



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

### **Quarterly Report as of September 30, 2017**

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 further details see immediate report dated March 9, 2014 (reference no. 2014-01-009177), included herein by reference.

## **Table of Contents**

<u>Chapter / Section</u>	<u>Content</u>	<u>Page</u>
<b>Chapter A</b>	<b>Preface</b>	<b>3</b>
1.1	General	3
1.2	Description of the Company and Its Business Environment	3
1.3	Main Events in the Period of the Report and up to Its Publication	4
<b>Chapter B</b>	<b>Board of Directors' Report</b>	<b>8</b>
2.1	Financial Position	8
2.2	Liquidity and Sources of Financing	12
2.3	Dedicated Disclosure to Debenture Holders	13
2.4	Quarterly Report on the Company's Liabilities by Maturity Dates	19
2.5	Projected Cash Flow	19
<b>Chapter C</b>	<b>Condensed Consolidated Interim Financial Statements as of September 30, 2017 (Unaudited)</b>	<b>20</b>
3.1	Review Report	22
3.2	Condensed Consolidated Interim Statements of Financial Position	23-24
3.3	Condensed Consolidated Interim Statements of Profit or Loss	25
3.4	Condensed Consolidated Interim Statements of Comprehensive Income (Loss)	26
3.5	Condensed Consolidated Interim Statements of Changes in Equity	27-28
3.6	Condensed Consolidated Interim Statements of Cash Flows	29-31
3.7	Notes to the Condensed Consolidated Interim Financial Statements	32-37
3.8	Financial Data from the Condensed Consolidated Interim Financial Statements Attributable to the Company Itself – Special Report Pursuant to Regulation 38D (Unaudited)	38
<b>Chapter D</b>	<b>Statements by the CEO and CFO of the Corporation</b>	<b>48</b>

## 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**

Unitronics operates in two main operating segments:

**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 PLCs and PLC software. The PLCs are intended mainly for the management of automated systems including industrial automation, logistics systems, automated 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 165 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 autonomous 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.

Until the end of 2016 the Company reported activities in the Parking Solutions segment and in the Logistics Solutions segment as two separate business segments in its periodic reports, and as two separate operating segments in its financial statements. Given the great similarity in these activities, reflected, inter alia, in their project-based character, the nature of the products and services, the nature of the production processes and the use of shared know-how and production means, as of January 1, 2017 the Company's management examines the performance of both segments jointly and allocates joint resources to them. Therefore, the Company regards these

activities as a single operating segment, and it reports them as such starting from its financial statements for the first quarter of 2017.

The Company operates primarily from office and industry buildings situated in Airport City near the David Ben Gurion Airport. For further details see section 1.13 in Chapter A of the Company's Periodic Report for 2016, published by the Company on March 28, 2017, reference no: 2017-01-026116 (hereinafter: "**the Periodic Report**").

The Company's shares are traded on the Tel Aviv Stock Exchange since May 2004. From September 1999, and during a part of the reporting period, the Company's shares also were traded on the Belgian Stock Exchange. On July 30, 2017 the Company's shares were delisted from the Belgian stock exchange, and as of that date, all the Company's issued ordinary shares are traded on the Tel Aviv Stock Exchange only. For further details see section 1.3.7 below.

### **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, 2017, the Company made the third of six principal payments on debentures (Series 4), which were issued by the Company under a shelf prospectus published on February 22, 2011 and amended on March 17, 2011 (hereinafter: "**the 2011 Shelf Prospectus**") and a shelf offering report published by the Company on January 24, 2013 pursuant to the 2011 Shelf Prospectus (hereinafter: "**the 2013 Offering Report**"). For the full version of the 2011 Shelf Prospectus see company reports dated February 22, 2011, reference no. 2011-01-058260, and March 17, 2011, reference no. 2011-01-084435. For the full version of the 2013 Shelf Offering Report see company report dated January 24, 2013, reference no. 2013-01-021699.

#### **1.3.2 Principal payment on debentures (Series 5)**

On August 31, 2017, the Company made the third 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 Shelf Offering Report see company report dated September 10, 2014, reference no. 2014-01-155406.

#### **1.3.3 Signing of agreements for the construction of autonomous parking facilities in the US**

On March 26, 2017, the Company through Unitronics Inc. signed an agreement (hereinafter: "**the March 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 California, USA.

Under the March agreement the Company is expected to receive a total consideration of USD 9.3 million (NIS 34 million). For further details see immediate report dated March 27, 2017 on an event or matter outside the ordinary course of the corporation's business, reference no. 2017-01-025114, included herein by reference.

On August 1, 2017, the Company through Unitronics Systems signed an agreement (hereinafter: "**the August 1 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 New York, USA.

Under the August 1 agreement the Company is expected to receive a total consideration of USD 3.1 million (NIS 11 million). For further details see immediate report dated August 2, 2017 on an

event or matter outside the ordinary course of the corporation's business, reference no. 2017-01-066397, included herein by reference.

On August 5, 2017, the Company through Unitronics Systems signed an agreement (hereinafter: "**the August 5 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, Texas, USA.

Under the August 5 agreement the Company is expected to receive a total consideration of USD 4.86 million (NIS 17.6 million). For further details see immediate report dated August 6, 2017 on an event or matter outside the ordinary course of the corporation's business, reference no. 2017-01-067360, included herein by reference.

From the beginning of 2017 until the signing date of the report, the Company signed agreements for the construction of autonomous parking facilities in the United States totaling approximately USD 17 million.

Up to and including the third quarter of 2017, the Company was engaged in the construction of a total of eleven autonomous parking facilities in North America, including three in New Jersey and two in California, among them, to the best of the Company's knowledge, the largest autonomous parking facility on the West Coast of the US and the only one built on behalf of a municipal entity. Up to the date of this report the Company completed and delivered to its customers in North America six autonomous parking facilities of its make containing together about 1,400 parking spaces, and it is continuing negotiations for the construction of several new parking facilities in the US.

#### 1.3.4 Adjustment of directors' fee

On March 28, 2017, the Board of Directors of the Company resolved, pursuant to the approval of the Compensation Committee on March 23, 2017 and in accordance with Regulation 1A(2) of the Companies Regulations (Reliefs in Transactions with Interested Parties), 2000, to adjust the fee of directors who are not officers or External Directors of the Company, so that it equals the fee of the Company's External Directors, which was adjusted for 2017 following an increase in the Company's equity, in accordance with the Companies Regulations (Rules on Remuneration and Expenses of External Directors), 2000. For further details see immediate report dated March 28, 2017 on an event or matter outside the ordinary course of the corporation's business, reference no. 2017-01-026266, included herein by reference.

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

On May 24, 2017, the 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 purchase of a directors and officers liability insurance policy for the Company's directors and officers (hereinafter: "**the Policy**"), for a period of 12 months from May 18, 2017 until May 17, 2018, in accordance with the Company's Compensation Policy. The Audit and Compensation Committee also resolved to insure, in accordance with the terms of the Policy, both directors and officers of the Company who are not controlling shareholders of the Company or their relatives and directors and officers of the Company who are controlling shareholders of the Company or their relatives.

The principal terms of the Policy are as follows: insurance coverage for damage that may occur during the period of insurance, in the amount of USD 5,000,000 (five million 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 Audit and Compensation Committee's aforementioned approval, on May 28, 2017, 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 purchase of the Policy for a period of 12 months from May 18, 2017 until May 17, 2018, in accordance with the Company's Compensation Policy, and (b) to insure, in accordance with the terms of the Policy, both directors and officers of the Company who are not controlling shareholders of the Company or their relatives and directors and officers of the Company who are controlling shareholders of the Company or their relatives. For further details see immediate report on a transaction with a controlling shareholder or director that does not require the approval of the general meeting, reference no. 2017-01-045265, published on May 29, 2017 and included herein by reference.

#### 1.3.6 Change in Company's officers

On May 28, 2017, Dr. Eyal Horowitz ceased to serve as the Internal Auditor of the Company. On the same day, Mr. Ronen Leibovitz began serving in this position. For further details see immediate report on the senior officers of the Company, reference no. 2017-01-045262, published on May 29, 2017 and included herein by reference.

Subsequent to the balance sheet date, the Company reported that on November 30, 2017 Mr. Gabriel Badusa would cease to serve as the Company's Chief Financial Officer, and that Mr. Eitan Alon would begin serving in this position on the same day. For further details see immediate report on a senior officer who ceased to serve in his position, reference no. 2017-01-100971, published on October 22, 2017, and immediate report on the appointment of a senior officer, reference no. 2017-01-100974, published on October 22, 2017, which are included herein by reference.

#### 1.3.7 Delisting from the stock exchange in Belgium; listing on the stock exchange in Israel

Further to the Company's reports that it was considering delisting its shares from the Euronext Stock Exchange in Brussels, Belgium (for further details see immediate report dated October 5, 2016 on an event or matter outside the ordinary course of the corporation's business, reference no. 2016-01-058692, included herein by reference), on July 30, 2017 the Company completed the process of delisting said shares and listing them on the Tel Aviv Stock Exchange, pursuant to the approval of, and in coordination with, the Euronext Stock Exchange and the Financial Services and Markets Authority (FSMA) in Belgium. For details regarding the procedure, the timetables and the Company's undertakings in connection with the foregoing, see immediate report dated June 6, 2017 on an event or matter outside the ordinary course of the corporation's business, reference no. 2017-01-047806, as amended in immediate report dated June 20, 2017, reference no. 2017-01-051619, included herein by reference.

In this context, on July 30, 2017, 3,783,995 ordinary shares of the Company of NIS 0.02 par value each were listed on the Tel Aviv Stock Exchange, after they were delisted from the Euronext Stock Exchange (for further details see immediate report dated July 31, 2017 on an event or matter outside the ordinary course of the corporation's business, reference no. 2017-01-065935, included herein by reference).

### 1.3.8 Annual General Meeting

Subsequent to the balance sheet date, on November 14, 2017 the Company issued an immediate report on the convening of an Annual General Meeting of the Company's shareholders, to be held on December 21, 2017 (hereinafter: "**the Meeting**"), and having on its agenda the presentation of the audited financial statements, the Board of Directors' report on the state of affairs of the corporation and the Company's periodic annual report for 2016; the reappointment of BDO Ziv Haft, CPA, as the Company's independent auditors up to the next Annual General Meeting of the Company's shareholders and authorization of the Board of Directors to set their fee (it should be noted that in accordance with a resolution of the General Meeting of the Company's shareholders from October 20, 2016, Amit Halfon, CPA, ceased to serve as the Company's independent auditors upon the publication of this quarterly report; for details see immediate report (T-95) dated November 29, 2017, issued by the Company simultaneously with the publication of this report and included herein by reference), and the reappointment of the Company's incumbent directors, excluding External Directors, for an additional term up to the next Annual General Meeting of the Company's shareholders (for further details see immediate report dated November 14, 2017 on the convening of an annual general meeting, reference no. 2017-01-106485, 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 December 31	<b>Board of Directors' explanations for changes in balance sheet balances compared to December 31, 2016</b>
	2017	2016	2016	
	<b>NIS in thousand</b>			
Current assets	128,600	114,377	106,066	Main changes in current assets: An increase of NIS 1,110 thousand in cash and cash equivalents, and an increase of NIS 18,877 thousand in trade receivables and income receivable. The main increase in trade receivables and income receivable attributable to increase in income receivable due to the rate progress in the engineering stages in Automated Solutions segment. Also, there was an increase in Products segment resulting from the expansion of operations. Inventory grew by NIS 3,121 thousand, mainly in the Products segment resulting from the expansion of operations. There was no significant change in the balance of short-term deposits, despite the long-term reclassification detailed below, due to the repayment of short-term deposits in the reporting period.
Noncurrent assets	90,224	111,768	112,011	The decrease is mainly attributable to the reclassification of deposits with a maturity of less than a year from the balance sheet date, amounting to NIS 20,000 thousand.
<b>Total assets</b>	<b>218,824</b>	<b>226,146</b>	<b>218,077</b>	
Current liabilities	59,712	47,606	45,705	Main changes in current liabilities: An increase of NIS 4,339 thousand in current principal maturities of debentures falling due in the coming year based on the debenture amortization schedules. An increase of NIS 10,183 thousand in other accounts payable, mainly attributable to expenses payable in respect of progress in the engineering stages of projects beyond the rate of actual recording of expenses.
Noncurrent liabilities	65,843	76,915	76,328	Main changes in noncurrent liabilities: A decrease of NIS 12,648 thousand in debentures following: (a) the third principal payment (of six) on debentures (Series 4) in the first quarter of 2017, as well as an increase in the principal of this series, which was reclassified to current maturities; and (b) the third principal payment (of nine) on debentures (Series 5) in the third quarter of 2017. On the other hand, the Company recorded an increased liability of NIS 1,517 thousand on the revaluation of the option given to the FIMI Fund within framework of the mechanism to guarantee the return on its investment in the Company.
Equity attributable to Company shareholders	93,269	101,624	96,044	The decrease in equity of the Company is mainly attributable to the loss in the reporting period and to the revaluation of the foreign currency translation reserve.
<b>Total liabilities and equity</b>	<b>218,824</b>	<b>226,145</b>	<b>218,077</b>	

The Company's working capital as of September 30, 2017 totaled NIS 68,888 thousand compared to working capital amounting to NIS 60,361 thousand as of December 31, 2016. The increase is mainly attributable to an increase in trade receivables and income receivable as well as an increase in inventory, offset by an increase in current maturities of debentures and in other accounts payable.

## 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
	2017	2016	2017	2016	2016	
	NIS in thousand					
Revenues	132,800	113,772	45,286	36,447	148,988	In the first nine months and third quarter of 2017 there was an increase in revenues in the consolidated report over the same periods last year. The increase in revenues in these periods is attributable both to the Products segment and to the Automated Solutions segment. For details of revenues by segments see section 2.1.3 below.
Cost of revenues	93,902	89,425	31,618	29,155	117,042	
Gross profit (gross profit margin)	38,898 (29.3%)	24,347 (21.4%)	13,668 (30.2%)	7,292 (20.0%)	31,946 (21.4%)	In the first nine months and third quarter of 2017 the gross profit margin improved, mainly in the Automated Solutions segment, as detailed in section 2.1.3.2 below.
Development expenses, net	3,225	3,734	1,024	1,171	5,087	In the first nine months and third quarter of 2017 development expenses recognized in profit and loss decreased compared to the corresponding periods, mainly in the Automated Solutions segment.
Selling and marketing expenses	18,339	16,854	6,197	5,956	24,381	In the first nine months and third quarter of 2017 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	11,604	10,245	4,177	3,381	14,243	In the first nine months and third quarter of 2017 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	10	-	-	15	
Profit (loss) from ordinary activities	5,717	(6,496)	2,270	(3,216)	(11,780)	
Financing expenses, net	3,843	4,653	1,085	1,953	5,476	The decrease in financing expenses in the first nine months and third quarter of 2017 compared to the same periods last year is primarily attributable to exchange rate differences recorded due to the strengthening of the euro and the dollar in the third quarter of the year.

	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
	2017	2016	2017	2016	2016	
	<b>NIS in thousand</b>					
Profit (loss) before tax benefit (taxes on income)	1,874	(11,149)	1,185	(5,169)	(17,256)	
Tax benefit (taxes on income)	(2,432)	249	(749)	218	246	Tax expenses in the reporting period arise from profit for the period, in respect of which the Company created a provision for current taxes, as well as from changes in deferred tax balances.
Profit (loss) for the period	(558)	(10,900)	436	(4,951)	(17,010)	

### **2.1.3 Analysis by operating segments**

As mentioned above, as of January 1, 2017, 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 operating segments, see Chapter A, sections 1.8, 1.9, 1.10 and 1.11 of the Periodic Report. The information in respect of previous periods presented below for the Automated Solutions segment combines the information that was presented in the past separately for the Parking Solutions activity and the Logistics Solutions activity.

#### **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
	2017	2016	2017	2016	2016	
	NIS in thousand					
Products	91,633	85,228	30,213	27,988	113,509	In the first nine months and third quarter of 2017 sales of products rose compared to the corresponding periods, mainly due to marketing activities.
Percentage of total Company revenues	69%	75%	67%	77%	76%	
Automated Solutions	40,831	28,221	14,935	8,328	35,052	The increase in revenues in the first nine months and third quarter of the year compared to the corresponding periods stems mainly from the start of new projects, as well as an increase in the rate of progress of projects under construction.
Percentage of total Company revenues	31%	25%	33%	23%	24%	

#### **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
	2017	2016	2017	2016	2016	
	NIS in thousand					
Products	20,809	19,762	6,970	5,984	24,098	The segment's improved results in the first nine months and third quarter of the year are mainly attributable to higher revenues, the strengthening of the euro and the dollar in the third quarter and savings in production costs.
Automated Solutions	(6,731)	(18,471)	(1,696)	(6,546)	(25,027)	The decrease in losses of the segment is mainly attributable to an increase in the number of projects under construction as well as increased efficiency and reduced costs of production and project construction.

## **2.2 Liquidity and Sources of Financing**

The balance of cash, cash equivalents and short- and long-term deposits of the Company as of September 30, 2017 totaled NIS 52,047 thousand compared to NIS 70,904 thousand as of December 31, 2016. Below are explanations for the changes in cash balances:

	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
	2017	2016	2017	2016	2016	
	NIS in thousand					
Cash flows – operating activities	2,127	105	1,294	(1,615)	(172)	The positive cash flow in the first nine months and third quarter of the year is mainly attributable to improved profitability in both the Products and Automated Solutions segments.
Cash flows – investing activities	9,986	(45,523)	(3,751)	(4,987)	(50,701)	Cash flows from investing activities in the first nine months and third quarter of the year were mainly provided by the realization of short-term deposits net of investments in development assets and in fixed assets The negative cash flow from investing activities in the third quarter of the year stemmed from investments in development assets and in fixed assets. The negative cash flow in 2016 was mainly attributable to the investment of the proceeds from the allocation of shares to the FIMI Fund in short- and long-term deposits, as well as investments in development assets and in fixed assets, net of cash provided by the sale of marketable securities.
Cash flows – financing activities	(9,484)	46,798	(2,276)	(4,290)	46,513	Cash from financing activities in the first nine months and third quarter of 2017 was mainly used for principal payments on debentures (Series 4 and 5), as detailed in sections 1.3.1 and 1.3.2 above, as well as for repayment of long-term bank loans. Cash from financing activities in 2016 was mainly provided by the allocation of shares to the FIMI Fund, net of principal payments on debentures (Series 4 and 5) and repayment of bank loans.

As of September 30, 2017, total credit lines available to the Company for its operating activities amounted to NIS 10.3 million. As of September 30, 2017, a total of NIS 9.4 million of this amount was used, mainly for guarantees to secure the Company's obligations in projects carried out in the Automated Solutions segment.

## 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	33,203,125
D	Par value according to linkage terms – as of the reporting date	33,402,884
E	Accrued interest as of the reporting date	299,000
F	Liability value as of the reporting date	33,089,000
G	Stock Exchange value	35,478,000
H	Type of interest, including description	5.4% fixed annual interest
I	Payment dates of outstanding principal	Three unequal annual installments payable on January 31 of each year from 2018 to 2020 (inclusive), at the following rates (from the original principal) by years in chronological order: (a) 20.5% of the principal (b) 21% of the principal, (c) 21% of the principal.
J	Future interest payment dates	Every January 31 and July 31 from January 31, 2018 up to (and including) January 31, 2020
K	Details of linkage basis of interest and principal	Principal and interest linked to the Consumer Price Index. Base index – December 2012 CPI, without hedging
L	Are the debentures convertible?	Not convertible
M	Corporation's right to perform early redemption	Exists (for details regarding the conditions for exercising the Company's right to early redemption, see section 12 of the Shelf Offering Report dated January 24, 2013, reference no. 2013-01-021699)
N	Has a guarantee been given for payment of the liability in the trust deed?	No
O	Is the liability material to the Company?	Yes
(2)	The trustee, the person in charge of the debenture series at the trust company; the trustee's contact details	Mishmeret Trust Services Ltd. 48 Menachem Begin Road, Tel Aviv 66184, Israel Phone: 03-6374352, Fax: 03-6374344 Email: <a href="mailto:ramis@mtrust.co.il">ramis@mtrust.co.il</a>

(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)

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

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

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

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

### 2.3.2

(1)	Security	Debentures (Series 5)
A	Issue date	September 2014
B	Total par value on issue date	40,000,000
C	Par value as of the reporting date	30,000,000
D	Par value according to linkage terms – as of the reporting date	30,000,000
E	Accrued interest as of the reporting date	144,000
F	Liability value as of the reporting date	29,245,000
G	Stock Exchange value	34,785,000
H	Type of interest, including description	5.8% fixed annual interest
I	Payment dates of outstanding principal	Six unequal annual installments payable on August 31 of each year from 2018 to 2023 (inclusive), at the following rates (from the original principal) by years in chronological order: (a) 5% of the principal, (b) 5% of the principal, (c) 5% of the principal (d) 20% of the principal, (e) 20% of the principal, (f) 20% of the principal.
J	Future interest payment dates	Every February 28 and August 31 from February 28, 2018 up to (and including) August 31, 2023
K	Details of linkage basis of interest and principal	Unlinked
L	Are the debentures convertible?	Not convertible
M	Corporation's right to perform early redemption	Exists (for details regarding the conditions for exercising the Company's right to early redemption, see section 8.4 of the Shelf Offering Report dated September 10, 2014, reference no. 2014-01-155406)
N	Has a guarantee been given for payment of the liability in the trust deed?	No
O	Is the liability material to the Company?	Yes
(2)	The trustee, the person in charge of the debenture series at the trust company; the trustee's contact details	Hermetic Trust (1975) Ltd. 113 Hayarkon Street, Tel Aviv, Israel Phone: 03-5274867, Fax: 03-5271736 Email: <a href="mailto:hermetic@hermetic.co.il">hermetic@hermetic.co.il</a>

(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 maturity dates as of June 30, 2017, see immediate report (T-126) dated November 29, 2017 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.

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Amit Ben Zvi  
Chairman of the Board of Directors

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Haim Shani  
Director and CEO

Date: November 28, 2017

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

**Condensed Consolidated Interim**

**Financial Statements**

**September 30, 2017**

**(Unaudited)**

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

**Condensed Consolidated Interim  
Financial Statements**

**September 30, 2017**

**(unaudited)**

**Table of contents**

**Page**

22	Review Report
23-24	Condensed consolidated interim statements of financial position
25	Condensed Consolidated Interim Statements of Profit or Loss
26	Condensed consolidated interim statements of comprehensive income (loss)
27-28	Condensed consolidated interim statements of changes in equity
29-31	Condensed consolidated interim statements of cash flows
32-37	Notes to the consolidated interim financial statements



**Amit, Halfon**

## **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. and its subsidiaries (hereinafter – “the Group”) comprising of the condensed consolidated interim statement of financial position as of September 30, 2017 and the condensed consolidated interim statements of profit or loss, comprehensive income (loss), changes in equity and cash flows for the periods of nine and three months then ended. The Board of Directors and management are responsible for the preparation and presentation of the financial information for the 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 the 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 the interim periods, based on our review.

The condensed consolidated interim statement of financial position of the Group as of September 30, 2016 and the condensed consolidated interim statements of profit or loss, comprehensive income (loss), changes in equity and cash flows for the nine and three months periods then ended were reviewed by Amit, Halfon Certified Public Accountants (Israel) whose review report dated November 28, 2016 was unqualified.

### **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.

Amit, Halfon  
Certified Public Accountants (Israel)

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

November 28, 2017

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

	September 30, 2017 <u>(unaudited)</u>	September 30, 2017 <u>(unaudited)</u>	September 30, 2016 <u>(in thousands)</u>	December 31, 2016 <u>(audited)</u>
	Convenience translation into Euro (1)		NIS	
<b>Current assets</b>				
Cash and cash equivalents	6,463	26,867	31,276	25,757
Restricted cash	241	1,000	2,097	2,121
Short-term deposits in banks	6,057	25,180	25,040	25,070
Accounts receivable -				
Trade	10,131	42,114	23,214	23,237
Other	738	3,067	3,972	3,525
Other financial assets	11	46	331	415
Inventory	6,847	28,462	25,983	25,341
Inventory - work in progress	448	1,864	2,464	600
	30,936	128,600	114,377	106,066
<b>Non-current assets</b>				
Long-term deposits in banks	-	-	20,043	20,077
Long-term deposits - other	66	273	398	361
Property and equipment, net	5,447	22,644	22,964	22,962
Intangible assets, net	16,192	67,307	68,363	68,611
	21,705	90,224	111,768	112,011
	<b>52,641</b>	<b>218,824</b>	<b>226,145</b>	<b>218,077</b>

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Amit Ben Zvi  
Chairman of the Board of  
Directors

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Haim Shani  
Director and C.E.O.

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Gavriel Badusa  
Chief Financial Officer

Approved: November 28, 2017.

(1) See note 1B.

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

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

	September 30, 2017 <hr/> (unaudited)	September 30, 2017 <hr/> (unaudited)	September 30, 2016 <hr/> (in thousands)	December 31, 2016 <hr/> (audited)
	Convenience translation into Euro (1)		NIS	
<b>Current liabilities</b>				
Current maturities of long-term loans	130	538	1,148	1,129
Current maturities of bonds	3,035	12,617	8,288	8,278
Accounts payable -				
Trade	4,673	19,425	20,937	19,678
Other	6,437	26,758	17,233	16,575
Other financial liabilities	90	374	-	45
	14,365	59,712	47,606	45,705
<b>Non-current liabilities</b>				
Loans from banks	562	2,338	2,913	2,527
Bonds	11,960	49,716	62,369	62,364
Liabilities for benefits to employees, net	579	2,407	2,367	2,352
Liability for share purchase option	1,543	6,414	5,193	4,897
Deferred taxes	1,195	4,968	4,073	4,188
	15,839	65,843	76,915	76,328
<b>Equity</b>				
Share capital	103	427	427	427
Share premium	25,142	104,513	104,513	104,513
Capital reserve from translation of foreign operations	(483)	(2,008)	(260)	209
Company shares held by the company	(1,694)	(7,042)	(7,042)	(7,042)
Reserve from a transaction with a controlling party	25	104	104	104
Retained earnings (loss)	(656)	(2,725)	3,882	(2,167)
	22,437	93,269	101,624	96,044
	<b>52,641</b>	<b>218,824</b>	<b>226,145</b>	<b>218,077</b>

(1) See note 1B.

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

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

	For the nine months period ended September 30, 2017		For the nine months period ended September 30, 2017		For the three months period ended September 30, 2017		For the three months period ended September 30, 2017		For the year ended December 31, 2016	
	(unaudited)	(unaudited)	(unaudited)	(in thousands)	(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)	(audited)
<b>Convenience translation into Euro (1)</b>										
<b>NIS</b>										
Revenues	31,947	132,800	113,772		10,894		45,286	36,447		148,988
Cost of revenues	22,589	93,902	89,425		7,606		31,618	29,155		117,042
Gross profit	9,358	38,898	24,347		3,288		13,668	7,292		31,946
Development expenses, net	776	3,225	3,734		246		1,024	1,171		5,087
Selling & marketing expenses	4,412	18,339	16,854		1,491		6,197	5,956		24,381
General & administrative expenses	2,792	11,604	10,245		1,005		4,177	3,381		14,243
Other expenses	3	13	10		-		-	-		15
Operating profit (loss)	1,375	5,717	(6,496)		546		2,270	(3,216)		(11,780)
Financing income	289	1,201	616		228		948	525		943
Financing expenses	1,213	5,044	5,269		489		2,033	2,478		6,419
Profit (loss) before tax benefit (taxes on income)	451	1,874	(11,149)		285		1,185	(5,169)		(17,256)
Tax benefit (taxes on income)	(585)	(2,432)	249		(180)		(749)	218		246
Net profit (loss) for the period	(134)	(558)	(10,900)		105		436	(4,951)		(17,010)
<b>Profit (loss) per 1 ordinary share NIS 0.02 par value (NIS):</b>										
Basic profit (loss) per 1 ordinary share	(0.009)	(0.041)	(0.919)		0.008		0.032	(0.360)		(1.379)
Diluted profit (loss) per 1 ordinary share	(0.009)	(0.041)	(0.919)		0.007		0.027	(0.360)		(1.379)

(1) See note 1B.

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

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

	For the nine months period ended September 30, <u>2017</u>	For the nine months period ended September 30, <u>2017</u> <u>2016</u>		For the three months period ended September 30, <u>2017</u>	For the three months period ended September 30, <u>2017</u> <u>2016</u>		For the year ended December 31, <u>2016</u>		
	(unaudited)	(unaudited)		(unaudited)	(unaudited)		(audited)		
					<u>(in thousands)</u>				
					Convenience translation into Euro (1)	NIS			
Profit (loss) for the period	(134)	(558)	(10,900)	105	436	(4,951)	(17,010)		
<u>Other comprehensive income (loss) (after tax)</u>									
<u>Items that may not be classified afterwards to profit or loss:</u>									
Re-measurement gains from defined benefit plans	-	-	-	-	-	-	61		
<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	(533)	(2,217)	(848)	4	15	(513)	(379)		
Other comprehensive profit (loss) for the period	(533)	(2,217)	(848)	4	15	(513)	(318)		
Total comprehensive profit (loss) for the period	<u>(667)</u>	<u>(2,775)</u>	<u>(11,748)</u>	<u>109</u>	<u>451</u>	<u>(5,464)</u>	<u>(17,328)</u>		

(1) See note 1B.

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

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

	Share capital	Share premium	Capital reserve from translation of foreign operations	Company shares held by the company	Reserve deriving from a transaction with a controlling party	Retained earnings	Total
<b>NIS, in thousands</b>							
<u>Balance at January 1, 2016 (audited)</u>	352	50,588	588	(7,042)	104	14,782	59,372
Loss for the year	-	-	-	-	-	(17,010)	(17,010)
Other comprehensive income (loss) for the year	-	-	(379)	-	-	61	(318)
Total comprehensive loss for the year	-	-	(379)	-	-	(16,949)	(17,328)
Private placement of shares	75	53,925	-	-	-	-	54,000
<u>Balance at December 31, 2016 (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 January 1, 2016 (audited)</u>	352	50,588	588	(7,042)	104	14,782	59,372
Loss for the period	-	-	-	-	-	(10,900)	(10,900)
Other comprehensive loss for the period	-	-	(848)	-	-	-	(848)
Total comprehensive loss for the period	-	-	(848)	-	-	(10,900)	(11,748)
Private placement of shares	75	53,925	-	-	-	-	54,000
<u>Balance at September 30, 2016 (unaudited)</u>	427	104,513	(260)	(7,042)	104	3,882	101,624
<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
<u>Balance at July 1, 2016 (unaudited)</u>	427	104,513	253	(7,042)	104	8,833	107,088
Loss for the period	-	-	-	-	-	(4,951)	(4,951)
Other comprehensive loss for the period	-	-	(513)	-	-	-	(513)
Total comprehensive loss for the period	-	-	(513)	-	-	(4,951)	(5,464)
<u>Balance at September 30, 2016 (unaudited)</u>	427	104,513	(260)	(7,042)	104	3,882	101,624

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

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

	Share capital	Share premium	Capital reserve from translation of foreign operation	Company shares held by the company	Reserve arising from a transaction with a controlling party	Retained earnings	Total
<b><u>Convenience translation into Euro (1), in thousands (unaudited)</u></b>							
<u>Balance at December 31, 2016</u>	103	25,142	50	(1,694)	25	(522)	23,104
Loss for the period	-	-	-	-	-	(134)	(134)
Other comprehensive loss for the period	-	-	(533)	-	-	-	(533)
Total comprehensive loss for the period	-	-	(533)	-	-	(134)	(667)
<u>Balance at September 30, 2017</u>	<u>103</u>	<u>25,142</u>	<u>(483)</u>	<u>(1,694)</u>	<u>25</u>	<u>(656)</u>	<u>22,437</u>
<u>Balance at July 1, 2017</u>	<u>103</u>	<u>25,142</u>	<u>(487)</u>	<u>(1,694)</u>	<u>25</u>	<u>(761)</u>	<u>22,328</u>
Profit for the period	-	-	-	-	-	105	105
Other comprehensive income for the period	-	-	4	-	-	-	4
Total comprehensive income for the period	-	-	4	-	-	105	109
<u>Balance at September 30, 2017</u>	<u>103</u>	<u>25,142</u>	<u>(483)</u>	<u>(1,694)</u>	<u>25</u>	<u>(656)</u>	<u>22,437</u>

(1) See note 1B.

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

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

	For the nine months period ended September 30, <u>2017</u> (unaudited)		For the nine months period ended September 30, <u>2017</u> (unaudited)		For the three months period ended September 30, <u>2017</u> (unaudited) (in thousands)		For the three months period ended September 30, <u>2017</u> (unaudited)		For the year ended December 31, <u>2016</u> (audited)	
<b>Cash flows - operating activities</b>										
Profit (loss) for the period	(134)		(558)		(10,900)		105		436	(4,951)
Adjustments necessary to show the cash flows - operating activities (Appendix A)	645		2,685	(*)	11,005		206		858	(*)
Cash flows provided by (used in) operating activities	511		2,127		105		311		1,294	(1,615)
<b>Cash flows - investing activities</b>										
Sale of marketable securities, net	-		-		14,392		-		-	14,392
Purchase of property and equipment	(310)		(1,288)		(3,548)		(89)		(370)	(1,440)
Sale of property and equipment	-		-		11		-		-	64
Investment in long-term deposits in banks	-		-		(20,000)		-		-	(20,000)
Repayment (Investment) in short-term deposits in banks	4,811		20,000		(25,000)		-		-	(25,000)
Repayment of restricted cash	257		1,069		185		-		-	185
Repayment (Investment) in long-term other deposits, net	8		31		(6)		(7)		(30)	(49)
Investment in intangible assets	(2,364)		(9,826)		(11,557)		(806)		(3,351)	(3,498)
Cash flows provided by (used in) investing activities	2,402		9,986		(45,523)		(902)		(3,751)	(4,987)
<b>Cash flows - financing activities</b>										
Repayment of long-term loans	(197)		(818)		(875)		(66)		(276)	(290)
Repayment of bonds	(2,084)		(8,666)		(10,680)		(481)		(2,000)	(4,000)
Private placement of shares and share purchase option	-		-		58,353		-		-	58,353
Cash flows provided by (used in) financing activities	(2,281)		(9,484)		46,798		(547)		(2,276)	(4,290)
Translation differences in respect of foreign operations cash and cash equivalents balances	(365)		(1,519)	(*)	(1,001)		45		188	(*)
Change in cash and cash equivalents for the period	267		1,110		379		(1,093)		(4,545)	(11,542)
Cash and cash equivalents at beginning of period	6,196		25,757		30,897		7,556		31,412	42,818
Cash and cash equivalents at end of period	6,463		26,867		31,276		6,463		26,867	31,276

(\*) Reclassified.

(1) See note 1B.

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

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

	For the nine months period ended September 30, <u>2017</u> <u>(unaudited)</u>		For the nine months period ended September 30, <u>2017</u> <u>(unaudited)</u>		For the three months period ended September 30, <u>2017</u> <u>(unaudited)</u> <u>(in thousands)</u>		For the three months period ended September 30, <u>2017</u> <u>(unaudited)</u>		For the year ended December 31, <u>2016</u> <u>(audited)</u>	
	Convenience translation into Euro (1)	NIS	Convenience translation into Euro (1)	NIS	Convenience translation into Euro (1)	NIS	Convenience translation into Euro (1)	NIS	Convenience translation into Euro (1)	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	3,119	12,965		12,497		1,047		4,351		4,306
Loss from marketable securities, net	-	-		100		-		-		100
Change in liabilities for benefits to employees, net	13	56		177		7		31		80
Reevaluation of cash-foreign currency	(33)	(138)	(*)	526		(105)		(438)	(*)	353
Capital loss	3	13		10		-		-		23
Reevaluation of deposits in banks	(8)	(33)		(83)		(9)		(37)		(64)
Reevaluation of long-term loans and bonds	25	103		(67)		(11)		(46)		77
Deferred taxes	175	726		(484)		63		261		(218)
Reevaluation of share purchase option	365	1,517		840		(15)		(63)		608
Reevaluation of embedded derivatives and other financial assets	168	698		197		160		663		544
										136
<u>Changes in assets and liabilities:</u>										
Decrease (increase) in accounts receivable - trade	(4,840)	(20,118)		3,694		(963)		(4,003)		877
Decrease (increase) in accounts receivable - other	107	447		(479)		98		406		119
Increase in inventory	(777)	(3,228)		(4,129)		(425)		(1,766)		(1,818)
Decrease (increase) in inventory - work in progress	(304)	(1,264)		1,099		(223)		(926)		91
Decrease in accounts payable - trade	(47)	(194)		(1,670)		(166)		(687)		(700)
Increase (decrease) in accounts payable - other	2,679	11,135		(1,223)		748		3,112		(331)
	<u>645</u>	<u>2,685</u>		<u>11,005</u>		<u>206</u>		<u>858</u>		<u>3,336</u>
										<u>16,838</u>

(\*) Reclassified.

(1) See note 1B.

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

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

For the nine months period ended September 30, <u>2017</u>	For the nine months period ended September 30, <u>2017</u> <u>2016</u>		For the three months period ended September 30, <u>2017</u>	For the three months period ended September 30, <u>2017</u> <u>2016</u>		For the year ended December 31, <u>2016</u>
(unaudited)	(unaudited)		(unaudited) (in thousands)	(unaudited)		(audited)
Convenience translation into Euro (1)	NIS		Convenience translation into Euro (1)	NIS		

Appendix B - Non-cash operations

Purchase of property and equipment on credit	-	-	734	-	-	-	-
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Appendix C - Additional information regarding  
operating activities

Cash paid during the period for:

Interest	941	3,911	4,536	446	1,852	2,158	4,565
Taxes on income	294	1,224	41	114	472	14	54

Cash received during the period for:

Interest and dividend	34	140	181	9	38	69	245
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(1) See note 1B.

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

**Unitronics (1989) (R"G) Ltd.**  
**Notes to the consolidated interim Financial Statements**

**Note 1 - General**

A. These financial statements have been prepared in a condensed format as of September 30, 2017, 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, 2016 and for the year then ended.

B. Convenience translation in EURO

For the convenience of the reader, the NIS amounts for the last reported period have been translated in EURO by dividing each NIS amount by the representative rate of exchange of the EURO as of September 30, 2017 (EURO 1 = NIS 4.1569).

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

**Note 2 - Significant Accounting Policies**

A. The condensed 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 condensed consolidated interim financial statements is identical to those used in the preparation of the annual consolidated financial statements.

C. Disclosure of Effect of IFRS Standards in the Period Before Their Application

IFRS 15 – Revenue from Contracts with Customers

Further to Note 2(U)(1) to the consolidated financial statements concerning IFRS 15 (hereinafter – "the Standard"), the Company has elected to apply as of January 1, 2018 the input method, since it more faithfully depicts the Company's performance in transferring control of goods and services secured by it in its project-based activity.

The Company has elected to apply the Standard retrospectively, such that the cumulative effect on first application will be recognized as an adjustment of the opening balance for surpluses (or another equity component, as relevant). Under this transition method, the Company will apply the Standard retrospectively only to contracts that are not completed contracts at the date of initial application.

In the Company's estimation, had the new Standard been applied for the first time in the interim financial statements as of September 30, 2017, the resulting effect would have been a decrease in the amount of approximately 4.8 million NIS in equity as of September 30, 2017.

Should any changes occur in the effects detailed above following completion of the drafting of a revenue recognition policy, the Company will disclose this information in its statements as of December 31, 2017.

**Note 3 - Events during the reported period**

A. On March 26, 2017 the subsidiary Unitronics Inc. signed with a client that not a related to the company or to the interested parties on an agreement to establish an autonomic parking facility in California, United States, in the amount of approximately 9.3 million US dollars.

B. On August 1, 2017 the subsidiary Unitronics Systems Inc. signed with a client that not a related to the company or to the interested parties on an agreement to establish an autonomic parking facility in New York, United States, in the amount of approximately 3.1 million US dollars.

C. On August 5, 2017 the subsidiary Unitronics Systems Inc. signed with a client that not a related to the company or to the interested parties on an agreement to establish an autonomic parking facility in Texas, United States, in the amount of approximately 4.86 million US dollars.

D. On July 25, 2017, trading in the Company's shares in Belgium ceased and on July 30, 2017 these shares were delisted from trading in Euronext Stock Exchange in Belgium and registered for trading on the Tel Aviv Stock Exchange.

**Unitronics (1989) (R"G) Ltd.**  
**Notes to the consolidated interim Financial Statements**

**Note 3 - Significant events in the reported period and thereafter (cont'd)**

E. Further to Note 24 to the consolidated annual financial statements, on May 16, 2017 enactment of the Encouragement of Capital Investments Regulations (Preferred Technology Income and Capital Gain for a Technology Enterprise), 2017 was completed, establishing new tax benefit tracks for preferred technology enterprises.

The corporate tax rate for taxable preferred technology income of a company owning a preferred technology enterprise has been reduced to 12%. As of the date of signing of the financial statements, the Company is examining its compliance with the criteria for preferred technology enterprises.

**Note 4 - Financial Instruments**

A. Fair value

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

Financial liabilities (\*)

	September 30, 2017		September 30, 2016		December 31, 2016	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
	(unaudited) <u>NIS, (in thousands)</u>					
Bonds linked to the Israeli CPI	<u>33,388</u>	<u>35,478</u>	<u>39,932</u>	<u>43,478</u>	<u>40,417</u>	<u>43,211</u>
Bonds - non-linked	<u>29,388</u>	<u>34,785</u>	<u>31,236</u>	<u>36,541</u>	<u>31,749</u>	<u>36,672</u>

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

B. Classification of financial instruments at fair value rating

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

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

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

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

**Unitronics (1989) (R"G) Ltd.**  
**Notes to the 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:

	Level 1	Level 2	Level 3	Total
<b>As of September 30, 2017 (unaudited)</b>				
<u>NIS, (in thousands)</u>				
<b>Financial assets at fair value:</b>				
Forward contracts	-	46	-	46
<b>Financial liabilities at fair value:</b>				
Forward contracts	-	374	-	374
Liability for share purchase option	-	-	6,414	6,414
<b>As of September 30, 2016 (unaudited)</b>				
<b>Financial assets at fair value:</b>				
Forward contracts	-	324	-	324
Embedded derivatives	-	7	-	7
<b>Financial liabilities at fair value:</b>				
Liability for share purchase option	-	-	5,193	5,193
<b>As of December 31, 2016 (audited)</b>				
<b>Financial assets at fair value:</b>				
Forward contracts	-	360	-	360
Foreign currency purchase/sell options	-	55	-	55
<b>Financial liabilities at fair value:</b>				
Foreign currency purchase/sell options	-	45	-	45
Liability for share purchase option	-	-	4,897	4,897

During the specified periods, there were no transfers between the Levels.

**Unitronics (1989) (R"G) Ltd.**  
**Notes to the consolidated interim Financial Statements**

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

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

	Financial liabilities at fair value that 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,	
	2017	2016	2017	2016	2016	(audited)
<u>NIS, (in thousands)</u>						
Beginning of period (unaudited) (*)	(4,897)	(*) (4,353)	(6,477)	(4,585)	(*) (4,353)	
Total net profit (loss) recognized in financing expenses	<u>(1,517)</u>	<u>(840)</u>	<u>63</u>	<u>(608)</u>	<u>(544)</u>	
End of the period (unaudited)	<u>(6,414)</u>	<u>(5,193)</u>	<u>(6,414)</u>	<u>(5,193)</u>	<u>(4,897)</u>	

(\*) As of May 18, 2016 - the date of establishment the liability

**D. Evaluation techniques**

**Liability for share purchase option**

Further to Note 27 to the annual consolidated financial statements, The fair value of the liability for share purchase for which no quoted market price exists, is determined for every reporting period on the basis of the economic model used in an evaluation made by an external evaluator.

The economic model prepared on May 18, 2016 (the date of completing the transaction) established an estimate for the liability of NIS 4,353 thousand. This estimate was updated on the date of the report.

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

The future values of the acquired shares are estimated using the binomial model and are divided into two categories:

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

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

The figure used in the measurement of the unforeseeable fair value is the standard deviation.

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 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 the chief operating decision makers.

- B. The Group operates in two main operative segments:

- Planning, development, manufacture and marketing of PLC's - Programmable Logic Controllers systems (hereinafter - "Products segment").
- Planning, development, manufacture, marketing, construction and maintenance of mechanized systems for automated parking solution and system integration projects (hereinafter - "Automated Solutions segment").
- Until the end of 2016 the Company reported activities in the Parking Solutions segment and in the Logistics Solutions segment as two separate business segments. Given the great similarity in these activities, reflected, inter alia, in their project-based character, the nature of the products and services, the nature of the production processes and the use of shared know-how and production means, as of January 1, 2017 the Company's management examines the performance of both segments jointly and allocates joint resources to them. Accordingly, starting from January 1, 2017, these activities are presented as one operating segment (the Automated Solutions segment). The Company reclassified for comparative purposes the information to previous periods.

**Unitronics (1989) (R"G) Ltd.**  
**Notes to the consolidated interim Financial Statements**

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

	For the nine months period ended September 30, <b>2017</b>		For the nine months period ended September 30, <b>2017</b>		For the three months period ended September 30, <b>2017</b>		For the three months period ended September 30, <b>2017</b>		For the year ended December 31, <b>2016</b>	
	(unaudited)	(unaudited)	(unaudited)	(in thousands)	(unaudited)	(audited)	(unaudited)	(unaudited)	NIS	NIS
<b>C. Revenues</b>										
Products	22,044	91,633	85,228		7,268		30,213	27,988		113,509
Automated solutions	9,822	40,831	28,221		3,593		14,935	8,328		35,052
Other	81	336	323		33		138	131		427
Total revenues	<b>31,947</b>	<b>132,800</b>	<b>113,772</b>		<b>10,894</b>		<b>45,286</b>	<b>36,447</b>		<b>148,988</b>
<b>D. Segment results and match income (loss) for the period:</b>										
Products	5,006	20,809	19,762		1,677		6,970	5,984		24,098
Automated solutions	(1,619)	(6,731)	(18,471)		(408)		(1,696)	(6,546)		(25,027)
Other	3	15	20		4		16	(3)		33
Unallocated corporate expenses	(2,015)	(8,376)	(7,807)		(727)		(3,020)	(2,651)		(10,884)
Operating profit (loss)	1,375	5,717	(6,496)		546		2,270	(3,216)		(11,780)
Unallocated financing expenses, net	(924)	(3,843)	(4,653)		(261)		(1,085)	(1,953)		(5,476)
Tax benefit (taxes on income)	(585)	(2,432)	249		(180)		(749)	218		246
Profit (loss) for the period	<b>(134)</b>	<b>(558)</b>	<b>(10,900)</b>		<b>105</b>		<b>436</b>	<b>(4,951)</b>		<b>(17,010)</b>

(1) See note 1B.

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

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

**September 30, 2017**

**(Unaudited)**



**Amit, Halfon**

**To the shareholders of Unitronics (1989) (R"G) Ltd.**

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

**Introduction**

We 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. (hereinafter - "the Company") as of September 30, 2017 and for the periods of nine and three months then ended. The Board of Directors and management are responsible for the preparation and presentation of the 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 the interim periods, based on our review.

The separate interim financial information of the Company as of September 30, 2016 and for the nine and three months periods then ended which included in the Company's quarterly report was reviewed by Amit, Halfon Certified Public Accountants (Israel) whose special review report dated November 28, 2016 was unqualified.

**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.

Amit, Halfon  
Certified Public Accountants (Israel)

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

November 28, 2017

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

	September 30, 2017 <u>(unaudited)</u>	September 30, 2017 <u>(unaudited)</u>	September 30, 2016	December 31, 2016 <u>(audited)</u>
	<u>(in thousands)</u>			
	Convenience translation into Euro (1)	NIS		
<b>Current assets</b>				
Cash and cash equivalents	4,860	20,201	24,076	19,057
Restricted cash	217	901	1,091	1,091
Short-term deposits in banks	6,057	25,180	25,040	25,070
Accounts receivable -				
Trade	3,570	14,841	12,777	11,329
Other	477	1,981	1,865	1,972
Other financial assets	11	46	308	415
Accounts receivable - other -				
subsidiaries	3,281	13,641	45,696	34,296
Inventory	5,646	23,469	20,585	19,658
	24,119	100,260	131,438	112,888
<b>Non-current assets</b>				
Long-term deposits in banks	-	-	20,043	20,077
Long-term deposits - other	21	86	314	277
Property and equipment, net	4,024	16,729	17,127	16,902
Long-term receivables - Subsidiary	27,102	112,661	55,000	75,000
Intangible assets, net	10,720	44,562	44,207	44,602
	41,867	174,038	136,691	156,858
	<b>65,986</b>	<b>274,298</b>	<b>268,129</b>	<b>269,746</b>

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Amit Ben Zvi  
Chairman of the Board of  
Directors

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Haim Shani  
Director and C.E.O.

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Gavriel Badusa  
Chief Financial Officer

Approved: November 28, 2017

(1) See note 1D.  
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**

	<b>September 30, 2017</b>	<b>September 30, 2017</b>	<b>September 30, 2016</b>	<b>December 31, 2016</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>	<b>(in thousands)</b>	<b>(audited)</b>
	<b>Convenience translation into Euro (1)</b>		<b>NIS</b>	
<b>Current liabilities</b>				
Current maturities of long-term loans	130	538	1,148	1,129
Current maturities of bonds	3,035	12,617	8,288	8,278
Accounts payable -				
Trade	3,999	16,623	15,704	15,212
Other	1,493	6,206	6,843	7,630
Other financial liabilities	90	374	-	45
	<b>8,747</b>	<b>36,358</b>	<b>31,983</b>	<b>32,294</b>
<b>Non-current liabilities</b>				
Liabilities less assets associated with subsidiaries	19,060	79,231	57,607	65,080
Loans from banks	562	2,338	2,913	2,527
Bonds	11,960	49,716	62,369	62,364
Liabilities for benefits to employees, net	482	2,004	2,367	2,352
Deferred taxes	1,195	4,968	4,073	4,188
Liability for share purchase option	1,543	6,414	5,193	4,897
	<b>34,802</b>	<b>144,671</b>	<b>134,522</b>	<b>141,408</b>
<b>Equity</b>				
Share capital	103	427	427	427
Share premium	25,142	104,513	104,513	104,513
Capital reserve from translation of foreign operations	(483)	(2,008)	(260)	209
Company shares held by the company	(1,694)	(7,042)	(7,042)	(7,042)
Reserve from a transaction with a controlling party	25	104	104	104
Retained earnings (loss)	(656)	(2,725)	3,882	(2,167)
	<b>22,437</b>	<b>93,269</b>	<b>101,624</b>	<b>96,044</b>
	<b>65,986</b>	<b>274,298</b>	<b>268,129</b>	<b>269,746</b>

(1) See note 1D.

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 three months period ended September 30,		For the year ended December 31,
	2017	2017	2016	2017	2016	2016	
	(unaudited)	(unaudited)	(unaudited)	(in thousands)	(unaudited)	(audited)	
	Convenience translation into Euro (1)		NIS		Convenience translation into Euro (1)		NIS
Revenues	15,536	64,580	58,733	5,370	22,324	19,063	78,626
Revenues from subsidiaries	6,375	26,500	24,094	1,727	7,177	7,435	31,263
Total revenues	21,911	91,080	82,827	7,097	29,501	26,498	109,889
Cost of revenues	13,772	57,249	54,074	4,479	18,619	18,021	72,227
Gross profit	8,139	33,831	28,753	2,618	10,882	8,477	37,662
Development expenses, net	488	2,028	2,301	141	587	829	3,167
Selling & marketing expenses	1,787	7,430	6,316	608	2,529	2,386	9,463
General & administrative expenses	1,805	7,502	6,165	630	2,620	2,135	8,917
General & administrative expenses to subsidiaries	138	575	635	56	231	245	800
Operating profit	3,921	16,296	13,336	1,183	4,915	2,882	15,315
Financing income	767	3,192	2,086	399	1,660	1,062	3,003
Financing expenses	1,366	5,680	5,439	546	2,270	2,557	6,501
Profit after financing, net	3,322	13,808	9,983	1,036	4,305	1,387	11,817
The Company's share of subsidiaries losses, net	2,871	11,934	21,132	751	3,120	6,556	29,073
Profit (loss) before tax benefit (taxes on income)	451	1,874	(11,149)	285	1,185	(5,169)	(17,256)
Tax benefit (taxes on income)	(585)	(2,432)	249	(180)	(749)	218	246
Profit (loss) for the period attributed to the company's shareholders	(134)	(558)	(10,900)	105	436	(4,951)	(17,010)

(1) See note 1D.

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

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

	For the nine months period ended September 30, <u>2017</u>	For the nine months period ended September 30, <u>2017</u> <u>2016</u>		For the three months period ended September 30, <u>2017</u>	For the three months period ended September 30, <u>2017</u> <u>2016</u>		For the year ended December 31, <u>2016</u>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(audited)	
	(in thousands)						
	Convenience translation into Euro (1)	NIS		Convenience translation into Euro (1)	NIS		
Profit (loss) for the period attributed to the company's shareholders	(134)	(558)	(10,900)	105	436	(4,951)	(17,010)
<u>Other comprehensive income (loss) (after tax)</u>							
Items that may not be classified afterwards to profit or loss:							
Re-measurement gains from defined benefit plans	-	-	-	-	-	-	61
Items that may be reclassified to profit or loss in the future if certain conditions are met:							
Adjustments arising from translating financial statements of foreign operations	(533)	(2,217)	(848)	4	15	(513)	(379)
Other comprehensive profit (loss) for the period	(533)	(2,217)	(848)	4	15	(513)	(318)
Total comprehensive profit (loss) for the period attributed to the company's shareholders	(667)	(2,775)	(11,748)	109	451	(5,464)	(17,328)

(1) See note 1D.

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, <u>2017</u> (unaudited)	For the nine months period ended September 30, <u>2017</u> (unaudited)	For the three months period ended September 30, <u>2017</u> (unaudited) (in thousands)	For the three months period ended September 30, <u>2017</u> (unaudited)	For the three months period ended September 30, <u>2016</u> (unaudited)	For the year ended December 31, <u>2016</u> (audited)
	Convenience translation into Euro (1)		NIS	Convenience translation into Euro (1)		NIS
<b>Cash flows - operating activities</b>						
Profit (loss) for the period attributed to the company's shareholders	(134)	(558)	(10,900)	105	436	(4,951)
Adjustments necessary to show the cash flows - operating activities (Appendix A)	3,786	15,736	(*) 28,857	326	1,354	(*) 7,954
Cash flows provided by operating activities of the company	3,652	15,178	17,957	431	1,790	3,003
Cash flows provided by (used in) operating activities from transactions with subsidiaries	(793)	(3,299)	(*) (12,649)	261	1,087	(*) 286
Cash flows provided by operating activities	2,859	11,879	5,308	692	2,877	3,289
<b>Cash flows - investing activities</b>						
Sale of marketable securities, net	-	-	14,392	-	-	14,392
Purchase of property and equipment	(198)	(823)	(113)	(81)	(337)	(77)
Repayment of restricted cash	46	190	185	-	-	185
Investment in long-term deposits in banks	-	-	(20,000)	-	-	(20,000)
Repayment (Investment) in short-term deposits in banks	4,811	20,000	(25,000)	-	-	(25,000)
Repayment (Investment) in long-term other deposits, net	24	98	41	2	10	(2)
Investment in intangible assets	(1,630)	(6,776)	(7,756)	(548)	(2,280)	(2,585)
Cash flows provided by (used in) investing activities	3,053	12,689	(38,251)	(627)	(2,607)	(2,664)
Cash flows used in investing activities from transactions with subsidiaries	(3,374)	14,026	(*) (13,440)	(822)	(3,417)	(*) (5,361)
Cash flows provided by (used in) investing activities	(322)	(1,337)	(51,691)	(1,449)	(6,024)	(8,025)
<b>Cash flows - financing activities</b>						
Repayment of long-term loans	(197)	(818)	(875)	(66)	(276)	(290)
Repayment of bonds	(2,085)	(8,666)	(10,680)	(481)	(2,000)	(4,000)
Private placement of shares and share purchase option	-	-	58,353	-	-	58,353
Cash flows provided by (used in) financing activities	(2,282)	(9,484)	46,798	(547)	(2,276)	(4,290)
Translation differences in respect of cash and cash equivalents balances	21	86	(*) (519)	87	361	(*) (327)
Change in cash and cash equivalents for the period	276	1,144	(104)	(1,217)	(5,062)	(9,353)
Cash and cash equivalents at beginning of period	4,584	19,057	24,180	6,077	25,263	33,429
Cash and cash equivalents at end of period	4,860	20,201	24,076	4,860	20,201	24,076

(\*) Reclassified.

(1) See note 1D.

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, <u>2017</u>		For the nine months period ended September 30, <u>2017</u> <u>2016</u>		For the three months period ended September 30, <u>2017</u>		For the three months period ended September 30, <u>2017</u> <u>2016</u>		For the year ended December 31, <u>2016</u>	
	(unaudited)	(unaudited)	(unaudited) (in thousands)	(unaudited)	(unaudited)	(audited)	(unaudited)	(unaudited)	(audited)	
Convenience translation into Euro (1)									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, net	2,871	11,934	21,132		751	3,120	6,556		29,073	
Depreciation and amortization	1,950	8,104	8,106		651	2,708	2,781		10,931	
Loss from marketable securities, net	-	-	100		-	-	-		100	
Change in liabilities for benefits to employees, net	13	56	177		7	31	80		223	
Reevaluation of cash-foreign currency	(20)	(86)	(*)	519	(87)	(361)	(*)	327	(*)	525
Reevaluation of deposits in banks	(8)	(33)	(83)		(9)	(37)	(64)		(147)	
Deferred taxes	175	726	(484)		63	261	(218)		(339)	
Reevaluation of long-term loans and bonds	25	103	(67)		(11)	(46)	77		(308)	
Reevaluation of share purchase option	365	1,517	840		(15)	(63)	608		544	
Reevaluation of embedded derivatives and other financial assets	168	698	138		160	663	(62)		76	
<u>Changes in assets and liabilities:</u>										
Decrease (increase) in accounts receivable - trade	(845)	(3,512)	3,667		(222)	(922)	97		5,115	
Decrease (increase) in accounts receivable - other	-	(1)	(228)		25	104	231		(317)	
Decrease (increase) in inventory	(917)	(3,811)	(426)		(486)	(2,022)	(1,250)		444	
Increase (decrease) in accounts payable - trade	339	1,411	(1,271)		(241)	(1,002)	(98)		(1,763)	
Decrease in accounts payable - other	(330)	(1,370)	(3,263)		(260)	(1,080)	(1,111)		(2,505)	
	<u>3,786</u>	<u>15,736</u>	<u>28,857</u>		<u>326</u>	<u>1,354</u>	<u>7,954</u>		<u>41,652</u>	

(\*) Reclassified.

(1) See note 1D.

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, <u>2017</u>	For the nine months period ended September 30, <u>2017</u> <u>2016</u>		For the three months period ended September 30, <u>2017</u>	For the three months period ended September 30, <u>2017</u> <u>2016</u>		For the year ended December 31, <u>2016</u>
(unaudited)	(unaudited)		(unaudited) (in thousands)	(unaudited)		(audited)
Convenience translation into Euro (1)	NIS		Convenience translation into Euro (1)	NIS		
Cash paid during the period for:						
Interest	941	3,911	4,536	446	1,852	2,158
Taxes on income	<u>294</u>	<u>1,224</u>	<u>41</u>	<u>114</u>	<u>472</u>	<u>14</u>
Cash received during the period for:						
Interest and dividend	34	140	181	9	38	69
						245

(1) See note 1D.

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

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

**Note 1 - General**

- A. The separate interim financial information of Unitronics (1989) (R"G) Ltd. (hereinafter – "the Company") includes financial data from the Company's condensed consolidated interim financial statements that are attributable to the Company itself as a parent company, and is prepared as required by Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 1970.
- B. The accounting policies applied to the separate interim financial information are the same as those described in Note 2 to the Company's condensed consolidated interim financial statements as of September 30, 2017, subject to section A. above and to the explanation provided in the Company's separate financial information as of December 31, 2016 regarding the treatment of intercompany transactions.
- C. The separate interim financial information should be read together with the consolidated financial statements as well as the separate financial information of the Company as of December 31, 2016 and the additional material information attached thereto.
- D. Convenience translation in EURO

For the convenience of the reader, the NIS amounts for the last reported period have been translated into EURO by dividing each NIS amount by the representative rate of exchange of the EURO as of September 30, 2017 (EURO 1 = NIS 4.1569).

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

**Chapter D - Statements by the CEO and CFO of the Corporation  
for the Third Quarter of 2017**

1. Statement by CEO pursuant to Regulation 38C(D)(1) of the regulations
2. 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 2017 ("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 28, 2017

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Haim Shani, CEO

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

I, Gavriel Badusa, 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 2017 (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 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 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 28, 2017

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Gavriel Badusa, CFO



UNITRONICS (1989) (R"G) LTD.

PRESS RELEASE  
Airport City, Israel,  
November 28, 2017

\*\*\*Regulated Information\*\*\*

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

### Corporation's Liabilities Status Report by Dates of Payment

**Airport City, Israel – November 28, 2017** - Unitronics published the attached Immediate Report pursuant to the requirements of Israeli law, in connection with the requirement to report the Corporation's liabilities status by dates of payment.

#### About Unitronics

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

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

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

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

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

Reporting period: September 30<sup>th</sup>, for the year: 2017.

Detailed Corporation's liabilities status by dates of payment is as follows:

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

<b>Fund Payments</b>									
	<b>NIS Index Linked</b>	<b>NIS Index Unlinked</b>	<b>Euro</b>	<b>USD</b>	<b>---</b>	<b>---</b>	<b>Other</b>	<b>Gross Interest Payment (Without Tax Deduction)</b>	<b>Total by year</b>
<b>First Year</b>	10,956	2,000						3,248	16,204
<b>Second Year</b>	11,223	2,000						2,533	15,756
<b>Third Year</b>	11,223	2,000						1,811	15,034
<b>Fourth Year</b>		8,000						1,392	9,392
<b>Fifth Year and So On</b>		16,000						1,392	17,392
<b>Total</b>	<b>33,402</b>	<b>30,000</b>						<b>10,376</b>	<b>73,778</b>

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

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

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

Fund Payments									
	NIS Index Linked	NIS Index Unlinked	Euro	USD	---	---	Other	Gross Interest Payment (Without Tax Deduction)	Total by year
<b>First Year</b>			442	96				80	618
<b>Second Year</b>			346					68	414
<b>Third Year</b>			346					57	403
<b>Fourth Year</b>			346					47	393
<b>Fifth Year and So On</b>			1,299					80	1,379
<b>Total</b>			<b>2,779</b>	<b>96</b>				<b>332</b>	<b>3,207</b>

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

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

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

Fund Payments									
	NIS Index Linked	NIS Index Unlinked	Euro	USD	---	---	Other	Gross Interest Payment (Without Tax Deduction)	Total by year
<b>First Year</b>	10,956	2,000	442	96				3,328	16,822
<b>Second Year</b>	11,223	2,000	346					2,601	16,170
<b>Third Year</b>	11,223	2,000	346					1,868	15,437
<b>Fourth Year</b>		8,000	346					1,439	9,785
<b>Fifth Year and So On</b>		16,000	1,299					1,472	18,771
<b>Total</b>	<b>33,402</b>	<b>30,000</b>	<b>2,779</b>	<b>96</b>				<b>10,708</b>	<b>76,985</b>

**F. External balance credit exposure (“Solo” report) (in NIS thousands)**

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

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

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

- I. Total credit balance provided to the reporting Corporation by its parent company or controlling shareholder and balance of debentures issued by the reporting Corporation and held by its parent company or controlling shareholder: 0.
- J. Total credit balance provided to the reporting Corporation by companies controlled by its parent company or controlling shareholder which are not controlled by the reporting Corporation, and balance of debentures issued by the reporting Corporation and held by companies controlled by its parent company or controlling shareholder which are not controlled by the reporting Corporation: 0.
- K. Total credit balance provided to the reporting Corporation by consolidated companies and balance of debentures issued by the reporting Corporation and held by the consolidated companies: 0.
- L. (1) Cash and cash equivalents, marketable securities and short term deposits ("Solo" report) (in NIS thousands):45,381  
(2) Cash and cash equivalents, marketable securities and short term deposits of all consolidated companies (in NIS thousands):52,047  
(\*) Pledged cash is excluded.

Respectfully,

Unitronics (1989) (R"G) Ltd.