Unitronics (1989) (R"G) Ltd

Quarterly Report as of September 30, 2010

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This report contains forward-looking information within the meaning of Section 32A of the Israeli Securities Law, 5728-1968, including forecasts, assessments, estimates, expectations or other information pertaining to future events or issues, the realization of which is uncertain and not solely under the Company's control, if at all. This information is identified as such where it is used in this report. Although such information is based on data available to the Company as of the date of the report, and reflects the Company's intents and assessments as of such date, the actual occurrences and/or results may differ substantially from those presented in the report or implied therefrom as projected or anticipated, since their realization is subject, inter alia, to uncertainties and other factors beyond the Company's control as set out in this report below.

CHAPTER A – PREFACE

1. General

Company Name:	UNITRONICS (1989) (R"G) LTD. (hereinafter: the "**Company**" or "**Unitronics**")
Company No.:	520044199
Address:	Unitronics House, Arava Street, Airport City, P.O.B. 300, Israel 70100
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2. Description of the Company and Its Business Environment

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

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

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

Since 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 in the year 2000, on the EuroNext Stock Exchange in Brussels, Belgium).

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

Replacement of the Company's Chairman of the Board of Directors

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

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

Share Purchase Plans

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

On November 11th, 2010, the Company's Board of Directors approved the adoption of a new plan for the Company to purchase Company shares (the "New Plan"). Within the framework of the New Plan, the Board approved acquisitions of Company shares on the Tel-Aviv and/or Belgian stock exchanges and/or directly from an unrelated party (off the floor), at an aggregate value of up to 1.5 million NIS (including expenses in connection therewith, and including fees of advisors and brokers). (For details, see immediate report concerning an event which is exceptional to the Company's usual business, published November 11th, 2010).

As of the date of publication of this report, the Company has a total of 1,476,116 shares that were purchased as stated at an aggregate cost of approximately NIS 5,992,000 (out of an existing 11,678,504 ordinary shares in the Company's issued share capital), including 181,748 shares that were purchased under the Plan. As long as these shares remain under the ownership of the Company, they are "dormant shares" as this term is defined in the Companies Law, 5759-1999. For further details concerning these purchases, see immediate reports that were issued by the Company from time to time in connection therewith, beginning on August 18, 2005.

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Expiry of Options (Series 2)

On August 24, 2010, the balance of 598,042 options (Series 2) allotted by the Company pursuant to a prospectus published by it on August 16, 2006 (the "**2006 Prospectus**"), and which were convertible into shares of the Company, expired in accordance with the terms of those options (for details see immediate report on the status of the Company's share capital and registered securities and changes therein, dated August 24, 2010, reference number 2010-01-597303).

Payment for Debentures (Series 2)

On August 25, 2010, the Company paid the second out of five installments of principal on Debentures (Series 2), which were allotted by the Company in 2006 (for details see immediate report on the payment of Debentures (Series 2) principal, dated August 25, 2010, reference number 2010-01-598479.)

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

Changes in the Holdings of Interested Parties

Following the expiry of the options and the buyback of shares by the Company, as stated above, the rate of holdings of Mr. Haim Shani, Company CEO and a controlling shareholder, has increased. The rate of holdings of Mr. Shani, as of the date of publication of this report, is: 60.18% of the capital and 60.18% of the voting rights (and on a fully diluted basis after the change: 58.96% of capital and 58.96% of voting rights).

Agreement with a Subcontractor for the Outsourcing of Manufacturing Activities

Pursuant to the Company's policy concerning the handing over of certain manufacturing activities to subcontractors (see Section 1.9.18 of the periodic report dated March 4, 2010), on September 16, 2010 the Company entered into a non-exclusive agreement for the receipt of outsourced manufacturing services with an Israeli subcontractor who is not related to the Company or to interested parties therein. These services include the supply and procurement processes of components, as well as the manufacturing, assembly, testing and packaging of certain products of the Company. At this early stage of the cooperation, the volumes of activity with the subcontractor are immaterial. The Company is considering the possibility of handing over additional manufacturing processes to said subcontractor.

Replacement of Senior Officers

On November 15, 2010, Mr. Alon Kedar will cease serving as Vice President and Products Manager, after completing a term of eleven years (for details see immediate report on a senior officer who has ceased officiating, dated October 26, 2010, reference number 2010-01-659811).

On October 26, 2010, Mr. Amit Harari was appointed to serve as Vice President and Products Manager in place of Mr. Kedar (for details see immediate report on the appointment of a senior officer, dated October 26, 2010, reference number 2010-01-659817).

Legal Proceedings

During the reporting period and since the publication of the Company's annual report for 2009, there were no material changes in the legal proceedings to which the Company is party. For details of such legal proceedings, see Section 1.20 of the Company's annual report for 2009.

Chapter B – Board of Directors Report

1. **Financial Position**

Assets

Total assets according to the consolidated balance sheet of the Company as of September 30, 2010 grew to NIS 125,030,000, compared to NIS 105,407,000 as of December 31, 2009. The growth in total assets primarily stems from the increase in cash and cash equivalents and inventory after deducting a decrease in the work in process inventory as specified below.

The items of cash and cash equivalents and marketable securities recorded an increase and together totaled NIS 42,563,000 as of September 30, 2010, compared to NIS 34,947,000 as of December 31, 2009. Most of the increase stems from a positive cash flow from operating activities, net of the cash flows used in financing and investing activities, as explained in Section 3 below.

No significant change was recorded in trade receivables and income receivable, which totaled NIS 14,444,000 as of September 30, 2010, compared to NIS 13,384,000 as of December 31, 2009.

Inventory increased to NIS 25,036,000 as of September 30, 2010, compared to NIS 11,953,000 as of December 31, 2009. This increase is primarily due to a special procurement of raw materials as a result of the extension of the delivery times for components in the electronics industry. The Company estimates that this trend is likely to continue, and consequently also affects and may continue to affect the delivery timetables of Company products and create further exposures (for details, see Section 1.9.6 of the Company's annual report for 2009). As of the date of publication of this report, the Company has not yet accumulated enough data to enable the quantification of such exposures (regarding the Company's methods of handling the aforementioned exposures, see the Company's Market Risk Management Policy set forth in section 4 below). (For additional details regarding raw materials, suppliers and inventory, see Chapter A, section 1.9.23.1 of the Company's periodic report for 2009).

The work in process inventory decreased to NIS 4,317,000 as of September 30, 2010, compared to NIS 7,835,000 as of December 31, 2009. The decrease is primarily due to the recognition of expenses in respect of work in process in the Systems Segment, resulting from progress in the execution of projects, and thus reflects headway in executing projects on the reporting date only.

No material change was recorded in fixed assets, which amounted to NIS 21,399,000 as of September 30, 2010, compared to NIS 21,849,000 as of December 31, 2009.

No significant change was recorded in intangible assets, which amounted to NIS 15,073,000 as of September 30, 2010, compared to NIS 14,737,000 as of December 31, 2009. The main component in this item is the recording of the Company's development assets relative to development costs which satisfy conditions for recognition as intangible assets, after deducting current amortization.

Liabilities

Short-term credit and current maturities of long-term liabilities amounted to NIS 10,514,000 as of September 30, 2010, compared to NIS 15,292,000 as of December 31, 2009. The decrease mainly stems from the repayment of current maturities of convertible Debentures (Series 1) during the second quarter of 2010, net of the increase in the current maturities of long-term loans received during the reporting period, as explained below.

An increase was recorded in trade payables, which totaled NIS 23,959,000 as of September 30, 2010 compared to NIS 10,755,000 as of December 31, 2009. The increase in this item is largely due to the growth in the Company's volume of activity, as well as the increase in inventories, as explained above.

The embedded derivatives item amounted to NIS 4,755,000 as of September 30, 2010, compared to NIS 1,501,000 as of December 31, 2009. The increase in this item is primarily due to the continuing devaluation of the Euro in relation to the Shekel during the reporting period, which was primarily reflected in the first half of 2010. The Company has sales contracts that are denominated in currencies other than the Company's functional currency. These contracts include embedded derivatives in foreign currency.

No significant change was recorded in accounts payable, which amounted to NIS 25,869,000 as of September 30, 2010, compared to NIS 24,751,000 as of December 31, 2009.

Total non-current liabilities as of September 30, 2010 amounted to NIS 28,526,000, compared to NIS 23,943,000 as of December 31, 2009. Most of the growth stems from long-term bank loans granted to the Company during the reporting period.

The Company's working capital increased to NIS 23,110,000 as of September 30, 2010, compared to NIS 16,263,000 as of December 31, 2009. The increase is primarily due to the increase in cash and inventories, net of the increase trade payables, as detailed above.

The Company's shareholders' equity increased to NIS 31,407,000 as of September 30, 2010, compared to NIS 29,065,000 as of December 31, 2009. The increase is mainly due to the cumulative net income for the period, net of the buyback of Company shares since the beginning of the year, as detailed above.

2. Operating Results

Revenue

The Company's revenue in the first nine months of 2010 amounted to NIS 110,445,000, compared to NIS 58,127,000 in the corresponding period in 2009 (an increase of 90%). The Company's revenue in the quarter ended September 30, 2010 totaled NIS 37,979,000, compared to NIS 20,910,000 in the corresponding quarter in 2009 (an increase of 82%). The growth mainly stems from revenue generated by the systems segment, as detailed below.

Revenue from the products segment in the quarter ended September 30, 2010 totaled NIS 21,885,000, a 53% increase compared to the NIS 14,307,000 recorded in the corresponding quarter in 2009. Revenue from the products segment in the first nine months of 2010 amounted to NIS 55,746,000, a 37% increase compared to the NIS 40,691,000 recorded in the first nine months of 2009. In the Company's opinion, the growth in revenue from the products segment primarily derives from the continuing diminution of the effects of the financial crisis rate of product sales and the return to the higher levels of product sales that had characterized recent years (for additional details, see Section 1.9.27 of the Company's periodic report for 2009).

Revenue from the systems segment in the quarter ended September 30, 2010 amounted to NIS 15,972,000, an increase of 146% compared to NIS 6,495,000 in the corresponding quarter in 2009. Revenue in the first nine months of 2010 totaled NIS 54,385,000, an increase of 219% compared to NIS 17,045,000 in the first nine months of 2009. The increase in revenue from the systems segment stems from the actual progress in the construction of several logistic systems by the Company's systems department and an increase in the volume of projects, consisting mainly of the planning and construction of a logistics system for a customer in Israel (for details see Section 1.10.9 B of the Company's periodic report for 2009).

Revenue from the products segment in the quarter ended September 30, 2010 accounted for 58% of the Company's total revenue in this quarter, while revenue from the systems segment in the same period accounted for 42% of total revenue (less than 1% relates to other revenue). In the corresponding quarter of 2009, revenue from the products segment represented 68% of the Company's total revenue in the quarter, while revenue from the systems segment in the same period constituted 31% of total revenues. In 2009 overall, revenue from products accounted for 68% of total revenue, while revenues from systems accounted for 31% of total revenue.

Cost of Revenue and Gross Profit

Total gross profit in the quarter ended September 30, 2010 totaled NIS 10,897,000 (29% of revenue for the period), compared to NIS 6,996,000 in the corresponding quarter in 2009 (33% of revenue for the period). Total gross profit in the first nine months of 2010 was NIS 31,805,000 (29% of revenue for the period), compared to NIS 19,550,000 in the first nine months of 2009 (34% of revenue for the period).

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

Development Expenses, net

Development expenses, net in the quarter ended September 30, 2010 amounted to NIS 811,000, compared to NIS 458,000 in the corresponding quarter in 2009. Development expenses, net in the first nine months of 2010 totaled NIS 2,367,000, compared to NIS 1,391,000 in the first nine months of 2009. During the reporting period, an intangible asset was recognized in respect of development expenses of NIS 3,296,000, which qualified for recognition as an intangible asset. Development expenses in the reporting period, which grew from the corresponding period last year, reflect a continuing and even accelerated development of technologies that are required to support the Company's continued operations.

During the reporting period, the Company made changes to its development staff, in line with the changes in its activities, as detailed in this report, to better address its business plans.

Selling and Marketing Expenses

Selling and marketing expenses in the quarter ended September 30, 2010 totaled NIS 3,006,000 (8% of revenue), compared to NIS 2,208,000 (11% of revenue) in the corresponding quarter in 2009. Selling and marketing expenses in the first nine months of 2010 totaled NIS 7,990,000 (7% of revenue), compared to NIS 7,648,000 (13% of revenue) in the corresponding period in 2009.

Selling and marketing expenses show a moderate increase since the beginning of the year, and the Company estimates that this item could grow in the next few quarters, in line with the changes in its activity, in order to better address its business plans.[1]

General and Administrative Expenses

General and administrative expenses in the quarter ended September 30, 2010 totaled NIS 2,616,000, compared to NIS 1,674,000 in the corresponding quarter in 2009. General and administrative expenses in the first nine months of 2010 totaled NIS 5,688,000, compared to NIS 4,807,000 in the first nine months of 2009. The increase in this item is primarily due to the increase in current expenses with respect to professional consulting and legal services.

Operating Profit

An increase was recorded in the operating profit for the quarter ended September 30, 2010, which amounted to NIS 4,464,000, compared to an operating profit of NIS 2,656,000 in the corresponding quarter in 2009. In the first nine months of 2010, the operating profit grew to NIS 15,760,000, compared to an operating profit of NIS 5,704,000 in the corresponding period in 2009.

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

Financing Income and Expenses

Financing income, net, in the quarter ended September 30, 2010 amounted to NIS 1,954,000, compared to financing expenses, net, of NIS 1,454,000 in the corresponding quarter in 2009. Financing expenses, net, in the first nine months of 2010 totaled NIS 10,377,000, compared to financing income, net, of NIS 487,000 in the first nine months of 2009.

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

The change in this item is primarily due to the recognition of expenses resulting from the revaluation of embedded derivatives following the devaluation of the Euro in relation to the Shekel in the reporting period. The Company has sales contracts that are denominated in currencies other than the Company's functional currency. These contracts include embedded derivatives in foreign currency.

An additional change resulted from a reduction in the Company's revenue from marketable securities compared to the corresponding period. In addition, in the corresponding quarter last year, non-recurring financing income was recorded as a result of gain on the early redemption of Debentures (Series 1 and 2).

Net income for the Period

In the reporting quarter, the Company presented net income of NIS 6,418,000 (17% of revenue), compared to a net income of NIS 1,202,000 in the corresponding quarter in 2009 (6% of revenue).

In the first nine months of 2010, the Company presented net income of NIS 5,383,000 (5% of revenue), compared to a net income of NIS 6,191,000 in the first nine months of 2009 (11% of revenue).

In the opinion of the Company, the net income in the reporting period is primarily due to the increase in the Company's revenue, less financing expenses, net, as explained above.

Analysis of Business Results by Operating Segments

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

Products Segment

The net income of the products segment in the reporting quarter amounted to NIS 6,566,000, compared to NIS 4,740,000 in the corresponding quarter of 2009. The net income of the products segment in the first nine months of 2010 amounted to NIS 18,108,000, compared to NIS 13,102,000 in the first nine months of 2009. The growth in this segment's results in the reporting period is, in the Company's estimation, primarily due to the increase in the Company's revenue from this segment in the reporting period, as detailed above, after offsetting the effect of the decrease in the gross profit margin in the products segment, which stemmed from the devaluation of the Euro in relation to the Shekel.

Systems Segment

The net income of the systems segment in the reporting quarter amounted to NIS 1,231,000, compared to NIS 186,000 in the corresponding quarter in 2009. In the first nine months of 2010, the systems segment recorded net income of NIS 5,414,000, compared to a loss of NIS 741,000 in the first nine months of 2009. In the Company's estimation, the shift to profitability in this segment stems from an increase in revenue from this segment in the reporting period, as explained above, and from an improvement in the gross profit margin.

3. Liquidity and Financing Sources

The balance of the Company's cash, cash equivalents and marketable securities totaled NIS 42,563,000 as of September 30, 2010, compared to NIS 34,947,000 as of December 31, 2009. The increase stems mainly from a positive cash flow from operating activities, net of the cash flows used in financing and investing activities, as explained below.

Cash flow from operating activities in the quarter ended September 30, 2010 amounted to a positive cash flow of NIS 1,676,000. In the first nine months of 2010, the positive cash flow from operating activities totaled NIS 15,607,000. The positive cash flows primarily stem from the deduction of non-cash expenses, an increase in trade payables, a decrease in work in process inventory and the net income for the period, less the increase in inventory.

The cash flows used in investing activities in the quarter ended September 30, 2010 totaled NIS 3,826,000. In the first nine months of 2010, the cash flows used in investing activities totaled NIS 4,411,000. The negative cash flow primarily results from the recording of investments in development assets and in marketable securities during the period.

The cash flows used in financing activities in the quarter ended September 30, 2010 amounted to NIS 1,227,000. In the first nine months of 2010, the cash flows used in financing activities totaled NIS 4,360,000. The negative cash flow primarily stems from the repayment of Series 2 Debentures, as detailed above, and the buyback of Company shares, after deducting long-term bank loans, as explained above.

On September 30, 2010, the Company's credit facilities for operating needs amounted to NIS 239 million. As of September 30, 2010, a total of NIS 23.5 million was drawn from the credit facility, primarily for securing the Company's liabilities in projects carried out by the Systems Department.

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

The market risk managers in the Company are the Company's CEO, Mr. Haim Shani, and the CFO, Mr. Yair Itzkovich. The CFO is responsible for gathering information according to the list of risks detailed below, processing the data and presenting it to the CEO on a quarterly basis. The CEO is responsible for analyzing the information and drawing operative conclusions in the framework of quarterly meetings with the CFO.

Exposure to Exchange Rate Fluctuations

The Company is exposed to exchange rate fluctuations, mainly changes in the US dollar in relation to the Shekel and in relation to the Euro, for the reasons set forth below:

The Company's assets that are exposed to exchange rate fluctuations mainly comprise cash and cash equivalents in various currencies (mainly the Euro and US dollar), trade receivable that are denominated in various currencies, depending on the customer, and interest-free, and marketable securities that are linked to foreign currency.

Current liabilities that are exposed to changes in exchange rates comprise current maturities of long-term loans, which are mostly linked to foreign currency, as well as trade payables in foreign currency (mainly the Euro and the US dollar), liability components in respect of projects in the systems segment, which are exposed to the Euro as detailed above and embedded derivatives, the value of which reflects the exposure of future proceeds from projects in the systems segment to the Euro. Non-current liabilities include, among others, debts in respect of a financing plan for the acquisition of rights in the Company's facilities at Airport City and long-term bank loans, of which 16% are denominated in US dollars and 84% are denominated in Euros.

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

The raw materials that are required for manufacturing the Company's products consist primarily of various electronic and mechanical components, and their prices are mostly denominated in foreign currency, mainly the US dollar and the Euro.

Exposure to Fluctuations in the Consumer Price Index

In August 2006, the Company issued Debentures (Series 2). These Debentures are linked to the Israeli CPI, but will not fall below a base index of 188.1 (1993 average). As a result, commencing in August 2006, the Company's exposure to fluctuations in the Israeli CPI has increased. Developments and changes in the Israeli economy, including devaluation and inflation, can cause changes in the CPI, thereby affecting the Company's financing income/expenses.

Risks Related to Marketable Securities

Part of the Company's funds are invested in marketable securities. Exceptional developments in capital markets in Israel and abroad could cause fluctuations in the prices of marketable securities on the stock exchange, and thereby affect the Company's financing income/expenses.

Interest Risks

The Company has various loans relating to the acquisition of rights in the Company's facilities in Airport City, long-term bank loans in foreign currency and other credit facilities that bear various interest rates and which are exposed to possible changes in the Prime and/or LIBOR interest rates.

The Company’s Market Risk Management Policy

The Company’s policy is to try and reduce, for every contract, its exposure to fluctuations in the exchange rate by matching the currency of the revenues to the currency of the main expenses and/or by hedging the exposure through futures transactions in foreign currency. In the Company’s Systems Segment, the Company customarily links the payment terms (dates/foreign currency) of the various customers to the payment terms of the subcontractors.

Due to the reduction in the Euro/NIS exchange rate over the reporting period and the preceding quarters, the Company has entered into several futures transactions, aimed at hedging the exposure to the fluctuations in the aforesaid exchange rate.

Positions in Derivatives

The Company has entered into a transaction to hedge the Euro at a nominal amount of € 750,000, the liability value of which as of September 30, 2010 is estimated at NIS 3,000.

Risks Related to the Global Electronic Components Industry

As detailed in Section 1 of Chapter B above, timetables for delivery of components in the electronic industry have extended, to the extent that it may impact the delivery timetables of Company products, as well as cause an increase in the prices of such components and create other potential exposures for the Company. In order to deal with such exposures, the Company continuously endeavors to streamline the processes of equipment procurement and inventory management, including acceleration of such procurement procedures, outsourcing of certain manufacturing activities, and providing support to the Company’s staff that handle procurement and operations.

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

Risks Relating to Outsourcing of Manufacturing Activities to a Subcontractor

As detailed above, the Company has entered into an agreement with an Israeli subcontractor for the receipt of outsourced manufacturing services. The Company is not dependent on this subcontractor for the manufacturing of its products, and may hire additional contractors for this purpose. Nevertheless, the replacement of this subcontractor with another may involve delays as a result of the learning curve and the studying of the Company’s needs and/or the use of unique manufacturing components that are tailored to the needs of the Company. At the current volume of activity with said subcontractor, its replacement is not expected to entail significant additional costs.

Anticipated Cash Flow

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

5. Consolidated Linkage Bases Report

	As of September 30, 2010					
	Israeli Currency		Foreign Currency			
	Unlinked	CPI-Linked	In Euro	In USD	Non-Monetary Balances	Total
	NIS In Thousands					
Assets						
Cash and cash equivalents	2,945	-	16,498	4,142	-	23,585
Marketable securities	7,430	10,624	-	924	-	18,978
Trade and income receivable	2,763	-	7,241	4,440	-	14,444
Other accounts receivable	1,217	-		286	5	1,508
Embedded derivatives	-	-	339	-	-	339
Inventory	-	-	-	-	25,036	25,036
Inventory of work in process	-	-	-	-	4,317	4,317
Long-term deposits	-	-	-	-	351	351
Fixed assets, net	-	-	-	-	21,399	21,399
Intangible assets, net	-	-	-	-	15,073	15,073
Total assets	14,355	10,624	24,078	9,792	66,181	125,030
Liabilities						
Current maturities of loans	112	83	3,926	400	-	4,521
Current debenture maturities	-	5,993	-		-	5,993
Trade payables	15,242	-	4,513	4,204	-	23,959
Embedded derivatives	-	-	4,755	-	-	4,755
Other accounts payable	25,597	-	36	236	-	25,869
Long-term loans	-	318	13,516	2,499	-	16,333
Debentures	-	10,977	-	-	-	10,977
Liabilities for employee benefits, net	-	-	-	-	1,216	1,216
Total liabilities	40,951	17,371	26,746	7,339	1,216	93,623
Balance sheet total, net	**(26,596)**	**(6,747)**	**(2,668)**	**2,453**	**64,965**	**31,407**

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

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

1) The following table summarizes the changes in the fair value of financial instruments that are sensitive to changes in the dollar exchange rate

	Gain (loss) from the changes, NIS in thousands		NIS in thousands	Gain (loss) from the changes, NIS in thousands	
	10%+	5%+	Fair value	5% -	10% -
NIS per $	**4.032**	**3.848**	**3.665**	**3.482**	**3.299**
Cash and cash equivalents	**414**	**207**	**4,142**	**(207)**	**(414)**
Marketable securities	**92**	**46**	**924**	**(46)**	**(92)**
Trade and income receivable	**444**	**222**	**4,440**	**(222)**	**(444)**
Other accounts receivable	**29**	**14**	**286**	**(14)**	**(29)**
Current maturities of loans	**(40)**	**(20)**	**(400)**	**20**	**40**
Trade payables	**(420)**	**(210)**	**(4,204)**	**210**	**420**
Other accounts payable	**(24)**	**(12)**	**(236)**	**12**	**24**
Long-term loans	**(250)**	**(125)**	**(2,499)**	**125**	**250**
Total	**245**	**123**	**2,453**	**(123)**	**(245)**

2) The following table summarizes the changes in the fair value of financial instruments that are sensitive to changes in the euro exchange rate

	Gain (loss) from the changes, NIS in thousands		NIS in thousands	Gain (loss) from the changes, NIS in thousands	
	10% +	5% +	Fair value	5% -	10% -
NIS per Euro	**5.486**	**5.237**	**4.987**	**4.738**	**4.489**
Cash and cash equivalents	**1,650**	**825**	**16,498**	**(825)**	**(1,650)**
Trade and income receivable	**724**	**362**	**7,241**	**(362)**	**(724)**
Current maturities of loans	**(393)**	**(196)**	**(3,926)**	**196**	**393**
Trade payables	**(451)**	**(226)**	**(4,513)**	**226**	**451**
Other accounts payable	**(4)**	**(2)**	**(36)**	**2**	**4**
Long-term loans	**(1,352)**	**(676)**	**(13,516)**	**676**	**1,352**
Total	**87**	**175**	**1,748**	**(175)**	**(87)**

3) The following table summarizes the changes in the fair value of financial instruments that are sensitive to changes in the Consumer Price Index

	Gain (loss) from the changes, NIS in thousands		NIS in thousands	Gain (loss) from the changes, NIS in thousands	
	10% +	5% +	Fair value	5% -	10% -
CPI in points	**231.12**	**220.61**	**210.11**	**199.60**	**189.10**
Marketable securities	**1,062**	**531**	**10,624**	**(531)**	**(1,062)**
Current maturities of loans	**(8)**	**(4)**	**(83)**	**4**	**8**
Current maturities of debentures	**(599)**	**(300)**	**(5,993)**	**300**	**599**
Long-term loans	**(32)**	**(16)**	**(318)**	**16**	**32**
Debentures (*)	**(1,098)**	**(549)**	**(10,977)**	**549**	**1,098**
Total	**(675)**	**(337)**	**(6,747)**	**337**	**675**

*** The debentures were issued according to a basic CPI of 188.1 points (1993 average).

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

	Gain (loss) from the changes, NIS in thousands		NIS in thousands	Gain (loss) from the changes, NIS in thousands	
	10% increase in the underlying assets	5% increase in the underlying assets	Fair value	10% decrease in the underlying assets	5% decrease in the underlying assets
Embedded derivatives	**978**	**489**	**339**	**(489)**	**(978)**
Liability for hedge transactions	**(397)**	**(205)**	**(3)**	**197**	**378**
Liability for embedded derivatives	**4,489**	**2,244**	**(4,755)**	**(2,244)**	**(4,489)**
Total	**5,070**	**2,529**	**(4,418)**	**(2,537)**	**(5,089)**

5) The following table summarizes the changes in the fair value of financial instruments that are sensitive to changes in the prices of marketable securities

	Gain (loss) from the changes, NIS in thousands		NIS in thousands	Gain (loss) from the changes, NIS in thousands	
	10%+	5%+	Fair value	5% -	10% -
Government – domestic	**756**	**378**	**7,561**	**(378)**	**(756)**
Corporate – domestic	**1,142**	**571**	**11,417**	**(571)**	**(1,142)**
Total	**1,898**	**949**	**18,978**	**(949)**	**(1,898)**

7. Disclosure to Debenture Holders

The Corporation's Debentures:

(1)	Security:	Debentures (Series 2)
A	Issue date	August 2006
B	Total par value on issue date	34,000,000
C	Par value on the report date	16,140,000
D	Par value according to linkage terms – on the report date	17,977,952
E	Accrued interest on the report date	105,159
F	Book liability value on the report date	16,969,510
G	Value on the stock exchange	18,724,000
H	Type of interest, including description	6.1% annual interest
I	Payment dates of principal	Balance of three equal annual installments beginning on August 25, 2011
J	Payment dates of interest	On February and August 25 in each of the years 2011-2013
K	Details of linkage basis of interest and principal	The principal and interest are linked to the Consumer Price Index at a minimum basic rate of 188.1 (July 2006 index)
L	Are the debentures convertible	Not convertible
M	Corporation's right to perform early redemption	None
N	Has a guarantee been provided for the payment of liability in the trust deed	No
(2)	The trustee in charge of the series of debentures at the nominee company, the trustee's contact details	Hermetic Trust (1975) Ltd Dan Avnon and/or Merav Ofer-Oren, 113 Hayarkon Street, Tel Aviv 63573, Telephone: 03-5274867, Fax: 03-5271451, E-mail: hermetic@hermetic.co.il

(5+6) As of the end of the quarterly report period, to the best of its knowledge, the Company is in compliance with all the terms and obligations of the trust deeds for the Debentures (Series 2), the Company was not found to be in violation of any obligation or terms prescribed in the trust deeds that is not of a technical nature, and there are no grounds for calling the debentures for immediate repayment.

(8) The Debentures (Series 2) are not secured by any pledge whatsoever. As long as the Company maintains an unpaid balance of the principal of the Debentures (Series 2) in circulation, plus interest and linkage differentials thereon, in order to secure the repayment thereof the Company will refrain from creating additional charges on its assets in addition to existing ones, in favor of any third party whatsoever, without the trustees' advance written consent, save with regard to liens on real estate and/or equipment that is purchased by the Company, the pledging thereof will serve solely to secure the funding that was provided to acquire the pledged assets – and which the Company will be permitted to create without any restrictions, in favor of any person.

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

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

The following processes have been defined as material by the Company:

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

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

a. Procedure for the assessment of the risks of internal control, on the basis of which the processes that are material to financial reporting and disclosure have been determined.

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

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

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

The Company's financial statements are prepared by its CFO. The financial statements are reviewed (and where appropriate also audited) by the Company's auditors, who are given full access to all data and information in the Company, including meetings with the Company's employees and managers, as required by them. Following the auditors' review/audit, the financial statements are submitted to the members of the Company's Board of Directors for review prior to and in preparation for discussion in board meetings that are convened for this purpose. The Company regards the Board of Directors as the entity in charge of governance 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 – Company CEO, and a director possessing professional qualifications.
2. Ms. Bareket Shani – Chairman of the Board possessing professional qualifications, Vice President and Human Resources Manager, member of the Credit and Investment Committee and the Securities Committee of the Company's Board of Directors.
3. Mr. Zvi Livneh, CPA – Director possessing accounting skills, member of the Audit Committee.
4. Mr. Yoel Sela, CPA – Outside director possessing accounting skills, member of the Audit Committee and the Investment Committee of the Company's Board of Directors.
5. Mr. Moshe Braz, CPA – Outside director possessing accounting skills, member of the Audit Committee and the Securities Committee of the Company's Board of Directors.

Following the Board of Directors' review, a board meeting is held for the purpose of presenting and discussing the financial statements. In the meeting, the Company's management reviews the main data of the financial statements. The meeting is also attended by the Company's auditors, who review certain aspects of the financial statements, accounting issues related to the financial statements and the review and audit processes that were conducted by them in the Company, and answer questions of the board members that are addressed to them (together with the Company CEO and the CFO, who answer questions that are addressed to them). Within the framework of the Board of Directors' discussion, comments and/or clarifications or requests for additional data are often made, which are then reflected in the financial statements. At the end of the discussion, the financial statements are brought to the Board's approval by vote.

In its meeting on November 11, 2010, the Board of Directors decided, in accordance with the Companies Regulations (Provisions and Conditions Regarding the Process of Approval of Financial Statements), 2010, that the Company's Audit Committee will also serve as the Committee for the Examination of the Financial Statements, as defined in the aforesaid regulations, for purposes of the financial statements as of December 31, 2010 and thereafter.

Zvi Livneh Director	Haim Shani CEO

Date: November 11, 2010.

UNITRONICS (1989) (R"G) LTD.

Condensed Consolidated Interim Financial Statements

September 30, 2010

(Unaudited)

Unitronics (1989) (R"G) Ltd.

Condensed Consolidated Interim Financial Statements

September 30, 2010

(unaudited)

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

16 Aba Hillel Silver St. Ramat - Gan 52506 Israel Tel: 03-6123939 Fax: 03-6125030
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REVIEW REPORT OF THE AUDITIORS OF UNITRONICS (1989) (R"G) LTD.

Introduction

We reviewed the attached financial information of Unitronics (1989) (R"G) Ltd. and its subsidiaries (hereinafter – "the Group") which include the condensed consolidated interim statement of financial position as at September 30, 2010 and the condensed consolidated interim statements of operations, comprehensive income, changes in shareholders' equity and cash flows for the periods of nine and three months then ended. The Board of Directors and management are responsible for the preparation and presentation of the financial information for this interim periods in accordance with IAS 34 "Financial reporting for interim periods", and they are responsible for the preparation for of financial information for this interim periods under Chapter D of the Securities Regulations (Periodic and Immediate Reports) – 1970. Our responsibility is to express a conclusion on the financial information for the interim periods, based on our review.

We did not review the condensed financial information for the interim periods of a consolidated company whose assets included in the consolidation comprise 5 % of all the consolidated assets as at September 30, 2010 and whose revenues included in the consolidation comprise 14 % and 16% of all consolidated revenues for the periods of nine and three months then ended, respectively. The condensed financial information for the interim periods of that company were reviewed by other auditors whose review report was furnished to us and our conclusions, to the extent that they relate to financial information for that company, are based on the review report of the other auditors.

Scope of the review

We prepared our review in accordance with Review Standard No. 1 of the Institute of Certified Public Accountants in Israel "Review of financial information for interim periods performed by the entity's auditor". The review of the financial information for interim periods comprises clarifications, mainly with the people responsible for financial and accounting matters, and from adopting analytical and other review procedures. A review is more limited in scope to a much larger extent than an audit performed in accordance with generally accepted auditing standards in Israel, and therefore does not enable us to be certain that we will know of all the significant matters which could have been identified in an audit. Consequently, we are not issuing an audit opinion.

Conclusion

Based on our review, and on the review report of the other auditors, nothing came to our notice which would cause us to think that the above financial information is not prepared, in all significant aspects, in accordance with IAS 34.

In addition to the remarks in the previous paragraph, based on our review, and on the review report of the other auditors, nothing came to our notice which would cause us to think that the above financial information does not meet, in all significant aspects, the provisions of disclosure under Chapter D of the Israeli Securities Regulations (Periodic and Immediate Reports) – 1970.

Amit, Halfon
Certified Public Accountants (Israel)

Ramat Gan,
November 11, 2010

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

	September 30, 2010	September 30, 2010	September 30, 2009		December 31, 2009	
	(unaudited)	(unaudited)			(audited)	
		(in thousands)				
	Convenience translation into Euro (1)	NIS				
Current assets						
Cash and cash equivalents	4,729	23,585	13,806		16,828	
Marketable securities	3,805	18,978	18,226		18,119	
Accounts receivable -						
Trade	2,896	14,444	9,109		13,384	
Other	302	1,508	806	(*)	543	(*)
Embedded derivatives	68	339	-		-	
Inventory	5,021	25,036	11,131		11,953	
Inventory - work in progress	866	4,317	4,360		7,835	
	17,687	88,207	57,438		68,662	
Non-current assets						
Long-term deposits	70	351	89		159	
Property and equipment, net	4,291	21,399	20,593	(*)	21,849	(*)
Intangible assets, net	3,022	15,073	15,061		14,737	
	7,383	36,823	35,743		36,745	
	25,070	**125,030**	**93,181**		**105,407**	

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

Approved November 11, 2010
.

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

(1) See note 1C.

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

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

	September 30, 2010	September 30, 2010	September 30, 2009	December 31, 2009
	(unaudited)	(unaudited)		(audited)
		(in thousands)		
	Convenience translation into Euro (1)	NIS		
Current liabilities				
Credit from banks and current maturities of long-term loans	907	4,521	952	986
Current maturities of bonds and convertible bonds	1,202	5,993	14,175	14,306
Accounts payable -				
Trade	4,804	23,959	7,464	10,755
Other	5,187	25,869	19,183	24,751
Warrants	-	-	132	100
Embedded derivatives	952	4,755	447	1,501
	13,052	65,097	42,353	52,399
Non-current liabilities				
Loans from banks and others	3,275	16,333	6,793	6,780
Bonds	2,201	10,977	16,037	16,226
Liabilities for benefits to employees, net	244	1,216	752	937
	5,720	28,526	23,582	23,943
Shareholders' equity				
Share capital	71	352	352	352
Share premium	10,143	50,588	50,250	50,576
Capital reserve from share-based payments	-	-	326	-
Capital reserve from translation of foreign operations	(191)	(954)	(744)	(743)
Company shares held by the company	(1,201)	(5,992)	(2,931)	(3,150)
Accumulated loss	(2,524)	(12,587)	(20,007)	(17,970)
	6,298	31,407	27,246	29,065
	25,070	**125,030**	**93,181**	**105,407**

(1) See note 1C.

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

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

	For the nine months period ended September 30,	For the nine months period ended September 30,		For the three month period ended September 30,	For the three months period ended September 30,		For the year ende December 31,
	2010	2010	2009	2010	2010	2009	2009
	(unaudited)	(unaudited)		(unaudited)	(unaudited)		(audited)
				(in thousands)			
	Convenience translation into Euro (1)	NIS		Convenience translation into Euro (1)	NIS		
Revenues	22,145	110,445	58,127	7,615	37,979	20,910	84,118
Cost of revenues	15,768	78,640	38,577	5,430	27,082	13,914	55,385
Gross profit	6,377	31,805	19,550	2,185	10,897	6,996	28,733
Development expenses, net	475	2,367	1,391	163	811	458	2,116
Selling & marketing expenses	1,602	7,990	7,648	603	3,006	2,208	9,896
General & administrative expenses	1,140	5,688	4,807	525	2,616	1,674	6,613
Capital gain	-	-	-	-	-	-	63
Operating profit	3,160	15,760	5,704	894	4,464	2,656	10,171
Financing income	326	1,624	5,270	746	3,720	817	5,380
Financing expenses	2,406	12,001	4,783	354	1,766	2,271	7,069
Profit for the period	1,080	5,383	6,191	1,286	6,418	1,202	8,482
Profit per 1 ordinary share NIS 0.02 par value (NIS)	0.104	0.516	0.562	0.126	0.627	0.109	0.771

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

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

	For the nine months period ended September 30,	For the nine months period ended September 30,		For the three months period ended September 30,	For the three months period ended September 30,		For the year ended December 31,
	2010	2010	2009	2010	2010	2009	2009
	(unaudited)	(unaudited)		(unaudited)	(unaudited)		(audited)
	(in thousands)						
	Convenience translation into Euro (1)	NIS		Convenience translation into Euro (1)	NIS		
Profit for the period	1,080	5,383	6,191	1,286	6,418	1,202	8,482
Other comprehensive income							
Actuarial gain	-	-	366	-	-	167	112
Translation of foreign operation	(42)	(211)	(11)	(70)	(350)	(290)	(10)
Other comprehensive income for the period	(42)	(211)	355	(70)	(350)	(123)	102
Total comprehensive income for the period	1,038	5,172	6,546	1,216	6,068	1,079	8,584

(1) See note 1C.

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

Unitronics (1989) (R"G) Ltd.
Condensed consolidated interim statement of changes in equity

	Share capital	Capital reserves from share-based payments	Share premium	Capital reserve from translation of foreign operations	Company shares held by the company	Accumulated Loss	Total
				NIS in thousands			
Balance at January 1, 2009 (audited)	352	326	50,250	(733)	(2,931)	(26,564)	20,700
Purchase of company shares by the company	-	-	-	-	(219)	-	(219)
Expiration of options	-	(326)	326	-	-	-	-
Total comprehensive income for the year	-	-	-	(10)	-	8,594	8,584
Balance at December 31, 2009 (audited)	352	-	50,576	(743)	(3,150)	(17,970)	29,065
Purchase of company shares by the company	-	-	-	-	(2,842)	-	(2,842)
Exercise of options	(*)-	-	12	-	-	-	12
Total comprehensive income for the period	-	-	-	(211)	-	5,383	5,172
Balance at September 30, 2010 (unaudited)	352	-	50,588	(954)	(5,992)	(12,587)	31,407
Balance at January 1, 2009 (audited)	352	326	50,250	(733)	(2,931)	(26,564)	20,700
Total comprehensive income for the period	-	-	-	(11)	-	6,557	6,546
Balance at September 30, 2009 (unaudited)	352	326	50,250	(744)	(2,931)	(20,007)	27,246
Balance at July 1, 2010 (unaudited)	352	-	50,588	(604)	(5,610)	(19,005)	25,721
Purchase of company shares by the company	-	-	-	-	(382)	-	(382)
Total comprehensive income for the period	-	-	-	(350)	-	6,418	6,068
Balance at September 30, 2010 (unaudited)	352	-	50,588	(954)	(5,992)	(12,587)	31,407
Balance at July 1, 2009 (unaudited)	352	326	50,250	(454)	(2,931)	(21,376)	26,167
Total comprehensive income for the period	-	-	-	(290)	-	1,369	1,079
Balance at September 30, 2009 (unaudited)	352	326	50,250	(744)	(2,931)	(20,007)	27,246
				Convenience translation into Euro in thousands (unaudited) (1)			
Balance at January 1, 2010	71	-	10,141	(149)	(631)	(3,604)	5,828
Purchase of company shares by the company	-	-	-	-	(570)	-	(570)
Exercise of options	(**)-	-	2	-	-	-	2
Total comprehensive income for the period	-	-	-	(42)	-	1,080	1,038
Balance at September 30, 2010	71	-	10,143	(191)	(1,201)	(2,524)	6,298

(1) See note 1C.
(*) less than 1,000 NIS.
(**) less than 1,000 Euro.
The notes to the condensed consolidated interim financial statements form an integral part thereof.

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

	For the nine months period ended September 30,	For the nine months period ended September 30,		For the three months period ended September 30,	For the three months period ended September 30,		For the year ended December 31,
	2010	2010	2009	2010	2010	2009	2009
	(unaudited)	(unaudited)		(unaudited)	(unaudited)		(audited)
				(in thousands)			
	Convenience translation into Euro (1)	NIS		Convenience translation into Euro (1)	NIS		
Cash flows from operating activities							
Profit for the period	1,080	5,383	6,191	1,286	6,418	1,202	8,482
Adjustments necessary to show the cash flows from operating activities (Appendix A)	2,050	10,224	6,039	(950)	(4,742)	8,879	9,793
Cash flows provided by operating activities	3,130	15,607	12,230	336	1,676	10,081	18,275
Cash flows for investing activities							
Sale of (investment in) marketable securities, net	(22)	(112)	12,277	(477)	(2,378)	2,417	12,298
Purchase of property and equipment	(150)	(750)	(590)	(43)	(212)	(490)	(2,364)
Sale of property and equipment	-	-	-	-	-	-	180
Investment in long-term deposits	(42)	(207)	-	(6)	(30)	(70)	(166)
Repayment of long-term deposits	32	162	88	4	22	88	218
Investment in intangible assets	(703)	(3,504)	(3,952)	(246)	(1,228)	(1,020)	(4,873)
Cash flows provided by (used in) investing activities	(885)	(4,411)	7,823	(768)	(3,826)	925	5,293
Cash flows for financing activities							
Repayment of long-term loans	(332)	(1,654)	(829)	(200)	(998)	(274)	(1,076)
Receiving of long-term loans	2,918	14,552	-	1,199	5,980	-	-
Repayment of bonds	(1,191)	(5,939)	(5,858)	(1,191)	(5,939)	(5,858)	(5,858)
Repayment of convertible bonds	(1,724)	(8,600)	(8,600)	-	-	-	(8,600)
Early redemption of bonds	-	-	(5,286)	-	-	-	(5,286)
Early redemption of convertible bonds	-	-	(272)	-	-	-	(272)
Purchase of company's shares by the company	(570)	(2,842)	-	(77)	(382)	-	(219)
Exercise of options	2	11	-	-	-	-	-
Short-term credit from banks, net	22	112	-	22	112	-	-
Cash flows used in financing activities	(875)	(4,360)	(20,845)	(247)	(1,227)	(6,132)	(21,311)
Translation differences in respect of foreign operations cash balances	(16)	(79)	39	(26)	(130)	(44)	12
Change in cash and cash equivalents	1,354	6,757	(753)	(705)	(3,507)	4,830	2,269
Cash and cash equivalents at beginning of period	3,375	16,828	14,559	5,434	27,092	8,976	14,559
Cash and cash equivalents at end of period	4,729	23,585	13,806	4,729	23,585	13,806	16,828

(1) See note 1C.

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

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

	For the nine months period ended September 30,	For the nine months period ended September 30,		For the three months period ended September 30,	For the three months period ended September 30,		For the year ended Decembe 31,
	2010	2010	2009	2010	2010	2009	2009
	(unaudited)	(unaudited)		(unaudited)	(unaudited)		(audited)
				(in thousands)			
	Convenience translation into Euro (1)	NIS		Convenience translation into Euro (1)	NIS		
Appendix A - Adjustments necessary to show the cash flows from operating activities							
Depreciation and amortization	999	4,982	4,972	319	1,589	1,724	6,888
Profit from marketable securities, net	(150)	(747)	(2,803)	(55)	(274)	(522)	(2,717)
Profit from early redemption of bonds and convertible bonds	-	-	(1,838)	-	-	-	(1,838)
Capital gain	-	-	-	-	-	-	(63)
Increase in liabilities for benefits to employees, net	56	279	313	53	266	303	246
Revaluation of warrants and conversion option of convertible bonds	(20)	(99)	114	(53)	(262)	(12)	83
Exchange rate changes of long-term loans and of bonds and convertible bonds	86	431	1,334	128	640	683	1,649
Revaluation of embedded derivatives	585	2,915	231	(851)	(4,246)	666	1,286
Decrease (increase) in accounts receivable - trade	(232)	(1,158)	2,166	(425)	(2,122)	1,151	(2,106)
Increase in accounts receivable - other	(224)	(1,116)	(502)	(6)	(28)	(431)	(273)
Decrease (increase) in inventory	705	3,518	(4,361)	(858)	(4,279)	444	1,364
Decrease (increase) in inventory - work in progress	(2,629)	(13,114)	2,173	(760)	(3,789)	1,599	(7,835)
Increase (decrease) in accounts payable - trade	2,648	13,205	(2,080)	441	2,198	(3,586)	1,213
Increase in accounts payable - other	226	1,128	6,320	1,117	5,565	6,860	11,896
	2,050	10,224	6,039	(950)	(4,742)	8,879	9,793
Appendix B - Additional information							
Cash paid during the period for:							
Interest	384	1,917	2,419	191	955	954	2,628
Taxes on income	16	81	81	5	27	27	108
Cash received during the period for:							
Interest	86	427	633	10	51	80	835

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

Note 1 - General

A. These financial statements have been prepared in a condensed format as of September 30, 2010, and for the nine and three months periods then ended ("consolidated interim financial statements"). These financial statements should be read in conjunction with the Company's audited annual financial statements and accompanying notes as at December 31, 2009 and for the year then ended.

B. Following are data regarding the Israeli CPI and the exchange rate of the U.S. dollar and the Euro:

As of	Israeli CPI	Exchange rate of 1 Euro	Exchange rate of 1 U.S. dollar
	Points (*)	NIS	NIS
September 30, 2010	210.11	4.9873	3.665
September 30, 2009	205.21	5.5098	3.758
December 31, 2009	206.19	5.4417	3.775
Change during the period	%	%	%
Nine month ended September 30, 2010	1.90	(8.35)	(2.91)
Nine month ended September 30, 2009	3.42	4.01	(1.16)
Three month ended September 30, 2010	1.23	4.83	(5.42)
Three month ended September 30, 2009	1.26	(0.45)	(4.11)
For the year ended December 31, 2009	3.92	2.73	(0.71)

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

C. Convenience translation in EURO

For the convenience of the reader, the NIS amounts for the last reported period have been translated in EURO by dividing each NIS amount by the representative rate exchange rate of the EURO as at September 30, 2010 (EURO 1 = NIS 4.9873).
The translated EURO amounts presented in these financial statements should not be construed as representing amounts receivable or payable in EURO unless otherwise indicated.

Note 2 - Significant Accounting Policies

A. The interim consolidated financial statements are prepared in accordance with generally accepted accounting principles for the preparation of financial statements for interim periods as set forth in IAS 34 – "Financial reporting for interim periods" including the requirements of disclosure under Chapter D of the Israeli Securities Regulations (Periodic and Immediate Reports) – 1970.
The significant accounting principles and the methods of calculation which were implemented in the preparation of the interim financial statements are identical to those used in the preparation of the last annual financial statements, apart from those mentioned in clause b below.

B. Disclosure of new IFRS

1. Amendment to IAS 17 – "Leasing" (hereinafter – "the Amendment")
In accordance with the amendment to IAS 17 the specific directive regarding the method of classifying the leasing of land as operative or financial leasing has been canceled. Consequently there is no longer a demand to classify the leasing of land as operative leasing in every case that ownership is not expected to be transferred to the lessee at the end of the lease period, but the leasing of land must be examined according to the general directives appearing in IAS 17 which relate to the classification of leasing as operative or financial while considering that land, generally, has an undefined economic lifespan.

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

Note 2 - Significant Accounting Policies (cont'd)

B. Disclosure of new IFRS (cont'd)

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

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

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

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

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

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

1. IFRS 9 – Financial instruments

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

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

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

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

Note 2 - Significant Accounting Policies (cont'd)

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

1. IFRS 9 – Financial instruments (cont'd)

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

2. IFRS 7 – Financial Instruments: Disclosure

The amendment to IFRS 7 clarifies the disclosure requirements presented in the Standard. According to the amendment, the quantitative and qualitative disclosure is emphasized as well as the nature and level of the risks resulting from financial instruments. Disclosure requirements regarding collateral that the Company holds were reduced and the disclosure requirements regarding credit were amended. The amendment was implemented retrospectively as from the financial statements for periods starting January 1, 2011. Early implementation is possible.
In the Company's opinion, the amendment is not expected to have a significant effect on the disclosure of financial instruments in the financial statements.

3. IAS 34 – Financial Reporting for Interim Periods

According to the amendment to IAS 34, additional disclosure requirements were added in the interim financial statements relating to the circumstances according to which it is reasonable to assume that they will affect the fair value of financial instruments and their classification, the transfer of financial instruments between the various levels in the grading of fair value, changes in the classification of financial assets and changes in contingent liabilities and contingent assets. The amendment will be implemented retrospectively as from the financial statements for periods starting January 1, 2011. Early implementation is possible.

The disclosures required will be included in the Company's financial statements.

4. IAS 1 – Presentation of Financial Statements

According to the amendment, movement between the opening balances and the closing balances for all components of other comprehensive income can be presented in the statement of changes in shareholders' equity or in the notes to the annual financial statements. The amendment will be implemented retrospectively as from the financial statements for periods starting January 1, 2011. Early implementation is possible.

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

Note 3 - Events in the reported period

A. In March 2010 the Board of Directors has approved adoption of a plan to purchase additional ordinary shares of the Company in an amount not to exceed NIS 1.5 million, replaces the company's previous plan in which the balance of its non-exploited expired. This program was valid until June 30, 2010. In May 2010 the Board of Directors approved the adoption of a plan to purchase additional ordinary shares of the Company in an amount not to exceed NIS 1.5 million, replaces the company's previous plan in which the balance of its non-exploited expired. This program is valid until September 30, 2010. As at 30 September 2010, the Company holds 1,476,116 shares, representing about 12.64% of the issued share capital of the Company, purchased in an amount of NIS 5,992 thousand (as at 31 December 2009, the Company held 753,092 shares representing about 6.45% of the issued share capital of the company).

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

C. In August 2010 598,042 warrants (Series 2) were expired according to their terms.

D. During the reporting period the Company entered into an agreement for certain outsourcing manufacturing services (hereinafter - "The agreement") with a subcontractor in Israel. According to the agreement the Company is selling its remained inventories of raw materials to the subcontractor for manufacturing for the company. Since the significant benefits and risks for the inventories have not been transferred to the subcontractor, the company did not recognize revenue from the sale of the inventories; in accordance the inventories sold to the subcontractor included in the company's financial statements as part of the company's inventory.

Note 4 - Subsequent events

On November 11th, 2010 the Board of Directors has approved adoption of a plan to purchase additional ordinary shares of the Company in an amount not to exceed NIS 1.5 million, replaces the company's previous plan in which the balance of its non-exploited expired. This program is valid until March 31st, 2011.

Note 5 - Business segments

A. The Group defined the Company's CEO who makes the strategic decisions as the chief operating decision maker, of the Group. The CEO reviews the internal reports of the Group in order to evaluate performance and allocate recourses and determines the operating segments based on these reports.

The CEO examines the segments operating performance on the basis of measuring operating income, this measurement basis is not affected by one time expenses in the operating segments, such as the costs of structural change and an impairment in the value of assets, where the impairment in value results from a single one time event. Interest revenues and expenses are not included in the results in each of the operating segments examined by senior management.

B. The company and its subsidiaries operate in two main business segments.
- Programmable Logic Controllers systems (hereinafter "The products segment").
- System integration projects (hereinafter "The system integration projects segment").

Note 5 - Business segments (cont'd)

	For the nine months period ended September 30,	For the nine months period ended September 30,		For the three months period ended September 30,	For the three months period ended September 30,		For the year ended December 31,
	2010	2010	2009	2010	2010	2009	2009
	(unaudited)	(unaudited)		(unaudited)	(unaudited)		(audited)
				(in thousands)			
	Convenience translation into Euro	NIS		Convenience translation into Euro	NIS		
C. Revenues							
Products	11,177	55,746	40,691	4,388	21,885	14,307	57,496
System integration projects	10,905	54,385	17,045	3,203	15,972	6,495	26,133
Other	63	314	391	24	122	108	489
	22,145	110,445	58,127	7,615	37,979	20,910	84,118
D. Segment results							
Products	3,630	18,108	13,102	1,315	6,566	4,740	22,329
System integration projects	1,086	5,414	(741)	247	1,231	186	29
Other	7	34	(231)	-	-	(41)	(223)
Unallocated corporate expenses	(1,563)	(7,796)	(6,426)	(668)	(3,333)	(2,229)	(11,964)
Operating profit	3,160	15,760	5,704	894	4,464	2,656	10,171
Unallocated financing income	326	1,624	5,270	746	3,720	817	5,380
Unallocated financing expenses	2,406	12,001	4,783	354	1,766	2,271	7,069
Profit for the period	1,080	5,383	6,191	1,286	6,418	1,202	8,482

UNITRONICS (1989) (R"G) LTD.

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

September 30 ,2010

(Unaudited)

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

16 Aba Hillel Silver St. Ramat - Gan 52506 Israel Tel: 03-6123939 Fax: 03-6125030
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To the shareholders of Unitronics (1989) (R”G) Ltd.

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

Introduction

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

We did not review the separate interim financial information of an affiliated company which the investment in it amount to NIS 910 thousands as at September 30, 2010 and which the company’s share of its profit amount to NIS 7 thousands for the period of nine months then ended. The condensed financial information for the interim period of that company were reviewed by other auditors whose review report was furnished to us and our conclusion, to the extent that they relate to financial information for that company, are based on the review report of the other auditors.

Scope of the review

We prepared our review in accordance with Review Standard No. 1 of the Institute of Certified Public Accountants in Israel “Review of financial information for interim periods prepared by the entity’s auditor”. The review of the financial information for interim periods comprises clarifications, mainly with the people responsible for financial and accounting matters, and from adopting analytical and other review procedures. A review is more limited in scope to a much larger extent than an audit performed in accordance with generally accepted auditing standards, and therefore does not enable us to be certain that we will know of all the significant matters which could have been identified in an audit. Consequently, we are not issuing an audit opinion.

Conclusion

Based on our review, and on the review report of the other auditors, nothing came to our notice which would cause us to think that the above separate interim financial information is not prepared, in all significant aspects, in accordance with regulation 38D of the Israeli Securities Regulations (Periodic and Immediate Reports) -1970.

Amit, Halfon
Certified Public Accountants (Israel)

Ramat Gan,
November 11, 2010

Unitronics (1989) (R"G) Ltd.

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

	September 30, 2010	September 30, 2010	September 30, 2009		December 31, 2009	
	(unaudited)	(unaudited)			(audited)	
		(in thousands)				
	Convenience translation into Euro (1)	NIS				
Current assets						
Cash and cash equivalents	4,235	21,122	11,231		13,232	
Marketable securities	3,805	18,978	18,226		18,119	
Accounts receivable -						
Trade	2,241	11,178	6,845		11,079	
Other	270	1,344	716		483	
Accounts receivable - other - subsidiaries	1,121	5,590	5,089		5,806	
Embedded derivatives	68	339	-		-	
Inventory	4,923	24,550	10,150		11,196	
Inventory - work in progress	866	4,317	4,360		7,835	
	17,529	87,418	56,617		67,750	
Non-current assets						
Assets less liabilities associated with subsidiaries	129	647	649		818	
Long-term deposits	70	351	89		159	
Property and equipment, net	4,244	21,166	20,380	(*)	21,602	(*)
Intangible assets, net	3,022	15,073	15,061		14,737	
	7,465	37,237	36,179		37,316	
	24,994	**124,655**	**92,796**		**105,066**	

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

Approved: November 11, 2010.

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

(1) See note 1C.

Unitronics (1989) (R"G) Ltd.

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

	September 30, 2010	September 30, 2010	September 30, 2009	December 31, 2009
	(unaudited)	(unaudited)		(audited)
		(in thousands)		
	Convenience translation into Euro (1)	NIS		
Current liabilities				
Credit from banks and current maturities of long-term loans	906	4,521	952	986
Current maturities of bonds and convertible bonds	1,202	5,993	14,175	14,306
Accounts payable -				
Trade	4,775	23,815	7,274	10,654
Other	5,141	25,638	18,988	24,511
Warrants		-	132	100
Embedded derivatives	952	4,755	447	1,501
	12,976	64,722	41,968	52,058
Non-current liabilities				
Loans from banks and others	3,275	16,333	6,793	6,780
Bonds	2,201	10,977	16,037	16,226
Liabilities for benefits to employees, net	244	1,216	752	937
	5,720	28,526	23,582	23,943
Shareholders' equity				
Share capital	71	352	352	352
Share premium	10,143	50,588	50,250	50,576
Capital reserve from share-based payments	-	-	326	-
Capital reserve from translation of foreign operations	(191)	(954)	(744)	(743)
Company shares held by the company	(1,201)	(5,992)	(2,931)	(3,150)
Accumulated loss	(2,524)	(12,587)	(20,007)	(17,970)
	6,298	31,407	27,246	29,065
	24,994	**124,655**	**92,796**	**105,066**

(1) See note 1C.

Unitronics (1989) (R"G) Ltd.

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

	For the nine months period ended September 30,	For the nine months period ended September 30,		For the three months period ended September 30,	For the three months period ended September 30,		'or the year ended December 31,
	2010	2010	2009	2010	2010	2009	2009
	(unaudited)	(unaudited)		(unaudited)	(unaudited)		(audited)
				(in thousands)			
	Convenience translation into Euro (1)	NIS		Convenience translation into Euro (1)	NIS		
Revenues	19,040	94,958	47,359	6,409	31,963	16,545	68,810
Revenues from subsidiaries	2,177	10,856	7,559	854	4,257	3,101	10,428
Total revenues	21,217	105,814	54,918	7,263	36,220	19,646	79,238
Cost of revenues	15,545	77,528	37,580	5,326	26,562	13,643	54,165
Gross profit	5,672	28,286	17,338	1,937	9,658	6,003	25,073
Development expenses, net	475	2,367	1,390	163	811	457	2,116
Selling & marketing expenses	1,016	5,067	5,272	399	1,991	1,545	6,680
General & administrative expenses	952	4,746	3,939	458	2,284	1,397	5,447
General & administrative expenses to subsidiaries	92	460	408	38	188	156	546
Capital gain	-	-	-	-	-	-	63
Operating profit	3,137	15,646	6,329	879	4,384	2,448	10,347
Financing income	326	1,624	5,270	746	3,720	817	5,380
Financing expenses	2,391	11,926	4,965	346	1,723	2,471	6,971
Profit after finance	1,072	5,344	6,634	1,279	6,381	794	8,756
The Company's share of subsidiaries profits (losses)	8	39	(443)	7	37	408	(274)
Profit for the period attributed to the company's shareholders	1,080	5,383	6,191	1,286	6,418	1,202	8,482

(2) See note 1C.

Unitronics (1989) (R'G) Ltd.

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

	For the nine months period ended September 30,	For the nine months period ended September 30,		For the three months period ended September 30,	For the three months period ended September 30,		'or the year ended December 31,
	2010	2010	2009	2010	2010	2009	2009
	(unaudited)	(unaudited)		(unaudited)	(unaudited)		(audited)
	(in thousands)						
	Convenience translation into Euro (1)	NIS		Convenience translation into Euro (1)	NIS		
Profit for the period attributed to the company's shareholders	1,080	5,383	6,191	1,286	6,418	1,202	8,482
Other comprehensive income							
Actuarial gain	-	-	366	-	-	167	112
Translation of foreign operation	(42)	(211)	(11)	(70)	(350)	(290)	(10)
Other comprehensive income for the period	(42)	(211)	355	(70)	(350)	(123)	102
Total comprehensive income for the period attributed to the company's shareholders	1,038	5,172	6,546	1,216	6,068	1,079	8,584

(1) See note 1C.

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

	For the nine months period ended September 30,	For the nine months period ended September 30,		For the three months period ended September 30,	For the three months period ended September 30,		For the year ended December 31,
	2010	2010	2009	2010	2010	2009	2009
	(unaudited)	(unaudited)		(unaudited)	(unaudited)		(audited)
	(in thousands)						
	Convenience translation into Euro (1)	NIS		Convenience translation into Euro (1)	NIS		
Cash flows from operating activities							
Profit for the period	1,080	5,383	6,191	1,286	6,418	1,202	8,482
Adjustments necessary to show the cash flows from operating activities (Appendix A)	2,212	11,032	6,655	(782)	(3,908)	9,481	10,032
Cash flows provided by operating activities of the company	3,292	16,415	12,846	504	2,510	10,683	18,514
Cash flows provided by (used in) operating activities from transactions with subsidiaries	43	216	(796)	(196)	(983)	(1,794)	(1,514)
Cash flows provided by operating activities	3,335	16,631	12,050	308	1,527	8,889	17,000
Cash flows for investing activities							
Sale of (investment in) marketable securities, net	(22)	(112)	12,277	(477)	(2,378)	2,417	12,298
Purchase of property and equipment	(143)	(720)	(554)	(43)	(213)	(479)	(2,281)
Sale of property and equipment	-	-	-	-	-	-	180
Investment in long-term deposits	(42)	(207)	-	(6)	(30)	(70)	(166)
Repayment of long-term deposits	32	162	88	4	22	88	218
Investment in intangible assets	(703)	(3,504)	(3,952)	(246)	(1,228)	(1,020)	(4,873)
Cash flows provided by (used in) investing activities	(878)	(4,381)	7,859	(768)	(3,827)	936	5,376
Cash flows for financing activities							
Repayment of long-term loans	(332)	(1,654)	(829)	(200)	(998)	(274)	(1,076)
Receiving of long-term loans	2,918	14,552	-	1,199	5,980	-	-
Repayment of bonds	(1,191)	(5,939)	(5,858)	(1,191)	(5,939)	(5,858)	(5,858)
Repayment of convertible bonds	(1,724)	(8,600)	(8,600)	-	-	-	(8,600)
Early redemption of bonds	-	-	(5,286)	-	-	-	(5,286)
Early redemption of convertible bonds	-	-	(272)	-	-	-	(272)
Purchase of company's shares by the company	(570)	(2,842)	-	(77)	(382)	-	(219)
Exercise of options	2	11	-	-	-	-	-
Short-term credit from banks, net	22	112	-	22	112	-	-
Cash flows used in financing activities	(875)	(4,360)	(20,845)	(247)	(1,227)	(6,132)	(21,311)
Change in cash and cash equivalents	1,582	7,890	(936)	(707)	(3,527)	3,693	1,065
Cash and cash equivalents at beginning of period	2,653	13,232	12,167	4,942	24,649	7,538	12,167
Cash and cash equivalents at end of period	4,235	21,122	11,231	4,235	21,122	11,231	13,232

(1) See note 1C.

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

	For the nine months period ended September 30,	For the nine months period ended September 30,		For the three months period ended September 30,	For the three months period ended September 30,		'or the year ended December 31,
	2010	2010	2009	2010	2010	2009	2009
	(unaudited)	(unaudited)		(unaudited)	(unaudited)		(audited)
				(in thousands)			
	Convenience translation into Euro (1)	NIS		Convenience translation into Euro (1)	NIS		
Appendix A – Adjustments necessary to show the cash flows from operating activities							
The Company's share of subsidiaries losses (profits)	(8)	(39)	443	(7)	(37)	(408)	274
Depreciation and amortization	993	4,948	4,924	316	1,577	1,705	6,828
Profit from marketable securities, net	(150)	(747)	(2,803)	(55)	(274)	(522)	(2,717)
Profit from early redemption of bonds and convertible bonds	-	-	(1,838)	-	-	-	(1,838)
Capital gain	-	-	-	-	-	-	(63)
Increase in liabilities for benefits to employees, net	56	279	313	53	266	304	246
Revaluation of warrants and conversion option of convertible bonds	(20)	(99)	114	(53)	(262)	(12)	83
Exchange rate changes of long-term loans and of bonds and convertible bonds	86	431	1,334	128	640	683	1,649
Revaluation of embedded derivatives	585	2,915	231	(851)	(4,246)	666	1,286
Decrease (increase) in accounts receivable - trade	(22)	(99)	2,014	(242)	(1,207)	1,857	(2,220)
Decrease (increase) in accounts receivable - other	(202)	(1,008)	(505)	19	94	(401)	(304)
Decrease (increase) in inventory	(2,677)	(13,354)	2,344	(792)	(3,955)	1,826	1,298
Decrease (increase) in inventory - work in progress	705	3,518	(4,361)	(858)	(4,279)	444	(7,835)
Increase (decrease) in accounts payable - trade	2,640	13,161	(2,063)	435	2,163	(3,565)	1,317
Increase in accounts payable - other	226	1,126	6,508	1,125	5,612	6,904	12,028
	2,212	11,032	6,655	(782)	(3,908)	9,481	10,032

(2) See note 1C.

Unitronics (1989) (R"G) Ltd.

Additional information

Note 1 - General

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

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

C. Convenience translation in EURO

For the convenience of the reader, the NIS amounts for the last reported period have been translated into EURO by dividing each NIS amount by the representative rate of exchange of the EURO as at September 30, 2010 (EURO 1 = NIS 4.9873).

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