Unitronics (1989) (R"G) Ltd

Quarterly Report as of March 31, 2012

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This report contains forward-looking information within the meaning of Section 32A of the Israeli Securities Law, 1968, including forecasts, assessments, estimates, expectations or other information pertaining to future events or issues, the realization of which is uncertain and not solely under the Company's control, if at all. This information is identified as such where it is used in this report. Although such information is based on data available to the Company as of the date of the report, and reflects the Company's intents and assessments as of such date, the actual occurrences and/or results may differ substantially from those presented in the report or implied therefrom as projected or anticipated, since their realization is subject, inter alia, to uncertainties and other factors beyond the Company's control as set out in this report below.

CHAPTER A – PREFACE

1. General

Company Name: Unitronics (1989) (R"G) Ltd. (hereinafter: "the **Company**" or "**Unitronics**")

Company No.: 520044199

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2. Description of the Company and Its Business Environment

Unitronics engages, through its Products Department, in the design, development, production, marketing and sale of industrial automation products, mainly programmable logic controllers (hereinafter: "**PLCs**"). PLCs are computer-based electronic products (hardware and software) used in the command and control of machines performing automatic tasks, such as production systems and automatic systems for industrial storage, retrieval and logistics, and automated parking facilities. The Company also engages, through its Systems Department, in design, construction and maintenance services in the framework of projects for automation, computerization and integration of computerized production and/or logistics systems, mainly automated warehouses, automated distribution centers and automated parking facilities. In addition, the Company engages, through a wholly owned subsidiary, in automated system design, development, production, construction and maintenance services for automated parking solutions.

The Company's PLCs are distributed by over one hundred and forty distributors in approximately fifty countries throughout Europe, Asia, America and Africa, as well as by means of Unitronics Inc., a wholly owned company incorporated in the US. The services of the Systems Department are provided mainly to customers in Israel, and in a few cases, also outside Israel.

The Company mainly operates from facilities located in "Unitronics Building," an office and industrial building which is leased, in part, by the Company, and a different part therein is leased to the Company, as set forth in Paragraph 3.8 in Chapter A of this report. Unitronics Building is situated at Airport City next to the David Ben-Gurion Airport, and it houses the Company's offices and all its other facilities in Israel.

As of May 2004, the Company's shares are traded on the Tel Aviv Stock Exchange, and as of September 1999 on the Belgian Stock Exchange (first on the EuroNM Belgium Stock Exchange and, starting from the year 2000, on the EuroNext Stock Exchange in Brussels, Belgium).

3. Main Events in the Period of the Report and up to Its Publication

3.1 Agreement for Setting Up a Logistics System for a Customer in Israel

After the balance sheet date, on May 13, 2012, the Company signed an agreement with a third party that is not connected to it or to the controlling shareholder therein, for setting up an automatic logistics system in Israel (hereinafter in this paragraph: "**the Agreement**" and "**the Project**").

The cost of the Project is estimated at approximately €10.2 million, a sum that is considered material to the Company. Payment of the consideration is expected to be remitted according to the progress of the Project implementation milestones. In its financial statements, the Company will recognize the income from the Project in accordance with the completion rate method, which is determined on the basis of the completion of engineering stages of the work in the Project.

For additional details, see immediate report on an incident or matter deviating from the corporation's ordinary business, included here by way of reference, dated May 13, 2012, reference number 2012-01-123351).

3.2 Agreement for the Construction of an Automatic Parking Facility in Tel Aviv

On January 5, 2012, a subsidiary of the Company, Unitronics Parking Solutions Ltd. (hereinafter in this paragraph: "**Parking Solutions**"), signed an agreement with a third party that is not connected to it or to the controlling shareholder therein (hereinafter in this paragraph: "**the Agreement**"). According to the Agreement, Parking Solutions undertook to design, supply and install an automatic parking facility in Tel Aviv for approximately 150 vehicles (hereinafter in this paragraph: "**the System**"). The total consideration for the system is estimated at NIS 5.2 million, a sum that is not considered material to the Company, but the Company believes that, in light of the primacy of a system of such magnitude at a Company in Israel, the Agreement could have an impact on its activities in the field of parking solutions in Israel.

As of the date of publication of this report, the Company has not yet commenced Project implementation, which, as of this date, is still at the stage of design jobs. The Company believes that construction of the system is expected to commence within the next few months and conclude in the second half of 2013.[1].

3.3 Appointment of Senior Officers

[1] The information regarding the Company's assessment of the anticipated date of commencement of construction of the Project is forward-looking information. The main data that served as a basis for this information are the timetables defined by the customer, the current planning stages of the Project, the need for receipt of permits and approvals from various parties, and the dependence on essential performance stages by the customer's building engineer and at his responsibility prior to commencement of the performance stages by the Company. The main factors that are likely to lead a situation where this information is not realized are performance table changes stemming from reasons that are not in the Company's control (e.g., inter alia, delays in the receipt of permits or delays in the construction stages implemented at the customer's responsibility).

On February 26, 2012, the Audit Committee and the Board of Directors of the Company approved the appointment and conditions of employment of 3 senior officers: Mr. Amir Anchel was appointed to the position of Vice President and Head of the Budget Division at the Company; Mr. Moshe Naar was appointed to the position of Vice President and Head of the Systems Division at the Company; and Mr. Yacob (Kobi) Vider was appointed to the position of Senior Director NPI Quality and Reliability at the Company. (For details, see immediate reports on the appointment of a senior officer, excluding the appointment of a director and excluding an individual who was appointed on behalf of a corporation that is a director, which are included herein by way of reference, dated February 26, 2012, Ref. No. 2012-01-052359, Ref. No. 2012-01-052353, and Ref. No. 2012-01-052341. For further details on the aforementioned officers, see Paragraph 4.12 of Chapter D in the Annual Report for 2011.)

3.4 Plan for the Buyback of the Company Shares

On March 29, 2012, the Board of Directors of the Company resolved to adopt a plan for the buyback of the Company's shares, ("the **March 2012 Plan**"). As part of the March 2012 Plan, the Board authorized the Company to purchase, from time to time, in the framework of trading on the Tel Aviv Stock Exchange or the Euronext Stock Exchange in Belgium, or directly from unrelated parties, shares of the Company for a total sum not exceeding NIS 2 million (including expenses related to the buyback, including the fees of consultants and service providers in connection with the buyback and therefore, the anticipated cost of the plan stood at up to NIS 2 million). The March 2012 Plan commenced on April 1, 2012, and was supposed to conclude on June 30, 2012 (for details, see Immediate Report on the approval of purchase plan, included herein by way of reference, dated March 29, 2012, Ref. No. 2012-01-086538). The March 2012 Plan is not in effect as of the date of publication of this report, and the Company has not purchased shares as part of said plan, as set forth hereunder.

After the balance sheet date, on May 29, 2012, the Board of Directors adopted a new plan for the buyback of the Company's shares ("the **New Plan**"), which replaced and canceled the March 2012 Plan detailed above, without shares being purchased by the Company as part of the March 2012. In the framework of the New Plan, the Board of Directors authorized the Company to purchase, from time to time, in the framework of trade on the Tel Aviv Stock Exchange or the Euronext Stock Exchange in Belgium, or directly from unrelated parties, shares for a total sum not exceeding NIS 2 million (including expenses related to the exercise of the purchase, including the fees of consultants and service providers in connection with the purchase, and therefore the anticipated cost of the plan stands at up to NIS 2 million). The planned period for carrying out the New Plan is by September 30, 2012. (For details, see the Immediate Report on the approval of purchase plan, included herein by way of reference, dated May 29, 2012, Ref. No. 2012-01-138882).

As of the date of publication of this report, the Company holds a total of 1,593,897 shares (of 11,678,504 existing ordinary shares in the Company's issued share capital). As long as these shares remain under the ownership of the Company, the shares are "dormant shares" as this term is defined in the Companies Law, 1999. For details regarding previous buyback plans adopted by the Company, see Immediate Reports of an incident or matter deviating from the corporation's ordinary business, which are included herein by way of reference: Report dated December 7, 2009, Ref. No. 2009-01-312105; Report dated March 4, 2010, Ref. No. 2010-01-404196; Report dated May 23, 2010, Ref. No. 2010-01-489135; Report dated November 11, 2010, Ref. No. 2010-01-

676662; Report dated March 27, 2011, Ref. No. 2011-01-094101; Report dated September 18, 2011, Ref. No. 2011-01-277599; Report dated November 17, 2011, Ref. No. 2011-01-330585. In addition, and on the same matter, see Immediate Reports on the approval of a purchase plan, included herein by way of reference, Report dated March 29, 2012, Ref. No. 2011-01-086538, and Report dated May 29, 2012, Ref. No. 2012-01-138882).

3.5 Approval of Registration of Property Rights

In July 2011, the Company signed an agreement for the acquisition of the capitalized leasing rights in a property intended for Company use, on an area of about 11,000 m^2 in the industrial zone of Hevel Modi'in-Tirat Yehuda (hereinafter: "**the Asset**") for consideration of NIS 17.37 million plus VAT ("the **Rights**"). For details on the acquisition of the rights in the asset, see the company's Immediate Report dated July 7, 2011, included herein by way of reference, Ref. No. 2011-01-207288. On May 9, 2012, the Company's rights in the asset were recorded at the Israel Land Administration.

3.6 Liability Insurance Policy for Directors and Officers

On June 30, 2012, the Audit Committee and Board of Directors of the Company resolved to renew and extend the insurance policy for the directors and officers at the Company up to June 30, 2013, both with respect to directors who are controlling shareholders in the Company and with respect to those who are not, pursuant to a framework transaction that was approved by the General Meeting of the shareholders of the Company (following approval by the Audit Committee and the Board of Directors of the Company) on April 12, 2005. As part of the terms of the aforementioned policy, the insurance coverage is $5 million per event, and in total for the damage that may occur during the insurance period, as well as $1 million for legal defense expenses in Israel. For further details, see the Company's Immediate Report on a transaction with a controlling shareholder or a director that does not require approval by a General Meeting, dated January 30, 2012, included herein by way of reference, Ref. No..2012-01-029271.

3.7 Bonus for the Controlling Shareholder

On March 29, 2012, the Audit Committee and Board of Directors of the Company approved the granting of a bonus in the amount of approximately NIS 643,000 to Mr. Haim Shani, the controlling shareholder in the Company who serves as the Chairman of the Board and CEO of the Company, for 2011, pursuant to a framework transaction approved by the General Meeting of the shareholders (following approval by the Audit Committee and Board of Directors) held on April 12, 2005. For further details, see the Company's Immediate Report on a transaction with a controlling shareholder or a director that does not require approval by a General Meeting, dated March 29, 2012, included herein by way of reference, Ref. No. 2012-01-086565.

3.8 Rent Agreement from a Controlling Shareholder

The Company mainly operates from facilities located in an office and industrial building situated at Airport City next to the David Ben-Gurion Airport (hereinafter: "**Unitronics Building**"). At Unitronics Building, the Company leases about 1,295 m^2 of floor space with the addition of adjacent yard space from the Israel Land Administration from August 2000. In addition, the Company leases from a company under the control of Mr. Haim Shani, the controlling shareholder in the Company who serves as its Chairman of the

Board and CEO, and Mrs. Bareket Shani, the wife of Mr. Haim Shani, who serves as a director and Human Resources Manager at the Company ("the **Lessor**"), a 1,106-m^2 area in Unitronics Building, according to agreements that are expected to conclude at the end of July 2012 ("the **Previous Agreement**"). On March 27, 2012, and March 29, 2102, the Audit Committee and Board of Directors of the Company, respectively, gave their approval, subject to approval by the General Meeting of the shareholders of the Company, which is expected to convene on June 14, 2012, as set forth in Paragraph 3.9 hereunder, for the signing of a new lease agreement with the Lessor ("the **Lease Agreement**") at terms that are essentially no different from the terms of the Previous Agreement, for a period of 3 years commencing on August 1, 2012. For details on the Lease Agreement, including the terms thereof and the reasons for approval thereof by the Audit Committee and Board of Directors, see the Company's Immediate Report on the convening of an Extraordinary General Meeting, dated March 29, 2012, included herein by way of reference, Ref. No. 2012-01-086748.

3.9 <u>The Convening of an Extraordinary General Meeting</u>

On March 29, 2012, the Board of Directors of the Company approved the convening of an Extraordinary General Meeting of the Company's shareholders for the purpose of approving the Lease Agreement between the Company and the Lessor, as set forth in Paragraph 3.8 above. The Extraordinary General Meeting was set to convene on June 14, 2012, as set forth in the Company's Immediate Report dated March 29, 2012, included herein by way of reference, Ref. No. 2012-01-086748.

3.10 <u>Legal Proceedings</u>

3.10.1 <u>Dispute with Robotic Parking and the Hoboken, New Jersey, City Hall</u>

During 2006, Hoboken City Hall in New Jersey (hereinafter: "**Hoboken City Hall**") hired the Company's services for the repair and maintenance and rendering operational of an automated parking lot in the city (hereinafter: "the **Parking Lot"**), which was built and operated by Robotic Parking Systems Inc. (hereinafter: "**Robotic**").

During the years 2006-2012, there were disputes between the parties, various lawsuits were filed at the court in New Jersey (USA), and discussions were held for the purpose of reaching a compromise, as well as mediation proceedings and other legal proceedings.

The disputes between the Company and Robotic were resolved by way of a compromise that was granted the status of a verdict by the US court.

On June 3, 2011, the Company reached a compromise agreement with Hoboken City Hall, which was amended on November 14, 2011, whereby the city hall would compensate Unitronics in the amount of $290,000 (US), which was to be paid no later than January 2012, and will constitute final removal of the parties' claims pursuant to the conflict. This amount was indeed paid in January 2012 and the proceedings in the case were annulled.

For further details, see paragraphs 1.21.2 and 1.21.3 of the Company's Periodic Report for 2011.

3.10.2 Administrative Petition against the Company

Pursuant to the Company's reports dated February 6, 2011, about the winning of a tender for the construction of an automated warehouse (hereinafter in this paragraph: "the **Project**") for a customer in Israel (Ref. No. 2011-01-038982) (hereinafter in this paragraph: "the **Customer**"), and dated March 30, 2011 about the receipt of an agreement signed by the Customer (Ref. No. 2011-01-100404), which are included herein by way of reference, on June 28, 2011, the Company received an administrative petition against the Customer and against the Company ("the **Petition**").

As part of the Petition, the petitioner asked to be given the opportunity to peruse all the documents related to the aforementioned tender, in a manner that will make it possible to assess the Customer's decision to declare that the Company won the tender. Moreover, the Petitioner asked the court to announce that, until it completes its perusal of the tender documents and is given an opportunity to examine and assess the aforementioned decision by the Customer, the tender process is incomplete, and the Customer may not enter into an agreement with the Company in relation to the Project and/or issue a job order to the Company and/or carry out the Customer's decision.

The district court set a date for hearing the Petition, October 24, 2011. However, on October 2, 2011, the district court approved a decision for a deliberative arrangement that the parties agreed to, according to which they would conduct a negotiation in an attempt to end the dispute between them outside of the walls of the court, which would render the proceedings redundant.

As part of a hearing that took place in the courtroom on January 22, 2012, on the matter of the Company's request to annul the administrative petition, the court handed down a verdict on the Petition that ends the proceedings thereon.

As part of the hearing, the Petitioner's legal representative announced that he was not attacking the tender proceedings and results, but he was reserving the right to file a monetary claim, if necessary.

Under these circumstances, the parties reached an agreement regarding continued clarification of the scope of the right to peruse the tender documents, in the framework of the Customer's tender committee, and pursuant to the procedures that were agreed upon. For details, see the Immediate Report of an incident or matter deviating from the corporation's ordinary business, dated January 22, 2012, included herein by way of reference, Ref. No. 2012-01-021807).

On April 1, 2012, the Petitioner requested that the verdict handed down by the district court be annulled, asserting that the representations on which the verdict was based do not actually exist. On April 2, 2012, the court ordered the Customer to respond, pointing out in its decision that, ostensibly, a verdict cannot be annulled in the manner exercised by the Petitioner.

On May 1, 2012, the Customer responded to the verdict annulment request and vehemently opposed it. Although the court did not instruct the Company to respond explicitly to the request to annul the verdict, the Company submitted a response that same day, opposing the verdict annulment request on procedural and material grounds. On May 15, 2012, the court rejected the Petitioner's request to annul the verdict.

3.10.3 <u>A Law Suit by a Supplier against the Company</u>

On December 15, 2011, a supplier of the Company (hereinafter in this paragraph: "the **Supplier**") filed a monetary claim in a summary procedure against the Company in an immaterial amount at the magistrate's court in Petach Tikva, alleging that the Company was illegally withholding a payment balance, as well as for illegal forfeiture of a bank guarantee, all in relation to projects implemented by the Company for customers.

On December 27, 2011, the Company requested that a bank guarantee be deposited to guarantee payment of its expenses and to extend the deadline for submitting a request for permission to defend itself by 30 days following deposit of the bank guarantee.

On January 1, 2012, the court granted the Company an extension for submitting the request for permission to defend itself to January 22, 2012, and ordered the Supplier to respond to the request for deposit of a guarantee for expenses within 20 days.

On January 22, 2012, the Company requested, through its legal advisers, permission to defend itself. As part of said request, it made various claims against the Supplier, alleging that it conducted itself improperly during the aforementioned projects, was late in implementing the jobs it had undertaken to implement, and caused damage to the Company. In addition, the Company requested that the lawsuit sum be offset by larger sums for damages caused it and sought to demand said sums in a separate action (which was filed on February 13, 2012 – see details below). A pre-trial was set for September 9, 2012.

The Company's legal advisers believe that its chances of receiving permission to defend itself are good, and it means that the case will become an ordinary procedure case. Also to their estimation (which is limited at this preliminary stage of the procedure) it is more likely that the company's claims will be accepted, than the supplier claims.

3.10.4 <u>A Law Suit by the Company Against a Supplier</u>

As stated above, on February 13, 2012, the Company filed, through its legal advisers, a monetary claim in the amount of NIS 2.5 million (for fee purposes) at the magistrate's court in Petach Tikvah against the Supplier.

In the claim statement, the Company alleges that the Supplier committed material breaches in everything related to its undertakings toward the Company under contract regarding the same Company projects for the same customers and in relation to the damages it was caused as a result of said breaches.

On March 26, 2012, the Supplier filed a defense statement and, in addition, a counter claim in the amount of approximately NIS 1.4 million for a payment balance that, as it claims, is owed to the Supplier by the Company, as well as for damages and losses that, as it claims, it was caused as a result of the Company's conduct.

On April 30, 2012, the Company filed a defense statement, as part of which it reiterated, inter alia, its allegations in the counter claim statement that it had filed, as stated above, on February 13, 2012.

On May 10, 2012, the Company sent the Supplier a preliminary demand for additional details, and on May 14, 2012, the Company sent the Supplier a specific and general demand for disclosure of documents. On May 14, 2012, the Supplier sent the Company a demand for a specific disclosure of documents.

A pre-trial session was set for October 30, 2012. According to the Company's legal advisers estimation (which is limited at this preliminary stage of the procedure) it is more likely that the company's claims will be accepted, than the supplier claims.

Chapter B – Board of Directors' Report

1. Financial Position

Assets

In the total assets per the consolidated balance sheet of the Company as of March 31, 2012, there was no material change, and they amounted to approximately NIS 165.719 million compared to NIS 164.573 million as of December 31, 2010.

In the cash, cash equivalents and marketable securities items there was a decrease, and together they amounted to approximately NIS 49.270 million as of March 31, 2012, compared with approximately NIS 52.696 million as of December 31, 2011. Most of the decrease stems from a cash flow that was used for investment activity, as explained in Paragraph 3 below.

In the cash restricted in use item, there was no material change, and it amounted to approximately NIS 3.301 million as of March 31, 2012, compared with approximately NIS 3.281 million as of December 31, 2011.

An increase was recorded in trade and income receivable which amounted to NIS 22.183 million as of March 31, 2012, compared with NIS 17.654 million as of December 31, 2011. This increase primarily stemmed from an increase in trade receivables in the area of systems.

No material change was recorded in inventory, which stood at NIS 16.828 million as of March 31, 2012, compared with NIS 16.505 million as of December 31, 2011.

A decrease was recorded in inventory of work in progress, which stood at approximately NIS 5.272 million as of March 31, 2012, compared with approximately NIS 7.362 million as of December 31, 2011, and reflects progress in the implementation of projects on the reporting date only.

No material change was recorded in fixed assets, which amounted to NIS 40.582 million as of March 31, 2012, compared with approximately NIS 40.663 million as of December 31, 2011.

An increase was recorded in intangible assets, which amounted to NIS 26.353 million as of March 31, 2012, compared with approximately NIS 23.834 million as of December 31, 2011. The increase is mainly attributable to the recording of Company development assets in respect of which the development costs satisfy the conditions for recognition as an intangible asset, offset by current amortization.

Liabilities

An increase was recorded in total current maturities of long-term liabilities, which totaled approximately NIS 22.062 million as of March 31, 2012, compared with approximately NIS 10.585 million as of December 31, 2011. The increase is mainly attributable to the first-time recording of a current maturity for debentures (Series 3).

An increase was recorded in trade payables, which amounted to approximately NIS 17.256 million as of March 31, 2012, compared with approximately NIS 14.175 million as of December 31, 2011. This item increased primarily due to a rise in trade balances in the products segment.

No material change was recorded in liabilities in respect of embedded derivatives (net), which amounted to approximately NIS 1.032 million as of March 31, 2012, compared with approximately NIS 1.057 million as of December 31, 2011.

There was a decrease in accounts payable and accruals, which amounted to approximately NIS 13.369 million as of March 31, 2012, compared with approximately NIS 15.776 million as of December 31, 2011. This decrease was due to a drop in the advances component in the area of systems.

The non-current liabilities as of March 31, 2012 totaled approximately NIS 66.941 million, compared with NIS 79.257 million as of December 31, 2011. Most of the decrease stems from the first-time recording of a current maturity for debentures (Series 3), as stated above.

A decrease was recorded in the Company’s working capital, which totaled approximately NIS 44.791 million as of March 31, 2012, compared with approximately NIS 58.199 million as of December 31, 2011. Most of the decrease stems from the first-time recording of a current maturity for debentures (Series 3), as stated above.

The Company’s shareholders' equity increased to approximately NIS 45.035 million as of March 31, 2012, compared with approximately NIS 43.703 million as of December 31, 2011. The increase was chiefly due to the net income for the period as detailed below.

2. Operating Results

Revenues

Company revenues in the quarter ended March 31, 2012 came to approximately NIS 34.587 million compared with approximately NIS 40.367 million in the corresponding period of 2011 (a decrease of 14%). The decrease mainly stems from revenues from the product segment, as detailed below.

Company revenues from the products segment in the quarter ended March 31, 2012, did not change significantly, amounting to approximately NIS 22.896 million, compared with NIS 23.947 million in the corresponding quarter in 2011.

Revenues from the systems segment in the quarter ended March 31, 2012, amounted to approximately NIS 11.609 million, an approximately 29% decrease compared with approximately NIS 16.331 million for the corresponding quarter of 2011. The decrease in revenues from the systems segment stems from changes in the actual rate of progress in the construction of several logistic systems by the Company's systems department, mainly in relation to the planning and construction of a logistics system for a customer in Israel (for details see Sections 1.10.9 of the Company’s annual periodic report for 2011), and from the rate of receipt of orders from customers for the construction of systems in the reporting period, which is explained partly by the relative volatility characteristic of this segment. After the balance sheet date, the Company signed an agreement for the construction of a logistics system with a customer in Israel, as set forth in Paragraph 3.1 of Chapter A above.

Revenues from the products segment in the quarter ended March 31, 2012, constituted some 66% of total Company revenues in this quarter, whereas revenues from the systems segment in the same period accounted for some 34% of total revenues. In the corresponding quarter of 2011, revenues from the products segment constituted some 59% of total Company revenues in that quarter, whereas revenues from the systems segment constituted some 40% of total revenues of the total revenues (about 1% stems from other revenues). Overall for the year 2011, revenues from products accounted for some 63% of total revenues, while revenues from systems accounted for some 37% of total revenues.

As of the fourth quarter of 2011, the business activities were concentrated in the parking solutions segment, which, until that time, had constituted part of the systems segment, at a subsidiary wholly owned by the Company, Unitronics Parking Solutions Ltd. As of the balance sheet date, the activity volume in this segment is of a sum that is immaterial to the Company.

Cost of Revenues and Gross Profit

A decrease was recorded in total gross profit in the quarter ended March 31, 2012, and it amounted to approximately NIS 9.288 million (about 27% of the revenues for the period), compared with approximately NIS 11.414 million in the corresponding quarter of 2011 (about 28% of the revenues for the period).

A change in the gross profit margins stems mainly from a change in the revenue mix from various activity segments (the gross profit margins the systems segment are lower than profit margins in the products segment, and accordingly. when the revenue mix from the systems segment rises, the weighted gross profit margin drops, and vice-versa) and from the change in the gross profit margins of the Company's operating segments (for details, see the analysis of business results by operating segment in Paragraph 2.2.4 of the Company's annual periodic report for 2011).

Development Costs, Net

Net development costs in the quarter ended March 31, 2012, amounted to approximately NIS 1.323 million, compared with approximately NIS 763,000 in the corresponding quarter of 2011. In the reporting period, an intangible asset in respect of development costs which satisfied the criteria for recognition as an intangible asset was recognized in the amount of approximately NIS 3.508 million, compared with NIS 1.904 million in the corresponding quarter. Development costs, which were recognized as an intangible asset in the reporting quarter, and which grew as compared with the corresponding period, reflect a continuation and even an increase in development activities of technologies that are required to support the Company's continued operations. In the last few quarters, the Company has adjusted its development workforce in order to meet changes in its operations and address its business plans. For details on the Company's estimate of its development costs in 2012, see the details in paragraphs 1.9.20 and 1.11.16 of the Periodic Report for 2011[2].

Selling and Marketing Expenses

An increase was recorded in the selling and marketing expenses in the quarter ended March 31, 2012, and it came to approximately NIS 4.351 million (about 13% of

[2] Information regarding the projected development expenses is forward-looking information. The main data that constitute the basis for this information are the Company's development plans, which are based, inter alia, on a market survey analysis, as set forth in Paragraph 1.7, 1.9.3 and 1.11.3 of the Periodic Report for 2011, a market needs analysis, and the consumers' preferences, as these manifest themselves in the Company's direct contacts with the markets, technological feasibility, the Company's estimations of the development costs required for financing the implementation of the developments, as well as the Company's estimations of the anticipated revenues. The main factors likely to prevent this forecast from materializing are the actual revenues that will materialize from sales in 2012; the level of investment that will be required in this activity, which could significantly deviate from the Company's budgets in these segments; limitations in relation to the ability to commercialize these technologies in competitive market prices or in general; the lack of development of markets and consumer culture that are compatible with the use of the developed technologies; and the superior financial and technological means at the disposal of a significant number of the Company's competitors, and all these in addition to the overall risks set forth in Paragraph 1.2.3 of the Company's Period Report for 2011.

revenues), compared with approximately NIS 3.331 million (about 8% of revenues) in the corresponding quarter of 2011. The increase mainly stemmed from a rise in selling and marketing expenses in the products segment.

In the Company's estimation, this item is likely to increase in the coming quarters, in line with changes in its operations and in order to address its business plans[3].

General and Administrative Expenses

General and administrative expenses in the quarter ended March 31, 2012, amounted to approximately NIS 1.633 million, compared with approximately NIS 2.325 million in the corresponding quarter of 2011. The decrease mainly stemmed from one-time compensation received during the reporting period and which was ruled in favor of the Company as part of the conclusion of a legal proceeding (for details, see Paragraph 1.21.3 of the Company's Periodic Report for 2011 and Paragraph 3.10.1 of Chapter A above).

Operating Profit

A decrease in operating profit was recorded for the quarter ended March 31, 2012, which amounted to approximately NIS 1.981 million (about 6% of revenues), compared with an operating profit of approximately NIS 4.995 million in the corresponding quarter in 2011.

The decrease in operating profit in the reporting period primarily stems from a decrease in gross profit along with an increase in selling and marketing expenses as detailed above.

Financing Income and Expenses

Net financing expenses in the quarter ended March 31, 2012, amounted to approximately NIS 418,000, compared with net financing income of approximately NIS 399,000 in the corresponding quarter of 2011.

Most of the changes in this item stem from a decrease in financing expenses in respect of a revaluation and exchange rate differences for embedded derivatives, which stemmed from changes in the Euro-shekel exchange rate in the said period; the recording of revenues in the reporting period from a revaluation and interests from negotiable securities stemming from fluctuations in the negotiable securities rates on the stock exchange; a rise in credit costs for debentures due to the debenture volume in the reporting period in relation to the corresponding period; and a drop in long-term credit costs due to a rise in the Euro-shekel exchange rate in the corresponding period.

Profit

In the reporting quarter, the Company presents a net profit totaling approximately NIS 1.563 million (about 5% of revenues), compared with a profit of approximately NIS 5.394 million in the corresponding quarter of 2011 (13% of revenues).

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[3] The information with regard to the anticipated increase in selling and marketing expenses item is forward-looking information. The principal data that served as a basis for this information includes forecasts for the performance of marketing activities by the Company, including manpower recruitment, planned visits to trade shows, training for distributors and advertising expenses. The principal factors that might cause this information not to materialize are changes in the Company's marketing plans for reasons that are outside its control (such as changes at the Company's distributors, changes in the Company's principal markets and/or markets in which the Company is not active, and marketing activities on the part of competitors).

The Company believes that the changes in net profit in the reporting period stem chiefly from the decrease in profit from regular operations along with an increase in financing expenses, as set forth above.

Analysis of Business Results by Operating Segment

As mentioned above, the main commercial activity of the Company is conducted by means of two business departments: the Products Department and the Systems Department. As of the fourth quarter of 2011, the business activities were concentrated in the parking solutions segment, which, until that time, had constituted part of the systems segment, at a subsidiary wholly owned by the Company, Unitronics Parking Solutions Ltd., and at which, as of March 31, 2012, the activity volume in this segment is of a sum that is immaterial to the Company. For further details regarding the Company's activity segments, see Chapter A, paragraphs 1.8, 1.9, 1.10 and 1.11 of the Company's Periodic Report for 2011.

Details on the various segments' results appear hereunder.

Products Segment

No material change was recorded in the Products Segment, which produced a profit of approximately NIS 7.042 million in the reporting quarter, compared with a profit of approximately NIS 7.375 million in the corresponding quarter of 2011.

Systems Segment

The Systems Segment produced a loss of approximately NIS 1.222 million in the reporting quarter, compared with a profit of approximately NIS 1.453 million in the corresponding quarter of 2011. The decrease in the results of the Systems Segment, in the Company's estimation, stems from the decrease in revenues from this segment during the reporting period, as explained above, and from fixed costs required to support the system’s operations.

3. Liquidity and Sources of Financing

The balance of cash, cash equivalents and marketable securities of the Company, as of March 31, 2012 totaled approximately NIS 49.270 million, compared with approximately NIS 52.696 million as of December 31, 2011. Most of the decrease stems from a cash flow used for investment activities, as explained below.

Cash flow from operating activities in the quarter ended March 31, 2012, amounted to a positive cash flow of approximately NIS 996,000. The positive cash flow resulted mainly from the net profit for the period after neutralization of non-cash expenses and offset by changes in the assets and liabilities (most of the increase in trade and income receivable offset by an increase in the trade payable item).

Cash flow from investing activities in the quarter ended March 31, 2012, amounted to approximately NIS 3.413 million. The negative cash flow was due mainly to the recording of investments in development assets during the period.

Cash flow from financing activities in the quarter ended March 31, 2012, amounted to a negative cash flow of NIS 1.095 million. The negative cash flow stems mainly from the repayment of long-term loans.

On March 31, 2012, total credit lines available to the Company for current operations stood at approximately NIS 17.4 million. On March 31, 2012, a total of approximately

NIS 17 million was utilized from this credit line, mainly for securing the Company's obligations in projects carried out by the Systems Department.

4. Qualitative Report Concerning Exposure to Market Risks and Methods of Managing Them

Exposure to Fluctuations in the Consumer Price Index

There were no material changes during the reporting period and in the aggregate period from the end of 2011 until the date of publication this quarterly report with respect to the Company's exposure to market risks and the methods of managing them.

5. Acquisition Plans

For details on the Company's acquisition programs that it reported during the reporting period or which are in effect during the reporting period, see Paragraph 3.4 of Chapter A above.

6. Consolidated Linkage Bases Report

	As of March 31, 2012						
	Israeli Currency		Foreign Currency				
	Unlinked	CPI-Linked	In EURO	In USD	In Other Currencies	Non-Monetary Balances	Total
	NIS in Thousands						
Assets							
Cash and cash equivalents	3,188	-	3,276	6,417	10	-	12,891
Cash limited in use	3,301	-	-	-	-	-	3,301
Marketable securities	19,344	16,848	-	187	-	-	36,379
Trade and income receivable	11,395	-	6,188	4,600	-	-	22,183
Embedded derivatives	-	-	24	-	-	-	24
Accounts receivable	1,260	-	-	396	-	-	1,656
Inventory	-	-	-	-	-	16,828	16,828
Inventory of work in progress	-	-	-	-	-	5,272	5,272
Long-term deposits	-	-	-	-	-	250	250
Fixed assets	-	-	-	-	-	40,582	40,582
Intangible assets	-	-	-	-	-	26,353	26,353
Total assets	38,488	16,848	9,488	11,600	10	89,285	165,719
Liabilities							
Short-term loans and current maturities of long-term loans	-	96	3,899	405	-	-	4,400
Current maturities of debentures	-	17,662	-	-	-	-	17,662
Suppliers and service providers	7,726	-	1,739	7,791	-	-	17,256
Embedded derivatives	-	-	1,056	-	-	-	1,056
Accounts payable and credit balances	12,814	-	1	554	-	-	13,369
Long-term loans from banks and others	-	176	12,527	1,925	-	-	14,628
Debentures	-	49,745	-	-	-	-	49,745
Liabilities due to employee benefits, net	-	-	-	-	-	2,568	2,568
Total liabilities	20,540	67,679	19,222	10,675	-	2,568	120,684
Net assets (liabilities)	17,948	(50,831)	(9,734)	925	10	86,717	45,035

7. Sensitivity Tests on Financial Instruments as of March 31, 2012

The Company conducted, as of the balance sheet date, 5 sensitivity tests in respect of changes within an upper and lower range of 5% and 10% in market factors.
The market factor tests were based on the model specified.

1) Table listing changes in the fair value of financial instruments sensitive to fluctuations in the dollar exchange rate:

	Profit (Loss) on Change, NIS in Thousands		NIS in Thousands	Profit (Loss) on Change NIS in Thousands	
	10%	5%	Fair Value	-5%	-10%
NIS to $	4.087	3.901	3.715	3.529	3.344
Cash and cash equivalents	**642**	**321**	**6,417**	**(321)**	**(642)**
Marketable securities	**19**	**9**	**187**	**(9)**	**(19)**
Trade and income receivable	**460**	**230**	**4,600**	**(230)**	**(460)**
Accounts receivable	**40**	**20**	**396**	**(20)**	**(40)**
Current maturities of loans	**(41)**	**(20)**	**(405)**	**20**	**41**
Trade payable	**(779)**	**(390)**	**(7,791)**	**390**	**779**
Accounts payable and accruals	**(55)**	**(28)**	**(554)**	**28**	**55**
Long-term loans	**(193)**	**(96)**	**(1,925)**	**96**	**193**
Total	**93**	**46**	**925**	**(46)**	**(93)**

2) Table listing changes in the fair value of financial instruments sensitive to fluctuations in the Euro exchange rate:

	Profit (Loss) on Change, NIS in Thousands		NIS in Thousands	Profit (Loss) on Change, NIS in Thousands	
	10%	5%	Fair Value	-5%	-10%
NIS to Euro	5.448	5.201	4.953	4.705	4.458
Cash and cash equivalents	**328**	**164**	**3,276**	**(164)**	**(328)**
Trade and income receivable	**619**	**309**	**6,188**	**(309)**	**(619)**
Current maturities of loans	**(390)**	**(195)**	**(3,899)**	**195**	**390**
Trade payable	**(174)**	**(87)**	**(1,739)**	**87**	**174**
Accounts payable and accruals	**0**	**0**	**(1)**	**0**	**0**
Long-term loans	**(1,253)**	**(626)**	**(12,527)**	**626**	**1,253**
Total	**(870)**	**(435)**	**(8,702)**	**435**	**870**

3) The following table presents the fair value changes in financial instruments sensitive to fluctuations in the Consumer Price Index:

	Profit (Loss) on Change, NIS in Thousands		NIS in Thousands	Profit (Loss) on Change, NIS in Thousands	
	10%	5%	Fair Value	-5%	-10%
CPI in points	238.81	227.96	217.10	206.25	195.39
Marketable securities	**1,685**	**842**	**16,848**	**(842)**	**(1,685)**
Current maturities of loans	**(10)**	**(5)**	**(96)**	**5**	**10**
Long-term loans	**(18)**	**(9)**	**(176)**	**9**	**18**
Debentures (*)	**(6,741)**	**(3,370)**	**(67,407)**	**1,715**	**2,317**
Total	**(5,084)**	**(2,542)**	**(50,831)**	**887**	**660**

(*) Series 3 debentures linked to the CPI 212.73 (1993 base)

4) The following table presents the fair value changes in derivative financial instruments that are sensitive to changes in underlying assets denominated in Euro:

	Profit (Loss) on Change, NIS in Thousands		NIS in Thousands	Profit (Loss) on Change, NIS in Thousands	
	10% increase in the underlying asset	5% increase in the underlying asset	Fair Value	5% decline in the underlying asset	10% decline in the underlying asset
Embedded derivatives	**92**	**46**	**24**	**(46)**	**(92)**
Liability in respect of embedded derivatives	**1,098**	**549**	**(1,056)**	**(549)**	**(1,098)**
Total	**1,189**	**595**	**(1,032)**	**(595)**	**(1,189)**

5) The following table presents the fair value changes in financial instruments sensitive to fluctuations in rates of convertible securities:

	Profit (Loss) on Change NIS in Thousands		NIS in Thousands	Profit (Loss) on Change NIS in Thousands	
	10%	5%	Fair Value	5%-	10%-
Local – government	**1,627**	**814**	**16,274**	**(814)**	**(1,627)**
Local – corporate	**1,693**	**846**	**16,929**	**(846)**	**(1,693)**
Shares	**318**	**159**	**3,175**	**(159)**	**(318)**
Total	**3,638**	**1,819**	**36,379**	**(1,819)**	**(3,638)**

8. Dedicated Disclosure to the Debenture Holders

The Corporation's Debentures:

(1)	Security	Debentures (Series 2)
A	Issue date	August 2006
B	Total par value on issue date	34,000,000
C	Par value as of the reporting date	10,760,000
D	Par value according to linkage terms – as of the report date	12,371,000
E	Accrued interest as of the report date	72,000
F	Liability value as of the report date	12,027,000
G	Stock Exchange value	12,798,000
H	Type of interest, including description	6.1% annual interest
I	Payment dates of outstanding principal	Balance of two equal annual payments beginning on August 25, 2012
J	Future interest payment dates	On the 25th of February and August in the years 2012-2013 starting from August 25, 2012 and up to (and including) August 25, 2013
K	Details of linkage basis of interest and principal	Principal and interest linked to the Consumer Price Index at a base rate of no less than 188.1 (July 2006 index according to the 1993 base)
L	Are the debentures convertible?	Not convertible
M	Corporation's right to perform early redemption	Does not exist
N	Has a guarantee been given for payment of the liability in the trust deed?	No
O	Is the liability material to the Company?	Yes
(2)	The trustee in charge of the debenture series in the trust company; the trustee's contact details	Hermetic Trust (1975) Ltd Dan Avnon and/or Merav Ofer-Oren, 113 Hayarkon Street, Tel Aviv 63573, Telephone: 03-5274867 Fax: 03-5271451, Email: hermetic@hermetic.co.il

(5+6) As of the end of the quarterly reporting period, the Company was in compliance with all the terms and obligations of the trust deed for Debentures (Series 2), the Company was not found to be in violation of any undertaking or term that was set in the trust deed, which are not of a technical nature, and there were no grounds to call for immediate repayment of the debentures.

(8) The Debentures (Series 2) are not secured by any charge whatsoever.

(1)	Security	Debentures (Series 3)
A	Issue date	March 2011
B	Total par value on issue date	56,442,000
C	Par value as of the reporting date	56,442,000
D	Par value according to linkage terms – as of the report date	57,380,000
E	Accrued interest as of the report date	70,000
F	Liability value as of the report date	55,381,000
G	Stock Exchange value	58,587,000
H	Type of interest, including description	5.65% annual interest
I	Payment dates of outstanding principal	Five equal annual payments as of March 23, 2013
J	Future interest payment dates	Every 23rd of March and September commencing from March 23, 2012 and until March 23, 2017 (inclusive)
K	Details of linkage basis of interest and principal	Principal and interest linked to the Consumer Price Index at a base rate of no less than 212.73 (February 2011 index according to the 1993 basis)
L	Are the debentures convertible?	Not convertible
M	Corporation's right to perform early redemption	Does not exist
N	Has a guarantee been given for payment of the liability in the trust deed?	No
O	Is the liability material to the Company?	Yes
(2)	The trustee in charge of the debenture series in the trust company; the trustee's contact details	Reznick, Paz, Nevo Trust Ltd 14, Yad Harutzim St, Tel Aviv 67778 Tel: 03-6389200; Fax: 03-6393316 Email: trust@rpn.co.il

(5+6) As of the end of the quarterly reporting period, the Company is in compliance with all the terms and obligations of the trust deed for Debentures (Series 3), the Company was not found to be in violation of any undertaking or term that was set in the trust deed, which are not of a technical nature, and there are no grounds for calling for immediate payment of the debentures.

(8) On April 4, 2011, a pledge over a bank account deposit was created at the Registrar of Companies, in the amount of the annual interest on the debentures, to secure the payment of interest pursuant to the terms of the debentures (Series 3). As long as the Company has an outstanding balance of the debentures (Series 3), the Company will refrain from creating additional charges on its assets, in excess of those that existed on the date of signing the trust deed in connection with the debentures (Series 3), in favor of any third party whatsoever, without the trustee's advance written consent, save with regard to charges on land and/or equipment that will be purchased by the Company subsequent to the date of signing the trust deed, the pledging thereof will serve solely for the purpose of securing the funding to be given for purchasing the

asset that is the object of the charge – and which the Company will be permitted to create without any restrictions in favor of any person or corporation. Subject to the aforesaid, the Company shall be entitled to create, without any limitation, additional charges of any type on its assets, all or part thereof, without this derogating from the Company's ability to undertake towards third parties to refrain from creating additional charges and without derogating from the aforesaid undertakings which the Company made to the banks prior to the date of signing the Debenture trust deed (Series 3).

9. Quarterly report on the Company's liabilities by repayment dates

For details on the Company's liabilities by repayment dates, as of March 31, 2012, see report dated May 29, 2012, which the Company published concurrently with the publication of this report.

10. Projected Cash Flows

The Board of Directors determined, following an examination of the four warning signs specified in Regulation 10(b) (14) of the Securities Regulations (Periodic and Immediate Reports), 1970, regarding disclosure of the anticipated cash flow for financing payment of the Company's obligations, that the Company has no liquidity problems and is able to meet its obligations, including the full payment of its liabilities in respect of the issuance of Debentures (Series 2 and 3). An examination as stated is performed by the Board of Directors on a quarterly basis, at the time of approval of the financial statements published by the Company for the quarter in question.

11. Details of the Approval Process of the Company's Financial Statements

11.1 Preparation of the Financial Statements

The Company's financial statements were prepared by the Company's CFO. The statements were reviewed by the Company's auditor, who is given full access to all data and information in the Company, including meetings with the Company's employees and managers, as required by him. Subsequent to the auditor's review, the financial statements were submitted to the members of the Financial Statements Review Committee.

11.2 Financial Statements Review Committee

Once the Companies Regulations (Directives and Conditions Concerning the Procedure for Approving Financial Statements), 2010, went into effect, the Audit Committee was appointed by the Company's Board of Directors (during its meeting on November 11, 2010) to also serve as a Balance Sheet Committee for Review of the Financial Statements ("the Committee"), said committee being of a composition and significance that are in line with said regulations, in everything related to the Financial Statements as at December 31, 2010, and thereafter. As of the reporting date, the following directors serve on this committee:

Name	CPA Zvi Livneh	CPA Yoel Sela	CPA Moshe Braaz
An independent or an external director	No	External director	External director
Chairman of the Committee for Review of the Financial	No	No	Yes

Statements			
Has accounting and financial expertise	Yes	Yes	Yes
Did he provide a statement prior to his nomination?	Yes	Yes	Yes

* For details regarding the education and experience of the members of the Committee for Review of the Financial Statements, see section 4.11 of Chapter D of the periodic report for 2011.

As part of the process of approval of the financial statements as of March 31, 2012, a Committee meeting was held on May 24, 2012. In this meeting the Committee discussed the effectiveness of internal controls over financial reporting and disclosure by the Company, which are the responsibility of the person in charge of reporting and the person in charge of control oversight, and which are supervised by the steering committee, which serves as a top-level supervising entity to ensure full compliance with reporting regulations, in accordance with internal procedures adopted by the Board of Directors on February 2, 2011 in connection with periodic and immediate reports. A comprehensive discussion of material issues took place in order to formulate the Committee's recommendations to the Board of Directors, for the purpose of its approval of the financial statements; later, the Committee approved its recommendations.

The following people were invited to, and attended, the Committee meeting on May 24, 2012: members of the Committee (CPAs Yoel Sela and Moshe Braaz), Mr. Yair Itzkovitch, CFO; Mr. Eyal Saban, VP; Mr. Nir Weisberger, Company attorney; CPA Avi Peleg, of the Company's accounting firm; and CPA Itzik Buchrits, of the Company's internal auditor firm. Committee member CPA Zvi Livneh was invited but did not attend due to his absence from the country.

The committee discussed and formulated its recommendations to the Board of Directors regarding the following matters: assessments and estimates made in connection with the financial statements; internal controls related to the financial reporting process; the integrity and appropriateness of the disclosure in the financial statements; the accounting policy adopted and the accounting treatment implemented in material issues; valuations including the underlying assessments and estimates. The draft financial statements and Committee recommendations were submitted to the Board's review two business days before the Board convened to discuss the financial statements, which is a reasonable timeframe, in the Board's estimation, to submit the recommendations to the Board of Directors.

11.3 <u>The Company's Board of Directors</u>

The Company regards the Board of Directors as the entity in charge of overall control of the Company's financial statements. The members of the Company's Board of Directors and their respective duties in the Company are as follows:

1. Mr. Haim Shani – Chairman of the Board and Company CEO, and a director with professional qualifications.
2. Ms Bareket Shani – Director with professional qualifications, Vice President and Head of Human Resources, member of the Credit and Investment Committee and of the Securities Committee of the Company's Board of Directors.
3. Mr. Zvi Livneh, CPA – Director with accounting skills, member of the Credit and Investments Committee, member of the Audit Committee and member of the Committee for Review of the Financial Statements.

4. Mr. Yoel Sela, CPA – External and independent director with accounting skills, member of the Audit Committee, member of the Committee for Review of the Financial Statements, and member of the Board's Credit and Investments Committee.
5. Mr. Moshe Braaz, CPA – External and independent director with accounting skills, member of the Audit Committee, member of the Committee for Review of the Financial Statements and member of the Securities Committee of the Company's Board of Directors.
6. Mrs. Edna Ramot - director with professional skills.

Following the Board of Directors' review of the financial statements, a Board meeting was held for the purpose of presenting and discussing the financial statements. In the meeting on May 29, 2012, Company management reviewed the key data of the financial statements. The Company's auditor attended the meeting and responded to the questions of the Board of Directors, which were addressed to him (together with the Company's CEO and CFO, who responded to questions addressed to them). At the end of the discussion, the financial statements were approved by the Board of Directors by a vote.

Zvi Livneh Director	Haim Shani Chairman and CEO

Date: May 29, 2012

UNITRONICS (1989) (R"G) LTD.

Condensed Consolidated Interim Financial Statements
March 31, 2012

(Unaudited)

Unitronics (1989) (R"G) Ltd.

Condensed Consolidated Interim Financial Statements

March 31, 2012

(unaudited)

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REVIEW REPORT OF THE AUDITIORS OF UNITRONICS (1989) (R"G) LTD.

Introduction

We reviewed the attached financial information of Unitronics (1989) (R"G) Ltd. and its subsidiaries (hereinafter – “the Group”) which include the condensed interim consolidated statement of financial position as at March 31, 2012 and the condensed interim consolidated statements of operations, comprehensive income, changes in shareholders’ equity and cash flows for the period of three months then ended. The Board of Directors and management are responsible for the preparation and presentation of the financial information for this interim period in accordance with IAS 34 “Financial reporting for interim periods”, and they are responsible for the preparation of financial information for this interim period under Chapter D of the Israeli Securities Regulations (Periodic and Immediate Report) – 1970. Our responsibility is to express a conclusion on the financial information for the interim period, based on our review.

We did not review the condensed financial information for the interim period of a consolidated company whose assets included in the consolidation comprise 4% of all the consolidated assets as at March 31, 2012 and whose revenues included in the consolidation comprise 17% of all consolidated revenues for the period of three months then ended. The condensed financial information for the interim periods of that company were reviewed by other auditors whose review report was furnished to us and our conclusion, to the extent that they relate to financial information for that company, are based on the review report of the other auditors.

Scope of the review

We prepared our review in accordance with Review Standard No. 1 of the Institute of Certified Public Accountants in Israel “Review of financial information for interim periods prepared by the entity’s auditor”. The review of the financial information for interim periods comprises clarifications, mainly with the people responsible for financial and accounting matters, and from adopting analytical and other review procedures. A review is more limited in scope to a much larger extent than an audit performed in accordance with generally accepted auditing standards in Israel, and therefore does not enable us to be certain that we will know of all the significant matters which could have been identified in an audit. Consequently, we are not issuing an audit opinion.

Conclusion

Based on our review, and on the review report of the other auditors, nothing came to our notice which would cause us to think that the above financial information is not prepared, in all significant aspects, in accordance with IAS34.

In addition to the remarks in the previous paragraph, based on our review, and on the review report of the other auditors, nothing came to our notice which cause us to think that the above financial information does not meet, in all significant aspects, the provisions of Disclosure under Chapter D of the Israeli Securities Regulations (Periodic and Immediate Reports) - 1970.

Amit, Halfon
Certified Public Accountants (Israel)

Ramat Gan,
May 29, 2012

16 Aba Hillel Silver St. Ramat-Gan 52506 Israel Tel: +972-3-6123939 Fax: +972-3-6125030 e-mail: office@ahcpa.co.il

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

	March 31, 2012	March 31, 2012	March 31, 2011	December 31, 2011
	(unaudited)	(unaudited)		(audited)
		(in thousands)		
	Convenience translation into Euro (1)	NIS		
Current assets				
Cash and cash equivalents	2,603	12,891	60,623	16,467
Restricted cash	666	3,301	3,190	3,281
Marketable securities	7,345	36,379	18,678	36,229
Accounts receivable -				
Trade	4,479	22,183	19,385	17,654
Other	334	1,656	2,071	2,294
Embedded derivatives	5	24	146	20
Inventory	3,398	16,828	28,291	16,505
Inventory - work in progress	1,064	5,272	8,687	7,362
	19,894	98,534	141,071	99,812
Non-current assets				
Long-term deposits	50	250	423	264
Property and equipment, net	8,193	40,582	21,998	40,663
Intangible assets, net	5,321	26,353	16,893	23,834
	13,564	67,185	39,314	64,761
	33,458	**165,719**	**180,385**	**164,573**

Haim Shani	Tzvi Livne	Yair Itscovich
Chairman of the Board of Directors and C.E.O.	Director	Chief Financial Officer

Approved: May 29, 2012.

(1) See note 1C.

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

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

	March 31, 2012	March 31, 2012	March 31, 2011	December 31, 2011
	(unaudited)	(unaudited)		(audited)
		(in thousands)		
	Convenience translation into Euro (1)	NIS		
Current liabilities				
Current maturities of long-term loans	888	4,400	4,364	4,399
Current maturities of bonds	3,566	17,662	6,085	6,186
Accounts payable -				
Trade	3,484	17,256	22,679	14,175
Other	2,700	13,369	23,376	15,776
Embedded derivatives	213	1,056	1,753	1,077
	10,851	53,743	58,257	41,613
Non - current liabilities				
Loans from banks and others	2,953	14,628	13,923	15,748
Bonds	10,043	49,745	65,284	60,977
Liabilities for benefits to employees, net	518	2,568	1,666	2,532
	13,514	66,941	80,873	79,257
Shareholders' equity				
Share capital	71	352	352	352
Share premium	10,214	50,588	50,588	50,588
Capital reserve from translation of foreign operation	(178)	(879)	(1,348)	(648)
Company shares held by the company	(1,341)	(6,643)	(6,365)	(6,643)
Retained earnings (loss)	327	1,617	(1,972)	54
	9,093	45,035	41,255	43,703
	33,458	**165,719**	**180,385**	**164,573**

(1) See note 1C.

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

Unitronics (1989) (R"G) Ltd.
Condensed consolidated interim statement of operations

	For the three month period ended March 31,	For the three month period ended March 31,		For the year ended December 31,
	2012	2012	2011	2011
	(unaudited)	(unaudited)		(audited)
		(in thousands)		
	Convenience translation into Euro (1)	NIS		
Revenues	6,983	34,587	40,367	141,702
Cost of revenues	5,108	25,299	28,953	102,719
Gross profit	1,875	9,288	11,414	39,983
Development expenses, net	267	1,323	763	2,991
Selling & marketing expenses	878	4,351	3,331	14,091
General & administrative expenses	330	1,633	2,325	8,201
Operating profit	400	1,981	4,995	13,700
Financing income	244	1,207	1,886	2,633
Financing expenses	328	1,625	1,487	8,400
Profit for the period	316	1,563	5,394	7,933
Profit per 1 ordinary share NIS 0.02 par value (NIS):				
Basic Profit per 1 ordinary share	0.031	0.155	0.533	0.786
Diluted profit per 1 ordinary share	0.031	0.155	0.533	0.782

(1) See note 1C.

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

Unitronics (1989) (R"G) Ltd.
Condensed consolidated interim statement of comprehensive income

	For the three month period ended March 31,	For the three month period ended March 31,		For the year ended December 31,
	2012	2012	2011	2011
	(unaudited)	(unaudited)		(audited)
		(in thousands)		
	Convenience translation into Euro (1)	NIS		
Profit for the period	316	1,563	5,394	7,933
Other comprehensive income (loss)				
Actuarial loss	-	-	-	(513)
Translation of foreign operation	(47)	(231)	(172)	528
Other comprehensive income (loss) for the period	(47)	(231)	(172)	15
Total comprehensive income for the period	269	1,332	5,222	7,948

(1) See note 1C.

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

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

	Share capital	Share premium	Capital reserve from translation of foreign operation	Company shares held by the company	Retained earnings (loss)	Total
			NIS, in thousands			
Balance at January 1, 2011 (audited)	352	50,588	(1,176)	(6,239)	(7,366)	36,159
Purchase of company shares by the company	-	-	-	(404)	-	(404)
Total comprehensive income for the year	-	-	528	-	7,420	7,948
Balance at December 31, 2011 (audited)	352	50,588	(648)	(6,643)	54	43,703
Total comprehensive income for the period	-	-	(231)	-	1,563	1,332
Balance at March 31, 2012 (unaudited)	352	50,588	(879)	(6,643)	1,617	45,035
Balance at January 1, 2011 (audited)	352	50,588	(1,176)	(6,239)	(7,366)	36,159
Purchase of company shares by the company	-	-	-	(126)	-	(126)
Total comprehensive income for the period	-	-	(172)	-	5,394	5,222
Balance at March 31, 2011 (unaudited)	352	50,588	(1,348)	(6,365)	(1,972)	41,255
	Convenience translation into Euro (1) , in thousands (unaudited)					
Balance at January 1, 2012	71	10,214	(131)	(1,341)	11	8,824
Total comprehensive income for the period	-	-	(47)	-	316	269
Balance at March 31, 2012	71	10,214	(178)	(1,341)	327	9,093

(1) See note 1C.

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

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

	For the three month period ended March 31,	For the three month period ended March 31,		For the year ended December 31,
	2012	2012	2011	2011
	(unaudited)	(unaudited)		(audited)
		(in thousands)		
	Convenience translation into Euro (1)	NIS		
Cash flows - operating activities				
Profit for the period	316	1,563	5,394	7,933
Adjustments necessary to show the cash flows - operating activities (Appendix A)	(115)	(567)	(9,396)	(2,034)
Cash flows provided by (used in) operating activities	201	996	(4,002)	5,899
Cash flows - investing activities				
Sale of (investment in) marketable securities, net	73	363	(73)	(18,504)
Purchase of property and equipment	(66)	(325)	(588)	(20,454)
Investment in restricted cash	-	-	(3,190)	(3,215)
Investment in long-term deposits	(2)	(10)	(32)	(58)
Repayment of long-term deposits	1	3	13	21
Investment in intangible assets	(695)	(3,444)	(2,032)	(12,618)
Cash flows used in investing activities	(689)	(3,413)	(5,902)	(54,828)
Cash flows - financing activities				
Receiving long-term loans	-	-	-	4,907
Repayment of long-term loans	(221)	(1,095)	(1,076)	(4,382)
Bonds issue	-	-	54,331	53,903
Repayment of bonds	-	-	-	(6,167)
Purchase of company shares by the company	-	-	(126)	(404)
Cash flows provided by (used in) financing activities	(221)	(1,095)	53,129	47,857
Translation differences in respect of foreign operation cash balances	(13)	(64)	(58)	83
Change in cash and cash equivalents	(722)	(3,576)	43,167	(989)
Cash and cash equivalents at beginning of the period	3,325	16,467	17,456	17,456
Cash and cash equivalents at end of the period	2,603	12,891	60,623	16,467

(1) See note 1C.

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

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

	For the three month period ended March 31,	For the three month period ended March 31,		For the year ended December 31,
	2012	2012	2011	2011
	(unaudited)	(unaudited)		(audited)
		(in thousands)		
	Convenience translation into Euro (1)	NIS		
Appendix A - Adjustments necessary to show the cash flows - operating activities				
Depreciation and amortization	316	1,566	1,396	7,046
Loss (profit) from marketable securities, net	(104)	(513)	181	1,061
Change in liabilities for benefits to employees, net	7	36	83	436
Exchange rate changes of long-term loans and bonds	(5)	(24)	784	2,233
Reevaluation of restricted cash	(4)	(20)	-	(66)
Reevaluation of embedded derivatives	(5)	(25)	(2,344)	(2,894)
Increase in accounts receivable-trade	(934)	(4,626)	(5,246)	(3,200)
Decrease (increase) in accounts receivable - other	132	655	(833)	(860)
Decrease (increase) in inventory	(80)	(394)	1,578	13,580
Decrease (increase) in inventory - work in progress	421	2,086	(1,226)	107
Increase (decrease) in accounts payable - trade	622	3,081	(3,076)	(11,581)
Decrease in accounts payable - other	(481)	(2,389)	(693)	(7,896)
	(115)	(567)	(9,396)	(2,034)
Appendix B - Non-cash operations				
Bonds issue expenses	-	-	458	30
Appendix C - Additional information regarding operating activities				
Cash paid during the period for:				
Interest	438	2,169	696	3,433
Taxes on income	5	27	27	108
Cash received during the period for:				
Interest	124	615	239	1,444

(1) See note 1C.

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

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

Note 1 - General

A. These financial statements have been prepared in a condensed format as at March 31, 2012, and for the three months period then ended ("consolidated interim financial statements"). These financial statements should be read in conjunction with the Company's audited annual financial statements and accompanying notes as at December 31, 2011 and for the year then ended.

B. Following are data regarding the Israeli CPI and the exchange rate of the U.S. dollar and the Euro:

As of	Israeli CPI	Exchange rate of one Euro	Exchange rate of one U.S. dollar
	Points (*)	NIS	NIS
March 31, 2012	217.10	4.953	3.715
March 31, 2011	213.15	4.949	3.481
December 31, 2011	216.27	4.938	3.821
Change during the period	%	%	%
Three month ended March 31, 2012	0.38	0.30	(2.77)
Three month ended March 31, 2011	0.70	4.47	(1.92)
For the year ended December 31 2011	2.17	4.23	7.66

(*) The index on an average basis of 1993 = 100.

C. Convenience translation in EURO

For the convenience of the reader, the NIS amounts for the last reported period have been translated to EURO by dividing each NIS amount by the representative rate of exchange of the EURO as at March 31, 2012 (EURO 1 = NIS 4.953).

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

Note 2 - Significant Accounting Policies

A. The interim consolidated financial statements are prepared in accordance with generally accepted accounting principles for the preparation of financial statements for interim periods as set forth in IAS 34 – "Financial reporting for interim periods" including the requirements of disclosure under Chapter D of the Israeli Securities Regulations (Periodic and Immediate Reports) - 1970.
The significant accounting principles and the methods of calculation which were implemented in the preparation of the interim financial statements are identical to those used in the preparation of the last annual financial statements, apart from those mentioned in clause B below.

B. Initial implementation of new IFRS

IFRS 7 - Financial instruments: Disclosures

Since 1 January 2012 the Company applies the amendment to IFRS 7 (hereinafter: "the Amendment"), which deals with new disclosure extensive requirements for eliminating financial assets and disclosure requirements in cases where anomalies transfers are made around the time of reporting. The purpose of the amendment is to help users of financial statements to assess the exposure risks for transfers of financial assets and the effect of these risks on the company's financial position. The amendment increases the transparency of reporting of transfer transactions, and in particular of financial asset securitization transactions. Amendment applied prospectively. Amendment was not a significant effect on the interim financial statements disclosures of the company.

Note 2 - Significant Accounting Policies (cont'd)

C. Disclosure of new IFRS during the period prior to their implementation

For information about standards, interpretations and amendments to standards listed below, see Note 2 w to the consolidated financial statements of the Company as at December 31, 2011.

a. IFRS 10 - Consolidated Financial Statements
b. IAS 27R - Separate Financial Statements
c. IFRS 12 - Disclosure regarding rights in other entities
d. IFRS 13 - Measurement of Fair Value
e. IAS 19 (Amended) - Employee Benefits
f. IAS 1 - Presentation of financial statements.
g. IFRS 9 - Financial Instruments.

Note 3 - Events in the reported period

A. In March 2012 the Board of Directors has approved adoption of a plan to purchase additional ordinary shares of the Company in an amount not to exceed NIS 2 million, replaces the company's previous plan in which the balance of its non-exploited expired. This program is valid until June 30, 2012.

As at 13 February 2012, the Company holds 1,593,897 shares, representing about 13.65% of the issued share capital of the Company, purchased in an amount of NIS 6,643 thousand (No change from previous period).

B. On February 13, 2012 the Company filed through its legal counsel's claim of NIS 2.5 million against a supplier of the company engaged in manufacturing machinery systems and packaging lines (hereinafter - "the supplier"). According to the company, the supplier violated its obligations under the agreement and caused the company heavy damages. on March 14, 2012 the supplier submitted a counterclaim in the sum of NIS 1.4 million for payments the company owed him as well as for damages and losses sustained in his claim as a result of how the company operates.
According to the company's legal advisors estimation, which is limited in this preliminary stage, there is a greater chance that the company's claims will be accepted than the supplier's claims and therefore the financial statements does not include a provision.

Note 4 - Subsequent events

In May 2012 the Board of Directors has approved adoption of a plan to purchase additional ordinary shares of the Company in an amount not to exceed NIS 2 million, replaces the company's previous plan in which the balance of its non-exploited expired. This program is valid until September 30, 2012.

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

Note 5 - Business segments

A. The Group defined the Company's CEO who makes the strategic decisions as the chief operating decision maker, of the Group. The CEO reviews the internal reports of the Group in order to evaluate performance and allocate recourses and determines the operating segments based on these reports.

The CEO examines the segments operating performance on the basis of measuring operating income, this measurement basis is not affected by one time expenses in the operating segments, such as the costs of structural change and an impairment in the value of assets, where the impairment in value results from a single one time event. Interest revenues and expenses are not included in the results in each of the operating segments examined by senior management.

B. The company and its subsidiaries operate in two main business segments.
- Programmable Logic Controllers systems (hereinafter "The products segment").
- System integration projects (hereinafter "The system integration projects segment").

	For the three month period ended March 31,	For the three month period ended March 31,		For the year ended December 31,
	2012	2012	2011	2011
	(unaudited)	(unaudited)		(audited)
	(in thousands)			
	Convenience translation into Euro	NIS		
C. Revenues				
Products	4,623	22,896	23,947	89,213
System integration projects	2,344	11,609	16,331	52,104
Other	16	82	89	385
	6,983	34,587	40,367	141,702
D. Segment results				
Products	1,422	7,042	7,375	27,840
System integration projects	(247)	(1,222)	1,453	1,104
Other	(51)	(253)	(79)	(61)
Unallocated corporate expenses	(724)	(3,586)	(3,754)	(15,183)
Operating profit	400	1,981	4,995	13,700
Unallocated financing income (expenses)	(84)	(418)	399	(5,767)
Profit (loss) for the period	316	1,563	5,394	7,933

UNITRONICS (1989) (R"G) LTD.

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

March 31, 2012

(Unaudited)

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

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

Introduction

We reviewed the separate interim financial information presented under Regulation 38D to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970 of Unitronics (1989) (R"G) Ltd. (hereinafter - "the Company") as at March 31, 2012 and for the period of three months then ended. The separate financial information is in the responsibility of the Company's Board of Directors and Management. Our responsibility is to express a conclusion on the separate interim financial information for the interim period, based on our review.

We did not review the separate interim financial information of an affiliated company which the investment in it amount to NIS 609 thousands as at March 31, 2012 and which the company's share of its profits amount to NIS 541 thousands for the period of three months then ended. The condensed financial information for the interim period of that company were reviewed by other auditors whose review report was furnished to us and our conclusion, to the extent that they relate to financial information for that company, are based on the review report of the other auditors.

Scope of the review

We prepared our review in accordance with Review Standard 1 of the Institute of Certified Public Accountants in Israel "Review of financial information for interim periods prepared by the entity's auditor". The review of the financial information for interim periods comprises clarifications, mainly with the people responsible for financial and accounting matters, and from adopting analytical and other review procedures. A review is more limited in scope to a much larger extent than an audit performed in accordance with generally accepted auditing standards, and therefore does not enable us to be certain that we will know of all the significant matters which could have been identified in an audit. Consequently, we are not issuing an opinion of an audit.

Conclusion

Based on our review, and on the review report of the other auditors, nothing came to our notice which would cause us to think that the above separate interim financial information is not prepared, in all significant aspects, in accordance regulation 38D of the Israeli Securities Regulations (Periodic and Immediate Reports), 1970.

Amit, Halfon
Certified Public Accountants (Israel)

Ramat Gan,

May 29, 2012

16 Aba Hillel Silver St. Ramat-Gan 52506 Israel Tel: +972-3-6123939 Fax: +972-3-6125030 e-mail: office@ahcpa.co.il

Unitronics (1989) (R"G) Ltd.

Assets and liabilities included in the consolidated financial statements attributed to the company

	March 31, 2012	March 31, 2012	March 31, 2011	December 31, 2011
	(unaudited)	(unaudited)		(audited)
		(in thousands)		
	Convenience translation into Euro (1)	NIS		
Current assets				
Cash and cash equivalents	2,182	10,806	57,863	14,211
Restricted cash	666	3,301	3,190	3,281
Marketable securities	7,345	36,379	18,678	36,229
Accounts receivable -				
Trade	3,746	18,556	15,918	14,289
Other	289	1,427	1,954	1,969
Accounts receivable - other - subsidiaries	1,565	7,749	6,541	6,825
Embedded derivatives	5	24	146	20
Inventory	3,115	15,430	26,961	15,115
Inventory - work in progress	1,014	5,024	8,687	7,243
	19,927	98,696	139,938	99,182
Non-current assets				
Assets less liabilities associated with subsidiaries	-	-	873	830
Long-term deposits	50	250	423	264
Property and equipment, net	8,094	40,089	21,740	40,301
Intangible assets, net	5,094	25,230	16,893	23,198
	13,238	65,569	39,929	64,593
	33,165	**164,265**	**179,867**	**163,775**

Haim Shani	Tzvi Livne	Yair Itscovich
Chairman of the Board of Directors and C.E.O.	Director	Chief Financial Officer

Approved: May 29, 2012.

(1) See note 1C.

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

Unitronics (1989) (R"G) Ltd.

Assets and liabilities included in the consolidated financial statements attributed to the company

	March 31, 2012	March 31, 2012	March 31, 2011	December 31, 2011
	(unaudited)	(unaudited)		(audited)
		(in thousands)		
	Convenience translation into Euro (1)	NIS		
Current liabilities				
Current maturities of long term loans	888	4,400	4,364	4,399
Current maturities of bonds	3,566	17,662	6,085	6,186
Accounts payable -				
Trade	3,361	16,646	22,535	13,880
Other	2,421	11,989	23,002	15,273
Embedded derivatives	213	1,056	1,753	1,077
	10,449	51,753	57,739	40,815
Non-current liabilities				
Liabilities less assets associated with subsidiaries	109	536	-	-
Loans from banks and others	2,953	14,628	13,923	15,748
Bonds	10,043	49,745	65,284	60,977
Liabilities for benefits to employees, net	518	2,568	1,666	2,532
	13,623	67,477	80,873	79,257
Shareholders' equity				
Share capital	71	352	352	352
Share premium	10,214	50,588	50,588	50,588
Capital reserve from translation of foreign operation	(178)	(879)	(1,348)	(648)
Company shares held by the company	(1,341)	(6,643)	(6,365)	(6,643)
Retained earnings (loss)	327	1,617	(1,972)	54
	9,093	45,035	41,255	43,703
	33,165	**164,265**	**179,867**	**163,775**

(1) See note 1C.

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

Unitronics (1989) (R"G) Ltd.

Revenues and expenses included in the consolidated financial statements attributed to the company

	For the three month period ended March 31,	For the three month period ended March 31,		For the year ended December 31,
	2012	2012	2011	2011
	(unaudited)	(unaudited)		(audited)
	(in thousands)			
	Convenience translation into Euro (1)	NIS		
Revenues	5,408	26,788	33,546	116,182
Revenues from subsidiaries	1,213	6,008	4,399	18,248
Total revenues	6,621	32,796	37,945	134,430
Cost of revenues	5,040	24,966	28,123	101,143
Gross profit	1,581	7,830	9,822	33,287
Development expenses, net	205	1,015	763	2,857
Selling & marketing expenses	483	2,391	2,082	8,045
General & administrative expenses	222	1,096	1,959	6,610
General & administrative expenses to subsidiaries	29	146	126	618
Capital gain	-	-	-	11
Operating profit	642	3,182	4,892	15,168
Financing income	244	1,207	1,886	2,633
Financing expenses	341	1,692	1,538	8,154
Profit for the period	545	2,697	5,240	9,647
The Company's share of subsidiaries profits (losses)	(229)	(1,134)	154	(1,714)
Profit for the period attributed to the company's shareholders	316	1,563	5,394	7,933

(1) See note 1C.

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

Unitronics (1989) (R"G) Ltd.

Comprehensive income included in the consolidated financial statements attributed to the company

	For the three month period ended March 31,	For the three month period ended March 31,		For the year ended December 31,
	2012	2012	2011	2011
	(unaudited)	(unaudited)		(audited)
	(in thousands)			
	Convenience translation into Euro (1)	NIS		
Profit for the period attributed to the company's shareholders	316	1,563	5,394	7,933
Other comprehensive profit (loss)				
Actuarial loss	-	-	-	(513)
Translation of foreign operation	(47)	(231)	(172)	528
Other comprehensive profit (loss) for the period	(47)	(231)	(172)	15
Total comprehensive profit for the period	269	1,332	5,222	7,948

(1) See note 1C.

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

Unitronics (1989) (R"G) Ltd.

Cash Flows included in the consolidated financial statements attributed to the company

	For the three month period ended March 31,	For the three month period ended March 31,		For the year ended December 31,
	2012	2012	2011	2011
	(unaudited)	(unaudited)		(audited)
		(in thousands)		
	Convenience translation into Euro (1)	NIS		
Cash flows - operating activities				
Profit for the period attributed to the company's shareholders	316	1,563	5,394	7,933
Adjustments necessary to show the cash flows - operating activities (Appendix A)	(36)	(180)	(9,147)	(502)
Cash flows provided by (used in) operating activities of the company	280	1,383	(3,753)	7,431
Cash flows used in operating activities from transactions with subsidiaries	(187)	(924)	(2,104)	(3,388)
Cash flows provided by (used in) operating activities	93	459	(5,857)	4,043
Cash flows - investing activities				
Sale of (investment in) marketable securities, net	73	363	(73)	(18,504)
Purchase of property and equipment	(34)	(168)	(563)	(20,314)
Investment in restricted cash	-	-	(3,190)	(3,215)
Investment in long-term deposits	(2)	(10)	(32)	(58)
Repayment of long-term deposits	1	3	13	21
Investment in intangible assets	(597)	(2,957)	(2,032)	(12,087)
Cash flows used in investing activities	(559)	(2,769)	(5,877)	(54,157)
Cash flows - financing activities				
Receiving long-term loan	-	-	-	4,907
Repayment of long-term loans	(221)	(1,095)	(1,076)	(4,382)
Bonds issue	-	-	54,331	53,903
Repayment of bonds	-	-	-	(6,167)
Purchase of company shares by the company	-	-	(126)	(404)
Cash flows provided by (used in) financing activities	(221)	(1,095)	53,129	47,857
Change in cash and cash equivalents	(687)	(3,405)	41,395	(2,257)
Cash and cash equivalents at beginning of the period	2,869	14,211	16,468	16,468
Cash and cash equivalents at end of the period	2,182	10,806	57,863	14,211

(1) See note 1C.

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

Unitronics (1989) (R"G) Ltd.

Cash Flows included in the consolidated financial statements attributed to the company

	For the three month period ended March 31,	For the three month period ended March 31,		For the year ended December 31,
	2012	2012	2011	2011
	(unaudited)	(unaudited)		(audited)
		(in thousands)		
	Convenience translation into Euro (1)	NIS		
Appendix A - Adjustments necessary to show the cash flows operating activities				
The Company's share of subsidiaries losses (profits)	229	1,134	(154)	1,714
Depreciation and amortization	314	1,549	1,382	6,989
Loss (Profit) from marketable securities, net	(104)	(513)	181	1,061
Change in liabilities for benefits to employees, net	7	36	83	436
Capital gain	-	-	-	(11)
Reevaluation of restricted cash	(4)	(20)	-	(66)
Exchange rate changes of long-term loans and bonds	(5)	(24)	784	2,233
Reevaluation of embedded derivatives	(5)	(25)	(2,344)	(2,894)
Increase in accounts receivable - trade	(861)	(4,267)	(4,435)	(2,806)
Decrease (increase) in accounts receivable - other	114	563	(884)	(722)
Decrease (increase) in inventory	(64)	(315)	1,337	13,183
Decrease (increase) in inventory - work in progress	448	2,219	(1,226)	218
Increase (decrease) in accounts payable - trade	558	2,766	(3,155)	(11,810)
Decrease in accounts payable - other	(663)	(3,283)	(716)	(8,027)
	(36)	(180)	(9,147)	(502)
Appendix B - Non-cash operations				
Bonds issue expenses	-	-	458	30
Transfer of intangible assets against capital issue in a subsidiary	-	-	-	117
Capital note to subsidiary	-	-	-	1,000

(1) See note 1C.

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

Unitronics (1989) (R"G) Ltd.

Additional information

Note 1 - General

A. These separate interim financial information have been prepared in accordance with regulation 38D of the Israeli Securities Regulations (Periodic and Immediate Reports), 1970 and do not includes all the information required in regulation 9C and the 10th addition of the Israeli Securities Regulations (Periodic and Immediate Reports), 1970 about separate financial information of the company. These separate interim financial information should be read in conjunction with the Company's audited annual separate financial information as of December 31, 2011 and for the year then ended, and with the condensed consolidated interim financial statement as at March 31, 2012.

B. Consolidated companies - defined in Note 1D to the consolidated financial statements as at December 31, 2011.

C. Convenience translation to EURO

For the convenience of the reader, the NIS amounts for the last reported period have been translated to EURO by dividing each NIS amount by the representative rate of exchange of the EURO as at March 31, 2012 (EURO 1 = NIS 4.953).

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

Chapter D - Quarterly Report on Effectiveness of Internal Control over Financial Reporting and Disclosure

a. **Quarterly report on effectiveness of internal control over financial reporting and disclosure, pursuant to Regulation 38c(a) of Securities Law Regulations (Periodic and Immediate Reports), 1970 ("the regulations")**
b. **Certification by CEO pursuant to Regulation 38c(d)(1) of the regulations**
c. **Certification by CFO pursuant to Regulation 38c(d)(2) of the regulations**

Below is the quarterly report on effectiveness of internal control over financial reporting and disclosure, pursuant to Regulation 38c(a) of the regulations:

Management, supervised by the Board of Directors of UNITRONICS (1989) (R"G) Ltd. ("the corporation") is responsible to set and maintain proper internal control over financial reporting and disclosure by the corporation.

For this matter, management consists of:
HAIM SHANI, Company CEO
BAREKET SHANI, Deputy CEO
EYAL SABAN, VP
YAIR ITZKOVICH, CFO

Internal control over financial reporting and disclosure consists of existing controls and procedures at the corporation, designed by the general manager and most senior financial officer, or under their supervision, or by those acting in said capacities, under supervision of the corporation's Board of Directors, which are designed to provide reasonable certainty with respect to reliability of financial reporting and preparation of reports pursuant to statutory provisions, and to ensure that information which the corporation is required to disclose in reports issued pursuant to statutory provisions is collected, processed, summarized and reported on schedule and in the format prescribed by law.

Internal control includes, *inter alia*, controls and procedures designed to ensure that information which the corporation is required to disclose, is collected and submitted to corporate management, including to the general manager and to the most senior financial officer, or to those acting in said capacities, so as to enable decisions to be made at the appropriate time with regard to the required disclosure.

Due to structural limitations, internal control over financial reporting and disclosure is not designed to provide absolute certainty that misrepresentation or omission of information on the reports would be avoided or discovered.

In the annual report on the effectiveness of internal control financial reporting and the disclosure that was attached to the periodic report for the period ended on December 31, 2011 (hereinafter - "the last annual report on internal control"), the board of directors and management assessed the internal control system in the company; based on this assessment, the board of directors and the management concluded that the internal control as mentioned above, as of December 31, 2011, is effective.

Until the reporting date, no event or matter have been brought to the attention of the board of directors and management, which could change the assessment of effectiveness of internal control, as it was included in the last annual report on internal control.

As of the reporting date, based on the assessment of effectiveness of internal control in the last annual report on internal control, and based on information brought to the attention of the board of directors and the management as stated above, the internal control is effective;

<u>Certification by CEO pursuant to Regulation 38c(d)(1) of the regulations:</u>

I, HAIM SHANI, certify that:

1. I have reviewed the periodic report of UNITRONICS (1989) (R"G) Ltd. ("the corporation") for the first quarter of 2012 ("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, Board of Directors and Audit Committee of the corporation's Board of Directors, based on my most current assessment of the internal control over financial reporting and disclosure:
   a. All significant faults and material weaknesses in specification of operation of internal control over financial reporting and disclosure, as such as relevant to the financial statements and other financial information included in the reports, which may reasonably impact the corporation's capacity to collect, process, summarize or report financial information in a manner which may cast doubt over the reliability of financial reporting and preparation of financial statements pursuant to statutory provisions; and -
   b. Any fraud, whether or not material, involving the General Manager or any of the direct reports there of, or involving any other employees having a significant capacity in internal control over financial reporting and disclosure;

5. I, on my own or with others at the corporation:
   a. Have set controls and procedures and/or verified that controls and procedures have been specified and maintained under my supervision, designed to ensure that material information with regard to the corporation, including subsidiaries there of, as defined in Securities Regulations (Annual financial statements), 2010, as such as relevant to the financial statements and other financial information included in the reports, is brought to my attention by others at the corporation and subsidiaries, specifically during preparation of the report; and -
   b. Have set controls and procedures and/or verified that controls and procedures have been specified and maintained under our supervision, designed to reasonably ensure the reliability of financial reporting and preparation of the financial statements pursuant to statutory provisions, including pursuant to generally-accepted accounting principles;
   c. No event or matter that occurred during the period between the last reporting date (quarterly or periodic, as the case may be) and this reporting date has been brought to my attention, which could change the conclusion of the board of directors and the management, regarding the effectiveness of internal control over financial reporting and the company’s disclosure.

<u>Certification by CEO pursuant to Regulation 38c(d)(1) of the regulations:</u> (cont'd)

I, HAIM SHANI, certify that: (cont'd)

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

May 29, 2012

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HAIM SHANI, CEO

Certification by CFO pursuant to Regulation 38c(d)(2) of the regulations

I, YAIR ITZKOVICH, certify that:

1. I have reviewed the interim financial statements and other financial information included in the report for interim periods report of UNITRONICS (1989) (R"G) Ltd. ("the corporation") for the first quarter of 2012 ("the report" or "the report for interim periods").

2. To the best of my knowledge, the interim financial statements and other financial information included in the report for interim periods 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 interim financial statements and other financial information included in the report for interim periods 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, Board of Directors and Audit Committee of the corporation's Board of Directors, based on my most current assessment of the internal control over financial reporting and disclosure:
   a. All significant faults and material weaknesses in specification of operation of internal control over financial reporting and disclosure, as such as relevant to the financial statements and other financial information included in the reports, which may reasonably impact the corporation's capacity to collect, process, summarize or report financial information in a manner which may cast doubt over the reliability of financial reporting and preparation of financial statements pursuant to statutory provisions; and-

   b. Any fraud, whether or not material, involving the General Manager or any of the direct reports there of, or involving any other employees having a significant capacity in internal control over financial reporting and disclosure;

5. I, on my own or with others at the corporation:
   a. Have set controls and procedures and/or verified that controls and procedures have been specified and maintained under my supervision, designed to ensure that material information with regard to the corporation, including subsidiaries there of, as defined in Securities Regulations (Annual financial statements), 2010, as such as relevant to the financial statements and other financial information included in the reports, is brought to my attention by others at the corporation and subsidiaries, specifically during preparation of the report; and-
   b. Have set controls and procedures and/or verified that controls and procedures have been specified and maintained under our supervision, designed to reasonably ensure the reliability of financial reporting and preparation of the financial statements pursuant to statutory provisions, including pursuant to generally-accepted accounting principles;

<u>Certification by CFO pursuant to Regulation 38c(d)(2) of the regulations</u> (cont'd)

I, YAIR ITZKOVICH, certify that: (cont'd)

c. No event or matter that occurred during the period between the last reporting date (quarterly or periodic, as the case may be) and this reporting date has been brought to my attention, which could change the conclusion of the board of directors and the management, regarding the effectiveness of internal control over financial reporting and the company's disclosure.

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

May 29, 2012

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YAIR ITZKOVICH, CFO