



## **Unitronics (1989) (RG) Ltd.**

# **Quarterly Report as of March 31, 2023**

**On January 1, 2023, the Company announced that it had ceased to be a "small corporation" as such term is defined in the regulations in accordance with Regulation 5E (C) of the Regulations. The Company announced that it intends to continue to report in accordance with Regulation 5D of the Regulations and to implement the reliefs provided to "small corporations" (with the exception of the relief which permits publishing only semi-annual financial reports, which the Company intends to continue to avoid implementing, and it intends to continue publishing quarterly financial reports as was the case in the past) up to and including the Quarterly Report of the Company for the period ending September 30, 2023. For further details, see the Immediate Report of the Company of January 1, 2023 (reference number: 2023-01-000381), which is hereby incorporated by way of reference.**

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# **1. Chapter A – Introduction**

## **1.1. General**

Company name:	Unitronics (1989) (RG) Ltd. (Hereinafter: the " <b>Company</b> " or " <b>Unitronics</b> ")
Company number:	520044199
Address:	Unitronics House, 3, Arava St., Airport City, POB 300, Israel 70100
Email address:	<a href="mailto:riki@unitronics.com">riki@unitronics.com</a>
Telephone:	03 977 8888
Facsimile:	03 977 8877
Period of the Report:	The three-month period ended on March 31, 2023
Date of the Report:	March 31, 2023

In accordance with Regulation 39A of the Regulations, the following review is limited in scope and only relates to material changes and developments in the Company's affairs during the report period and it is prepared under the assumption that the reader also has access to the Board of Directors' report for December 31, 2022, as published on March 28, 2023 (reference number: 2023-01-032883). The above reference is cited as inclusion by way of reference ("**2022 Periodic Report**"). At the same time, in some cases, for the purpose of providing an overall picture, the Company has included a more detailed description than is actually required, which incorporates information which, in its opinion, is not necessary material.

## **1.2. Description of the Company and its Business Environment**

The company deals in the design, development, manufacturing, marketing, sales and support of programmable logic controllers (PLC) (hereinafter: the "**Controllers**"). Controllers are computer-based electronic products (hardware and software) used to control and monitor machines which perform automated operations, such as manufacturing systems and other automated installations in various sectors. The company has expanded its product line and has also started marketing and selling propulsion controllers (VFD and servo systems) designed to interface in an integrative and simple manner with the Controllers of the company. During 2021 the company launched a new integrative platform for cloud services (SaaS). The platform is designed to allow any customer to connect the controllers of the Company to an environment based on a cloud computing infrastructure, transfer data securely and create business dashboards (BI). In this new service, the emphasis is also on the added value which is reflected in the simplicity and ease of application and full integration with the remainder of the products of the company,

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

The Company's PLCs and services are marketed and sold through the Company's internal sales and marketing system via subsidiaries in the United States and Germany, as well as through a network of distributors that includes approximately 190 distributors, of which approximately 110 are in the US and North America and the remainder in approximately seventy countries (including Israel) throughout Europe, Asia, South and Central America and Africa.

The Company mainly operates from office and industrial buildings located at Airport City near the David Ben Gurion Airport. For further details, see Section 1.12 in Chapter A of the Company's 2022 Periodic Report.

### **1.3. Material Events during the Report Period and in the Period until its Publication**

#### **1.3.1. Consequences of a global shortage of electronic components**

The Company is exposed to the effects and risks associated with the global shortage of electronic components. Since the end of 2020 there has been a worldwide shortage of electronic components which is affecting the entire electronics industry. To the best knowledge of the Company, the shortage of electronic components is due to several reasons, including: a decrease in supply due to the Corona crisis, during which many workers stayed at home thereby impairing the production lines; Increased demand for electronic component-based products during the Corona crisis such as: smartphones, computers, monitors, routers and other electronic component-based products; as well as an increase in demand in the automotive industry, which began to stock up on a large amount of electronic chips, which was reflected in large-scale chip orders.

Following the increase in demand concurrent with the decrease in supply, the delivery times for electronic components have become very long, occasionally reaching a year and even longer. The Company estimates that despite the noticeable relief in the availability of components as of the date of the report, the current situation is expected to continue in the forthcoming months, wherein as of the date of publication of this report, there is no clear forecast with regard to the end or the easing of the global shortage of electronic components.

The Company anticipates that the lengthening of the delivery times of the electronic components may extend the delivery dates of the orders of the customers of the Company which may cause a delay in the receipt of revenue therefrom. However, the Company does not anticipate a material cancellation of orders from the customers of the Company due to the extension of delivery times.

Furthermore, due to the consequences of the global shortage of electronic components on the ability of the Company to supply part of the products of the Company to its customers, the Board of Directors of the Company decided to currently include in this report the following data in respect of the backlog in the orders of the Company:

Backlog of orders as of March 31, 2023	Backlog of orders as of March 31, 2022	Backlog of orders as of December 31, 2022
92,876	46,426	84,784

1.3.2. **The impact of inflation and the increase in interest rates**

Further to the aforesaid in section 1.21 (risk factors) of Chapter A (Description of the Business of the Company) in the 2022 Periodic Report, as of the date of the report, the Company is monitoring and examining the consequences that may arise in the market as a result of the increase in the consumer price index and the interest rate.

In this regard, starting in 2021 there has been an increase in inflation rates in Israel and in the world. In 2022, the consumer price index in Israel increased by approximately 5.3% compared to an increase of 2.8% in the previous year. Concurrent with the global increase in prices, central banks in the world decided to raise interest rates in order to curb the price increases. Starting in April 2022, the Bank of Israel decided to raise the interest rate in Israel, which as of the date of publication of the report stands at 4.75% compared to 0.1% at the beginning of 2022.

In accordance with the forecast of the Research Division of the Bank of Israel, the inflation rate in the next four quarters ending in the first quarter of 2024 is forecasted to be 3.4% and in 2024 the inflation rate is forecasted to be 2.3%. Furthermore, in accordance with the forecast, the monetary interest rate is expected to be 4.75% on average in the first quarter of 2024.

Concurrent therewith, the Company estimates that the effect of the continued increase in the consumer price index as well as the increase in interest rates are not expected to directly affect the results of its operations in light of the liabilities and cost structure of the Company.

**The Company's assessments of the impact of the inflation and the increase in the interest rate as well as the global shortage of electronic components and the impact of these factors on the operations of the Company constitute forward-looking information, as defined in the Securities Law, 1968, which is based, inter alia, on the Company's estimates as of the date of publication of this report with respect to factors outside its control. The Company's assessments are based on information that is currently held by the Company, on publications on this subject and on relevant government directives, and which are not certain to materialize, in whole or in part, and which may materialize substantially differently, due to factors outside the Company's control.**

- 1.3.3. On April 4, 2023, the Company announced the convening of a special annual general meeting of the Company's shareholders the agenda of which is as follows: (a) Presentation and discussion of the 2022 Periodic Report of the Company; (b) reappointment of the auditors of the Company and the authorization of the Board of Directors of the Company to determine the salary thereof; (c)

the reappointment of the directors serving in the Company (who are not external directors); (d) the approval of a rental agreement with a company controlled by Mr. Haim Shani (Active Chairman of the Board of Directors of the Company and joint controlling shareholder thereof with the Fimi Fund) and Ms. Bareket Shani, the wife of Mr. Shani, for a period of three years starting from the date of the approval of the meeting; (e) approval of an agreement with PCB Technologies Ltd. (hereinafter: "**PCB**") and a subsidiary of PCB, companies controlled by the Fimi Fund, a joint controlling shareholder of the Company with Mr. Haim Shani, for a period of three years starting from the date of the approval of the meeting; (f) the approval of the amendment of the terms of office and employment of the CEO of the Company, Mr. Amit Harari.

On May 15, 2023, the Company announced the results of the annual and special general meeting in accordance with which all the resolutions on the agenda of the meeting were approved by the required majority. For further details, see the Immediate Reports of the Company of April 4, 2023 and May 15, 2023 (reference numbers: 2023-01-038949 and 2023-01-051990, respectively). The aforesaid constitutes a generalization by way of reference.

- 1.3.4. During the reporting period, the Company received from a foreign insurance company a letter of release from indemnity agreements, which were signed in order to setup a framework of surety bonds to secure the obligations of Utron Systems Inc., a related company of the Utron Group. The framework in use which was guaranteed by the Company proximate to the date of receipt of the letter of release totaled approximately USD 25 million. The consideration for the removal from the indemnity agreements totaled approximately NIS 462 thousand.
- 1.3.5. During the reporting period, confirmation was received from a banking corporation of the cancellation of the obligations of the Company to the banking corporation for compliance with the financial covenants as well as receipt of the consent of the banking corporation to distribute a dividend to the shareholders.

## **Chapter B – Board of Directors' Report**

### **2.1 The Financial Status**

#### **2.1.1 Balance sheet**

	As of March 31		As of December 31	The Board of Directors' Explanations of the Material Changes in the Balance Sheets compared to December 31, 2021
	2023	2022	2022	
	NIS thousands			
Current assets	102,817	81,784	93,135	An increase of approximately NIS 9.7 million in the total current assets is mainly due to an increase in cash balances in the amount of approximately NIS 13.2 million as well as an increase in inventory in the total amount of approximately NIS 6 million (as part of the continuation of the Company handling of the global shortage of electronic components and the increase of the backlog of orders). The aforesaid increase was partially offset by a decrease in customer balances amounting to approximately NIS 4 million and other receivable balances of approximately NIS 5.6 million
Non-current assets	58,989	58,976	59,488	No significant change
<b>Total assets</b>	<b>161,806</b>	<b>140,760</b>	<b>152,623</b>	
Current liabilities	58,501	46,955	58,150	An increase of approximately NIS 0.4 million in the total of current liabilities mainly due to an increase in the balance of suppliers and service providers of approximately NIS 3.2 million due to an increase in inventory levels which was partially offset by a decrease in payables of approximately NIS 2.9 million.
Non-current liabilities	17,252	17,058	17,840	No material change

	As of March 31		As of December 31	The Board of Directors' Explanations of the Material Changes in the Balance Sheets compared to December 31, 2021
	2023	2022	2022	
	NIS thousands			
Equity attributable to the Company's shareholders	86,053	76,747	76,633	An increase of approximately NIS 9.4 million in the equity of the Company as of March 31, 2023 mainly due to a profit in the period in the amount of approximately NIS 9 million
<b>Total liabilities and equity</b>	<b>161,806</b>	<b>140,760</b>	<b>152,623</b>	

The Company's working capital as of March 31, 2023, March 31, 2022 and December 31, 2022 amounted to approximately NIS 44,316, NIS 34,829 and NIS 34,985 respectively.



## 2.1.2 Operating results

	As of March 31		As of December 31	The Board of Directors' Explanations of the Material Changes in the Balance Sheets compared to December 31, 2021
	2023	2022	2022	
	NIS thousands			
Revenues	50,397	36,904	155,520	The revenues of the Company increased by approximately NIS 13.5 million, a rate of 37%, in the first quarter of 2023 compared with the corresponding period last year mainly due to an increase in demand and sales of the products of the Company (mainly from target countries of the Company) in light of a certain easing in the availability of electronic components as well as the ability of the Company to supply its customers.
Cost of revenues	25,994	19,915	83,434	
Gross profit (gross profit margin)	24,403 (48.4%)	16,989 (46.0%)	72,086 (46.4%)	The gross profit increased by an amount of NIS 7.4 million, while improving the gross profit ratio relative to the revenue. The improvement in the rate of gross profit is mainly due to the increase in costs of a fixed nature, the percentage of the revenue of which decreased with the increase in the volume of activity and sales.
Development expenses	926	1,027	3,436	No material change compared to the corresponding period last year
Sales and marketing expenses	8,295	6,487	29,038	An increase in sales and marketing expenses mainly due to the expansion of the sales department of the Company as well as an increase in variable expenses in light of the increase in sales.

	As of March 31		As of December 31	The Board of Directors' Explanations of the Material Changes in the Balance Sheets compared to December 31, 2021
	2023	2022	2022	
	NIS thousands			
General and administrative expenses	3,545	3,246	13,219	No material change compared to the corresponding period last year.
Profit from ordinary activities	11,637	6,229	26,393	
Financing income (expenses), net	(1,326)	26	(3,015)	The net financing expenses in the report period totaled approximately NIS 1.3 million which is mainly due to financing expenses from the loss and revaluation of hedging transactions, fair value revaluation in respect of option warrants as well as payment for release from an indemnity agreement with a foreign insurance company, offset by financing income from exchange rate differences.
Profit before taxes	10,311	6,255	23,378	
Taxes on income	1,286	882	4,517	The increase in tax expenses during the report period is mainly due to an increase in profit in the period for which the Company created a provision for current taxes.
Profit for the period	9,025	5,373	18,861	

## 2.2 Liquidity and Financing Sources

2.2.1 The balance of cash and cash equivalents as of March 31, 2023, March 31, 2022 and December 31, 2022 amounted to approximately NIS 20,156 thousand, approximately NIS 20,144 thousand and approximately NIS 6,937 thousand, respectively. Below are explanations regarding the changes in cash flows:

	As of March 31		As of December 31	The Board of Directors' Explanations of the Material Changes in the Balance Sheets compared to December 31, 2021
	2023	2022	2022	
	NIS thousands			
Cash flow from operating activities	16,225	6,697	18,677	The cash flow from current operations amounted to approximately NIS 16.2 million, and is due to the profit from current operations of the Company which totaled approximately NIS 9 million, plus the necessary adjustments for presenting the cash flow from current operations in the amount of NIS 7.2 million. These adjustments include a net increase in the working capital section in the amount of approximately NIS 3.4 million (mainly due to a decrease in customer balances, and due to an increase in the balance of suppliers and service providers and other payable balances in the amount of approximately NIS 9.3 million, and on the other hand an increase in inventory balances of approximately NIS 6 million) and income and expenses not involving cash flows amounting to NIS 3.8 million (mainly depreciation and amortization, as well as conducting foreign exchange hedging transactions and revaluation of option warrants).
Cash flow from investment activities	(2,314)	(2,528)	(10,504)	The cash flow used for investment activities during the reporting period totaled approximately NIS 2.3 million and was mainly used for investment in development properties.

	As of March 31		As of December 31	The Board of Directors' Explanations of the Material Changes in the Balance Sheets compared to December 31, 2021
	2023	2022	2022	
	NIS thousands			
Cash flow from financing activities	(987)	(11,843)	(29,784)	The cash flow used for financing activities during the reporting period totaled approximately NIS 1 million, which was mainly used for the current repayment of bank loans as well as the repayment of liabilities in respect of leases.

As of March 31, 2023, the Company's unutilized credit lines for operating activities amounted to NIS 5,400 thousand. From time to time, the Company turns to financial institutions to take out lines of credit according to its needs.

### **2.3 Required details in accordance with Regulation 8B (I) of the Regulations**

Name of the valuation subject	The fair value mechanism for adjusting the prices of a liability in respect of option warrants
Valuation date	March 31, 2023
Subject valuation	NIS 9,865,762
Appraiser	CPA Shai Fulbernis, holds a B.A degree in economics, specializing in accounting from Ben Gurion University. Holds an Israeli CPA license. CEO of Fulbernis Barkat Ben Yehuda since 2007.
Experience in performing valuations for accounting requirements in reporting corporations and with scopes similar to those of the reported valuation or exceeding these scopes	In-depth experience of 16 years in the field of valuations and financial consulting in similar or larger scopes.
Dependence on the Company	There is no dependence on the Company
Providing indemnity for the appraiser	The Company undertakes to indemnify the appraiser in connection with any compensation, which exceeds three times the amount of the fee paid by the Company to the appraiser for the opinion, in which the appraiser will be liable to a third party and/or the Company in connection

	with the opinion, including, all expenses that will be required for legal representation, including opinions of consultants and experts. These expenses will be transferred to the valuation appraiser within 30 days of the notification thereof to the Company by the appraiser.
Valuation model	Monte Carlo
Underlying assumptions in accordance with which the appraiser performed the appraisal	Unitronics standard deviation 33.83%, Utron standard deviation 25.41%, risk-free interest rate 4.26%, life cycle 1 years, Unitronics base asset NIS 17.8, Utron base asset NIS 5.36.
Impact on profit and loss	Financing expenses in the total amount of NIS 508 thousand for the period ended March 31, 2023.

#### **2.4 Quarterly Report with regard to the list of undertakings by repayment dates**

For details regarding the Company's liabilities by repayment dates as of March 31,2023, see the report on the Balance of the Company's Liabilities According to its Repayment Schedule, which is published concurrently with this report and is included herein by way of reference.

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

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Haim Shani  
Active Chairman of the  
Board of Directors

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Amit Harari  
CEO

Date: May 30, 2023

**UNITRONICS (1989) (R"G) LTD**  
**Condensed Consolidated Financial**  
**Statements**  
**March 31, 2023<sub>3</sub>**  
**(Unaudited)**

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

**Condensed Consolidated Interim Financial Statements**

**March 31, 2023**

**(Unaudited)**

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**Independent Auditors' Report**  
**To the shareholders of Unitronics (1989) (R"G) Ltd.**

***Introduction***

We have reviewed the accompanying statements of financial position of Unitronics (1989) (R"G) Ltd. (hereinafter – "the Company") which includes the condensed consolidated statements of financial position as of March 31, 2023 and the interim condensed consolidated statements of profit or loss and the comprehensive income, changes in equity and cash flows for the three month period then ended. The Board of Directors and the management are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standards IAS 34 "Financial Reporting for Interim Periods, and are also responsible for the preparation of financial information for this interim period in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion on the financial information for this interim period based on our review.

***Scope of Review***

We conducted our review in accordance with Review Standard (Israel) 2410 of the Institute of Certified Public Accountants in Israel, "Review of Financial Information for Interim Periods Prepared by the Entity's Auditor." A review of interim financial information includes making inquiries, particularly with the people responsible for financial and accounting matters, and performing analytic and other review procedures. A review is significantly limited in scope in comparison to an audit conducted in accordance with generally accepted accounting standards in Israel, and therefore does not allow us to reach an assurance that we have become aware of all material issues which may have been identified in an audit. Accordingly, we do not express an audit opinion.

***Conclusion***

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

In addition to previous paragraph, based on our review, nothing has come to our attention which would lead us to believe that the above financial information does not comply, in all material respects, with the disclosure requirements set forth in Section D of the Securities Regulations (Periodic and Immediate Reports), 1970.

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

Tel Aviv, May 30, 2023



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**Unitronics (1989) (R”G) Ltd.**

**Condensed Consolidated Interim Statements of Financial Position**

	<u>As of March 31</u>		<u>As of</u> <u>December 31</u>
	<u>2023</u>	<u>2022</u>	<u>2022</u>
	<u>(Unaudited)</u>		<u>(Audited)</u>
	<u>NIS (thousands)</u>		
<u>Current assets</u>			
Cash and cash equivalents	20,156	20,144	6,937
Trade receivables, net	28,425	21,962	32,379
Other receivable	5,340	3,235	5,828
Related companies	3,590	6,111	8,711
Inventories	45,306	30,332	39,280
	<u>102,817</u>	<u>81,784</u>	<u>93,135</u>
<u>Non-current assets</u>			
Rights-of-use assets	14,415	15,341	14,290
Other deposits	141	97	129
Property and equipment, net	2,236	2,164	2,376
Intangible assets, net	42,197	41,374	42,063
	<u>58,989</u>	<u>58,976</u>	<u>59,488</u>
	<u>161,806</u>	<u>140,760</u>	<u>152,263</u>

\_\_\_\_\_  
Amit Ben Zvi and Haim Shani  
Co-Chairmen of the Board of  
Directors

\_\_\_\_\_  
Amit Harari  
CEO

\_\_\_\_\_  
Itzik Hai  
CFO

Date of approval of the financial statements: May 30, 2023

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

**Unitronics (1989) (R”G) Ltd.**

**Condensed Consolidated Interim Statements of Financial Position**

	Note	As of March 31		As of December 31
		2023	2022	2022
		<u>(Unaudited)</u>		<u>(Audited)</u>
		<u>NIS (thousands)</u>		
<u>Current liabilities</u>				
Current maturities of loans from bank		2,328	2,294	2,313
Trade payable		32,506	21,908	29,302
Related company		8	4,894	5,788
Lease liabilities		1,599	1,353	1,601
Other payable		22,060	16,506	19,146
		<u>58,501</u>	<u>46,955</u>	<u>58,150</u>
<u>Non-current liabilities</u>				
Loans from bank		410	2,661	969
Employee benefit liabilities, net		1,653	1,929	1,653
Lease liabilities		805	1,545	1,179
Warrants for share options	3	9,866	6,101	9,358
Deferred tax liability		4,518	4,822	4,681
		<u>17,252</u>	<u>17,058</u>	<u>17,840</u>
<u>Equity</u>				
Share capital		428	428	428
Additional paid-in capital		63,951	63,877	63,936
Capital reserve from translation of financial statements of foreign activities		(1,735)	(3,090)	(2,085)
Share based payments reserve		897	748	867
Treasury shares		(7,042)	(7,042)	(7,042)
Fund regarding a transaction with the controlling shareholder		104	104	104
Retained earnings		29,450	21,722	20,425
		<u>86,053</u>	<u>76,747</u>	<u>76,633</u>
		<u>161,806</u>	<u>140,760</u>	<u>152,623</u>

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

**Unitronics (1989) (R”G) Ltd.**

**Condensed Consolidated Interim Statements of Profit or Loss**

		<u>For the three-month period ended on</u>		<u>For the year ended</u>
		<u>March</u>		<u>December</u>
		<u>31</u>		<u>31</u>
	<u>Note</u>	<u>2023</u>	<u>2022</u>	<u>2022</u>
		<u>(Unaudited)</u>		<u>(Audited)</u>
		<u>NIS (thousands)</u>		
Revenues	4	50,397	36,904	155,520
Cost of revenues		<u>25,994</u>	<u>19,915</u>	<u>83,434</u>
Gross profit		24,403	16,989	72,086
Development expenses		926	1,027	3,436
Sales and marketing expenses		8,295	6,487	29,038
General and administrative expenses		<u>3,545</u>	<u>3,246</u>	<u>13,219</u>
Operating profit		11,637	6,229	26,393
Finance incomes		470	278	963
Finance expenses		<u>1,796</u>	<u>252</u>	<u>3,978</u>
Profit before taxes on income		10,311	6,255	23,378
Income taxes		<u>1,286</u>	<u>882</u>	<u>4,517</u>
Profit for the period		<u>9,025</u>	<u>5,373</u>	<u>18,861</u>
Basic earnings per share in NIS		<u>0.654</u>	<u>0.389</u>	<u>1.367</u>
Diluted earnings per share in NIS		<u>0.650</u>	<u>0.376</u>	<u>1.355</u>

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

**Unitronics (1989) (R”G) Ltd.**

**Condensed Consolidated Interim Statements of Comprehensive Income**

	For the three-month period ended on March 31		For the year ended December 31
	2023	2022	2022
	(Unaudited)		(Audited)
	<u>NIS (thousands)</u>		
Profit for the period	9,025	5,373	18,861
<u>Other comprehensive income (net of tax)</u>			
<u>Amounts that will not subsequently be reclassified to profit or loss:</u>			
Profits from revaluation in respect of defined benefit plans	-	-	215
<u>Amounts that will be reclassified to profit or loss if certain conditions are fulfilled:</u>			
Adjustments arising from translation of financial statements of foreign operations	350	170	1,175
Other comprehensive income for the period	350	170	1,390
Total comprehensive income for the period	<u>9,375</u>	<u>5,543</u>	<u>20,251</u>

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

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

**Condensed Consolidated Interim Statements of Changes in Equity**

	<b>Share capital</b>	<b>Addition al paid- in capital</b>	<b>Capital reserve from translation of financial statements of foreign operations</b>	<b>Share based payments réserve</b>	<b>Compa ny shares held by the compan y</b>	<b>Reserve from a transaction with a controlling party</b>	<b>Retained earnings</b>	<b>Total</b>
	<b>NIS thousands</b>							
	<b>(Unaudited)</b>							
<u>Balance as of January 1, 2023</u>	428	63,936	(2,085)	867	(7,042)	104	20,425	76,663
Profit for the period	-	-	-	-	-	-	9,025	9,025
Other comprehensive income for the period	-	-	350	-	-	-	-	350
Total comprehensive income for the period	-	-	350	-	-	-	9,025	9,375
Exercise of employee stock option	* ]	15	-	(15)	-	-	-	-
Share-based payment cost	-	-	-	45	-	-	-	45
<u>Balance as of March 31, 2023</u> <u>(unaudited)</u>	<u>428</u>	<u>63,951</u>	<u>(1,735)</u>	<u>897</u>	<u>(7,042)</u>	<u>104</u>	<u>29,450</u>	<u>86,053</u>
<u>Balance as of January 1, 2022</u>	428	63,877	(3,260)	673	(7,042)	104	16,349	71,129
Profit for the period	-	-	-	-	-	-	5,373	5,373
Other comprehensive income for the period	-	-	170	-	-	-	-	170
Total comprehensive income for the period	-	-	170	-	-	-	5,373	5,543
Share-based payment cost	-	-	-	75	-	-	-	75
<u>Balance as of March 31, 2022</u> <u>(unaudited)</u>	<u>428</u>	<u>63,877</u>	<u>(3,090)</u>	<u>748</u>	<u>(7,042)</u>	<u>104</u>	<u>21,722</u>	<u>76,747</u>

(\*) Lower than NIS 500

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

**Unitronics (1989) (R”G) Ltd.**

**Condensed Consolidated Interim Statements of Changes in Equity**

	<b>Share capital</b>	<b>Addition al paid- in capital</b>	<b>Capital reserve from translation of financial statements of foreign operations</b>	<b>Share based payments reserve</b>	<b>Compa ny shares held by the compan y</b>	<b>Reserve from a transaction with a controlling party</b>	<b>Retained earnings</b>	<b>Total</b>
	<b><u>NIS thousands</u></b>							
	<b><u>(Unaudited)</u></b>							
<u>Balance as of January 1, 2022</u>	428	63,877	(3,260)	673	(7,042)	104	16,349	71,129
Profit for the year	-	-	-	-	-	-	18,861	18,861
Other comprehensive income for the year	-	-	1,175	-	-	-	215	1,390
Total comprehensive income for the year	-	-	1,175	-	-	-	19,076	20,251
Share-based payment cost	-	-	-	253	-	-	-	253
Dividend distribution	-	-	-	-	-	-	(15,000)	(15,000)
Exercise of employee stock option	*	59	-	(59)	-	-	-	-
<u>Balance as of December 31,2022</u>	<u>428</u>	<u>63,936</u>	<u>(2,085)</u>	<u>867</u>	<u>(7,042)</u>	<u>104</u>	<u>20,425</u>	<u>76,633</u>

(\*) Lower than NIS 500

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

**Unitronics (1989) (R”G) Ltd.**  
**Condensed Consolidated Interim Statements of Cash Flows**

	For the three-month period ended on March 31		For the year ended December 31
	2023	2022	2022
	(Unaudited)		(Audited)
	NIS (thousands)		
<u>Cash flows – operating activities:</u>			
Profit for the period	9,025	5,373	18,861
Adjustments required to reconcile Net income to net cash provided by operating activities (Appendix A)	7,200	1,324	(184)
Net cash derived from operating activities	16,225	6,697	18,677
<u>Cash flows – investment activities:</u>			
Purchase of property and equipment	(29)	(153)	(893)
Investment in right-of-use assets	-	(62)	(167)
Investment in intangible assets	(2,285)	(2,313)	(9,444)
Net cash flows used in investing activities	(2,314)	(2,528)	(10,504)
<u>Cash flows – financing activities:</u>			
Repayment of long-term loans	(577)	(1,423)	(3,144)
Repayment of lease liabilities	(410)	(420)	(1,640)
Dividend distribution	-	(10,000)	(25,000)
Net cash used in financing activities	(987)	(11,843)	(29,784)
Effect of foreign exchange rate differences on cash balances	295	90	820
Change in cash and cash equivalents for the period	13,219	(7,584)	(20,791)
Cash and cash equivalent balance at beginning of the period	6,937	27,728	27,728
Cash and cash equivalent balance at end of the period	20,156	20,144	6,937

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

**Unitronics (1989) (R”G) Ltd.**

**Condensed Consolidated Interim Statements of Cash Flows**

	For the three-month period ended on March 31		For the year ended December 31
	2023	2022	2022
	(Unaudited)		(Audited)
	<u>NIS (thousands)</u>		

Appendix A

Adjustments required to reconcile net  
income to net cash provided by operating  
activities

Non-cash revenues and expenses

Depreciation and amortization	2,852	3,008	11,583
Stock-based compensation	45	75	253
Accrued severance pay, net	-	-	(29)
Revaluation of cash balances in foreign currency	(72)	(75)	(390)
Revaluation of long-term loans	34	16	64
Changes in deferred taxes	(163)	397	224
Revaluation of financial assets, net	578	(231)	19
Revaluation of warrants for share options	508	79	3,336
Accrued interest and revaluation in respect of leases	9	43	79

Changes in operating assets and liabilities:

Decrease (increase) in trade receivables	4,333	(1,965)	(11,176)
Decrease (increase) in other receivables	605	(861)	(3,548)
Increase in inventories	(5,972)	(1,994)	(10,818)
Decrease (increase) in Related companies, net	(564)	276	(1,103)
Increase in suppliers and service providers	3,188	1,913	9,263
Increase in other payables	1,819	643	2,059
	<u>7,200</u>	<u>1,324</u>	<u>(184)</u>

Appendix B - Additional information on cash  
flows for current operations

Cash paid during the period for:

Interest	<u>199</u>	<u>64</u>	<u>246</u>
Taxes on income	<u>3,760</u>	<u>516</u>	<u>2,262</u>

Cash received during the year for:

Interest	<u>4</u>	<u>-</u>	<u>-</u>
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Appendix C – non-cash activities

New lease agreements	-	1,009
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The notes to the consolidated interim financial statements form an integral part thereof



## **Unitronics (1989) (R”G) Ltd.**

### **Notes to the Condensed Consolidated Interim Financial Statements**

#### **Note 1 – General:**

Unitronics (1989) (R”G) Ltd. (hereinafter - the "Company") is engaged in the design, development, production, marketing, sale and support of programmable logic controllers (PLC) and automation products.

The condensed interim financial statements are to be reviewed in conjunction with the annual financial statements of the Company as of December 31, 2022 and the accompanying notes (hereinafter - the "Consolidated Annual Financial Statements"). Therefore, no notes were provided in the condensed interim financial statements with regard to non-material updates relative to the information which has previously been reported in the notes in the most recent annual financial statements of the Company.

#### **Note 2 – Main Points of the Accounting Policies**

- A. The condensed interim financial statements are in conformity with the provisions of IAS 34 with regard to “Interim Financial Reporting”. In addition, the condensed interim financial statements are in accordance with the disclosure provisions pursuant to Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970
- B. The condensed interim financial statements were prepared in accordance with the same accounting policies and calculation methods which were applied in the annual financial statements of the Company as of December 31, 2022.

#### **Note 3 –Financial instruments**

- A. Classification of financial instruments in accordance with fair value hierarchy

The financial instruments presented in the Statement of Financial Position at fair value or disclosed at their fair value are classified according to groups with similar characteristics to the fair value hierarchy determined in accordance with the source of the data used to determine the fair value:

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

Level 2: Non-quoted prices included in Level 1 which can be forecasted directly or indirectly

Level 3: Data that is not based on market information which can be forecasted (assessment techniques without the use of market data which can be forecasted)

Academic agreements in foreign currency are measured in accordance with level 2.

Liability for options is measured in accordance with level 3.

**Unitronics (1989) (R”G) Ltd.**

**Notes to the Condensed Consolidated Interim Financial Statements**

**Note 3 – Financial instruments (continued)**

A. Classification of financial instruments by fair value rating (continued)

Valuation techniques regarding fair value measurements classified to Level 3 - Liabilities in respect of share options

The fair value of the liability for option warrants, for which no quoted market price exists, is determined throughout the reporting period on the basis of the economic model used in an evaluation made by an external appraiser. Further to the foregoing in Note 26 D of the consolidated annual financial statements, entitlement to additional Company shares held by FIMI shall depend on the total consideration FIMI will receive from the sale of its holdings of the shares of the Company and the Utron shares, Given the number of variables affecting the value of the options, the "Monte Carlo" model is used.

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

The future value of FIMI shares was estimated using the Monte Carlo model and was divided into two categories:

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

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

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

B. Adjustment between fair value measurements classified at level 3 in the fair value hierarchy of financial instruments

	<u>Fair value or loss of financial liabilities</u>		
	<u>For the three-month period</u>		<u>For the year</u>
	<u>ended March 31</u>		<u>December 31</u>
	<u>2023</u>	<u>2022</u>	<u>2022</u>
	<u>(Unaudited)</u>		<u>(Audited)</u>
	<u>NIS thousands</u>		
As of the beginning of the period	(9,358)	(6,022)	(6,022)
Total net loss recognized in financing	(508)	(79)	(3,336)
As of the end of the period	<u>(9,866)</u>	<u>(6,101)</u>	<u>(9,358)</u>

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

**Notes to the Condensed Consolidated Interim Financial Statements**

**Note 3 – Financial instruments (continued)**

B. Adjustment between fair value measurements classified at level 3 in the fair value hierarchy of financial instruments (continued)

The balance of the liabilities in respect of the option warrants are in accordance with the valuation performed by an external appraiser, based on the "Monte Carlo" model. The underlying assumptions in the calculation of the valuation:

Unitronics base asset NIS 17.8 NIS, Utron base asset NIS 5.36, Unitronics standard deviation 33.83%, Utron standard deviation 25.41%, risk-free interest rate 4.26%, life cycle 1 year.

C. Quantitative data with regard to Level 3 fair value valuations:

The following is the impact on the profit or loss of a deviation from the standard\*

<b>As of March 31, 2022 (unaudited)</b>				
<b>+10%</b>	<b>+5%</b>	<b>Fair value</b>	<b>-5%</b>	<b>-10%</b>
271	106	9,866	(157)	(299)

<b>As of March 31, 2022 (unaudited)</b>				
<b>+10%</b>	<b>+5%</b>	<b>Fair value</b>	<b>-5%</b>	<b>-10%</b>
230	47	6,101	(150)	(343)

<b>As of March 31, 2022 (unaudited)</b>				
<b>+10%</b>	<b>+5%</b>	<b>Fair value</b>	<b>-5%</b>	<b>-10%</b>
241	108	9,358	(132)	(182)

The following is the effect on the profit or loss in NIS thousands from a change in the base assets:

<b>As of March 31, 2022 (unaudited)</b>				
<b>+10%</b>	<b>+5%</b>	<b>Fair value</b>	<b>-5%</b>	<b>-10%</b>
167	(85)	9,866	418	1,091

<b>As of March 31, 2022 (unaudited)</b>				
<b>+20%</b>	<b>+10%</b>	<b>Fair value</b>	<b>-10%</b>	<b>-20%</b>
900	414	6,101	(349)	(539)

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

**Notes to the Condensed Consolidated Interim Financial Statements**

**Note 3 – Financial instruments (continued)**

C. Quantitative data with regard to Level 3 fair value valuations: (continued)

<b>As of March 31, 2022 (unaudited)</b>				
<b>+20%</b>	<b>+10%</b>	<b>Fair value</b>	<b>-10%</b>	<b>-20%</b>
332	(62)	9,358	444	1,177

\*In the calculation of the aforesaid sensitivity tests, the rate of the increase/decrease taken into account is a change in both the share of the Company and the share of Utron Ltd. (related company), in accordance with the "Monte Carlo" model.

**Note 4 – Income**

Income by geographical area:

	<b>For the three-month period ending</b>		<b>For the year ending</b>
	<b>March 31, 2023</b>	<b>March 31, 2022</b>	<b>December 31, 2022</b>
	<b>Unreviewed</b>		<b>Reviewed</b>
<b>NIS, (in thousands)</b>			
Israel	2,383	2,460	8,936
Europe	19,162	13,848	55,407
United States	23,346	17,565	72,822
Others (1)	5,506	3,031	18,355
<b>Total income</b>	<b>50,397</b>	<b>36,904</b>	<b>155,520</b>

(1) Including income from several countries, wherein the income from one country does not exceed 2% of the total income of the Company.

Income by main products

	<b>For the three-month period ending</b>		<b>For the year ending</b>
	<b>March 31, 2023</b>	<b>March 31, 2022</b>	<b>December 31, 2022</b>
	<b>Unreviewed</b>		<b>Reviewed</b>
<b>NIS, (in thousands)</b>			
Controllers and expansion units	46,597	35,241	144,673
Others	3,800	1,663	10,847
<b>Total income</b>	<b>50,397</b>	<b>36,904</b>	<b>155,520</b>

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

**Notes to the Condensed Consolidated Interim Financial Statements**

**Note 5 – Material events during and after the reporting period**

A. Global shortage of electronic components

The Company is exposed to the effects and risks associated with the global shortage of electronic components. Since the end of 2020 there has been a worldwide shortage of electronic components which is affecting the entire electronics industry. To the best knowledge of the Company, the shortage of electronic components is due to several reasons, including: a decrease in supply due to the Corona crisis, during which many workers stayed at home thereby impairing the production lines; Increased demand for electronic component-based products during the Corona crisis such as: smartphones, computers, monitors, routers and other electronic component-based products; as well as an increase in demand in the automotive industry, which began to stock up on a large amount of electronic chips, which was reflected in large-scale chip orders.

Following the increase in demand concurrent with the decrease in supply, the delivery times for electronic components have become very long, occasionally reaching a year and even longer. The Company estimates that despite the noticeable relief in the availability of components as of the date of the report, the current situation is expected to continue in the forthcoming months, wherein as of the date of publication of this report, there is no clear forecast with regard to the end or the easing of the global shortage of electronic components.

The Company anticipates that the lengthening of the delivery times of the electronic components may extend the delivery dates of the orders of the customers of the Company which may cause a delay in the receipt of revenue therefrom. However, the Company does not anticipate a material cancellation of orders from the customers of the Company due to the extension of delivery times.

- B. During the reporting period, the Company received from a foreign insurance company a letter of release from indemnity agreements, which were signed in order to set up a framework of surety bonds to secure the obligations of Utron Systems Inc., a related company of the Utron group. The framework guaranteed by the Company close to the date of receiving the letter of release amounted to approximately USD 25 million. The consideration for the removal of the indemnity agreements amounted to approximately NIS 462 thousand.
- C. During the reporting period, confirmation was received from a banking corporation of the cancellation of the obligations of the Company to the banking corporation to comply with financial covenants and to obtain the consent of the banking corporation to distribute a dividend to the shareholders.

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

**Notes to the Condensed Consolidated Interim Financial Statements**

**Note 6 – Events subsequent to the balance sheet date**

- A. On May 15, 2023, the general meeting of the shareholders of the Company (hereinafter - the "Meeting") approved entering into a rental agreement that supersedes the current rental agreement with a company controlled by Mr. Haim Shani (the active Chairman of the Board of Directors of the Company and the joint controlling shareholder thereof with the Fimi Foundation) and Ms. Bareket Shani, the wife of Mr. Shani, for a period of three years from the date of the approval of the meeting. In accordance with the rental agreement, the Company will be entitled to reduce the rented or re-increase it again up to a total of 1,600 square meters (provided that it is not below the total of 1,022 square meters, the area leased in the current agreement), and increase the number of parking spaces available thereto in the rented space up to 60 spaces and re-reduce it again (provided that it is not less than 30 parking spaces, the number specified in the current agreement) without changing the price per square meter/per parking or any other term of the rental terms, wherein the reduction or the re-increase will be at the sole discretion of the management in accordance with the needs of the Company. The total maximum rental cost for the Company in accordance with the new agreement for rental, parking spaces, management and maintenance fees as well as differences in linkage with the consumer price index as of the date of the report is approximately NIS 203 thousand per month.
- B. Further to note 22b(f) in the annual consolidated financial statements with regard to the agreements of the Company with a supplier of printed circuits and the services for the assembly of electronic components on printed circuits, the controlling shareholder of which is the Fimi Fund, one of the joint controlling shareholders of the Company together with Mr. Haim Shani, the meeting approved on May 15, 2023, as part of the entry into the aforesaid agreements the engagement and activity with the supplier (PCB Technologies Ltd. and the subsidiary thereof) for a period of three years from the date of the approval of the meeting in annual volumes of up to 12% of the total cost of sales or NIS 10 million, whichever is higher.
- C. On May 15, 2023, the Meeting approved an update to the terms of office and employment of Mr. Amit Harari, the CEO of the Company, such that the fixed component of the monthly salary (gross salary) of Mr. Harari will be increased by NIS 4,000 starting on April 1, 2023. The remainder of the terms of office and employment of Mr. Harari will remain unchanged.
- D. On May 30, 2023, the Board of Directors of the Company decided to distribute a dividend to the shareholders of the Company in the total amount of NIS 10 million.

**Chapter D - Statements by the CEO and CFO of the Corporation for the  
First Quarter of 2023**

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

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

I, Amit Harari, certify that:

1. I have reviewed the quarterly report of UNITRONICS (1989) (R"G) Ltd. ("the corporation") for the first quarter of 2023 ("the Report").
2. To the best of my knowledge, the report is free of any misrepresentation of material fact and is not lacking any representation of material fact required for the representations made there in, under the circumstances in which they were made, to not be misleading in reference to the period covered by the report.
3. To the best of my knowledge, the financial statements and other financial information included in the report properly reflect, in all material aspects, the financial standing, operating results and cash flows of the corporation as of the dates and for the periods to which the report refers.
4. I have disclosed to the corporation's Independent Auditor, the Board of Directors and the Audit Committee of the corporation's Board of Directors, any fraud, whether material or not, involving the CEO or any direct report of the CEO, or involving any other employees that have a significant role in the financial reporting and in disclosure and control over financial reporting.

The foregoing shall not detract from my statutory responsibility, or that of any other person.

May 30, 2023

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Amit Harari, CEO



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

I, Itzik Hai, certify that:

1. I have reviewed the interim financial statements and other financial information included in the interim reports of UNITRONICS (1989) (R"G) Ltd. ("the corporation") for the first quarter of 2023 (hereinafter - "the Report" or "the Interim Reports").
2. To the best of my knowledge, the interim financial statements and the other financial information included in the interim reports are free of any mis-representation of material fact and is not lacking any representation of material fact required for the representations made there in, under the circumstances in which they were made, to not be misleading in reference to the period covered by the report.
3. To the best of my knowledge, the interim financial statements and the other financial information included in the interim reports properly reflect, in all material aspects, the financial standing, operating results and cash flows of the corporation as of the dates and for the periods to which the report refers.
4. I have disclosed to the corporation's Independent Auditor, the Board of Directors and the Audit Committee of the corporation's Board of Directors, any fraud, whether material or not, involving the CEO or any direct report of the CEO, or involving any other employees that have a significant role in the financial reporting and in disclosure and control over financial reporting.

The foregoing shall not detract from my statutory responsibility, or that of any other person.

May 30, 2023

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Itzik Hai, CFO