



Unitronics (1989) (R”G) Ltd

Quarterly Report as of March 31, 2016

The Company is a “Small Corporation” as this term is defined in the Amendment to the Securities Regulations (Periodic and Immediate Reports) (Amendment), 5774-2014 (hereinafter – “the Amendment”). On March 9, 2014 the Board of Directors of the Company adopted all the reliefs prescribed in the Amendment. For additional details see immediate report dated March 9, 2014 (Reference No. 2014-01-009177), included herein by reference.

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CHAPTER A – PREFACE

1.1 General

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

Company No.: 520044199

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1.2 Description of the Company and Its Business Environment

Unitronics operates in three main areas of activity:

Products: Design, development, production, marketing, sale and support of various models of programmable controllers which incorporate an operating panel (keyboard and display) as an integral part of the controller, and connectivity (including Internet, intranet and cellular phone communications), as well as external controller expansion units and software for controllers. The controllers are intended mainly for the management of automated systems including industrial automation, logistics systems, automatic parking systems, for the management of production floors and additional auxiliary items.

This activity is carried out by the Company as well as via a wholly owned subsidiary, Unitronics Inc., which is incorporated in the US (hereinafter: "**Unitronics Inc.**").

The Company's controllers and services are marketed and sold through the Company's own marketing system and via Unitronics Inc., as well as through a network of distributors comprising approximately 165 distributors (of which 100 in the US) in approximately sixty countries (including Israel) throughout Europe, Asia, South and Central America, North America and Africa.

Logistics Solutions: Services of design, construction and maintenance of computerized storage and/or logistics systems, mainly automated warehouses and automated distribution centers, including the installation of new systems and/or the upgrading and servicing of existing systems and maintenance services for these systems based on framework agreements or individual service calls.

This activity is carried out through the Company and through Unitronics Automated Solutions Ltd. (hereinafter: "**Unitronics Solutions**"), a wholly owned subsidiary of the Company.

The Company's services in the Logistics Solutions segment are provided mainly to customers in Israel, and in a minority of cases also outside Israel.

Parking Solutions: Development, design, marketing, production, establishment and maintenance of robotic parking systems, including the installation of new systems and/or the upgrading and servicing of existing systems and maintenance services for these systems based on framework agreements or individual service calls.

This activity is carried out through Unitronics Solutions and through Unitronics Systems Inc., a second-tier subsidiary incorporated in the US, wholly owned by Unitronics Solutions (hereinafter: "**Unitronics Systems**").

The services in the Parking Solutions segment are provided mainly to customers in Israel and in the US.

The Company operates primarily from office and industry buildings situated in Airport City near the David Ben Gurion Airport (for additional details see section 1.13 in Chapter A of the Company's Periodic Report for 2015, published by the Company on March 8, 2016, reference no: 2016-01-002367 (hereinafter: "**the Periodic Report**").

As from May 2004, the Company's shares are traded on the Tel Aviv Stock Exchange, and as from 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).

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

1.3.1 Signature on an agreement for the establishment of an automated parking facility in Canada

On January 26, 2016, the Company through Unitronics Systems signed an agreement (hereinafter: "**the agreement**") with a US customer, unrelated to the Company or to interested parties therein (hereinafter: "**the customer**"), for the establishment of a 300-space automated parking system in an apartment building located in New Jersey, USA (hereinafter: "**the project**").

Under the agreement the Company is expected to receive a total sum of USD 4.5 million (NIS 17.5 million). For further details see immediate report dated January 27, 2016 on an event or matter outside the ordinary course of the corporation's business, reference no. 2016-01-018394, included herein by reference.

Up to and including the first quarter of 2016 the company dealt with a total construction of seven automated parking facility in North America, including three in New Jersey and one in California, which among them, to the best knowledge of the Company, is the largest automated parking facility in the West Coast and the only one established for a municipal entity. As to the date of this report, the Company completed construction, and delivered to its customers in North America five automated parking facilities manufactured by the company, containing together about 1,400 parking spaces, and it continues to negotiate the establishment of a number of new automated parking facilities in the United States.

1.3.2 Principal payment on debentures (Series 4)

On January 31, 2016 the Company made the second payment of six principal payments on debentures (Series 4), which were issued by the Company under a Shelf Prospectus published on February 22, 2011 and amended on March 17, 2011 (hereinafter: "**the 2011 Shelf Prospectus**") and a Shelf Offering Report published by the Company on January 24, 2013 pursuant to the 2011 Shelf Prospectus (hereinafter: "**the 2013 Offering Report**"). For the full version of the 2011 Shelf Prospectus see company reports dated February 22, 2011, reference no. 2011-01-058260, and March 17, 2011, reference no. 2011-01-084435. For the full version of the 2013 Shelf Offering Report see company report dated January 24, 2013, reference no. 2013-01-021699.

1.3.3 Reorganization – transfer of the Logistics Solutions activity to a subsidiary

On March 15, 2015 the Board of Directors of the Company approved a restructuring agreement (hereinafter: the “**Restructuring Agreement**”) with Unitronics Solutions, whereby the Company is to transfer to Unitronics Solutions its activities in the Logistics Solutions segment. The Restructuring Agreement was signed on March 29, 2015 (for further details see section 1.20.6 in Chapter A of the Periodic Report and immediate report dated March 15, 2015 on an event or matter outside the ordinary course of the corporation's business, reference no. 2015-01-501688, included herein by reference). The Company intended the restructuring to be implemented as a transfer exempt from income tax in accordance with Part 2E of the Israeli Income Tax Ordinance and subject to the conditions set out therein. Accordingly, the validity of the Restructuring Agreement was made conditional, inter alia, on the receipt of a pre-ruling from the Tax Authority (hereinafter: “**pre-ruling**”). In the course of 2015 the Company did in fact receive a pre-ruling from the Tax Authority, but it chose to postpone the implementation of the restructuring, and as an outcome also the date of application of the pre-ruling, which consequently did not take effect. In January 2016 the Company reapplied to the Tax Authority for a pre-ruling, updating the factual information in light of the time that had passed since the submission of the original application as well as the Company's intention to update the effective date of the restructuring to January 1, 2016. In April 2016 the Company was issued a new pre-ruling in accordance with its updated application. Should the Company decide to accept its terms and implement the restructuring, it will review the provisions of the Restructuring Agreement for the purpose of adjusting them to the provisions of said pre-ruling.

1.3.4 Change in Company's officers

On January 3, 2016, Mr. Ronen Zalayet ceased to serve as the CFO of Unitronics Solutions (for further details see immediate report dated January 3, 2016 regarding a senior officer who ceased to hold office, reference no. 2016-01-001525, included herein by reference).

On January 10, 2016, Mr. Daniel Rafael Nygate ceased to serve as the CEO of Unitronics Solutions and was appointed as VP Operations and Purchasing of the Company (for further details see immediate report dated January 10, 2016 regarding a senior officer who ceased to hold office, reference no. 2016-01-007228, and immediate report dated January 10, 2016 regarding the appointment of a senior officer, reference no. 2016-01-007234, included herein by reference).

On January 10, 2016, Mr. Josef Ratsabi ceased to serve as Vice President of Unitronics Solutions and was appointed as CEO of Unitronics Solutions (for further details see immediate report dated January 10, 2016 regarding a senior officer who ceased to hold office, reference no. 2016-01-007240, and immediate report dated January 10, 2016 regarding the appointment of a senior officer, reference no. 2016-01-007243, included herein by reference).

On May 18, 2016, Mr. Joel Sela, CPA, ceased to serve as an External Director of the Company (for further details see immediate report dated May 18, 2016 regarding a senior officer who ceased to hold office, reference no. 2016-01-028878, included herein by reference).

On May 18, 2016, Ms. Edna Ramot ceased to serve as a Director of the Company (for further details see immediate report dated May 18, 2016 regarding a senior officer who ceased to hold office, reference no. 2016-01-028884, included herein by reference).

On May 18, 2016, Mr. Haim Shani, CEO and Chairman of the Board of Directors of the Company, ceased to serve as the Chairman of the Board of Directors of Company (for further details see immediate report dated May 18, 2016 regarding a senior officer who ceased to hold office, reference no. 2016-01-028875, included herein by reference).

Regarding the appointment of Directors following the closing of a transaction for an investment in the Company by the FIMI Fund, see section 1.3.5 below.

1.3.5 Investment in the Company by the FIMI Fund

Further to the approval of the General Meeting of the Company's shareholders on May 9, 2016 (hereinafter: "**the General Meeting**"), on May 18, 2016 an investment transaction was concluded between the Company and the FIMI Fund (hereinafter: "**FIMI**"), in which FIMI invested in the Company a sum of NIS 60 million against the allocation of 3,750,000 shares representing 27.27% of the Company's issued capital. Additionally, if the conditions detailed in the investment agreement are fulfilled, the Company will allocate to FIMI up to 535,714 additional shares (hereinafter: "**the additional shares**"), for no added consideration. At the request of the TASE, the Company undertook that as a condition for the allocation of the additional shares, it will capitalize into share capital a part of the share premium on the allocated shares or any other equity source which is permitted to be capitalized under any law, in the amount of 30 agorot for each additional share actually allocated to FIMI.

Furthermore, as Mr. Haim Shani notified the Company, on May 18, 2016 a transaction was concluded between him and FIMI, in which FIMI purchased from him 3,125,000 shares of the Company held by him for a total of NIS 50 million representing 22.72% of the Company's share capital (after closing of the two transactions). Additionally, 446,429 additional shares of the Company held by Mr. Shani were deposited in trust for transfer in the future to FIMI, should the conditions set for this purpose be fulfilled. In addition, a shareholder agreement was signed and became effective between Mr. Shani and FIMI, pursuant to which the parties are to cooperate with each other in votes on various issues.

Following the closing of the transaction FIMI holds a total of 49.99% of the Company's issued share capital, while Mr. Shani holds 22% of the Company's issued share capital and continues to serve as Company CEO.

Moreover, further to the approval of the General Meeting, on the transaction closing date resolutions of the General Meeting forming part of the terms of the transaction went into effect regarding the following: amendment of Mr. Haim Shani's employment agreement with the Company; amendment of the Company's articles of association; amendment of the Company's remuneration policy; appointment of Ms. Rivka Granot as an External Director of the Company and approval of her terms of service and employment; appointment of Messrs. Amit Ben-Zvi, Yariv Avisar and Gillon Beck as Directors of the Company and approval of the terms of service and employment of Messrs. Yariv Avisar and Gillon Beck; approval of the terms of service and employment of Mr. Amit Ben-Zvi as an active Chairman of the Board of Directors of the Company.

For further details regarding the transaction with FIMI, see the Company's reports dated March 20, 2016, March 31, 2016 and May 2, 2016 (reference no. 2016-01-009696, 2016-01-021966 and 2016-01-057655, respectively), included herein by reference. For further details regarding the results of the General Meeting, see immediate report dated May 9, 2016 on the results of a meeting to approve a transaction with a controlling shareholder, reference no. 2016-01-062236).

Chapter B – Board of Directors' Report

2.1 Financial Position

2.1.1 Balance Sheet

	As of March 31		As of December 31, 2015	Board of directors' explanations for changes in balance sheet balances compared to December 31, 2015
	2016	2015		
	NIS in thousand			
Current assets	89,737	122,743	104,710	The decrease is mainly attributable to the following items: A decrease of NIS 646 thousand in cash, cash equivalents and restricted cash; a decrease of NIS 12,877 thousand in marketable securities, mainly for a principal payment on debentures (Series 4), as explained below; a decrease of NIS 3,618 thousand in trade receivables and income mainly in the Logistics Solutions and Parking Solutions segments. Said decrease was partly offset by an increase of NIS 1,183 thousand in inventory in the Products segment, as well as an increase of NIS 692 thousand in inventory of work in progress, reflecting progress in the execution of projects as of the reporting date.
Non-current assets	89,991	76,603	88,015	The increase is mainly attributable to the following items: An increase of NIS 844 thousand in intangible assets mainly due to continued investments in development as well as increase of NIS 1,080 thousand in property and equipment mainly due to an investment in the additional building leased by the Company in Airport City, which is primarily to serve the Parking Solutions and Logistics Solutions segments (for details see section 1.13.4 of the Periodic Report).
Total assets	179,728	199,346	192,725	
Current liabilities	50,326	58,423	52,107	The decrease is mainly attributable to the following items: A decrease of NIS 2,060 thousand in sundry payables, stemming mainly from a decrease in expenses payable in the Parking Solutions segment due to the completion of projects.
Non-current liabilities	74,170	83,830	81,246	The decrease is mainly attributable to the following items: A decrease of NIS 6,878 thousand in debentures following the second principal payment (of six) on debentures (Series 4) during the reporting period.
Equity attributable to Company shareholders	55,232	57,093	59,372	Equity accounts for 31% of the Company's assets.
Total liabilities and equity	179,728	199,346	192,725	

The Company's working capital as of March 31, 2016 totaled NIS 39,411 thousand compared to working capital as of December 31, 2015 totaling NIS 52,603 thousand. The decrease is mainly a result of a decrease in marketable securities and in cash and cash equivalents, as explained in section 2.2 below.

2.1.2 Results of Operations

	For the three-month period ended March 31		For the year ended December 31	Board of directors' explanations for changes in profit and loss items in comparison to the corresponding period
	2016	2015	2015	
	NIS in thousand			
Income	35,312	46,563	159,149	The decrease in the reporting period compared to the same period last year is mainly attributable to a decrease in income from the Parking Solutions and Logistics Solutions segments. For details of income by segments, see section 2.1.3 below.
Cost of income	27,666	30,057	103,201	
Gross profit (gross profit margin)	7,646 (21.6%)	16,506 (35.5%)	55,948 (35.2%)	The decrease in gross profit margins in the reporting period compared to the same period last year is mainly attributable to the Parking Solutions and Logistics Solutions segments, as detailed in section 2.1.3 below.
Development expenses, net	1,404	1,583	6,336	<p>The decrease in net development expenses (recognized in profit and loss) is mainly attributable to the Parking Solutions segment.</p> <p>In the reporting period, an intangible asset was recognized in respect of development costs in the amount of NIS 4,292 thousand, compared to NIS 5,148 thousand in the same period last year. Total development costs in the reporting period reflect the continued development of technologies required to support the Company's operations.</p>
Selling and marketing expenses	5,476	5,324	23,081	There was no significant change in selling and marketing expenses in the reporting period compared to the same period last year.
Administrative and general expenses	3,148	3,506	13,196	The decrease in general and administrative expenses in the reporting period compared to the same period last year is mainly attributable to a provision for a bonus for the CEO recorded last year in respect of the profit for that period.
Profit (loss) from ordinary activities	(2,382)	6,093	13,335	
Financing income (expenses), net	(1,035)	1,776	(2,306)	The change in financing expenses compared to the same period last year is mainly due to the Company recording in the same period last year exceptional financing income from the revaluation of hedging transactions due to the weakening of the Euro against the shekel by approximately 9.5% during that period.
Profit (loss) before taxes on income	(3,417)	7,869	11,029	
Taxes on income	203	895	1,417	Tax expenses in the reporting period are mainly attributable to taxes for previous years
Profit (loss) for the period	(3,620)	6,974	9,612	

2.1.3 Analysis of Business Results by Operating Segment

As mentioned above, the Company's main commercial operations are carried out in three business segments: the Products segment, the Logistics Solutions segment and the Parking Solutions segment. For further details regarding the Company's operating segments, see Chapter A, sections 1.8, 1.9, 1.10 and 1.11 of the Periodic Report.

2.1.3.1 Revenues

	For the three-month period ended March 31		For the year ended December 31	Board of directors' explanations for the changes in comparison to the corresponding period
	2016	2015	2015	
	NIS in thousand			
Products	27,550	27,987	109,059	In the reporting period there was an insignificant decrease in sales of products compared to the same period last year.
Percentage of total company revenues	78%	60%	69%	
Logistics Solutions	5,453	9,912	35,070	This operating segment is project-based and characterized by volatility resulting from the number of projects in execution and their rate of progress. The decrease in revenues in the Logistics Solutions segment during the reporting period stems from the completion of several projects at the end of 2015 and a hiatus before new projects get under way.
Percentage of total company revenues	15%	21%	22%	
Parking Solutions	2,217	8,558	14,611	The decrease in revenues in the Parking Solutions segment during the reporting period compared to the same period last year is mainly attributable to a low rate of progress that is characteristic of projects nearing completion and to the fact that construction has not yet begun on new projects.
Percentage of total company revenues	6%	18%	9%	

2.1.3.2 Segment Results

	For the three-month period ended March 31		For the year ended December 31	Board of directors' explanations for the changes in comparison to the corresponding period
	2016	2015	2015	
	NIS in thousands			
Operating segments				
Products	6,570	5,831	23,857	The improvement in results of the segment during the reporting period compared to the same period last year is mainly due to the continuing trend of efficiency and a decrease in production costs.
Logistics Solutions	570	4,192	14,710	The decrease in profits in this segment during the reporting period compared to the same period last year stems from exceptional income recorded in 2015 due to the completion of projects in that year and the simultaneous elimination of provisions for expected costs to completion.
Parking Solutions	(7,189)	(1,281)	(16,118)	There was an increase in the operating loss in the Parking Solutions segment compared to the same period last year, mainly attributable to lower revenues and to provisions made following an update in production costs of projects in respect of which agreements were signed in previous years but which got under way only in the reporting period, due to the development of technological improvements in the systems under construction in those projects.

2.2 Liquidity and Sources of Financing

The balance of cash, cash equivalents and marketable securities of the Company as of March 31, 2016, totaled NIS 32,088 thousand compared to NIS 45,389 thousand as of December 31, 2015. Below are explanations on the changes in cash flows:

	For the three-month period ended March 31		For the year ended December 31	Board of directors' explanations
	2016	2015	2015	
	NIS in thousands			
Cash flows from operating activities	(983)	643	16,685	<p>The negative cash flow from operating activities in the reporting period is mainly attributable to the loss for the period, net of cash resulting from a decrease in working capital (mainly a decrease in trade receivables and in income receivable in the Parking Solutions segment)</p> <p>The positive cash flow in the same period last year stemmed mainly from the profit for the period, net of cash used for an increase in working capital (mainly an increase in trade receivables and in income receivable and a decrease in inventory and in trade payables).</p>
Cash flows from investing activities	7,572	1,821	(13,841)	<p>Cash flows from investing activities in the reporting period stemmed mainly from the sale of marketable securities, net of investments in development assets.</p> <p>The positive cash flow in the same period last year also mainly stemmed from sales of marketable securities, net of investments in development assets.</p>
Cash flows from financing activities	(6,971)	(7,322)	(12,544)	<p>The main use of cash flows from financing activities in the reporting period was for the payment of the second of six principal payments on debentures (Series 4), as detailed in section 1.3.2 above.</p> <p>The negative cash flow in the same period last year resulted mainly from the payment of the first of six principal payments on debentures (Series 4).</p>

On March 31, 2016, total credit lines available to the Company for its operating activities amounted to NIS 27.8 million. As of March 31, 2016, a total of NIS 26.9 million of this amount was used mainly to secure the Company's obligations in projects carried out in the Logistics Solutions and Parking Solutions segments.

2.3 Dedicated Disclosure to Debenture Holders

2.3.1

(1)	Security	Debentures (Series 4)
A	Issue date	January 2013
B	Total par value on issue date	53,125,000
C	Par value as of the reporting date	39,843,750
D	Par value according to linkage terms – as of the report date	39,760,765
E	Accrued interest as of the report date	354,000
F	Liability value as of the report date	39,086,000
G	Stock Exchange value	44,027,000
H	Type of interest, including description	5.4% fixed annual interest
I	Payment dates of outstanding principal	Four unequal annual installments payable on January 31 of each year from 2017 to 2020 (inclusive), at the following rates (from the original principal) by years in chronological order: (a) 12.5% of the principal, (b) 20.5% of the principal (c) 21% of the principal, (d) 21% of the principal.
J	Future interest payment dates	Every January 31 and July 31 from January 31, 2016 up to (and including) January 31, 2020
K	Details of linkage basis of interest and principal	Principal and interest linked to the Consumer Price Index. Base index - December 2012 CPI, without hedging
L	Are the debentures convertible?	Not convertible
M	Corporation's right to perform early redemption	Exists (for details regarding the conditions for exercising the Company's right to early redemption, see section 12 of the Shelf Offering Report dated January 24, 2013, Reference No. 2013-01-021699)
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, the person in charge of the debenture series at the trust company; the trustee's contact details	Mishmeret Trust Company Ltd. 48 Menachem Begin Road, Tel Aviv 66184, Israel Phone: 03-6374352, Fax: 03-6374344 Email: ramis@bdo.co.il

(5 +6) As of and during the reporting period, the Company, to the best of its knowledge, complied with all the terms and obligations in the trust deed for debentures (Series 4), the Company was not in breach of any obligation or condition set forth in the trust deed, and there were no grounds for calling for the immediate repayment of the debentures.

(8) On February 12, 2013, a lien on the deposit funds in a bank account in the amount of the semi-annual interest on the debentures was created at the Registrar of Companies, to secure the payment of interest on debentures (Series 4). As long as the Company has an outstanding balance of debentures (Series 4), the Company and any of its subsidiaries (on the date of the signing of the trust deed and any other subsidiary that may be established or acquired until the date of full repayment of debentures (Series 4)) shall not create a general lien on its assets to any third party without the prior consent of a simple majority of the debenture holders. It is emphasized that the Company and/or any of its subsidiaries shall be entitled to grant a specific lien of any ranking over all or any of their property, including cash and cash equivalents, to financing entities that provide it with financing for the purchase of property or equipment, including a floating lien over specific asset/s, including for the purchase of building construction services, including the replacement of financing entities that hold specific liens on the date of the Offering Report with other entities, without having to obtain the consent of the holders of debentures (Series 4) for this.

Pursuant to the terms of issue of debentures (Series 4), the Company has made the following undertakings:

- Dividend distribution – the Company has undertaken that during the period in which debentures (Series 4) are outstanding, it shall not distribute dividends at a rate exceeding 30% of the annual (calendar) cumulative net profit attributable to the Company's shareholders based on the last audited consolidated financial statements of the Company published prior to the date of the Company's resolution regarding the dividend distribution, unless the Company obtains the prior consent of the holders of debentures (Series 4) in a special resolution passed at a meeting of the debenture holders convened as provided in the Second Addendum to the trust deed of debentures (Series 4). For further details on the said restriction, see section 11.1 of the Shelf Offering Report published on January 24, 2013 (Reference No. 2013-01-021699) (hereinafter: **"the 2013 Offering Report"**).
- Ratio of Net financial debt to net cap – the Company undertook that as of the date of the listing of debentures (Series 4) and as long as debentures (Series 4) are outstanding, the ratio between the Company's net financial debt and its net cap (solo) according to the Company's audited or reviewed (as the case may be) solo financial statements as of June 30 and December 31, shall not exceed 80%. If the Company is in breach of this undertaking, at any review date, the interest rate payable by the Company to the holders of debentures (Series 4) on the first payment date following the date of the breach shall be increased by 0.5% only per annum above the interest rate determined in the tender, during the period of the breach. Should the Company breach this undertaking on a date subsequent to the previous review date, the interest rate which is to be paid by the Company to the holders of debentures (Series 4) shall be increased by an additional 0.5% per annum above the previous interest rate, from the date of the additional breach until the end of the breach period. If said breach is discovered on two consecutive review dates, such that this ratio is 85% or more, then such breach shall constitute grounds for declaring the outstanding balance of debentures (Series 4) immediately due and payable. For further details regarding the aforesaid restriction, see section 11.2 of the 2013 Offering Report.

- Ratio of net financial debt to EBITDA – the Company undertook that as of the date of the listing of debentures (Series 4) and as long as debentures (Series 4) are outstanding, the ratio between the Company's net financial debt and its EBITDA according to the Company's audited or reviewed (as the case may be) consolidated financial statements as of June 30 and December 31, shall not exceed 10. If the Company is in breach of this undertaking, at any review date, the interest rate payable by the Company to the holders of debentures (Series 4) on the first payment date following the date of the breach shall be increased by 0.5% only per annum above the interest rate determined in the tender, during the period of the breach. Should the Company breach this undertaking on a date subsequent to the previous review date, the interest rate which is to be paid by the Company to the holders of debentures (Series 4) shall be raised by an additional 0.5% per annum above the previous interest rate, from the date of the additional breach until the end of the breach period. If said breach is discovered on two consecutive review dates, such that this ratio is 12 or more, then such breach shall constitute grounds for declaring the outstanding balance of debentures (Series 4) immediately due and payable. For further details regarding the aforesaid restriction, see section 11.3 of the 2013 Offering Report.
- Restriction on shareholders' equity – the Company's shareholders' equity according to its audited or reviewed (as the case may be) solo financial statements as of June 30 and December 31, shall not be less than NIS 20 million. If the Company is in breach of this undertaking, at any review date, the interest rate payable by the Company to the holders of debentures (Series 4) on the first payment date following the publication of the last financial statements which indicate the breach, shall be increased by 0.5% only per annum above the interest rate determined in the tender, during the period of the breach. Should the Company breach this undertaking on a date subsequent to the previous review date, the interest rate which is to be paid by the Company to the holders of debentures (Series 4) shall be increased by an additional 0.5% per annum above the previous interest rate, from the date of the additional breach until the end of the breach period. If said breach is discovered on two consecutive review dates, such that the shareholders' equity falls below NIS 15 million, then such breach shall constitute grounds for declaring the outstanding balance of debentures (Series 4) immediately due and payable. For further details regarding the aforesaid restriction, see section 11.4 of the 2013 Offering Report.
- The Company's undertaking not to create charges – the Company undertook not to create a general charge on all its property, and to ascertain that each of its subsidiaries (on the date of execution of the trust deed and any additional subsidiary of the Company that may be established or acquired until the date of final repayment of debentures (Series 4)) shall not create any charge as aforesaid. For further details regarding the aforesaid restriction, see section 11.5 of the 2013 Offering Report.

The Company shall be entitled (but not obligated), in its sole discretion, to make an early redemption, in whole or in part, of debentures (Series 4), upon such terms and subject to such restrictions as set forth in the Amended Shelf Prospectus and in the 2013 Offering Report.

Upon the occurrence of certain events, and under certain conditions, the trustee of debentures (Series 4) may declare the debentures immediately due and payable. Among these events, the following may be enumerated, in brief: a material deterioration in the Company's business and a real concern that the Company may not be able to repay the debentures on time; the imposition of an attachment on the Company's assets, the performance of an execution action against the Company's assets, or the appointment of a temporary or permanent receiver to the Company's assets, which were not removed and/or cancelled within 45 days; the sale of a substantial part of the Company's assets; if Mr. Haim Shani ceases to be the controlling shareholder of the Company, directly or indirectly, without obtaining the consent of the holders of debentures (Series 4) to the transfer of control; a fundamental breach of the terms and the trust deed of debentures (Series 4), which was not remedied within 14 days of the date on which the trustee notified the Company of the said breach; a breach of any of the financial covenants set forth in section 11 of the 2013 Offering Report, where it is explicitly stated that the breach thereof constitutes grounds for immediate repayment. For details regarding the list of the grounds available to the trustee for declaring debentures (Series 4) due and payable, see section 18.1 of the 2013 Offering Report.

2.3.2

(1)	Security	Debentures (Series 5)
A	Issue date	September 2014
B	Total par value on issue date	40,000,000
C	Par value as of the reporting date	36,000,000
D	Par value according to linkage terms – as of the report date	36,000,000
E	Accrued interest as of the report date	180,000
F	Liability value as of the report date	34,994,000
G	Stock Exchange value	41,220,000
H	Type of interest, including description	5.8% fixed annual interest
I	Payment dates of outstanding principal	Eight unequal annual installments payable on August 31 of each year from 2016 to 2023 (inclusive), at the following rates (from the original principal) by years in chronological order: (a) 10% of the principal, (b) 5% of the principal, (c) 5% of the principal, (d) 5% of the principal, (e) 5% of the principal, (f) 20% of the principal, (g) 20% of the principal, (h) 20% of the principal.
J	Future interest payment dates	Every February 28 and August 31 in the years 2016 to 2023 (inclusive)
K	Details of linkage basis of interest and principal	Unlinked
L	Are the debentures convertible?	Not convertible
M	Corporation's right to perform early redemption	Exists (for details regarding the conditions for exercising the Company's right to early redemption, see section 8.4 of the Shelf Offering Report dated September 10, 2014, Reference No. 2014-01-155406)
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, the person in charge of the debenture series at the trust company; the trustee's contact details	Hermetic Trust (1975) Ltd. 113 Hayarkon Street, Tel Aviv, Israel Phone: 03-5274867, Fax: 03-5271736 Email: hermetic@hermetic.co.il

(5 +6) As of and during the reporting period, the Company, to the best of its knowledge, complied with all the terms and obligations in the trust deed for debentures (Series 5), the Company was not in breach of any obligation or condition set forth in the trust deed, and there were no grounds for calling for the immediate repayment of the debentures.

Pursuant to the terms of issue of debentures (Series 5), the Company has made the following undertakings:

- Dividend distribution – the Company has undertaken that during the period in which debentures (Series 5) are outstanding, it shall not make a distribution, as this term is defined in the Companies Law, 5759-1999, at a rate exceeding 30% of the annual (calendar) net profit in the last calendar year ended prior to the distribution, attributable to the Company's shareholders based on the last audited consolidated financial statements of the Company published prior to the date of the Company's resolution regarding the dividend distribution, unless the Company obtains the prior consent of the holders of debentures (Series 5), in a special resolution passed at a meeting of debenture holders convened as provided in the Second Addendum to the trust deed of debentures (Series 5). For further details on the said restriction, see section 1 in Appendix 5 to the Shelf Offering Report published on September 10, 2014 (reference no. 2014-01-155406) (hereinafter: "**the 2014 Offering Report**").
- Ratio of net financial debt to net cap – the Company undertook that as of the date of the listing of debentures (Series 5) and as long as debentures (Series 5) are outstanding, the ratio between the Company's net financial debt and its net cap (solo) according to the Company's audited or reviewed (as the case may be) solo financial statements as of June 30 and December 31, shall not exceed 70%. If the Company is in breach of this undertaking, at any review date, the interest rate payable by the Company to the holders of debentures (Series 5) on the first payment date following the date of the breach shall be increased by 0.5% only per annum above the interest rate determined in the tender, during the period of the breach. Should the Company breach this undertaking on a date subsequent to the previous review date, the interest rate which is to be paid by the Company to the holders of debentures (Series 5) shall be increased by an additional 0.5% per annum above the previous interest rate, from the date of the additional breach until the end of the breach period. If said breach is discovered on two consecutive review dates, such that this ratio is 75% or more, then such breach shall constitute grounds for declaring the outstanding balance of debentures (Series 5) immediately due and payable. For further details regarding the aforesaid restriction, see section 2 in Appendix 5 to the 2014 Offering Report.
- Restriction on shareholders' equity – the Company's shareholders' equity according to its audited or reviewed (as the case may be) solo financial statements as of June 30 and December 31, shall not be less than NIS 25 million. If the Company is in breach of this undertaking, at any review date, the interest rate payable by the Company to the holders of debentures (Series 5) on the first payment date following the publication of the last financial statements which indicate the breach, shall be increased by 0.5% only per annum above the interest rate determined in the tender, during the period of the breach. Should the Company breach this undertaking on a date subsequent to the previous review date, the interest rate which is to be paid by the Company to the holders of debentures (Series 5) shall be increased by an additional 0.5% per annum above the previous interest rate, from the date of the additional breach until the end of the breach period. If said breach is discovered on two consecutive review dates, such that the shareholders' equity falls below NIS 20 million, then such breach shall constitute grounds for declaring the outstanding balance of debentures (Series 5) immediately due and payable. For further details regarding the aforesaid restriction, see section 3 in Appendix 5 to the 2014 Offering Report.

- Ratio of Net financial debt to EBITDA – the Company undertook that as of the date of the listing of debentures (Series 5) and as long as debentures (Series 5) are outstanding, the ratio between the Company's net financial debt and its EBITDA according to the Company's audited or reviewed (as the case may be) consolidated financial statements for the 12-month period prior to the review date, shall not exceed 10. The review of the Company's compliance with the net financial debt to EBITDA ratio shall be conducted twice in each calendar year on the date of publication of the financial statements as of June 30 and December 31 of each year. If the Company is in breach of this undertaking, at any review date, the interest rate payable by the Company to the holders of debentures (Series 5) on the first payment date following the date of the breach shall be increased by 0.5% only per annum above the interest rate determined in the tender, during the period of the breach. Should the Company breach this undertaking on a date subsequent to the previous review date, the interest rate which is to be paid by the Company to the holders of debentures (Series 5) shall be increased by an additional 0.5% per annum above the previous interest rate, from the date of the additional breach until the end of the breach period. If said breach is discovered on two consecutive review dates, such that this ratio is 12 or more, then this breach shall constitute grounds for declaring the outstanding balance of debentures (Series 5) due and payable. For further details regarding the aforesaid restriction, see section 4 in Appendix 5 to the 2014 Offering Report.
- The Company's undertaking not to create charges – the Company undertook not to create a general charge on all its property, and to ascertain that each of its subsidiaries (on the date of execution of the trust deed and any additional subsidiary of the Company that may be established or acquired until the date of final repayment of debentures (Series 5)) shall not create any charge as aforesaid. For further details regarding the aforesaid restriction, see section 5 in Appendix 5 to the 2014 Offering Report.

The Company shall be entitled (but not obligated), in its sole discretion, to make an early redemption, in whole or in part, of Debentures (Series 5), upon such terms and subject to such restrictions as set forth in the 2014 Shelf Prospectus and in the 2014 Offering Report.

Upon the occurrence of certain events, and under certain conditions, the trustee of debentures (Series 5) may declare the debentures immediately due and payable. Among these events, the following may be enumerated, in brief: there has been a material deterioration in the Company's business compared to the situation on the date of the offering and there is a real concern that the Company may not be able to repay the debentures on time; the debentures were not repaid on time or another material undertaking provided to the holders was not met; the Company failed to publish a financial statement that it is required to published by law, within 30 days from the last date required by law; the debentures were delisted from the stock exchange; there is a real concern that the Company may not meet its material obligations to the holders; the Company ceased or announced its intention to cease payments; the Company is in breach of any of the financial covenants set forth in Appendix 5 to the trust deed of debentures (Series 5), where it is explicitly stated that the breach thereof constitutes grounds for immediate repayment. For details regarding the list of grounds available to the trustee for declaring debentures (Series 5) due and payable, see section 8 of the 2014 Offering Report.

2.4 Quarterly Report on the Company's Liabilities by Maturity Dates

For details regarding the Company's liabilities by repayment dates as of March 31, 2016, see immediate report (T-126) dated May 29, 2016 published by the Company concurrently with the publication of this report and included herein by reference.

2.5 Projected Cash Flow

The Board of Directors of the Company determined, following an examination of the warning signs specified in Regulation 10(b)(14) of the Securities Regulations (Periodic and Immediate Reports), 5730-1970 regarding disclosure of the projected cash flows for repayment of the Company's obligations, that no warning sign exists, and that the Company has no liquidity problems and is able to meet its obligations, including the full payment of its obligations in respect of debentures (Series 4 and 5). An examination as stated is performed by the Board of Directors on a quarterly basis, concurrently with the approval of the quarterly financial statements published by the Company.

2.6 Details of the Approval Process for the Company's Financial Statements

2.6.1 Preparation of the financial statements

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

2.6.2 Financial Statements Review Committee

With the coming into effect of the Companies Regulations (Provisions and Conditions Regarding the Financial Statements Approval Process), 5770-2010, the Audit Committee was appointed by the Board of Directors of the Company (in its meeting on November 11, 2010) also to serve as a Financial Statements Review Committee (hereinafter: "**the committee**"), with a composition and significance that are consistent with said regulations, in all matters related to the financial statements as of December 31, 2010 and onwards. As of the reporting date, the following Directors serve on this committee:

Name	CPA Zvi Livne	Ms. Rivka Granot	Adv. Doron Shinar
An independent or an external director	No	External director	External director
Chairman of the Financial Statements Review Committee	No	Yes	No
Has accounting and financial expertise	Yes	Yes	Yes
Provided a statement prior to his nomination	Yes	Yes	Yes

* For details regarding the education and experience of Messrs. Livne and Shinar, see section 4.10 in Chapter D of the Periodic Report. For details regarding the education and experience of Ms. Rivka Granot, see immediate report dated May 18, 2016 regarding the appointment of a director, reference no. 2016-01-028854.

In the framework of the approval of the financial statements as of March 31, 2016, the committee held a meeting on May 24, 2016. A comprehensive discussion of material issues took place for the purpose of formulating the committee's recommendations to the Board of Directors regarding the approval of the financial statements.

The following were invited to, and attended, the committee meeting on May 24, 2016: the members of the committee (Ms. Rivka Granot, CPA Zvi Livne and Adv. Doron Shinar); CPA Gaby Badusa, CFO; Adv. Nir Weissberger, external legal counsel; CPA Haim Halfon and CPA Lior Shmuel from the office of the Company's independent auditors.

The committee discussed and formulated its recommendations to the Board of Directors on the following matters: assessments and estimates made in connection with the financial statements; the integrity and adequacy of the disclosure in the financial statements; the accounting policies adopted and the accounting treatment applied to material issues; valuations including the underlying assumptions and estimates. The draft financial statements and the committee's recommendations were submitted to the Board of Directors for review two business days before the Board convened to discuss the financial statements, which in the Board's estimation is a reasonable timeframe for submitting the recommendations to it.

2.6.3 The Company's Board of Directors

The Company regards the Board of Directors as the organ in charge of entity-level controls over the Company's financial statements. The members of the Company's Board of Directors and their respective positions in the Company are as follows:

1. Mr. Amit Ben Zvi – Chairman of the Board of Directors with professional qualifications.
2. Mr. Haim Shani – Director with professional qualifications and Company CEO.
3. Ms. Bareket Shani – Director with professional qualifications, Vice President and Head of Human Resources.
4. Mr. Zvi Livne, CPA – Director with accounting skills, member of the Audit Committee, member of the Financial Statements Review Committee and member of the Remuneration Committee.
5. Mr. Gillon Beck – Director with professional qualifications and accounting skills.
6. Mr. Yariv Avisar – Director with professional qualifications.
7. Ms. Rivka Granot – External and Independent Director with accounting and financial skills, member and chairman of the Financial Statements Review Committee and member of the Audit Committee and the Remuneration Committee.
8. Mr. Doron Shinar, Adv. – External and Independent Director with accounting skills, member and chairman of the Audit Committee and the Remuneration Committee and member of the Financial Statements Review Committee.

After the Directors reviewed the financial statements, the Board of Directors met for the presentation and discussion thereof. At the meeting held on May 29, 2016, the Company's management reviewed the main data of the financial statements. The Company's independent auditor attended the meeting and responded to questions addressed to him by the Board of Directors (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 unanimously approved by a vote of the Board of Directors.

Amit Ben-Zvi
Chairman of the Board of Directors

Haim Shani
Director and CEO

Date: May 29, 2016

UNITRONICS (1989) (R"G) LTD.

**Condensed Consolidated Interim
Financial Statements
March 31, 2016**

(Unaudited)

Unitronics (1989) (R"G) Ltd.

**Condensed Consolidated Interim
Financial Statements**

March 31, 2016

(Unaudited)

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REVIEW REPORT OF THE AUDITOR TO THE SHAREHOLDERS 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 consolidated interim statement of financial position as of March 31, 2016 and the condensed consolidated interim statements of profit or loss, comprehensive income, changes in equity and cash flows for the three-month period 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 the financial information for this interim period and in accordance with 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.

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 interim financial information performed by the independent auditor of the entity”. 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, nothing came to our attention that causes us to believe that the above financial information has not been prepared, in all significant aspects, in accordance with IAS 34.

In addition to the remarks in the previous paragraph, based on our review, nothing came to our attention which cause us to believe 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, 2016

Unitronics (1989) (R"G) Ltd.

Condensed consolidated interim statement of financial position

	<u>March 31, 2016</u>	<u>March 31, 2016</u>	<u>March 31, 2015</u>	<u>December 31, 2015</u>
	<u>(unaudited)</u>	<u>(unaudited)</u>		<u>(audited)</u>
		<u>(in thousands)</u>		
	<u>Convenience translation into Euro (1)</u>	<u>NIS</u>		
Current assets				
Cash and cash equivalents	7,111	30,473	35,977	30,897
Restricted cash	490	2,099	2,341	2,321
Marketable securities	377	1,615	19,445	14,492
Accounts receivable	5,517	23,644	32,425	27,262
Trade	931	3,988	2,618	3,630
Other	103	441	2,852	506
Inventory	5,419	23,222	25,003	22,039
Inventory - work in progress	991	4,255	2,082	3,563
	<u>20,939</u>	<u>89,737</u>	<u>122,743</u>	<u>104,710</u>
Non-current assets				
Long-term deposits	83	354	287	302
Property and equipment, net	4,930	21,127	19,356	20,047
Intangible assets, net	15,986	68,510	56,960	67,666
	<u>20,999</u>	<u>89,991</u>	<u>76,603</u>	<u>88,015</u>
	<u>41,938</u>	<u>179,728</u>	<u>199,346</u>	<u>192,725</u>

Amit Ben Zvi
Chairman of the Board of
Directors

Haim Shani
Director and C.E.O.

Gavriel Badusa
Chief Financial Officer

Approved: May 29, 2016

(1) See note 1B.

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

	<u>March 31, 2016</u>	<u>March 31, 2016</u>	<u>March 31, 2015</u>	<u>December 31, 2015</u>
	<u>(unaudited)</u>	<u>(unaudited)</u>		<u>(audited)</u>
		<u>(in thousands)</u>		
	<u>Convenience translation into Euro (1)</u>	<u>NIS</u>		
<u>Current liabilities</u>				
Current maturities of long-term loans	272	1,164	1,526	1,172
Current maturities of bonds	2,381	10,205	10,169	10,260
Accounts payable -				
Trade	5,185	22,220	16,398	21,878
Other	3,904	16,737	30,000	18,797
Embedded derivatives	-	-	330	-
	<u>11,742</u>	<u>50,326</u>	<u>58,423</u>	<u>52,107</u>
<u>Non - current liabilities</u>				
Loans from banks and others	829	3,552	4,744	3,826
Bonds	14,905	63,875	74,159	70,753
Liabilities for benefits to employees, net	518	2,218	1,883	2,190
Deferred taxes	1,056	4,525	3,044	4,477
	<u>17,308</u>	<u>74,170</u>	<u>83,830</u>	<u>81,246</u>
<u>Equity</u>				
Share capital	82	352	352	352
Share premium	11,804	50,588	50,588	50,588
Capital reserve from translation of foreign operations	16	68	917	588
Company shares held by the company	(1,643)	(7,042)	(7,042)	(7,042)
Reserve deriving from a transaction with a controlling party	24	104	104	104
Retained earnings	2,605	11,162	12,174	14,782
	<u>12,888</u>	<u>55,232</u>	<u>57,093</u>	<u>59,372</u>
	<u>41,938</u>	<u>179,728</u>	<u>199,346</u>	<u>192,725</u>

(1) See note 1B.

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

Unitronics (1989) (R"G) Ltd.

Condensed consolidated interim statement of Profit or Loss

	For the three months period ended March 31, <u>2016</u>	For the three months period ended March 31, <u>2016</u> <u>2015</u>		For the year ended December 31, <u>2015</u>
	<u>(unaudited)</u>	<u>(unaudited)</u>		<u>(audited)</u>
		<u>(in thousands)</u>		
	<u>Convenience translation into Euro (1)</u>	<u>NIS</u>		
Revenues	8,240	35,312	46,563	159,149
Cost of revenues	<u>6,456</u>	<u>27,666</u>	<u>30,057</u>	<u>103,201</u>
Gross profit	1,784	7,646	16,506	55,948
Development expenses, net	328	1,404	1,583	6,336
Selling & marketing expenses	1,278	5,476	5,324	23,081
General & administrative expenses	<u>734</u>	<u>3,148</u>	<u>3,506</u>	<u>13,196</u>
Operating profit (loss)	(556)	(2,382)	6,093	13,335
Financing income	41	177	4,579	5,088
Financing expenses	<u>283</u>	<u>1,212</u>	<u>2,803</u>	<u>7,394</u>
Profit (loss) before taxes on income	(798)	(3,417)	7,869	11,029
Taxes on income	<u>47</u>	<u>203</u>	<u>895</u>	<u>1,417</u>
Profit (loss) for the period	<u>(845)</u>	<u>(3,620)</u>	<u>6,974</u>	<u>9,612</u>
Profit (loss) per 1 ordinary share NIS 0.02 par value (NIS):				
Basic and diluted profit (loss) per 1 ordinary share	<u>(0.084)</u>	<u>(0.362)</u>	<u>0.697</u>	<u>0.961</u>

(1) See note 1B.

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 (loss)

	For the three months period ended March 31, <u>2016</u>	For the three months period ended March 31, <u>2016</u> <u>2015</u>		For the year ended December 31, <u>2015</u>
	<u>(unaudited)</u>	<u>(unaudited)</u>		<u>(audited)</u>
		<u>(in thousands)</u>		
	<u>Convenience translation into Euro (1)</u>	<u>NIS</u>		
Profit (loss) for the period	----- (845)	----- (3,620)	----- 6,974	----- 9,612
<u>Other comprehensive income (loss)</u> <u>(after tax)</u>				
<u>Items that may not be classified</u> <u>afterwards to profit or loss:</u>				
Re-measurement loss from defined benefit plans	-	-	-	(30)
<u>Items that may be reclassified to profit or</u> <u>loss in the future if certain conditions</u> <u>are met:</u>				
Adjustments arising from translating financial statements of foreign operations	----- (121)	----- (520)	----- 459	----- 130
Other comprehensive income (loss) for the period	----- (121)	----- (520)	----- 459	----- 100
Total comprehensive income (loss) for the period	===== (966)	===== (4,140)	===== 7,433	===== 9,712

(1) See note 1B.

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

	<u>Share capital</u>	<u>Share premium</u>	<u>Capital reserve from translation of foreign operation</u>	<u>Company shares held by the company</u>	<u>Reserve deriving from a transaction with a controlling party</u>	<u>Retained earnings</u>	<u>Total</u>
<u>NIS, in thousands</u>							
<u>Balance at January 1, 2015 (audited)</u>	352	50,558	458	(7,042)	104	5,200	49,660
Net profit for the year	-	-	-	-	-	9,612	9,612
Other comprehensive income (loss) for the year	-	-	130	-	-	(30)	100
Total comprehensive income for the year	-	-	130	-	-	9,582	9,712
<u>Balance at December 31, 2015 (audited)</u>	352	50,558	588	(7,042)	104	14,782	59,372
Loss for the period	-	-	-	-	-	(3,620)	(3,620)
Other comprehensive loss for the period	-	-	(520)	-	-	-	(520)
Total comprehensive loss for the period	-	-	(520)	-	-	(3,620)	(4,140)
<u>Balance at March 31, 2016 (unaudited)</u>	352	50,588	68	(7,042)	104	11,162	55,232
<u>Balance at January 1, 2015 (audited)</u>	352	50,558	458	(7,042)	104	5,200	49,660
Net profit for the period	-	-	-	-	-	6,974	6,974
Other comprehensive income for the period	-	-	459	-	-	-	459
Total comprehensive income for the period	-	-	459	-	-	6,974	7,433
<u>Balance at March 31, 2015 (unaudited)</u>	352	50,588	917	(7,042)	104	12,174	57,093
<u>Convenience translation into Euro (1), in thousands (unaudited)</u>							
<u>Balance at December 31, 2015</u>	82	11,804	137	(1,643)	24	3,450	13,854
Net loss for the period	-	-	-	-	-	(845)	(845)
Other comprehensive loss for the period	-	-	(121)	-	-	-	(121)
Total comprehensive loss for the period	-	-	(121)	-	-	(845)	(966)
<u>Balance at March 31, 2016</u>	82	11,804	16	(1,643)	24	2,605	12,888

(1) See note 1B.

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 months period ended March 31, <u>2016</u>	For the three months period ended March 31, <u>2016</u> <u>2015</u>		For the year ended December 31, <u>2015</u>
	<u>(unaudited)</u>	<u>(unaudited)</u>		<u>(audited)</u>
		<u>(in thousands)</u>		
	<u>Convenience translation into Euro (1)</u>	<u>NIS</u>		
<u>Cash flows - operating activities</u>				
Profit (loss) for the period	(845)	(3,620)	6,974	9,612
Adjustments necessary to show the cash flows - operating activities (Appendix A)	<u>615</u>	<u>2,637</u>	<u>(6,331)</u>	<u>7,073</u>
Cash flows provided by (used in) operating activities	<u>(230)</u>	<u>(983)</u>	<u>643</u>	<u>16,685</u>
<u>Cash flows - investing activities</u>				
Sale of marketable securities, net	2,981	12,776	7,122	11,487
Purchase of property and equipment	(238)	(1,018)	(133)	(1,097)
Repayment of restricted cash	43	185	200	200
Repayment (investment) in long-term deposits	(4)	(16)	40	39
Investment in intangible assets	<u>(1,015)</u>	<u>(4,355)</u>	<u>(5,408)</u>	<u>(24,470)</u>
Cash flows provided by (used in) investing activities	<u>1,767</u>	<u>7,572</u>	<u>1,821</u>	<u>(13,841)</u>
<u>Cash flows - financing activities</u>				
Repayment of long-term loans	(68)	(291)	(574)	(1,796)
Repayment of bonds	<u>(1,559)</u>	<u>(6,680)</u>	<u>(6,748)</u>	<u>(10,748)</u>
Cash flows used in financing activities	<u>(1,627)</u>	<u>(6,971)</u>	<u>(7,322)</u>	<u>(12,544)</u>
Translation differences in respect of foreign operation cash balances	<u>(9)</u>	<u>(42)</u>	<u>347</u>	<u>109</u>
Change in cash and cash equivalents in the period	(99)	(424)	(4,511)	(9,591)
Cash and cash equivalents at beginning of the period	<u>7,210</u>	<u>30,897</u>	<u>40,488</u>	<u>40,488</u>
Cash and cash equivalents at end of the period	<u>7,111</u>	<u>30,473</u>	<u>35,977</u>	<u>30,897</u>

(1) See note 1B.

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

Unitronics (1989) (R"G) Ltd.

Condensed consolidated interim statements of cash flows

For the three months period ended March 31, <u>2016</u> (unaudited)	For the three months period ended March 31, <u>2016</u> <u>2015</u> (unaudited)		For the year ended December 31, <u>2015</u> (audited)
	<u>(in thousands)</u>		
Convenience translation into Euro (1)	<u>NIS</u>		

Appendix A - Adjustments necessary to show the cash flows - operating activities

Income and expenses not involving cash flows:

Depreciation and amortization	934	4,003	2,993	12,711
Loss (profit) from marketable securities, net	24	101	(247)	341
Change in liabilities for benefits to employees, net	7	28	96	367
Change in deferred taxes	14	62	(62)	(290)
Reevaluation of long-term loans and bonds	(83)	(355)	(1,270)	(998)
Reevaluation of embedded derivatives and other financial assets	22	93	(2,577)	(561)

Changes in assets and liabilities:

Decrease (increase) in accounts receivable - trade	755	3,238	(5,025)	(203)
Increase in accounts receivable - other	(100)	(428)	(42)	(1,118)
Decrease (increase) in inventory	(317)	(1,360)	3,067	6,204
Decrease (increase) in inventory - work in progress	(170)	(728)	2,674	1,193
Decrease in accounts payable - trade	(30)	(129)	(6,147)	(1,659)
Increase (decrease) in accounts payable - other	(441)	(1,888)	209	(8,914)
	<u>615</u>	<u>2,637</u>	<u>(6,331)</u>	<u>7,073</u>

Appendix B - Non-cash operations

Purchase of property and equipment on credit	<u>111</u>	<u>477</u>	<u>-</u>	<u>990</u>
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Appendix C - Additional information regarding operating activities

Cash paid during the period for:

Interest	<u>547</u>	<u>2,343</u>	<u>2,575</u>	<u>5,135</u>
Taxes on income	<u>3</u>	<u>14</u>	<u>14</u>	<u>54</u>

Cash received during the period for:

Interest and dividend	<u>20</u>	<u>84</u>	<u>1,252</u>	<u>819</u>
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(1) See note 1B.

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

Unitronics (1989) (R"G) Ltd.

Notes to the Consolidated Financial Statements

Note 1 - General

- A. These financial statements have been prepared in a condensed format as of March 31, 2016, and for the three months period then ended (hereinafter - "consolidated interim financial statements"). These financial statements should be read in conjunction with the Company's audited annual financial statements and accompanying notes as of December 31, 2015 and for the year then ended.

B. 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 exchange rate of the EURO as of March 31, 2016 (EURO 1 = NIS 4.2856).

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 - Accounting Policies

- A. The condensed consolidated interim financial statements are prepared in accordance with International Accounting Standard 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.
- B. The accounting policy which was implemented in the preparation of the condensed consolidated interim financial statements is identical to those used in the preparation of the last annual consolidated financial statements.

Note 3 - Significant events in the reported period and thereafter

- A. On January 26, 2016 Unitronics Systems Inc. (a second-tier subsidiary of the company) signed with a customer, who is not related to the company or to the interested party in it, on an agreement to establish an automatic parking garage of about 300 parking places in New Jersey, USA, for an investment of USD 4.5 million.
- B. On May 18, 2016 the investment transaction in the Company by FIMI Fund (hereinafter – "FIMI") was completed according to which FIMI invested NIS 60 million in the Company against an allotment of 3,750,000 shares comprising 27.27% of the Company's issued and paid-up capital; the controlling shareholder in the company Mr. Haim Shani informed the Company that at the same time an agreement had been signed between him and FIMI according to which FIMI acquired from him 3,125,000 shares of the company that he owned for a total amount of NIS 50 million comprising 22.72% of the Company's share capital (after completing the two transactions) and therefore, the controlling shareholder, after the entry of FIMI, holds 22% of the Company's shares and continues to serve as the Company's CEO. Consequently FIMI holds a total of 49.99% of the Company's issued and paid-up share capital.

In addition, should the conditions set forth in the investment agreement be met, the Company will allot to FIMI 535,714 additional shares (hereinafter – "the additional shares"), without additional consideration. At the request of the Tel-Aviv Stock Exchange the Company undertook that a condition for the allotment of the additional shares would be that the Company will capitalize to share capital some of the premium paid on the shares allotted, or from any other source in its shareholders equity which may be capitalized according to any law, in an amount of NIS 0.30 for every additional share actually allotted to FIMI.

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

Note 4 - Financial Instruments

A. Fair value

Below the balances in the books and the fair value of financial instruments which are not presented in the financial statements according to their fair value, and there is a substantial difference between the carrying amount to fair value:

	March 31, 2016	
	Book value	Fair value
	(unaudited)	
	NIS, (in thousands)	
<u>Financial liabilities (*)</u>		
Bonds linked to the Israeli CPI	39,086	44,027
Bonds not linked	34,994	41,220
	March 31, 2015	
	Book value	Fair value
	(unaudited)	
	NIS, (in thousands)	
<u>Financial liabilities (*)</u>		
Bonds linked to the Israeli CPI	45,519	50,645
Bonds not linked	38,809	42,000
	December 31, 2015	
	Book value	Fair value
	(audited)	
	NIS, (in thousands)	
<u>Financial liabilities (*)</u>		
Bonds linked to the Israeli CPI	46,063	50,561
Bonds not linked	34,950	39,870

(*) The fair value is based on stock market value as of the report date.

Unitronics (1989) (R"G) Ltd.

Notes to the Consolidated Financial Statements

Note 4 - Financial Instruments (cont'd)

B. Classification of financial instruments at fair value rating

The financial instruments presented in the statement of financial position at fair value or that disclosure of their fair value, are classified, according to groups with similar characteristics, to the rating of fair value as follows, which is determined in accordance with the source of the data used in determining fair value:

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

Level 2: Data which is not quoted prices included in Level 1, which can be seen directly or indirectly.

Level 3: Data which is not based on market data which can be seen (evaluation techniques without the use of market data which can be seen).

The Company holds financial instruments measured at fair value according to the classifications as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>As of March 31, 2016 (unaudited)</u>	<u>NIS, (in thousands)</u>			
<u>Financial assets at fair value:</u>				
Marketable securities	<u>1,615</u>	<u>-</u>	<u>-</u>	<u>1,615</u>
Forward contracts	<u>-</u>	<u>360</u>	<u>-</u>	<u>360</u>
Embedded derivatives	<u>-</u>	<u>81</u>	<u>-</u>	<u>81</u>
<u>As of March 31, 2015 (unaudited)</u>				
<u>Financial assets at fair value:</u>				
Marketable securities	<u>19,445</u>	<u>-</u>	<u>-</u>	<u>19,445</u>
Forward contracts	<u>-</u>	<u>2,852</u>	<u>-</u>	<u>2,852</u>
<u>Financial liabilities at fair value:</u>				
Embedded derivatives	<u>-</u>	<u>330</u>	<u>-</u>	<u>330</u>
<u>As of December 31, 2015 (audited)</u>				
<u>Financial assets at fair value:</u>				
Marketable securities	<u>14,492</u>	<u>-</u>	<u>-</u>	<u>14,492</u>
Forward contracts	<u>-</u>	<u>446</u>	<u>-</u>	<u>446</u>
Embedded derivatives	<u>-</u>	<u>60</u>	<u>-</u>	<u>60</u>

During the specified periods, there were no transfers between Level 1 and Level 2, and there were no transfers to or from Level 3.

C. Evaluation techniques

The Company has sales contracts denominated in currencies which are not the Company's functional currency. These contracts included embedded derivatives which are measured based on the current spot rates, the yield curve of the relevant currencies and the margins between the currencies.

Unitronics (1989) (R"G) Ltd.

Notes to the Consolidated 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 resources and determines the operating segments based on these reports.

The CEO examines the segment's 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 and taxes are not included in the results in each of the operating segments examined by senior management.

- B. The company and its subsidiaries operate in three main operative segments
- Planning, development, manufacture and marketing of PLC's - Programmable Logic Controllers systems (hereinafter "Products segment").
 - Planning, construction and maintenance of system integration projects (hereinafter "Logistics solutions segment").
 - Planning, development, manufacture, marketing, construction and maintenance of mechanized systems for automated parking solutions (hereinafter - "Parking solutions segment").

	For the three months period ended March 31, <u>2016</u>	For the three months period ended March 31, <u>2016</u> <u>2015</u>		For the year ended December 31, <u>2015</u>
	<u>(unaudited)</u>	<u>(unaudited)</u>		<u>(audited)</u>
		<u>(in thousands)</u>		
	Convenience translation into Euro (1)	NIS		
C. Revenues				
Products	6,429	27,550	27,987	109,059
Logistic solutions	1,272	5,453	9,912	35,070
Parking solutions	517	2,217	8,558	14,611
Other	22	92	106	409
Total revenues	<u>8,240</u>	<u>35,312</u>	<u>46,563</u>	<u>159,149</u>
D. Segment results and match income				
(loss) for the period:				
Products	1,533	6,570	5,831	23,857
Logistic solutions	133	570	4,192	14,710
Parking solutions	(1,677)	(7,189)	(1,281)	(16,118)
Other	4	15	(3)	13
Unallocated corporate expenses	(549)	(2,348)	(2,646)	(9,127)
Operating profit (loss)	<u>(556)</u>	<u>(2,382)</u>	<u>6,093</u>	<u>13,335</u>
Unallocated financing income				
(expenses), net	(242)	(1,035)	1,776	(2,306)
Taxes on income	(47)	(203)	(895)	(1,417)
Profit (loss) for the period	<u>(845)</u>	<u>(3,620)</u>	<u>6,974</u>	<u>9,612</u>

(1) See note 1B

UNITRONICS (1989) (R"G) LTD.

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

March 31, 2016

(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 in accordance with Regulation 38D of the Israeli Securities Regulations (Periodic and Immediate Reports) - 1970 of Unitronics (1989) (R"G) Ltd. (hereinafter - "the Company") as of March 31, 2016 and for the three months period then ended. The separate interim 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.

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, 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 with regulation 38D of the Israeli Securities Regulations (Periodic and Immediate Reports), 1970.

Amit, Halfon
Certified Public Accountants (Israel)

Ramat Gan,

May 29, 2016

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

Amit, Halfon is a member firm of the PKF International Limited network of legally independent firms and does not accept any responsibility or liability for the actions or inactions on the part of any other individual member firm or firms.

Unitronics (1989) (R"G) Ltd.

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

	<u>March 31, 2016</u>	<u>March 31, 2016</u>	<u>March 31, 2015</u>	<u>December 31, 2015</u>
	<u>(unaudited)</u>	<u>(unaudited)</u>	<u>(unaudited)</u>	<u>(audited)</u>
	<u>(in thousands)</u>			
	<u>Convenience translation into Euro (1)</u>	<u>NIS</u>		
<u>Current assets</u>				
Cash and cash equivalents	5,072	21,735	28,601	24,180
Restricted cash	255	1,091	1,276	1,276
Marketable securities	377	1,615	19,445	14,492
Accounts receivable -				
Trade	2,929	12,557	13,279	16,444
Other	360	1,543	1,263	1,753
Other financial assets	84	360	2,852	446
Accounts receivable - other - subsidiaries	7,526	32,255	18,762	19,544
Inventory	4,537	19,442	22,715	20,159
Inventory - work in progress	-	-	1,518	-
	<u>21,140</u>	<u>90,598</u>	<u>109,711</u>	<u>98,294</u>
<u>Non-current assets</u>				
Long-term deposits	83	354	287	302
Property and equipment, net	4,141	17,747	18,685	18,059
Long-term receivables - Subsidiaries	12,834	55,000	35,000	55,000
Intangible assets, net	10,182	43,638	40,661	43,183
	<u>27,240</u>	<u>116,739</u>	<u>94,633</u>	<u>116,544</u>
	<u>48,380</u>	<u>207,337</u>	<u>204,344</u>	<u>214,838</u>

Amit Ben Zvi
Chairman of the Board of
Directors

Haim Shani
Director and C.E.O.

Gavriel Badusa
Chief Financial Officer

Approved: May 29, 2016.

(1) See note 1B.

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

Unitronics (1989) (R"G) Ltd.

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

	<u>March 31, 2016</u>	<u>March 31, 2016</u>	<u>March 31, 2015</u>	<u>December 31, 2015</u>
	<u>(unaudited)</u>	<u>(unaudited)</u>	<u>(unaudited)</u>	<u>(audited)</u>
	<u>(in thousands)</u>			
	<u>Convenience translation into Euro (1)</u>	<u>NIS</u>		
<u>Current liabilities</u>				
Current maturities of long term loans	272	1,164	1,526	1,172
Current maturities of bonds	2,381	10,205	10,169	10,260
Accounts payable -				
Trade	3,437	14,733	14,201	16,975
Other	1,820	7,799	18,146	10,186
Embedded derivatives	-	-	330	-
	<u>7,910</u>	<u>33,901</u>	<u>44,372</u>	<u>38,593</u>
<u>Non-current liabilities</u>				
Liabilities less assets associated with subsidiaries	10,274	44,034	19,049	35,627
Loans from banks and others	829	3,552	4,744	3,826
Bonds	14,905	63,875	74,159	70,753
Liabilities for benefits to employees, net	518	2,218	1,883	2,190
Deferred taxes	1,056	4,525	3,044	4,477
	<u>27,582</u>	<u>118,204</u>	<u>102,879</u>	<u>116,873</u>
<u>Equity</u>				
Share capital	82	352	352	352
Share premium	11,804	50,588	50,588	50,588
Capital reserve from translation of foreign operations	16	68	917	588
Company shares held by the company	(1,643)	(7,042)	(7,042)	(7,042)
Reserve arising from a transaction with a controlling party	24	104	104	104
Retained earnings	2,605	11,162	12,174	14,782
	<u>12,888</u>	<u>55,232</u>	<u>57,093</u>	<u>59,372</u>
	<u>48,380</u>	<u>207,337</u>	<u>204,344</u>	<u>214,838</u>

(1) See note 1B.

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

Unitronics (1989) (R"G) Ltd.

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

	For the three months period ended March 31, <u>2016</u>	For the three months period ended March 31, <u>2016</u> <u>2015</u>		For the year ended December 31, <u>2015</u>
	<u>(unaudited)</u>	<u>(unaudited)</u>		<u>(audited)</u>
		<u>(in thousands)</u>		
	<u>Convenience translation into Euro (1)</u>	<u>NIS</u>		
Revenues	4,499	19,281	26,656	101,522
Revenues from subsidiaries	<u>1,916</u>	<u>8,211</u>	<u>9,706</u>	<u>32,694</u>
Total revenues	6,415	27,492	36,362	134,216
Cost of revenues	<u>4,128</u>	<u>17,692</u>	<u>22,557</u>	<u>82,082</u>
Gross profit	2,287	9,800	13,805	52,134
Development expenses, net	174	744	926	3,100
Selling & marketing expenses	421	1,805	2,172	8,841
General & administrative expenses	420	1,802	2,624	8,823
General & administrative expenses to subsidiaries	<u>46</u>	<u>193</u>	<u>171</u>	<u>878</u>
Operating profit	1,226	5,256	7,912	30,492
Financing income	143	612	4,900	6,616
Financing expenses	<u>326</u>	<u>1,397</u>	<u>2,740</u>	<u>7,626</u>
Profit after financing, net	1,043	4,471	10,072	29,482
The Company's share of subsidiaries losses	<u>1,841</u>	<u>7,888</u>	<u>2,203</u>	<u>18,453</u>
Profit (loss) before taxes on income	(798)	(3,417)	7,869	11,029
Taxes on income	<u>47</u>	<u>203</u>	<u>895</u>	<u>1,417</u>
Profit (loss) for the period attributed to the company's shareholders	<u>(845)</u>	<u>(3,620)</u>	<u>6,974</u>	<u>9,612</u>

(1) See note 1B.

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

Unitronics (1989) (R"G) Ltd.

**Comprehensive income (loss) included in the consolidated interim financial statements
attributed to the company**

	For the three months period ended March 31, <u>2016</u>	For the three months period ended March 31, <u>2016</u> <u>2015</u>		For the year ended December 31, <u>2015</u>
	<u>(unaudited)</u>	<u>(unaudited)</u>		<u>(audited)</u>
		<u>(in thousands)</u>		
	<u>Convenience translation into Euro (1)</u>	<u>NIS</u>		
Profit (loss) for the period attributed to the company's shareholders	----- (845) -----	----- (3,620) -----	----- 6,974 -----	----- 9,612 -----
<u>Other comprehensive income (loss)</u> <u>(after tax)</u>				
<u>Items that may not be classified</u> <u>afterwards to profit or loss:</u>				
Re-measurement loss from defined benefit plans	-	-	-	(30)
<u>Items that may be reclassified to profit or</u> <u>loss in the future if certain conditions</u> <u>are met:</u>				
Adjustments arising from translating financial statements of foreign operations	----- (121) -----	----- (520) -----	----- 459 -----	----- 130 -----
Other comprehensive income (loss) for the period	----- (121) -----	----- (520) -----	----- 459 -----	----- 100 -----
Total comprehensive income (loss) for the period attributed to the company's shareholders	<u>----- (966) -----</u>	<u>----- (4,140) -----</u>	<u>----- 7,433 -----</u>	<u>----- 9,712 -----</u>

(1) See note 1B.

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

Unitronics (1989) (R"G) Ltd.

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

	For the three months period ended March 31, <u>2016</u>	For the three months period ended March 31, <u>2016</u> <u>2015</u>		For the year ended December 31, <u>2015</u>
	<u>(unaudited)</u>	<u>(unaudited)</u>		<u>(audited)</u>
		<u>(in thousands)</u>		
	<u>Convenience translation into Euro (1)</u>	<u>NIS</u>		
<u>Cash flows - operating activities</u>				
Profit (loss) for the period attributed to the company's shareholders	(845)	(3,620)	6,974	9,612
Adjustments necessary to show the cash flows - operating activities (Appendix A)	<u>2,471</u>	<u>10,591</u>	<u>(1,228)</u>	<u>22,155</u>
Cash flows provided by operating activities of the company	1,626	6,971	5,746	31,767
Cash flows used in operating activities from transactions with subsidiaries	<u>(2,965)</u>	<u>(12,711)</u>	<u>(8,459)</u>	<u>(29,241)</u>
Cash flows provided by (used in) operating activities	<u>(1,339)</u>	<u>(5,740)</u>	<u>(2,713)</u>	<u>2,526</u>
<u>Cash flows - investing activities</u>				
Sale of marketable securities, net	2,981	12,776	7,122	11,487
Purchase of property and equipment	(10)	(41)	(91)	(538)
Repayment of restricted cash	43	185	200	200
Repayment (Investment) of long-term deposits, net	(4)	(16)	40	39
Investment in intangible assets	<u>(615)</u>	<u>(2,638)</u>	<u>(2,519)</u>	<u>(10,874)</u>
Cash flows provided by investing activities of the company	<u>2,395</u>	<u>10,266</u>	<u>4,752</u>	<u>314</u>
<u>Cash flows - financing activities</u>				
Repayment of long-term loans	(68)	(291)	(574)	(1,796)
Repayment of bonds	<u>(1,559)</u>	<u>(6,680)</u>	<u>(6,748)</u>	<u>(10,748)</u>
Cash flows used in financing activities	<u>(1,627)</u>	<u>(6,971)</u>	<u>(7,322)</u>	<u>(12,544)</u>
Change in cash and cash equivalents	(571)	(2,445)	(5,283)	(9,704)
Cash and cash equivalents at beginning of the period	<u>5,643</u>	<u>24,180</u>	<u>33,884</u>	<u>33,884</u>
Cash and cash equivalents at end of the period	<u>5,072</u>	<u>21,735</u>	<u>28,601</u>	<u>24,180</u>

(1) See note 1B.

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

Unitronics (1989) (R"G) Ltd.

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

For the three months period ended March 31, <u>2016</u>	For the three months period ended March 31, <u>2016</u> <u>2015</u>		For the year ended December 31, <u>2015</u>
<u>(unaudited)</u>	<u>(unaudited)</u>		<u>(audited)</u>
	<u>(in thousands)</u>		
Convenience translation into Euro (1)	NIS		

Appendix A - Adjustments necessary to show
the cash flows - operating activities

Income and expenses not involving cash
flows:

The Company's share of subsidiaries losses	1,841	7,888	2,203	18,453
Depreciation and amortization	618	2,647	2,351	9,361
Loss (Profit) from marketable securities, net	24	101	(247)	341
Change in liabilities for benefits to employees, net	7	28	96	367
Change in deferred taxes	14	62	(62)	(290)
Reevaluation of long-term loans and bonds	(83)	(355)	(1,270)	(998)
Reevaluation of embedded derivatives and other financial assets	25	108	(2,577)	(501)

Changes in assets and liabilities:

Decrease (Increase) in accounts receivable - trade	906	3,887	(510)	(3,675)
Decrease (increase) in accounts receivable - other	37	160	125	(419)
Decrease in inventory	167	717	3,416	6,231
Decrease in inventory - work in progress	-	-	1,417	2,935
Decrease in accounts payable trade	(523)	(2,242)	(5,325)	(2,551)
Decrease in accounts payable - other	(562)	(2,410)	(845)	(7,099)
	<u>2,471</u>	<u>10,591</u>	<u>(1,228)</u>	<u>22,155</u>

Appendix B - Non-cash operations

Providing long-term financing to a subsidiary	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,000</u>
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Appendix C - Additional information regarding
operating activities

Cash paid during the period for:

Interest	<u>547</u>	<u>2,343</u>	<u>2,575</u>	<u>5,135</u>
Taxes on income	<u>3</u>	<u>14</u>	<u>14</u>	<u>54</u>

Cash received during the period for:

Interest and dividend	<u>20</u>	<u>84</u>	<u>1,252</u>	<u>819</u>
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(1) See note 1B.

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

Unitronics (1989) (R"G) Ltd.

Additional information

Note 1 - General

- A. These separate interim financial information as of March 31, 2016 and for the three months period then ended, have been prepared in accordance with regulation 38D of the Israeli Securities Regulations (Periodic and Immediate Reports), 1970. These separate interim financial information should be read in conjunction with the Company's audited annual separate financial information as of December 31, 2015 and for the year then ended, and with the related additional information.

B. 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 exchange rate of the EURO as of March 31, 2016 (EURO 1 = NIS 4.2856).

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 - Statements by the CEO and CFO of the Corporation for
the
First Quarter of 2016

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

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

I, Haim Shani, certify that:

1. I have reviewed the quarterly report of UNITRONICS (1989) (R"G) Ltd. ("the corporation") for the first quarter of 2016 ("the Report").
2. To the best of my knowledge, the report is free of any misrepresentation of material fact and is not lacking any representation of material fact required for the representations made there in, under the circumstances in which they were made, to not be misleading in reference to the period covered by the report.
3. To the best of my knowledge, the financial statements and other financial information included in the report properly reflect, in all material aspects, the financial standing, operating results and cash flows of the corporation as of the dates and for the periods to which the report refers.
4. I have disclosed to the corporation's Independent Auditor, the Board of Directors and the Audit Committee of the corporation's Board of Directors, any fraud, whether material or not, involving the CEO or any direct report of the CEO, or involving any other employees that have a significant role in the financial reporting and in disclosure and control over financial reporting.

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

May 29, 2016

Haim Shani, Director and CEO

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

I, Gavriel Badusa, certify that:

1. I have reviewed the interim financial statements and other financial information included in the interim reports of UNITRONICS (1989) (R"G) Ltd. ("the corporation") for the first quarter of 2016 (hereinafter - "the Report" or "the Interim Reports").
2. To the best of my knowledge, the interim financial statements and the other financial information included in the interim reports are free of any 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 the other financial information included in the interim reports properly reflect, in all material aspects, the financial standing, operating results and cash flows of the corporation as of the dates and for the periods to which the report refers.
4. I have disclosed to the corporation's Independent Auditor, the Board of Directors and the Audit Committee of the corporation's Board of Directors, any fraud, whether material or not, involving the CEO or any direct report of the CEO, or involving any other employees that have a significant role in the financial reporting and in disclosure and control over financial reporting.

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

May 29, 2016

Gavriel Badusa, CFO



UNITRONICS (1989) (R"G) LTD.

PRESS RELEASE

Airport City, Israel,

May 30, 2016

*****Regulated Information*****

*****For Immediate Release*****

Corporation's Liabilities Status Report by Dates of Payment

Airport City, Israel – May 30, 2016 - Unitronics published the attached Immediate Report pursuant to the requirements of Israeli law, in connection with the requirement to report the Corporation's liabilities status by dates of payment.

About Unitronics

Unitronics (1989) (R"G) Ltd. is an Israeli company that engages, through its Products Department, in the design, development, production, marketing and sale of industrial automation products, mainly Programmable Logic Controllers ("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. The Company also engages, through its Systems Department and/or its subsidiaries, in the 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. The Company's PLCs are distributed by over one hundred and forty distributors (and a wholly owned US subsidiary) in approximately fifty countries throughout Europe, Asia, America and Africa. The services of the Systems Department are provided to customers in Israel and also outside Israel.

This press release contains certain forward-looking statements and information relating to the Company that are based on the beliefs of the Management of the Company as well as assumptions made by and information currently available to the Management of the Company. Such statements reflect the current views of the Company with respect to future events, the outcome of which is subject to certain risks and other factors which may be outside of the Company's control. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results or outcomes may vary materially from those described herein as projected, anticipated, believed, estimated, expected or intended.

Unitronics (1989) (R"G) Ltd.
(the "Company")

Re: An Immediate Report Concerning Corporation's Liabilities Status by Dates of Payment

Pursuant to section 36A of the Israeli Securities Law, 1968.

Reporting period: March 31th, for the year: 2016.

Detailed Corporation's liabilities status by dates of payment is as follows:

- A. Debentures issued by the reporting Corporation to the public and held by the public, excluding such Debentures held by the Corporation's parent company, its controlling shareholder, companies controlled by same or companies which are controlled by the Corporation ("Solo" report) (in NIS thousands)

Fund Payments									
	NIS Index Linked	NIS Index Unlinked	Euro	USD	---	---	Other	Gross Interest Payment (Without Tax Deduction)	Total by year
First Year	6,627	4,000						4,119	14,746
Second Year	10,868	2,000						3,587	16,455
Third Year	11,133	2,000						2,884	16,017
Fourth Year	11,133	2,000						2,167	15,300
Fifth Year and So On		26,000						3,538	29,538
Total	39,761	36,000						16,295	92,056

- B.** Private debentures and non banking-credit, excluding debentures or credit which was given by the Corporation's parent company, its controlling shareholder, companies controlled by same or companies which are controlled by the Corporation – based on data from the Corporation's separate financial reports ("Solo" report) (in NIS thousands)

Fund Payments									
	NIS Index Linked	NIS Index Unlinked	Euro	USD	---	---	Other	Gross Interest Payment (Without Tax Deduction)	Total by year
First Year									
Second Year									
Third Year									
Fourth Year									
Fifth Year and So On									
Total									

- C.** Bank credit – from Israeli banks ("Solo" report) (in NIS thousands)

Fund Payments									
	NIS Index Linked	NIS Index Unlinked	Euro	USD	---	---	Other	Gross Interest Payment (Without Tax Deduction)	Total by year
First Year			753	411				128	1,292
Second Year			654	308				98	1,060
Third Year			357					78	435
Fourth Year			357					67	424
Fifth Year and So On			1,875					165	2,040
Total			3,996	719				536	5,251

D. Bank credit – from banks abroad (“Solo” report) (in NIS thousands)

Fund Payments									
	NIS Index Linked	NIS Index Unlinked	Euro	USD	---	---	Other	Gross Interest Payment (Without Tax Deduction)	Total by year
First Year									
Second Year									
Third Year									
Fourth Year									
Fifth Year and So On									
Total									

E. Summary table of tables A-D, Total credit- banking, non-banking and debentures (“Solo” report) (in NIS thousands)

Fund Payments									
	NIS Index Linked	NIS Index Unlinked	Euro	USD	---	---	Other	Gross Interest Payment (Without Tax Deduction)	Total by year
First Year	6,627	4,000	753	411				4,247	16,038
Second Year	10,868	2,000	654	308				3,685	17,515
Third Year	11,133	2,000	357					2,962	16,452
Fourth Year	11,133	2,000	357					2,234	15,724
Fifth Year and So On		26,000	1,875					3,703	31,578
Total	39,761	36,000	3,996	719				16,831	97,307

- H. Total credit balance, banks, non banks and debentures of all consolidated companies, excluding companies which are reporting companies and excluding the reporting Corporation's data included in tables A-D above (in NIS thousands)

Fund Payments									
	NIS Index Linked	NIS Index Unlinked	Euro	USD	---	---	Other	Gross Interest Payment (Without Tax Deduction)	Total by year
First Year									
Second Year									
Third Year									
Fourth Year									
Fifth Year and So On									
Total									

- I. Total credit balance provided to the reporting Corporation by its parent company or controlling shareholder and balance of debentures issued by the reporting Corporation and held by its parent company or controlling shareholder: 0.
- J. Total credit balance provided to the reporting Corporation by companies controlled by its parent company or controlling shareholder which are not controlled by the reporting Corporation, and balance of debentures issued by the reporting Corporation and held by companies controlled by its parent company or controlling shareholder which are not controlled by the reporting Corporation: 0.
- K. Total credit balance provided to the reporting Corporation by consolidated companies and balance of debentures issued by the reporting Corporation and held by the consolidated companies: 0.
- L. (1) Cash and cash equivalents, marketable securities and short term deposits ("Solo" report) (in NIS thousands):23,350
 (2) Cash and cash equivalents, marketable securities and short term deposits of all consolidated companies (in NIS thousands):32,088
 (*) Pledged cash is excluded.

Respectfully,

Unitronics (1989) (R"G) Ltd.