



Unitronics (1989) (RG) Ltd.

Quarterly Report as of March 31, 2019

Until January 1, 2019, the Company was a "Small Corporation" as defined in the Securities Regulations (Periodic and Immediate Reports), 1970 (hereinafter: the "Regulations"), further to the decision of the Company's Board of Directors on March 9, 2014, in which the Board of Directors adopted all the reliefs set out in the Regulations. As of January 1, 2019, the Company ceased to be a small corporation. The Company intends to continue to report pursuant to Regulation 5D of the Regulations and to implement the reliefs given to a small corporation up to and including the quarterly report of the Company for the period ending on September 30, 2019. For further details, see the Immediate Report on this matter dated January 2, 2019 (Reference No. 2019-01-000931), which is hereby included by way of reference.

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1. Chapter A – Introduction

1.1.

General

Company name: Unitronics (1989) (RG) Ltd.
(Hereinafter: the "**Company**" or "**Unitronics**")

Company number: 520044199

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1.2.

Description of the Company and its Business Environment

The company deals in design, development, manufacturing, marketing, sales and support of programmable logic controllers (PLC) of various types that combine an operating panel (keyboard and display) as an integral part of the PLC, and connectivity (including Internet, intranet and cellular telephone communications) and external expansion units to the PLCs and software for PLCs (hereinafter: the "**Products Segment**"). The PLCs are designed primarily for the management of automated systems, including industrial automation, logistics systems, automated parking lots, management of production floors and other auxiliary means.

This activity is carried out by the Company as well as through Unitronics Inc., a wholly owned subsidiary incorporated in the US.

The Company's PLCs and services are marketed and sold through the Company's internal marketing system via Unitronics Inc., and through a network of distributors that includes about 190 distributors, of which approximately 127 in the US and in about 70 countries (including Israel) throughout Europe, Asia, South and Central America, North America and Africa.

The Company operates mainly from office and industrial buildings located at Airport City near the David Ben Gurion Airport. For further details, see Section 1.12 in Chapter A of the Company's Periodic Report for 2018, which was published by the Company on March 28, 2019, ref. no.: 2019-01-027805 (hereinafter: the "**Periodic Report**").

Until March 12, 2019, the Company also dealt in the segment of automatic solutions (for further details, see Section 1.10 of Chapter A of the Periodic Report). On February 28, 2019, the Company and Utron Ltd., a company controlled by the Controlling Shareholders of the Company (hereinafter: "**Utron**"), published a prospectus for a split and listing for trading,

according to which the Company transferred the automatic solutions segment, Including its operations, assets and liabilities in connection with this segment, to Utron (hereinafter: the "**Split**"). The split came into force on March 12, 2019, and as of that date, the Company only operated in the Products Segment. As part of the split, each shareholder of the Company received Utron shares in an identical number to the Company shares held by them on March 10, 2019 (provided that they did not purchase the shares on that date), excluding the Company itself, which holds dormant shares of itself, which did not confer on it a right to Utron shares. Additionally, the Company and Utron entered into agreements for the arrangement of the split and the arrangement of services and additional relations between them after the split. For further details regarding the split, see Sections 2.1.1, 2.1.2 and 2.1.4 of Chapter 2 of the split prospectus dated February 28, 2019 (ref. no.: 2019-01-017856) (hereinafter: the "**Split Prospectus**"), which is included herein by way of reference. For further details regarding the completion of the split, see the Immediate Report on an event or matter deviating from the ordinary course of business of the Company dated March 12, 2019 (ref. no.: 2019-01-021037), which is included herein by way of reference. For further details regarding the agreements into which the Company and Utron entered for the arrangement of the split and the arrangement of services and additional relations between them after the split, see Sections 8.3-8.4 of Chapter 8 of the Split Prospectus. As part of the split, the Company also repaid all of its debentures (Series 5) that were in circulation. For further details, see Section 1.3.2 below.

1.3. Major Events During the Report Period and in the Period Until its Publication

1.3.1. Repayment of Debentures' Principal (Series 4)

On January 31, 2019, the Company paid the fifth out of six installments of the principal of Debentures (Series 4) issued by the Company under the Company's Shelf Prospectus that was published on February 22, 2011 (ref. no.: 2011-01-058260) and amended on March 17, 2011 (Hereinafter: the "**2011 Shelf Prospectus**") and as part of the Company's Shelf Offering Report dated January 24, 2013 pursuant to the 2011 Shelf Prospectus (ref. no.: 2013-01-021699) (hereinafter: the "**2013 Offering Report**").

1.3.2. Early Repayment of Debentures (Series 5)

In light of the split, on February 12, 2019, the Company's Board of Directors decided to make an early redemption of the Debentures (Series 5), at the Company's initiative, subject to receipt of the Court's approval of the Company's request to make a distribution by way of splitting. On February 19, 2019, the Court approved the execution of the said distribution, subject to the early redemption, which will take place near the completion of the split. On March 12, 2019, the Company announced the transfer of the early redemption proceeds to a trust account in the name of Hermetic Trust Services (1939) Ltd. (hereinafter: the "**Trustee**") for the holders of the Company's Debentures (Series 5). It should be noted that

for the purpose of financing the redemption of the Debentures (Series 5), the Company took two loans from a banking entity in the total amount of NIS 30 million.

For further details regarding the Board of Directors' decision to carry out the early redemption as stated above, see the Immediate Report on an event or matter deviating from the ordinary course of business of the Company dated February 13, 2019 (ref. no.: 2019-01-014346). For further details regarding the Court's approval for the division by way of a split, see the Immediate Report on an event or matter deviating from the ordinary course of business of the Company dated February 20, 2019 (reference no. 2019-01-015945). For additional details regarding the transfer of the early redemption proceeds to the Trustee's account and the repayment of the debentures through it, see the immediate report on a matter or event deviating from the ordinary course of business of the Company dated March 12, 2019 (ref. no.: 2019-01-021013). For further details regarding the loans taken by the Company, see the immediate report dated March 3, 2019 (ref. no.: 2019-01-018444). All the immediate reports mentioned above are included herein by way of reference.

1.3.3. Renewal of the Company's Directors' and Officers' Liability Insurance Policy

On March 27, 2019, after the approval of the Company's Balance Sheet, Audit and Remuneration Committee from March 21, 2019, the Company's Board of Directors approved the renewal of the Company's Directors' and Officers' Liability Insurance Policy for the years 2019-2020, in accordance with the provisions of Articles 1B(5) and 1B1 of the Companies Regulations (Easements in Transactions with Interested Parties), 2000 (hereinafter: the "**Easements Regulations**") and in accordance with the Company's remuneration policy, for all directors and officers of the Company (who are not the Controlling Shareholders of the Company as well as those who are the Controlling Shareholders of the Company or their relatives), for a period of 12 months until May 31, 2020. The main terms of the policy are as follows: Insurance coverage for one event and in total for damages that may occur during the insurance period in the amount of USD 7.5 million (seven million and five hundred thousand US Dollars) (in addition to reasonable legal defense expenses in Israel and abroad); the amount of the Company's deductible in respect of claims is between USD 7,500 and USD 35,000 per case, depending on the type of insurance event and the location in which the claim is made. For further details, see the immediate report on a transaction with a controlling shareholder that does not require the approval of the general meeting dated March 28, 2019 (ref. no.: 2019-01-027835), which is included herein by way of reference. For further details regarding the Company's directors' and officers' liability insurance arrangements, see Section 4.5.9 in Chapter D of the Periodic Report.

1.3.4. Market Maker

On January 1, 2019, the Company announced its continued engagement with the stock exchange and investment services company in Israel, IBI Ltd., as a market maker. For details regarding the agreement with the market maker, see the immediate report on an event or matter deviating from the Company's ordinary business dated June 11, 2013 (ref. no.: 2013-01-061794) and the immediate report on the subject of a market maker dated January 1, 2019 (ref. no.: 2019-01-000145), which are included herein by way of reference.

1.3.5. Changes in senior officers of the Company

On March 28, 2019, the Company announced the end of the term of office of Mr. Amit Ben-Zvi as Active Chairman of the Board of Directors and the commencement of his term of office, as of April 1, 2019, as Joint Active Chairman of the Board of Directors, since, in addition to this position in the Company, Mr. Ben-Zvi also serves as a Joint Active Chairman of the Board of Directors in Utron. For additional details, see the immediate report on a senior officer who ceased to serve in his position, dated March 28, 2019 (ref. no.: 2019-01-028000), and the immediate report on the appointment on a senior officer, dated March 28, 2019 (ref. no.: 2019-01-028012), which are included herein by way of reference.

In addition, on March 28, 2019, the Company announced the end of the term of office of Mr. Haim Shani as CEO of the Company and the commencement of his term of service, as of April 1, 2019, as Active Chairman of the Board. For additional details, see the immediate report on a senior officer who ceased to serve in his position, dated March 28, 2019 (ref. no.: 2019-01-027829) and the immediate report on the appointment on a senior officer, dated March 28, 2019 (ref. no.: 2019-01-028015), which are included herein by way of reference.

On March 28, 2019, the Company announced the appointment of Mr. Amit Harari as CEO of the Company. For additional details, see the immediate report on the appointment on a senior officer, dated March 28, 2019 (ref. no.: 2019-01-027832).

On April 15, 2019, the Company announced the end of the term of office of CPA Eitan Alon as CFO of the Company as from June 1, 2019, and the commencement of the term of office of CPA Yehuda Cohen as CFO of the Company as of that date. For further details, see the immediate report on a senior officer who ceased to serve in his position, dated April 15, 2019 (ref. no.: 2019-01-037225), and the immediate report on the appointment of a senior officer, dated April 15, 2019 (ref. no.: 2019-01-037228).

On May 30, 2019, following the request of the Company's internal auditor, CPA Ronen Leibovitch, to terminate his term as internal auditor of the Company, effective from the date of appointment of another auditor to the Company, the Company's Board of Directors appointed, based on the recommendation of the Audit Committee, CPA Danny Shapira as

internal auditor of the company. For further details, see the immediate report on the status of senior officers published by the Company concurrently with the publication of this report.

1.3.6. Reappointment of an auditor

On April 16, 2019, the annual and special general shareholders' meeting of the Company (hereinafter: the "Meeting") approved the reappointment of the accounting firm BDO Ziv Haft as the Company's auditor until the date of the next annual general meeting of the Company's shareholders. In addition, the general meeting authorized the Company's Board of Directors to determine the remuneration of the auditor. For additional details, see the immediate report on the Meeting, dated April 8, 2019 (ref. no.: 2019-01-032430), and the immediate report on the results of a meeting to approve a transaction with a controlling shareholder, dated April 16, 2019 (ref. no.: 2019-01-041868), which are included herein by way of reference.

1.3.7. Appointment of directors

On April 16, 2019, the Meeting reappointed the following directors, until the date of the next annual general meeting of the Company's shareholders: Mr. Zvi Livne, Mr. Gilon Beck, Mr. Yariv Avissar, Mr. Amit Ben-Zvi, Mr. Haim Shani, and Ms. Bareket Shani. In addition, the Meeting reappointed Ms. Rivka Granot as an external director of the Company for an additional period of three years from the approval date of the Meeting. For additional details, see the immediate report on the Meeting, dated April 8, 2019 (ref. no.: 2019-01-032430), and the immediate report on the outcome of the Meeting for the approval of a transaction with a controlling shareholder, dated April 16, 2019 (ref. no.: 2019-01-041868), which are included herein by way of reference.

1.3.8. Approval of the employment agreements of Mr. Haim Shani and Ms. Bareket Shani

On April 16, 2019, the Meeting approved the employment agreements of Mr. Haim Shani and Ms. Bareket Shani for a period of three years commencing April 1, 2019. For further details, see the immediate report on the Meeting, dated April 8, 2019 (ref. no.: 2019-01-032430), and the immediate report on the outcome of the Meeting for the approval of a transaction with a controlling shareholder, dated April 16, 2019 (ref. no.: 2019-01-041868), which are included herein by way of reference.

1.3.9. Approval of the terms of service of Mr. Amit Harari, CEO of the Company

On April 16, 2019, the Meeting approved the terms of service of Mr. Amit Harari, the Company's CEO, effective as of April 1, 2019. For further details, see the immediate report on the Meeting, dated April 8, 2019 (ref. no.: 2019-01-032430), and the immediate report on the outcome of the Meeting for the approval of a transaction with a controlling shareholder, dated April 16, 2019 (ref. no.: 2019-01-041868), which are included herein by way of reference.

1.3.10. Approval of the payment of remuneration to the Joint Active Chairman of the Board of Directors of the Company for three years

On April 16, 2019, the Meeting approved the payment of remuneration to Mr. Amit Ben-Zvi, Joint Active Chairman of the Board of Directors of the Company, for a period of three years commencing on April 1, 2019. For further details, see the immediate report on the Meeting, dated April 8, 2019 (ref. no.: 2019-01-032430), and the immediate report on the outcome of the Meeting for the approval of a transaction with a controlling shareholder, dated April 16, 2019 (ref. no.: 2019-01-041868), which are included herein by way of reference.

1.3.11. Approval of an updated remuneration policy

On April 16, 2019, the Meeting approved an updated compensation policy for the Company for a period of three years as of the approval date of the policy by the Meeting. For further details, see the immediate report on the Meeting, dated April 8, 2019 (ref. no.: 2019-01-032430), and the immediate report on the outcome of the Meeting for the approval of a transaction with a controlling shareholder, dated April 16, 2019 (ref. no.: 2019-01-041868), which are included herein by way of reference.

1.3.12. The signing of agreements for the construction of robotic parking lots in the US

On January 11, 2019, the Company, through its subsidiary Unitronics Systems, signed an agreement with an American client for the construction of an autonomous parking garage in a building located in New York City, USA, for a total consideration of approximately USD 13.5 million (approximately NIS 50 million). The above agreement is in the area of automatic solutions, which was included in the split.

On February 10, 2019, the Company, through its subsidiary Unitronics Systems, entered into three agreements with American clients for the construction of autonomous parking lots in New York City, USA, for a total consideration of approximately USD 4.8 million (approximately NIS 17.5 million). The above agreement is in the area of automatic solutions, which was included in the split.

It should be noted that the agreements described above are in the area of automatic solutions, an area that was transferred to Utron within the framework of the split as stated in Section 1.2.

1.3.13. Option Plan

On May 30, 2019, the Company's Board of Directors adopted an option plan for employees, consultants and officers of the Company and its subsidiaries ("the Option Plan"). The plan is intended to reward such employees, consultants and officers by granting (non-negotiable) free of charge options, for the purchase of the Company's shares.

Unless the board of directors or a committee of the board of directors (as the case may be) determine otherwise, the options will be vested in three equal portions and can be exercised two years, three years and four years from the grant date respectively. At the end of six years from the grant date, the options will expire.

The basic exercise price of each option for each ordinary share of NIS 0.02 par value each.

Shall be: (1) the higher of: (a) the opening price of the Company's share on the day of the Board of Directors' resolution on granting the Options; (B) a premium of 5% above the average price of the Company's shares on the Tel Aviv Stock Exchange Ltd. ("the Stock Exchange") during the 30 trading days preceding the date of the resolution of the grant of the Options under this Plan, or (2) (The "Basic Exercise Price") The basic exercise price will not actually be paid to the Company, but will be used only to determine the employee's benefit component deriving from the Options and the number of Exercise Shares derived therefrom.

The manner of exercise shall be performed by calculating the difference between:

(A) The closing price on the stock exchange of the Company's ordinary shares on the trading day prior to the exercise notice multiplied by the number of options exercised.

And:

(B) The basic exercise price multiplied by the number of options exercised.

(This difference will be referred to hereinafter as the "Benefit").

The Company shall assign to the Option Recipient such number of Exercise Shares equal to To the results of the distribution of the benefit at the closing price on the stock exchange of the Company's shares on the trading day preceding the date of the Exercise Notice. The employee shall pay the Company prior to the allotment the par value of the shares to be allotted to him in accordance with the said calculation. Any fracture of a share obtained from this calculation shall be rounded upwards for an entire whole share.

In the event of dividend distribution or bonus shares, options will be adjusted accordingly.

The Company will designate from its authorized capital a number of shares corresponding to the number of options allotted from time to time (subject to adjustments according to the plan). The maximum possible cumulative dilution in respect of all the grants made by the Company shall not exceed 10% of the Company's issued share capital as at the date of approval of this plan by the Board of Directors

Together with the approval of the option plan, the Company's Board of Directors approved the appointment of a trustee for the plan

The Options under Section 102 of the Income Tax Ordinance [New Version], 5721-1961,

As amended from time to time, including regulations by virtue thereof.

2. Chapter B – Board of Directors' Report

2.1. The Financial Status

2.1.1. Balance sheet

As a result of the split, the Company's balance sheet as of March 31, 2019, is presented after deducting the assets and liabilities attributed to the discontinued operation (the automatic solutions segment), and reflects the ongoing activity only (the products segment), as described below:

	As of March 31		As of December 31, 2018	The Board of Directors' Explanations of Changes in balance sheet balances compared to December 31, 2018
	2019	2018		
	NIS thousands			
Current assets	74,566	108,470	126,656	<ul style="list-style-type: none"> 1. Deduction of current assets (including cash) attributed to the discontinued operations in an amount of NIS 38 million 2. A decrease in the cash balances of the ongoing activity in the amount of NIS 12 million, deriving mainly from repayment of debentures of Series 4 and the impact of the early repayment of debentures Series 5.
Non-current assets	66,840	87,477	82,302	<ul style="list-style-type: none"> 1. Deduction of non-current assets attributed to the discontinued operations in an amount of NIS 24 million. 2. Creation of usage assets in the ongoing activity as a result of the effect of the initial implementation of IFRS 16 in the amount of NIS 4 million. 3. An increase in deposits restricted in use attributed to ongoing activity in the amount of NIS 5 million.
Total assets	141,396	195,947	208,958	
Current liabilities	45,526	55,201	60,127	<ul style="list-style-type: none"> 1. Deduction of current liabilities attributed to the discontinued operation in the amount of NIS 18 million. 2. Creation of a lease commitment in the ongoing activity as a result of the effect of the initial implementation of IFRS 16 in the amount of NIS 2 million. 3. A decrease in the balance of payables attributed to the ongoing activity in the amount of NIS 6 million.
Non-current liabilities	42,636	54,855	52,367	<ul style="list-style-type: none"> 1. An increase in long-term loans, ongoing activity, of approximately NIS 30 million for the purpose of early repayment of debentures Series 5. 2. Creation of a lease commitment in the ongoing activity as a result of the effect of the initial implementation of IFRS 16 in the amount of NIS 2 million. 3. Current repayment of debentures series 4 and early repayment of debentures series 5 – about NIS 42 million
Equity attributed to the	53,234	85,891	96,464	Deduction of equity attributed to the discontinued

Company's shareholders				activity, including a current loss of NIS 43 million. Current profit from ongoing activity – NIS 3.5 million
Total liabilities and equity	141,396	195,947	208,958	

The Company's working capital as of March 31, 2019 amounted to approximately NIS 29,030 thousand, compared to the Company's working capital as of December 31, 2018, which amounted to approximately NIS 66,529 thousand. The decrease is mainly due to the deduction of current assets and liabilities of the discontinued activity.

2.1.2. Operating results

- 2.1.2.1. As of the Q1 of 2019, as a result of the Company's split, the operating results in the financial statements (including the comparative figures) are in respect of the ongoing activity (the products segment). The discontinued activity (automatic solutions segment), described on section 2.1.2.2 below.

	For the three-month period ended on March 31,		For the year ended on December 31,	The Board of Directors' Explanations of Changes in the profit and loss items compared to the corresponding period last year
	2019	2018	2018	
	NIS thousands			
Income	32,976	29,832	134,946	The increase compared to the corresponding period last year is mainly due to an increase in business activity in the US.
Cost of income	18,295	16,903	75,223	
Gross profit (gross profit rate)	14,681 (44.5%)	12,929 (43.3%)	59,723 (44.2%)	An increase as a result of an increase in the ongoing operations compared to the corresponding period last year. A slight improvement in the rate of gross profitability resulting from streamlining.
Development expenses, net	1,004	844	3,866	An increase as a result of continued investment in the development of the technologies required to support the Company's activity.
Sales and marketing expenses	6,167	6,174	25,313	
General and administrative expenses	3,943	3,572	16,054	The increase compared to the corresponding period last year is mainly due to an increase in professional consultancy expenses.
Other expenses	-	-	146	
Profit from ordinary activities	3,567	2,339	14,344	
Financing income (expenses), net	420	(975)	(4,261)	A decrease in net financing expenses as a result of the impact of changes in the exchange rates.
Profit on income, pre-tax	3,987	1,364	10,083	
Taxes on income	(529)	(307)	(1,320)	The tax expenses in the reporting period are mainly due to the profit for the period in respect of which the Company created a provision for current taxes, taking into consideration the tax benefits to which the Company is entitled, and due to changes in deferred tax balances.

Profit (loss) for the period from ongoing activity	3,458	1,057	8,763	
Profit (loss) from the discontinued activity	(5,513)	(592)	1,452	See Section 2.1.2.2 below.
Profit (loss) for the period	(2,055)	465	10,215	

2.1.2.2. Details of discontinued activity

As a result of the company's split, the automatic solutions segment is presented in the discontinued operations results section, separately from the profit for the period from continuing operations, as detailed in Note 3 to the financial statements as of March 31, 2019.

Revenues from the automated solutions sector (discontinued) for the first quarter of 2019 are similar to the corresponding period last year.

The increase in expenses in the area of automatic solutions compared with the corresponding quarter last year derived mainly from an increase in manpower to support existing projects and preparations for the backlog of projects, an increase in US personnel costs, including marketing and advertising expenses, And financing expenses (revaluation of exchange rate differences) due to a decrease in the dollar exchange rate in the first quarter.

2.2. Liquidity and Financing Sources

As of March 31, 2019, the Company's balance of cash and cash equivalents, short-term and long-term deposits, and marketable securities amounted to NIS 14,800 thousand, compared to NIS 37,826 thousand as of December 31, 2018. Below are explanations regarding changes in cash flows:

	For the three-month period ended on March 31,		For the year ended on December 31,	The Board of Directors' Explanations
	2019	2018	2018	
	NIS thousands			
Cash flow from current activity	5,452	(1,498)	5,682	The cash flow from operating activities derives from profit from continuing operations less the loss from discontinued operations in the framework of the split, excluding changes in working capital.
Cash flow from investment activity	(8,157)	2,589	9,892	The cash flows used in investing activities in the reporting period derived mainly from investments in development assets and the pledging of a long-term deposit as collateral for loans .
Cash flow from financing activity	(20,215)	(11,059)	(13,328)	The cash flow used for financing activities in the reported period is in respect of repayment of debentures less loans received from a banking corporation and cash that went out as a result of the split..

As of March 31, 2019, the Company's unused approved credit lines for operating activities amounted to NIS 0.5 million, and the Company turns from time to time to financial institutions to receive credit lines according to its needs.

2.3.

Designated Disclosure for Debenture Holders

(1)	Name of Securities	Debentures (Series 4)
A	Issuance date	January 2013
B	The total par value on the issuance date	53,125,000
C	Its nominal value as of the report date	11,156,250
D	Nominal value according to linkage terms – as of the date of the report	11,392,167
E	The amount of accrued interest as of the date of the report	99,763
F	A liability value in the books as of the date of the report	11,266,951
G	Value on the stock exchange	11,803,313
H	Type of interest including description	5.4% fixed annual interest.
I	Payment dates of the principal balance	An additional annual payment to be paid on January 31, 2020, at a rate of 21% of the principal.
J	Future interest payment dates	Every January 31 and July 31, as of July 31, 2019 until January 31, 2020 (inclusive).
K	Details of linkage base of principal + interest	Principal + interest linked to the consumer price index. Base index – the December 2012 index, without protection.
L	Are the liability certificates convertible?	Non-convertible.
M	Entity's right to make an early redemption	Exists (for details regarding the conditions for exercising the Company's right to early redemption, see Section 12 of the Shelf Offering Report, dated January 24, 2013, ref. no.: 2013-01-021699).
N	Did the Company provide a guarantee for the payment of the liability in the deed of trust?	No.
O	Is the liability material to the Company?	Yes
(2)	The trustee, who is responsible for the series of liability certificates in the trust company, how to contact the trustee	Mishmeret – Trust Services Company Ltd. 48 Menachem Begin St., Tel Aviv 66184 Tel.: 03-6374352; fax.: 03-6374344 Email: ramis@mtrust.co.il

As of the reporting period and during the reporting period, the Company has, to the best of its knowledge, complied with all the conditions and undertakings in the Deed of Trust for the debentures (Series 4), the Company was not found to be in breach of any undertaking or condition set forth in the deed of trust, and there were no conditions providing grounds for the immediate repayment of the debentures.

At the meeting of the Company's debentures (Series 4) that was convened on July 16, 2015, and which, in the absence of a quorum, adopted its resolutions at the adjourned meeting on July 20, 2015, the Trustee's term was approved for the period until the full and final repayment of the Company's debentures (Series 4). For further details, see the immediate report on the outcome of the meeting of the debenture (Series 4) holders, dated July 28, 2015, ref. no.: 2015-01-083988, which is included herein by way of reference.

On October 7, 2018, a meeting of debenture (Series 4 and Series 5) holders was convened to hold a consultation regarding the Company's petition to the Court to approve its division by way of splitting the automatic solutions segment into a new company. On October 10, 2018, the meeting of the debenture (Series 4) holders decided to instruct the Trustee not to object to the division by the Company by way of splitting. For further details, see the immediate report regarding information provided at a meeting of debenture holders, dated October 7, 2018 (ref. no.: 2018-01-089152), and the immediate report on the outcome of a meeting, dated October 10, 2018 (ref. no: 2018-10-095265), which are included herein by way of reference.

On February 12, 2013, a lien on deposit money in a bank account was created at the Registrar of Companies, in the amount of semi-annual interest in respect of the debentures, which is intended to guarantee the payment of interest according to the debentures (Series 4). As long as the Company has an outstanding balance of debentures (Series 4), the Company and any of its subsidiaries (on the date of signing the Deed of Trust and any additional subsidiary that will be established or purchased up to the date of the full repayment of the debentures (Series 4), insofar that such exist) will refrain from creating a general floating charge on its assets in favor of any third party, without obtaining the prior consent of a meeting of debenture holders by a simple majority for that purpose. It is emphasized that the Company and/or any of its subsidiaries will be entitled to pledge all or part of their assets, including cash and cash equivalents, to financing entities with specific liens at any level that will provide it financing for the purchase of an asset or equipment, including a floating lien on specific asset(s), including for the purpose of acquisition of construction services for a structure, including for the purpose of replacing financing entities that have specific liens on the date of the Offering Report with other entities, without having to obtain the consent of the meeting of the debentures (Series 4) holders for that purpose.

Under the terms of the issuance of the debentures (Series 4), the Company undertook the following undertakings:

- Distribution of dividends – the Company has undertaken that during the entire period in which the debentures (Series 4) will be in circulation, it will not distribute a dividend at a rate exceeding 30% of the cumulative annual net profit attributable to the Company's shareholders in this period, according to the most recent audited consolidated financial statements of the Company that were published prior to the date of the Company's decision regarding the distribution of the dividend, unless the Company received in the prior consent of the holders of the debentures (Series 4) that were received by a special resolution at the meeting of the debenture holders, which is to be convened in accordance with the Second Addendum to the Deed of Trust of the

debentures (Series 4). For further details regarding this restriction, see Section 11.1 of the 2013 Offering Report.

- Net financial debt to net CAP ratio – the Company has undertaken that from the date of listing of the debentures (Series 4), and for as long as the debentures (Series 4) are in circulation, the ratio between the Company's net financial debt and the net CAP of the Company (solo) in accordance with its audited or reviewed financial statements (solo) (as the case may be), with reference to the Company's financial statements as of June 30 and December 31, shall not exceed 80%. If the Company deviates from this undertaking, on any inspection date, the interest rate to be paid by the Company to the holders of the debentures (Series 4) on the payment date pursuant to the date of the deviation will be increased by 0.5% per annum above the interest rate determined in the tender, for the entire deviation period. If the Company deviates from this liability on a date subsequent to the previous inspection date, the interest rate to be paid by the Company to the holders of the debentures (Series 4) shall be increased by an additional 0.5% per annum above the previous interest rate, commencing from the date of the additional breach and until the end of the deviation period. If such deviation is discovered on two consecutive examination dates, in such a manner that this ratio is equal to 85% or more, then such deviation shall constitute grounds for calling for the immediate repayment of the outstanding balance of the debentures (Series 4). For further details regarding this restriction, see Section 11.2 of the 2013 Offering Report.
- Net financial debt to EBITDA ratio – the Company undertook that from the date of listing the debentures (Series 4) for trade, and for as long as the debentures (Series 4) are in circulation, the ratio between the Company's net financial debt and the EBITDA of the Company, according to its (consolidated) audited or reviewed financial statements (as the case may be), with reference to the Company's financial statements as at June 30 and December 31, shall not exceed 10. If the Company deviates from this undertaking, on any inspection date, the interest rate to be paid by the Company to the holders of the debentures (Series 4) on the payment date pursuant to the date of the deviation will be increased by 0.5% per annum above the interest rate determined in the tender, for the entire deviation period. If the Company deviates from this liability on a date subsequent to the previous inspection date, the interest rate to be paid by the Company to the holders of the debentures (Series 4) shall be increased by an additional 0.5% per annum above the previous interest rate, commencing from the date of the additional breach and until the end of the deviation period. If such deviation is discovered on two consecutive examination dates, in such a manner that this ratio is equal to 12 or more, then such deviation shall constitute grounds for calling for the immediate repayment of the outstanding balance of the debentures (Series 4). For further details regarding this restriction, see Section 11.3 of the 2013 Offering Report.

- Equity Limit - The Company's shareholders' equity according to the Company's audited or reviewed financial statements (solo) (as the case may be), with reference to the Company's financial statements as at June 30 and December 31, shall not be less than NIS 20,000,000. If the Company deviates from this undertaking, on any inspection date, the interest rate to be paid by the Company to the holders of the Debentures (Series 4) on the payment date following the publication of the latest financial statements indicating the deviation will be increased by 0.5% per annum above the interest rate determined in the tender, for the entire deviation period. If the Company deviates from this liability on a date subsequent to the previous inspection date, the interest rate to be paid by the Company to the holders of the debentures (Series 4) shall be increased by an additional 0.5% per annum above the previous interest rate, commencing from the date of the additional breach and until the end of the deviation period. If such deviation is discovered on two consecutive examination dates, in such a manner that the shareholders' equity is less than NIS 15,000,000, then such deviation shall constitute grounds for calling for the immediate repayment of the outstanding balance of the debentures (Series 4). For further details regarding this restriction, see Section 11.4 of the 2013 Offering Report.
- The Company's undertaking to refrain from creating liens – the Company undertook not to charge all of its assets with a general floating lien, and to act so that any of its subsidiaries (on the date of signing the Deed of Trust and any additional subsidiary of the Company that will be established or purchased up to the date of the full repayment of the debentures (Series 4), insofar that such exist) shall not create a lien as aforesaid. For details regarding this restriction, see Section 11.5 of the 2013 Offering Report.

The Company shall be entitled (but not obligated) to perform, at its sole discretion, early redemption, in whole or in part, of the debentures (Series 4), under certain terms and restrictions specified in the Amended Shelf Prospectus and in the 2013 Offering Report.

Upon the occurrence of certain events, and under certain conditions, the Trustee of the debentures (Series 4) shall be entitled to call the debentures (Series 4) for immediate repayment. A summary of such events include, inter alia: a state of material deterioration in the Company's business, with a real concern that the Company will not be able to repay the debentures on time; imposition of an attachment on the Company's assets, execution actions taken against the Company's assets, appointment of a liquidator or temporary or permanent receiver for the Company's assets, which are not removed and/or canceled within 45 days; sale of the majority of the Company's assets; if Mr. Haim Shani ceases to be a controlling shareholder of the Company, directly or indirectly, without obtaining the approval of the holders of debentures (Series 4) for the transfer of control; a fundamental breach of the terms of the debentures and the Deed of Trust (Series 4) that are not remedied within 14 days from the date on which the Trustee notifies the Company of the breach; a breach of any of the financial covenants specified in Section 11 of the 2013

Offering Report, in which it is expressly stated that its breach constitutes grounds for immediate repayment. For details regarding all the grounds available to the Trustee for calling the debentures (series 4) for immediate repayment, see Section 18.1 of the 2013 Offering Report.

2.4. Quarterly Report Regarding the Balance of the Company's Liabilities According to Repayment Dates

For details regarding the Company's liabilities by maturity date as at March 31, 2019, see the report on the status of the Company's liabilities according to repayment dates, which is published concurrently with this report and is included herein by way of reference.

2.5. Predicted Cash Flow

Following an examination of the warning signs set out in Regulation 10(b)(14) of the Regulations regarding disclosure of predicted cash flows for financing the repayment of the Company's liabilities, the Company's Board of Directors determined that no such warning sign exists, that the Company has no liquidity difficulties, and that it is able to meet its obligations, including the full repayment of its undertakings in respect of the debentures (Series 4). Such inspection is carried out by the Company's Board of Directors once a quarter, concurrently with the approval of the financial statements published by the Company for that quarter.

Amit Ben-Zvi
Joint Active Chairman of the
Board of Directors

Haim Shani
Active Chairman of the
Board of Directors

Amit Harari
CEO

Date: May 30, 2019

UNITRONICS (1989) (R''G) LTD

Consolidated Financial Statements
March 31, 2019
(*Unaudited*)

Unitronics (1989) (R"G) Ltd

Consolidated Financial Statements

March 31, 2019

(Unaudited)

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Review report of the auditors to the shareholders of Unitronics (1989) (R"G) Ltd.**Introduction**

We have reviewed the accompanying financial information of Unitronics (1989) (R"G) Ltd. comprising of the condensed consolidated interim statement of financial position as of March 31, 2019 and the condensed consolidated interim statements of profit or loss, comprehensive loss, changes in equity and cash flows for the three month period then ended. The Board of Directors and management are responsible for the preparation and presentation of the financial information for this interim period in accordance with IAS 34 "Financial reporting for interim periods", and they are responsible for the preparation and presentation of the financial information for this interim period in accordance with Chapter D of the Israeli Securities Regulations (Periodic and Immediate Reports) - 1970. Our responsibility is to express a conclusion on the financial information for this interim period, based on our review.

Scope of the review

We conducted our review in accordance with Standard on Review Engagements 1, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" of the Institute of Certified Public Accountants in Israel. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial information was not prepared, in all material respects, in accordance with IAS 34.

In addition to the remarks in the previous paragraph, based on our review, nothing has come to our attention that causes us to believe that the accompanying financial information does not meet, in all material respects, the provisions of Disclosure under Chapter D of the Israeli Securities Regulations (Periodic and Immediate Reports) - 1970.

Emphasis of Matter

Without qualifying our abovementioned conclusion, we draw attention to Note 1 in the financial information on the spin-off of the Group's automated solutions segment and relating transactions, and its presentation as a discontinued operation.

Ziv Haft
Certified Public Accountants (Isr.)
BDO Member Firm

May 30, 2019

Unitronics (1989) (R"G) Ltd.

Condensed Consolidated Statements of Financial Position

	As of December 31		
	As of March 31		31
	2019	2018	2018
	(Unaudited)		(Audited)
	<u>NIS thousand</u>		
<u>Current assets</u>			
Cash and cash equivalents	14,800	25,192	37,826
Restricted cash	307	705	613
Bank deposits	-	15,181	-
Trade and income receivable -	22,581	26,584	35,244
Income receivable in respect of construction contracts	-	3,987	12,379
Accounts receivable	3,309	3,427	4,569
Other financial assets	383	40	49
Inventory	<u>33,176</u>	<u>33,354</u>	<u>35,976</u>
	<u>74,556</u>	<u>108,470</u>	<u>126,656</u>
<u>Non-current assets</u>			
Restricted bank deposit	5,057	-	-
Rights-of-use assets	17,343	-	-
Other deposits	108	300	269
Property and equipment, net	2,493	21,980	20,835
Intangible assets, net	<u>41,839</u>	<u>65,197</u>	<u>61,198</u>
	<u>66,840</u>	<u>87,477</u>	<u>82,302</u>
	<u><u>141,396</u></u>	<u><u>195,947</u></u>	<u><u>208,958</u></u>

Amit Ben Zvi & Haim Shani
Joint Chairman of the Board of
Directors

Amit Harari
Chief Executive Officer

Eitan Alon
Chief Financial Officer

Approved: May 30, 2019

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

Unitronics (1989) (R"G) Ltd.

Condensed Consolidated Statements of Financial Position

	As of December 31		
	As of March 31		(Audited)
	2019	2018	
(Unaudited)			<u>NIS thousand</u>
<u>Current liabilities</u>			
Current maturities of bank loans	2,346	346	358
Current maturities of debentures	11,267	12,662	13,106
Suppliers and service providers	20,185	22,750	21,823
Other financial liabilities	12	521	414
Liabilities in respect of construction contracts	-	8,428	3,467
Lease liabilities	1,821	-	-
Other accounts payable	<u>9,895</u>	<u>10,494</u>	<u>20,959</u>
	<u>45,526</u>	<u>55,201</u>	<u>60,127</u>
<u>Non-current liabilities</u>			
Bank loans	29,778	2,287	1,967
Debentures	-	38,809	36,979
Employee benefit liabilities, net	1,780	2,498	2,242
Lease liabilities	2,127	-	-
Liability for share purchase options	3,902	6,670	6,872
Deferred taxes	<u>5,049</u>	<u>4,591</u>	<u>4,307</u>
	<u>42,636</u>	<u>54,855</u>	<u>52,367</u>
<u>Capital</u>			
Share capital	427	427	427
Share premium	63,204	104,513	104,513
Capital reserve from translation of foreign operations	(1,464)	(2,081)	(1,598)
Treasury shares	(7,042)	(7,042)	(7,042)
Reserve due to transaction with a controlling shareholder	104	104	104
Accumulated profit (loss)	<u>(1,995)</u>	<u>(10,030)</u>	<u>60</u>
	<u>53,234</u>	<u>85,891</u>	<u>96,464</u>
	<u><u>141,396</u></u>	<u><u>195,947</u></u>	<u><u>208,958</u></u>

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

Unitronics (1989) (R"G) Ltd.

Condensed Consolidated Statements of Profit or Loss

	For the three-month period		For the year ended on
	Ended on March 31		December 31
	2019	2018	2018
	(Unaudited)		(Audited)
	NIS thousand		
Revenues	32,976	29,832	134,946
Cost of revenues	18,295	16,903	75,223
Gross profit	14,681	12,929	59,723
Development expenses	1,004	844	3,866
Selling & marketing expenses	6,167	6,174	25,313
General & administrative expenses	3,943	3,572	16,054
Other expenses	-	-	146
Profit from ordinary operations	3,567	2,339	14,344
Financing income	1,018	407	774
Financing expenses	598	1,382	5,035
Profit before taxes on income	3,987	1,364	10,083
Taxes on income	529	307	1,320
Profit for the period from continued operations	<u>3,458</u>	<u>1,057</u>	<u>8,763</u>
Profit (loss) from discontinued operations(*)	(5,513)	(592)	1,452
Profit (loss) for the period	<u>(2,055)</u>	<u>465</u>	<u>10,215</u>
Basic profit per ordinary share from continued operations (in NIS)	0.251	0.077	0.637
Basic profit (loss) per ordinary share from discontinued operations (in NIS)	(0.400)	(0.043)	0.106
Profit (loss) per ordinary share (in NIS)	(0.149)	0.034	0.743
Diluted profit per ordinary share from continued operations (in NIS)	0.251	0.057	0.611
Diluted profit (loss) per ordinary share from discontinued operations (in NIS)	<u>(0.400)</u>	<u>(0.041)</u>	<u>0.101</u>
Diluted profit (loss) per ordinary share in NIS	<u>(0.149)</u>	<u>0.016</u>	<u>0.712</u>

(*) see Notes 1 & 3 on Discontinued Operations

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

Unitronics (1989) (R"G) Ltd.

Condensed Consolidated Statements of Comprehensive Income (Loss)

	For the three-month period	For the year ended on
	Ended on March 31	December 31
	2019	2018
	(Unaudited)	(Audited)
	<u>NIS thousand</u>	
Profit (loss) for the period	(2,055)	465
Other comprehensive income (loss) (after tax)		10,215
 <u>Amounts that will not subsequently be reclassified to profit or loss:</u>		
Remeasurement profits from defined benefit plans	-	340
 <u>Amounts that will be reclassified to profit or loss if certain conditions are met:</u>		
Adjustments arising from translating financial statements of foreign operations	(203)	281
		764
Other comprehensive income (loss) for the period	(203)	281
		1,104
Total comprehensive income (loss) for the period	<u>(2,258)</u>	<u>746</u>
		<u>11,319</u>

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

Unitronics (1989) (R"G) Ltd.

Condensed Consolidated Statements of Changes in Shareholders Equity

	Share capital	Share premium	Capital reserve from translation of foreign operations	Company shares held by the company	Reserve from a transaction with a controlling shareholder	Accumulated profit (loss)	Total
<u>NIS, in thousands (Unaudited)</u>							
Balance on January 1, 2019	427	104,513	(1,598)	(7,042)	104	60	96,464
Loss for the period	-	-	-	-	-	(2,055)	(2,055)
Other comprehensive loss for the period	-	-	(203)	-	-	-	(203)
Total other comprehensive loss for the period	-	-	(203)	-	-	(2,055)	(2,258)
Split of the automated solutions segment and related activities	-	(41,309)	337	-	-	-	(40,972)
Balance as of March 31, 2019	427	63,204	(1,464)	(7,042)	104	(1,995)	53,234
Balance as of January 1, 2018	427	104,513	(2,437)	(7,042)	104	(1,201)	94,364
Cumulative effect on January 1, 2018, of the first application of IFRS 15	-	-	75	-	-	(9,294)	(9,219)
Profit for the period	-	-	-	-	-	465	465
Other comprehensive income for the period	-	-	281	-	-	-	281
Total other comprehensive income for the period	-	-	281	-	-	465	746
Balance as of March 31, 2018	427	104,513	(2,081)	(7,042)	104	(10,030)	85,891
Balance as of January 1, 2018	427	104,513	(2,437)	(7,042)	104	(1,201)	94,364
Cumulative effect as of January 1, 2018 due to the initial implementation of IFRS	-	-	75	-	-	(9,294)	(9,219)
Net profit	-	-	-	-	-	10,215	10,215
Other comprehensive income for the year	-	-	764	-	-	340	1,104
Total other comprehensive income for the year	-	-	764	-	-	10,555	11,319
Balance as of December 31, 2018	427	104,513	(1,598)	(7,042)	104	60	96,464

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

Unitronics (1989) (R"G) Ltd.

Condensed Consolidated Statements of Cash Flows

	For the three-month period		For the year ended on
	Ended on March 31		December 31
	2019	2018	2018
	(Unaudited)		(Audited)
	NIS thousand		
Cash flows – current operations:			
Profit (loss) for the period	(2,055)	465	10,215
Adjustments necessary to show the cash flows from current operations (Appendix A)	7,507	(1,963)	(4,533)
Cash flows provided by (used in) current operations, net	5,452	(1,498)	5,682
Cash flows – investment activities:			
Investment in fixed assets	(642)	(257)	(832)
Use of restricted cash	306	294	386
Withdrawal of bank deposits	-	5,000	20,000
Investment in long-term deposits	-	(6)	-
Long-term deposit lien	(5,057)	-	-
Investment in intangible assets	(2,764)	(2,442)	(9,662)
Cash flows provided by (used in) investment activities, net	(8,157)	2,589	9,892
Cash flows - financing activities:			
Repayment of long-term loans	(201)	(86)	(354)
Receipt of loan	30,000	-	-
Cash out by way of Automated Solutions segment split	(6,483)	-	-
Repayment of bonds	(42,393)	(10,973)	(12,974)
Repayment of lease liabilities	(1,138)	-	-
Cash used in financing activities, net	(20,215)	(11,059)	(13,328)
Translation differences in respect of cash and cash equivalents	(106)	450	870
Change in cash and cash equivalents for the period	(23,026)	(9,518)	3,116
Cash and cash equivalents at the beginning of the period	37,826	34,710	34,710
Cash and cash equivalents at the end of the period	14,800	25,192	37,826

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

Unitronics (1989) (R"G) Ltd.

Condensed Consolidated Statements of Cash Flows

	For the three-month period		For the year ended on
	Ended on March 31		December 31
	2019	2018	2018
	(Unaudited)	(Audited)	
	<u>NIS thousand</u>		

Appendix A

Adjustments necessary to show the cash flows - current operations

Income and expenses not involving cash flows:

Depreciation and amortization	5,862	4,401	17,100
Changes in employee benefit liabilities, net	(63)	(48)	36
Revaluation of cash balances in foreign currency	(105)	(272)	(234)
Capital loss	-	-	146
Revaluation of deposits	21	28	209
Revaluation of long-term loans and debentures	-	20	679
Changes in deferred taxes	227	(46)	(330)
Revaluation of share purchase options	-	(240)	(38)
Revaluation of financial assets, net	(736)	455	342

Changes in assets and liabilities:

Decrease (increase) in customers and income receivables	5,861	397	(6,556)
Increase in income receivable in respect of construction contracts	(5,195)	(3,987)	(12,379)
Decrease (increase) in accounts receivable	(983)	(142)	(1,223)
Increase in inventory	(1,134)	(959)	(3,231)
Increase (decrease) in suppliers and service providers	3,413	(101)	(1,078)
Increase (decrease) in liabilities in respect of construction contracts	(3,467)	8,428	3,467
Decrease in accounts payable	3,806	(9,897)	(1,443)
	<u>7,507</u>	<u>(1,963)</u>	<u>(4,533)</u>

Appendix B - Additional information on cash flows regarding current operations

Cash paid during the period for:

Interest

	1,197	1,776	3,338
Taxes on income	<u>241</u>	<u>14</u>	<u>2,450</u>

Cash received during the period for:

Interest

	-	28	255
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The notes to the interim consolidated financial statements form an integral part thereof

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

NOTE 1- General

These financial statements have been prepared in a condensed format as of March 31, 2019 (hereinafter – "Consolidated Interim Financial Statements") should be read in conjunction with the Company's annual consolidated financial statements as of December 31, 2018 and for the year then ended and the accompanying notes (hereinafter: the "Consolidated Annual Financial Statements").

On August 19, 2018, the Company's Board of Directors resolved, in principle, to examine the split of the Company's operations (hereinafter: The "Split") using a prospectus for the Split and listing for trading in the Tel Aviv Stock Exchange Ltd. (hereinafter: The "Prospectus"), such that the Company would transfer the Automated Solutions segment to Utron Ltd. (hereinafter: "Utron"), the Company's sister company, whose shares were held by a trustee for the Company shareholders. In order to further the split, on February 12, 2019, the Company's Board of Directors passed a resolution for early redemption at the Company's initiative for debentures (Series 5) and on February 19, 2019, the Court approved the split subject to the early redemption.

On February 28, 2019, the Company and Utron published a Split and Listing for Trading Prospectus, by which the Split was carried out.

On March 3, 2019, in order to finance the repayment of debentures (Series 5), the Company took two loans from a banking corporation, in the total amount of NIS 30 million: One loan in the amount of NIS 10 million over a period of five years with an early repayment option, at prime interest plus less than one percent per annum, with quarterly interest and principal payments; A "Bolt Loan" in the amount of NIS 20 million over a period of two years, without early repayment option, at prime interest plus less than one percent per annum, with quarterly interest payments.

As of the date of extending the credit and for 24 months thereafter, a deposit in the amount of no less than NIS 5 million is to be deposited in the Company's bank account at all times. Additionally, the Company has placed a first-rate mortgage on a property owned thereby, of an unlimited amount, according to an appraiser's valuation of no less than NIS 16 million.

On March 12, 2019, the split took effect by way of capital reduction as a set-off from the premium of all the assets and liabilities that were split and all in book values, and the early repayment of the debentures was completed in return for NIS 31,117 thousand, the difference in the amount of NIS 3,575 to the bond book value is also imputed to the premium (see Note 2c).

Up to March 12, 2019, the Group operated within two main operating segments – the product segment and the automated solutions segment – and owned 100% of the capital rights and controlling interests in Unitronics Automated Solutions Ltd (hereinafter: "Unitronics solutions"). As of March 12, 2019, the Company operates within the product segment only, and its operations in the automated solutions segment were transferred to Utron, as part of the Split.

On March 12, 2019, following the fulfillment of the suspending conditions, the split process was completed according to the Split Prospectus and listed for trade on the Tel Aviv Stock Exchange Ltd. On the date of the split, the automatic solutions area was transferred from the company to Utron, through the transfer of the automated solutions activity performed by the Company, The Company's holding in Unitronics Solutions, a wholly-owned subsidiary, to Utron, all as detailed in the prospectus and in accordance with the provisions of a split agreement between the Company and Utron.

On the date of completion of the split, Utron entered into agreements with the Company as follows:

1.

An agreement for the provision of services from the company to Utron for a period of five years, with each party having the right to terminate the agreement by 90 days written notice. By virtue of the Services Agreement, services will be provided to Yatron by the Company, without the existence of employer-employee relations between Utron and the Company and anyone acting on its behalf.

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

NOTE 1- General (continued):

2. An agreement for the provision of services from Utron to the Company for a period of five years, with each party having the right to terminate the agreement by 90 days written notice. Under the Services Agreement, services will be provided to the Company by Utron, without the existence of employee-employer relations between Utron and the Company and anyone acting on its behalf.
3. An agreement to transfer projects from a subsidiary of the Company in the United States (hereinafter - "Unitronics Inc.") to Unitronics Systems Inc. (a subsidiary of Unitronics Solutions ("Unitronics Systems")) until the completion of projects signed in the first quarter of 2019.
4. An agreement for the provision of services including employees from Unitronics Inc. for a period of five years, with each party having the right to terminate the agreement by 90 days written notice.
5. A purchase agreement according to which Utron will purchase from time to time, according to its needs, products manufactured by the Company according to a fixed price and known in advance, according to which the Group will sell the same products to its distributors, with each party having the right to terminate the agreement by prior notice And in writing of ninety days.
6. A lease agreement under which Utron will lease to the Company a sublease in the building in which it is located in the Airport City, with an area of 220.5 m², paid by Utron to the landlord, plus overhead costs, totaling NIS 160 per year. The said agreement is back to back (BTB) against the agreement of Utron with the landlord.

Note 2 - Significant Accounting Policies

- A. The consolidated interim financial statements of the Company are prepared in conformity with IAS 34, "Interim Financial Reporting" and in accordance with the provisions of Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970.
- B. The accounting policy used in preparing the interim consolidated financial statements is consistent with the policy applied in the preparation of the consolidated annual financial statements, except as detailed in sections C. and D. below.
- C. The split is in fact a structural change between entities under the same control and was therefore recorded as a capital reduction by means of a net offset from the premium of the assets, liabilities and capital reserve in respect of foreign currency translation adjustments of foreign operation, that were split, all in accordance with their carrying amount at the end of the reporting period (no adjustments have been made from the date of the split to the end of the reporting period due to lack of materiality) and therefore no gain was recorded in respect of the difference between the fair value of the net assets that were split and their book value. In addition, in connection with the early redemption of the debentures and the adjustment of the fair value of FIMI's options (see Note 4) that are directly related to the split, the differences between book values and the fair value of the liabilities, and less the tax effect, to The date of the split, Were also imputed to the premium as part of the overall recording of the split.
In addition, the automated solutions segment, which constituted one of the two reportable segments of the Company, was presented as discontinued operations as detailed below, and the segment reporting was canceled as the Company continues to operate in one reportable segment Discontinued operations are one of the components of the Group's business, representing a separate, significant actualized operations line of business. With respect to the discontinued operations, the comparative figures in the Profit and Loss Report were restated, as if the operations had been discontinued as of the beginning of the earliest comparison period.
In addition, the results, cash flows and summary of the split net assets of the discontinued operations are presented in Note 3 to this report. The results of the discontinued operations for the first quarter of 2019 include the results of operations for the three months ended March 31, 2019, instead of including them until the date of the split, for reasons of immateriality.

Unitronics (1989) (R"G) Ltd.

Notes to the Condensed Consolidated Financial Statements

Note 2 - Significant Accounting Policies (continued):

- D. Further to Note 2K to the annual consolidated financial statements, on January 1, 2019, the Company first implemented IFRS 16 and the effect of the application on relevant items at that date:

	Balance as of January 1, 2019		
	(Unaudited)		
	Balance prior to adoption of IFRS 16	Effects of adopting IFRS 16	Balance after adopting IFRS 16
Fixed assets	20,835	(13,573)	7,262
Right-of-use assets		34,671	34,671
Short-term lease liabilities	-	(4,987)	(4,987)
Long-term lease liabilities	-	(16,111)	(16,111)

For carrying out an initial calculation of the lease liabilities on the initial implementation date, the Company capitalized the balance of the unpaid lease payments as at that date at its additional interest rate on that date.

The Company has chosen the practical relief on the date of initial implementation and used a single discount rate for a portfolio of leases with similar characteristics.

The Company has chosen the transition relief, not to include initial direct costs in measuring the right to use the property on the initial application date. The weighted average of the company's incremental interest rate used for measuring the leasing liabilities and the rights-of-use recognized on the initial application date is 3.53%.

The Company chose the practical easing of the transition, on the basis of each lease separately, to rely on its assessment of December 31, 2018 whether leases are burdensome rather than performing an impairment test. The Company has been measuring Rights-of-use assets prior to adopting IFRS 16, according to the book value of the lease properties immediately before the initial application date

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

Note 3 – Split of Automatic Solutions segment – discontinued activity:

- A. Below are the results relating to the discontinued activity, which were included in the consolidated statement of profit and loss:

	For the three-month period ended		For the year ended
	March 31 2019	March 31 2018	December 31 2018
	Unaudited		Audited
NIS thousand			
Income	14,075	14,902	66,669
Expenses	19,144	15,241	63,430
Profit (loss) before taxes on income	(5,069)	(339)	3,239
Taxes on income	444	253	1,787
Profit (loss) for the period from discontinued operations	(5,513)	(592)	1,452

- B. The cash flows of the discontinued operations are included in the condensed consolidated statement of cash flows:

	For the three-month period ended		For the year ended
	March 31 2019	March 31 2018	December 31 2019
	Unaudited		Audited
NIS in thousand			
Net cash provided by (used in) discontinued current operations	2,491	(1,886)	(4,888)
Net cash used in discontinued investment activities	(733)	(606)	(2,390)
Net cash used in discontinued financing activities	(814)	-	-

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

Note 3 – Split of Automatic Solutions segment – discontinued operation (continued):

C. Below are details on the effect of discounting the operation on the Company's assets and liabilities:

	March 31, 2019
	Unaudited
	NIS thousand
Cash	6,483
Working capital net of cash	6,202
Non-current assets	40,269
Non-current liabilities	(13,103)
	39,851

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

Note 4 – Financial instruments

A. Classification of financial instruments according to the fair value hierarchy

The financial instruments presented in the statement of financial position at fair value, or whose fair value is disclosed, are classified by groups with similar characteristics using the following fair value hierarchy, which is determined based on the source of input used in measuring fair value :

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable either directly or indirectly.

Level 3 - Inputs that are not based on observable market data (valuation techniques that use inputs which are not based on observable market data).

The Company holds financial instruments that are measured at fair value according to the following classifications:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<u>NIS in thousand</u>			
As of March 31, 2019 (unaudited):				
Financial assets measured at fair value				
Foreign currency forward contracts	-	383	-	383
Financial liabilities measured at fair value				
Foreign currency forward contracts	-	12	-	12
Liabilities in respect of share purchase options	-	-	3,902	3,902
As of March 31, 2018 (unaudited):				
Financial assets measured at fair value				
Foreign currency forward contracts	-	40	-	40
Financial liabilities measured at fair value				
Foreign currency forward contracts	-	521	-	521
Liabilities in respect of share purchase options	-	-	6,670	6,670
As of December 31, 2018 (audited):				
Financial assets measured at fair value				
Foreign currency forward contracts	-	49	-	49
Financial liabilities measured at fair value				
Foreign currency forward contracts	-	414	-	414
Liabilities in respect of share purchase options	-	-	6,872	6,872

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

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

Note 4 – Financial instruments (continued):

B. Adjustments in respect of fair value measurements classified to Level 3 in the fair value hierarchy of financial instruments

	Financial liabilities at fair value through profit or loss			
	For the three-month period ended		For the year ended	
	March 31	December 31	2018	2018
	2019	2018	(Unaudited)	(Audited)
<u>NIS in thousand</u>				
At the beginning of the period		6,872	6,910	6,910
Total loss charged to premium in connection with adjustments in respect of the Split(*)		(2,970)	-	-
Total profit, net, recognized in financing income		-	240	38
At the end of the period	<u>3,902</u>	<u>6,670</u>	<u>6,872</u>	<u>6,872</u>

(*)The total amount charged to the premium in respect of this adjustment is net of tax in the amount of NIS 516 thousand (NIS 2,454 thousand)

C. Quantitative information regarding fair value measurements classified to Level 3:

The effect on the capital gain / loss following a change in the standard deviation of the two shares at a rate of:

Effect on the capital gain / loss	For the three months ended on March 31, 2019		
	+10%	Fair value	-10%
	<u>225</u>	<u>3,902</u>	<u>(181)</u>

D. Valuation techniques:

Liabilities in respect of share options

The fair value of the liability for share purchase option for which no quoted market price exists, is determined for every reporting period on the basis of the economic model used in an evaluation made by an external appraiser.

Further to that specified in Note 16E in the Consolidated Annual Financial Statements, as a result of the aforementioned Split, entitlement to additional Company shares by FIMI shall depend upon the overall consideration that FIMI receives from the sale of its holdings of Company shares and Utron shares, therefore the number of variables which influence the value of the share purchase options increases, and the measurement model was changed accordingly, from the “Binomial” model to the “Monte Carlo” model.

The fair value of the price adjustment mechanism is the expected future value of the additional shares, which will be allotted to FIMI (to the extent they are allotted), discounted on the date of the calculation, where the number of shares that will be allotted to FIMI will be derived from the consideration FIMI will receive upon the sale of all the acquired shares.

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

Note 4 – Financial instruments (continued):

The future value of the acquired shares is estimated using the "Monte Carlo" model and are divided into two categories:

1. The sectors where the value of the shares acquired is lower than 250% of FIMI'S purchase price for which FIMI is entitled to the allotment of additional shares.
2. The sectors in which the value of the shares acquired is higher than 250% of FIMI'S purchase price for which FIMI is not entitled to the allotment of additional shares.

The future value of the additional shares was calculated by multiplying (a) the total shares that FIMI will receive by (b) the future value of the share and by (c) the probable future value of the share.

The fair value of the additional shares was calculated by discounting the future value by zero risk interest on the date of the calculation.

Note 5 – Revenues:

The table below presents revenues by geographic regions:

	For the three-month period ended	For the year ended
	March 31	December 31
	2019	2018
	<u>(Unaudited)</u>	<u>(Audited)</u>
<u>NIS in thousand</u>		
Israel	1,805	1,670
Europe and others	15,521	15,386
United States	15,650	12,776
Total income	32,976	29,832
		134,946

Note 6 – Subsequent events:

1. On May 30, 2019, the Company's Board of Directors adopted a compensation plan for employees, consultants and officers of the Company and its subsidiaries.
2. Further to Note 22 E to the annual financial statements, on May 16, 2019, the General Meeting of the Company's shareholders (hereinafter - "the Meeting") approved the employment agreements of Mr. Haim Shani and Ms. Bareket Shani for a period of three years commencing April 1, 2019.
3. Further to Note 22 F to the annual financial statements, on May 16, 2019, the meeting approved the payment of compensation to Mr. Amit Ben-Zvi, the Company's active chairman, for a period of three years commencing April 1, 2019.

UNITRONICS (1989) (R''G) LTD

**Presentation of Financial Information from the
Condensed Interim Consolidated Financial
Statements**

Attributable to the Company

As of March 31, 2019

(Unaudited)

Special review report of the auditors to the shareholders of Unitronics (1989) (R"G) Ltd. on separate interim financial information under Regulation 38D to the Israeli Securities Regulations (Periodic and Immediate Reports) - 1970

Introduction

We have reviewed the accompanying separate interim financial information presented in accordance with Regulation 38D of the Israeli Securities Regulations (Periodic and Immediate Reports) - 1970 of Unitronics (1989) (R"G) Ltd. as of March 31, 2019 and for the three month period then ended. The Board of Directors and management are responsible for the preparation and presentation of the separate interim financial information in accordance with regulation 38D of the Israeli Securities Regulations (Periodic and Immediate Reports) - 1970. Our responsibility is to express a conclusion on the separate interim financial information for this interim period, based on our review.

Scope of the review

We conducted our review in accordance with Standard on Review Engagements 1, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" of the Institute of Certified Public Accountants in Israel. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying separate interim financial information was not prepared, in all material respects, in accordance with regulation 38D of the Israeli Securities Regulations (Periodic and Immediate Reports) - 1970.

Emphasis of Matter

Without qualifying our abovementioned conclusion, we draw attention to Note 1 in the separate interim financial information on the spin-off of the automated solutions segment (which also includes a subsidiary) and relating transactions, and its presentation as a discontinued operation.

Ziv Haft
Certified Public Accountants (Isr.)
BDO Member Firm

May 30, 2019

Unitronics (1989) (R"G) Ltd.

**Amounts of Assets and Liabilities from the Condensed Consolidated Statements of
Financial Position Attributable to the Company**

	As of		(Audited)	
	As of March 31			
	2019	2018		
			<u>NIS, (in thousands)</u>	
<u>Current assets</u>				
Cash and cash equivalents	10,885	13,498	23,366	
Restricted cash	307	607	613	
Bank deposits	-	15,181	-	
Trade and income receivable	13,772	14,749	19,541	
Income receivable in respect of construction contracts	-	-	4,194	
Accounts receivable	3,070	2,056	3,188	
Accounts receivable – investee companies	10,443	18,781	9,432	
Other financial assets	383	40	49	
Inventory	<u>30,617</u>	<u>28,368</u>	<u>30,645</u>	
	<u>69,477</u>	<u>93,280</u>	<u>91,028</u>	
<u>Non-current assets</u>				
Restricted bank deposit	5,057	-	-	
Other deposits	108	78	115	
Rights-of-use assets	16,968	-	-	
Property and equipment, net	2,211	16,327	15,591	
Loans and capital notes to investee companies net of excess of liabilities over assets attributable thereto	3,277	24,375	46,650	
Intangible assets, net	<u>41,839</u>	<u>43,841</u>	<u>42,351</u>	
	<u>69,460</u>	<u>84,621</u>	<u>104,707</u>	
	<u>138,937</u>	<u>177,901</u>	<u>195,735</u>	

Amit Ben Zvi & Haim Shani
Joint Chairman of the Board of
Directors

Amit Harari
Chief Executive Officer

Eitan Alon
Chief Financial Officer

Approved: May 30, 2019

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

Unitronics (1989) (R"G) Ltd.

**Amounts of Assets and Liabilities from the Condensed Consolidated Statements of
Financial Position Attributable to the Company**

	As of March 31		As of December 31
	2019	2018	2018
	(Unaudited)		(Audited)
NIS, (in thousands)			
<u>Current liabilities</u>			
Current maturities of bank loans	2,346	346	358
Current maturities of bonds	11,267	12,662	13,106
Suppliers and service providers	18,690	17,238	17,566
Other financial liabilities	12	521	414
Liabilities in respect of construction contracts	-	-	1,278
Lease liabilities	1,620	-	-
Other accounts payable	9,358	6,834	14,645
	<u>43,293</u>	<u>37,601</u>	<u>47,367</u>
<u>Non-current liabilities</u>			
Bank loans	29,778	2,287	1,967
Bonds	-	38,809	36,979
Employee benefit liabilities, net	1,780	2,052	1,779
Lease liabilities	1,901	-	-
Liability for share purchase options	3,902	6,670	6,872
Deferred taxes	5,049	4,591	4,307
	<u>42,410</u>	<u>54,409</u>	<u>51,904</u>
<u>Shareholders equity</u>			
Share capital	427	427	427
Share premium	63,204	104,513	104,513
Capital reserve from translation of foreign operations	(1,464)	(2,081)	(1,598)
Treasury shares	(7,042)	(7,042)	(7,042)
Reserve due to transaction with a controlling shareholder	104	104	104
Accumulated profit (loss)	(1,995)	(10,030)	60
	<u>53,234</u>	<u>85,891</u>	<u>96,464</u>
	<u><u>138,937</u></u>	<u><u>177,901</u></u>	<u><u>195,735</u></u>

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

Unitronics (1989) (R"G) Ltd.

**Financial Data from the Consolidated Statements of Profit or Loss
attributable to the Company**

	For the three-month period		For the year ended on
	Ended on March 31		December 31
	2019	2018	2018
	(Unaudited)	(Audited)	
	NIS. (in thousands)		
Revenues	18,125	18,341	81,897
Revenue from investee companies	11,327	9,653	38,146
Total revenues	29,452	27,994	120,043
Cost of revenues	18,255	17,102	74,472
Gross profit	11,197	10,892	45,571
Development expenses, net	1,004	844	3,865
Selling & marketing expenses	2,611	3,014	12,404
General & administrative expenses	3,285	3,159	14,481
General & administrative expenses to investees	168	179	738
Other expenses	-	-	146
Profit from ordinary operations	4,129	3,696	13,937
Financing incomes	1,744	839	85
Financing expenses	1,936	1,733	4,925
Profit after financing expenses, net	3,937	2,802	12,190
Company's share in losses (profit) of investee companies	(37)	1,438	(986)
Profit before taxes on income	3,974	1,364	10,083
Taxes on income	516	307	1,320
Profit for the period from continuing operations	3,458	1,057	8,763
Profit (loss) from discontinued activity	(5,513)	(592)	1,452
Profit (loss) for the period	(2,055)	465	10,215

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

Unitronics (1989) (R"G) Ltd.

**Amounts of Profit (Loss) from the Condensed Consolidated Statements of
Comprehensive Income (Loss) Attributable to the Company**

	For the three-month period	For the year ended on
	Ended on March 31	December 31
	2019	2018
	(Unaudited)	(Audited)
	NIS, (in thousands)	
Profit (loss) for the period	(2,055)	465
 <u>Other comprehensive income (loss) (after tax)</u>		10,215
 <u>Items that will not subsequently be reclassified to profit or loss:</u>		
Remeasurement profit from defined benefit plans	-	340
 <u>Items that will be reclassified to profit or loss in the future if certain conditions are met:</u>		
Adjustments from the translation of financial statements of foreign operations	(203)	281
		764
Other comprehensive income (loss) for the period	(203)	281
		1,104
Total comprehensive income (loss) for the period	<u>(2,258)</u>	<u>746</u>
		<u>11,319</u>

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

Unitronics (1989) (R"G) Ltd.

**Amounts of Cash Flows from the Condensed Consolidated Statements of Cash Flows
Attributable to the Company**

	For the three-month period Ended on March 31	For the year ended on December 31
	2019	2018
	(Unaudited)	2018 (Audited)
NIS (in thousands)		
Cash flows – operating activities:		
Profit (loss) for the period attributable to the Company's shareholders	(2,055)	465
Adjustments necessary to show the cash flows from operations (Appendix A)	<u>12,492</u>	<u>2,462</u>
Cash flows provided by the Company's operating activities	<u>10,437</u>	<u>2,927</u>
		<u>21,492</u>
Cash flows provided by (used in) operating activities in respect of transactions with investees	<u>(1,011)</u>	<u>(4,092)</u>
Cash flows provided by (used in) operating activities	<u>9,426</u>	<u>(1,165)</u>
		<u>21,330</u>
Cash flows – investment activities:		
Investment in fixed assets	(409)	(194)
Withdrawal of bank deposits	-	5,000
Use of restricted cash	306	294
Withdrawal of long-term deposits, net	-	-
Long-term deposit lien	<u>(5,057)</u>	<u>-</u>
Investment in intangible assets	<u>(2,076)</u>	<u>(1,904)</u>
Cash flows provided by (used in) investment activities	<u>(7,236)</u>	<u>3,196</u>
		<u>12,255</u>
Cash flows used in investment activities in respect of transactions with investees	(1,604)	(1,700)
Cash flows provided by (used in) investment activities	<u>(8,840)</u>	<u>1,496</u>
		<u>(8,877)</u>
Cash flows - financing activities		
Repayment of long-term loans	(201)	(86)
Repayment of lease liabilities	<u>(473)</u>	<u>-</u>
Receipt of loans	30,000	-
Repayment of bonds	<u>(42,393)</u>	<u>(10,973)</u>
Cash flows used in financing activities	<u>(13,067)</u>	<u>(11,059)</u>
		<u>(13,328)</u>
Translation differences in respect of cash and cash equivalents	<u>(106)</u>	<u>144</u>
		<u>159</u>
Change in cash and cash equivalents	(12,481)	(10,584)
Cash and cash equivalents at beginning of year	<u>23,366</u>	<u>24,082</u>
Cash and cash equivalents at end of year	<u>10,885</u>	<u>13,498</u>
		<u>23,366</u>

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

Unitronics (1989) (R"G) Ltd.

**Amounts of Cash Flows from the Condensed Consolidated Statements of Cash Flows
Attributable to the Company**

For the three-month period		For the year ended	
Ended on March 31		December 31	
2019	2018	2018	(Audited)

NIS (in thousands)

Appendix A

Adjustments necessary to show the cash flows from operations

Income and expenses not involving cash flows:

Company's share in the losses of investees	6,720	3,308	6,378
Depreciation and amortization	3,403	2,750	10,694
Changes in employee benefit liabilities, net	-	(51)	(324)
Capital loss	-	-	146
Changes in deferred taxes	227	(46)	(330)
Revaluation of cash balances in foreign currency	(106)	(143)	(159)
Revaluation of bank deposits	21	28	209
Revaluation of long-term loans and bonds	-	20	679
Revaluation of financial assets and financial holdings	(736)	455	339
Revaluation of share options	-	(240)	(38)

Changes in assets and liabilities:

Decrease (increase) in trade and income receivables	2,189	680	(4,112)
Increase in income receivable in respect of construction contracts	(623)	-	(4,194)
Decrease (increase) in accounts receivable	103	33	(1,153)
Decrease (Increase) in inventory	28	(968)	(3,244)
Increase (decrease) in suppliers and service providers	1,260	(2,773)	(2,445)
Increase (decrease) in trade payables	1,284	(591)	7,553
Increase (decrease) in liabilities in respect of construction contracts	(1,278)	-	1,278
	<u>12,492</u>	<u>2,462</u>	<u>11,277</u>

Appendix B - Additional information on cash flows regarding operating activities

Cash paid during the year for:

Interest	1,046	1,776	3,338
Taxes on income	241	14	2,450

Cash received during the year for:

Interest	-	28	255
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The notes to the interim consolidated financial statements form an integral part thereof

Unitronics (1989) (R"G) Ltd.
Additional information

Note 1 – General

A

This separate financial information has been prepared in a condensed format as of March 31, 2019 and for the period of three months then ended, in accordance with Regulation 38D to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970.

This separate financial information should be read in conjunction with the separate financial information from Company's annual consolidated financial statements as of December 31, 2018 and for the year then ended and the accompanying notes.

The accounting policy used in preparing the separate interim financial information is consistent with the policy detailed in note 2 of the Company's condensed interim consolidated annual financial statements as of March 31, 2019, subject to the foregoing.

On August 19, 2018, the Company's Board of Directors resolved, in principle, to examine the split of the Company's operations (hereinafter: The "Split") using a prospectus for the Split and listing for trading in the Tel Aviv Stock Exchange Ltd. (hereinafter: The "Prospectus"), such that the Company would transfer the Automated Solutions segment to Utron Ltd. (hereinafter: "Utron"), the Company's sister company, whose shares were held by a trustee for the Company shareholders. In order to further the split, on February 12, 2019, the Company's Board of Directors passed a resolution for early redemption at the Company's initiative for debentures (Series 5) and on February 19, 2019, the Court approved the split subject to the early redemption.

On February 28, 2019, the Company and Utron published a Split and Listing for Trading Prospectus, by which the Split was carried out.

On March 3, 2019, in order to finance the repayment of debentures (Series 5), the Company took two loans from a banking corporation, in the total amount of NIS 30 million: One loan in the amount of NIS 10 million over a period of five years with an early repayment option, at prime interest plus less than one percent per annum, with quarterly interest and principal payments; A "Bolt Loan" in the amount of NIS 20 million over a period of two years, without early repayment option, at prime interest plus less than one percent per annum, with quarterly interest payments.

As of the date of extending the credit and for 24 months thereafter, a deposit in the amount of no less than NIS 5 million is to be deposited in the Company's bank account at all times. Additionally, the Company has placed a first-rate mortgage on a property owned thereby, of an unlimited amount, according to an appraiser's valuation of no less than NIS 16 million.

On March 12, 2019, the split took effect by way of capital reduction as a set-off from the premium of all the assets and liabilities that were split and all in book values, and the early repayment of the debentures was completed in return for NIS 31,117 thousand, the difference in the amount of NIS 3,575 to the bond book value is also imputed to the premium (see Note 2c).

Up to March 12, 2019, the Company operated within two main operating segments – the product segment and the automated solutions segment – and owned 100% of the capital rights and controlling interests in Unitronics Automated Solutions Ltd. As of March 12, 2019, the Company operates within the product segment only, and its operations in the automated solutions segment And its investment in the automated solutions company (by way of a mandatory conversion of NIS 120,081 thousand of Unitronics Solutions to the Company, to Unitronics Solutions equity) were transferred to Utron, as part of the Split.

Regarding agreements signed between the Company and Utron in 2019 as part of the approval of the split transaction, see Note 1 to the condensed consolidated interim financial statements

Unitronics (1989) (R"G) Ltd.
Additional information

Note 1 - General (continued):

- B. Further to Note 2K to the annual consolidated financial statements and Note 2D to the interim consolidated financial statements, on January 1, 2019, the Company first implemented IFRS 16 and the effect of the application on relevant items at that date:

	Balance as of January 1, 2019		
	(Unaudited)		
	Balance prior to adoption of IFRS 16	Effects of adopting IFRS 16	Balance after adopting IFRS 16
	NIS thousand		
Fixed assets	15,591	(13,573)	2,018
Right-of-use assets	-	17,567	17,567
Short-term lease liabilities	-	(1,667)	(1,667)
Long-term lease liabilities	-	(2,327)	(2,327)

The weighted average of the company's incremental interest rate used for measuring the leasing liabilities and the rights-of-use recognized on the initial application date is 3.2%.

Unitronics (1989) (R"G) Ltd.
Additional information

Note 2 – Split of Automatic Solutions segment – discontinued activity:

- A. Below are the results relating to the discontinued activity, which were included in the condensed consolidated interim financial statements of profit and loss attributed to the Company:

	For the three-month period that ended on		For the year that ended on
	March 31 2019	March 31 2018	December 31 2018
	Unaudited		Audited
NIS in thousand			
Income	6,826	2,602	18,703
Expenses (including Company's share in the losses of investees)	11,895	2,941	15,542
Profit (loss) before taxes on income	(5,069)	(339)	3,161
Taxes on income	444	253	1,709
Profit (loss) for the period from discontinued operations	(5,513)	(592)	1,452

- B. Below are the cash flows of the discontinued operations which were included in the condensed consolidated interim financial statements attributed to the Company :

	For the three-month period that ended on		For the year that ended on
	March 31 2019	March 31 2018	December 31 2018
	Unaudited		Audited
NIS in thousand			
Net cash provided by (used in) discontinued current operations	(1,206)	468	6,855
Net cash used in discontinued investment activities	(1,604)	(2,884)	(21,131)

- C. Below are details of the assets and liabilities that were deducted in the framework of the split:

	March 31 2019	
	Unaudited	
	NIS, thousand	
Working capital	806	
Investment in investee company	39,045	
	39,851	

**Chapter D - Statements by the CEO and CFO of the Corporation for the
First Quarter of 2019**

- 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, Amit Harari, certify that:

1. I have reviewed the quarterly report of UNITRONICS (1989) (R"G) Ltd. ("the corporation") for the first quarter of 2019 ("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.

May 30, 2019

Amit Harari, CEO

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

I, Eitan Alon, 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 first quarter of 2019 (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.

May 30, 2019

Eitan Alon, CFO