



Unitronics (1989) (RG) Ltd.

Quarterly Report as of September 30, 2020

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
Address:	Unitronics House, Arava St., Airport City, POB 300, Israel 70100
Email address:	riki@unitronics.com
Telephone:	03 977 8888
Facsimile:	03 977 8877
Period of the Report:	The nine and three-month period ended on September 30, 2020
Date of the Report:	September 30, 2020

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, 2019, as published on March 26, 2020 (reference number: 2020-01-026110).

The above reference is cited as inclusion by way of reference ("Periodic Report for 2019")

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) of various types that combine an operating panel (keyboard and display) as an integral part of the PLC, and connectivity (including Internet, intranet and cellular telephone communications) and external expansion units to the PLCs and software for PLCs (hereinafter: the "**Products Segment**"). The PLCs are designed primarily for the management of automated systems, including industrial automation, logistics systems, automated parking lots, management of production floors and other auxiliary means.

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

The Company's PLCs and services are marketed and sold through the Company's internal marketing system via Unitronics Inc., and through a network of distributors that includes

about 200 distributors, of which approximately 120 in the US and North America and about 80 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 Periodic Report for 2019.

It should be noted that up to March 12, 2019 (hereinafter - the "split date"), the Company engaged in two areas of activity as specified in Section 1.3.1 of Chapter A of the 2019 Periodic Report and Note 1 to the Consolidated Financial Statements of 2019 - Chapter C of the 2019 Periodic Report: Products and automated solutions. At the time of the split, the Company's automated solutions business was transferred to Utron Ltd., a company controlled by the Company's controlling shareholders, and from that date the Company ceased to operate in the automated solutions sector.

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

- 1.3.1.** On January 1, 2020, the Company announced that it was back to the definition of "small corporation" (as defined in these Regulations) and that in light of the above, and in accordance with the decision of the Company's Board of Directors on the matter, the Company will continue to apply all the reliefs it has implemented until that date as a small corporation, From the 2019 Periodic Report, and will continue to report by quarterly reporting format (from the reporting period beginning January 1, 2020). For more details, see the Company's Immediate Report of January 1, 2020 (Reference No. 2020-01-000085). The above mention is a generalization on the way of referral.
- 1.3.2.** On January 29, 2020, the Company repaid the balance of debentures (Series 4) in the amount of NIS 11,156 thousand, as well as interest and linkage in the amount of NIS 308 thousand. A pledged deposit in the amount of the semi-annual interest payments of the debentures in favor of bondholders (Series 4), was removed in February 2020 with the repayment of the bond.
- 1.3.3.** On March 9, 2020, the Company took out a loan from a banking corporation of 1.9 million euros for a period of 24 months. The loan is repaid on 24 monthly installments, carries a fixed interest rate of 2.58% per annum, and joins existing liens and liabilities on the Company's loans from the banking corporation.
- 1.3.4.** 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 (resulting from, among other things, disabling personnel or imposing restrictions on movement of civilians, workers, congregations, gatherings, insulators returning from abroad or coming into direct contact with Factors returning from overseas and required for isolation), delays in shipping and supply of raw materials, components for finished goods or products, inter alia, 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), 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 nine-month period ended September 30, 2020, Starting with the outbreak of the corona virus crisis there has been a decrease in demand and sales of the company's products compared with previous periods. The Company has worked to reduce costs, among other things, taking employees on vacation without pay, reducing wages in Israel and abroad, reducing overhead costs. The company also worked to reduce procurement and inventory levels in line with demand. These actions mitigated the effect of the said decrease in sales on the results of operations.

In the third quarter of 2020, there was a certain moderation in the impact of the Corona virus crisis on the company's sales. As a result of the aforesaid and the streamlining and savings in the Company's expenses, there was an increase in profit from ordinary activities for the third quarter of 2020 compared with the corresponding period last year.

As of the date of publication of this report, there is still a decrease in demand and sales of the Company's products compared to previous periods. The Company continues to operate at reduced costs compared to the past, adjusting to the scope of activity, and with tight control over working capital, in order to moderate the effect of the decrease

The Company examined signs of impairment of the intangible assets, use rights and fixed assets in accordance with IAS 36 and concluded that none existed.

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's assessments of the possible consequences of the continued spread of the Corona virus and the public's directives 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 and Among other things, the length of time that the Corona virus will continue to spread, the guidelines of the relevant authorities in Israel and around the world, and the intensity and duration of the economic slowdown that will develop in Israel and around the world.

- 1.3.5.** On April 30, 2020, US subsidiary Unitronics Inc. received a \$ 388 forgivable loan from the US government under the Paycheck Protection Program (PPP) in light of the Corona crisis (hereinafter - "PPP loan") The loan carries a fixed interest rate of 1% per annum.

Subject to proof of use of the loan proceeds primarily for payment of wages to its employees as well as other overhead expenses during 2020, the repayment of the PPP loan may be waived. If the Company fails to meet the waiver conditions, the loan will be repayable in monthly installments for up to two years from the date of receipt.

- 1.3.6.** On May 7, 2020, the Company received a loan from a banking corporation of NIS 3.5 million for a period of 60 months, as part of the State Guarantee Loan Program, in light of the Corona crisis. The loan is repaid in 49 equal monthly installments as of the end of the first year, and carries an annual interest rate of + 1.5%. The company is exempt from interest for the first year in this loan route.

- 1.3.7.** On May 27, 2020, following approval by the Company's Balance Sheet, Audit and Remuneration Committee from May 21, 2020, the Company's Board of Directors approved the renewal of the Company's Directors' and Officers' Liability Insurance Policy for , for a period of 12 months starting at September first until May 31, 2021, 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 (including the 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) The Company's deductible for claims filed in the United States and Canada of USD 25,000 per case excluding securities claims, including the Company's deductible of USD 35,000 per case.

For further details, see the Immediate Report dated May 31, 2020 on a Transaction with a Controlling Officer That Does Not Require General Assembly Approval (Reference No.: 2020-01-048127). For further details regarding the insurance arrangements for liability of directors and officers of the Company, see Section 4.7.7 in Chapter D of the Periodic Report for 2019.

- 1.3.8.** On July 13, 2020, the Company announced the convening of an annual general meeting of the Company's shareholders whose agenda is as follows: (1) Presentation of the Company's audited financial statements, the Company's Board of Directors' report on the corporation's affairs including the remuneration of the Company's auditor for auditing operations and his remuneration for additional operations, and the periodic annual report (in the format of the Barnea Committee) for the year ended December 31, 2019; (2) reappointment of BDO CPA Ziv Haft as the Company's auditor until the next annual general meeting of the company's shareholders and the board's authorization to determine his remuneration; (3) reappointment of the directors serving in the company (who are not external directors).

On August 4, the Company announced the results of the annual general meeting according to which all resolutions that were on the agenda of the meeting were approved by the required majority. For more details, see the Company's Immediate Reports of July 13, 2020 and August 4, 2020 (Reference No: 2020-01-067360 and 2020-01-083604 respectively). The above mentions constitute a generalization by way of reference.

- 1.3.9.** On September 24, 2020, the Company repaid a loan from a banking corporation in the amount of NIS 20 million, which was originally supposed to be repaid on February 28, 2021, without penalty for the early repayment. As part of the early repayment of the loan subject to section 1.3.9, An agreement was reached between the company and the banking corporation on the release of a deposit which was pledged in favor of the banking corporation in the amount of NIS 5 million.

For further details, see the Company's Immediate Report dated September 29, 2020 (Reference No.: 2020-01-105510). The above mention constitutes a generalization 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 Dec. 31, 2019	The Board of Directors' Explanations of Changes in Balance Sheets compared to December 31, 2019
	2020	2019		
	NIS thousands			
Current assets	72,216	90,632	81,660	Decrease in inventory of approximately NIS 9 million as part of the implementation of a plan to reduce inventory levels.
Non-current assets	58,951	64,925	65,896	A decrease of approximately NIS 5 million in a lien on a banking corporation as a result of the repayment of a loan for which the deposit served as collateral.
Total assets	131,167	155,557	147,556	
Current liabilities	39,384	56,915	49,233	<ol style="list-style-type: none"> 1. Decrease in current maturities of bonds in the amount of NIS 11.5 million following the repayment of Series 4 bonds. 2. Increase in current maturities in respect of loans due on the next year in the amount of approximately NIS 4 million.
Non-current liabilities	23,146	41,977	41,765	<ol style="list-style-type: none"> 1. A decrease of approximately NIS 15 million in long-term loans, which is mainly due to an early repayment of a long-term loan. 2. A decrease of approximately NIS 2.8 million for the fair value revaluation of warrants, (See section 2.3 below).
Equity attributable to the Company's shareholders	68,637	56,665	56,558	An increase of approximately NIS 12 million in the Company's equity balance, arising from a nine-month period profit ending September 30, 2020.
Total liabilities and equity	131,167	155,557	147,556	

The Company's working capital as of September 30, 2020 amounted to NIS 32,832 thousand, compared to the Company's working capital as of December 31, 2019, which amounted to NIS 32,427 thousand.

2.1.2 Operating results

	For the nine-month period ended on September 30		For the three-month period ended on September 30		For the year ended on December 31, 2019	The Board of Directors' Explanations of the Main Changes in the profit and loss items compared to the corresponding period
	2020	2019	2020	2019	2019	
	NIS thousands					
Income	93,663	103,288	31,629	33,697	137,545	The decrease in the Company's revenues in the nine-month period ended September 30, 2020 compared to the corresponding period last year was mainly due to the decrease in demand and sales of the Company's products due to the global impact of the corona virus. During the third quarter of 2020, there was a certain moderation in the aforesaid effect on sales compared with the corresponding period last year.
Cost of income	52,907	58,311	17,949	18,922	78,807	
Gross profit (gross profit margin)	40,756 (43.5%)	44,977 (43.5%)	13,680 (43.3%)	14,775 (43.8%)	58,738 (42.7%)	The rate of gross profit remained similar to previous periods, despite the aforesaid decrease in the Company's revenues, as a result of a reduction in costs incurred by the Company.
Development expenses	2,319	2,898	743	774	3,941	The decrease in the Company's development expenses in the nine-month period ended September 30 and in the third quarter of 2020 compared to the corresponding periods last year was due to a reduction in wage costs and overheads that the Company took to mitigate the effects of corona virus on operating results.

	For the nine-month period ended on September 30		For the three-month period ended on September 30		For the year ended on December 31, 2019	The Board of Directors' Explanations of the Main Changes in the profit and loss items compared to the corresponding period
	2020	2019	2020	2019	2019	
	<u>NIS thousands</u>					
Selling and marketing expenses	16,712	19,675	5,189	6,993	26,702	Selling and marketing expenses in the nine-month period ended September 30 and the third quarter of 2020 decreased compared to the corresponding periods last year due to a reduction in wage costs and overheads that the company took to mitigate the effects of the corona virus on operating results.
General and administrative expenses	9,904	10,766	3,219	3,550	15,108	Administrative and general expenses in the nine-month period ended September 30 and the third quarter of 2020 decreased compared to the corresponding periods last year due to a reduction in wage costs and overheads that the company took to mitigate the effects of the corona virus on operating results.
Profit from ordinary activities	11,821	11,638	4,529	3,458	12,987	<p>The profit from ordinary operations in the nine-month period ended September 30, 2020 remained similar to the corresponding period last year despite the decrease in the company's sales despite the corona virus due to the reduction in costs incurred by the company.</p> <p>Profit from ordinary operations in the third quarter of 2020 increased by NIS 1 million compared with the corresponding period last year, as a result of the savings and streamlining of operating expenses, Simultaneously with a moderating in the decline in the company's sales due to the corona virus.</p>

	For the nine-month period ended on September 30		For the three-month period ended on September 30		For the year ended on December 31, 2019	The Board of Directors' Explanations of the Main Changes in the profit and loss items compared to the corresponding period
	2020	2019	2020	2019	2019	
	<u>NIS thousands</u>					
Financing income (expenses), net	1,775	(2,278)	(561)	(2,667)	(3,299)	<p>The Company's financing income for the nine-month period ended September 30 and the third quarter of 2020 resulted mainly from the revaluation of the promissory note in respect of an option (see section 2.3 below).</p> <p>Financing expenses in the nine-month period ended September 30 and the third quarter of 2020 are mainly attributed to interest expenses and exchange rate differences.</p>
Profit before taxes	13,596	9,360	3,968	781	9,688	
Taxes on income	1,814	1,507	536	53	1,545	Tax expenses mainly derive from the period for which the company created a provision for current taxes, given the tax benefits to which the company is entitled, as well as changes in the deferred tax balances.
Profit for the period from continued activity	11,782	7,853	3,432	728	8,143	
Loss from discontinued operation	-	(5,513)	-	-	(5,513)	Results of discontinued operations are attributed to the automated solutions segment that was split in March 2019.
Profit for the period	11,782	2,340	3,432	728	2,630	

2.2 Liquidity and Financing Sources

The cash flow statements for the six-month period ended September 30, 2019, refer to both the product activity and the discontinued automated solutions activity, which was subtracted from the split. The cash flow statements after the split refer only to continued product activity.

As of September 30, 2020, the Company's balance of cash and cash equivalents, short-term and long-term deposits amounted to NIS 20,636 thousand, compared to NIS 19,598 thousand as of December 31, 2019. Below are explanations regarding the changes in cash flows:

	For the nine-month period that ended on September 30		For the three-month period that ended on September 30		For the year ended on December 31, 2019	The Board of Directors' Explanations
	2020	2019	2020	2019	2019	
	<u>NIS thousands</u>					
Cash flow from operating activities	27,437	15,724	13,254	6,856	22,283	The cash flow from operating activities derives from the profit from the company's operations, excluding adjustments to cash flow and mainly depreciation and amortization and changes in working capital items and in particular a decrease in inventory.
Cash flow from investment activities	1,242	(16,657)	4,918	(6,812)	(20,825)	The cash flow resulting from investment activities during the reporting period is mainly from the realization of bank deposits and the release of a pledged deposit in the total amount of approximately NIS 9 million and from investment in development assets.
Cash flow from financing activities	(24,020)	(22,778)	(22,027)	(1,201)	(23,427)	The cash flow used for financing activities during the reporting period is mainly due to the repayment of the debentures and current liabilities of loans from banking corporations, less loans received from banking corporations

As of September 30, 2020, the Company's unutilized credit lines for operating activities amounted to NIS 5,400 thousand. From time to time, the Company turns to financial institutions to take out lines of credit according to its needs.

2.3 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, 2020
Valuation amount	NIS 3,329, 784
Appraiser	CPE Shai Pulvernis, holds a B.A in Economics and Accounting from Ben-Gurion University. Licensed as a chartered accountant in Israel. CEO of Pulvernis 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	14 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 46.28%, Utron standard deviation 53.78%, no-risk interest 0.11%, life cycle 2. 25, Unitronics base asset NIS 6.42, Utron base asset NIS 5.94.
Influence on profit and loss	Financing income in the amount of NIS 2,774 thousands for the nine month period ended September 30, 2020 and financing expenses in the amount of NIS 114 thousands for the third quarter of 2020.

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, 2020, 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 22, 2020

UNITRONICS (1989) (R" G) LTD
Consolidated Financial Statements
September 30, 2020
(Unaudited)

Unitronics (1989) (R"G) Ltd
Consolidated Financial Statements

September 30, 2020

(Unaudited)

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

Introduction

We have reviewed the accompanying financial information of Unitronics (1989) (R"G) Ltd. and its subsidiaries (hereinafter – "the Group") which includes the condensed consolidated statements of financial position as of September 30, 2020 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. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Accounting Standards (IAS) 34, Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on this interim financial information 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 22, 2020



Tel Aviv +972-3-6386868	Jerusalem +972-2-6546200	Haifa +972-4-8680600	Beer Sheva +972-77-7784100	Bene Berak +972-73-7145300	Kiryat Shmona +972-77-5054906	Petach Tikva +972-77-7784180	Modiin Ilit +972-8-9744111
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Head Office Amot Bituach House 48 Derech Menachem Begin Rd. Tel Aviv 6618001 **Email** bdo@bdo.co.il **Our Site** www.bdo.co.il

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Unitronics (1989) (R"G) Ltd.

Condensed Consolidated Statements of Financial Position

	<u>As of September 30</u>		<u>As of</u>
	<u>2020</u>	<u>2019</u>	<u>December 31</u>
	<u>(Unaudited)</u>		<u>(Audited)</u>
	<u>NIS, (in thousands)</u>		
<u>Current assets</u>			
Cash and cash equivalents	20,636	13,737	15,590
Restricted cash and deposits	-	306	306
Deposits in bank	-	4,003	4,008
Trade receivable, net	17,642	19,908	19,121
Accounts receivable	2,311	4,116	3,455
Related companies	4,999	8,841	3,420
Other financial assets	24	160	-
Inventory	26,604	39,561	35,760
	<u>72,216</u>	<u>90,632</u>	<u>81,660</u>
<u>Non-current assets</u>			
Restricted bank deposit	175	4,718	4,815
Rights-of-use assets	14,536	16,747	16,331
Other deposits	146	175	118
Property and equipment, net	2,270	2,241	2,443
Intangible assets, net	41,824	41,044	42,189
	<u>58,951</u>	<u>64,925</u>	<u>65,896</u>
	<u>131,167</u>	<u>155,557</u>	<u>147,556</u>

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

Amit Harari
CEO

Yehuda Cohen
CFO

Date of approval of the financial statements: November 22, 2020

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

Unitronics (1989) (R"G) Ltd.

Condensed Consolidated Statements of Financial Position

	<u>As of September 30</u>		<u>As of December</u>
	<u>2020</u>	<u>2019</u>	<u>31</u>
	<u>(Unaudited)</u>		<u>(Audited)</u>
	<u>NIS. (in thousands)</u>		
<u>Current liabilities</u>			
Current maturities of bank loans	6,517	2,317	2,323
Current maturities of bonds	-	11,456	11,396
Suppliers and service providers	15,603	22,078	17,111
Related companies	4,672	11,246	6,715
Other financial liabilities	141	-	-
Lease liabilities	1,469	2,023	2,014
Other accounts payable	10,982	7,795	9,674
	<u>39,384</u>	<u>56,915</u>	<u>49,233</u>
<u>Non-current liabilities</u>			
Bank loans	12,648	28,579	27,954
Employee benefit liabilities, net	1,982	1,780	1,982
Lease liabilities	226	1,467	1,114
Liability for share purchase options	3,330	5,527	6,104
Deferred taxes	4,960	4,624	4,611
	<u>23,146</u>	<u>41,977</u>	<u>41,765</u>
<u>Equity</u>			
Share capital	427	427	427
Share premium	63,204	63,204	63,204
Capital reserve with regard to translation of financial statements of foreign operations	(2,474)	(2,466)	(2,436)
Capital reserve with regard to share based payment transactions	486	38	151
Treasury shares	(7,042)	(7,042)	(7,042)
Reserve due to transaction with a controlling shareholder	104	104	104
Retained earnings	13,932	2,400	2,150
	<u>68,637</u>	<u>56,665</u>	<u>56,558</u>
	<u>131,167</u>	<u>155,557</u>	<u>147,556</u>

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

Unitronics (1989) (R"G) Ltd.

Condensed Consolidated Statements of Profit or Loss

	For the Nine month period ended on		For the three month period ended on		For the year ended
	September 30		September 30		December 31
	2020 (Unaudited)	2019 (Unaudited)	2020 (Unaudited)	2019 (Unaudited)	2019 (Audited)
	<u>NIS, (in thousands)</u>				
Revenues	93,663	103,288	31,629	33,697	137,545
Cost of revenues	<u>52,907</u>	<u>58,311</u>	<u>17,949</u>	<u>18,922</u>	<u>78,807</u>
Gross profit	40,756	44,977	13,680	14,775	58,738
Development expenses, net	2,319	2,898	743	774	3,941
Selling & marketing expenses	16,712	19,675	5,189	6,993	26,702
General & administrative expenses	<u>9,904</u>	<u>10,766</u>	<u>3,219</u>	<u>3,550</u>	<u>15,108</u>
Profit from ordinary operations	11,821	11,638	4,529	3,458	12,987
Financing incomes	3,225	2,586	114	-	1,169
Financing expenses	<u>1,450</u>	<u>4,864</u>	<u>675</u>	<u>2,677</u>	<u>4,468</u>
Profit before taxes on income	13,596	9,360	3,968	781	9,688
Taxes on income	<u>1,814</u>	<u>1,507</u>	<u>536</u>	<u>53</u>	<u>1,545</u>
Profit for the period from continuing operations	11,782	7,853	3,432	728	8,143
loss from discontinued activity	<u>-</u>	<u>(5,513)</u>	<u>-</u>	<u>-</u>	<u>(5,513)</u>
Profit for the period	<u>11,782</u>	<u>2,340</u>	<u>3,432</u>	<u>728</u>	<u>2,630</u>
Basic earnings per share in NIS from continuing operations	0.857	0.571	0.250	0.053	0.592
Basic loss per share in NIS from discontinued activity	<u>-</u>	<u>(0.401)</u>	<u>-</u>	<u>-</u>	<u>(0.401)</u>
Basic earnings per share in NIS	<u>0.857</u>	<u>0.170</u>	<u>0.250</u>	<u>0.053</u>	<u>0.191</u>
Diluted earnings per share in NIS from continuing operations	0.657	0.571	0.233	0.053	0.592
Diluted loss per share in NIS from discontinued activity	<u>-</u>	<u>(0.401)</u>	<u>-</u>	<u>-</u>	<u>(0.401)</u>
Diluted earnings per share in NIS	<u>0.657</u>	<u>0.170</u>	<u>0.233</u>	<u>0.053</u>	<u>0.191</u>

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

Unitronics (1989) (R"G) Ltd.

Condensed Consolidated Statements of Comprehensive Income

	For the nine month period ended on September 30		For the three month period ended on September 30		For the year ended December 31
	2020	2019	2020	2019	2019
	(Unaudited)		(Unaudited)		(Audited)
	<u>NIS. (in thousands)</u>				
Profit for the period	11,782	2,340	3,432	728	2,630
<u>Other comprehensive income (loss) (net of tax)</u>					
<u>Items that will not subsequently be reclassified to profit or loss:</u>					
Remeasurement loss from defined benefit plans	-	-	-	-	(540)
<u>Items that will be reclassified to profit or loss if certain conditions are met:</u>					
Adjustments arising from translation of financial statements of foreign operations	(38)	(1,205)	63	(626)	(1,175)
Other comprehensive income (loss) for the period	(38)	(1,205)	63	(626)	(1,175)
Total comprehensive income for the period	<u>11,744</u>	<u>1,135</u>	<u>3,495</u>	<u>102</u>	<u>915</u>

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

Unitronics (1989) (R"G) Ltd.

Condensed Statements of Changes in Consolidated Interim Capital

	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)							
<u>Balance as of January 1, 2020</u>	427	63,204	(2,436)	151	(7,042)	104	2,150	56,558
Profit for the period	-	-	-	-	-	-	11,782	11,782
Other comprehensive loss for the period	-	-	(38)	-	-	-	-	(38)
Total comprehensive income (loss) for the period	-	-	(38)	-	-	-	11,782	11,744
Share based payment cost	-	-	-	335	-	-	-	335
<u>Balance as of September 30, 2020 (unaudited)</u>	<u>427</u>	<u>63,204</u>	<u>(2,474)</u>	<u>486</u>	<u>(7,042)</u>	<u>104</u>	<u>13,932</u>	<u>68,637</u>
<u>Balance as of July 1, 2020 (unaudited)</u>	427	63,204	(2,537)	374	(7,042)	104	10,500	65,030
Profit for the period	-	-	-	-	-	-	3,432	3,432
Other comprehensive income for the period	-	-	63	-	-	-	-	63
Total comprehensive income for the period	-	-	63	-	-	-	3,432	3,495
Share based payment cost	-	-	-	112	-	-	-	112
<u>Balance as September 30, 2020 (unaudited)</u>	<u>427</u>	<u>63,204</u>	<u>(2,474)</u>	<u>486</u>	<u>(7,042)</u>	<u>104</u>	<u>13,932</u>	<u>68,637</u>

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

Unitronics (1989) (R"G) Ltd.

Condensed Statements of Changes in Consolidated Interim Capital

	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)							
<u>Balance as of January 1, 2019</u>	427	104,513	(1,598)	-	(7,042)	104	60	96,464
Profit for the period	-	-	-	-	-	-	2,340	2,340
Other comprehensive loss for the period	-	-	(1,205)	-	-	-	-	(1,205)
Total comprehensive income (loss) for the period	-	-	(1,205)	-	-	-	2,340	1,135
Cost of share based payment	-	-	-	38	-	-	-	38
Spin-off of automated solutions segment and related activities	-	(41,309)	337	-	-	-	-	(40,972)
<u>Balance as of September 30, 2019 (unaudited)</u>	<u>427</u>	<u>63,204</u>	<u>(2,466)</u>	<u>38</u>	<u>(7,042)</u>	<u>104</u>	<u>2,400</u>	<u>56,665</u>
<u>Balance as of July 1, 2019</u>	427	63,204	(1,840)	-	(7,042)	104	1,672	56,525
Profit for the period	-	-	-	-	-	-	728	728
Other comprehensive loss for the period	-	-	(626)	-	-	-	-	(626)
Total comprehensive income (loss) for the period	-	-	(626)	-	-	-	728	102
Cost of share based payment	-	-	-	38	-	-	-	38
<u>Balance as September 30, 2019 (unaudited)</u>	<u>427</u>	<u>63,204</u>	<u>(2,466)</u>	<u>38</u>	<u>(7,042)</u>	<u>104</u>	<u>2,400</u>	<u>56,665</u>

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

Unitronics (1989) (R"G) Ltd

Condensed Statements of Changes in Consolidated Interim Capital

	<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, 2019</u>	427	104,513	(1,598)	-	(7,042)	104	60	96,464
Profit for the year	-	-	-	-	-	-	2,630	2,630
Other comprehensive loss for the year	-	-	(1,175)	-	-	-	(540)	(1,715)
Total comprehensive income (loss) for the year	-	-	(1,175)	-	-	-	2,090	915
Share based payment cost	-	-	-	151	-	-	-	151
Spin-off of automated solutions segment and related activities	-	(41,309)	337	-	-	-	-	(40,972)
<u>Balance as of December 31, 2019</u>	<u>427</u>	<u>63,204</u>	<u>(2,436)</u>	<u>151</u>	<u>(7,042)</u>	<u>104</u>	<u>2,150</u>	<u>56,558</u>

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

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
	2020	2019	2020	2019	2019
	(Unaudited)		(Unaudited)		(Audited)
	NIS, (in thousands)				
<u>Cash flows – operating activities:</u>					
Profit for the period	11,782	2,340	3,432	728	2,630
Adjustments required to show the cash flows from operating activities (Appendix A)	15,655	13,384	9,822	6,128	19,653
Cash flows provided by operating activities	27,437	15,724	13,254	6,856	22,283
<u>Cash flows – investment activities:</u>					
Investment in fixed assets	(463)	(720)	(92)	(129)	(1,123)
Withdrawal of restricted cash	307	307	-	-	307
Withdrawal (investment) of bank deposits	4,000	(4,000)	2,600	(4,000)	(4,000)
Withdrawal (investment) of a restricted long- term deposits	4,640	(5,058)	5,000	(58)	(5,000)
Investment in intangible assets	(7,242)	(7,186)	(2,590)	(2,625)	(11,009)
Cash flows provided by (used in) investment activities	1,242	(16,657)	4,918	(6,812)	(20,825)
<u>Cash flows – financing activities:</u>					
Repayment of long-term loans	(23,610)	(1,480)	(21,529)	(685)	(1,836)
Loans taken	12,455	30,000	-	-	30,000
Cash outflows due to the spin-off of the automated solutions segment	-	(6,483)	-	-	(6,483)
Repayment of bonds	(11,396)	(42,393)	-	-	(42,264)
Repayment of lease liabilities	(1,469)	(2,422)	(498)	(516)	(2,844)
Net cash used for financing activities	(24,020)	(22,778)	(22,027)	(1,201)	(23,427)
Adjustment differences in respect of cash and cash equivalents	387	(378)	159	(585)	(267)
Change in cash and cash equivalents for the period	5,046	(24,089)	(3,696)	(1,742)	(22,236)
Cash and cash equivalents at beginning of year	15,590	37,826	24,332	15,479	37,826
Cash and cash equivalents at end of year	20,636	13,737	20,636	13,737	15,590

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

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
2020	2019	2020	2019	2019
(Unaudited)		(Unaudited)		(Audited)

NIS, (in thousands)

Appendix A

Adjustments necessary to show the cash flows
from operations

Income and expenses not involving cash
flows:

Depreciation and amortization	10,124	12,648	3,524	3,731	16,079
Cost of share based payment	335	38	112	38	151
Changes in employee benefit liabilities, net	-	(63)	-	-	(263)
Revaluation of cash balances in foreign currency	(403)	159	(203)	366	(135)
Revaluation of deposits	8	304	6	318	204
Revaluation of long-term loans and bonds	56	230	274	(21)	(214)
Changes in deferred taxes	349	(189)	8	(295)	(411)
Revaluation of share options	(2,774)	1,625	(114)	1,119	2,202
Revaluation of financial assets, net	89	(525)	152	59	(365)
Interest on leases	(54)	-	(15)	-	(118)

Changes in assets and liabilities:

Decrease (increase) in trade and income receivables	1,453	8,741	(975)	6,093	9,340
Increase in income receivable in respect of construction contracts	-	(5,195)	-	-	(5,195)
Decrease (increase) in accounts receivable	1,143	(1,805)	945	812	(1,173)
Changes in related companies, net	(3,635)	2,368	(55)	(1,093)	3,271
Decrease (increase) in inventory	9,155	(7,622)	2,214	(3,222)	(3,967)
Increase (decrease) in trade payables	(1,506)	5,324	2,900	(1,212)	(1,088)
decrease in liabilities in respect of construction contracts	-	(3,467)	-	-	(3,467)
Increase (decrease) in other accounts payable	1,315	813	1,049	(565)	4,802
	<u>15,655</u>	<u>13,384</u>	<u>9,822</u>	<u>6,128</u>	<u>19,653</u>

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
	2020	2019	2020	2019	2019
	(Unaudited)		(Unaudited)		(Audited)
			NIS, (in thousands)		

Additional information on cash -Appendix B
flows regarding operating activities

Cash paid during the year for:

Interest	<u>1,055</u>	<u>1,800</u>	<u>297</u>	<u>339</u>	<u>2,396</u>
Taxes on income	<u>1,655</u>	<u>241</u>	<u>471</u>	<u>-</u>	<u>1,828</u>
Cash received during the year for:					
interest	<u>26</u>	<u>10</u>	<u>14</u>	<u>10</u>	<u>17</u>

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

Unitronics (1989) (R”G) Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

Note 1 – General:

These financial statements were prepared in a condensed format as of September 30, 2020 (hereinafter - "Consolidated Interim Financial Statements"). These statements should be read in conjunction with the annual financial statements of the Company as of December 31, 2019 and the year ended on that date as well as the accompanying notes (hereinafter - the "Consolidated Annual Financial Statements").

Until March 12, 2019, the Group operated in two main areas of activity, the product and automated solutions areas, and also held 100% of the capital and control rights of Unitronics Automated Solutions Ltd. ("Solutions"). As of March 12, 2019, the Company operates in the product Only, and its activities in the field of automated solutions, including its holdings in solutions, were transferred to Utron Ltd. as part of a split based on a split prospectus and a registration for trading

Note 2 - Significant Accounting Policies

- A. The consolidated interim financial statements of the Company are prepared in conformity with IAS 34, "Interim Financial Reporting" and in accordance with the provisions of Chapter D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970.
- B. The condensed financial statements have been prepared in accordance with the same accounting policies and calculation methods applied in the Company's annual financial statements as of December 31, 2019.

Note 3 –Financial instruments

- A. Classification of financial instruments according to the fair value hierarchy

The financial instruments which are presented in the statement of financial position at fair value, or whose fair value is disclosed, are classified by groups with similar characteristics using the following fair value hierarchy, which is determined based on the source of input used in measuring fair value :

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

Level 2 - Inputs other than quoted prices included within Level 1 that are observable either directly or indirectly.

Level 3 - Inputs that are not based on observable market data (valuation techniques that use inputs which are not based on observable market data).

Foreign currency forward contract is measured by Level 2.

Liability for share purchase options are measured by Level 3.

Unitronics (1989) (R"G) Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

Note 3 – Financial instruments (continued)

A. Classification of financial instruments according to fair value hierarchy (continued)

The Company holds financial instruments that are measured at fair value according to the following classifications:

	<u>Level 2</u>	<u>Level 3</u>
	<u>NIS in thousand</u>	
<u>As of September 30, 2020 (unaudited):</u>		
<u>Financial assets measured at fair value</u>		
Foreign currency forward contracts	<u>24</u>	<u>-</u>
<u>Financial liabilities measured at fair value</u>		
Liabilities in respect of share options	<u>141</u>	<u>-</u>
	<u>-</u>	<u>3,330</u>
<u>As of September 30, 2019 (unaudited):</u>		
<u>Financial assets measured at fair value</u>		
Foreign currency forward contracts	<u>160</u>	<u>-</u>
<u>Financial liabilities measured at fair value</u>		
Liabilities in respect of share options	<u>-</u>	<u>5,527</u>
<u>As of December 31, 2019 (audited):</u>		
<u>Financial assets measured at fair value</u>		
Foreign currency forward contracts	<u>-</u>	<u>-</u>
<u>Financial liabilities measured at fair value</u>		
Foreign currency forward contracts	<u>-</u>	<u>-</u>
Liabilities in respect of share options	<u>-</u>	<u>6,104</u>

During the reported periods there were no transfers between the levels.

Unitronics (1989) (R"G) Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

Note 3 – Financial instruments (continued)

B. Quantitative information regarding fair value measurements classified at 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 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 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.

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

	As of September 30, 2020				
	+10%	+5%	Fair value	-5%	-10%
Effect on the Profit / loss	79	72	3,330	(32)	(44)

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

	As September 30, 2020				
	+20%	+10%	Fair value	-10%	-20%
Effect on the Profit / loss	(516)	(255)	3,330	321	621

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

Unitronics (1989) (R"G) Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

Note 4 – Revenues:

The table below presents revenues by geographic regions:

	For the nine month period ended on September 30		For the three month period ended on September 30		For the year ended December 31
	2020	2019	2020	2019	2019
	(Unaudited)		(Unaudited)		(Audited)
	NIS, (in thousands)				
Israel	4,972	5,817	1,840	1,726	7,643
Europe	36,984	39,813	11,914	12,439	52,492
United States	40,541	45,342	13,760	15,146	59,203
Others	11,166	12,316	4,115	4,386	18,207
Total revenues	93,663	103,288	31,629	33,697	137,545

Note 5 – Material events during and after the reporting period

- A. On March 9, 2020, the Company took out a loan from a banking corporation of 1.9 million euros, for a period of 24 months, repayable on 24 monthly installments, carries a fixed interest rate of 2.58% per annum, and guarantees the existing liens and liabilities on the Company's loans from the banking corporation.
- B. 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 (resulting from, among other things, disabling personnel or imposing restrictions on movement of civilians, workers, congregations, gatherings, insulators returning from abroad or coming into direct contact with Factors returning from overseas and required for isolation), delays in shipping and supply of raw materials, components for finished goods or products, inter alia, 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), 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 nine-month period ended September 30, 2020, starting at the break of the corona virus crisis, there has been a certain decrease in demand and sales of the company's products compared with previous periods. The Company has worked to reduce costs, among other things, taking employees on vacation without pay, reducing wages in Israel and abroad and reducing overhead costs.

The company also worked to reduce procurement and inventory levels according to demand. These actions mitigated the effect of the aforesaid decrease in sales on the results of the operations.

Unitronics (1989) (R"G) Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

Note 5 – Material events during and after the reporting period (continued)

In the third quarter of 2020, there was a certain moderation in the impact of the Corona virus crisis on the company's sales. As a result of the aforesaid and the streamlining and savings in the Company's expenses, there was an increase in profit from ordinary activities in the third quarter of 2020 compared with the corresponding. As of the date of publication of this report, there is still a marked decrease in demand and sales of the Company's products compared to previous periods. The company continues to operate at reduced costs compared to the past, while adjusting to the scope of activity, and with tight control over working capital, in order to mitigate the effect of the decline in sales on the results of operations.

The Company examined signs of impairment of the intangible assets, use rights and fixed assets in accordance with IAS 36 and concluded that none existed.

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 spread of the corona virus, the duration of spread and the steps to be taken by the various authorities in the various countries, the company cannot assess The extent of the impact depends on the extent and extent of their realization.

- C. On April 30, 2020, US subsidiary Unitronics Inc. received a \$ 388,000 forgivable loan from the US government under the Paycheck Protection Program (PPP) in light of the Corona crisis (hereinafter - "PPP loan") The loan carries a fixed interest rate of 1% per annum.

Subject to proof of use of the loan proceeds primarily for payment of wages to its employees as well as other overhead expenses during 2020, the repayment of the PPP loan may be waived. If the Company fails to meet the waiver conditions, the loan will be repayable in monthly installments for up to two years from the date of receipt.

- D. On May 7, 2020, the Company received a loan from a banking corporation of NIS 3.5 million for a period of 60 months, as part of the State Guarantee Loan Program, in light of the Corona crisis. The loan is repaid in 49 equal monthly installments as of the end of the first year, and carries an annual interest rate of + 1.5%. The company is exempt from interest for the first year in this loan route.
- E. On September 24, 2020, the Company repaid a loan from a banking corporation in the amount of NIS 20 million, which was originally was supposed to be repaid on February 28, 2021, without penalty for the early repayment. As part of the early repayment of the loan, An agreement was reached between the company and the banking corporation on the release of a deposit which was pledged in favor of the banking corporation in the amount of NIS 5 million.

UNITRONICS (1989) (R" G) LTD

Presentation of Financial Information from the Condensed Interim Consolidated Financial Statements Attributable to the Company

As of September 30, 2020

(Unaudited)



To the shareholders of Unitronics (1989) (R”G) Ltd.
Special Auditors' Report on 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. ("the Company") as of September 30, 2020 and for the periods of three and nine months 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 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 22, 2020

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



Tel Aviv +972-3-6386868	Jerusalem +972-2-6546200	Haifa +972-4-8680600	Beer Sheva +972-77-7784100	Bene Berak +972-73-7145300	Kiryat Shmona +972-77-5054906	Petach Tikva +972-77-7784180	Modiin Ilit +972-8-9744111
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Head Office Amot Bituach House 48 Derech Menachem Begin Rd. Tel Aviv 6618001 **Email** bdo@bdo.co.il **Our Site** www.bdo.co.il

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Unitronics (1989) (R"G) Ltd.

**Amounts of Assets and Liabilities from the Condensed Consolidated Statements of
Financial Position Attributable to the Company**

	<u>As of September 30</u>		<u>As of</u>
	<u>2020</u>	<u>2019</u>	<u>December 31</u>
	<u>(Unaudited)</u>		<u>(Audited)</u>
	<u>NIS, (in thousands)</u>		
<u>Current assets</u>			
Cash and cash equivalents	14,483	6,996	7,874
Restricted cash	-	306	306
Bank deposits	-	4,003	4,008
Trade receivable, net	11,769	12,811	13,169
Accounts receivable	2,019	3,796	3,075
Related companies	3,215	6,466	2,655
Accounts receivable – investee companies	7,234	14,849	12,711
Other financial assets	24	160	-
Inventory	24,974	36,663	33,106
	<u>63,718</u>	<u>86,050</u>	<u>76,904</u>
<u>Non-current assets</u>			
Restricted bank deposit	175	4,718	4,815
Other deposits	146	175	118
Rights-of-use assets	14,434	16,440	16,076
Property and equipment, net	1,979	1,952	2,130
Loan and capital note to investee companies net of excess of liabilities over assets	6,048	3,114	3,702
Intangible assets, net	41,824	41,044	42,189
	<u>64,606</u>	<u>67,443</u>	<u>69,030</u>
	<u>128,324</u>	<u>153,493</u>	<u>145,934</u>

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

Amit Harari
Chief Executive Officer

Yehuda Cohen
Chief Financial Officer

Approved: November 22, 2020

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

Unitronics (1989) (R"G) Ltd.

**Amounts of Assets and Liabilities from the Condensed Consolidated Statements of
Financial Position Attributable to the Company**

	<u>As of September 30</u>		<u>As of December 31</u>
	<u>2020</u>	<u>2019</u>	<u>2019</u>
	<u>(Unaudited)</u>		<u>(Audited)</u>
	<u>NIS, (in thousands)</u>		
<u>Current liabilities</u>			
Current maturities of bank loans	6,517	2,317	2,323
Current maturities of bonds	-	11,456	11,396
Suppliers and service providers	14,716	20,974	16,127
Related company	4,672	10,320	6,715
Other financial liabilities	141	-	-
Lease liabilities	1,363	1,814	1,807
Other accounts payable	<u>10,467</u>	<u>8,076</u>	<u>9,296</u>
	<u>37,876</u>	<u>54,957</u>	<u>47,664</u>
<u>Non-current liabilities</u>			
Bank loans	11,313	28,579	27,954
Employee benefit liabilities, net	1,982	1,780	1,982
Lease liabilities	226	1,361	1,061
Liability for share purchase options	3,330	5,527	6,104
Deferred taxes	<u>4,960</u>	<u>4,624</u>	<u>4,611</u>
	<u>21,811</u>	<u>41,871</u>	<u>41,712</u>
<u>Shareholders equity</u>			
Share capital	427	427	427
Capital reserve for share based payment	486	38	151
Share premium	63,204	63,204	63,204
Capital reserve from translation of foreign operations,	(2,474)	(2,466)	(2,436)
Treasury shares	(7,042)	(7,042)	(7,042)
Fund regarding a transaction with the controlling shareholder	104	104	104
Accumulated profit	<u>13,932</u>	<u>2,400</u>	<u>2,150</u>
	<u>68,637</u>	<u>56,665</u>	<u>56,558</u>
	<u>128,324</u>	<u>153,493</u>	<u>145,934</u>

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

Unitronics (1989) (R"G) Ltd.

**Financial Data from the Consolidated Statements of Profit or Loss
attributable to the Company**

	For the nine month period ended on September 30		For the three month period ended on September 30		For the year ended December 31
	2020 (Unaudited)	2019 (Unaudited)	2020 (Unaudited)	2019 (Unaudited)	2019 (Audited)
	<u>NIS, (in thousands)</u>				
Revenues	52,831	57,558	17,763	18,386	77,876
Revenue from investee companies	27,688	34,572	10,007	12,183	43,518
Total revenues	80,519	92,130	27,770	30,569	121,394
Cost of revenues	<u>51,620</u>	<u>58,524</u>	<u>17,617</u>	<u>20,199</u>	<u>78,718</u>
Gross profit	28,899	33,606	10,153	10,370	42,676
Development expenses, net	2,319	2,898	743	744	3,941
Selling & marketing expenses	9,062	9,506	2,877	3,481	13,012
General & administrative expenses	7,610	9,039	2,425	2,875	12,693
General & administrative expenses to investees	<u>550</u>	<u>541</u>	<u>219</u>	<u>205</u>	<u>730</u>
Profit from ordinary operations	9,358	11,622	3,889	3,035	12,300
Financing incomes	3,225	1,954	114	-	1,169
Financing expenses	<u>1,380</u>	<u>4,485</u>	<u>683</u>	<u>1,618</u>	<u>4,135</u>
Profit after financing expenses, net	11,203	9,091	3,320	1,417	9,334
Company's share in profit (loss) of investee companies	<u>2,393</u>	<u>269</u>	<u>648</u>	<u>(636)</u>	<u>295</u>
Profit before taxes on income	13,596	9,360	3,968	781	9,629
Taxes on income	<u>1,814</u>	<u>1,507</u>	<u>536</u>	<u>53</u>	<u>1,486</u>
Profit for the period from continuing operations	<u>11,782</u>	<u>7,853</u>	<u>3,432</u>	<u>728</u>	<u>8,143</u>
loss from discontinued activity	-	(5,513)	-	-	(5,513)
Profit for the period	<u>11,782</u>	<u>2,340</u>	<u>3,432</u>	<u>728</u>	<u>2,630</u>

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

Unitronics (1989) (R"G) Ltd.

Amounts of Profit (Loss) from the Condensed Consolidated Statements of Comprehensive Income (Loss) Attributable to the Company

	For the nine month period ended on September 30		For the three month period ended on September 30		For the year ended December 31
	2020	2019	2020	2019	2019
	(Unaudited)		(Unaudited)		(Audited)
	<u>NIS, (in thousands)</u>				
Profit for the period	11,782	2,340	3,432	728	2,630
<u>Other comprehensive income (loss) (after tax)</u>					
<u>Items that will not subsequently be reclassified to profit or loss:</u>					
Remeasurement loss from defined benefit plans	-	-	-	-	(540)
<u>Items that will be reclassified to profit or loss in the future if certain conditions are met:</u>					
Adjustments from the translation of financial statements of foreign operations	(38)	(1,205)	63	(626)	(1,175)
Other comprehensive loss for the period	(38)	(1,205)	63	(626)	(1,175)
Total comprehensive income for the period	<u>11,744</u>	<u>1,135</u>	<u>3,495</u>	<u>102</u>	<u>915</u>

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

Unitronics (1989) (R"G) Ltd.
Amounts of Cash Flows from the Condensed Consolidated Statements of Cash Flows
Attributable to the Company

	For the nine month period ended on September 30		For the three month period ended on September 30		For the year ended December 31
	2020	2019	2020	2019	2019
	(Unaudited)		(Unaudited)		(Audited)
	NIS, (in thousands)				
Cash flows – operating activities:					
Profit for the period attributable to the Company's shareholders	11,782	2,340	3,432	728	2,630
Adjustments necessary to show the cash flows from operations (Appendix A)	12,888	19,988	8,434	9,456	23,112
Cash flows provided by the Company's operating activities	24,670	22,328	11,866	10,184	25,742
Cash flows provided by (used in) operating activities in respect of transactions with investees	5,477	(5,417)	2,486	(4,241)	(3,279)
Cash flows provided by operating activities	30,147	16,911	14,352	5,943	22,463
Cash flows – investment activities:					
Investment in fixed assets	(437)	(612)	(76)	(124)	(972)
Withdrawal (Investment) of bank deposits	4,000	(4,000)	2,600	(4,000)	(4,000)
Withdrawal of restricted cash	307	307	-	1	307
Withdrawal (Investment) in long-term deposit	4,640	(5,058)	5,000	(58)	(5,000)
Investment in intangible assets	(7,239)	(6,488)	(2,590)	(2,625)	(10,331)
Cash flows provided by (used in) investment activities	1,271	(15,851)	4,934	(6,806)	(19,996)
Cash flows used in investment activities in respect of transactions with investees	-	(1,604)	-	-	(1,604)
Cash flows provide by (used in) investment	1,271	(17,455)	4,934	(6,806)	(21,600)
Cash flows - financing activities					
Repayment of long-term loans	(23,610)	(1,480)	(21,528)	(685)	(1,835)
Repayment of bonds	(11,396)	(42,393)	-	-	(42,263)
Receipt of loans	11,110	30,000	-	-	30,000
Repayment of lease liabilities	(1,317)	(1,794)	(447)	(457)	(2,122)
Cash flows used in financing activities	(25,213)	(15,667)	(21,975)	(1,142)	(16,220)
Translation differences in respect of cash and cash equivalents	404	(159)	203	(366)	(135)
Change in cash and cash equivalents	6,609	(16,370)	(2,486)	(2,371)	(15,492)
Cash and cash equivalents at beginning of year	7,874	23,366	16,969	9,367	23,366
Cash and cash equivalents at end of year	14,483	6,996	14,483	6,996	7,874

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

Unitronics (1989) (R"G) Ltd.
Amounts of Cash Flows from the Condensed Consolidated Statements of Cash Flows
Attributable to the Company

	For the nine month period ended on September 30	For the three month period ended on September 30	For the year ended December 31
	2020	2019	2019
	(Unaudited)	(Unaudited)	(Audited)
	<u>NIS, (in thousands)</u>		

Appendix A

Adjustments necessary to show the cash flows from operations

Income and expenses not involving cash flows:

Company's share in the losses (profits) of investees companies	(2,385)	6,256	(668)	281	5,822
Depreciation and amortization	9,922	10,200	3,455	3,624	13,594
Changes in employee benefit liabilities, net	-	-	-	-	(263)
Cost of share based payment	335	38	112	38	151
Changes in deferred taxes	349	(189)	8	(295)	(411)
Revaluation of cash balances in foreign currency	(403)	159	(203)	366	135
Revaluation of bank deposits	8	275	6	316	177
Revaluation of long-term loans and bonds	56	230	288	(21)	(214)
Revaluation of financial assets, net	89	(525)	152	59	(365)
Interest on leases	(53)	-	(15)	-	(107)
Revaluation of share options	(2,774)	1,625	(114)	1,119	2,202

Changes in assets and liabilities:

Decrease(increase) in trade and income receivables	1,400	3,149	(1,416)	(8,188)	2,792
Increase in income receivable in respect of construction contracts	-	(623)	-	-	(623)
Decrease (increase) in accounts receivable	1,056	(610)	1,192	14,131	113
Change in related companies, net	(2,604)	3,854	35	1,500	4,061
Decrease (Increase) in inventory	8,132	(6,018)	2,028	(2,670)	(2,461)
Increase (decrease) in suppliers and service providers	(1,411)	3,544	2,899	(1,128)	(1,328)
Increase (decrease) in trade payables	1,171	(99)	675	324	1,115
Decrease in liabilities in respect of construction contracts	-	(1,278)	-	-	(1,278)
	<u>12,888</u>	<u>19,988</u>	<u>8,434</u>	<u>9,456</u>	<u>23,112</u>

Unitronics (1989) (R"G) Ltd.
Amounts of Cash Flows from the Condensed Consolidated Statements of Cash Flows
Attributable to the Company

Appendix B - Additional information on cash flows regarding operating activities

	For the nine month period ended on September 30		For the three month period ended on September 30		For the year ended December 31
	2020	2019	2020	2019	2019
	(Unaudited)		(Unaudited)		(Audited)
	NIS, (in thousands)				
Cash paid during the period for:					
Interest	1,055	1,800	297	339	2,396
Taxes on income	1,655	241	471	-	1,828
Cash received during the period for:					
Interest	26	10	14	10	17

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

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.

This separate financial information should be read in conjunction with the separate financial information from Company's annual consolidated financial statements as of December 31, 2019 and the additional material information attached thereto as well as the Company's interim condensed financial statements as of September 30, 2020.

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, 2020, subject to the foregoing and to the Company's separate financial information as of December 31, 2019, regarding the handling of inter-company transactions.

Until March 12, 2019, the Company operated in two main areas of activity, the product and automated solutions areas, and also held 100% of the capital and control rights of Unitronics Automated Solutions Ltd. (Hereinafter - "Utron Solutions", formerly - "Unitronics Automated Solutions Ltd."). As of March 12, 2019, the Company operates in the product Only, and its activities in the field of automated solutions, and its investments in the company of Utron solutions, were transferred to Utron Ltd. as part of a the split based on a split prospectus and a registration for trading.

**Chapter D - Statements by the CEO and CFO of the Corporation for the
Second Quarter of 2020**

- 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 2020 ("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 22, 2020

Amit Harari, CEO

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

I, Yehuda Cohen, 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 2020 (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 22, 2020

Yehuda Cohen, CFO