electronic products (hardware and software), used in the command and control of machines performing automatic tasks, such as production systems and automatic systems for industrial storage, retrieval and logistics. The Company also engages, through its Systems Department and/or its subsidiaries, in the design, construction and maintenance services in the framework of projects for automation, computerization and integration of computerized production and/or logistics systems, mainly automated warehouses, automated distribution centers and automated parking facilities. The Company's PLCs are distributed by over one hundred and forty distributors (and a wholly owned US subsidiary) in approximately fifty countries throughout Europe, Asia, America and Africa. The services of the Systems Department are provided to customers in Israel and also outside Israel.

This press release contains certain forward-looking statements and information relating to the Company that are based on the beliefs of the Management of the Company as well as assumptions made by and information currently available to the Management of the Company. Such statements reflect the current views of the Company with respect to future events, the outcome of which is subject to certain risks and other factors which may be outside of the Company's control. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results or outcomes may vary materially from those described herein as projected, anticipated, believed, estimated, expected or intended.

Unitronics (1989) (R"G) Ltd.
(the "Company")

Re: An Immediate Report Concerning Corporation's Liabilities Status by Dates of Payment

Pursuant to section 36A of the Israeli Securities Law, 1968.

Reporting period: June 30th, for the year: 2015.

Detailed Corporation's liabilities status by dates of payment is as follows:

- A. Debentures issued by the reporting Corporation to the public and held by the public, excluding such Debentures held by the Corporation's parent company, its controlling shareholder, companies controlled by same or companies which are controlled by the Corporation ("Solo" report) (in NIS thousands)

| Fund Payments | | | | | | | | | |
|---------------------------------|-----------------------------|---------------------------|-------------|------------|------------|------------|--------------|---|----------------------|
| | NIS Index Linked | NIS Index Unlinked | Euro | USD | --- | --- | Other | Gross Interest Payment (Without Tax Deduction) | Total by year |
| First Year | 6,714 | 4,000 | | | | | | 4,742 | 15,456 |
| Second Year | 6,714 | 4,000 | | | | | | 4,147 | 14,861 |
| Third Year | 11,012 | 2,000 | | | | | | 3,611 | 16,623 |
| Fourth Year | 11,280 | 2,000 | | | | | | 2,900 | 16,180 |
| Fifth Year and So On | 11,280 | 28,000 | | | | | | 5,713 | 44,993 |
| Total | 47,000 | 40,000 | | | | | | 21,113 | 108,113 |

- B.** Private debentures and non banking-credit, excluding debentures or credit which was given by the Corporation's parent company, its controlling shareholder, companies controlled by same or companies which are controlled by the Corporation – based on data from the Corporation's separate financial reports ("Solo" report) (in NIS thousands)

| Fund Payments | | | | | | | | | |
|----------------------|------------------|--------------------|------|-----|-----|-----|-------|--|---------------|
| | NIS Index Linked | NIS Index Unlinked | Euro | USD | --- | --- | Other | Gross Interest Payment (Without Tax Deduction) | Total by year |
| First Year | | | | | | | | | |
| Second Year | | | | | | | | | |
| Third Year | | | | | | | | | |
| Fourth Year | | | | | | | | | |
| Fifth Year and So On | | | | | | | | | |
| Total | | | | | | | | | |

- C.** Bank credit – from Israeli banks ("Solo" report) (in NIS thousands)

| Fund Payments | | | | | | | | | |
|----------------------|------------------|--------------------|-------|-------|-----|-----|-------|--|---------------|
| | NIS Index Linked | NIS Index Unlinked | Euro | USD | --- | --- | Other | Gross Interest Payment (Without Tax Deduction) | Total by year |
| First Year | | | 825 | 411 | | | | 155 | 1,391 |
| Second Year | | | 741 | 411 | | | | 125 | 1,277 |
| Third Year | | | 546 | 206 | | | | 97 | 849 |
| Fourth Year | | | 352 | | | | | 80 | 432 |
| Fifth Year and So On | | | 2,110 | | | | | 228 | 2,338 |
| Total | | | 4,574 | 1,028 | | | | 685 | 6,287 |

D. Bank credit – from banks abroad (“Solo” report) (in NIS thousands)

| Fund Payments | | | | | | | | | |
|----------------------|------------------|--------------------|------|-----|-----|-----|-------|--|---------------|
| | NIS Index Linked | NIS Index Unlinked | Euro | USD | --- | --- | Other | Gross Interest Payment (Without Tax Deduction) | Total by year |
| First Year | | | | | | | | | |
| Second Year | | | | | | | | | |
| Third Year | | | | | | | | | |
| Fourth Year | | | | | | | | | |
| Fifth Year and So On | | | | | | | | | |
| Total | | | | | | | | | |

E. Summary table of tables A-D, Total credit- banking, non-banking and debentures (“Solo” report) (in NIS thousands)

| Fund Payments | | | | | | | | | |
|----------------------|------------------|--------------------|-------|-------|-----|-----|-------|--|---------------|
| | NIS Index Linked | NIS Index Unlinked | Euro | USD | --- | --- | Other | Gross Interest Payment (Without Tax Deduction) | Total by year |
| First Year | 6,714 | 4,000 | 825 | 411 | | | | 4,897 | 16,847 |
| Second Year | 6,714 | 4,000 | 741 | 411 | | | | 4,272 | 16,138 |
| Third Year | 11,012 | 2,000 | 546 | 206 | | | | 3,708 | 17,472 |
| Fourth Year | 11,280 | 2,000 | 352 | | | | | 2,980 | 16,612 |
| Fifth Year and So On | 11,280 | 28,000 | 2,110 | | | | | 5,941 | 47,331 |
| Total | 47,000 | 40,000 | 4,574 | 1,028 | | | | 21,798 | 114,400 |

H. Total credit balance, banks, non banks and debentures of all consolidated companies, excluding companies which are reporting companies and excluding the reporting Corporation's data included in tables A-D above (in NIS thousands)

| Fund Payments | | | | | | | | | |
|-------------------------|---------------------|-----------------------|------|-----|-----|-----|-------|---|------------------|
| | NIS Index Linked | NIS Index Unlinked | Euro | USD | --- | --- | Other | Gross Interest Payment (Without Tax Deduction) | Total by year |
| First Year | | | | | | | | | |
| Second Year | | | | | | | | | |
| Third Year | | | | | | | | | |
| Fourth Year | | | | | | | | | |
| Fifth Year and So On | | | | | | | | | |
| Total | | | | | | | | | |

1. Total credit balance provided to the reporting Corporation by its parent company or controlling shareholder and balance of debentures issued by the reporting Corporation and held by its parent company or controlling shareholder: 0.
 2. Total credit balance provided to the reporting Corporation by companies controlled by its parent company or controlling shareholder which are not controlled by the reporting Corporation, and balance of debentures issued by the reporting Corporation and held by companies controlled by its parent company or controlling shareholder which are not controlled by the reporting Corporation: 0.
 3. Total credit balance provided to the reporting Corporation by consolidated companies and balance of debentures issued by the reporting Corporation and held by the consolidated companies: 0.
- I. (1) Cash and cash equivalents, marketable securities and short term deposits ("Solo" report) (in NIS thousands):49,693
 (2) Cash and cash equivalents, marketable securities and short term deposits of all consolidated companies (in NIS thousands):54,237
 (*) Pledged cash is excluded.

Respectfully,

Unitronics (1989) (R"G) Ltd.