# Unitronics (1989) (R"G) Ltd

# Quarterly Report as of June 30, 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

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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 February 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**").
Under the February agreements, 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.
On June 21, 2018, the Company through Unitronics Systems signed an agreement (hereinafter: "**the June agreement**") with a US customer, unrelated to the Company or to interested parties therein, for the construction of an autonomous parking facility in a building located in Boston, USA (hereinafter: "**the project**").
Under the June agreement, the Company is expected to receive for the project a total consideration of USD 4.2 million (NIS 15 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 project according to the percentage of completion method.
The project is planned to be completed in 2020.
For further details see immediate report dated June 24, 2018 on an event or matter outside the ordinary course of the corporation's business, reference no. 2018-01-060286, included herein by reference.
Subsequent to the balance sheet date, on August 1, 2018, the Company through Unitronics Systems signed an agreement (hereinafter: "**the August agreement**") with a US customer, unrelated to the Company or to interested parties therein, for the construction of an autonomous parking facility in a building located in Houston, USA (hereinafter: "**the project**").
Under the August agreement, the Company is expected to receive for the project a total consideration of USD 15.7 million (NIS 57.7 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 project according to the percentage of completion method.
The project is planned to be completed in 2020.
For further details see immediate report dated August 2, 2018 on an event or matter outside the ordinary course of the corporation's business, reference no. 2018-01-072508, 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 the immediate report on a transaction with a controlling shareholder or a director that does not require the approval of the general meeting of May 31, 2018, reference no. 2018-01-053776, which is hereby included by way of reference.

1.3.5 Annual and Extraordinary General Meeting

On July 15, 2018, an Annual and Extraordinary General Meeting of the Company's shareholders (hereinafter: "**the Meeting**") passed resolutions as follows: (a) Confirming that the Company's audited financial statements, the Board of Directors' report on the state of affairs of the Company, including the fee of the Company's independent auditors for audit actions and their fee for other actions, and the periodic annual report (in the Barnea Committee format), for the year ended December 31, 2017, were presented to the General Meeting of the Company's shareholders; (b) Appointing BDO Ziv Haft, CPA, as the Company's independent auditors up to the next Annual General Meeting of the Company's shareholders and authorizing the Board of Directors to set their fee; (c) Re-appointing Mr. Zvi Livne, Mr. Gillon Beck, Mr. Yariv Avisar, Mr. Amit Ben Zvi, Mr. Haim Shani and Ms. Bareket Shani as Directors of the Company for an additional term up to the next Annual General Meeting of the Company's shareholders, in accordance with the Company's articles; (d) Re-appointing Mr. Doron Shinar as an External Director of the Company for an additional term of three years from the date of the approval by the Meeting; (e) Approving an agreement of lease from a company controlled by Mr. Haim Shani (Company CEO and the Company's controlling shareholder jointly with the FIMI Fund) and Ms. Bareket Shani, Mr. Shani's wife, for a period of three years from August 1, 2018, pursuant to Section 275(a) of the Companies Law, in accordance with the terms of the New Contract as defined in the notice of convening of the Meeting (for further details see immediate report dated July 15, 2018 on the results of a meeting to approve a transaction with a controlling shareholder and/or to approve a private offering and/or to approve the dual position of Chairman and CEO and/or to approve the appointment of an external director, reference no. 2018-01-063852, and notice of convening of the Meeting dated May 30, 2018, reference no. 2018-01-053395, which are included herein by reference).

1.3.6 Restructuring Examination

On August 19, 2018, the Company's board of directors adopted a resolution in principle to consider a spin-off of the Company's operations (hereinafter: "spin-off"), through a prospectus for the implementation of a spin-off and the listing of securities on the Tel Aviv Stock Exchange Ltd. (hereinafter: the "Prospectus" and the "TASE," respectively), such that the Company will transfer its operations in the automated solutions segment (which are carried out through the Company and through its subsidiary Unitronics Automated Solutions Ltd.), in accordance with the provisions of a spin-off agreement that will be signed between the Company and Utron Ltd., a fellow subsidiary of the Company whose shares are held by a trustee on behalf of the Company's shareholders.

Said spin-off is subject to the approvals required by law, including court approval for an equity reduction, in respect of which an application is due to be submitted to the court in the coming days, a final resolution of the Company's board of directors, approval by the Israel Tax Authority, a permit from the Israel Securities Authority and the approval of the TASE for the listing of the securities of the spin-off company.

It should be emphasized that as of the date of this report, there is no certainty as to the manner of implementation, the outcome, the timing and the conditions of the spin-off, nor is it at all certain that the spin-off will actually take place.

## CHAPTER B – BOARD OF DIRECTORS' REPORT

### 2.1 Financial Position

#### 2.1.1 Balance Sheet

| | As of June 30 | | 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 | 115,441 | 126,836 | 144,354 | The change is mainly attributable to the following items: A decrease of NIS 8,795 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 23,491 thousand in trade receivables and income receivable, mainly attributable to the Automated Solutions segment, following the application of IFRS 15, as set out in Note 2.C. to the financial statements. |
| Non-current assets | 85,799 | 90,719 | 89,120 | The decrease in non-current assets in the reporting period is mainly attributable to a decrease of NIS 3,321 thousand in intangible assets. |
| **Total assets** | **201,240** | **217,555** | **233,474** | |
| Current liabilities | 57,993 | 57,101 | 72,952 | The decrease is mainly attributable to the: A decrease of NIS 21,046 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, offset by an increase in liabilities for a construction contract, amounting to NIS 7,279 thousand. |
| Non-current liabilities | 54,489 | 67,636 | 66,158 | The decrease is mainly attributable to a decrease of NIS 11,009 thousand in debentures following the fourth principal payment (of six) on debentures (Series 4) in the first quarter of 2018. |
| Equity attributable to Company shareholders | 88,758 | 92,818 | 94,364 | Equity represents 44% of the Company's assets. The decrease in equity is mainly a result of the application of IFRS 15, as set out in Note 2.C. to the financial statements. |
| **Total liabilities and equity** | **201,240** | **217,555** | **233,474** | |

The Company's working capital as of June 30, 2018 totaled NIS 57,448 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 income receivable, offset by a decrease in other accounts payable following implementation of IFRS 15, as detailed in Note 2 (C) to the Financial Statements.

### 2.1.2 Results of Operations

| | For the six-month period ended June 30 | | For the three-month period ended June 30 | | For the year ended December 31, | Board of Directors' explanations for changes in profit and loss items |
|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 | 2017 | |
| | NIS in thousand | | | | | |
| Revenues | 95,676 | 87,514 | 50,942 | 40,599 | 185,002 | In the first half and second quarter of 2018 there was an increase in revenues in the consolidated report over the same period last year.<br>The half-year and second-quarter increase is attributable both to the Products segment and to the Automated Solutions segment. |
| Cost of revenues | 61,941 | 62,284 | 32,211 | 29,124 | 129,622 | |
| Gross profit (gross profit margin) | 33,735 (35.2%) | 25,230 (28.8%) | 18,731 (36.8%) | 11,475 (28.3%) | 55,380 (29.9%) | In the first half and second quarter of 2018 the gross profit margin improved, mainly in the Automated Solutions segment, as detailed in section 2.1.3.2 below. |
| Development expenses, net | 2,550 | 2,201 | 1,479 | 1,060 | 4,387 | In the first half and second quarter of 2018 there was an increase in development expenses recognized in profit and loss compared to the corresponding periods. Said increase, recorded in the Products segment, was offset by a decrease in development expenses in the Automated Solutions segment. |
| Selling and marketing expenses | 14,993 | 12,142 | 7,679 | 6,050 | 25,905 | In the first half and second quarter of 2018 there was an increase in selling and marketing expenses compared to the corresponding periods, mainly in the Products segment, aimed at expanding operations in this segment. |
| Administrative and general expenses | 10,051 | 7,427 | 5,265 | 3,463 | 16,195 | In the first half and second quarter of 2018 administrative and general expenses grew compared to the corresponding period, mainly in respect of headquarters operations. |
| Other expenses | - | 13 | - | 6 | 13 | |
| Profit from ordinary activities | 6,141 | 3,447 | 4,308 | 896 | 8,880 | |

| | | | | | | |
|---|---|---|---|---|---|---|
| Financing expenses, net | 1,342 | 2,758 | 534 | 2,299 | 5,671 | The decrease in financing expenses in the second quarter of the year compared to the same period last year is primarily attributable to revaluation of the option given to the FIMI Fund as well as revaluation of currency hedging transactions made by the Company on the euro. |
| Profit (loss) before taxes on income | 4,799 | 689 | 3,774 | (1,403) | 3,209 | |
| Taxes on income | 2,292 | 1,683 | 1,732 | 696 | 2,173 | In the first half and second quarter of 2018 tax expenses increased, mainly due to profit for the period, in respect of which the Company created a provision for current taxes, taking into account the tax benefits to which the Company is entitled, as well as a provision for taxes for previous years. |
| Loss for the period | 2,507 | (994) | 2,042 | (2,099) | 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

| | For the six-month period ended June 30 | | For the three-month period ended June 30 | | For the year ended December 31, | Board of Directors' explanations for changes |
|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 | 2017 | |
| | NIS in thousand | | | | | |
| Products | 64,570 | 61,420 | 34,824 | 30,391 | 123,160 | In the first half and second quarter of 2018 sales of products rose compared to the corresponding periods, mainly due to marketing activities. |
| Percentage of total company revenues | 67% | 70% | 68% | 75% | 67% | |
| Automated Solutions | 30,919 | 25,896 | 16,017 | 10,108 | 61,406 | The increase in revenues in the second quarter of the year compared to the corresponding period stems mainly from progress in the projects under construction. |
| Percentage of total company revenues | 33% | 30% | 32% | 25% | 33% | |

#### 2.1.3.2 Segment Results

| Operating segment | For the six-month period ended June 30 | | For the three-month period ended June 30 | | For the year ended December 31, | Board of Directors' explanations for changes |
|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 | 2017 | |
| | NIS in thousand | | | | | |
| Products | 13,101 | 13,839 | 7,679 | 6,662 | 27,051 | The improvement in the segment's results in the second quarter of the year compared to the corresponding period is mainly attributable to higher revenues, the strengthening of the dollar in the second quarter and a savings in production costs. |
| Automated Solutions | 279 | (5,035) | 508 | (3,251) | (6,584) | The improved results in the segment are mainly attributable to efficiency measures and a decrease in the costs of production and project construction. |

## 2.2 Liquidity and Sources of Financing

The balance of cash and cash equivalents and short-term deposits of the Company as of June 30, 2018 totaled NIS 41,615 thousand compared to NIS 54,919 thousand as of December 31, 2017. Below are explanations for the changes in cash flows:

| | For the six-month period ended June 30 | | For the three-month period ended June 30 | | For the year ended December 31, | Board of Directors' explanations for changes |
|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 | 2017 | |
| | NIS in thousand | | | | | |
| Cash flows – operating activities | 2,159 | 832 | 3,656 | 2,818 | 8,942 | The positive cash flow in the first half and second quarter of the year is mainly attributable to an increase in revenues in the both the Products segment and the Automated Solutions segment. |
| | | | | | | |
| Cash flows – investing activities | (1,143) | 13,737 | (3,732) | 6,905 | 11,757 | The negative cash flow in the first half and second quarter of the year is mainly attributable to investments in development assets, offset by the realization of deposits.<br>The positive cash flow last year, in the first half and second quarter, was attributable to the realization of deposits net of investments in development assets. |
| | | | | | | |
| Cash flows – financing activities | (11,060) | (7,208) | - | (268) | (9,760) | Cash from financing activities in the first half of 2018 was mainly used to pay the fourth of six principal payments on debentures (Series 4), as detailed in section 1.3.1 above.<br>Cash from financing activities in the first half of 2017 was used for payment of debentures (Series 4) and repayment of bank loans. |

As of June 30, 2018 and as at the reporting date, the Company has approved credit facilities that have not yet been utilized for operating activities in the amount of NIS 900 thousand and unutilized credit card lines that the Company is required to operate for approximately NIS 1,060 thousand. Credit in accordance with its needs.
In addition, the Company has commitments with institutional entities in Israel and the US to provide performance guarantees to secure the liabilities of the Company and the subsidiaries in projects carried out in the area of automatic solutions for further details see Note 16B 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 | 22,670,753 |
| E | Accrued interest as of the reporting date | 507,274 |
| F | Liability value as of the reporting date | 23,003,250 |
| G | Stock Exchange value | 24,267,075 |
| 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.<br>48 Menachem Begin Road, Tel Aviv 66184, Israel<br>Phone: 03-6374352, Fax: 03-6374344<br>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 | 576,848 |
| F | Liability value as of the reporting date | 29,940,321 |
| G | Stock Exchange value | 33,675,000 |
| 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) 5% 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.<br>113 Hayarkon Street, Tel Aviv, Israel<br>Phone: 03-5274867, Fax: 03-5271736<br>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 June 30, 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: August 19, 2018

# UNITRONICS (1989) (R"G) LTD.

# Condensed Consolidated Interim Financial Statements
# June 30, 2018

## (Unaudited)

# Unitronics (1989) (R"G) Ltd.

## Condensed Consolidated Interim Financial Statements

## June 30, 2018

**(Unaudited)**

Table of contents

## 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 June 30, 2018 and the condensed consolidated interim statements of profit or loss, comprehensive income, changes in equity and cash flows for the six and three month periods then ended. The Board of Directors and management are responsible for the preparation and presentation of the financial information for these interim periods in accordance with IAS 34 "Financial reporting for interim periods", and they are responsible for the preparation and presentation of the financial information for these interim periods 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 these interim periods, 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

August 19, 2018

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Head Office: Amot BDO House, 48 Menachem Begin Road, Tel Aviv 6618001, ISRAEL Email: bdo@bdo.co.il Our Site: www.bdo.co.il

**Unitronics (1989) (R”G) Ltd.**
**Condensed consolidated interim statements of financial position**

| | June 30, 2018 | June 30, 2017 | December 31, 2017 |
|---|---|---|---|
| | (unaudited) | | (audited) |
| | in thousands NIS | | |
| Current assets | | | |
| Cash and cash equivalents | 25,915 | 31,412 | 34,710 |
| Restricted cash | 709 | 999 | 998 |
| Deposits in banks | 15,700 | 25,143 | 20,209 |
| Trade receivables and unbilled receivables, net | 27,633 | 37,864 | 51,124 |
| Income receivable in respect of construction contract | 7,575 | - | - |
| Other accounts receivable | 3,511 | 3,479 | 3,233 |
| Other financial assets | 172 | 372 | 68 |
| Inventory | 34,226 | 26,629 | 32,315 |
| Inventory - work in progress | - | 938 | 1,697 |
| | 115,441 | 126,836 | 144,354 |
| Non-current assets | | | |
| Other deposits | 282 | 243 | 327 |
| Property and equipment, net | 21,562 | 22,798 | 22,238 |
| Intangible assets, net | 63,955 | 67,678 | 66,555 |
| | 85,799 | 90,719 | 89,120 |
| | **201,240** | **217,555** | **233,474** |

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

Approved: August 19, 2018.

The accompanying notes is an integral part of the consolidated financial statements.

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

| | June 30, 2018 | June 30, 2017 | December 31, 2017 |
|---|---|---|---|
| | (unaudited) | | (audited) |
| | in thousands NIS | | |
| Current liabilities | | | |
| Current maturities of bank loans | 346 | 707 | 346 |
| Current maturities of bonds | 13,051 | 12,652 | 12,647 |
| Accounts payable - | | | |
| Trade | 20,883 | 20,128 | 22,823 |
| Other | 15,996 | 23,577 | 37,042 |
| Liabilities in respect of construction contracts | 7,279 | - | - |
| Other financial liabilities | 438 | 37 | 94 |
| | 57,993 | 57,101 | 72,952 |
| Non-current liabilities | | | |
| Loans from banks | 2,154 | 2,326 | 2,249 |
| Bonds | 38,808 | 51,750 | 49,817 |
| Liabilities for benefits to employees, net | 2,564 | 2,376 | 2,545 |
| Liability for share purchase options | 6,384 | 6,477 | 6,910 |
| Deferred taxes | 4,579 | 4,707 | 4,637 |
| | 54,489 | 67,636 | 66,158 |
| Equity | | | |
| Share capital | 427 | 427 | 427 |
| Share premium | 104,513 | 104,513 | 104,513 |
| Capital reserve from translation of foreign operations | (1,256) | (2,023) | (2,437) |
| Treasury shares | (7,042) | (7,042) | (7,042) |
| Reserve deriving from a transaction with a controlling party | 104 | 104 | 104 |
| Retained loss | (7,988) | (3,161) | (1,201) |
| | 88,758 | 92,818 | 94,364 |
| | **201,240** | **217,555** | **233,474** |

The accompanying notes is an integral part of the consolidated financial statements.

## Unitronics (1989) (R"G) Ltd.
## Condensed Consolidated Interim Statements of Profit or Loss

| | For the six months period ended June 30, | | For the three months period ended June 30, | | For the year ended December 31, |
|---|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 | 2017 |
| | (unaudited) | | (unaudited) | | (audited) |
| | in thousands NIS | | | | |
| Revenues | 95,676 | 87,514 | 50,942 | 40,599 | 185,002 |
| Cost of revenues | 61,941 | 62,284 | 32,211 | 29,124 | 129,622 |
| Gross profit | 33,735 | 25,230 | 18,731 | 11,475 | 55,380 |
| Development expenses, net | 2,550 | 2,201 | 1,479 | 1,060 | 4,387 |
| Selling & marketing expenses | 14,993 | 12,142 | 7,679 | 6,050 | 25,905 |
| General & administrative expenses | 10,051 | 7,427 | 5,265 | 3,463 | 16,195 |
| Other expenses | - | 13 | - | 6 | 13 |
| Operating profit | 6,141 | 3,447 | 4,308 | 896 | 8,880 |
| Financing income | 940 | 1,264 | 99 | 742 | 942 |
| Financing expenses | 2,282 | 4,022 | 633 | 3,041 | 6,613 |
| Profit (loss) before taxes on income | 4,799 | 689 | 3,774 | (1,403) | 3,209 |
| Taxes on income | 2,292 | 1,683 | 1,732 | 696 | 2,173 |
| Profit (loss) for the period | 2,507 | (994) | 2,042 | (2,099) | 1,036 |
| Profit per 1 ordinary share NIS 0.02 par value (NIS): | | | | | |
| Basic profit (loss) per 1 ordinary share | 0.182 | (0.072) | 0.148 | (0.153) | 0.075 |
| Diluted profit (loss) per 1 ordinary share | 0.139 | (0.072) | 0.123 | (0.153) | 0.075 |

The accompanying notes is an integral part of the consolidated financial statements.

## Unitronics (1989) (R"G) Ltd.
## Condensed consolidated interim statements of comprehensive income (loss)

| | For the six months period ended June 30, | | For the three months period ended June 30, | | For the year ended December 31, |
|---|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 | 2017 |
| | (unaudited) | | (unaudited) | | (audited) |
| | in thousands NIS | | | | |
| Profit (loss) for the period | 2,507 | (994) | 2,042 | (2,099) | 1,036 |
| Other comprehensive income (loss) (after tax) | | | | | |
| Items that may not be classified afterwards to profit or loss: | | | | | |
| Re-measurement losses 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 | 1,106 | (2,232) | 825 | (1,014) | (2,646) |
| Other comprehensive income (loss) for the period | 1,106 | (2,232) | 825 | (1,014) | (2,716) |
| Comprehensive income (loss) for the period | 3,613 | (3,226) | 2,867 | (3,113) | (1,680) |

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

| | Share capital | Share premium | Capital reserve from translation of foreign operations | Treasury shares | Reserve deriving from a transaction with a controlling party | Retained loss | Total |
|---|---|---|---|---|---|---|---|
| | | | in thousands NIS | | | | |
| 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 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 |
| Cumulative effect of the initial implementation of IFRS 15 | - | - | 75 | - | - | (9,294) | (9,219) |
| Profit for the period | - | - | - | - | - | 2,507 | 2,507 |
| Other comprehensive income for the period | - | - | 1,106 | - | - | - | 1,106 |
| Total comprehensive income for the period | - | - | 1,106 | - | - | 2,507 | 3,613 |
| Balance at June 30, 2018 (unaudited) | 427 | 104,513 | (1,256) | (7,042) | 104 | (7,988) | 88,758 |
| Balance at January 1, 2017 (audited) | 427 | 104,513 | 209 | (7,042) | 104 | (2,167) | 96,044 |
| Loss for the period | - | - | - | - | - | (994) | (994) |
| Other comprehensive loss for the period | - | - | (2,232) | - | - | - | (2,232) |
| Total comprehensive loss for the period | - | - | (2,232) | - | - | (994) | (3,226) |
| Balance at June 30, 2017 (unaudited) | 427 | 104,513 | (2,023) | (7,042) | 104 | (3,161) | 92,818 |
| Balance at April 1, 2018 (unaudited) | 427 | 104,513 | (2,081) | (7,042) | 104 | (10,030) | 85,891 |
| Profit for the period | - | - | - | - | - | 2,042 | 2,042 |
| Other comprehensive income for the period | - | - | 825 | - | - | | 825 |
| Total comprehensive income for the period | - | - | 825 | - | - | 2,042 | 2,867 |
| Balance at June 30, 2018 (unaudited) | 427 | 104,513 | (1,256) | (7,042) | 104 | (7,988) | 88,758 |
| Balance at April 1, 2017 (unaudited) | 427 | 104,513 | (1,009) | (7,042) | 104 | (1,062) | 95,931 |
| Loss for the period | - | - | - | - | - | (2,099) | (2,099) |
| Other comprehensive loss for the period | - | - | (1,014) | - | - | - | (1,014) |
| Total comprehensive loss for the period | - | - | (1,014) | - | - | (2,099) | (3,113) |
| Balance at June 30, 2017 (unaudited) | 427 | 104,513 | (2,023) | (7,042) | 104 | (3,161) | 92,818 |

The accompanying notes is an integral part of the consolidated financial statements.

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

| | For the six months period ended June 30, | | For the three months period ended June 30, | | For the year ended December 31, |
|---|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 | 2017 |
| | (unaudited) | | (unaudited) | | (audited) |
| | in thousands NIS | | in thousands NIS | | |
| Cash flows - operating activities | | | | | |
| Profit (loss) for the period | 2,507 | (994) | 2,042 | (2,099) | 1,036 |
| Adjustments necessary to show the cash flows - operating activities (Appendix A) | (348) | 1,826 | 1,614 | 4,917 | 7,906 |
| Cash flows provided operating activities | 2,159 | 832 | 3,656 | 2,818 | 8,942 |
| Cash flows - investing activities | | | | | |
| Purchase of property and equipment | (338) | (918) | (81) | (585) | (1,421) |
| Repayment of restricted cash | 294 | 1,069 | - | 879 | 1,069 |
| Repayment of (Investment in) bank deposits in banks | 4,500 | 20,000 | (500) | 10,000 | 25,000 |
| Repayment of other deposits | 61 | 61 | 67 | 54 | (14) |
| Investment in intangible assets | (5,660) | (6,475) | (3,218) | (3,443) | (12,877) |
| Cash flows provided by (used in) investing activities | (1,143) | 13,737 | (3,732) | 6,905 | 11,757 |
| Cash flows - financing activities | | | | | |
| Repayment of long-term loans | (86) | (542) | - | (268) | (1,094) |
| Repayment of bonds | (10,974) | (6,666) | - | - | (8,666) |
| Cash flows used in financing activities | (11,060) | (7,208) | - | (268) | (9,760) |
| Translation differences in respect of cash and cash equivalents balances | 1,249 | (1,706) | 799 | (227) | (1,986) |
| Change in cash and cash equivalents for the period | 8,795 | 5,655 | 723 | 9,228 | 8,953 |
| Cash and cash equivalents at beginning of period | 34,710 | 25,757 | 25,192 | 22,184 | 25,757 |
| Cash and cash equivalents at end of period | 25,915 | 31,412 | 25,915 | 31,412 | 34,710 |

The accompanying notes is an integral part of the consolidated financial statements.

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

| | For the six months period ended June 30, 2018 | For the six months period ended June 30, 2017 | For the three months period ended June 30, 2018 | For the three months period ended June 30, 2017 | For the year ended December 31, 2017 |
|---|---|---|---|---|---|
| | (unaudited) | | (unaudited) | | (audited) |
| | in thousands NIS | | in thousands NIS | | |
| Appendix A - Adjustments necessary to show the cash flows - operating activities | | | | | |
| Income and expenses which not involve cash flows: | | | | | |
| Depreciation and amortization | 9,465 | 8,614 | 5,064 | 4,382 | 17,265 |
| Change in liabilities for benefits to employees, net | 19 | 25 | 67 | 37 | 118 |
| Revaluation of cash in foreign currency | (220) | 299 | 52 | (259) | 14 |
| Capital loss | - | 13 | - | 6 | 13 |
| Revaluation of deposits | 9 | 4 | (19) | 26 | (62) |
| Revaluation of long-term loans and bonds | 197 | 150 | 177 | 362 | 130 |
| Change in deferred taxes | (58) | 464 | (12) | (77) | 395 |
| Revaluation of share purchase options | (526) | 1,580 | (286) | 1,122 | 2,013 |
| Revaluation of financial assets, net | 240 | 35 | (215) | 945 | 396 |
| Changes in assets and liabilities: | | | | | |
| Increase in accounts receivable - trade | (723) | (16,114) | (1,120) | (2,332) | (29,768) |
| Increase in income from construction contracts | (7,575) | - | (3,588) | - | - |
| Decrease (increase)in accounts receivable - other | (252) | 41 | (110) | (24) | 261 |
| Increase in inventory | (1,642) | (1,462) | (683) | (1,258) | (7,045) |
| Decrease (increase) in inventory - work in progress | - | (338) | - | 59 | (1,097) |
| Increase (decrease) in accounts payable - trade | (2,008) | 493 | (1,907) | (1,573) | 3,222 |
| Increase (decrease) in Liabilities in respect of construction contracts | 7,279 | - | (1,149) | - | - |
| Increase (decrease) in accounts payable - other | (4,553) | 8,022 | 5,343 | 3,501 | 22,051 |
| | (348) | 1,826 | 1,614 | 4,917 | 7,906 |

The accompanying notes is an integral part of the consolidated financial statements.

## Unitronics (1989) (R"G) Ltd.

## Condensed consolidated interim statements of cash flows

| | For the six months period ended June 30, | | For the three months period ended June 30, | | For the year ended December 31, |
|---|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 | 2017 |
| | (unaudited) | | (unaudited) | | (audited) |
| | in thousands NIS | | in thousands NIS | | |
| Appendix B - Additional information regarding operating activities | | | | | |
| Cash paid during the period for: | | | | | |
| Interest | 1,816 | 2,059 | 40 | 25 | 3,933 |
| Taxes on income | 27 | 752 | 13 | 738 | 1,710 |
| Cash received during the period for: | | | | | |
| Interest | 44 | 102 | 16 | 47 | 176 |

The accompanying notes is an integral part of the consolidated financial statements.

**Unitronics (1989) (R"G) Ltd.**
**Notes to the condensed consolidated interim financial statements**

## Note 1 - General

A. These financial statements have been prepared in a condensed format as of June 30, 2018, and for the six and three months periods then ended ("consolidated interim financial statements"). These financial statements should be read in conjunction with the Company's audited annual financial statements and accompanying notes as of December 31, 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.

**Unitronics (1989) (R"G) Ltd.**

**Notes to the condensed consolidated interim financial statements**

**Note 2 - Accounting Policies** (cont'd)

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 |
| | | in thousands NIS | |
| 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 June 30, 2018:

| | As of June 30, 2018 | | |
|---|---|---|---|
| | According to previous policy | effect of the initial application of IFRS 15 | According to IFRS 15 |
| | | in thousands NIS | |
| Account receivable – trade | 49,492 | (21,859) | 27,633 |
| revenues receivable in respect of construction contracts | - | 7,575 | 7,575 |
| Inventory – work in progress | 1,652 | (1,652) | - |
| Account payable – other | (34,969) | 18,973 | (15,996) |
| Liabilities in respect of construction contracts | - | (7,279) | (7,279) |
| Equity | (93,000) | 4,242 | (88,758) |

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 and six months period ended June 30, 2018:

| | Six months period ended June 30, 2018 | | |
|---|---|---|---|
| | According to previous policy | effect of the initial application of IFRS 15 | According to IFRS 15 |
| | | in thousands NIS | |
| Revenues | 83,309 | 12,367 | 95,676 |
| Cost of revenues | 53,669 | 8,272 | 61,941 |
| Gross profit | 29,640 | 4,095 | 33,735 |
| Profit for the period | (1,588) | 4,095 | 2,507 |

**Note 2 - Accounting Policies** (cont'd)

C. Initial implementation of new IFRS (cont'd)

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

| | Three months period ended June 30, 2018 | | |
|---|---|---|---|
| | According to previous policy | effect of the initial application of IFRS 15 | According to IFRS 15 |
| | | **in thousands NIS** | |
| Revenues | 46,344 | 4,598 | 50,942 |
| Cost of revenues | 29,455 | 2,756 | 32,211 |
| Gross profit | 16,889 | 1,842 | 18,731 |
| Profit for the period | 200 | 1,842 | 2,042 |

D. Prior implementation of new IFRS
IFRS 16 "Leases" (hereinafter: "IFRS 16"):

IFRS 16, published in January 2016, supersedes IAS 17 "Leases" and its interpretations.
IFRS 16 changes the accounting treatment of leases on the part of the lessee while the lessor's accounting treatment remains largely unchanged.

IFRS 16 cancels the classification of leases as finance or operating by the lessee and states that a lessee shall recognize in the statement of financial position a right of use asset and lease liability in respect of all leases, except for leases with periods of less than 12 months and leases where the underlying assets are of low value Whereby a lessee may apply accounting treatment that is similar to the current accounting treatment of operating leases).

The accounting treatment in accordance with IFRS 16 regarding the lessees will be implemented retrospectively in one of two ways:
- Restatement of previous periods; or
- Recognition of the cumulative effect of the retrospective application as an adjustment to the opening balance of the retained earnings (or other component of capital, as appropriate) for the period in which the Standard is initially applied, subject to certain requirements and easements set forth in the Standard.

The Company estimates that it will choose a partial retrospective application approach when the new Standard is first implemented.
At this stage, the Company estimates that the effect of the initial implementation of the new standard as of June 30, 2018 is expected to lead to an increase of NIS 13.7 million in assets and liabilities, of which NIS 11.1 million as of January 1, 2019. Therefore, The company Expects that the implementation of IFRS 16 will have a material effect on the Company's financial position.

However, the actual effect of the implementation of IFRS 16 will depend on future factors, including the Company's incremental interest rate at the date of initial implementation and management's expectations on that date regarding exercise of options to extend or cancel leases.

**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.

C. On July 15, 2018, a lease agreement was approved from a company controlled by Mr. Haim Shani, the Company's CEO and controlling shareholder (jointly with the Fimi Fund) and Mrs. Bareket Shani, Mr. Shani's wife, for a period of three years commencing on August 1, according 275 (A) of the Companies Law.

D. On June 21, 2018, the Company, through Unitronics Systems Inc., signed an agreement with an American customer unrelated to the Company or interested parties therein for the construction of an autonomous parking garage in a building located in Boston, USA, for a total of approximately $ 4.2 million (approximately NIS 15 million)

E. On August 1, 2018, the Company, through Unitronics Systems Inc., signed an agreement with an American customer unrelated to the Company or interested parties therein for the construction of an autonomous parking garage in a building located in Houston, USA, for a total amount of $ 15.7 million (approximately NIS 57.7 million).

F. On August 19, 2018, the Company's board of directors adopted a resolution in principle to consider a spin-off of the Company's operations (hereinafter: "**spin-off**"), through a prospectus for the implementation of a spin-off and the listing of securities on the Tel Aviv Stock Exchange Ltd. (hereinafter: the "**Prospectus**" and the "**TASE**," respectively), such that the Company will transfer its operations in the automated solutions segment (which are carried out through the Company and through its subsidiary Unitronics Automated Solutions Ltd.), in accordance with the provisions of a spin-off agreement that will be signed between the Company and Utron Ltd., a fellow subsidiary of the Company whose shares are held by a trustee on behalf of the Company's shareholders.
The spin-off is subject to the approvals required by law, including court approval for an equity reduction, in respect of which an application is due to be submitted to the court in the coming days, a final resolution of the Company's board of directors, approval by the Israel Tax Authority, a permit from the Israel Securities Authority and the approval of the TASE for the listing of the securities of the spin-off company.
It should be emphasized that as of the date of this report, there is no certainty as to the manner of implementation, the outcome, the timing and the conditions of the spin-off, nor is it at all certain that the spin-off will actually take place.

## Note 4 - Financial Instruments

A. Fair value

Below are presented particular book values of financial instruments and their respective fair values that have been recognized and presented in the financial statements at book value. Regarding these financial instruments, there exists a material difference between book value and fair value:

Financial liabilities

| | June 30, 2018 | | June 30, 2017 | | December 31, 2017 | |
|---|---|---|---|---|---|---|
| | Book value | Fair value | Book value | Fair value | Book value | Fair value |
| | (unaudited) | | | | (audited) | |
| | in thousands NIS | | | | | |
| Bonds linked to the Israeli CPI | 23,003 | 24,267 | 33,948 | 36,248 | 33,930 | 35,597 |
| Bonds - non-linked | 29,940 | 33,675 | 31,819 | 36,778 | 29,871 | 35,556 |

B. Classification of financial instruments at fair value rating

The financial instruments presented in the statement of financial position at fair value or the disclosure of their fair value, are classified, according to groups with similar characteristics, to the rating of fair value, which is determined in accordance with the source 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 June 30, 2018 (unaudited) | | **in thousands NIS** | | |
| Financial assets at fair value: | | | | |
| Exchange contracts | - | 172 | - | 172 |
| Financial liabilities at fair value: | | | | |
| Exchange contracts | - | 438 | - | 438 |
| Liability for share purchase option | - | - | 6,384 | 6,384 |
| As of June 30, 2017 (unaudited) | | | | |
| Financial assets at fair value: | | | | |
| Exchange contracts | - | 369 | - | 369 |
| Foreign currency purchase/sell options | - | 3 | - | 3 |
| Financial liabilities at fair value: | | | | |
| Exchange contracts | - | 37 | - | 37 |
| Liability for share purchase option | - | - | 6,477 | 6,477 |
| As of December 31, 2017 (audited) | | | | |
| Financial assets at fair value: | | | | |
| Exchange contracts | - | 68 | - | 68 |
| Financial liabilities at fair value: | | | | |
| Exchange 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 classified as Level 3 on fair value hierarchy of financial instruments

| | Financial liabilities at fair value classified to profit or loss | | | | |
|---|---|---|---|---|---|
| | For the six months period ended June 30, | | For the three months period ended June 30, | | For the year ended December 31, |
| | 2018 | 2017 | 2018 | 2017 | 2017 |
| | (unaudited) | | (unaudited) | | (audited) |
| | in thousands NIS | | | | |
| Balance at beginning of the period | 6,910 | 4,897 | 6,670 | 5,355 | 4,897 |
| Total net loss (profit) recognized in financing expenses (income) | (526) | 1,580 | (286) | 1,122 | 2,013 |
| Balance at end of the period | 6,384 | 6,477 | 6,384 | 6,477 | 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 six months period ended June 30, 2018 | | |
|---|---|---|---|
| | +10% | Fair Value | -10% |
| Effect on profit or loss / equity | 292 | 6,384 | (138) |

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

| | For the six months period ended June 30, 2018 | | |
|---|---|---|---|
| | +10% | Fair Value | -10% |
| Effect on profit or loss / equity | (127) | 6,384 | 666 |

**Note 4 - Financial Instruments** (cont'd)

E. Evaluation techniques

Liability for share purchase 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 evaluator.

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").

**Note 5 - Business segments** (cont'd)

| | For the six months period ended June 30, | | For the three months period ended June 30, | | For the year ended December 31, |
|---|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 | 2017 |
| | (unaudited) | | (unaudited) | | (audited) |
| | in thousands NIS | | in thousands NIS | | |
| C. Revenues | | | | | |
| Products | 64,570 | 61,420 | 34,824 | 30,391 | 123,160 |
| Automated solutions | 30,919 | 25,896 | 16,017 | 10,108 | 61,406 |
| Other | 187 | 198 | 101 | 100 | 436 |
| Total revenues | 95,676 | 87,514 | 50,942 | 40,599 | 185,002 |
| D. Segment results and adjustment to profit (loss) for the period: | | | | | |
| Products | 13,101 | 13,839 | 7,679 | 6,662 | 27,051 |
| Automated solutions | 279 | (5,035) | 508 | (3,251) | (6,584) |
| Other | (93) | (1) | (9) | 4 | 27 |
| Corporate expenses not allocated to segments | (7,146) | (5,356) | (3,870) | (2,519) | (11,614) |
| Operating profit | 6,141 | 3,447 | 4,308 | 896 | 8,880 |
| Unallocated financing expenses, net | (1,342) | (2,758) | (534) | (2,299) | (5,671) |
| Taxes on income | 2,292 | 1,683 | 1,732 | 696 | 2,173 |
| Profit (loss) for the period | 2,507 | (994) | 2,042 | (2,099) | 1,036 |

# UNITRONICS (1989) (R"G) LTD.

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

# June 30, 2018

# (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 June 30, 2018 and for the six and three month periods 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 these interim periods, 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

August 19, 2018

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

| | June 30, 2018 | June 30, 2017 | December 31, 2017 |
|---|---|---|---|
| | (unaudited) | | (audited) |
| | in thousands NIS | | |
| Current assets | | | |
| Cash and cash equivalents | 13,093 | 25,263 | 24,082 |
| Restricted cash | 607 | 901 | 901 |
| Deposits in bank | 15,700 | 25,143 | 20,209 |
| Trade receivables and unbilled receivables, net | 16,432 | 13,919 | 15,429 |
| Other accounts receivable | 2,247 | 2,099 | 2,055 |
| Other financial assets | 172 | 372 | 68 |
| Accounts receivable - other - subsidiaries | 14,697 | 48,963 | 12,989 |
| Inventories | 29,727 | 21,447 | 27,401 |
| | 92,675 | 138,107 | 103,134 |
| Non-current assets | | | |
| Deposits - other | 91 | 91 | 112 |
| Property and equipment, net | 16,032 | 16,733 | 16,462 |
| Loans and capital notes to subsidiaries less surplus of liabilities over assets | 33,821 | - | 36,621 |
| Intangible assets, net | 43,209 | 44,552 | 44,274 |
| | 93,153 | (*) 61,376 | 97,469 |
| | **185,828** | **199,483** | **200,603** |

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

Approved: August 19, 2018.

(*) Reclassified.

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

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

| | June 30, 2018 | June 30, 2017 | December 31, 2017 |
|---|---|---|---|
| | (unaudited) | | (audited) |
| | in thousands NIS | | |
| Current liabilities | | | |
| Current maturities of long term loans | 346 | 707 | 346 |
| Current maturities of bonds | 13,051 | 12,652 | 12,647 |
| Accounts payable - | | | |
| Trade | 16,744 | 17,625 | 20,011 |
| Other | 12,453 | 7,286 | 7,425 |
| Other financial liabilities | 438 | 37 | 94 |
| | 43,032 | 38,307 | 40,523 |
| Non-current liabilities | | | |
| Loans and capital notes to investees net of surplus assets over liabilities | - | (*) 1,125 | - |
| Loans from banks | 2,154 | 2,326 | 2,249 |
| Bonds | 38,806 | 51,750 | 49,817 |
| Liabilities for benefits to employees, net | 2,115 | 1,973 | 2,103 |
| Deferred taxes | 4,579 | 4,707 | 4,637 |
| Liability for share purchase option | 6,384 | 6,477 | 6,910 |
| | 54,038 | 68,358 | 65,716 |
| Equity | | | |
| Share capital | 427 | 427 | 427 |
| Share premium | 104,513 | 104,513 | 104,513 |
| Capital reserve from translation of foreign operations | (1,256) | (2,023) | (2,437) |
| Treasury shares | (7,042) | (7,042) | (7,042) |
| Reserve from a transaction with a controlling party | 104 | 104 | 104 |
| Retained loss | (7,988) | (3,161) | (1,201) |
| | 88,758 | 92,818 | 94,364 |
| | **185,828** | **199,483** | **200,603** |

(*) Reclassified.

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

**Unitronics (1989) (R"G) Ltd.**
**Revenues and expenses included in the interim consolidated financial statements**
**Attributed to the company**

| | For the six months period ended June 30, | | For the three months period ended June 30, | | For the year ended December 31, |
|---|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 | 2017 |
| | (unaudited) | | (unaudited) | | (audited) |
| | in thousands NIS | | | | |
| Revenues | 47,145 | 42,256 | 26,202 | 20,944 | 87,504 |
| Revenues from subsidiaries | 19,453 | 19,323 | 9,800 | 10,003 | 34,234 |
| Total revenues | 66,598 | 61,579 | 36,002 | 30,947 | 121,738 |
| Cost of revenues | 39,753 | 38,630 | 21,146 | 19,077 | 76,636 |
| Gross profit | 26,845 | 22,949 | 14,856 | 11,870 | 45,102 |
| Development expenses, net | 2,021 | 1,441 | 1,177 | 632 | 2,810 |
| Selling & marketing expenses | 5,987 | 4,901 | 2,973 | 2,525 | 10,532 |
| General & administrative expenses | 6,863 | 4,882 | 3,704 | 2,322 | 10,427 |
| General & administrative expenses to subsidiaries | 226 | 344 | 47 | 175 | 745 |
| Operating profit | 11,748 | 11,381 | 6,955 | 6,216 | 20,588 |
| Financing income | 2,142 | 2,543 | 869 | 1,402 | 3,661 |
| Financing expenses | 2,654 | 4,421 | 921 | 3,265 | 6,878 |
| Profit after financing, net | 11,236 | 9,503 | 6,903 | 4,353 | 17,371 |
| The Company's share of subsidiaries losses | 6,437 | 8,814 | 3,129 | 5,756 | 14,162 |
| Profit (loss) before taxes on income | 4,799 | 689 | 3,774 | (1,403) | 3,209 |
| Taxes on income | 2,292 | 1,683 | 1,732 | 696 | 2,173 |
| Profit (loss) for the period attributed to the company's shareholders | 2,507 | (994) | 2,042 | (2,099) | 1,036 |

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

**Unitronics (1989) (R"G) Ltd.**
**Comprehensive income (loss) included in the interim consolidated financial statements**
**Attributed to the company**

| | For the six months period ended June 30, | | For the three months period ended June 30, | | For the year ended December 31, |
|---|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** | **2017** |
| | **(unaudited)** | | **(unaudited)** | | **(audited)** |
| | **in thousands NIS** | | | | |
| Profit (loss) for the period attributed to the company's shareholders | 2,507 | (994) | 2,042 | (2,099) | 1,036 |
| Other comprehensive income (loss) (after tax) | | | | | |
| Items that may not be classified afterwards to profit or loss: | | | | | |
| Re-measurement losses 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 (subsidiaries) | 1,106 | (2,232) | 825 | (1,014) | (2,646) |
| Other comprehensive income (loss) for the period attributed to the company's shareholders | 1,106 | (2,232) | 825 | (1,014) | (2,716) |
| Total comprehensive income (loss) for the period attributed to the company's shareholders | 3,613 | (3,226) | 2,867 | (3,113) | (1,680) |

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

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

| | For the six months period ended June 30, | | For the three months period ended June 30, | | For the year ended December 31, |
|---|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 | 2017 |
| | (unaudited) | | (unaudited) | | (audited) |
| | in thousands NIS | | in thousands NIS | | |
| Cash flows - operating activities | | | | | |
| Profit (loss) for the period attributed to the company's shareholders | 2,507 | (994) | 2,042 | (2,099) | 1,036 |
| Adjustments necessary to show the cash flows - operating activities (Appendix A) | 10,657 | 14,382 | 8,195 | 11,354 | 20,788 |
| Cash flows provided by operating activities of the company | 13,164 | 13,388 | 10,237 | 9,255 | 21,824 |
| Cash flows provided by (used in) operating activities from transactions with subsidiaries | (10,562) | (*) (4,386) | (6,470) | (*)415 | (3,300) |
| Cash flows provided by operating activities | 2,602 | 9,002 | 3,767 | 9,670 | 18,524 |
| Cash flows - investing activities | | | | | |
| Purchase of property and equipment | (233) | (486) | (39) | (294) | (894) |
| Repayment of restricted cash | 294 | 190 | - | - | 190 |
| Repayment of(Investment in) deposits in banks | 4,500 | 20,000 | (500) | 10,000 | 25,000 |
| Repayment of other deposits, net | 51 | 88 | 51 | 21 | 82 |
| Investment in intangible assets | (4,335) | (4,496) | (2,431) | (2,313) | (8,825) |
| Cash flows provided by (used in) investing activities | 277 | 15,296 | (2,919) | 7,414 | 15,553 |
| Cash flows used in investing activities from transactions with subsidiaries | (2,900) | (*) (10,609) | (1,200) | (*) (7,660) | (19,228) |
| Cash flows provided by (used in) investing activities | (2,623) | 4,687 | (4,119) | (246) | (3,675) |
| Cash flows - financing activities | | | | | |
| Repayment of long-term loans | (86) | (542) | - | (268) | (1,094) |
| Repayment of bonds | (10,973) | (6,666) | - | - | (8,666) |
| Cash flows used in financing activities | (11,059) | (7,208) | - | (268) | (9,760) |
| Translation differences in respect of cash and cash equivalents balances | 91 | (275) | (53) | 219 | (64) |
| Change in cash and cash equivalents for the period | (10,989) | 6,206 | (405) | 9,375 | 5,025 |
| Cash and cash equivalents at beginning of period | 24,082 | 19,057 | 13,498 | 15,888 | 19,057 |
| Cash and cash equivalents at end of period | 13,093 | 25,263 | 13,093 | 25,263 | 24,082 |

(*) Reclassified.

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

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

| | For the six months period ended June 30, | | For the three months period ended June 30, | | For the year ended December 31, |
|---|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 | 2017 |
| | (unaudited) | | (unaudited) | | (audited) |
| | in thousands NIS | | in thousands NIS | | |
| Appendix A - Adjustments necessary to show the cash flows - operating activities | | | | | |
| Income and expenses not involving cash flows: | | | | | |
| The Company's share of subsidiaries losses | 6,441 | 8,814 | 3,133 | 5,756 | 14,162 |
| Depreciation and amortization | 6,225 | 5,396 | 3,475 | 2,746 | 10,753 |
| Change in liabilities for benefits to employees, net | 11 | 25 | 62 | 37 | 93 |
| Revaluation of cash in foreign currency | (92) | 275 | 51 | (219) | 64 |
| Revaluation of deposits in banks | 9 | 4 | (19) | 26 | (62) |
| Change in deferred taxes | (58) | 464 | (12) | (77) | 395 |
| Revaluation of long-term loans and bonds | 197 | 150 | 177 | 362 | 130 |
| Revaluation of share purchase options | (526) | 1,580 | (286) | 1,122 | 2,013 |
| Revaluation of financial assets, net | 240 | 35 | (215) | 945 | 396 |
| Changes in assets and liabilities: | | | | | |
| Decrease (increase) in accounts receivable - trade | (1,003) | (2,590) | (1,683) | 476 | (4,100) |
| Decrease (increase) in accounts receivable - other | (222) | (105) | (255) | 486 | (85) |
| Increase in inventory | (2,326) | (1,789) | (1,358) | (1,153) | (7,619) |
| Increase (decrease) in accounts payable - trade | (3,267) | 2,413 | (494) | 50 | 4,799 |
| Increase (decrease) in accounts payable - other | 5,028 | (290) | 5,619 | 797 | (151) |
| | 10,657 | 14,382 | 8,195 | 11,354 | 20,788 |

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

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

| | For the six months period ended June 30, | | For the three months period ended June 30, | | For the year ended December 31, |
|---|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 | 2017 |
| | (unaudited) | | (unaudited) | | (audited) |
| | in thousands NIS | | in thousands NIS | | |
| Appendix B - Additional information regarding operating activities | | | | | |
| Cash paid during the period for: | | | | | |
| Interest | 1,816 | 2,059 | 40 | 25 | 3,933 |
| Taxes on income | 27 | 752 | 13 | 738 | 1,710 |
| Cash received during the period for: | | | | | |
| Interest | 44 | 102 | 16 | 47 | 176 |

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

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

**Note 1 - General**

This separate interim financial information as of June 30, 2018 and for the six and three months period then ended, has 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 June 30, 2018.

# Chapter D - Statements by the CEO and CFO of the Corporation for the Second 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 Second 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.

August 19, 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 Second 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.

August 19, 2018

________________________
Eitan Alon, CFO