



Unitronics (1989) (R"G) Ltd

Quarterly Report as of September 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

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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.

In the reporting period the Company began considering a spin-off of its operations, whereby the operations of the Automated Solutions segment would be transferred to Utron Ltd., a fellow subsidiary of the Company, as detailed in section 1.3.6 below.

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 Offering Report see company report dated January 24, 2013, reference no. 2013-01-021699.

1.3.2 Principal payment on debentures (Series 5)

On August 31, 2018, the Company made the fourth payment of nine principal payments on debentures (Series 5), which were issued by the Company under a shelf prospectus published on August 19, 2014 (hereinafter: "**the 2014 Shelf Prospectus**") and a shelf offering report published by the Company on September 10, 2014 pursuant to the 2014 Shelf Prospectus (hereinafter: "**the 2014 Offering Report**"). For the full version of the 2014 Shelf Prospectus see company report dated August 19, 2014, reference no. 2014-01-137235. For the full version of the 2014 Offering Report see company report dated September 10, 2014, reference no. 2014-01-155406.

1.3.3 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. 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.

Subsequent to the balance sheet date, in light of a possible change in ownership of the developer of the projects, and at the latter's request, on November 1, 2018, the Company through Unitronics Systems signed an agreement with the developer of the projects for the suspension of their execution. Under this agreement, the developer of the projects undertook to pay a consideration ensuring that the suspension has no effect on the Company's financial results. For further details see immediate report dated November 4, 2018 on an event or matter outside the ordinary course of the corporation's business, reference no. 2018-01-099637.

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.

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.

On September 14, 2018, the Company through Unitronics Systems signed an agreement (hereinafter: "**the September 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 September agreement, the Company is expected to receive for the project a total consideration of USD 10.1 million (NIS 36 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 September 16, 2018 on an event or matter outside the ordinary course of the corporation's business, reference no. 2018-01-084385, included herein by reference.

1.3.4 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.

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

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

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

In addition, further to the Balance Sheet, Audit and Compensation Committee's aforementioned approval, on May 30, 2018, the Board of Directors of the Company resolved, in accordance with the provisions of Regulation 1B(5) and 1B1 of the Reliefs Regulations: (a) to approve the extension of the Policy for the period from May 17, 2018 until May 31, 2018, and to approve the renewal and extension of the Policy (with the increased insurance coverage) for a period of 12 months from June 1, 2018 until May 31, 2019, in accordance with the Company's Compensation Policy, and (b) to insure, in accordance with the terms of the Policy, the directors and officers of the Company who are not the controlling shareholders or their relatives, as well as the directors and officers of the Company who are the controlling shareholders or their relatives.

For further details see immediate report dated May 13, 2018 on a transaction with a controlling shareholder or a director that does not require the approval of the general meeting, reference no. 2018-01-053776, included herein by reference.

1.3.6 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).

1.3.7 Restructuring Examination

On August 19, 2018, the Board of Directors of the Company 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.) to 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, a final resolution of the 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.

Further to the aforesaid resolution, on September 6, 2018, the Company submitted to the Tel Aviv-Jaffa District Court an application to approve a distribution in accordance with section 303 of the Companies Law, 5759-1999.

For further details on the Board of Directors' resolution, see immediate report dated August 20, 2018 on an event or matter outside the ordinary course of the corporation's business, reference no. 2018-01-077146, included herein by reference. For further details on the application to approve a distribution, see immediate report dated September 6, 2018 on an application to the court to approve a distribution, reference no. 2018-01-083341, included herein by reference. For further details on the proposed spin-off and the application to approve a distribution, see immediate report dated October 7, 2018 on information provided at a meeting of the debenture holders, reference no. 2018-01-089152, and immediate report dated October 7, 2018 on the presentation made to the debenture holders, reference no. 2018-01-089158, included herein by reference.

On October 10, 2018, the meeting of holders of debentures (Series 4) of the Company resolved to instruct the trustee for the debentures not to oppose the implementation of a distribution by the Company through the spinning-off of its operations to a new company held in trust on behalf of the Company's shareholders. For further details see immediate report dated October 10, 2018 on the results of a meeting, reference no. 2018-01-095265, included herein by reference.

On October 25, 2018, the trustee for holders of debentures (Series 5) of the Company issued a notice that the holders of debentures (Series 5) were not stating a position on the Company's application to approve a distribution, as they were unable to hold a vote in the absence of the required quorum. The notice of the trustee for holders of debentures (Series 5) was submitted to the court on October 23, 2018. For further details see immediate report dated October 25, 2018 by a trustee for debentures, reference no. 2018-01-097000, included herein by reference.

1.3.8 Market maker

For details regarding the Company's agreement with Israel Brokerage & Investments IBI Ltd., see immediate report dated September 6, 2018, reference no. 2018-01-083002, and immediate report dated October 31, 2018, reference no. 2018-01-098506, included herein by reference.

CHAPTER B – BOARD OF DIRECTORS' REPORT

2.1 Financial Position

2.1.1 Balance Sheet

	As of September 30		As of	Board of Directors' explanations for changes in balance sheet balances compared to December 31, 2017
	2018	2017	December 31	
	NIS in thousand		2017	
Current assets	118,442	128,600	144,354	The change is mainly attributable to the following items: A decrease of NIS 18,079 thousand in bank deposits, due to the financing of (a) the fourth payment (of six) of principal and interest on debentures (Series 4) in the first quarter of 2018; and (b) the fourth payment (of nine) of principal and interest on debentures (Series 5) in the third quarter of 2018. Additionally, a decrease of NIS 12,616 thousand in trade receivables and accrued income, mainly attributable to the Automated Solutions segment, following the application of IFRS 15, as set out in Note 2.C. to the financial statements. The decrease in the above items was offset by an increase of NIS 3,217 thousand in inventory and inventory of work in progress, stemming from the Company's preparations for increased sales.
Non-current assets	83,914	90,224	89,120	The decrease in non-current assets in the reporting period is mainly attributable to a decrease of NIS 4,017 thousand in intangible assets and a decrease of NIS 1,107 thousand in fixed assets.
Total assets	202,356	218,824	233,474	
Current liabilities	58,775	59,712	72,952	The decrease is mainly attributable to the following items: A decrease of NIS 18,902 thousand in other accounts payable, mainly due to a decrease in expenses payable, offset by an increase of NIS 4,460 thousand in liabilities for a construction contract in the Automated Solutions segment following the application of IFRS 15, as set out in Note 2.C. to the financial statements.
Non-current liabilities	53,014	65,843	66,158	The decrease is mainly attributable to a decrease of NIS 12,928 thousand in debentures following: (a) the fourth payment (of six) of principal and interest on debentures (Series 4) in the first quarter of 2018; and (b) the fourth payment (of nine) of principal and interest on debentures (Series 5) in the third quarter of 2018.
Equity attributable to Company shareholders	90,567	93,269	94,364	Equity represents 45% 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	202,356	218,824	233,474	

The Company's working capital as of September 30, 2018 totaled NIS 59,667 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 the implementation of IFRS 15, as detailed in Note 2.C. to the Financial Statements.

2.1.2 Results of Operations

	For the nine-month period ended September 30		For the three-month period ended September 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	145,009	132,800	49,333	45,286	185,002	In the reporting period there was an increase in revenues in the consolidated report over the same period last year. The increase is attributable both to the Products segment and to the Automated Solutions segment.
Cost of revenues	93,901	93,902	31,960	31,618	129,622	
Gross profit (gross profit margin)	51,108 (35.2%)	38,898 (29.3%)	17,373 (35.2%)	13,668 (30.1%)	55,380 (29.9%)	In the reporting period the gross profit margin improved, mainly in the Automated Solutions segment, as detailed in section 2.1.3.2 below.
Development expenses, net	3,676	3,225	1,126	1,024	4,387	In the reporting period 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	22,098	18,339	7,105	6,197	25,905	In the reporting period 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	15,788	11,604	5,737	4,177	16,195	In the reporting period administrative and general expenses grew compared to the corresponding periods, mainly in the Automated Solutions segment and in respect of headquarters operations.
Other expenses	-	13	-	-	13	
Profit from ordinary activities	9,546	5,717	3,405	2,270	8,880	
Financing expenses, net	1,984	3,843	642	1,085	5,671	The decrease in financing expenses in the third quarter of the year compared to the same period last year is primarily attributable to the revaluation of the option given to the FIMI Fund.
Profit before taxes on income	7,562	1,874	2,763	1,185	3,209	
Taxes on income	3,342	2,432	1,050	749	2,173	In the reporting period 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.
Profit (loss) for the period	4,220	(558)	1,713	436	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 nine-month period ended September 30		For the three-month period ended September 30		For the year ended December 31	Board of Directors' explanations for changes
	2018	2017	2018	2017	2017	
	NIS in thousand					
Products	96,613	91,633	32,043	30,213	123,160	In the reporting period and in the third quarter of 2018 sales of products rose compared to the corresponding periods, mainly due to marketing activities.
Percentage of total Company revenues	67%	69%	65%	67%	67%	
Automated Solutions	48,068	40,831	17,149	14,935	61,406	The increase in revenues in this business segment in the reporting period and in the third quarter of the year compared to the corresponding periods stems mainly from progress in the projects under construction in the United States.
Percentage of total Company revenues	33%	31%	35%	33%	33%	

2.1.3.2 Segment Results

Operating segment	For the nine-month period ended September 30		For the three-month period ended September 30		For the year ended December 31	Board of Directors' explanations for changes
	2018	2017	2018	2017	2017	
	NIS in thousand					
Products	19,723	20,809	6,622	6,970	27,051	In the reporting period the segment's results declined compared to the corresponding period, mainly due to an increase in selling and marketing expenses aimed at boosting sales in the segment.
Automated Solutions	766	(6,731)	487	(1,696)	(6,584)	The improved results in the segment are mainly attributable to efficiency measures and lower 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 September 30, 2018 totaled NIS 37,441 thousand compared to NIS 54,919 thousand as of December 31, 2017. Below are explanations for the changes in cash flows:

	For the nine-month period ended September 30		For the three-month period ended September 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	2,067	2,127	(92)	1,294	8,942	The positive cash flow in the reporting period is mainly attributable to a growth in operations and improved profitability in the Automated Solutions segment. Cash flow in the third quarter of the year mainly resulted from an increase in inventory net of a decrease in other accounts payable.
Cash flows – investing activities	10,672	9,986	11,815	(3,751)	11,757	The positive cash flow in the reporting period and in the third quarter of the year is mainly attributable to the realization of deposits net of investments in intangible assets. The positive cash flow last year was attributable to the realization of deposits net of investments in development assets.
Cash flows – financing activities	(13,214)	(9,484)	(2,154)	(2,276)	(9,760)	Cash from financing activities in the reporting period was mainly used to pay principal and interest on debentures (Series 4 and 5), as detailed in sections 1.3.1 and 1.3.2 above.

As of September 30, 2018 and as at the reporting date, the Company had unused confirmed credit lines available for operating activities totaling of NIS 900 thousand and unused credit card facilities available for operating activities totaling NIS 1,060 thousand. The Company from time to time applies to financial institutions to receive credit facilities according to its needs.

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

2.3 Dedicated Disclosure to Debenture Holders

2.3.1

(1)	Security	Debentures (Series 4)
A	Issue date	January 2013
B	Total par value on issue date	53,125,000
C	Par value as of the reporting date	22,312,500
D	Par value according to linkage terms – as of the reporting date	22,715,560
E	Accrued interest as of the reporting date	203,329
F	Liability value as of the reporting date	22,783,727
G	Stock Exchange value	23,838,675
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, 2019 up to (and including) January 31, 2020
K	Details of linkage basis of interest and principal	Principal and interest linked to the Consumer Price Index. Base index – December 2012 CPI, without hedging
L	Are the debentures convertible?	Not convertible
M	Corporation's right to perform early redemption	Exists (for details regarding the conditions for exercising the Company's right to early redemption, see section 12 of the Shelf Offering Report dated January 24, 2013, reference no. 2013-01-021699)
N	Has a guarantee been given for payment of the liability in the trust deed?	No
O	Is the liability material to the Company?	Yes
(2)	The trustee, the person in charge of the debenture series at the trust company; the trustee's contact details	Mishmeret Trust Company Ltd. 48 Menachem Begin Road, Tel Aviv 66184, Israel Phone: 03-6374352, Fax: 03-6374344 Email: ramis@mtrust.co.il

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

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

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

- Dividend distribution – the Company has undertaken that during the period in which debentures (Series 4) are outstanding, it shall not distribute dividends at a rate exceeding 30% of the annual (calendar) cumulative net profit attributable to the Company's shareholders based on the last audited consolidated financial statements of the Company published prior to the date of the Company's resolution regarding the dividend distribution, unless the Company obtains the prior consent of the holders of debentures (Series 4) in a special resolution passed at a meeting of the debenture holders convened as provided in the Second Addendum to the trust deed of debentures (Series 4). For further details on the said restriction, see section 11.1 of the Shelf Offering Report published on January 24, 2013 (reference no. 2013-01-021699) (hereinafter: "**the 2013 Offering Report**").
- Net financial debt to net cap ratio – the Company undertook that as of the date of the listing of debentures (Series 4) and as long as debentures (Series 4) are outstanding, the ratio between the Company's net financial debt and its net cap (solo) according to the Company's audited or reviewed (as the case may be) solo financial statements as of June 30 and December 31, shall not exceed 80%. If the Company is in breach of this undertaking, at any review date, the interest rate payable by the Company to the holders of debentures (Series 4) on the first payment date following the date of the breach shall be increased by 0.5% only per annum above the interest rate determined in the tender, during the period of the breach. Should the Company breach this undertaking on a date subsequent to the previous review date, the interest rate which is to be paid by the Company to the holders of debentures (Series 4) shall be increased by an additional 0.5% per annum above the previous interest rate, from the date of the additional breach until the end of the breach period. If said breach is discovered on two consecutive review dates, such that this ratio is 85% or more, then such breach shall constitute grounds for declaring the outstanding balance of debentures (Series 4) immediately due and payable. For further details regarding the aforesaid restriction, see section 11.2 of the 2013 Offering Report.
- Net financial debt to EBITDA ratio – the Company undertook that as of the date of the listing of debentures (Series 4) and as long as debentures (Series 4) are outstanding, the ratio between the Company's net financial debt and its EBITDA according to the Company's audited or reviewed (as the case may be) consolidated financial statements as of June 30 and December 31, shall not exceed 10. If the Company is in breach of this undertaking, at any review date, the interest rate payable by the Company to the holders of debentures (Series 4) on the first payment date following the date of the breach shall be increased by 0.5% only per annum above the interest rate determined in the tender, during the period of the breach. Should the Company breach this undertaking on a date subsequent to the previous review

date, the interest rate which is to be paid by the Company to the holders of debentures (Series 4) shall be raised by an additional 0.5% per annum above the previous interest rate, from the date of the additional breach until the end of the breach period. If said breach is discovered on two consecutive review dates, such that this ratio is 12 or more, then such breach shall constitute grounds for declaring the outstanding balance of debentures (Series 4) immediately due and payable. For further details regarding the aforesaid restriction, see section 11.3 of the 2013 Offering Report.

- Restriction on shareholders' equity – the Company's shareholders' equity according to its audited or reviewed (as the case may be) solo financial statements as of June 30 and December 31, shall not be less than NIS 20 million. If the Company is in breach of this undertaking, at any review date, the interest rate payable by the Company to the holders of debentures (Series 4) on the first payment date following the publication of the last financial statements which indicate the breach, shall be increased by 0.5% only per annum above the interest rate determined in the tender, during the period of the breach. Should the Company breach this undertaking on a date subsequent to the previous review date, the interest rate which is to be paid by the Company to the holders of debentures (Series 4) shall be increased by an additional 0.5% per annum above the previous interest rate, from the date of the additional breach until the end of the breach period. If said breach is discovered on two consecutive review dates, such that the shareholders' equity falls below NIS 15 million, then such breach shall constitute grounds for declaring the outstanding balance of debentures (Series 4) immediately due and payable. For further details regarding the aforesaid restriction, see section 11.4 of the 2013 Offering Report.
- The Company's undertaking not to create charges – the Company undertook not to create a general charge on all its property, and to ascertain that each of its subsidiaries (on the date of execution of the trust deed and any additional subsidiary of the Company that may be established or acquired until the date of final repayment of debentures (Series 4)) shall not create any charge as aforesaid. For further details regarding the aforesaid restriction, see section 11.5 of the 2013 Offering Report.

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

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

2.3.2

(1)	Security	Debentures (Series 5)
A	Issue date	September 2014
B	Total par value on issue date	40,000,000
C	Par value as of the reporting date	28,000,000
D	Par value according to linkage terms – as of the reporting date	28,000,000
E	Accrued interest as of the reporting date	134,586
F	Liability value as of the reporting date	27,537,963
G	Stock Exchange value	31,357,200
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 2019 to 2023 (inclusive), at the following rates (from the original principal) by years in chronological order: (a) 5% of the principal, (b) 5% of the principal, (c) 20% of the principal, (d) 20% of the principal, (e) 20% of the principal.
J	Future interest payment dates	Every February 28 and August 31 from February 28, 2019 up to (and including) August 31, 2023.
K	Details of linkage basis of interest and principal	Unlinked
L	Are the debentures convertible?	Not convertible
M	Corporation's right to perform early redemption	Exists (for details regarding the conditions for exercising the Company's right to early redemption, see section 8.4 of the Shelf Offering Report dated September 10, 2014, reference no. 2014-01-155406)
N	Has a guarantee been given for payment of the liability in the trust deed?	No
O	Is the liability material to the Company?	Yes
(2)	The trustee, the person in charge of the debenture series at the trust company; the trustee's contact details	Hermetic Trust (1975) Ltd. 113 Hayarkon Street, Tel Aviv, Israel Phone: 03-5274867, Fax: 03-5271736 Email: hermetic@hermetic.co.il

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

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

- Dividend distribution – the Company has undertaken that during the period in which debentures (Series 5) are outstanding, it shall not make a distribution, as this term is defined in the Companies Law, 1999, at a rate exceeding 30% of the annual (calendar) net profit in the last calendar year ended prior to the distribution, attributable to the Company's shareholders based on the last audited consolidated financial statements of the Company published prior to the date of the Company's resolution regarding the dividend distribution, unless the Company obtains the prior consent of the holders of debentures (Series 5), in a special resolution passed at a meeting of debenture holders convened as provided in the Second Addendum to the trust deed of debentures (Series 5). For further details on the said restriction, see section 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 September 30, 2018, see immediate report (T-126) dated November 26, 2018, 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
Chairman of the Board of Directors

Haim Shani
Director and CEO

Date: November 26, 2018

UNITRONICS (1989) (R"G) LTD.

**Condensed Consolidated Interim
Financial Statements
September 30, 2018**

(Unaudited)

Unitronics (1989) (R"G) Ltd.

**Condensed Consolidated Interim
Financial Statements**

September 30, 2018

(Unaudited)

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

Introduction

We have reviewed the accompanying financial information of Unitronics (1989) (R"G) Ltd. comprising of the condensed consolidated interim statement of financial position as of September 30, 2018 and the condensed consolidated interim statements of profit or loss, comprehensive income, changes in equity and cash flows for the nine 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

November 26, 2018

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

	September 30, 2018	September 30, 2017	December 31, 2017
	(unaudited)		(audited)
	in thousands NIS		
<u>Current assets</u>			
Cash and cash equivalents	35,311	26,867	34,710
Restricted cash	613	1,000	998
Deposits in banks	2,130	25,180	20,209
Trade receivables and accrued income	30,007	42,114	51,124
Accrued income in respect of construction contract	8,501	-	-
Other accounts receivable	4,395	3,067	3,233
Other financial assets	256	46	68
Inventory	37,229	28,462	32,315
Inventory - work in progress	-	1,864	1,697
	<u>118,442</u>	<u>128,600</u>	<u>144,354</u>
<u>Non-current assets</u>			
Other deposits	245	273	327
Property and equipment, net	21,131	22,644	22,238
Intangible assets, net	62,538	67,307	66,555
	<u>83,914</u>	<u>90,224</u>	<u>89,120</u>
	<u>202,356</u>	<u>218,824</u>	<u>233,474</u>

Amit Ben Zvi
Chairman of the Board of Directors

Haim Shani
Director and C.E.O.

Eitan Alon
Chief Financial Officer

Approved: November 26, 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

	September 30, 2018	September 30, 2017	December 31, 2017
	(unaudited)		(audited)
in thousands NIS			
<u>Current liabilities</u>			
Current maturities of bank loans	346	538	346
Current maturities of bonds	13,095	12,617	12,647
Accounts payable -			
Trade	22,579	19,425	22,823
Other	18,140	26,758	37,042
Liabilities in respect of construction contracts	4,460	-	-
Other financial liabilities	155	374	94
	<u>58,775</u>	<u>59,712</u>	<u>72,952</u>
	155	374	94
<u>Non-current liabilities</u>			
Loans from banks and others	2,170	2,338	2,249
Bonds	36,889	49,716	49,817
Liabilities for benefits to employees, net	2,641	2,407	2,545
Liability for share purchase options	6,652	6,414	6,910
Deferred taxes	4,662	4,968	4,637
	<u>53,014</u>	<u>65,843</u>	<u>66,158</u>
<u>Equity</u>			
Share capital	427	427	427
Share premium	104,513	104,513	104,513
Capital reserve from translation of foreign operations	(1,160)	(2,008)	(2,437)
Treasury shares	(7,042)	(7,042)	(7,042)
Reserve deriving from a transaction with a controlling party	104	104	104
Retained loss	(6,275)	(2,725)	(1,201)
	<u>90,567</u>	<u>93,269</u>	<u>94,364</u>
	<u>202,356</u>	<u>218,824</u>	<u>233,474</u>

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 nine months period ended September 30,		For the three months period ended September 30,		For the year ended December 31,
	2018	2017	2018	2017	2017
	(unaudited)		(unaudited)		(audited)
	<u>in thousands NIS</u>				
Revenues	145,009	132,800	49,333	45,286	185,002
Cost of revenues	<u>93,901</u>	<u>93,902</u>	<u>31,960</u>	<u>31,618</u>	<u>129,622</u>
Gross profit	51,108	38,898	17,373	13,668	55,380
Development expenses, net	3,676	3,225	1,126	1,024	4,387
Selling & marketing expenses	22,098	18,339	7,105	6,197	25,905
General & administrative expenses	15,788	11,604	5,737	4,177	16,195
Other expenses	<u>-</u>	<u>13</u>	<u>-</u>	<u>-</u>	<u>13</u>
Operating profit	9,546	5,717	3,405	2,270	8,880
Financing income	1,482	1,201	542	948	942
Financing expenses	<u>3,466</u>	<u>5,044</u>	<u>1,184</u>	<u>2,033</u>	<u>6,613</u>
Profit before taxes on income	7,562	1,874	2,763	1,185	3,209
Taxes on income	<u>3,342</u>	<u>2,432</u>	<u>1,050</u>	<u>749</u>	<u>2,173</u>
Profit (loss) for the period	<u>4,220</u>	<u>(558)</u>	<u>1,713</u>	<u>436</u>	<u>1,036</u>
Profit per 1 ordinary share NIS 0.02 par value (NIS):					
Basic profit (loss) per 1 ordinary share	<u>0.307</u>	<u>(0.041)</u>	<u>0.125</u>	<u>0.032</u>	<u>0.075</u>
Diluted profit (loss) per 1 ordinary share	<u>0.277</u>	<u>(0.041)</u>	<u>0.125</u>	<u>0.027</u>	<u>0.075</u>

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 nine months period ended September 30,		For the three months period ended September 30,		For the year ended December 31,
	2018	2017	2018	2017	2017
	(unaudited)		(unaudited)		(audited)
<u>in thousands NIS</u>					
Profit (loss) for the period	4,220	(558)	1,713	436	1,036
<u>Other comprehensive income (loss) (after tax)</u>					
<u>Items that may not be classified afterwards to profit or loss:</u>					
Re-measurement losses from defined benefit plans	-	-	-	-	(70)
<u>Items that may be reclassified to profit or loss in the future if certain conditions are met:</u>					
Adjustments arising from translating financial statements of foreign operations	1,202	(2,217)	96	15	(2,646)
Other comprehensive income (loss) for the period	1,202	(2,217)	96	15	(2,716)
Comprehensive income (loss) for the period	5,422	(2,775)	1,809	451	(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						
<u>Balance at January 1, 2017 (audited)</u>	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)
<u>Balance at December 31, 2017 (audited)</u>	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	-	-	-	-	-	4,220	4,220
Other comprehensive income for the period	-	-	1,202	-	-	-	1,202
Total comprehensive income for the period	-	-	1,202	-	-	4,220	5,422
<u>Balance at September 30, 2018 (unaudited)</u>	427	104,513	(1,160)	(7,042)	104	(6,275)	90,567
<u>Balance at January 1, 2017 (audited)</u>	427	104,513	209	(7,042)	104	(2,167)	96,044
Loss for the period	-	-	-	-	-	(558)	(558)
Other comprehensive loss for the period	-	-	(2,217)	-	-	-	(2,217)
Total comprehensive loss for the period	-	-	(2,217)	-	-	(558)	(2,775)
<u>Balance at September 30, 2017 (unaudited)</u>	427	104,513	(2,008)	(7,042)	104	(2,725)	93,269
<u>Balance at July 1, 2018 (unaudited)</u>	427	104,513	(1,256)	(7,042)	104	(7,988)	88,758
Profit for the period	-	-	-	-	-	1,713	1,713
Other comprehensive income for the period	-	-	96	-	-	-	96
Total comprehensive income for the period	-	-	96	-	-	1,713	1,809
<u>Balance at September 30, 2018 (unaudited)</u>	427	104,513	(1,160)	(7,042)	104	(6,275)	90,567
<u>Balance at July 1, 2017 (unaudited)</u>	427	104,513	(2,023)	(7,042)	104	(3,161)	92,818
Profit for the period	-	-	-	-	-	436	436
Other comprehensive income for the period	-	-	15	-	-	-	15
Total comprehensive income for the period	-	-	15	-	-	436	451
<u>Balance at September 30, 2017 (unaudited)</u>	427	104,513	(2,008)	(7,042)	104	(2,725)	93,269

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 nine months period ended September 30,		For the three months period ended September 30,		For the year ended December 31,
	2018	2017	2018	2017	2017
	(unaudited)		(unaudited)		(audited)
	in thousands NIS		in thousands NIS		
<u>Cash flows - operating activities</u>					
Profit (loss) for the period	4,220	(558)	1,713	436	1,036
Adjustments necessary to show the cash flows - operating activities (Appendix A)	(2,153)	2,685	(1,805)	858	7,906
Cash flows provided by (used in) operating activities	<u>2,067</u>	<u>2,127</u>	<u>(92)</u>	<u>1,294</u>	<u>8,942</u>
<u>Cash flows - investing activities</u>					
Purchase of property and equipment	(439)	(1,288)	(101)	(370)	(1,421)
Repayment of restricted cash	388	1,069	94	-	1,069
Repayment of deposits in banks	17,870	20,000	13,370	-	25,000
Repayment of (Investment in) other deposits	44	31	(17)	(30)	(14)
Investment in intangible assets	(7,191)	(9,826)	(1,531)	(3,351)	(12,877)
Cash flows provided by (used in) investing activities	<u>10,672</u>	<u>9,986</u>	<u>11,815</u>	<u>(3,751)</u>	<u>11,757</u>
<u>Cash flows - financing activities</u>					
Repayment of long-term loans	(240)	(818)	(154)	(276)	(1,094)
Repayment of bonds	(12,974)	(8,666)	(2,000)	(2,000)	(8,666)
Cash flows used in financing activities	<u>(13,214)</u>	<u>(9,484)</u>	<u>(2,154)</u>	<u>(2,276)</u>	<u>(9,760)</u>
Translation differences in respect of cash and cash equivalents balances	<u>1,076</u>	<u>(1,519)</u>	<u>(173)</u>	<u>188</u>	<u>(1,986)</u>
Change in cash and cash equivalents for the period	601	1,110	9,396	(4,545)	8,953
Cash and cash equivalents at beginning of period	34,710	25,757	25,915	31,412	25,757
Cash and cash equivalents at end of period	<u>35,311</u>	<u>26,867</u>	<u>35,311</u>	<u>26,867</u>	<u>34,710</u>

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 nine months period ended September 30,		For the three months period ended September 30,		For the year ended December 31,
	2018	2017	2018	2017	2017
	(unaudited)		(unaudited)		(audited)
	in thousands NIS		in thousands NIS		
<u>Appendix A - Adjustments necessary to show the cash flows - operating activities</u>					
<u>Income and expenses which not involve cash flows:</u>					
Depreciation and amortization	13,020	12,965	3,555	4,351	17,265
Change in liabilities for benefits to employees, net	95	56	76	31	118
Revaluation of cash in foreign currency	(90)	(138)	130	(438)	14
Capital loss	-	13	-	-	13
Revaluation of deposits	209	(33)	200	(37)	(62)
Revaluation of long-term loans and bonds	410	103	213	(46)	130
Change in deferred taxes	25	726	83	261	395
Revaluation of share purchase options	(258)	1,517	268	(63)	2,013
Revaluation of financial assets, net	(127)	698	(367)	663	396
<u>Changes in assets and liabilities:</u>					
Decrease (increase) in trade receivable and accrued income	2,660	(20,118)	3,383	(4,003)	(29,768)
Increase in accrued income from construction contracts	(8,501)	-	(926)	-	-
Decrease (increase) in other accounts receivable	(1,084)	447	(832)	406	261
Increase in inventory	(4,657)	(3,228)	(3,015)	(1,766)	(7,045)
Increase in inventory - work in progress	-	(1,264)	-	(926)	(1,097)
Increase (decrease) in accounts payable - trade	(303)	(194)	1,705	(687)	3,222
Increase (decrease) in Liabilities in respect of construction contracts	4,460	-	(2,819)	-	-
Increase (decrease) in accounts payable - other	(8,012)	11,135	(3,459)	3,112	22,051
	(2,153)	2,685	(1,805)	858	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 nine months period ended September 30,		For the three months period ended September 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	3,319	3,911	1,503	1,852	3,933
Taxes on income	1,037	1,224	1,010	472	1,710
Cash received during the period for:					
Interest	254	140	210	38	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 September 30, 2018, and for the nine and three months periods then ended ("consolidated interim financial statements"). These financial statements should be read in conjunction with the Company's audited annual financial statements and accompanying notes as 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, excluding the Initial implementation of new IFRS described in the note 2 c below.
- 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 replaces 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 measure 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. Accrued income in respect of construction contracts - previously presented in trade receivables and accrued income and are now presented as trade receivables and accrued income 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
	<u>in thousands NIS</u>		
Trade receivables and accrued income	51,124	(28,419)	22,705
Accrued income 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 September 30, 2018:

	As of September 30, 2018		
	According to previous policy	effect of the initial application of IFRS 15	According to IFRS 15
	<u>in thousands NIS</u>		
Trade receivables and accrued income	66,346	(36,339)	30,007
Accrued income in respect of construction contracts	-	8,501	8,501
Inventory – work in progress	3,647	(3,647)	-
Account payable – other	(44,653)	26,513	(18,140)
Liabilities in respect of construction contracts	-	(4,460)	(4,460)
Equity	(99,999)	9,432	(90,567)

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 nine and three months periods ended September 30, 2018:

	Nine months period ended September 30, 2018		
	According to previous policy	effect of the initial application of IFRS 15	According to IFRS 15
	<u>in thousands NIS</u>		
Revenues	143,146	1,863	145,009
Cost of revenues	92,807	1,094	93,901
Gross profit	50,339	769	51,108
Profit for the period	3,451	769	4,220

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)

	Three months period ended September 30, 2018		
	According to previous policy	effect of the initial application of IFRS 15	According to IFRS 15
	<u>in thousands NIS</u>		
Revenues	59,837	(10,504)	49,333
Cost of revenues	39,138	(7,178)	31,960
Gross profit	20,699	(3,326)	17,373
Profit for the period	5,039	(3,326)	1,713

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 September 30, 2018 is expected to lead to an increase of NIS 12 million in assets and liabilities, of which NIS 11 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.

Unitronics (1989) (R"G) Ltd.

Notes to the condensed consolidated interim financial statements

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). On November 1, 2018 the Company signed, through Unitronics Systems, an agreement with the project developer for the possibility of freezing the project. The freezing of the project had no effect on the financial statements as of September 30, 2018, nor is it expected to affect the results of the project as a whole, since in the framework of the freeze agreement, the project initiator undertook to pay adequate compensation.
- 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 to 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 decision in principle to examine the split of the Company's operations ("Split") by means of a prospectus for splitting and listing for trade on the Tel Aviv Stock Exchange Ltd. ("the Prospectus" and "the Stock Exchange" respectively), so that the Company will transfer the automatic solutions area (carried out through the Company and through its subsidiary, Unitronics Automatic Solutions Ltd.) to a sister company. The said split is subject to the approvals required by law, including the approval of a capital reduction, a final decision of the Company's Board of Directors, and the approval of the Tax Authority, the Securities Authority and the approval of the Tel Aviv Stock Exchange. It should be emphasized that as at the date of this report, there is no certainty as to the manner in which the split will be executed and its outcome, date and conditions, and there is no certainty that the split will be implemented.
- G. On September 6, 2018, the Company filed a motion to approve a distribution pursuant to section 303 of the Companies Law in the amount of NIS 46.9 million. On October 10, 2018, a decision was made in the framework of a meeting of holders of Series 4 debentures to instruct the trustee not to oppose the distribution by the Company. Split its activities and transfer it to a new company held in trust for the shareholders of the Company, even though it does not meet the restrictions on the distribution specified in Section 1 of Annex 7.2 to the Deed of Trust (Series 4 Bonds). On October 12, 2018, That the voting meeting of holders of bonds that was supposed to take place on October 16, 2018, was not opened since there was no legal quorum for opening. On October 25, 2018, a notice was issued on behalf of the Bond Trustee Series 5, according to which the debenture holders do not express any position regarding the Company's request to approve a distribution under Section 303A of the Companies Law, since they have not been able to vote. In the absence of a required quorum, the Trustee's notice was submitted to the Court on October 23, 2018.

- H. On September 14, 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 amount of \$ 10.1 million (approximately NIS 36 million).

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

	September 30, 2018		September 30, 2017		December 31, 2017	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
	(unaudited)				(audited)	
	<u>in thousands NIS</u>					
Bonds linked to the Israeli CPI	<u>22,784</u>	<u>23,839</u>	<u>33,388</u>	<u>35,478</u>	<u>33,930</u>	<u>35,597</u>
Bonds - non-linked	<u>27,538</u>	<u>31,357</u>	<u>29,388</u>	<u>34,785</u>	<u>29,871</u>	<u>35,556</u>

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).

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

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:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>As of September 30, 2018 (unaudited)</u>	<u>in thousands NIS</u>			
<u>Financial assets at fair value:</u>				
Exchange contracts	-	256	-	256
<u>Financial liabilities at fair value:</u>				
Exchange contracts	-	155	-	155
Liability for share purchase option	-	-	6,652	6,652
<u>As of September 30, 2017 (unaudited)</u>				
<u>Financial assets at fair value:</u>				
Exchange contracts	-	46	-	46
<u>Financial liabilities at fair value:</u>				
Exchange contracts	-	374	-	374
Liability for share purchase option	-	-	6,414	6,414
<u>As of December 31, 2017 (audited)</u>				
<u>Financial assets at fair value:</u>				
Exchange contracts	-	68	-	68
<u>Financial liabilities at fair value:</u>				
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.

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

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 nine months period ended September 30,		For the three months period ended September 30,		For the year ended December 31,
	2018	2017	2018	2017	2017
	(unaudited)		(unaudited)		(audited)
	<u>in thousands NIS</u>				
Balance at beginning of the period	6,910	4,897	6,384	6,477	4,897
Total net loss (profit) recognized in financing expenses (income)	<u>(258)</u>	<u>1,517</u>	<u>268</u>	<u>(63)</u>	<u>2,013</u>
Balance at end of the period	6,652	6,414	6,652	6,414	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 a rate of:

For the nine months period ended September 30, 2018			
+10%	Fair Value	-10%	
Effect on profit or loss / equity	<u>442</u>	<u>6,652</u>	<u>78</u>

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

For the nine months period ended September 30, 2018			
+10%	Fair Value	-10%	
Effect on profit or loss / equity	<u>(435)</u>	<u>6,652</u>	<u>796</u>

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

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.

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

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 resources 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”).

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

Note 5 - Business segments (cont'd)

	For the nine months period ended September 30,		For the three months period ended September 30,		For the year ended December 31,
	2018	2017	2018	2017	2017
	(unaudited)		(unaudited)		(audited)
	in thousands NIS		in thousands NIS		
C. <u>Revenues</u>					
Products	96,613	91,633	32,043	30,213	123,160
Automated solutions	48,068	40,831	17,149	14,935	61,406
Other	328	336	141	138	436
Total revenues	145,009	132,800	49,333	45,286	185,002
D. <u>Segment results and adjustment to profit (loss) for the period:</u>					
Products	19,723	20,809	6,622	6,970	27,051
Automated solutions	766	(6,731)	487	(1,696)	(6,584)
Other	(89)	15	4	16	27
Corporate expenses not allocated to segments	(10,854)	(8,376)	(3,708)	(3,020)	(11,614)
Operating profit	9,546	5,717	3,405	2,270	8,880
Unallocated financing expenses, net	(1,984)	(3,843)	(642)	(1,085)	(5,671)
Taxes on income	3,342	2,432	1,050	749	2,173
Profit (loss) for the period	4,220	(558)	1,713	436	1,036

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

Note 5 - Business segments (cont'd)

E. The following are revenues according to geographic regions:

	For the nine months period ended September 30,		For the three months period ended September 30,		For the year ended December 31,
	2018	2017	2018	2017	2017
	(unaudited)		(unaudited)		(audited)
	<u>in thousands NIS</u>				
Israel	26,477	20,852	8,560	7,389	26,971
Europe and others	54,071	52,364	17,559	18,239	70,933
United States	64,461	59,584	23,214	19,658	87,098
Balance at end of the period	<u>145,009</u>	<u>132,800</u>	<u>49,333</u>	<u>45,286</u>	<u>185,002</u>

UNITRONICS (1989) (R"G) LTD.

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

September 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 September 30, 2018 and for the nine 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

November 26, 2018

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

	<u>September 30, 2018</u>	<u>September 30, 2017</u>	<u>December 31, 2017</u>
	<u>(unaudited)</u>		<u>(audited)</u>
	<u>in thousands NIS</u>		
<u>Current assets</u>			
Cash and cash equivalents	20,643	20,201	24,082
Restricted cash	613	901	901
Deposits in bank	2,130	25,180	20,209
Trade receivables and accrued income	15,180	14,841	15,429
Accrued income in respect of construction contracts	2,161	-	-
Other accounts receivable	3,190	1,981	2,055
Other financial assets	256	46	68
Other accounts receivable - subsidiaries	12,460	13,641	12,989
Inventory	32,139	23,469	27,401
	<u>88,772</u>	<u>100,260</u>	<u>103,134</u>
<u>Non-current assets</u>			
Other deposits	92	86	112
Property and equipment, net	15,776	16,729	16,462
Loans and capital notes to subsidiaries less surplus of liabilities over assets	41,280	(*) 33,430	36,621
Intangible assets, net	42,744	44,562	44,274
	<u>99,892</u>	<u>94,807</u>	<u>97,469</u>
	<u>188,664</u>	<u>195,067</u>	<u>200,603</u>

Amit Ben Zvi
Chairman of the Board of Directors

Haim Shani
Director and C.E.O.

Eitan Alon
Chief Financial Officer

Approved: November 26, 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

	<u>September 30,</u> <u>2018</u>	<u>September 30,</u> <u>2017</u>	<u>December 31,</u> <u>2017</u>
	<u>(unaudited)</u>		<u>(audited)</u>
	<u>in thousands NIS</u>		
<u>Current liabilities</u>			
Current maturities of long term loans	346	538	346
Current maturities of bonds	13,095	12,617	12,647
Accounts payable -			
Trade	18,315	16,623	20,011
Other	13,770	6,206	7,425
Other financial liabilities	155	374	94
	<u>45,681</u>	<u>36,358</u>	<u>40,523</u>
<u>Non-current liabilities</u>			
Loans from banks	2,026	2,338	2,249
Bonds	36,887	49,716	49,817
Liabilities for benefits to employees, net	2,189	2,004	2,103
Deferred taxes	4,662	4,968	4,637
Liability for share purchase option	6,652	6,414	6,910
	<u>52,416</u>	<u>(*) 65,440</u>	<u>65,716</u>
<u>Equity</u>			
Share capital	427	427	427
Share premium	104,513	104,513	104,513
Capital reserve from translation of foreign operations	(1,160)	(2,008)	(2,437)
Treasury shares	(7,042)	(7,042)	(7,042)
Reserve from a transaction with a controlling party	104	104	104
Retained loss	(6,275)	(2,725)	(1,201)
	<u>90,567</u>	<u>93,269</u>	<u>94,364</u>
	<u>188,664</u>	<u>195,067</u>	<u>200,603</u>

(*) 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 nine months period ended September 30,		For the three months period ended September 30,		For the year ended December 31,
	2018	2017	2018	2017	2017
	(unaudited)		(unaudited)		(audited)
	<u>in thousands NIS</u>				
Revenues	71,339	64,580	24,194	22,324	87,504
Revenues from subsidiaries	31,287	26,500	11,834	7,177	34,234
Total revenues	102,626	91,080	36,028	29,501	121,738
Cost of revenues	61,638	57,249	21,885	18,619	76,636
Gross profit	40,988	33,831	14,143	10,882	45,102
Development expenses, net	2,912	2,028	891	587	2,810
Selling & marketing expenses	8,725	7,430	2,738	2,529	10,532
General & administrative expenses	10,535	7,502	3,672	2,620	10,427
General & administrative expenses to subsidiaries	261	575	35	231	745
Operating profit	18,555	16,296	6,807	4,915	20,588
Financing income	2,614	3,192	472	1,660	3,661
Financing expenses	3,397	5,680	743	2,270	6,878
Profit after financing, net	17,772	13,808	6,536	4,305	17,371
The Company's share of subsidiaries losses	10,308	11,934	3,871	3,120	14,162
Profit before taxes on income	7,464	1,874	2,665	1,185	3,209
Taxes on income	3,244	2,432	952	749	2,173
Profit (loss) for the period attributed to the company's shareholders	4,220	(558)	1,713	436	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 nine months period ended September 30,		For the three months period ended September 30,		For the year ended December 31,
	2018	2017	2018	2017	2017
	(unaudited)		(unaudited)		(audited)
	<u>in thousands NIS</u>				
Profit (loss) for the period attributed to the company's shareholders	4,220	(558)	1,713	436	1,036
<u>Other comprehensive income (loss) (after tax)</u>					
<u>Items that may not be classified afterwards to profit or loss:</u>					
Re-measurement losses from defined benefit plans	-	-	-	-	(70)
<u>Items that may be reclassified to profit or loss in the future if certain conditions are met:</u>					
Adjustments arising from translating financial statements of foreign operations (subsidiaries)	1,202	(2,217)	96	15	(2,646)
Other comprehensive income (loss) for the period attributed to the company's shareholders	1,202	(2,217)	96	15	(2,716)
Total comprehensive income (loss) for the period attributed to the company's shareholders	5,422	(2,775)	1,809	451	(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 nine months period ended September 30,		For the three months period ended September 30,		For the year ended December 31,
	2018	2017	2018	2017	2017
	(unaudited)		(unaudited)		(audited)
	in thousands NIS		in thousands NIS		
<u>Cash flows - operating activities</u>					
Profit (loss) for the period attributed to the company's shareholders	4,220	(558)	1,713	436	1,036
Adjustments necessary to show the cash flows - operating activities (Appendix A)	15,525	15,736	4,868	1,354	20,788
Cash flows provided by operating activities of the company	19,745	15,178	6,581	1,790	21,824
Cash flows provided by (used in) operating activities from transactions with subsidiaries	(4,670)	(3,299)	5,892	1,087	(3,300)
Cash flows provided by operating activities	15,075	11,879	12,473	2,877	18,524
<u>Cash flows - investing activities</u>					
Purchase of property and equipment	(316)	(823)	(83)	(337)	(894)
Repayment of (Investment in) restricted cash	288	190	(6)	-	190
Repayment of (Investment in) deposits in banks	17,870	20,000	13,370	-	25,000
Repayment of other deposits, net	16	98	(35)	10	82
Investment in intangible assets	(5,419)	(6,776)	(1,084)	(2,280)	(8,825)
Cash flows provided by (used in) investing activities	12,439	12,689	12,162	(2,607)	15,553
Cash flows used in investing activities from transactions a subsidiary	(17,786)	(14,026)	(14,886)	(3,417)	(19,228)
Cash flows provided by (used in) investing activities	(5,347)	(1,337)	(2,724)	(6,024)	(3,675)
<u>Cash flows - financing activities</u>					
Repayment of long-term loans	(237)	(818)	(154)	(276)	(1,094)
Repayment of bonds	(12,977)	(8,666)	(2,000)	(2,000)	(8,666)
Cash flows used in financing activities	(13,214)	(9,484)	(2,154)	(2,276)	(9,760)
Translation differences in respect of cash and cash equivalents balances	47	86	(45)	361	(64)
Change in cash and cash equivalents for the period	(3,439)	1,144	7,550	(5,062)	5,025
Cash and cash equivalents at beginning of period	24,082	19,057	13,093	25,263	19,057
Cash and cash equivalents at end of period	20,643	20,201	20,643	20,201	24,082

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 nine months period ended September 30,		For the three months period ended September 30,		For the year ended December 31,
	2018	2017	2018	2017	2017
	(unaudited)		(unaudited)		(audited)
	in thousands NIS		in thousands NIS		
<u>Appendix A - Adjustments necessary to show the cash flows - operating activities</u>					
<u>Income and expenses not involving cash flows:</u>					
The Company's share of subsidiaries losses	10,308	11,934	3,867	3,120	14,162
Depreciation and amortization	8,194	8,104	1,969	2,708	10,753
Change in liabilities for benefits to employees, net	85	56	74	31	93
Revaluation of cash in foreign currency	(47)	(86)	45	(361)	64
Revaluation of deposits in banks	209	(33)	200	(37)	(62)
Change in deferred taxes	25	726	83	261	395
Revaluation of long-term loans and bonds	268	103	71	(46)	130
Revaluation of share purchase options	(258)	1,517	268	(63)	2,013
Revaluation of financial assets, net	(127)	698	(367)	663	396
<u>Changes in assets and liabilities:</u>					
Increase in trade receivables and accrued income	(1,912)	(3,512)	(909)	(922)	(4,100)
Decrease (increase) in accounts receivable - other	(1,131)	(1)	(909)	104	(85)
Increase in inventory	(4,738)	(3,811)	(2,412)	(2,022)	(7,619)
Increase (decrease) in accounts payable - trade	(1,696)	1,411	1,571	(1,002)	4,799
Increase (decrease) in accounts payable - other	6,345	(1,370)	1,317	(1,080)	(151)
	15,525	15,736	4,868	1,354	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 nine months period ended September 30,		For the three months period ended September 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	3,319	3,911	1,503	1,852	3,933
Taxes on income	1,037	1,224	1,010	472	1,710
Cash received during the period for:					
Interest	254	140	210	38	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 September 30, 2018 and for the nine 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 September 30, 2018.

**Chapter D - Statements by the CEO and CFO of the Corporation for the
Third 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 Third 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.

November 26, 2018

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 Third 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.

November 26, 2018

Eitan Alon, CFO