Unitronics (1989) (R"G) Ltd

Quarterly Report as of March 31, 2018

The Company is a "Small Corporation" as this term is defined in the Securities Regulations (Periodic and Immediate Reports) (Amendment), 2014 (hereinafter: "the Amendment"). On March 9, 2014 the Board of Directors of the Company adopted all the reliefs prescribed in the Amendment. For additional details see immediate report dated March 9, 2014 (reference no. 2014-01-009177), included herein by reference.

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CHAPTER A – PREFACE

1.1 General

Company Name:	Unitronics (1989) (R"G) Ltd. (hereinafter: "**the Company**" or "**Unitronics**")
Company No.:	520044199
Address:	Unitronics Building, Arava Street, Airport City, POB 300, Israel 70100
Email Address:	investors@unitronics.com
Telephone:	03 977 8888
Facsimile:	03 977 8877

1.2 Description of the Company and Its Business Environment

The Company operates in two main operating segments, as described below.

Products segment: Design, development, production, marketing, sale and support of various models of PLCs (programmable logic controllers) which incorporate an operating panel (keyboard and display) as an integral part of the PLC, and connectivity (including Internet, intranet and cellular phone communications), as well as external expansion units for the PLCs and software for the PLCs. The PLCs are intended mainly for the management of automated systems including industrial automation, logistics systems, robotic parking facilities, for the management of production floors and additional auxiliary items.
This activity is carried out by the Company as well as via a wholly owned subsidiary, Unitronics Inc., which is incorporated in the US (hereinafter: "**Unitronics Inc.**").
The Company's PLCs and services are marketed and sold through the Company's own marketing system and through Unitronics Inc., as well as via a network of distributors comprising approximately 160 distributors (of which 100 in the US) in approximately sixty countries (including Israel) throughout Europe, Asia, South and Central America, North America and Africa.

Automated Solutions segment: Development, design, marketing, production, construction and maintenance of robotic parking facilities and computerized logistics systems (mainly automated warehouses and automated distribution centers), including the installation of new systems and/or upgrading and servicing of existing systems as well as maintenance services for these systems based on framework agreements or individual service calls.
This activity is carried out through the Company, through Unitronics Automated Solutions Ltd., a wholly owned subsidiary of the Company (hereinafter: "**Unitronics Solutions**"), and through Unitronics Systems Inc., a second-tier subsidiary incorporated in the US, wholly owned by Unitronics Solutions (hereinafter: "**Unitronics Systems**").
The services in this operating segment are provided mainly to customers in Israel and in the US.

The Company operates primarily from office and industry buildings situated in 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 2017, published by the Company on March 26, 2018, reference no: 2018-01-023773 (hereinafter: "**the Periodic Report**").

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

1.3.1 Principal payment on debentures (Series 4)

On January 31, 2018, the Company made the fourth payment of six principal payments on debentures (Series 4), which were issued by the Company under a shelf prospectus published on February 22, 2011 and amended on March 17, 2011 (hereinafter: "**the 2011 Shelf Prospectus**") and a shelf offering report published by the Company on January 24, 2013 pursuant to the 2011 Shelf Prospectus (hereinafter: "**the 2013 Offering Report**"). For the full version of the 2011 Shelf Prospectus see company reports dated February 22, 2011, reference no. 2011-01-058260, and March 17, 2011, reference no. 2011-01-084435. For the full version of the 2013 Shelf Offering Report see company report dated January 24, 2013, reference no. 2013-01-021699.

1.3.2 Signing of agreements for the construction of robotic parking facilities in the US

On February 15, 2018, the Company through Unitronics Systems signed two agreements (hereinafter: "**the agreements**") with a US customer, unrelated to the Company or to interested parties therein, for the construction of two autonomous parking facilities in adjacent buildings located in New York City, USA (hereinafter: "**the projects**").

The Company is expected to receive for the two projects a total consideration of USD 6.9 million (NIS 24.5 million). The payment is expected to be made according to the progress in the achievement of milestones. The Company will recognize in its financial statements income from the projects according to the percentage of completion method. The projects are planned to be completed during 2020.

For further details see immediate report dated February 15, 2018 on an event or matter outside the ordinary course of the corporation’s business, reference no. 2018-01-013104, included herein by reference.

1.3.3 Signing of an agreement for the construction of an autonomous storage system

On May 17, 2018, the Company signed an agreement with an Israeli customer for the construction of an autonomous storage system at the customer's site (hereinafter: "**the customer**," "**the project**" and "**the system**," respectively).

Under the terms of the agreement, in consideration for the Company's services, the customer has undertaken to pay it a cumulative amount estimated at the date of signing the agreement at NIS 12.5 million plus VAT, in installments, according to milestones in the execution of the project. The Company will recognize in its financial statements income from the project according to the percentage of completion method. The project is scheduled to be completed during 2019.

For further details see immediate report dated May 17, 2018 on an event or matter outside the ordinary course of the corporation’s business, reference no. 2018-01-049723, included herein by reference.

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

On May 24, 2018, the Balance Sheet, Audit and Compensation Committee of the Company resolved, in accordance with the provisions of Regulations 1B(5) and 1B1 of the Companies Regulations (Reliefs in Transactions with Interested Parties), 2000 (hereinafter: "**the Reliefs Regulations**"), to approve the extension of the Company's directors and officers liability insurance policy (hereinafter: "**the Policy**") for all its directors and officers (both those who are not the controlling shareholders and those who are the controlling shareholders or their relatives), for the period from May 17, 2018 until May 31, 2018, and to approve the renewal and extension of the Policy (with an increase in the insurance coverage to USD 7,500,000) for a further period of 12 months from June 1, 2018 until May 31, 2019, in accordance with the Company's Compensation Policy. The Balance Sheet, Audit and Compensation Committee also resolved to insure, in accordance with the terms of the Policy, the directors and officers of the Company who are not the controlling shareholders or their relatives, as well as the directors and officers of the Company who are the controlling shareholders or their relatives.

The principal terms of the Policy (following the aforementioned modification) are as follows: insurance coverage for damage that may occur during the period of insurance, in the amount of USD 7,500,000 (seven million five hundred thousand US dollars) for any one event and in the aggregate (plus reasonable legal defense expenses in Israel and abroad); the Company's deductible for claims submitted in the US and Canada is USD 25,000 for any one event, except for securities claims, for which the deductible is USD 35,000 for any one event.

In addition, further to the Balance Sheet, Audit and Compensation Committee's aforementioned approval, on May 30, 2018, the Board of Directors of the Company resolved, in accordance with the provisions of Regulation 1B(5) and 1B1 of the Reliefs Regulations: (a) to approve the extension of the Policy for the period from May 17, 2018 until May 31, 2018, and to approve the renewal and extension of the Policy (with the increased insurance coverage) for a period of 12 months from June 1, 2018 until May 31, 2019, in accordance with the Company's Compensation Policy, and (b) to insure, in accordance with the terms of the Policy, the directors and officers of the Company who are not the controlling shareholders or their relatives, as well as the directors and officers of the Company who are the controlling shareholders or their relatives (for further details see immediate report on a transaction with a controlling shareholder or director that does not require the approval of the general meeting, published concurrently with this report and included herein by reference).

CHAPTER B – BOARD OF DIRECTORS' REPORT

2.1 Financial Position

2.1.1 Balance Sheet

	As of March 31		As of December 31, 2017	Board of Directors' explanations for changes in balance sheet balances compared to December 31, 2017
	2018	2017		
	NIS in thousand			
Current assets	108,470	106,642	144,354	The change is mainly attributable to the following items: A decrease of NIS 9,518 thousand in cash and cash equivalents and in short-term deposits, mainly due to the payment of principal and interest on debentures (Series 4), as set out hereinafter; a decrease of NIS 20,553 thousand in trade receivables and other accounts receivable, mainly attributable to the Automated Solutions segment, following the initial application of IFRS 15, as set out in Note 2.C. to the financial statements.
Non-current assets	87,477	111,208	89,120	There was no significant change in the balance of intangible assets in the reporting period. This is mainly explained by an investment in the R&D asset in an amount equal to its amortization in the reporting period.
Total assets	**195,947**	**217,850**	**233,474**	
Current liabilities	55,201	55,623	72,952	The decrease is mainly attributable to the following items: A decrease of NIS 18,120 thousand in other accounts payable, mainly due to a decrease in expenses payable in the Automated Solutions segment following the application of IFRS 15, as set out in Note 2.C. to the financial statements.
Non-current liabilities	54,855	66,296	66,158	The decrease is mainly attributable to a decrease of NIS 11,008 thousand in debentures following the fourth principal payment (of six) on debentures (Series 4) in the reporting period.
Equity attributable to Company shareholders	86,891	95,931	94,364	Equity represents 43% of the Company's assets. The decrease in equity is mainly a result of the initial application of IFRS 15, as set out in Note 2.C. to the financial statement.
Total liabilities and equity	**195,947**	**217,850**	**233,474**	

The Company's working capital as of March 31, 2018 totaled NIS 53,269 thousand compared to working capital as of December 31, 2017 totaling NIS 71,402 thousand. The decrease is mainly attributable to a decrease in cash and short-term deposits and to reduced trade receivables and other accounts receivable, offset by a decrease in other accounts payable.

2.1.2 Results of Operations

	For the three-month period ended March 31		For the year ended December 31, 2017	Board of Directors' explanations for changes in profit and loss items compared to the year-before period
	2018	2017		
	NIS in thousand			
Revenues	44,734	46,915	185,002	The decrease in revenues in the reporting period compared to the same period last year is attributable to a decrease in revenues of both business segments of the Company, and mainly in revenues of the Products segment. For details of revenues by segments, see section 2.1.3 below.
Cost of revenues	29,730	33,160	129,622	
Gross profit (gross profit margin)	15,004 (33.5%)	13,755 (29.3%)	55,380 (29.9%)	The increase in gross profit and gross profit margin in the reporting period compared to the same period last year is attributable to an increase in each of the Company's business segments, as detailed in section 2.1.3 below.
Development expenses, net	1,071	1,141	4,387	The decrease in development expenses, net (recognized in profit and loss) is mainly attributable to a decrease in those expenses in the Automated Solutions segment. Development costs in the reporting period reflect the continued development of technologies required to support the Company's operations.
Selling and marketing expenses	7,314	6,092	25,905	The increase in selling and marketing expenses in the reporting period compared to the same period last year is primarily attributable to higher expenditures in the Products segment, aimed at boosting revenues in this business segment.
Administrative and general expenses	4,786	3,964	16,195	The increase in administrative and general expenses in the reporting period compared to the same period last year is primarily attributable to an increase in headquarters expenses.
Other expenses	-	7	13	
Profit from ordinary activities	1,833	2,551	8,880	
Financing expenses, net	(808)	(459)	(5,671)	The increase in financing expenses in the reporting period compared to the same period last year is mainly attributable to the appreciation of the dollar and the euro, which resulted in expenses from the revaluation of hedging transactions made by the Company as well as expenses from erosion in the value of the Company's loans and obligations in these currencies.
Profit before taxes on income	1,025	2,092	3,209	
Taxes on income	(560)	(987)	(2,173)	Tax expenses in the reporting period arise mainly from profit for the period, in respect of which the Company created a provision for current taxes taking into account the tax benefits to which it is entitled, as well as from changes in deferred tax balances.
Profit for the period	465	1,105	1,036	

2.1.3 Analysis by operating segments

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

2.1.3.1 Revenues

Operating segment	For the three-month period ended March 31		For the year ended December 31, 2017	Board of Directors' explanations for changes compared to the year-before period
	2018	2017		
	NIS in thousand			
Products	29,746	31,029	123,160	The decrease in revenues in the Products segment in the reporting period compared to the same quarter last year is mainly attributable to the postponement of several orders for the supply of products to the second quarter of 2018.
Percentage of total company revenues	66%	66%	67%	
Automated Solutions	14,902	15,789	61,406	This business segment is project-based and characterized by fluctuations stemming from the number of projects in execution and the rate of progress in those projects. There was no significant change in revenues from this business segment in the reporting period compared to the same quarter last year.
Percentage of total company revenues	34%	34%	33%	

2.1.3.2 Segment Results

Operating segment	For the three-month period ended March 31		For the year ended December 31, 2017	Board of Directors' explanations for changes compared to the year-before period
	2018	2017		
	NIS in thousand			
Products	5,422	7,177	27,051	The decrease in results of this segment in the reporting period compared to the same period last year stems from a decrease in revenues and an increase in selling and marketing expenses. At the same time, ongoing efficiency measures and a further reduction in production costs have contributed to a higher gross profit margin.
Automated Solutions	(229)	(1,784)	(6,584)	The improvement in results of this business segment is mainly attributable to streamlining of direct production costs.

2.2 Liquidity and Sources of Financing

The balance of cash and cash equivalents, short- and long-term deposits and marketable securities of the Company as of March 31, 2018, totaled NIS 40,373 thousand compared to NIS 54,919 thousand as of December 31, 2017. Below are explanations for the changes in cash flows:

	For the three-month period ended March 31		For the year ended December 31,	Board of Directors' explanations
	2018	2017	2017	
	NIS in thousand			
Cash flow - operating activities	(1,498)	(1,986)	8,942	The negative cash flow from operating activities in the reporting period stemmed primarily from an increase in trade receivables and income receivable, net of profit for the period. The positive cash flow in 2017 was mainly attributable to the profit for the year excluding depreciation and amortization.
Cash flow - investing activities	2,589	6,832	11,757	Cash provided by investing activities in the reporting period and in 2017 resulted primarily from the realization of short-term deposits, net of investments in development assets.
Cash flow - financing activities	(11,059)	(6,940)	(9,760)	Cash used for financing activities in the reporting period and in 2017 mainly comprised payments on debentures and on bank loans.

As of March 31, 2018 and as of the reporting date, the Company had unused confirmed credit facilities available for operating activities totaling NIS 900 thousand. The Company from time to time applies to financial institutions to receive credit facilities, according to its needs.

In addition, the Company has arrangements with financial institutions in Israel and the US for the provision of performance guarantees to secure the obligations of the Company and the subsidiaries in projects carried out in the Automated Solutions segment. For further details see Note 16.B. to the Company's financial statements for 2017, Chapter C of the Periodic Report.

2.3 Dedicated Disclosure to Debenture Holders

2.3.1

(1)	Security	Debentures (Series 4)
A	Issue date	January 2013
B	Total par value on issue date	53,125,000
C	Par value as of the reporting date	22,312,500
D	Par value according to linkage terms – as of the reporting date	22,358,198
E	Accrued interest as of the reporting date	197,000
F	Liability value as of the reporting date	22,147,000
G	Stock Exchange value	23,894,000
H	Type of interest, including description	5.4% fixed annual interest
I	Payment dates of outstanding principal	Two annual installments payable on January 31 of each of the years 2019 and 2020, at the following rates (from the original principal) by years in chronological order: (a) 21% of the principal; (b) 21% of the principal.
J	Future interest payment dates	Every January and July 31 from July 31, 2018 up to (and including) January 31, 2020
K	Details of linkage basis of interest and principal	Principal and interest linked to the Consumer Price Index. Base index – December 2012 CPI, without hedging
L	Are the debentures convertible?	Not convertible
M	Corporation’s right to perform 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, reference no. 2013-01-021699)
N	Has a guarantee been given for payment of the liability in the trust deed?	No
O	Is the liability material to the Company?	Yes
(2)	The trustee, the person in charge of the debenture series at the trust company; the trustee’s contact details	Mishmeret Trust Company Ltd. 48 Menachem Begin Road, Tel Aviv 66184, Israel Phone: 03-6374352, Fax: 03-6374344 Email: ramis@mtrust.co.il

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

(8) On February 12, 2013, a lien on the deposit funds in a bank account in the amount of the semi-annual interest on the debentures was created at the Registrar of Companies, to secure the payment of interest on 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 the signing of the trust deed and any other subsidiary that may be established or acquired until the date of full repayment of debentures (Series 4)) shall not create a general lien on its assets to any third party without the prior consent of a simple majority of the debenture holders. It is emphasized that the Company and/or any of its subsidiaries shall be entitled to grant a specific lien of any ranking over all or any of their property, including cash and cash equivalents, to financing entities that provide it with financing for the purchase of property or equipment, including a floating lien over specific asset/s, including for the purchase of building construction services, including the replacement of financing entities that hold specific liens on the date of the Offering Report with other entities, without having to obtain the consent of the holders of debentures (Series 4) for this.

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

- Dividend distribution – the Company has undertaken that during the period in which debentures (Series 4) are outstanding, it shall not distribute dividends at a rate exceeding 30% of the annual (calendar) cumulative net profit attributable to the Company’s shareholders based on the last audited consolidated financial statements of the Company published prior to the date of the Company’s resolution regarding the dividend distribution, unless the Company obtains the prior consent of the holders of debentures (Series 4) in a special resolution passed at a meeting of the debenture holders convened as provided in the Second Addendum to the trust deed of debentures (Series 4). For further details on the said restriction, see section 11.1 of the Shelf Offering Report published on January 24, 2013 (reference no. 2013-01-021699) (hereinafter: "**the 2013 Offering Report**").

- Net financial debt to net cap ratio – the Company undertook that as of the date of the listing of debentures (Series 4) and as long as debentures (Series 4) are outstanding, the ratio between the Company's net financial debt and its net cap (solo) according to the Company's audited or reviewed (as the case may be) solo financial statements as of June 30 and December 31, shall not exceed 80%. If the Company is in breach of this undertaking, at any review date, the interest rate payable by the Company to the holders of debentures (Series 4) on the first payment date following the date of the breach shall be increased by 0.5% only per annum above the interest rate determined in the tender, during the period of the breach. Should the Company breach this undertaking on a date subsequent to the previous review date, the interest rate which is to be paid by the Company to the holders of debentures (Series 4) shall be increased by an additional 0.5% per annum above the previous interest rate, from the date of the additional breach until the end of the breach period. If said breach is discovered on two consecutive review dates, such that this ratio is 85% or more, then such breach shall constitute grounds for declaring the outstanding balance of debentures (Series 4) immediately due and payable. For further details regarding the aforesaid restriction, see section 11.2 of the 2013 Offering Report.

- Net financial debt to EBITDA ratio – the Company undertook that as of the date of the listing of debentures (Series 4) and as long as debentures (Series 4) are outstanding, the ratio between the Company's net financial debt and its EBITDA according to the Company's audited or reviewed (as the case may be) consolidated financial statements as of June 30 and December 31, shall not exceed 10. If the Company is in breach of this undertaking, at any review date, the interest rate payable by the Company to the holders of debentures (Series 4) on the first payment date following the date of the breach shall be increased by 0.5% only per annum above the interest rate determined in the tender, during the period of the breach. Should the Company breach this undertaking on a date subsequent to the previous review date, the interest rate which is to be paid by the Company to the holders of debentures (Series 4) shall be raised by an additional 0.5% per annum above the previous interest rate, from the date of the additional breach until the end of the breach period. If said breach is discovered on two consecutive review dates, such that this ratio is 12 or more, then such breach shall constitute grounds for declaring the outstanding balance of debentures (Series 4) immediately due and payable. For further details regarding the aforesaid restriction, see section 11.3 of the 2013 Offering Report.

- Restriction on shareholders' equity – the Company's shareholders' equity according to its audited or reviewed (as the case may be) solo financial statements as of June 30 and December 31, shall not be less than NIS 20 million. If the Company is in breach of this undertaking, at any review date, the interest rate payable by the Company to the holders of debentures (Series 4) on the first payment date following the publication of the last financial statements which indicate the breach, shall be increased by 0.5% only per annum above the interest rate determined in the tender, during the period of the breach. Should the Company breach this undertaking on a date subsequent to the previous review date, the interest rate which is to be paid by the Company to the holders of debentures (Series 4) shall be increased by an additional 0.5% per annum above the previous interest rate, from the date of the additional breach until the end of the breach period. If said breach is discovered on two consecutive review dates, such that the shareholders' equity falls below NIS 15 million, then such breach shall constitute grounds for declaring the outstanding balance of debentures (Series 4) immediately due and payable. For further details regarding the aforesaid restriction, see section 11.4 of the 2013 Offering Report.

- The Company's undertaking not to create charges – the Company undertook not to create a general charge on all its property, and to ascertain that each of its subsidiaries (on the date of execution of the trust deed and any additional subsidiary of the Company that may be established or acquired until the date of final repayment of debentures (Series 4)) shall not create any charge as aforesaid. For further details regarding the aforesaid restriction, see section 11.5 of the 2013 Offering Report.

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

Upon the occurrence of certain events, and under certain conditions, the trustee of debentures (Series 4) may declare the debentures immediately due and payable. Among these events, the following may be enumerated, in brief: a material deterioration in the Company's business and a real concern that the Company may not be able to repay the debentures on time; the imposition of an attachment on the Company's assets, the performance of an execution action against the Company's assets, or the appointment of a temporary or permanent receiver to the Company's assets, which were not removed and/or cancelled within 45 days; the sale of a substantial part of the Company's assets; if Mr. Haim Shani ceases to be the controlling shareholder of the Company, directly or indirectly, without obtaining the consent of the holders of debentures (Series 4) to the transfer of control; a fundamental breach of the terms and the trust deed of debentures(Series 4), which was not remedied within 14 days of the date on which the trustee notified the Company of the said breach; a breach of any of the financial covenants set forth in section 11 of the 2013 Offering Report, where it is explicitly stated that the breach thereof constitutes grounds for immediate repayment. For details regarding the list of the grounds available to the trustee for declaring debentures (Series 4) due and payable, see section 18.1 of the 2013 Offering Report.

2.3.2

(1)	Security	Debentures (Series 5)
A	Issue date	September 2014
B	Total par value on issue date	40,000,000
C	Par value as of the reporting date	30,000,000
D	Par value according to linkage terms – as of the reporting date	30,000,000
E	Accrued interest as of the reporting date	147,000
F	Liability value as of the reporting date	29,323,000
G	Stock Exchange value	33,774,000
H	Type of interest, including description	5.8% fixed annual interest
I	Payment dates of outstanding principal	Six unequal annual installments payable on August 31 of each year from 2018 to 2023 (inclusive), at the following rates (from the original principal) by years in chronological order: (a) 5% of the principal, (b) 5% of the principal, (c) 20% of the principal, (d) 20% of the principal, (e) 20% of the principal, (f) 20% of the principal.
J	Future interest payment dates	Every February 28 and August 31 from August 31, 2018 up to (and including) August 31, 2023.
K	Details of linkage basis of interest and principal	Unlinked
L	Are the debentures convertible?	Not convertible
M	Corporation's right to perform early redemption	Exists (for details regarding the conditions for exercising the Company's right to early redemption, see section 8.4 of the Shelf Offering Report dated September 10, 2014, reference no. 2014-01-155406)
N	Has a guarantee been given for payment of the liability in the trust deed?	No
O	Is the liability material to the Company?	Yes
(2)	The trustee, the person in charge of the debenture series at the trust company; the trustee's contact details	Hermetic Trust (1975) Ltd. 113 Hayarkon Street, Tel Aviv, Israel Phone: 03-5274867, Fax: 03-5271736 Email: hermetic@hermetic.co.il

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

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

- Dividend distribution – the Company has undertaken that during the period in which debentures (Series 5) are outstanding, it shall not make a distribution, as this term is defined in the Companies Law, 1999, at a rate exceeding 30% of the annual (calendar) net profit in the last calendar year ended prior to the distribution, attributable to the Company's shareholders based on the last audited consolidated financial statements of the Company published prior to the date of the Company's resolution regarding the dividend distribution, unless the Company obtains the prior consent of the holders of debentures (Series 5), in a special resolution passed at a meeting of debenture holders convened as provided in the Second Addendum to the trust deed of debentures (Series 5). For further details on the said restriction, see section see section 1 in Appendix 5 to the Shelf Offering Report published on September 10, 2014 (reference no. 2014-01-155406) (hereinafter: "**the 2014 Offering Report**").

- Net financial debt to net cap ratio – the Company undertook that as of the date of the listing of debentures (Series 5) and as long as debentures (Series 5) are outstanding, the ratio between the Company's net financial debt and its net cap (solo) according to the Company's audited or reviewed (as the case may be) solo financial statements as of June 30 and December 31, shall not exceed 70%. If the Company is in breach of this undertaking, at any review date, the interest rate payable by the Company to the holders of debentures (Series 5) on the first payment date following the date of the breach shall be increased by 0.5% only per annum above the interest rate determined in the tender, during the period of the breach. Should the Company breach this undertaking on a date subsequent to the previous review date, the interest rate which is to be paid by the Company to the holders of debentures (Series 5) shall be increased by an additional 0.5% per annum above the previous interest rate, from the date of the additional breach until the end of the breach period. If said breach is discovered on two consecutive review dates, such that this ratio is 75% or more, then such breach shall constitute grounds for declaring the outstanding balance of debentures (Series 5) immediately due and payable. For further details regarding the aforesaid restriction, see section 2 in Appendix 5 to the 2014 Offering Report.

- Restriction on shareholders' equity – the Company's shareholders' equity according to its audited or reviewed (as the case may be) solo financial statements as of June 30 and December 31, shall not be less than NIS 25 million. If the Company is in breach of this undertaking, at any review date, the interest rate payable by the Company to the holders of debentures (Series 5) on the first payment date following the publication of the last financial statements which indicate the breach, shall be increased by 0.5% only per annum above the interest rate determined in the tender, during the period of the breach. Should the Company breach this undertaking on a date subsequent to the previous review date, the interest rate which is to be paid by the Company to the holders of debentures (Series 5) shall be increased by an additional 0.5% per annum above the previous interest rate, from the date of the additional breach until the end of the breach period. If said breach is discovered on two consecutive review dates, such that the shareholders' equity falls below NIS 20 million, then such breach shall constitute grounds for declaring the outstanding balance of debentures (Series 5) immediately due and payable. For further details regarding the aforesaid restriction, see section 3 in Appendix 5 to the 2014 Offering Report.

- Net financial debt to EBITDA ratio – the Company undertook that as of the date of the listing of debentures (Series 5) and as long as debentures (Series 5) are outstanding, the ratio between the Company's net financial debt and its EBITDA according to the Company's audited or reviewed (as the case may be) consolidated financial statements for the 12-month period prior to the review date, shall not exceed 10. The review of the Company’s compliance with the net financial debt to EBITDA ratio shall be conducted twice in each calendar year on the date of publication of the financial statements as of June 30 and December 31 of each year. If the Company is in breach of this undertaking, at any review date, the interest rate payable by the Company to the holders of debentures (Series 5) on the first payment date following the date of the breach shall be increased by 0.5% only per annum above the interest rate determined in the tender, during the period of the breach. Should the Company breach this undertaking on a date subsequent to the previous review date, the interest rate which is to be paid by the Company to the holders of debentures (Series 5) shall be increased by an additional 0.5% per annum above the previous interest rate, from the date of the additional breach until the end of the breach period. If said breach is discovered on two consecutive review dates, such that this ratio is 12 or more, then this breach shall constitute grounds for declaring the outstanding balance of debentures (Series 5) due and payable. For further details regarding the aforesaid restriction, see section 4 in Appendix 5 to the 2014 Offering Report.

- The Company's undertaking not to create charges – the Company undertook not to create a general charge on all its property, and to ascertain that each of its subsidiaries (on the date of execution of the trust deed and any additional subsidiary of the Company that may be established or acquired until the date of final repayment of debentures (Series 5)) shall not create any charge as aforesaid. For further details regarding the aforesaid restriction, see section 5 in Appendix 5 to the 2014 Offering Report.

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

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

2.4 Quarterly Report on the Company's Liabilities by Maturity Dates

For details regarding the Company's liabilities by repayment dates as of March 31, 2018, see immediate report (T-126) published by the Company concurrently with the publication of this report and included herein by reference.

2.5 Projected Cash Flows

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

________________________	________________________
Amit Ben Zvi	Haim Shani
Chairman of the Board of Directors	Director and CEO

Date: May 30, 2018

UNITRONICS (1989) (R"G) LTD.

Condensed Consolidated Interim Financial Statements March 31, 2018

(Unaudited)

Unitronics (1989) (R"G) Ltd.

Condensed Consolidated Interim Financial Statements

March 31, 2018

(Unaudited)

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BDO Ziv Haft

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, 2018 and the condensed consolidated interim statements of profit or loss, comprehensive income, changes in equity and cash flows for the period of three months 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.

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

May 30, 2018

Unitronics (1989) (R"G) Ltd.

Condensed consolidated interim statement of financial position

	March 31, 2018	March 31, 2017	December 31, 2017
	(unaudited)		(audited)
	NIS, (in thousands)		
Current assets			
Cash and cash equivalents	25,192	22,184	34,710
Restricted cash	705	1,874	998
Deposits in banks	15,181	15,060	20,209
Accounts receivable -			
Trade	26,584	36,220	51,124
Revenues receivable in respect of construction contracts	3,987	-	-
Other	3,427	3,431	3,233
Other financial assets	40	1,281	68
Inventory	33,354	25,595	32,315
Inventory - work in progress	-	997	1,697
	108,470	106,642	144,354
Non-current assets			
Deposits in banks	-	20,109	-
Other deposits	300	343	327
Property and equipment, net	21,980	22,745	22,238
Intangible assets, net	65,197	68,011	66,555
	87,477	111,208	89,120
	195,947	**217,850**	**233,474**

Amit Ben Zvi Chairman of the Board of Directors	Haim Shani Director and C.E.O.	Eitan Alon Chief Financial Officer

Approved: May 30, 2018

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

Unitronics (1989) (R"G) Ltd.

Condensed consolidated interim statement of financial position

	March 31, 2018	March 31, 2017	December 31, 2017
	(unaudited)		(audited)
	NIS, (in thousands)		
Current liabilities			
Current maturities of long-term loans	346	889	346
Current maturities of bonds	12,662	12,538	12,647
Accounts payable -			
Trade	22,750	21,711	22,823
Other	10,494	20,485	37,042
Liabilities in respect of construction contracts	8,428	-	-
Other financial liabilities	521	-	94
	55,201	55,623	72,952
Non - current liabilities			
Loans from banks	2,287	2,347	2,249
Bonds	38,809	51,470	49,817
Liabilities for benefits to employees, net	2,498	2,340	2,545
Liability for share purchase option	6,670	5,355	6,910
Deferred taxes	4,591	4,784	4,637
	54,855	66,296	66,158
Equity			
Share capital	427	427	427
Share premium	104,513	104,513	104,513
Capital reserve from translation of foreign operations	(2,081)	(1,009)	(2,437)
Company shares held by the company	(7,042)	(7,042)	(7,042)
Reserve deriving from a transaction with a controlling party	104	104	104
Retained loss	(10,030)	(1,062)	(1,201)
	85,891	95,931	94,364
	195,947	**217,850**	**233,474**

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

Unitronics (1989) (R"G) Ltd.

Condensed consolidated interim statement of Profit or Loss

	For the three months period ended March 31,		For the year ended December 31,
	2018	2017	2017
	(unaudited)		(audited)
	NIS, (in thousands)		
Revenues	44,734	46,915	185,002
Cost of revenues	29,730	33,160	129,622
Gross profit	15,004	13,755	55,380
Development expenses, net	1,071	1,141	4,387
Selling & marketing expenses	7,314	6,092	25,905
General & administrative expenses	4,786	3,964	16,195
Other expenses	-	7	13
Operating profit	1,833	2,551	8,880
Financing income	841	1,762	942
Financing expenses	1,649	2,221	6,613
Profit before taxes on income	1,025	2,092	3,209
Taxes on income	(560)	(987)	(2,173)
Profit for the period	465	1,105	1,036
Profit per 1 ordinary share NIS 0.02 par value (NIS):			
Basic profit per 1 ordinary share	0.034	0.080	0.075
Diluted profit per 1 ordinary share	0.016	0.080	0.075

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

Unitronics (1989) (R"G) Ltd.

Condensed consolidated interim statement of comprehensive loss

	For the three months period ended March 31,		For the year ended December 31,
	2018	2017	2017
	(unaudited)		(audited)
	NIS, (in thousands)		
Profit for the period	465	1,105	1,036
Other comprehensive income (loss) (after tax)			
Items that may not be classified afterwards to profit or loss:			
Re-measurement loss from defined benefit plans	-	-	(70)
Items that may be reclassified to profit or loss in the future if certain conditions are met:			
Adjustments arising from translating financial statements of foreign operations	281	(1,218)	(2,646)
Other comprehensive income (loss) for the period	281	(1,218)	(2,716)
Total comprehensive income (loss) for the period	746	(113)	(1,680)

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

Unitronics (1989) (R"G) Ltd.

Condensed consolidated interim statement of changes in equity

	Share capital	Share premium	Capital reserve from translation of foreign operation	Company shares held by the company	Reserve deriving from a transaction with a controlling party	Retained earnings (loss)	Total
	NIS, in thousands						
Balance at January 1, 2017 (audited)	427	104,513	209	(7,042)	104	(2,167)	96,044
Profit for the year	-	-	-	-	-	1,036	1,036
Other comprehensive income (loss) for the year	-	-	(2,646)	-	-	(70)	(2,716)
Total comprehensive loss for the year	-	-	(2,646)	-	-	966	(1,680)
Balance at December 31, 2017(audited)	427	104,513	(2,437)	(7,042)	104	(1,201)	94,364
The effect of the initial implementation of IFRS 15			75			(9,294)	(9,219)
Profit for the period	-	-	-	-	-	465	465
Other comprehensive income for the period	-	-	281	-	-		281
Total comprehensive income for the period	-	-	281	-	-	465	746
Balance at March 31, 2018 (unaudited)	427	104,513	(2,081)	(7,042)	104	(10,030)	85,891
Balance at January 1, 2017 (audited)	427	104,513	209	(7,042)	104	(2,167)	96,044
Profit for the period	-	-	-	-	-	1,105	1,105
Other comprehensive loss for the period	-	-	(1,218)	-	-	-	(1,218)
Total comprehensive income (loss) for the period	-	-	(1,218)	-	-	1,105	(113)
Balance at March 31, 2017 (unaudited)	427	104,513	(1,009)	(7,042)	104	(1,062)	95,931

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

Unitronics (1989) (R"G) Ltd.

Condensed consolidated interim statement of cash flows

	For the three months period ended March 31, 2018	For the three months period ended March 31, 2017		For the year ended December 31, 2017
	(unaudited)	(unaudited)		(audited)
	NIS, (in thousands)			
Cash flows - operating activities				
Profit for the period	465	1,105		1,036
Adjustments necessary to show the cash flows - operating activities (Appendix A)	(1,963)	(3,091)	(*)	7,906
Cash flows provided by (used in) operating activities	(1,498)	(1,986)		8,942
Cash flows - investing activities				
Purchase of property and equipment	(257)	(333)		(1,421)
Repayment of deposits in banks	5,000	10,000		25,000
Repayment of restricted cash	294	190		1,069
Repayment (investment) in other deposits	(6)	7		(14)
Investment in intangible assets	(2,442)	(3,032)		(12,877)
Cash flows provided by investing activities	2,589	6,832		11,757
Cash flows - financing activities				
Repayment of bank loans	(86)	(274)		(1,094)
Repayment of bonds	(10,973)	(6,666)		(8,666)
Cash flows used in financing activities	(11,059)	(6,940)		(9,760)
Translation differences in respect of foreign operation cash balances	450	(1,479)	(*)	(1,986)
Change in cash and cash equivalents in the period	(9,518)	(3,573)		8,953
Cash and cash equivalents at the beginning of the period	34,710	25,757		25,757
Cash and cash equivalents at the end of the period	25,192	22,184		34,710

(*) Reclassified.

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

Unitronics (1989) (R"G) Ltd.

Condensed consolidated interim statements of cash flows

	For the three months period ended March 31, 2018	For the three months period ended March 31, 2017		For the year ended December 31, 2017
	(unaudited)	(unaudited)		(audited)
	NIS, (in thousands)			
Appendix A - Adjustments necessary to show the cash flows - operating activities				
Income and expenses not involving cash flows:				
Depreciation and amortization	4,401	4,232		17,265
Change in liabilities for benefits to employees, net	(48)	(12)		118
Reevaluation of cash balances in foreign currency	(272)	558	(*)	14
Capital loss	-	7		13
Change in deferred taxes	(46)	542		395
Reevaluation of deposits in banks	28	(22)		(62)
Reevaluation of long-term loans and bonds	20	(212)		130
Reevaluation of other financial assets	455	(910)		396
Reevaluation of share purchase option	(240)	458		2,013
Changes in assets and liabilities:				
Decrease (increase) in accounts receivable - trade	397	(13,783)		(29,768)
Increase in revenues receivable in respect of construction contracts	(3,987)	-		-
Decrease (increase) in accounts receivable -other	(142)	65		261
Increase in inventory	(959)	(204)		(7,045)
Increase in inventory - work in progress	-	(397)		(1,097)
Increase (decrease) in accounts payable - trade	(101)	2,066		3,222
Increase in Liabilities in respect of construction contracts	8,428			
Increase (decrease) in accounts payable - other	(9,897)	4,521		22,051
	(1,963)	(3,091)		7,906
Appendix C - Additional information regarding operating activities				
Cash paid during the period for:				
Interest	1,776	2,034		3,933
Taxes on income	14	14		1,710
Cash received during the period for:				
Interest	28	55		176

(*) Reclassified.

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

Note 1 - General

A. These financial statements have been prepared in a condensed format as of March 31, 2018, and for the three months period then ended (hereinafter - "consolidated interim financial statements"). These financial statements should be read in conjunction with the Company's audited annual financial statements and accompanying notes as of December 31, 2017 and for the year then ended.

Note 2 - Accounting Policies

A. The consolidated interim financial statements are prepared in accordance with International Accounting Standard IAS 34 – “Financial reporting for interim periods” including the requirements of disclosure under Chapter D of the Israeli Securities Regulations (Periodic and Immediate Reports) – 1970.

B. The accounting policy which was implemented in the preparation of the consolidated interim financial statements is consistent with that applied in the preparation of the last annual consolidated financial statements.

C. Initial implementation of new IFRS

The following is information regarding International Financial Reporting Standards, amendments to standards and interpretations, which the Company implemented for the first time commencing January 1, 2018:

1. IFRS 9, "Financial Instruments" ("IFRS 9"):

IFRS 9, which published in July 2014, changes the accounting treatment of financial instruments in three main areas:

Classification and measurement, impairment of financial assets and hedge accounting (the accounting treatment of recognition and disposition remains unchanged). IFRS 9 eliminates IAS 39 "Financial Instruments: Recognition and Measurement" and IFRIC 9 "Reassessment of Embedded Derivatives".

The implementation of the Standard has no material effect on the financial statements.

2. IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15"):

As of January 1, 2018, the Company has been implementing IFRS 15 for the first time.

The Company first applied IFRS 15 retrospectively without restatement of prior periods, but by recognizing the cumulative effect of the retroactive application as an adjustment to the opening balance of retained earnings (or of another component of capital, as appropriate) as of January 1, 2018.

Until the implementation of IFRS 15, the Company measures the rate of completion based on an engineering assessment of the final rate of the projects. As of the date of implementation of IFRS 15, the Company measures the progress on the basis of the costs incurred by the Company in relation to the total projected costs in the project (method based on inputs), except for certain legal costs, costs incurred as a result of significant inefficiency and costs incurred that are disproportionate to the Company's progress in meeting the performance obligation.

In addition, in accordance with the provisions of the Standard, the following items were added to the statement of financial position (according to the provisions of the Standard, no comparative figures were split):

1. Revenues receivable in respect of construction contracts - Previously presented in customers and income receivable and are now presented as customers or as income receivable in respect of construction contracts, as the case may be.

2. Liabilities in respect of construction contracts - Previously presented in accounts payable and payables and are now presented as liabilities in respect of construction contracts.

Note 2 - Accounting Policies

C. Initial implementation of new IFRS (cont'd)
2. IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15"): (cont'd)

Following is the cumulative effect of the initial implementation of the Standard on the items affected in the statement of financial position as of January 1, 2018:

	As of January 1, 2018		
	According to previous policy	effect of the initial application of IFRS 15	According to IFRS 15
		NIS, (in thousands)	
Account receivable – trade	51,124	(28,419)	22,705
revenues receivable in respect of construction contracts	-	3,777	3,777
Inventory – work in progress	1,697	(1,697)	-
Account payable – other	(37,042)	27,149	(9,893)
Liabilities in respect of construction contracts	-	(10,029)	(10,029)
Equity	(94,364)	9,219	(85,145)

Following is the cumulative effect of the initial implementation of the Standard on the items affected on the statement of financial position as of March 31, 2018:

	As of March 31, 2018		
	According to previous policy	effect of the initial application of IFRS 15	According to IFRS 15
		NIS, (in thousands)	
Account receivable – trade	48,764	(22,180)	26,584
revenues receivable in respect of construction contracts	-	3,987	3,987
Inventory – work in progress	626	(626)	-
Account payable – other	(31,198)	20,704	(10,494)
Liabilities in respect of construction contracts	-	(8,428)	(8,428)
Equity	(92,434)	6,543	(85,891)

Following is the cumulative effect of the initial implementation of the Standard on the items affected on the statement of profit or loss for the three months period ended March 31, 2018:

	Three months period ended March 31, 2018		
	According to previous policy	effect of the initial application of IFRS 15	According to IFRS 15
		NIS, (in thousands)	
Revenues	36,965	7,769	44,734
Cost of revenues	24,214	5,516	29,730
Gross profit	12,751	2,253	15,004
Profit (loss) for the period	(1,788)	2,253	465

Note 3 - Significant events in the reported period and thereafter

A. On February 15, 2018, the Company, through Unitronics Systems, signed two agreements with an American customer unrelated to the Company or interested parties therein for the construction of two autonomous parking lots in adjacent buildings in New York City, USA, for a total of $ 6.9 million (approximately NIS 24.5 million).

B. On May 17, 2018, the Company signed an agreement with an Israeli customer for the establishment of an autonomous storage system at the customer's site (hereinafter: "the customer", "the project" and "the system", respectively).
Pursuant to the terms of the agreement, in consideration for the Company's services, the customer undertook to pay it a cumulative amount estimated at the date of signing the agreement at NIS 12.5 million plus VAT, in installments, according to milestones in the execution of the project. The Company will recognize in its financial statements income from the project according to the percentage of completion method. The project is scheduled to be completed during 2019.

Note 4 - Financial Instruments

A. Fair value

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

Financial liabilities (*)

	March 31, 2018		March 31, 2017		December 31, 2017	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
	(unaudited)				(audited)	
	NIS, (in thousands)					
Bonds linked to the Israeli CPI	22,454	23,894	33,138	35,527	33,930	35,597
Bonds - non-linked	29,470	33,774	31,319	36,182	29,871	35,556

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

B. Classification of financial instruments at fair value rating

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

Level 1: Quoted prices (without adjustments) in an active market of identical assets and liabilities.

Level 2: Data which is not quoted prices included in Level 1, which can be seen directly or indirectly.

Level 3: Data which is not based on market data which can be seen (evaluation techniques without the use of market data which can be seen).

Note 4 - Financial Instruments (cont'd)

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

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

	Level 1	Level 2	Level 3	Total
As of March 31, 2018 (unaudited)		NIS, (in thousands)		
Financial assets at fair value:				
Forward contracts	-	40	-	40
Financial liabilities measured at fair value				
Forward contracts	-	521	-	521
Liability for share purchase option	-	-	6,670	6,670
As of March 31, 2017 (unaudited)				
Financial assets at fair value:				
Forward contracts	-	1,281	-	1,281
Foreign currency purchase/sell options	-	100	-	100
Financial liabilities measured at fair value				
Liability for share purchase option	-	-	5,355	5,355
As of December 31, 2017 (audited)				
Financial assets at fair value:				
Forward contracts	-	68	-	68
Financial liabilities measured at fair value				
Forward contracts		94	-	94
Liability for share purchase option	-	-	6,910	6,910

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

Note 4 - Financial Instruments (cont'd)

C. Adjustment for fair value measurements that classified as Level 3 on fair value hierarchy of financial instruments

	For the three months period ended March 31,		For the year ended December 31,
	2018	2017	2017
	(unaudited)		(audited)
	NIS, (in thousands)		
Balance at beginning of the period	(6,910)	(4,897)	(4,897)
Total net profit (loss) recognized in profit or loss	240	(458)	(2,013)
Balance at end of the period	(6,670)	(5,355)	(6,910)

D. Quantitative information on fair value measurements classified as Level 3:

The following is an effect on profit or loss from changes in the base asset at the rate of:

	For the three months period ended March 31, 2018		
	+10%	Fair Value	-10%
Effect on profit or loss	315	6,670	(60)

The following is an effect on profit or loss from changes in the standard deviation at the rate of:

	For the three months period ended March 31, 2018		
	+10%	Fair Value	-10%
Effect on profit or loss	(158)	6,670	818

E. Evaluation techniques

Liability for share purchase option

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 evaluator.
The economic model prepared on May 18, 2016 (the date of completing the transaction) established an estimate for the liability of NIS 4,353 thousand. This estimate was updated on the date of the report.
The fair value of the price adjustment mechanism is the expected future value of the additional shares which will be allotted to FIMI (should they be 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 that FIMI will receive at the time of the sale of all the acquired shares.
The future values of the acquired shares are estimated using the binomial model and are divided into two categories:
1. The branches 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 branches 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 - Business segments

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

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

B. The Group operates in two main operative segments:

- Planning, development, manufacture and marketing of PLC's - Programmable Logic Controllers systems (hereinafter - "Products segment").
- Planning, development, manufacture, marketing, construction and maintenance of mechanized systems for automated parking solution and system integration projects (hereinafter - "automated solutions segment").

Until the end of 2016 the Company reported activities in the Parking Solutions segment and in the Logistics Solutions segment as two separate business segments in its periodic reports, and as two separate operating segments in its financial statements. Given the great similarity in these activities, reflected, inter alia, in their project-based character, the nature of the products and services, the nature of the production processes and the use of shared know-how and production means, as of January 1, 2017 the Company's management examines the performance of both segments jointly and allocates joint resources to them. Accordingly, commencing with this quarterly report, these activities are presented as one operating segment (the Automated Solutions segment). The Company reclassified for comparative purposes the information corresponding to previous periods.

	For the three months period ended March 31,		For the year ended December 31,
	2018	2017	2017
	(unaudited)		(audited)
	NIS, (in thousands)		
C. Revenues			
Products	29,746	31,029	123,160
Automated solutions	14,902	15,789	61,406
Other	86	97	436
Total revenues	44,734	46,915	185,002
D. Segment results and match income (loss) for the period:			
Products	5,422	7,177	27,051
Automated solutions	(229)	(1,784)	(6,584)
Other	(84)	(5)	27
Unallocated corporate expenses	(3,276)	(2,837)	(11,614)
Operating profit (loss)	1,833	2,551	8,880
Unallocated financing expenses, net	(808)	(459)	(5,671)
Tax benefit (taxes on income)	(560)	(987)	(2,173)
Profit for the period	465	1,105	1,036

UNITRONICS (1989) (R"G) LTD.

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

March 31, 2018

(Unaudited)

BDO Ziv Haft

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, 2018 and for the period of three months 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.

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

May 30, 2018

Unitronics (1989) (R"G) Ltd.

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

	March 31, 2018	March 31, 2017	December 31, 2017
	(unaudited)		(audited)
	NIS, (in thousands)		
Current assets			
Cash and cash equivalents	13,498	15,888	24,082
Restricted cash	607	901	901
Deposits in banks	15,181	15,060	20,209
Accounts receivable -			
Trade	14,749	14,395	15,429
Other	2,056	2,537	2,055
Other financial assets	40	1,281	68
Accounts receivable - other - subsidiaries	18,781	41,712	12,989
Inventory	28,368	20,294	27,401
	93,280	112,068	103,134
Non-current assets			
Deposits in banks	-	20,109	-
Other deposits	78	166	112
Property and equipment, net	16,327	16,764	16,462
Loans and capital notes to subsidiaries less surplus of liabilities over assets	24,375	5,644	36,621
Intangible assets, net	43,841	44,563	44,274
	84,621	87,246 (*)	97,469
	177,901	**199,314**	**200,603**

Amit Ben Zvi Chairman of the Board of Directors	Haim Shani Director and C.E.O.	Eitan Alon Chief Financial Officer

Approved: May 30, 2018.

(*) Reclassified.

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

Unitronics (1989) (R"G) Ltd.

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

	March 31, 2018	March 31, 2017		December 31, 2017
	(unaudited)			(audited)
	NIS, (in thousands)			
Current liabilities				
Current maturities of long term loans	346	889		346
Current maturities of bonds	12,662	12,538		12,647
Accounts payable -				
Trade	17,238	17,575		20,011
Other	6,834	6,489		7,425
Other financial liabilities	521	-		94
	37,601	37,491		40,523
Non-current liabilities				
Loans from banks	2,287	2,347		2,249
Bonds	38,809	51,470		49,817
Liabilities for benefits to employees, net	2,052	1,936		2,103
Liability for share purchase option	6,670	5,355		6,910
Deferred taxes	4,591	4,784		4,637
	54,409	65,892	(*)	65,716
Equity				
Share capital	427	427		427
Share premium	104,513	104,513		104,513
Capital reserve from translation of foreign operations	(2,081)	(1,009)		(2,437)
Company shares held by the company	(7,042)	(7,042)		(7,042)
Reserve arising from a transaction with a controlling party	104	104		104
Retained loss	(10,030)	(1,062)		(1,201)
	85,891	95,931		94,364
	177,901	**199,314**		**200,603**

(*) Reclassified.

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

Unitronics (1989) (R"G) Ltd.

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

	For the three months period ended March 31,		For the year ended December 31,
	2018	2017	2017
	(unaudited)		(audited)
	NIS, (in thousands)		
Revenues	20,943	21,312	87,504
Revenues from subsidiaries	9,653	9,320	34,234
Total revenues	30,596	30,632	121,738
Cost of revenues	18,607	19,553	76,636
Gross profit	11,989	11,079	45,102
Development expenses, net	844	809	2,810
Selling & marketing expenses	3,014	2,376	10,532
General & administrative expenses	3,159	2,560	10,427
General & administrative expenses to subsidiaries	179	169	745
Operating profit	4,793	5,165	20,588
Financing income	1,273	2,381	3,661
Financing expenses	1,733	2,396	6,878
Profit after financing, net	4,333	5,150	17,371
The Company's share of subsidiaries losses	3,308	3,058	14,162
Profit before taxes on income	1,025	2,092	3,209
Taxes on income	(560)	(987)	(2,173)
Profit for the period attributed to the company's shareholders	465	1,105	1,036

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

Unitronics (1989) (R"G) Ltd.

Comprehensive loss included in the consolidated interim financial statements attributed to the company

	For the three months period ended March 31,		For the year ended December 31,
	2018	2017	2017
	(unaudited)		(audited)
	NIS, (in thousands)		
Profit for the period attributed to the company's shareholders	465	1,105	1,036
Other comprehensive income (loss) (after tax)			
Items that may not be classified afterwards to profit or loss:			
Re-measurement loss from defined benefit plans	-	-	(70)
Items that may be reclassified to profit or loss in the future if certain conditions are met:			
Adjustments arising from translating financial statements of foreign operations	281	(1,218)	(2,646)
Other comprehensive income (loss) for the period	281	(1,218)	(2,716)
Total comprehensive income (loss) for the period attributed to the company's shareholders	746	(113)	(1,680)

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

Unitronics (1989) (R"G) Ltd.

Cash Flows included in the consolidated interim financial statements attributed to the company

	For the three months period ended March 31, 2018	For the three months period ended March 31, 2017		For the year ended December 31, 2017
	(unaudited)	(unaudited)		(audited)
	NIS, (in thousands)			
Cash flows - operating activities				
Profit for the period attributed to the company's shareholders	465	1,105		1,036
Adjustments necessary to show the cash flows - operating activities (Appendix A)	2,462	3,028	(*)	20,788
Cash flows provided by operating activities of the company	2,927	4,133		21,824
Cash flows used in operating activities from transactions with subsidiaries	(4,092)	(4,801)	(*)	(3,300)
Cash flows provided by operating activities	(1,165)	(668)		18,524
Cash flows - investing activities				
Purchase of property and equipment	(194)	(192)		(894)
Repayment in deposits in banks	5,000	10,000		25,000
Repayment of restricted cash	294	190		190
Repayment in other deposits, net	-	67		82
Investment in intangible assets	(1,904)	(2,183)		(8,825)
Cash flows provided by investing activities of the company	3,196	7,882		15,553
Cash flows provided by investing activities from transactions with subsidiaries	(1,700)	(2,949)	(*)	(19,228)
Cash flows used in investing activities	1,496	4,933		(3,675)
Cash flows - financing activities				
Repayment of long-term loans	(86)	(274)		(1,094)
Repayment of bonds	(10,973)	(6,666)		(8,666)
Cash flows used in financing activities	(11,059)	(6,940)		(9,760)
Translation differences on cash and cash equivalents	144	(494)		(64)
Change in cash and cash equivalents	(10,584)	(3,169)		5,025
Cash and cash equivalents at beginning of the period	24,082	19,057		19,057
Cash and cash equivalents at end of the period	13,498	15,888		24,082

(*)Reclassified.

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

Unitronics (1989) (R"G) Ltd.

Cash Flows included in the consolidated financial interim statements attributed to the company

	For the three months period ended March 31,			For the year ended December 31,
	2018	2017		2017
	(unaudited)			(audited)
	NIS, (in thousands)			
Appendix A - Adjustments necessary to show the cash flows - operating activities				
Income and expenses not involving cash flows:				
The Company's share of subsidiaries losses	3,308	3,058		14,162
Depreciation and amortization	2,750	2,650		10,753
Change in liabilities for benefits to employees, net	(51)	(12)		93
Change in deferred taxes	(46)	542		395
Reevaluation of foreign currency cash balances	(143)	494	(*)	64
Reevaluation of deposits in banks	28	(22)		(62)
Reevaluation of long-term loans and bonds	20	(212)		130
Reevaluation of other financial assets	455	(910)		396
Reevaluation of share purchase option	(240)	458		2,013
Changes in assets and liabilities:				
Decrease (Increase) in accounts receivable - trade	680	(3,066)		(4,100)
Decrease (increase) in accounts receivable - other	33	(591)		(85)
Increase in inventory	(968)	(636)		(7,619)
Increase (decrease) in accounts payable trade	(2,773)	2,363		4,799
Decrease in accounts payable - other	(591)	(1,088)		(151)
	2,462	3,028		20,788
Appendix B - Non-cash operations				
Providing long-term financing to a subsidiary	-	-		24,280
Appendix C - Additional information regarding operating activities				
Cash paid during the period for:				
Interest	1,776	2,034		3,933
Taxes on income	14	14		1,710
Cash received during the period for:				
Interest	28	55		176

(*)Reclassified.

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

Unitronics (1989) (R"G) Ltd.

Additional information

Note 1 - General

These separate interim financial information as of March 31, 2018 and for the three months period then ended, have been prepared in accordance with regulation 38D of the Israeli Securities Regulations (Periodic and Immediate Reports), 1970. This separate interim financial information should be read in conjunction with the Company's audited annual separate financial information as of December 31, 2017 and for the year then ended, and with the related additional information.

The accounting policy applied in the separate interim financial information is identical to the accounting policy described in Note 2 to the condensed consolidated interim financial statements of the Company as of March 31, 2018.

Chapter D - Statements by the CEO and CFO of the Corporation for the First Quarter of 2018

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

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

I, Haim Shani, certify that:

1. I have reviewed the quarterly report of UNITRONICS (1989) (R"G) Ltd. ("the corporation") for the first quarter of 2018 ("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, 2018

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Haim Shani, Director and 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 2018 (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, 2018

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Eitan Alon, CFO

PRESS RELEASE

Airport City, Israel,

May 31, 2018

UNITRONICS (1989) (R"G) LTD.

*****Regulated Information*****

*****For Immediate Release*****

Corporation's Liabilities Status Report by Dates of Payment

Airport City, Israel – May 31, 2018 - Unitronics published the attached Immediate Report pursuant to the requirements of Israeli law, in connection with the requirement to report the Corporation's liabilities status by dates of payment.

About Unitronics

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

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

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

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

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

Reporting period: March 31th, for the year: 2018.
Detailed Corporation's liabilities status by dates of payment is as follows:

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

	Fund Payments								
	NIS Index Linked	**NIS Index Unlinked**	**Euro**	**USD**	**---**	**---**	**Other**	**Gross Interest Payment (Without Tax Deduction)**	**Total by year**
First Year	11,201	2,000						2,892	16,093
Second Year	11,201	2,000						2,171	15,372
Third Year		2,000						1,450	3,450
Fourth Year		8,000						1,160	9,160
Fifth Year and So On		16,000						928	16,928
Total	**22,402**	**30,000**						**8,601**	**61,003**

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

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

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

Fund Payments									
	NIS Index Linked	**NIS Index Unlinked**	**Euro**	**USD**	**---**	**---**	**Other**	**Gross Interest Payment (Without Tax Deduction)**	**Total by year**
First Year			361					76	437
Second Year			361					65	426
Third Year			361					54	415
Fourth Year			361					43	404
Fifth Year and So On			1,172					63	1,235
Total			**2,616**					**301**	**2,917**

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

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

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

Fund Payments									
	NIS Index Linked	**NIS Index Unlinked**	**Euro**	**USD**	**---**	**---**	**Other**	**Gross Interest Payment (Without Tax Deduction)**	**Total by year**
First Year	11,201	2,000	361					2,968	16,530
Second Year	11,201	2,000	361					2,236	15,798
Third Year		2,000	361					1,504	3,865
Fourth Year		8,000	361					1,203	9,564
Fifth Year and So On		16,000	1,172					991	18,163
Total	**22,402**	**30,000**	**2,616**					**8,902**	**63,920**

F. External balance credit exposure ("Solo" report) (in NIS thousands)

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

G. External balance credit exposure of all consolidated companies, excluding companies which are reporting companies and excluding the reporting Corporation's data included in table F above (in NIS thousands)

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

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

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

I. Total credit balance provided to the reporting Corporation by its parent company or controlling shareholder and balance of debentures issued by the reporting Corporation and held by its parent company or controlling shareholder: 0.

J. Total credit balance provided to the reporting Corporation by companies controlled by its parent company or controlling shareholder which are not controlled by the reporting Corporation, and balance of debentures issued by the reporting Corporation and held by companies controlled by its parent company or controlling shareholder which are not controlled by the reporting Corporation: 0.

K. Total credit balance provided to the reporting Corporation by consolidated companies and balance of debentures issued by the reporting Corporation and held by the consolidated companies: 0.

L. (1) Cash and cash equivalents, marketable securities and short term deposits (“Solo” report) (in NIS thousands): 28,679
(2) Cash and cash equivalents, marketable securities and short term deposits of all consolidated companies (in NIS thousands): 40,373
(*) Pledged cash is excluded.

Respectfully,

Unitronics (1989) (R"G) Ltd.