



Unitronics (1989) (RG) Ltd.

Quarterly Report as of June 30, 2022

On January 1, 2020, the Company announced that it was back to the definition of "small corporation" as defined in this Securities Regulations (Periodic and Immediate Reports), 1970 (hereinafter: "Regulations") and in view of the aforesaid, and in accordance with the decision of the Company's Board of Directors. In this regard, the Company will continue to apply all the reliefs it has implemented to date as a small corporation, which are set out in Regulation 5D of the Regulations. For further details, see the Immediate Report on January 1, 2020 (Reference: 2020-01-000085), which is hereby incorporated by reference.

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1. Chapter A – Introduction

1.1. General

Company name: Unitronics (1989) (RG) Ltd.
(Hereinafter: the "**Company**" or "**Unitronics**")

Company number: 520044199

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Period of the Report: The six and three-month period ended on June 30, 2021

Date of the Report: June 30, 2022

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 also assumed that the Board of Directors' report for December 31, 2021, as published on March 29, 2022 (reference number: 2022-01-031416).

The above reference is cited as inclusion by way of reference ("**2021 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 the year 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 marketing system via subsidiaries in the United States and Germany, as well as through a network of distributors that includes about 190 distributors, of which approximately more than 110 are in the US and North America and about 70 countries throughout Europe, Asia (including Israel), 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 2021 Periodic Report.

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

1.3.1. Consequences of the outbreak of the Corona virus

For the disclosure with regard to the outbreak of the corona virus and its consequences in 2021, see section 1.7 of Chapter A - description of the corporation's business in the periodic report for 2021.

During the period of the report and until the date of its approval, the company's business and financial results were not significantly affected by the corona virus.

The Company does not anticipate that its business will be materially adversely affected in the near future by the Corona crisis. The Company regularly monitors developments with regard to the spread of the Corona virus in Israel and around the world and operates in accordance with the guidelines of the various authorities.

1.3.2. The consequences of the 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 affects the entire electronics industry. To the best of the knowledge of the Company, the shortage of electronic components is due to several reasons, including: a decrease in supply due to the Corona crisis as a result of which many workers stayed at home, which caused damage to the production lines; an increase in 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 by large-scale chip orders.

Following the increase in demand in parallel with the decrease in supply, the delivery times for electronic components have become very long, sometimes reaching a year and even longer. The Company estimates that the current situation is expected to continue in the forthcoming months, and as of the date of publication of this report, there is no clear forecast of an improvement in supply.

The extension of delivery times of electronic components causes an extension in the delivery times of part of the products to the customers of the Company which may accordingly defer the revenue therefrom. At the same time, the Company does not anticipate significant cancellations for orders as a result of the extension of delivery times of orders to the customers of the Company.

1.3.3. The effects of inflation and the increase in interest rates

Further to what was stated in sections 1.7 (general environment and the influence of external factors on the company's activities) and 1.22 (risk factors) in chapter A (description of the company's business) in the company's periodic report for 2021, as of the date of the report, the company is monitoring and examining the consequences that may arise as a result of an increase The consumer price index and the interest rate in the economy.

In this context, starting in 2021 there has been an increase in inflation rates in Israel and in the world. During the first half of the year 2022, the consumer price index in Israel increased by approximately 3.1% compared to an increase of 1.4% in the corresponding period last year, while in the last 12 months until the date of the report, the consumer price index increased by approximately 4.1%. Along with the global price increase, central banks in the world decided to raise interest rates in order to curb the price increases. Beginning in April 2022, the Bank of Israel decided to raise the interest rate in Israel, which as of the date of the report stands at 1.25% compared to 0.1% at the beginning of the year, and according to the Bank of Israel's research forecasts, by the second quarter of 2023 the interest rate should increase by 1.5% and reach 2.75% .

The company has loans from banking corporations linked to the prime interest rate, and the company also rents a building in exchange for rent linked to the consumer price index. The increase in the consumer price index as well as the increase in the prime interest rate did not materially affect the company's results. According to **the company's assessments**, the effect of the continued increase in the consumer price index as well as the increase in interest rates are not expected to significantly affect the results of its operations in light of the company's liabilities and cost structure.

The company's assessments regarding the possible consequences of the continued spread of the corona virus and the instructions given to the public under it, as well as regarding the global shortage of electronic components, as well as the company's assessments regarding the effects of inflation and the increase in interest rates and the effect of these factors on the company's activities constitute forward-looking information, as defined in the Securities Law, 1968, based,

among other things, on the company's estimates as of the date of publication of this report in relation to factors beyond its control. The company's estimates are based on information currently available to the company, on publications on this subject and on the instructions of the relevant authorities, and which there is no certainty that will be realized, all or some of them, and may materialize in a fundamentally different way, due to factors beyond the company's control.

1.3.4. On May 29, 2022, the company's board of directors, after the approval of the balance sheet, audit and compensation committee on May 25, 2022, approved the renewal of the company's directors and officers liability insurance policy for a period of 12 months starting from June 1, 2022 until May 31, 2023, in accordance with the provisions of regulations 1b(5)) and 1b1 of the company regulations (facilitation of transactions with interested parties), 2000 (hereinafter: "the facilitation regulations") and in accordance with the company's compensation policy, regarding all directors and officers of the company (those who do not have control of the company as well as those who have control The main terms of the policy are as follows: insurance coverage for one incident and in total for the damages that may occur during the insurance period in the amount of 7,500,000 dollars (seven million and five hundred thousand US dollars) (and other reasonable legal defense expenses in Israel and abroad) , the company's deductible in the amount of \$10,000 except for claims filed in the USA and Canada as well as securities related claims, where the company's deductible will be \$50,000 per case.

For more details, see the company's immediate report on a transaction with a controlling shareholder that does not require the approval of a general meeting according to the relief regulations (T. 136) dated May 30, 2022 (reference number: 2022-01-066646). Said mention is included by way of reference.

1.3.5. On April 11, 2022, 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 2021 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 reappointment of Ms. Rivka Granot for an additional term of three years as an external director of the Company; (e) the re-approval of the employment agreement of Mr. Haim Shani, the Active Chairman of the Board of Directors and one of the controlling shareholders of the Company, for an additional period of three years; (f) the re-approval of the terms of service of Mr. Amit Ben-Zvi, Chairman of the Active Joint Chairman of the Board of Directors, Partner and Officer of the FIMI Group, one of the controlling shareholders of the Company, for an additional period of three years; (g) the re-approval of the Remuneration Policy o the Company.

On May 17, 2022, 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 11, 2022 and May 17, 2022 (reference numbers: 2022-01-038805 and 2022-01-060136, respectively). The aforesaid constitutes a generalization by way of reference.

1.4. Events after the end of the reporting period

Regarding events after the end of the reporting period, see Note 6 to the financial statements for June 30, 2022.

Chapter B – Board of Directors' Report

2.1 The Financial Status

2.1.1 Balance sheet

	As of June 30		As of December 31, 2021	The Board of Directors' Explanations of Material Changes in Balance Sheets compared to December 31, 2021
	2022	2021		
	NIS thousands			
Current assets	88,560	81,846	84,268	An increase of about NIS 4.3 million in total current assets is mainly due to an increase in customer balances and inventory in the amount of about NIS 7.5 million, which was partially offset by a decrease in cash balances of about NIS 4.9 million.
Non-current assets	59,591	57,293	59,467	No material change in comparison to December 31, 2021
Total assets	148,151	139,139	143,735	
Current liabilities	48,040	48,493	55,155	A decrease of approximately NIS 7.1 million mainly due to a dividend in the amount of NIS 10 million announced in December 2021, and paid during the reporting period. The decrease was partially offset by an increase in the balance of suppliers and service providers of approximately NIS 4.4 million.
Non-current liabilities	17,532	18,386	17,451	No material change compared to December 31, 2021.
Equity attributable to the Company's shareholders	82,579	72,260	71,129	An increase in the company's equity balance of approximately 11.5 million NIS is mainly due to a profit for the six-month period that ended on June 30, 2022 in the amount of 10.2 million NIS.
Total liabilities and equity	148,151	139,139	143,735	

The company's working capital as of June 30, 2022, as of June 30, 2021, and as of December 31, 2021 was approximately NIS 40,520 thousand, NIS 33,353 thousand, and NIS 29,113 thousand, respectively.

2.1.2 Operating results

	For the six-month period ended June 30		For the three-month period ended June 30		For the year ended on December 31,	The Board of Directors' Explanations of the Main Changes in the profit and loss items compared to the corresponding period last year
	2022	2021	2022	2021	2021	
	NIS thousands					
Revenues	73,648	72,635	36,744	38,398	147,018	Revenues for the six-month period that ended on June 30, 2022, increased by approximately NIS 1.0 million compared to the corresponding period last year.
Cost of revenues	39,382	39,320	19,467	20,590	79,935	
Gross profit (gross profit margin)	34,266 (46.5%)	33,315 (45.9%)	17,277 (47.0%)	17,808 (46.4%)	67,083 (45.6%)	An increase of about NIS 1.0 million for the six-month period that ended on June 30, 2022, compared to the corresponding period last year in light of the increase in sales, while improving the gross profit rate in relation to revenues.
Development expenses	1,981	1,799	954	924	4,144	No material change compared to the corresponding period last year.
Sales and marketing expenses	13,646	12,189	7,159	6,586	25,429	Sales and marketing expenses increased during the reporting period by approximately NIS 1.5 million compared to the corresponding period last year mainly due to an increase in marketing expenses after the reduction of these expenses during the Corona period.
General and administrative expenses	6,386	6,253	3,140	3,115	11,914	No material change compared to the corresponding period last year.
Other income	-	1,268	-	-	1,268	The other income in the six-month period ended June 30, 2021 is attributable to the waiver of the US Corona loan repayment.

	For the six-month period ended June 30		For the three-month period ended June 30		For the year ended on December 31,	The Board of Directors' Explanations of the Main Changes in the profit and loss items compared to the corresponding period last year
	2022	2021	2022	2021	2021	
	NIS thousands					
Profit from ordinary activities	12,253	14,342	6,024	7,183	26,864	
Financing income (expenses), net	(600)	(2,442)	(626)	(1,106)	(3,627)	A decrease in financing expenses, net of approximately NIS 1.8 million in the six-month period that ended on June 30, 2022, compared to the corresponding period last year, is mainly attributed to a decrease in financing expenses from revaluation to fair value in respect of Warrants for ordinary shares (an expense of approximately NIS 1.2 million in the period The report compared to an expenditure of 2.2 million NIS in the corresponding period last year) and financing income from exchange rate differences and protection transactions of about 0.9 million NIS.
Profit before taxes	11,653	11,900	5,398	6,077	23,237	
Taxes on income	1,434	1,461	552	800	4,038	No material change compared to the corresponding period last year.
Profit for the period	10,219	10,439	4,846	5,277	19,199	

2.2 Liquidity and Financing Sources

2.2.1 The cash balance and cash value on June 30, 2022, on June 30, 2021 and on December 31, 2021 were about 22,828 thousand NIS, about 22,147 thousand NIS and about 27,728 thousand NIS, respectively. Below are explanations regarding changes in cash flows :

	For the six-month period ended June 30		For the three-month period ended June 30		For the year ended on December 31	The Board of Directors' Explanations
	2022	2021	2022	2021	2021	
	NIS thousands					
Cash flow from operating activities	11,959	16,131	5,262	6,694	32,109	The cash flows resulting from current operations amounted to approximately 12.0 million NIS, and is due to the profit for the period of the Company which amounted to approximately 10.2 million NIS, plus adjustments necessary for the purpose of presenting the cash flow from current operations, which totaled 1.7 million NIS, and included income and expenses that are not involve cash flows amounting to NIS 6.8 million (mainly depreciation and amortization) offsetting changes in working capital items amounting to approximately NIS 5.1 million.
Cash flow from investment activities	(5,243)	(2,532)	(2,715)	5,458	(7,314)	The cash flows used for investment activity during the reporting period amounted to approximately NIS 5.2 million, and were mainly used for investments in development assets as well as fixed assets.
Cash flow from financing activities	(12,854)	(15,651)	(1,011)	(13,653)	(20,606)	The cash flows used for financing activities during the reporting period amounted to approximately NIS 12.9 million, and were mainly used for the payment of a dividend in the amount of NIS 10 million and the current repayment of bank loans.

On June 30, 2022, the total number of unused approved lines of credit, which the company has for current operations, was about NIS 5,400 thousand. The company periodically turns to financial institutions for credit lines according to its needs.

2.2.2 Details of financial covenants of the Company

Lending entity – Bank ¹			
Compliance with financial covenants			
	Financial covenant		Results of the calculation of the compliance of the Company with the covenant as of June 30, 2022
1	Ratio of financial debt to tangible equity	Shall not exceed 80%	The Company has a net cash balance
2	Ratio of EBITDA to financial debt	Shall not exceed 10	The Company has a net cash balance
3	Equity restriction	Not less than NIS 25 million	NIS 82.6 million

In addition, the company committed to the banking corporation to avoid a change in control of the company, not to merge or split with another corporation, and not to distribute a dividend to the shareholders, without obtaining the bank's consent to such actions.

¹ For further details of the loan of the Company, see section 1.16 in Chapter A of the 2021 Periodic Report

2.3 Quarterly Report Regarding the Balance of the Company's Liabilities according to its Repayment Schedule

For details regarding the Company's liabilities by repayment dates as of June 30, 2022 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.

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

Haim Shani
Active Chairman of the
Board of Directors

Amit Harari
CEO

Date: August 31, 2022

UNITRONICS (1989) (R"G) LTD

Condensed Consolidated Financial

Statements

June 30, 2022

(Unaudited)

Unitronics (1989) (R"G) Ltd

Condensed consolidated Interim Financial Statements

June 30, 2022

(Unaudited)

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Introduction

We have reviewed the accompanying financial information of Unitronics (1989) (R"G) Ltd. (hereinafter – the "**Company**") which includes the condensed consolidated statements of financial position as of June 30, 2022 and the interim condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six and three month periods then ended. The Board of Directors and the management are responsible for the preparation and presentation of the financial information for these interim periods in accordance with International Accounting Standards IAS 34 "Financial Reporting for Interim Periods, and are also responsible for the preparation of the financial information for these interim periods 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 these interim periods 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 and on the review reports provided by other auditors, 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 and on the review reports provided by other auditors, 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, August 31, 2022

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Unitronics (1989) (R"G) Ltd.

Condensed Consolidated Statements of Financial Position

	As of June 30		As of December
	2022	2021	31
	(Unaudited)		(Audited)
	NIS, (in thousands)		
<u>Current assets</u>			
Cash	22,828	22,147	27,728
Trade receivables, net	23,681	21,842	19,869
Other receivables	1,926	4,831	2,137
Related companies	8,165	6,318	6,229
Inventories	31,960	26,708	28,305
	<u>88,560</u>	<u>81,846</u>	<u>84,268</u>
<u>Non-current assets</u>			
Restricted bank deposit	-	175	-
Rights-of-use assets	15,675	13,094	15,810
Other deposits	123	85	116
Property and equipment, net	2,302	2,197	2,206
Intangible assets, net	41,491	41,742	41,335
	<u>59,591</u>	<u>57,293</u>	<u>59,467</u>
	<u>148,151</u>	<u>139,139</u>	<u>143,735</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: August 31, 2022

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**

	As of June 30		As of December
	2022	2021	31
	(Unaudited)		(Audited)
	NIS, (in thousands)		
<u>Current liabilities</u>			
Current maturities of loans from banks	2,303	5,533	3,129
Trade payables	24,393	23,247	19,993
Related company	5,017	4,548	4,789
Lease liabilities	1,544	449	1,450
Dividend payable	-	-	10,000
Other payables	14,783	14,716	15,794
	<u>48,040</u>	<u>48,493</u>	<u>55,155</u>
<u>Non-current liabilities</u>			
Loans from banks	2,106	5,779	3,233
Employee benefit liabilities, net	1,929	1,781	1,929
Lease liabilities	1,723	66	1,842
Warrants for ordinary shares	7,247	6,415	6,022
Deferred tax liability	4,527	4,345	4,425
	<u>17,532</u>	<u>18,386</u>	<u>17,451</u>
<u>Equity</u>			
Share capital	428	427	428
Additional paid-in capital	63,910	63,204	63,877
Capital reserve with regard to conversion of financial statements of foreign activities	(2,177)	(2,867)	(3,260)
Capital reserve with regard to share-based payment transactions	788	715	673
Treasury shares	(7,042)	(7,042)	(7,042)
Fund regarding a transaction with a controlling shareholder	104	104	104
Retained earnings	26,568	17,719	16,349
	<u>82,579</u>	<u>72,260</u>	<u>71,129</u>
	<u>148,151</u>	<u>139,139</u>	<u>143,735</u>

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

Unitronics (1989) (R" G) Ltd.

Condensed Consolidated Statements of Income

	For the six month period ended June 30		For the three month period ended June 30		For the year ended December 31
	2022	2021	2022	2021	2021
	(Unaudited)		(Unaudited)		(Audited)
			NIS thousands		
Revenues	73,648	72,635	36,744	38,398	147,018
Cost of revenues	39,382	39,320	19,467	20,590	79,935
Gross profit	34,266	33,315	17,277	17,808	67,083
Development expenses	1,981	1,799	954	924	4,144
Selling and marketing expenses	13,646	12,189	7,159	6,586	25,429
General and administrative expenses	6,386	6,253	3,140	3,115	11,914
Other income	-	1,268	-	-	1,268
Operating profit	12,253	14,342	6,024	7,183	26,864
Finance income	856	145	578	-	-
Finance expenses	1,456	2,587	1,204	1,106	3,627
Profit before income taxes	11,653	11,900	5,398	6,077	23,237
Income taxes	1,434	1,461	552	800	4,038
Profit for the period	10,219	10,439	4,846	5,277	19,199
Basic earnings per share in NIS	0.740	0.759	0.351	0.384	1.395
Diluted earnings per share in NIS	0.735	0.757	0.349	0.381	1.387

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 (Loss)

	For the six month period ended June 30		For the three month period ended June 30		For the year ended December 31
	2022	2021	2022	2021	2021
	(Unaudited)		(Unaudited)		(Audited)
	NIS thousands				
Profit for the period	10,219	10,439	4,846	5,277	19,199
<u>Other comprehensive income (loss)</u> <u>(net of tax)</u>					
<u>Amounts that will not subsequently</u> <u>be reclassified to profit or loss:</u>					
losses from revaluation in respect of defined benefit plans	-	-	-	-	(130)
<u>Amounts that will be reclassified to</u> <u>profit or loss if certain are fulfilled:</u>					
Adjustments arising from translation of financial statements of foreign operations	1,083	97	913	(174)	(296)
Other comprehensive income (loss) for the period	1,083	97	913	(174)	(426)
Total comprehensive income for the period	11,302	10,536	5,759	5,103	18,773

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

Unitronics (1989) (R"G) Ltd.
Condensed Consolidated Statements of Changes in equity

	Share capital	Share premium	Capital reserve from adjustments due to translation of financial statements of foreign operations	Capital reserve for share base payment transactions	Company shares held by the company	Reserve from a transaction with a controlling Shareholder	Retained earnings (Accumulated loss)	Total
	NIS, in thousands (Unaudited)							
Balance as of January 1, 2022	428	63,877	(3,260)	673	(7,042)	104	16,349	71,129
Profit for the period	-	-	-	-	-	-	10,219	10,219
Other comprehensive income for the period	-	-	1,083	-	-	-	-	1,083
Total comprehensive income for the period	-	-	1,083	-	-	-	10,219	11,302
Share based payment cost	-	-	-	148	-	-	-	148
Exercise of employee stock options	*	33	-	(33)	-	-	-	-
Balance as of June 30, 2022 (Unaudited)	428	63,910	(2,177)	788	(7,042)	104	26,568	82,579
<u>Balance as of April 1, 2022</u> <u>(unaudited)</u>	428	63,877	(3,900)	748	(7,042)	104	21,722	76,747
Profit for the period	-	-	-	-	-	-	4,846	4,846
Other comprehensive loss for the period	-	-	913	-	-	-	-	913
Total comprehensive profit (loss) for the period	-	-	913	-	-	-	4,846	5,759
Share-based payment cost	-	-	-	73	-	-	-	73
Exercise of employee stock options	*	33	-	(33)	-	-	-	-
Balance as of June 30, 2022 (unaudited)	428	63,910	(2,177)	788	(7,042)	104	26,568	82,579

*Less than 500 ILS

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

Unitronics (1989) (R"G) Ltd.

Condensed Consolidated Statements of Changes in equity

	<u>Share capital</u>	<u>Share premium</u>	<u>Capital reserve from adjustments due to translation of financial statements of foreign operations</u>	<u>Capital reserve for share base payment transactions</u>	<u>Company shares held by the company</u>	<u>Reserve from a transaction with a controlling Shareholder</u>	<u>Retained earnings (Accumulated loss)</u>	<u>Total</u>
	<u>NIS, in thousands</u>							
	<u>(Unaudited)</u>							
<u>Balance as of January 1, 2021</u>	427	63,204	(2,964)	568	(7,042)	104	17,280	71,577
<u>Profit for the period</u>	-	-	-	-	-	-	10,439	10,439
<u>Other comprehensive income for the period</u>	-	-	97	-	-	-	-	97
<u>Total comprehensive income for the period</u>	-	-	97	-	-	-	10,439	10,536
<u>Share based payment cost</u>	-	-	-	147	-	-	-	147
<u>Dividend distribution</u>	-	-	-	-	-	-	(10,000)	(10,000)
<u>Balance as of June 30, 2021 (Unaudited)</u>	427	63,204	(2,867)	715	(7,042)	104	17,719	72,260
<u>Balance as of April 1, 2021 (unaudited)</u>	427	63,204	(2,693)	618	(7,042)	104	22,442	77,060
<u>Profit for the period</u>	-	-	-	-	-	-	5,277	5,277
<u>Other comprehensive loss for the period</u>	-	-	(174)	-	-	-	-	(174)
<u>Total comprehensive profit (loss) for the period</u>	-	-	(174)	-	-	-	5,277	5,103
<u>Share-based payment cost</u>	-	-	-	97	-	-	-	97
<u>Dividend distribution</u>	-	-	-	-	-	-	(10,000)	(10,000)
<u>Balance as of June 30, 2021 (unaudited)</u>	427	63,204	(2,867)	715	(7,042)	104	17,719	72,260

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

Unitronics (1989) (R"G) Ltd.

Condensed Consolidated Statements of Changes in equity

	Share capital	Share premium	Capital reserve from adjustments due to translation of financial statements of foreign operations	Capital reserve for share base payment transactions	Company shares held by the company	Reserve from a transaction with a controlling Shareholder	Retained earnings (Accumulated loss)	Total
	NIS, in thousands (Unaudited)							
Balance as of January 1, 2021	427	63,204	(2,964)	568	(7,042)	104	17,280	71,577
Net profit for the year	-	-	-	-	-	-	19,199	19,199
Other comprehensive profit (loss) for the year	-	-	(296)	-	-	-	(130)	(426)
Total comprehensive profit (loss) for the year	-	-	(296)	-	-	-	19,069	18,773
Cost of share-based payment	-	-	-	242	-	-	-	242
Dividend distribution	-	-	-	-	-	-	(20,000)	(20,000)
Exercise of employee stock options	1	673	-	(137)	-	-	-	537
Balance as of December 31, 2021	428	63,877	(3,260)	673	(7,042)	104	16,349	71,129

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

Unitronics (1989) (R"G) Ltd.
Condensed Consolidated Statements of Cash Flows

	For the six month period ended on June 30		For the three month period ended on June 30		For the year ended December 31
	2022	2021	2022	2021	2021
	(Unaudited)		(Unaudited)		(Audited)
			NIS thousands		
<u>Cash flow – operating activities</u>					
Profit for the period	10,219	10,439	4,846	5,277	19,199
Adjustments required to reconcile Net income to net cash provided by operating activities (Appendix A)	1,740	5,692	416	1,417	12,910
Net cash provided by operating activities	11,959	16,131	5,262	6,694	32,109
<u>Cash flows - investment activities</u>					
Purchase of property and equipment	(442)	(327)	(289)	(179)	(776)
Withdrawal of bank deposits	-	2,252	-	8,147	2,252
Withdrawal of restricted long-term deposits	-	-	-	-	175
Investment in right-of-use assets	(156)	(81)	(94)	(81)	(261)
Investment in intangible assets	(4,645)	(4,376)	(2,332)	(2,429)	(8,704)
Net cash flows derived from (used for) investment activities	(5,243)	(2,532)	(2,715)	5,458	(7,314)

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

Unitronics (1989) (R"G) Ltd.

Condensed Consolidated Statements of Cash Flows

	For the six month period ended on June 30		For the three month period ended on June 30		For the year ended December 31
	2022	2021	2022	2021	2021
	(Unaudited)		(Unaudited)		(Audited)
			<u>NIS thousands</u>		
<u>Cash flows - Operations-</u>					
<u>Financing activities:</u>					
Repayment of long-term loans taken	(1,996)	(4,750)	(573)	(3,233)	(9,459)
Dividends paid	(10,000)	(10,000)	-	(10,000)	(10,000)
Proceeds from exercise of options	-	-	-	-	537
Lease payments	(858)	(901)	(438)	(420)	(1,684)
Net cash used in financing activities	(12,854)	(15,651)	(1,011)	(13,653)	(20,606)
Effect of exchange rate changes on cash	1,238	40	1,418	209	(620)
Change in cash for the period	(4,900)	(2,012)	2,684	(1,292)	3,569
Cash at beginning of the period	27,728	24,159	20,144	23,439	24,159
Cash at end of the period	22,828	22,147	22,828	22,147	27,728

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

Unitronics (1989) (R"G) Ltd.

Condensed Consolidated Statements of Cash Flows

	For the six month period ended on June 30		For the three month period ended On June 30		For the year ended December 31
	2022	2021	2022	2021	2021
	(Unaudited)		(Unaudited)		(Audited)
			NIS thousands		
<u>Appendix A</u>					
<u>Adjustments necessary to present the cash flows</u>					
<u>Current operations</u>					
<u>Income and expenses not involving cash flows:</u>					
Depreciation and amortization	5,948	5,795	2,940	2,931	11,397
Stock-based compensation	148	147	73	97	242
Changes in employee benefit liabilities, net	-	-	-	-	(3)
Revaluation of cash balances in foreign currency	(630)	55	(555)	(315)	494
Revaluation of bank deposits	-	(1)	-	193	(1)
Revaluation of long-term loans	44	(80)	28	(58)	(322)
Waiving of return of PPP loan	-	(1,268)	-	-	(1,268)
Changes in deferred taxes	102	(438)	(295)	(136)	(338)
Revaluation of warrants for ordinary	1,225	2,158	1,146	482	1,765
Revaluation of financial assets, net	(20)	6	211	20	38
Accrued interest and revaluation of leases	40	32	(3)	32	44
<u>Changes in assets and liabilities:</u>					
Trade receivables	(2,761)	(4,780)	(796)	(2,511)	(3,188)
Other receivables	250	(3,465)	1,111	(3,046)	(823)
Related companies, net	(1,340)	(694)	(1,616)	(423)	(458)
Inventories	(3,509)	(2,395)	(1,515)	(2,850)	(4,104)
Trade payables	4,358	7,276	2,445	6,413	4,038
Other payables	(2,115)	3,344	(2,758)	588	4,857
	1,740	5,692	416	1,417	12,910

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

Unitronics (1989) (R" G) Ltd.

Condensed Consolidated Statements of Cash Flows

For the six month period ended on June 30		For the three month period ended On June 30		For the year ended December 31
2022	2021	2022	2021	2021
(Unaudited)		(Unaudited)		(Audited)
NIS thousands				

Appendix B - Additional information on cash flows for current operations activities

Cash paid during the period for:

Interest	<u>123</u>	<u>150</u>	<u>59</u>	<u>51</u>	<u>336</u>
Taxes on income	<u>1,133</u>	<u>1,034</u>	<u>617</u>	<u>570</u>	<u>2,072</u>

Cash received during the period for:

Interest	-	-	-	-	9
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Appendix C - Non-cash operations

Lease agreements	746	150	746	51	3,793
Dividend declaration	-	-	-	-	10,000

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

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, 2021 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 - Significant 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, 2021.

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)

Foreign currency forward contract is measured by Level 2.

Liability for options is measured in accordance with level 3.

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

The fair value of the liability for share purchase option for which no quoted market price exists, is determined for every reporting period on the basis of the economic model used in an evaluation made by an external appraiser.

Further to note 26 E of the consolidated annual financial statements, entitlement to additional Company shares held by FIMI shall depend on FIMI's total consideration from the sale of its holdings in the Company's shares and Utron shares, Given the number of variables affecting the value of the options, the "Monte Carlo" model is used.

Note 3 – Financial instruments (continued)

A. Classification of financial instruments in accordance with fair value hierarchy (continued)

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

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

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

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

	Fair value or loss of financial liabilities				
	For the six month period ended June 30		For the three month period ended June 30		For the year ended December 31
	2022	2021	2022	2021	2021
	(Unaudited)		(Unaudited)		(Audited)
	<u>NIS thousands</u>				
As of the beginning of the period	(6,022)	(4,257)	(6,101)	(5,933)	(4,257)
Total net loss recognized in financing	(1,225)	(2,158)	(1,146)	(482)	(1,765)
As of the end of the period	(7,247)	(6,415)	(7,247)	(6,415)	(6,022)

The remaining liability for the warrants is in accordance with a valuation by an external appraiser, based on the "Monte Carlo" model. The assumptions in carrying out the valuation:

Unitronics base asset 21.57 NIS, Utron base asset 8.88 NIS, Unitronics standard deviation 37.64%, Utron standard deviation 39.23%, risk-free interest rate 2.02%, life expectancy 1.75 years.

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

The following is an effect on profit or loss, in NIS thousands, from a change in standard deviation*

As of June 30 2022 (unaudited)				
+10%	+5%	Fair value	-5%	-10%
325	148	7,247	(171)	(331)

As of June 30 2021 (unaudited)				
+10%	+5%	Fair value	-5%	-10%
361	192	6,415	(112)	(305)

The following is an effect on profit or loss, in NIS thousands, from a change in the underlying asset by a rate of:

As of June 30, 2022 (unaudited)				
+20%	+10%	Fair value	-10%	-20%
1,320	595	7,247	(426)	(601)

As of June 30, 2021 (unaudited)				
+20%	+10%	Fair value	-10%	-20%
703	256	6,415	(136)	(175)

*In calculating the sensitivity tests as mentioned, the rate of increase / decrease taken into account is a change in both the share of the Company the share of Utron according to the "Monte Carlo" model

Note 4 – Income by geographical area:

	For the six month period ended June 30		For the three month period ended June 30		For the year ended December 31
	2022	2021	2022	2021	2021
	(Unaudited)		(Unaudited)		(Audited)
	<u>NIS thousands</u>				
Israel	4,854	3,922	2,394	1,936	7,975
Europe	28,132	28,537	14,284	15,596	56,805
United States	32,194	30,280	14,629	15,831	63,215
Others	8,468	9,896	5,437	5,035	19,023
Total income	73,648	72,635	36,744	38,398	147,018

Note 5 – Material events during the reporting period**A. Outbreak of the Corona virus**

For information on the outbreak of the Corona virus and the consequences thereof in 2021, see Note 1D to the consolidated annual financial statements

During the period of the report and up to the date of its approval, the company's business and financial results were not materially affected by the corona virus crisis.

The Company does not anticipate that its business will be materially adversely affected in the near future by the Corona crisis, and it regularly monitors developments with regard to the spread of the Corona virus in Israel and around the world and operates in accordance with the guidelines of the various authorities.

B. The 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.

Note 5 – Material events during the reporting period (cont'd)

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 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 for an improvement in supply.

Extension of delivery times for electronic components has caused an extension in delivery time, for part of the products of the Company, to the customers of the Company which may cause the deferral 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.

- C. Further to note 22b(d) to the consolidated annual financial statements, on May 17, 2022, the general meeting of the company's shareholders (hereinafter - the "meeting") approved the employment agreement of Mr. Haim Shani, chairman of the active board of directors and the controlling owner of the company, for the period of three years from the expiration date of the previous approval given to Mr. Shani's current employment agreement.
- D. Further to note 22b(e) to the consolidated annual financial statements, on May 17, 2022, the meeting approved the payment of remuneration to Mr. Amit Ben Zvi, the chairman of the joint active board of directors of the company, for a period of three years, effective from the date of expiration of the previous approval given to the condition The current service of Mr. Ben Zvi.

Note 6 – Events after the balance sheet date

Dividend distribution

On August 31, 2022, the company's board of directors decided to distribute a dividend to the company's shareholders in the total amount of NIS 15 million.

**Chapter D - Statements by the CEO and CFO of the Corporation for the
Second Quarter of 2022**

- 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 second quarter of 2022 ("the Report").
2. To the best of my knowledge, the report is free of any misrepresentation of material fact and is not lacking any representation of material fact required for the representations made there in, under the circumstances in which they were made, to not be misleading in reference to the period covered by the report.
3. To the best of my knowledge, the financial statements and other financial information included in the report properly reflect, in all material aspects, the financial standing, operating results and cash flows of the corporation as of the dates and for the periods to which the report refers.
4. I have disclosed to the corporation's Independent Auditor, the Board of Directors and the Audit Committee of the corporation's Board of Directors, any fraud, whether material or not, involving the CEO or any direct report of the CEO, or involving any other employees that have a significant role in the financial reporting and in disclosure and control over financial reporting.

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

August 31, 2022

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 second quarter of 2022 (hereinafter - "the Report" or "the Interim Reports").
2. To the best of my knowledge, the interim financial statements and the other financial information included in the interim reports are free of any mis-representation of material fact and is not lacking any representation of material fact required for the representations made there in, under the circumstances in which they were made, to not be misleading in reference to the period covered by the report.
3. To the best of my knowledge, the interim financial statements and the other financial information included in the interim reports properly reflect, in all material aspects, the financial standing, operating results and cash flows of the corporation as of the dates and for the periods to which the report refers.
4. I have disclosed to the corporation's Independent Auditor, the Board of Directors and the Audit Committee of the corporation's Board of Directors, any fraud, whether material or not, involving the CEO or any direct report of the CEO, or involving any other employees that have a significant role in the financial reporting and in disclosure and control over financial reporting.

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

August 31, 2022

Itzik Hai, CFO