



Unitronics (1989) (RG) Ltd.

Quarterly Report as of September 30, 2021

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 nine and three-month period ended on September 30, 2021

Date of the Report: September 30, 2021

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, 2020, as published on March 3, 2021 (reference number: 2021-01-025452).

The above reference is cited as inclusion by way of reference ("**2020 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. In January 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 marketing system via subsidiaries in the United States and Germany, as well as through a network of distributors that includes about 180 distributors, of which approximately more than 100 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 2020 Periodic Report.

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

- 1.3.1. The company is exposed to local and global macroeconomic impacts and risks associated with the Corona virus outbreak, which could affect its ability to purchase raw materials and products, their prices, their conveyance, and their ability to regularly produce, sell and ship products. In addition, the company is exposed to a decline in demand for its products and an impact on sales volume and the strength of its customers. Non-eradication of the Corona virus and the continuation or exacerbation of measures taken by authorities and countries abroad (and in particular in its centers of activity in the United States from which the Company distributes its products in North America and whose revenues are material to the Company as well as in production centers and / or raw materials (such as China and Korea), may result in the Company's business activity being impaired, inter alia, due to decreased volume and production capabilities, delays in shipping and supply of raw materials, components for products or finished products, as a result of transport restrictions, including due to disabling of ports or airports (as well as reduction in world commercial flights and lack of the regularity thereof), Restrictions on the Company's employees and managers leaving the country, relocation of workers to work from home and instability in global markets, which may reduce demand for the company's products, decline or delay in the supply of products and / or affect their prices, and other negative consequences that are difficult to anticipate.

During the third quarter of 2021 the company continued to operate fully; the first nine months of 2021 marked the exit from the corona crisis. Even though the fourth wave of the Corona virus has caused an increase in the number of infected people, the number of hospitalized patients and the number of critically ill patients, in recent weeks there has been a marked slowdown and even a decrease in the number of patients in general and the critically ill in

particular. It should be noted that in August 2021, the third vaccine against the corona virus was initiated in Israel.

During the fourth wave, the government refrained from imposing significant restrictions on the market, and it is clear that the market is continuing the process of recovery and growth. However, it is not known whether new restrictions will be imposed by the government on the entire market (or in certain sectors) in the future, or whether the fourth wave has indeed been finally halted, and whether another strain of the virus will appear in the future.

During this period there has been an increase in demand for the products of the Company, the sales of the Company and the profit from normal operations in comparison to the same period last year. The Company is continuing to operate at reduced costs, in comparison to the past, while adjusting the costs to the volume of operations with close monitoring of the working capital.

It should be emphasized that in view of the fact that this is a dynamic event characterized by a great deal of uncertainty, among other things, in connection with the rate of the spread of the Corona virus, the duration of the spread and the measures taken by the various authorities in the various countries in which the company is active, the company cannot assess the full extent and the nature of the effects of its activities. The degree of influence depends on the extent and extent of their materialization.

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 during which many workers remained 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; and an increase in demand in the automotive industry, which started to stock up with a large amount of electronic chips, which was reflected in 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 and sometimes reach one year and even longer. The company estimates that the current situation is expected to continue at the beginning of 2022, wherein as of the date of publication of this quarterly report, there is no clear forecast for an improvement in supply.

The Company anticipates that the extension of delivery times for the electronic components may extend the delivery times of orders to the customers of the Company and in accordance therewith defer income therefrom. At the same time, the company does not anticipate

significant cancellations for orders as a result of the extension of delivery times for orders of the customers of the company.

The Company's assessments of the possible consequences of the continued spread of the Corona virus and the instructions given to the public's directives at that time as well as with regard to the global shortage of electronic components and the impact thereof on its activities 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 including, among other things, the continuing spread of the Corona virus, the length of time that will elapse until the entire population is vaccinated against the virus, the improvement of the effectiveness of the vaccines against mutations and/or new strains of the corona virus and the development of effective drugs to deal with the corona virus, the duration of the global shortage of electronic components, the changes in demand in various industries as specified above as well as the duration of the economic slowdown that will develop in Israel and around the world.

- 1.3.2. On December 20, 2020, the Board of Directors of the Company, after having received the approval of the Audit Committee of that day, approved an amendment to the service agreements (hereinafter: "**Service Agreements**") between the Company and Utron Ltd., a company controlled by the controlling shareholders of the Company (hereinafter: "**Utron**"), following a number of human resource changes in the Company and in Utron.

Pursuant to Regulation 1 (2) of the Companies Regulations (Facilitation of Transactions with Interested Parties), 2000, the Audit Committee and the Board of Directors of the Company approved that the amendment of the terms of the Service Agreements does not require the approval of a general meeting, since it is only beneficial for the Company.

On March 16, 2021, the Company published the required clarifications regarding the approval of the amendment of the Service Agreements between the Company and Utron, in accordance with the request of the Securities Authority.

For further details, see the Immediate Report of the Company regarding a transaction with a controlling shareholder or a director which does not require the approval of a general meeting dated March 16, 2021, reference no. 2021-01-035631, which is included herein by way of reference.

On August 4, 2021, the Company announced the amendment of the Service Agreements between the Company and Utron, as part of which Utron advised the Company that it requests

to terminate within 90 days the agreement regarding the CFO services which Utron receives from the Company pursuant to the Service Agreements.

For further details, see the Immediate Report of the Company dated August 4, 2021, Reference no. 2021-01-061336, which is included herein by way of reference.

- 1.3.3. On January 10, 2021, the Company announced that Naked Capital Fund Ltd. had ceased to be an interested party in the Company. For further details, see the Immediate Report of the Company dated January 10, 2021, reference no. 2021-01-003870, which is included herein by way of reference.
- 1.3.4. On January 11, 2021, the Company announced that Mr. Yehuda Cohen had ceased to serve as the CFO of the Company¹. For further details, see the Immediate Report of the Company dated January 11, 2021, reference no. 2021-01-004797, which is included herein by way of reference.
- 1.3.5. On February 21, 2021, the Company announced the appointment of Mr. Gonen Betzer as the CFO of the Company as of April 1, 2021. For further details, see the Immediate Report of the Company dated February 21, 2021, reference no. 2021-01-020049. It should be noted that as of the date of publication of the report, Mr. Gonen Betzer has ceased to serve as the CFO of the Company. For further details see section 1.3.12 below.
- 1.3.6. Further to Note 12 (5) to the 2020 Financial Statements, on April 2, 2021 the U.S. Government approved, after having examining the eligibility of the Company, to waive the PPP loan repayment, and as a result the waiver amount (equal to the loan amount) was recognized as other income during the reporting period.
- 1.3.7. On May 4, 2021, the Company announced that the Arbitrage Value Hedge Fund Ltd. started to show an interest in the Company. For further details, see the Immediate Report of the Company Dated May 4, 2021 (reference No.: 2021-01-077340), the information of which is presented herein by way of reference.
- 1.3.8. On May 12, 2021, the Board of Directors of the Company decided to distribute a dividend to the shareholders of the Company in the amount of approximately NIS 0.73 for each ordinary share of the Company, and a total of NIS 10,000 thousand. The dividend distribution was examined by the Board of Directors of the Company in accordance with the distribution tests specified in the Companies Law, 1999, in accordance with the assessment of the Board of Directors of the Company with regard to the ability of the Company to comply with the current and future liabilities thereof, taking into account the projected cash flow of the

¹ In addition, and further to the fact that Mr. Cohen ceased to serve as the CFO of the Company, the Company reported that Mr. Cohen ceased to be considered an interested party in the Company. For further details see the Immediate Report of the Company of January 11, 2021, reference no. 2021-01004806, which is included herein by way of reference.

Company, the operations of the Company, the cash reserve thereof, the strategy and intentions of the Company in the future and the situation thereof from time to time. For further details of the distribution of the dividend, including details of the examination conducted by the Board of Directors of the Company when deciding on the distribution in connection with the compliance of the Company with the profit test and the solvency test specified in section 302 (a) of the Companies Law, 1999, see the Immediate Report of the Company Dated May 13, 2021 (reference no. 2021-01-085071) with regard to the distribution of cash dividends to securities (T81). The aforesaid reference is included herein by way of reference.

- 1.3.9. On May 12, 2021, the Board of Directors of the Company, following approval by the Balance Sheet, Audit and Remuneration Committee of the Company of May 6, 2021, approved the renewal of the Company's Directors' and Officers' Liability Insurance Policy for , for a period of 12 months starting on June 1, 2021 until May 31, 2022, in accordance with the provisions of Articles 1B(5) and 1B1 of the Companies Regulations (Reliefs in Transactions with Interested Parties), 2000 (hereinafter: the "Relief Regulations") and in accordance with the Company's remuneration policy, for all directors and officers of the Company (those that are Controlling Shareholders of the Company and their relatives). The main terms of the policy are as follows: Insurance coverage for one event and in total for damages that may occur during the insurance period in the amount of USD 7.5 million (seven million and five hundred thousand US Dollars) (plus reasonable legal expenses in Israel and abroad); the Company's deductible for claims filed in the United States and Canada of USD 50,000 per case excluding securities claims, including the Company's deductible of USD 50,000 per case.

In addition, on May 12, 2021, following the approval of the Balance Sheet Committee, the Audit Committee and the Remuneration Committee of May 6, 2021, the Board of Directors of the Company approved the extension of the rental agreement with a company controlled by Mr. Haim Shani (Active Chairman of Board of Directors of the Company and the controlling shareholder thereof jointly with the Fimi Fund) and Ms. Bareket Shani, the wife of Mr. Shani, for a period of three years starting from August 1, 2021 (the date of termination of the previous rental agreement), in accordance with Regulation 1 (1) of the Relief Regulations.

For further details, see the Immediate Report of the Company Dated May 13, 2021 (reference no. 2021-01-084486) with regard to a Transaction with a Controlling Shareholder That Does Not Require General Assembly Approval, in accordance with the Relief Regulations (T-136). The aforesaid reference is included herein by way of reference.

- 1.3.10. On May 13, 2021, the Company announced the convening of a special annual general meeting of the Company's shareholders whose agenda is as follows: (a) Presentation and discussion of the 2020 Periodic Report of the Company; (b) reappointment of the auditors of the Company and the authorization of the Board of Directors to determine the salary hereof; (c) the reappointment of the directors serving in the company (who are not external directors); (d)

the reappointment of Mr. Doron Shinar for an additional term as an external director of the Company; (e) the approval of the granting of an undertaking to indemnify and an undertaking to exempt directors and officers of the Company who are not controlling shareholders in the Company and/or agents on their behalf – Messrs. Haim Shani, Bareket Shani, Amit Ben Zvi and Gilon Beck; (f) the adoption of the new articles of association of the Company²;

On June 20, 2021, the Company announced the results of the annual and special general meeting in accordance with which all resolutions which were on the agenda of the meeting were approved by the required majority. For further details, see the Immediate Reports of the Company of May 13, 2021 and June 20, 2021 (reference no.: 2021-01-084600 and 2021-01-041194 respectively). The aforesaid are included herein by way of reference.

- 1.3.11. On June 25, 2021, the Company repaid a proportionate share of a loan from the banking corporation granted thereto with a guarantee of the State in the amount of approximately NIS 1.6 million in light of the Corona crisis.

On July 11, 2021, the Company repaid the balance of the loan from the banking corporation granted thereto with a guarantee of the State in the amount of NIS 1.7 million in light of the Corona crisis, such that as of the date of publication of the report, the Company has repaid the loan in full.

- 1.3.12. On June 28, 2021, the Company announced that Mr. Gonen Betzer had ceased to serve as the CFO of the Company. On July 6, 2021, the Company announced that Mr. Gonen Betzer would cease to hold office as of July 6, 2021³. For further details, see the Immediate Report of the Company dated July 6, 2021, reference no. 2021-01-048673, included herein by way of reference.

- 1.3.13. On October 24, 2021, the Company announced that Ms. Sarit Kirmair, who serves as the Controller of the Company (and is the Chief Financial Officer of the Company), will cease to hold office as of October 11, 2021. For further details, see the Immediate Report of the Company dated October 24, 2021, reference no. 2021-01-090595, the information of which is presented herein by way of reference.

² For the wording of the new Articles of Association of the Company, see the Immediate Report of the Company dated June 20, 2021 (reference no.: 2021-01-041200) regarding the changes in the Articles of Association (T102). The aforesaid reference is included herein by way of reference.

³ In addition, and further to the fact that Mr. Betzer ceased to serve as the CFO of the Company, the Company reported that Mr. Betzer ceased to be considered an interested party in the Company. For further details see the Immediate Report of the Company (reference no. 2021-01-048688), included herein by way of reference.

Chapter B – Board of Directors' Report

2.1 The Financial Status

2.1.1 Balance sheet

	As of September 30		As of December 31, 2020	The Board of Directors' Explanations of Changes in Balance Sheets compared to December 31, 2019
	2021	2020		
	NIS thousands			
Current assets	82,136	72,216	74,675	An increase in receivable balances and other debtors in the amount of approximately NIS 4.5 million as well as an increase in inventory balances in the amount of approximately NIS 4 million.
Non-current assets	60,070	58,951	58,114	No material changes in comparison to December 31, 2020
Total assets	142,206	131,167	132,789	
Current liabilities	46,282	39,384	39,481	An increase in payables and credit balances in the amount of approximately NIS 9 million. As opposed to a decrease of approximately NIS 2 million in current maturities of loans in light of early and full repayment of a loan in the Corona track granted in Israel
Non-current liabilities	19,483	23,146	21,731	1. A decrease of approximately NIS 7 million in long-term loans, which is mainly due to the classification of current liabilities of current loan maturities and also due to the waiving of the Corona loan which was granted in the United States and was recognized as income due to the waiving of the debt and early full repayment of a loan in the Corona track which was provided in Israel. 2. An increase in liabilities due to option warrants in the amount of approximately NIS 3.4 million
Equity attributable to the Company's shareholders	76,441	68,637	71,577	An increase of approximately NIS 4.8 million in the Company's equity balance, arising from a profit in the nine-month period ending September 30, 2021, net of a dividend in the amount of NIS 10 million which was declared and distributed during the period.
Total liabilities and equity	142,206	131,167	132,789	

The Company's working capital as of September 30, 2021 amounted to approximately NIS 35,854 thousand, compared to the Company's working capital as of December 31, 2020, which amounted to approximately NIS 35,194 thousand.

2.1.2 Operating results

	For the nine-month period ended September 30		For the three-month period ended September 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
	2021	2020	2021	2020	2020	
	NIS thousands					
Income	109,037	93,663	36,402	31,629	126,160	The income of the Company in the last quarter increased by NIS 4.7 million in comparison to the corresponding quarter last year and during the nine months ended September 30, 2021, the income of the Company increased by approximately NIS 15.4 million in comparison with the corresponding period last year.
Cost of income	59,035	52,907	19,715	17,949	71,122	
Gross profit (gross profit margin)	50,002 (45.9%)	40,756 (43.75%)	16,687 (45.8%)	13,680 (43.3%)	55,038 (43.6%)	The gross profit in the third quarter of 2021 and in the nine months ended September 30, 2021 increased in the amount of NIS 3 million and approximately NIS 9.2 million, respectively, in comparison to the corresponding period last year. The rate of gross profit improved compared to previous periods mainly as a result of the increase in income.
Development expenses	2,521	2,319	722	743	3,388	There is no material change in comparison to the same period last year.
Sales and marketing expenses	18,719	16,712	6,530	5,189	22,077	The sales and marketing expenses during the nine months ended September 30,

	For the nine-month period ended September 30		For the three-month period ended September 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
	2021	2020	2021	2020	2020	
	NIS thousands					
						2021 and during the third quarter of 2021 increased mainly due to the increase in sales in comparison to the corresponding periods last year.
General and administrative expenses	9,379	9,904	3,126	3,219	13,103	There is no material change in comparison to the same period last year.
Other income	1,268	-	-	-	-	
Profit from ordinary activities	20,651	11,821	6,309	4,529	16,540	The profit from normal activities in the nine-month period ended September 30, 2021 and in the third quarter of 2021 increased in comparison to the corresponding periods last year as a result of the increase in income and savings as well as the increased efficiency of operating expenses.
Financing income (expenses), net	(4,231)	1,775	(1,789)	(561)	285	The financing expenses of the Company for the nine-month period ended September 31, 2021 and the third quarter of 2021 were mainly due to the revaluation of the promissory note in respect of an option (see section 2.3 below).
Profit before taxes on income	16,420	13,596	4,520	3,968	16,825	
Taxes on income	2,038	1,814	577	536	1,929	The tax expenses in the report period are mainly due to profit in the period in respect of which the Company created a provision

	For the nine-month period ended September 30		For the three-month period ended September 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
	2021	2020	2021	2020	2020	
	NIS thousands					
						for current taxes, taking into account the tax benefits to which the Company is entitled, as well as changes in the deferred tax balances.
Profit for the period	14,382	11,782	3,943	3,432	14,896	

2.2 Liquidity and Financing Sources

2.2.1 The balance of cash and cash equivalents, short-term deposits and tradable collateral of the Company amounted to approximately NIS 25,507 thousand as of September 30, 2021, compared to approximately NIS 24,159 thousand as of December 31, 2020. Below are explanations regarding the changes in cash flows:

	For the nine-month period ended September 30		For the three-month period ended September 30		For the year ended on December 31	The Board of Directors' Explanations
	2021	2020	2021	2020	2020	
	NIS thousands					
Cash flow from operating activities	25,935	27,437	9,804	13,254	37,489	The cash flow from operating activities derives from the profit from the company's operations, excluding adjustments to cash flow and mainly from depreciation, amortization and changes in equity items.
Cash flow from investment activities	(5,195)	1,242	(2,663)	4,918	(3,164)	The cash flow derived from investment activities in the period ended September 30, 2021 and in the third quarter of 2021 is mainly investment in development properties.

Cash flow from financing activities	(19,316)	(24,020)	(3,665)	(22,027)	(26,153)	The cash flow used for financing activities in the nine month period ended September 30, 2021 is in respect of the repayment of a long-term loan, early full repayment of loans in the Corona track in Israel as well as in respect of the payment of a dividend which was declared in the amount of NIS 10 million.
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As of September 30, 2021, 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.

2.2.2 Details of financial covenants of the Company

Lending entity – Bank ⁴			
Compliance with financial covenants			
	Financial covenant		Results of the calculation of the compliance of the Company with the covenant as of September 30, 2021
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 76 million

In addition, the Company has undertaken to the banking corporation to refrain from a change in control of the Company, not to merge or split with another company, and not to distribute a dividend to the shareholders, without obtaining the consent of the bank for the aforesaid actions.

⁴ For further details of the loan of the Company, see section 1.16 in Chapter A of the 2020 Periodic Report

2.3 Details required in accordance with Regulation 8B (9) of the Securities Regulations

Name of valuation subject	Option warrant liability fair value price adjustment mechanism
Valuation date:	September 30, 2021
Valuation amount	NIS 7,728,175
Appraiser	CPE Shai Pulverniss, holds a B.A in Economics and Accounting from Ben-Gurion University. Licensed as a chartered accountant in Israel. CEO of Pulverniss Bareket Ben Yehuda since 2007.
Experience in carrying out valuations for accounting needs in reporting corporations and on a scale similar or exceeding that of the reported valuation	Approximately 14.5 years extensive experience in the field of valuations and economic consulting on a similar or larger scale.
Dependence on the Company	Has no dependence on the Company
Providing indemnity to the valuator	The Company undertakes to indemnify the Appraiser in connection with any compensation, which exceeds three times the fees paid by the Company to the Appraiser for the opinion, for which the Appraiser shall be liable to a third party and/or the Company in connection with the opinion, including all the expenses required for legal representation, including expert consultation and opinion. These expenses will be transferred to the Appraiser within 30 days from the date from which the Appraiser advised the Company thereof.
Valuation model	Monte Carlo
Assumptions under which the appraiser conducted the valuation	Unitronics standard deviation 45.14%, Utron standard deviation 56.51%, no-risk interest 0.06%, life cycle 1.25 years, Unitronics base asset NIS 23.93, Utron base asset NIS 7.5.
Influence on profit and loss	Financing expenses in the amount of approximately NIS 3,471 thousand for the nine month period ended September 30, 2021 and financing expenses in the amount of approximately NIS 1,313 thousand in the third quarter of 2021.

2.4 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 September 30, 2021, 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: November 10, 2021

UNITRONICS (1989) (R"G) LTD

Interim Condensed Consolidated Financial Statements

**September 30, 2021
(Unaudited)**

Unitronics (1989) (R"G) Ltd
Interim Condensed Consolidated Financial Statements
September 30, 2020

(Unaudited)

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Review Report of the Auditors to the Shareholders of Unitronics (1989) (R"G) Ltd.

Introduction

We have reviewed the accompanying financial information of Unitronics (1989) (R"G) Ltd. (hereinafter – the "Company") which includes the condensed consolidated statements of financial position as of September 30, 2021 and the interim condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the nine 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, November 10, 2021



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Unitronics (1989) (R"G) Ltd.

Condensed Consolidated Statements of Financial Position

	As of September 30		As of
	2021	2020	December 31
	(Unaudited)		(Audited)
	NIS. (in thousands)		
<u>Current assets</u>			
Cash and cash equivalents	25,507	20,636	24,159
Bank deposits	-	-	2,251
Trade receivables, net	20,289	17,642	17,005
Accounts receivable	2,702	2,311	1,370
Related companies	5,176	4,999	5,657
Other financial assets	-	24	-
Inventory	28,462	26,604	24,233
	82,136	72,216	74,675
<u>Non-current assets</u>			
Restricted bank deposit	-	175	175
Rights-of-use assets	15,873	14,536	13,919
Other deposits	85	146	104
Fixed assets, net	2,223	2,270	2,275
Intangible assets, net	41,889	41,824	41,641
	60,070	58,951	58,114
	142,206	131,167	132,789

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

Amit Harari
CEO

Sarit Kirmair
Controller

Date of approval of the financial statements: November 10, 2021

The attached notes constitute an integral part to the interim condensed consolidated financial statements.

Unitronics (1989) (R"G) Ltd.

Condensed Consolidated Statements of Financial Position

	As of September 30		As of December
	2021	2020	31
	(Unaudited)		(Audited)
	NIS, (in thousands)		
<u>Current liabilities</u>			
Current maturities of bank loans	4,086	6,517	6,647
Suppliers and service providers	22,030	15,603	15,960
Related companies	4,647	4,672	4,586
Other financial liabilities	-	141	
Lease liabilities	1,414	1,469	1,051
Other accounts payable	14,105	10,982	11,237
	<u>46,282</u>	<u>39,384</u>	<u>39,481</u>
<u>Non-current liabilities</u>			
Bank loans	3,856	12,648	10,763
Employee benefit liabilities, net	1,781	1,982	1,781
Lease liabilities	1,835	226	147
Liability for share purchase options	7,728	3,330	4,257
Deferred taxes	4,283	4,960	4,783
	<u>19,483</u>	<u>23,146</u>	<u>21,731</u>
<u>Equity</u>			
Share capital	427	427	427
Share premium	63,505	63,204	63,204
Capital reserve with regard to adjustment of financial statements of foreign operations	(2,946)	(2,474)	(2,964)
Capital reserve with regard to share based payment transactions	731	486	568
Treasury shares	(7,042)	(7,042)	(7,042)
Reserve in respect of a transaction with a controlling shareholder	104	104	104
Surplus	21,662	13,932	17,280
	<u>76,441</u>	<u>68,637</u>	<u>71,577</u>
	<u>142,206</u>	<u>131,167</u>	<u>132,789</u>

The attached notes constitute an integral part to the interim condensed consolidated financial statements.

Unitronics (1989) (R"G) Ltd.

Condensed Consolidated Statements of Income

	For the nine month period ended September 30		For the three month period ended September 30		For the year ended December 31
	2021	2020	2021	2020	2020
	(Unaudited)		(Unaudited)		(Audited)
			NIS thousands		
Income	109,037	93,663	36,402	31,629	126,160
Cost of income	59,035	52,907	19,715	17,949	71,122
Gross profit	50,002	40,756	16,687	13,680	55,038
Development expenses	2,521	2,319	722	743	3,388
Sales and marketing expenses	18,719	16,712	6,530	5,189	22,007
General and administrative expenses	9,379	9,904	3,126	3,219	13,103
Other income Note 5 (C)	1,268	-	-	-	-
Profit from regular operations	20,651	11,821	6,309	4,529	16,540
Financing income	155	3,225	10	114	1,847
Financing expenses	4,386	1,450	1,799	675	1,562
Profit before taxes on income	16,420	13,596	4,520	3,968	16,825
Taxes on income	2,038	1,814	577	536	1,929
Profit for the period	14,382	11,782	3,943	3,432	14,896
Basic profit per share in NIS	1.046	0.857	0.287	0.250	1.083
Diluted profit per share in NIS	1.041	0.657	0.284	0.233	0.931

The attached notes constitute an integral part to the interim condensed consolidated financial statements.

Unitronics (1989) (R"G) Ltd.

Condensed Consolidated Statements of Comprehensive Income

	For the nine month period ended September 30		For the three month period ended September 30		For the year ended December 31
	2021	2020	2021	2020	2020
	(Unaudited)		(Unaudited)		(Audited)
	NIS thousands				
Profit for the period	14,382	11,782	3,943	3,432	14,896
<u>Other comprehensive income (loss)</u> <u>(after tax effect)</u>					
<u>Amounts that will not subsequently</u> <u>be reclassified to profit or loss:</u>					
Profits from revaluation in respect of defined benefit plans	-	-	-	-	234
<u>Amounts that will be reclassified to</u> <u>profit or loss if certain conditions are</u> <u>met:</u>					
Adjustments arising from translation of financial statements of foreign operations	18	(38)	(79)	63	(528)
Other comprehensive income (loss) for the period	18	(38)	(79)	63	(294)
Total comprehensive profit for the period	14,400	11,744	3,864	3,495	14,602

The attached notes constitute an integral part to the interim condensed consolidated financial statements.

Condensed Consolidated Statements of Changes in equity

24

Profit for the period	-	-	-	-	-	-	14,896	14,896
Other comprehensive profit (loss) for the period	-	-	(528)	-	-	-	234	(294)
Total comprehensive profit (loss) for the period	-	-	(528)	-	-	-	15,130	14,602
Share-based payment cost	-	-	-	417	-	-	-	417
Balance as of December 31, 2020	427	63,204	(2,964)	568	(7,042)	104	17,280	71,577

(*) below 500

The attached notes constitute an integral part to the interim condensed consolidated financial statements.

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

	For the nine month period ended on September 30		For the three month period ended on September 30		For the year ended December 31
	2021	2020	2021	2020	2020
	<u>(Unaudited)</u>		<u>(Unaudited)</u>		<u>(Audited)</u>
			<u>NIS thousands</u>		
<u>Cash flow – current operations</u>					
Profit for the period	14,382	11,782	3,943	3,432	14,896
Adjustments required to present the cash flows from operating activities (Appendix A)	11,553	15,655	5,861	9,822	22,593
Net cash derived from operating activities	25,935	27,437	9,804	13,254	37,489
<u>Cash flows - investment activity</u>					
<u>Investment in fixed assets</u>	(575)	(463)	(248)	(92)	(691)
Withdrawal of restricted use cash	-	307	-	-	307
Withdrawal of deposits in banks	2,252	4,000	-	2,600	1,589
Withdrawal of (investment in) a long-term pledged deposit	175	4,640	175	5,000	4,788
Investment in a user right property	(261)	-	(180)	-	(25)
Investment in intangible assets	(6,786)	(7,242)	(2,410)	(2,590)	(9,132)
Net cash derived from (used for) investment activities	(5,195)	1,242	(2,663)	4,918	(3,164)
<u>Cash flows – financing operations</u>					
Repayment of long-term loans 5 (G)	(8,020)	(23,610)	(3,270)	(21,529)	(25,138)
Loans taken	-	12,455	-	-	12,455
Dividend distribution	(10,000)	-	-	-	-
Payment of Debentures	-	(11,396)	-	-	(11,396)
Repayment of liabilities in	(1,296)	(1,469)	(395)	(498)	(2,074)

respect of leases

Net cash derived from (used for) financing activities)	(19,316)	(24,020)	(3665)	(22,027)	(26,153)
Exchange differences in respect of cash and cash equivalents	(76)	387	(116)	159	397
Change in cash and cash equivalents for the period	1,348	5,046	3,360	(3,696)	8,569
Balance of cash and cash equivalents at the start of the period	24,159	15,590	22,147	24,332	15,590
Balance of cash and cash equivalents at the end of the period	25,507	20,636	25,507	20,636	24,159

The attached notes constitute an integral part to the interim condensed consolidated financial statements.

Unitronics (1989) (R"G) Ltd.

Condensed Consolidated Statements of Cash Flows

	For the nine month period ended on September 30		For the three month period ended On September 30		For the year ended December 31
	2021	2020	2021	2020	2020
	(Unaudited)		(Unaudited)		(Audited)
	<u>NIS thousands</u>				
<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	8,788	10,124	2,993	3,524	13,024
Revaluation of cash balances in foreign currency	76	(403)	21	(203)	(792)
Change in liabilities due to employee benefits, net	-	-	-	-	67
Share-based payment cost	225	335	78	112	417
Revaluation of bank deposits	(1)	8	-	6	20
Revaluation of long-term loans and bonds	(180)	56	(100)	274	(98)
Waiving of return of PPP loan (Note 5C)	(1,268)	-	-	-	-
Changes in deferred taxes	(500)	349	(62)	8	136
Revaluation of share options	3,471	(2,774)	1,313	(114)	(1,847)
Revaluation of financial assets, net	39	89	33	152	(38)
Accrued interest and revaluation of leases	52	(54)	20	(15)	84
<u>Changes in assets and liabilities:</u>					
Decrease (increase) in trade receivables, net	(3,319)	1,453	1,461	(975)	1,628
Decrease (increase) in accounts receivable	(1,138)	1,143	2,327	945	2,114
Change in balances of related companies, net	539	(3,635)	1,233	(55)	(4,512)
Decrease (increase) in inventory	(4,176)	9,155	(1,781)	2,214	11,291
Increase (decrease) in suppliers and service providers	6,063	(1,506)	(1,213)	2,900	(1,119)
Increase (decrease) in other accounts payable	2,882	1,315	(462)	1,049	2,218
	11,553	15,655	5,861	9,822	22,593

The attached notes constitute an integral part to the interim condensed consolidated financial statements.

Unitronics (1989) (R" G) Ltd.

Condensed Consolidated Statements of Cash Flows

For the nine month period ended on September 30	For the three month period ended On September 30	For the year ended December 31
2021 2020	2021 2020	2020
(Unaudited)	(Unaudited)	(Audited)
NIS thousands		

Appendix B - Additional information on cash flows from operating activities

Cash paid during the period for:

Interest	<u>229</u>	<u>1,055</u>	<u>79</u>	<u>297</u>	<u>1,108</u>
Taxes on income	<u>1,539</u>	<u>1,655</u>	<u>505</u>	<u>471</u>	<u>2,162</u>

Cash received during the period for:

Interest	9	26	9	14	25
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Appendix C – Non-cash activities

Withdrawal of options	239	-	239	-	-
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Extension of rental agreement of the Company buildings Notes 5F and J

Company buildings Notes 5F and J	3,004	-	3,004	-	-
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The attached notes constitute an integral part to the interim condensed consolidated financial statements.

Unitronics (1989) (R"G) Ltd.

Notes to the Interim Condensed Consolidated Financial Statements

Note 1 – General:

These financial statements were prepared in a condensed format as of September 30, 2021 (hereinafter - "Interim Consolidated Financial Statements"). These statements are to be read in connection with the annual financial statements of the Company as of December 31, 2020 and for the year ended on the same date, as well as the notes attached thereto (hereinafter - the "Consolidated Annual Financial Statements").

Note 2 - Significant Accounting Policies

- A. The Consolidated Interim Financial Statements are prepared in conformity with IAS 34, regarding the financial reporting for the interim period. In addition, the Consolidated Interim Financial Statements are prepared in conformity with the provisions of Chapter D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970.
- B. The Consolidated Interim Financial Statements are prepared in conformity with the accounting policy and calculation methods which were applied in the preparation of the annual financial statements of the Company as of December 31, 2020.

Note 3 –Financial instruments

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

The financial instruments which are presented in the statement of financial position in accordance with fair value, or for which a fair value has been provide therefor, are classified by groups with characteristics similar to the fair value hierarchy determined in accordance with the source of the data used to determine the fair value:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Data which is not quoted prices included within Level 1 which were expected either directly or indirectly.

Level 3 – Data which is not based on expected market data (valuation techniques that use inputs which are not based on expected market data).

Foreign currency forward contract is measured by Level 2.

Liability for share purchase options is measured by Level 3.

- B. 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 28 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.

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 holdings thereof of the shares of the Company and the Utron shares.

Unitronics (1989) (R"G) Ltd.

Notes to the Interim Condensed Consolidated Financial Statements

Note 3 – Financial instruments (continued)

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.

C. Quantitative data regarding Level 3 fair value valuations:

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

As of September 30, 2021 (unaudited)				
+10%	+5%	Fair value	-5%	-10%
362	172	7,728	(153)	(398)

The following is the effect on the (profit) or loss, in NIS thousands, from a change in the base assets* at a rate of:

As of September 30, 2021 (unaudited)				
+20%	+10%	Fair value	-10%	-20%
1,056	460	7,728	(265)	(278)

*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

Unitronics (1989) (R"G) Ltd.

Notes to the Interim Condensed Consolidated Financial Statements

Note 4 – Income

Below is a breakdown of income by geographical areas:

	For the nine-month period ended September 30		For the three-month period ended September 30		For the year ended December 31
	2021	2020	2021	2020	2020
	(Unaudited)		(Unaudited)		(Audited)
	<u>NIS thousands</u>				
Israel	5,891	4,972	1,969	1,840	7,288
Europe and others	40,869	36,984	12,332	11,914	49,381
United States	47,922	40,541	17,642	13,760	54,110
Others	14,355	11,166	4,459	4,115	15,381
Total income	109,037	93,663	36,402	31,629	126,160

Note 5 – Material events during and subsequent to the report period

- A. The company is exposed to local and global macroeconomic impacts and risks associated with the Corona virus outbreak, which could affect its ability to purchase raw materials and products, their prices, their conveyance, and their ability to regularly produce, sell and ship products. In addition, the company is exposed to a decline in demand for its products and an impact on sales volume and the strength of its customers. Non-eradication of the Corona virus and the continuation or exacerbation of measures taken by authorities and countries both in Israel and abroad (and in particular in its centers of activity in the United States from which the Company distributes its products in North America and whose revenues are material to the Company as well as in production centers and / or raw materials, such as China and Korea), may result in the Company's business activity being impaired, inter alia, due to decreased volume and production capabilities, delays in shipping and supply of raw materials, components for finished goods or products, as a result of transport restrictions, including due to disabling of ports or airports (as well as reduction in world commercial flights and lack of regularity thereof), Restrictions on the Company's employees and managers leaving the country, relocation of workers to work from home and instability in global markets, which may reduce demand for the company's products, decline or delay in the supply of products and / or affect their prices, and other negative consequences that are difficult to anticipate.

During the third quarter of 2021 the company continued to operate fully; the first nine months of 2021 marked the exit from the corona crisis.

Even though the fourth wave of the Corona virus has caused an increase in the number of infected people, the number of hospitalized patients and the number of critically ill patients, in recent weeks there has been a marked slowdown and even a decrease in the number of patients in general and the critically ill in particular. It should be noted that in August 2021, the third vaccine against the corona virus was initiated in Israel.

Unitronics (1989) (R"G) Ltd.

Notes to the Interim Condensed Consolidated Financial Statements

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

During the fourth wave, the government refrained from imposing significant restrictions on the market, and it is clear that the market is continuing the process of recovery and growth. However, it is not known whether new restrictions will be imposed by the government on the entire market (or in certain sectors) in the future, or whether the fourth wave has indeed been finally halted, and whether another strain of the virus will appear in the future.

During this period there has been an increase in demand for the products of the Company, the sales of the Company and the profit from normal operations in comparison to the same period last year. The Company is continuing to operate at reduced costs, in comparison to the past, while adjusting the costs to the volume of operations with close monitoring of the working capital.

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 during which many workers remained 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; and an increase in demand in the automotive industry, which started to stock up with a large amount of electronic chips, which was reflected in 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 and sometimes reach one year and even longer. The company estimates that the current situation is expected to continue at the beginning of 2022, wherein as of the date of publication of this quarterly report, there is no clear forecast for an improvement in supply.

The Company anticipates that the extension of delivery times for the electronic components may extend the delivery times of orders to the customers of the Company and in accordance therewith defer income therefrom. At the same time, the company does not anticipate significant cancellations for orders as a result of the extension of delivery times for orders of the customers of the company.

The company examined signs of the decrease in value of intangible assets, user right properties and fixed assets in accordance with IAS 36 and has concluded that these do not exist.

It should be emphasized that in view of the fact that this is a dynamic event characterized by great uncertainty, inter alia, in relation to the rate of the spread of the Corona virus, the duration of the spread and the steps to be taken by the various authorities in the states in which the company operates, the company is not able to assess the full extent. The Company cannot assess the full extent and nature of the said effects on its operations, since the extent of the impact depends on the extent and scope of the realization thereof.

- B. In September 2021, 20,000 option warrants were exercised by the employees of the Company (who are not senior officers in the Company) for 20,000 ordinary shares of the Company in exchange for an additional exercise in the amount of NIS 240 thousand.
- C. Further to Note 12 (5) to the 2020 Financial Statements, on April 2, 2021, the US Government approved, after examining the eligibility of the Group, to waive the PPP loan repayment, and as a result the waiver amount (equal to the loan amount) was recognized as other income in the report period.
- D. On May 12, 2021, the Board of Directors of the Company approved the renewal of the liability insurance policy for directors and officers of the Company for a period of 12 months from June 1, 2021 to May 31, 2022, in accordance with the Remuneration Policy of the Company, for all directors and officers in the Company (those that are not controlling shareholders in the Company as well as those who are controlling shareholders in the Company or relatives thereof).

Unitronics (1989) (R"G) Ltd.

Notes to the Interim Condensed Consolidated Financial Statements

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

- E. On May 12, 2021, the Board of Directors of the Company decided to distribute a dividend to the shareholders of the Company in the amount of approximately NIS 0.73 for each ordinary share of the Company, and a total of NIS 10,000 thousand. On May 30, 2021, the dividend was paid in full.
- F. On May 12, 2021, the Board of Directors of the Company approved the extension of the rental agreement with a company controlled by Mr. Haim Shani (Active Chairman of the Board of Directors of the Company and the controlling shareholder thereof together with the Pimi Fund) and Ms. Bareket Shani, the wife of Mr. Shani, for a period of three years starting on August 1, 2021 (the date of termination of the previous rental agreement), in accordance with Regulation 1 (1) of the Relief Regulations.
- G. On June 25, 2021, the Company repaid the proportionate share of a loan from a banking corporation granted thereto with the guarantee of the State Guarantee due to the Corona Crisis in the amount of NIS 1.6 million. On July 11, 2021, the company repaid the balance of a loan from a banking corporation granted thereto with the guarantee of the State due to the corona crisis in the amount of approximately NIS 1.7 million.
- H. On April 1, 2021, Mr. Betzer Gonen began serving as CFO of the Company, in lieu of Mr. Yehuda Cohen who ended his term on January 11, 2021. On July 6, 2021, Mr. Gonen Betzer ceased to hold this office.
- I. As part of the split process (for details of the split, see Note 1 to the annual financial statements), agreements were signed in February 2019 under which the Company and Utron Ltd., a company controlled by the controlling shareholders of the Company, undertook to provide various services to each other throughout the transition period and until the completion of the transfer of all the assets and liabilities in connection with the Automated Solutions of the Company. Under the agreements, a reciprocal system of services of various items was arranged between the parties, including financial and accounting services (hereinafter: the **"Services Agreement"**). The Services Agreement included the possibility under which each party has the right to terminate the agreement or a specific service with ninety days advance written notice (for details of these agreements see Note 22 to the annual financial statements).

On August 3, 2021, Utron advised the Company that it requests to terminate the CFO services it receives from the Company within 90 days pursuant to the Services Agreement. In light of the above, the Company will cease to provide Utron with CFO services as of November 1, 2021.
- J. On August 1, 2021, the company renewed an agreement for 3 years for a user right property, which was initially recognized in the amount of NIS 3,004 thousand.
- K. On October 24, 2021, the Company announced that Ms. Sarit Kirmair, who serves as the Controller of the Company (and is the Chief Financial Officer of the Company), will cease to hold office as of October 11, 2021.

UNITRONICS (1989) (R"G) LTD

Separate Interim Financial Information

As of September 30, 2021

(Unaudited)



**Special Auditors' Report to the shareholders of Unitronics (1989) (R"G) Ltd. with regard to the
Separate Interim Financial Information in accordance with Regulation 38D to the Israeli Securities
Regulations (Periodic and Immediate Reports), 1970**

Introduction

We have reviewed the separate interim financial information disclosed in accordance with Regulation 38D to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970, of Unitronics (1989) (R"G) Ltd. (hereinafter: the "**Company**") as of September 30, 2021 and for the nine and three month period then ended. The Company's board of directors and management are responsible for the separate interim financial information in accordance with Regulation 38D to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion on the separate interim financial information for these interim periods based on our review .

Scope of 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 the review reports of other auditors, nothing has come to our attention that causes us to believe that the separate interim financial information is not prepared, in all material respects, in accordance with Regulation 38d to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970 .

Tel Aviv, November 10, 2021

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Unitronics (1989) (R"G) Ltd.

Amounts of Assets, Liabilities and Capital attributed to the Company Itself as a Mother Company

	As of September 30		As of December 31
	2020	2019	2019
	<u>(Unaudited)</u>		<u>(Audited)</u>
	<u>NIS, (in thousands)</u>		
<u>Current assets</u>			
Cash and cash equivalents	16,403	14,483	18,878
Bank deposits	-	-	2,251
Trade receivables, net	10,880	11,769	10,321
Payables, net	2,392	2,019	1,122
Related companies	3,778	3,215	3,601
Accounts receivable and debit balances – investee companies	12,046	7,234	7,721
Other financial assets	-	24	-
Inventory	27,585	24,974	22,620
	<u>73,084</u>	<u>63,718</u>	<u>66,514</u>
<u>Non-current assets</u>			
Restricted use bank deposit	-	175	175
Other deposits	85	146	104
User right properties	15,768	14,434	13,871
Fixed assets, net	1,923	1,979	1,983
Loan and capital note to investee companies net of liabilities in excess of assets attributed thereto	7,745	6,048	5,874
Intangible assets, net	41,889	41,824	41,641
	<u>67,410</u>	<u>64,606</u>	<u>63,648</u>
	<u>140,494</u>	<u>128,324</u>	<u>130,162</u>

Amit Ben Zvi & Haim Shani
Joint Chairman of the Board of
Directors

Amit Harari
Chief Executive Officer

Sarit Kirmair
Controller

Approved: November 10, 2021

The attached additional material information is an integral part of the Separate Interim Financial Information.

Unitronics (1989) (R" G) Ltd.

Amounts of Assets, Liabilities and Capital Attributed to Company Itself as a Mother Company

	<u>As of September 30</u>		<u>As of December 31</u>
	<u>2021</u>	<u>2020</u>	<u>2020</u>
	<u>(Unaudited)</u>		<u>(Audited)</u>
	<u>NIS, (in thousands)</u>		
<u>Current liabilities</u>			
Current maturities of bank loans	4,086	6,517	6,647
Suppliers and service providers	21,442	14,716	15,384
Related company	4,647	4,672	4,586
Other financial liabilities	-	141	-
Lease liabilities	1,298	1,363	1,002
Other accounts payable	13,097	10,467	10,482
	<u>44,570</u>	<u>37,876</u>	<u>38,101</u>
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<u>Non-current liabilities</u>			
Bank loans	3,856	11,313	9,516
Employee benefit liabilities, net	1,781	1,982	1,781
Lease liabilities	1,835	226	147
Liability for share purchase options	7,728	3,330	4,257
Deferred taxes	4,283	4,960	4,783
	<u>19,483</u>	<u>21,811</u>	<u>20,484</u>
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<u>Equity</u>			
Share capital	427	427	427
Capital reserve for share-based transactions	731	486	568
Share premium	63,505	63,204	63,204
Capital reserve for adjustments resulting from translation of financial statements of foreign activities	(2,946)	(2,474)	(2,946)
Treasury shares	(7,042)	(7,042)	(7,042)
Fund in respect of a transaction with the controlling shareholder	104	104	104
Surplus	21,662	13,932	17,280
	<u>76,441</u>	<u>68,637</u>	<u>71,577</u>
	-----	-----	-----
	<u>140,494</u>	<u>128,324</u>	<u>130,162</u>
	=====	=====	=====

The attached additional material information is an integral part of the Separate Interim Financial Information.

Unitronics (1989) (R" G) Ltd.

Amounts of Income and Expenses Attributed to Company Itself as a Mother Company

	For the nine month period ended September 30		For the three month period ended September 30		For the year ended December 31
	2021	2020	2021	2020	2020
	(Unaudited)		(Unaudited)		(Audited)
			NIS thousands		
Revenues	58,096	52,831	17,781	17,763	71,421
Revenues from investee companies	38,798	27,688	13,879	10,007	38,648
Total revenues	96,894	80,519	31,660	27,770	110,069
Cost of revenues	58,158	51,620	19,626	17,617	69,718
Gross profit	38,736	28,899	12,034	10,153	40,351
Development expenses, net	2,521	2,319	722	743	3,388
Sales and marketing expenses	9,948	9,062	2,965	2,877	12,158
General and administrative expenses	7,184	7,610	2,367	2,425	10,112
General and administrative expenses of investee companies	563	550	225	219	720
Profit from ordinary operations	18,520	9,358	5,755	3,889	13,973
Financing income	80	3,225	145	114	1,847
Financing expenses	4,354	1,380	2,052	683	1,745
Profit after financing, net	14,246	11,203	3,848	3,320	14,075
Company's share in profit of investee companies	2,000	2,393	728	648	2,631
Profit before taxes on income	16,246	13,596	4,576	3,968	16,706
Taxes on income	1,864	1,814	633	536	1,810
Profit for the period	14,382	11,782	3,943	3,432	14,896

The attached additional material information is an integral part of the Separate Interim Financial Information.

Unitronics (1989) (R"G) Ltd.

Amounts of Income and Expenses Attributed to the Company Itself as a Mother Company

	For the nine month period ended September 30		For the three month period ended September 30		For the year ended December 31
	2021	2020	2021	2020	2020
	<u>(Unaudited)</u>		<u>(Unaudited)</u>		<u>(Audited)</u>
			<u>NIS thousands</u>		
Profit for the period	14,382	11,782	3,943	3,432	14,896
Other comprehensive income					
(loss) (after tax)					
Items that will not					
subsequently be reclassified					
to profit or loss:					
Gain (losses) Gains from re-					
measurement in respect of					
defined benefit plans	-	-	-	-	234
<u>Items that may be</u>					
<u>reclassified to profit or loss</u>					
<u>under specific conditions</u>					
Adjustments arising from the					
conversion of financial					
statements of foreign					
activities	18	(38)	(79)	63	(528)
Other comprehensive income					
(loss) for the period	18	(38)	(79)	63	(294)
Total profit for the period	14,400	11,744	3,864	3,495	14,602

The attached additional material information is an integral part of the Separate Interim Financial Information.

Unitronics (1989) (R"G) Ltd.
Amounts of Cash Flows Attributed to the Company as a Parent Company

	For the nine month period ended September 30		For the three month period ended September 30		For the year ended December 31
	2021	2020	2021	2020	2020
	(Unaudited)		(Unaudited)		(Audited)
			NIS thousands		
<u>Cash flows – operating activities:</u>					
Profit for the period attributable to the Company's shareholders	14,382	11,782	3,943	3,432	14,896
Adjustments necessary to present the cash flows from current operations (Appendix A)	11,895	12,888	4,254	8,434	20,776
Net cash flows provided by the Company's operating activities	26,277	24,670	8,197	11,866	35,672
Net cash flows provided by (used in) operating activities in respect of transactions with investees	(4,325)	5,477	(3,833)	2,486	4,990
Cash flows provided by operating activities	21,952	30,147	4,364	14,352	40,662
<u>Cash flows – investment activities:</u>					
Investment in fixed assets	(526)	(437)	(206)	(76)	(628)
Withdrawal of bank deposits	2,252	4,000	-	2,600	1,589
Withdrawal of restricted cash	-	307	-	-	307
Withdrawal (Investment) in long- term pledge	175	4,640	175	5,000	4,788
Investment in in user right property	(261)	-	(180)	-	(25)
Investment in subsidiary	-	-	-	-	(67)
Investment in intangible assets	(6,786)	(7,239)	(2,410)	(2,590)	(9,129)
Net cash flows derived from (used for) investment activities	(5,146)	1,271	(2,621)	4,934	(3,165)

The attached additional material information is an integral part of the Separate Interim Financial Information.

Unitronics (1989) (R"G) Ltd.

Amounts of Cash Flows Attributed to the Company as a Parent Company

	For the nine month period ended September 30		For the three month period ended September 30		For the year ended December 31
	2021	2020	2021	2020	2020
	(Unaudited)		(Unaudited)		(Audited)
			NIS thousands		
<u>Cash flows - financing activities</u>					
Repayment of long-term loans	(8,020)	(23,610)	(3,270)	(21,528)	(25,138)
Repayment of bonds	-	(11,396)	-	-	(11,396)
Dividend distribution	(10,000)	-	-	-	-
Receipt of loans	-	11,110	-	-	11,110
Repayment of lease liabilities	(1,185)	(1,317)	(356)	(447)	(1,861)
Net cash flows derived from (used for) financing activities	(19,205)	(25,213)	(3,626)	(21,975)	(27,285)
Exchange differences in respect of cash and cash equivalents	(76)	404	(21)	203	792
Change in cash and cash equivalents in the period	(2,475)	6,609	(1,904)	(2,486)	11,004
Cash and cash equivalents at beginning of the period	18,878	7,874	18,307	16,969	7,874
Cash and cash equivalents at end	<u>16,403</u>	<u>14,483</u>	<u>16,403</u>	<u>14,483</u>	<u>18,878</u>

The attached additional material information is an integral part of the Separate Interim Financial Information.

Unitronics (1989) (R"G) Ltd.
Amounts of Cash Flows Attributed to the Company as a Parent Company

	For the nine month period ended September 30		For the three month period ended September 30		For the year ended December 31
	2021	2020	2021	2020	2020
	(Unaudited)		(Unaudited)		(Audited)
			NIS thousands		
<u>Appendix A</u>					
Adjustments necessary to present the cash flows from operations					
<u>Income and expenses not involving cash flows:</u>					
Company's share in the losses					
(profits) of investees companies	(2,000)	(2,385)	(728)	(668)	(2,631)
Depreciation and amortization	8,630	9,922	2,942	3,455	12,761
Changes in employee benefit	-	-	-	-	67
Changes in deferred taxes, net	(500)	349	(62)	8	136
Revaluation of cash balances in foreign currency	76	(403)	21	(203)	(792)
Share-based payment cost	225	335	78	112	417
Revaluation of bank deposits	(1)	8	-	6	20
Revaluation of long-term loans and bonds	(202)	56	(101)	288	(86)
Revaluation of financial assets, net	39	89	33	152	(38)
Accrued interest and revaluation in respect of leases	47	(53)	22	(15)	77
Revaluation of share options	3,471	(2,774)	1,313	(114)	(1,847)
<u>Changes in assets and liabilities items</u>					
Decrease (increase) in trade receivables, net	(559)	1,400	1,910	(1,416)	2,848
Decrease (increase) in accounts receivable	(1,078)	1,056	2,583	1,192	2,000
Change in balances of related companies, net	(116)	(2,604)	16	35	(3,076)
Decrease (Increase) in inventory	(4,965)	8,132	(1,798)	2,028	10,486
Increase (decrease) in suppliers and service providers	6,205	(1,411)	(1,142)	2,899	(743)
Increase (decrease) in trade payables	2,623	1,171	(833)	675	1,177
	11,895	12,888	4,254	8,434	20,776

The attached additional material information is an integral part of the Separate Interim Financial Information.

Unitronics (1989) (R"G) Ltd.
Amounts of Cash Flows Attributed to the Company as a Parent Company

	For the nine month period ended September 30		For the three month period ended September 30		For the year ended December 31
	2021	2020	2021	2020	2020
	(Unaudited)		(Unaudited)		(Audited)
			NIS thousands		
Interest	<u>229</u>	<u>1,055</u>	<u>79</u>	<u>297</u>	<u>1,108</u>
Tax on income	<u>1,539</u>	<u>1,655</u>	<u>505</u>	<u>471</u>	<u>2,132</u>
Cash received during the period for:					
Interest	<u>9</u>	<u>26</u>	<u>9</u>	<u>14</u>	<u>25</u>
<u>Appendix C – non-cash transactions</u>					
Extension of the rental agreement for the building of the Company	<u>3,004</u>	<u>-</u>	<u>3,004</u>	<u>-</u>	<u>-</u>
Withdrawal of options	<u>239</u>	<u>-</u>	<u>239</u>	<u>-</u>	<u>-</u>

The attached additional material information is an integral part of the Separate Interim Financial Information.

Unitronics (1989) (R”G) Ltd.
Additional information

Note 1 – General

The separate interim financial information of Unitronics (1989) (RG) Ltd. (hereinafter: "the Company") includes financial data from the Company's concise interim financial statements, which are attributed to the Company itself as a parent company, and prepared in accordance with Regulation 38D of the Securities Regulations Value (Periodic and Immediate Reports), 1970.

The separate interim financial information is to be reviewed in conjunction with the separate financial information of the Company as of December 31, 2020 and the additional material information attached thereto as well as with the condensed interim financial statements of the Company as of September 30, 2021.

The accounting policy used in preparing the separate interim financial information is consistent with the policy detailed in note 2 of the Company's condensed interim consolidated annual financial statements as of September 30, 2021 (the "Interim Consolidated Financial Statements", subject to the foregoing and to the Company's separate financial information as of December 31, 2020, regarding the handling of inter-company transactions.

**Chapter D - Statements by the CEO and CFO of the Corporation for the
Third Quarter of 2021**

- 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 third quarter of 2021 ("the Report").
2. To the best of my knowledge, the report is free of any misrepresentation of material fact and is not lacking any representation of material fact required for the representations made there in, under the circumstances in which they were made, to not be misleading in reference to the period covered by the report.
3. To the best of my knowledge, the financial statements and other financial information included in the report properly reflect, in all material aspects, the financial standing, operating results and cash flows of the corporation as of the dates and for the periods to which the report refers.
4. I have disclosed to the corporation's Independent Auditor, the Board of Directors and the Audit Committee of the corporation's Board of Directors, any fraud, whether material or not, involving the CEO or any direct report of the CEO, or involving any other employees that have a significant role in the financial reporting and in disclosure and control over financial reporting.

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

November 10, 2021

Amit Harari, CEO

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

I, Sarit Kirmair, certify that:

1. I have reviewed the interim financial statements and other financial information included in the interim reports of UNITRONICS (1989) (R"G) Ltd. ("the corporation") for the third quarter of 2021 (hereinafter - "the Report" or "the Interim Reports").
2. To the best of my knowledge, the interim financial statements and the other financial information included in the interim reports are free of any mis-representation of material fact and is not lacking any representation of material fact required for the representations made there in, under the circumstances in which they were made, to not be misleading in reference to the period covered by the report.
3. To the best of my knowledge, the interim financial statements and the other financial information included in the interim reports properly reflect, in all material aspects, the financial standing, operating results and cash flows of the corporation as of the dates and for the periods to which the report refers.
4. I have disclosed to the corporation's Independent Auditor, the Board of Directors and the Audit Committee of the corporation's Board of Directors, any fraud, whether material or not, involving the CEO or any direct report of the CEO, or involving any other employees that have a significant role in the financial reporting and in disclosure and control over financial reporting.

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

November 10, 2021

Sarit Kirmair, Controller