Unitronics (1989) (R”G) Ltd

Quarterly Report as at September 30, 2014

The Company is a “Small Corporation” as this term is defined in the Amendment to the Securities Regulations (Periodic and Immediate Reports) (Amendment), 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), which is hereby included by way of reference).

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

CHAPTER A – PREFACE

1.1 General

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

Company No.: 520044199

Address: Unitronics Building, Arava Street, Airport City, P.O.B. 300, Israel 70100

Email Address: investors@unitronics.com

Telephone: 03 977 8888

Facsimile: 03 977 8877

1.2 Description of the Company and Its Business Environment

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

The Company's PLCs are distributed and sold through the Company's own marketing system and via Unitronics Inc., a wholly-owned subsidiary incorporated in the US, as well as through a chain of distributors comprising 165 distributors (of which 105 in the US) in approximately fifty countries (including Israel) throughout Europe, Asia, South and Central America, North America and Africa. The Systems Department services are provided mainly to customers in Israel, and, in a few cases, outside of Israel as well. The services of the Parking Solutions Department are primarily provided to customers in Israel and in the US.

The Company mainly operates from facilities located in "Unitronics Building," an office and industrial building which is leased, in part, by the Company, and a different part therein is leased to the Company. The Unitronics Building is situated at Airport City next to the David Ben-Gurion Airport, and it houses the Company's offices and all its other facilities in Israel. For additional details see sections 1.13.1 and 1.13.2 in Chapter A of the Company's Periodic Report for 2013, which was published by the Company on March 27, 2014, reference no: 2014-01-027369, as supplemented by an immediate report published by the Company on August 18, 2014, reference no: 2014-01-136482 (hereinafter jointly – "**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 Sale of a Real Estate Property in the Hevel Modiin-Tirat Yeuda Industrial Zone

On February 20, 2014, the Company entered into an agreement with a third party unrelated to the Company or to the interested parties therein (hereinafter "the Sale Agreement") for the sale of the Company's rights in a real estate property covering 11,000 square meters, in the Hevel Modiin – Tirat Yehuda Industrial Zone and the in the plans held by the Company in connection with the planning of the said property for a total consideration of NIS 18,550,000 plus VAT as required by law. As a result of the sale, the Company recorded a loss of NIS 2 million. For additional details on the Sale Agreement see Amending Immediate Report dated February 23, 2014 on an Event or Matter Not in the Ordinary Course of the Corporation's Business, reference no. 2014-01-044935, and Immediate Report dated February 23, 2014, on an Event or Matter Not in the Ordinary Course of the Corporation's Business, reference no: 2014-01-044938, which are included herein by way of reference).

1.3.2 Payment of a Debenture Principal (Series 3)

On March 23, 2014 the Company made the second principal payment out of fiv,e of the debentures (Series 3), 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 March 22, 2011 pursuant to the 2011 Shelf Prospectus. For a full version of the 2011 Shelf Prospectus see company report dated February 22, 2011, reference no.: 2011-01-058260 and March 17, 2011, reference no.: 2011-01-084435. For a full version of the 2011 Shelf Offering Report see company report dated March 22, 2011, reference no.: 2011-01-088428.

Regarding the full early redemption of the outstanding debenture (Series 3) principal, see section 1.3.12 below.

1.3.3 Change of Company officers

On May 7, 2014, Ms. Miri Ben David, the Company's controller, ceased to hold office. (For further details see immediate report dated April 8, 2014, regarding a senior officer that ceased to hold office, reference no. 2014-01-041706, included herein by way of reference).

On May 4, 2014, Mr. Avi Peleg was appointed as the Company's controller. (For further details see immediate report dated April 13, 2014, regarding the appointment of a senior officer, reference no. 2014-01-046305, included herein by way of reference).

On July 23, 2014, Mr. Yair Itskovitch, CFO of the Company, ceased to be officer of the

Company. (For further details see immediate report dated July 23, 2014, regarding a senior officer that ceased to hold office, reference no. 2014-01-120198, included herein by way of reference).

On July 23, 2014, Mr. Gavriel Badusa was appointed as the Company's CFO. (For further details see immediate report dated July 23, 2014, regarding the appointment of a senior officer, reference no. 2014-01-120207, included herein by way of reference).

1.3.4 Renewal and Extension of Policy for Directors and Officers of the Company

On March 25, 2014, the Company's remuneration committee decided, in accordance with the provisions of Regulations 1B(5) and 1B(1) of the Companies Regulations (Relief for Transactions with Interested Parties), 2000 (the "**Relief Regulations**") to approve the renewal and extension of the Company's directors and officers liability insurance policy ("**the Policy**") for all the Company's directors and officers (those who are not controlling shareholders and also those who are controlling shareholders and their relatives), effective from July 1, 2013 to June 30, 2014 and to approve the renewal and extension of said policy for an additional 12-month period, from July 1, 2014 to June 30, 2015, in accordance with the Company's remuneration policy, which was approved in the Company's shareholders meeting on December 9, 2013 (for the text of the approved remuneration policy, see appendix to an immediate report dated November 17, 2013, reference no.: 2013-01-193608, which is included herein by way of reference). In addition, further to the remuneration committee's approval as aforesaid, on March 25, 2014, the Company's board of directors approved, in accordance with the provisions of Regulation 1B(5) of the Relief Regulations, the renewal and extension of the policy for the Company's directors and officers who are controlling shareholders or their relatives, effective from July 1, 2013 to June 30, 2014 and approved the renewal and extension of said policy for an additional 12-month period, from July 1, 2014 to June 30, 2015, in accordance with the Company's remuneration policy (for details see Immediate Report on a Transaction with a Controlling Shareholder or Director that Does Not Require the Approval of the General Meeting, dated March 25, 2014, reference no.: 2014-01-023721, which is included herein by way of reference).

1.3.5 Adoption of a Dividend Distribution Policy

On February 23, 2014 the Company's board of directors decided to adopt a dividend distribution policy, commencing from the date of publication of the 2013 Periodic Report, as follows:

The Company shall distribute to its shareholders from the net profit attributable to the Company's shareholders, based on the consolidated audited annual financial statements of the Company, excluding profits from revaluation of assets (hereinafter –"the Profit") dividend at the rate of 33% of the Profit in respect of each calendar year, in excess of NIS 3,000,000 (three million New Israeli Shekels). The terms of distribution of the dividend, including the number and dates of the payments shall be determined by the Board of Directors of the Company specifically for each distribution.

The implementation of the said dividend policy is subject to: (a) the provisions of any applicable law, including the Company's compliance with the distribution tests set forth in Section 302 (A) of the Companies Law, 1999 ("**the Companies Law**") on the date of each distribution; (b) the Company's obligations to the holders of debentures, including financial covenants which the Company assumed and/or shall assume (for additional details on the Company's obligations towards the Company's debenture holders (Series 3, 4 and 5) see sections 1.20.6 and 1.20.8 of the Periodic Report and section 1.3.10 below (respectively); (c) the Company's existing and anticipated obligations towards third parties, which are not the Company's shareholders or debenture holders; (d) the financing needs, investment plans and business plans of the Company, such that said distribution shall not prevent the Company from executing its plans and meeting its planned needs as shall be from time to time; (e) the Company's activities, cash flows and cash balance; and (f) other business considerations as shall be reviewed from time to time by the Board of Directors of the Company at its sole discretion.

The Board of Directors of the Company reserves the right to review the aforesaid policy from time to time, to change the policy at its sole discretion and to decide on a different use for the Company's profits.

The said policy came into effect from the date of publication of the Company's Annual Report. Based on the Company's financial statements for 2013, the Company's profit for 2013 fall short of the threshold allowing dividend distribution in accordance with the said policy.

Notwithstanding the aforesaid, the Company may distribute dividend whose amount deviates from the amount prescribed in the aforementioned policy, whether by paying a bigger dividend or smaller dividend than the aforesaid or by refraining from dividend payment or changing the date of the distribution and/or the distributed amount. It is clarified that nothing in the aforesaid provisions shall derogate from the Company's power to buy back Company shares, subject to the provisions of any applicable law. Insofar as such buybacks are made, they shall constitute part of the distributed amount, which is the subject of the aforesaid policy, for all intents and purposes. (For details see Immediate Report on an Event or Matter Not in the Ordinary Course of the Corporation's Business, dated February 23, 2014, reference no.: 2014-01-044944, which is included herein by way of reference).

1.3.6 Agreement to build an automated parking system in the US

On June 1, 2014, a wholly owned subsidiary of the Company, which is incorporated in the US "Unitronics Systems Inc." (hereinafter in this section – "**Systems Inc.**"), signed an agreement with a customer unrelated to the Company or to interested parties therein, for the construction of an automated parking system in Hoboken, New Jersey (hereinafter in this section – "**the Project**"). The Project is estimated at $2.6 million (NIS 9 million). The Company will recognize revenue from the Project in its financial statements according to the percentage of completion method, which is determined based on the completion of stages of the work in the project. The Project is planned to end in the second half of 2015.
For additional details see Immediate Report on an Event or Matter Not in the Ordinary Course of the Corporation's Business, dated June 1, 2014, reference no.: 2014-01-081264, which is included herein by way of reference.

1.3.7 Change of authorized signatories

On July 23, 2014, the board of directors of the Company resolved to authorize Mr. Gavriel Badusa, the Company's CFO, as an authorized signatory in the company, instead of Mr. Yair Itskovitch.
For additional details, see Immediate Report on an Event or Matter Not in the Ordinary Course of the Corporation's Business, dated July 23, 2014, reference no.: 2014-01-120216, which is included herein by way of reference.

1.3.8 Publication of a Shelf Prospectus

On August 19, 2014, the Company published a shelf prospectus, based on the Company's financial statements as at March 31, 2014 (hereinafter – "**the Shelf Prospectus**"). Pursuant to the Shelf Prospectus, the Company is entitled to issue

shares, several series of debentures and convertible debentures as well as stock options and options for debentures, in such amount and on such terms as shall be determined in accordance with the shelf offering reports, to the extent that such reports are published by the Company in the future. The offering of securities pursuant to the Shelf Prospectus will be carried out in Israel only and not in Belgium.
For additional details, see Immediate Report on the Publication of Prospectus, dated August 19, 2014, reference no: 2014-01-137235, which is included herein by way of reference.

1.3.9 <u>Convening of an annual general meeting</u>

On September 4, 2014 the general meeting of the Company's shareholders (hereinafter – "**the Meeting**") made the following resolutions: (a) to appoint Mr. Haim Shani and Ms. Bareket Shani for an additional term as directors (category C) of the Company; (b) to approve the re-appointment of Mr. Yoel Sela for a third term of office as external director of the Company; (c) to approve the employment agreements of Mr. Haim Shani and Ms. Bareket Shani, the controlling shareholder of the Company and his wife, for an additional three-year period, from the date of the Meeting until September 4, 2017, pursuant to Section 275(A1) of the Companies Law; (d) to amend the employment agreements with Mr. Haim Shani and Ms. Bareket Shani; (e) to re-approve the letter of exemption and indemnification issued to Mr. Haim Shani and Ms. Bareket Shani.

For additional details, see Immediate Report on the Results of a Meeting to Approve a Transaction with a Controlling Shareholder and/or Approve a Private Placement and/or Approve Two Terms of Office – Chairman-CEO and/or Appointment of External Director dated September 4, 2014, Reference No. 2014-01-151716.

1.3.10 <u>Shelf Offering Report pursuant to Shelf Prospectus and Results of Offering of Debentures (Series 5)</u>

On September 10, 2014, the Company published a Shelf Offering Report pursuant to the Shelf Prospectus (hereinafter – "**2014 Offering Report**"), under which up to NIS 40,000,000 registered debentures (Series 5) of the Company ("the **Debentures**"), of NIS 1 par value each, were offered to the public. The debentures were offered at 100% of their par value. The debentures are payable (principal) in nine (9) annual installments as follows: two (2) installments of 10% of the original principal amount of the debentures will be paid on August 31 of each of the years 2015 to 2016 (inclusive), four (4) installments of 5% of the original principal amount of the debentures will be paid on August 31 of each of the years 2017 to 2020 (inclusive) and three (3) payments of 20% of the original principal amount of the debentures (series 5) will be paid on August 31 of each of the years 2021 to 2023.

The interest on the debentures, in respect of the outstanding balance of the principal amount of the debentures, will be a fixed annual interest payable in semiannual installments, on February 28 and August 31 of each of the years 2015 to 2023 (inclusive), for the six (6) month period ending on the day before the interest payment date, except for the first interest payment which will be made on March 1, 2015, for the period commencing on September 14, 2014 and ending on February 28, 2015, calculated based on 365 days a year, according to the actual days in the said period.

For the full version of the 2014 Offering Report, see immediate report dated September 10, 2014, Reference No. – 2014-01-155406, which is included herein by way of reference.

The gross proceeds from the debentures allotted under the 2014 Offering Report amounted to NIS 40,000,000 (overall 40,000 debenture units (series 5) were allotted), and the annual interest rate on the debentures, which was determined in a tender, is 5.8%. The Company has designated all proceeds of the offering to perform an early redemption of debentures (Series 3) in circulation, under the repayment terms of this series (for details on the results of the offering, see Immediate Report on Results of an Offering pursuant to the 2014 Offering Report, which is included herein by way of reference, dated September 14, 2014, Reference No: 2014-01-156615). The debentures (series 5) began to be traded on the Tel Aviv Stock Exchange on September 16, 2014. The Company used the proceeds of the offering to early redemption of debentures (series 3) as specified in section 1.3.12 below.

1.3.11 Amendment of a trust deed for series 5 debentures

On September 15, 2014, following comments made by the Israeli Securities Authority, a letter of amendment was signed for the Deed of Trust for Debentures (Series 5) of the Company, between the Company and the Trustee, Hermetic Trusts (1975) Ltd. For additional details, see Immediate Report dated September 15, 2014, Reference No. 2014-01-158181, which is included herein by way of reference. The original deed of trust was published in the framework of the shelf offering report, dated September 10, 2014, Reference No. 2014-01-155406.

1.3.12 Early redemption of series 3 debentures

Subsequent to the date of the statement of financial position, on October 30, 2014, the Company made a full early redemption of the outstanding debentures (Series 3), in accordance with a resolution by the Company's board of directors dated October 7, 2014. The amount that was used for the early redemption of the debentures (series 3) sums to NIS 38,100 thousand. The total par value of the redeemed debentures (series 3) was NIS 33,865,200, which accounted for the outstanding par value of the debentures (series 3) in circulation.
Following the early redemption, the debentures (series 3) were delisted from trading on the Tel Aviv Stock Exchange and from the TASE Clearing House.
The Company recorded in the reported period provision for loss of NIS 3 million, for the implied obligation to perform early redemption.

For additional details see Immediate Report on Full Early Redemption of Debentures (Series 3), dated October 7, 2014, Reference No. 2014-01-173862, which is included herein by way of reference.

Following the full early redemption of the outstanding debentures (Series 3), the lien registered to secure the debentures (series 3) on the Company's rights in the 'safety net' account for interest payments and on the interest deposit (as they are defined in the shelf offering report published on March 22, 2011, under which the debentures (series 3) were issued) was cancelled.

2.2 Financial Position

2.1.1 Balance Sheet

	As at September 30		As at December 31, 2013	Board of directors' explanations for changes in balance sheet balances compared to December 31, 2013
	2014	2013		
	NIS in thousand			
Current assets	171,198	115,864	121,387	The increase is mainly due to the following factors: An increase in the balance of cash, cash equivalents and restricted cash of NIS 40.526 million which primarily stems from proceeds from the offering of debentures (series 5), an increase in trade and accounts receivable of NIS 3.683 million, which is mainly attributed to the Parking Solutions segment. Increase of NIS 5.885 million in inventory, mainly due to a stocking up of inventory to prepare for changes in production processes. On the other hand, a decrease in inventory of work in progress of NIS 4.190 million reflects progress in the execution of projects as at the reporting date only.
Non-current assets	71,616	83,477	85,176	The decrease is mainly due to the following factors: A decrease in fixed assets of NIS 20.951 million which primarily stems from the sale of a real estate property as detailed in section 1.3.1 above. On the other hand, there was an increase in intangible assets of NIS 7.459 million, mainly due to continued investments in development.
Total assets	**242,814**	**199,341**	**206,563**	
Current liabilities	105,855	58,854	64,247	The decrease is mainly due to the following factors: An increase in current maturities of debentures in the amount of NIS 33.369 million, primarily due to the classification of outstanding debentures (Series 3) as short-term following the decision to make an early redemption. An increase in trade payable in the amount of NIS 7.791 million, mainly attributed to the Products segment, following an increase in the segment's business activity as explained above.
Non-current liabilities	91,347	97,643	98,553	The decrease is mainly due to the following factors: A decrease in the debentures item in the amount of NIS 5.848 million, due to the classification of outstanding debentures (Series 3) as short-term, offset by the registration of debentures (Series 5), which were issued during the report period, as detailed in section 1.3.10.
Equity attributable to Company shareholders	45,612	42,844	43,763	
Total liabilities and equity	**242,814**	**198,948**	**206,563**	

The Company's working capital as at September 30, 2014 totaled NIS 65.343 million compared to the working capital as at December 31, 2013, which totaled NIS 57.140 million. The increase in working capital is primarily due to an increase in trade receivable and in the balance of inventory, as explained in this section above.

2.1.2 Results of operations

	For the nine month period ended on September 30		For the three months period ended on September 30		For the year ended December 31	Board of directors' explanations for changes in profit and loss items
	2014	2013	2014	2013	2013	
	NIS in thousand					
Income	122,053	112,044	42,185	39,558	156,179	The growth in the reporting period compared to the same period of 2013, and in the third quarter of 2014 compared to the same quarter of 2013 is mainly attributed to an increase in revenues from the parking solutions and products segments. For details on income by segments, see section 2.1.3 below.
Cost of income	84,800	81,181	27,900	27,649	112,728	
Gross profit	37,730	30,863	14,285	11,909	43,451	The increase in gross profit margins in the reporting period and in the third quarter of 2014 compared to the same periods of 2013 is mainly attributed to the Products segment, as detailed in section 2.1.3 below.
Gross profit margins	30.8%	27.5%	33.8%	30.1%	27.8%	
Development expenses, net	4,511	4,500	1,607	1,143	5,706	During the reporting period, an intangible asset in respect of development costs was recognized in the amount of NIS 13.416 million, compared with NIS 11.454 million in the same period of 2013. Total development costs in the reporting period reflect the continued development of technologies required to support the Company's operations, with a corresponding adjustment of the Company's development staff, in order to address its business plans in the different areas of operation.
Selling and marketing expenses	14,454	12,349	5,474	4,275	17,056	The growth in the reporting period and in the third quarter of 2014, compared to corresponding periods in 2013, is mainly attributed to the Products segment, to meet the Company's business plans for this market. For details on selling and marketing expenses, see section 2.2.3.5 of the Periodic Report.

	For the nine month period ended on September 30		For the three months period ended September 30		For the year ended December 31	Board of directors' explanations for changes in profit and loss items
	2014	2013	2014	2013	2014	
	NIS in thousand					
Administrative and general expenses	7,878	8,084	2,582	2,533	11,240	During the reporting period and in the third quarter of 2014 the administrative and general expenses did not change materially compared to the corresponding period of 2013.
Other expenses (income)	2,158	7	(33)	-	7	The increase in other expenses mainly stems from a capital loss from the sale of real estate as detailed in section 1.3.1 above.
Profit from ordinary activities	8,729	5,923	4,655	3,958	9,442	
Financing expenses, net	6,749	6,623	4,352	2,043	7,832	During the reporting period a provision for loss recorded as a result of the early redemption of debentures (series 3). This expenses are in comparing to financing expenses last year, arising from revaluation and exchange rate differences in respect of embedded derivatives, (the Company has sale contracts in currencies other than its functional currency. These contracts in the Systems segment include foreign currency embedded derivatives), and financing expenses that stemmed from the revaluation of debentures (series 3 and series 4 debentures are linked to the CPI). The main change in the third quarter of 2014 compared to the corresponding period of 2013 is due to the provision for loss from debentures (series 3). During the reported period and in the third quarter of 2014 the Israeli Consumer Price Index decreased.
Profit (loss) before taxes on income	1,980	(700)	303	1,915	1,610	
Taxes on income	744	-	145	-	1,444	Taxes on income mainly stem from changes in deferred tax balances.
Net profit (loss) for the period	1,236	(700)	158	1,915	166	

2.1.3 Analysis of Business Results by Operating Segment

As mentioned above, the Company's main commercial activity is conducted by means of three business departments: the Products Department, the Systems Department and the Parking Solutions Department. For further details regarding the Company's operating segments, see Chapter A, sections 1.8, 1.9, 1.10 and 1.11 of the Company's Periodic Report.

2.1.3.1 Revenues

	For the nine month period ended on September 30		For the three months period ended on September 30		For the year ended December 31	Board of directors' explanations for the changes
	2014	2013	2014	2013	2013	
	NIS in thousand					
Products	80,803	71,673	28,435	24,414	95,449	The growth recorded during the reporting period and in the third quarter of 2014 stems from an increase in sales of products compared to the corresponding periods of 2013, which is mainly due to enhanced marketing activity in several select markets and the launch of new products, as well as the dollar's appreciation against the NIS during the reporting period and in the third quarter of 2014.
Percentage of Company revenues	66%	64%	67%	62%	61%	
Systems	25,737	37,996	6,524	13,508	55,096	During the reporting period and in the third quarter of 2014 the decrease in revenues stems from changes in the progress of construction of several logistic systems, mainly in relation to the planning and construction of logistic systems to major customers in Israel (for details see section 1.10.9 of the Periodic Report) and from the pace of orders from customers for logistic systems during the reporting period, due to, among others, the volatility in this market.
Percentage of Company revenues	21%	34%	15%	34%	35%	
Parking solutions	15,684	2,031	7,091	1,503	5,195	During the reporting period and in the third quarter of 2014, compared to the corresponding periods of 2013, the growth in revenues from the parking solutions segment is attributable to an increase in the number of projects (which was insignificant until then) and an increase in the pace of progress of construction of several automated parking systems.
Percentage of Company revenues	13%	2%	17%	4%	3%	

2.1.3.2 Segment results

	For the nine month period ended on September 30		For the three months period ended on September 30		For the year ended December 31	Board of directors' explanations for the changes
	2014	2013	2014	2013	2013	
	NIS in thousand					
Operating segments						
Products	27,186	21,103	10,069	7,377	28,336	In the reporting period and in the third quarter of 2014, compared to the corresponding periods of 2013, the growth in the operating results of the Products segment is due to an increase in revenues and a certain improvement in the gross profit margin which, in the Company's opinion, is mainly attributed to the effect of fluctuations in the main currencies against the NIS.
Systems	1,742	1,396	283	1,397	5,002	In the reporting period compared to the corresponding period of 2013, the increase in the segment's profit stems from numerous projects whose gross profit margin is higher year-over-year and a decrease in fixed expenses. The decrease in earnings in the third quarter of 2014, year-over-year, stems from slower progress compared to the third quarter of 2013.
Parking solutions	(1,834)	(3,144)	(198)	(739)	(4,716)	The parking solutions segment recorded a decrease in operating loss compared to the same periods of 2013 mainly due to an increase in the number of projects.

2.2 Liquidity and Sources of Financing

The balance of cash, cash equivalents and marketable securities of the Company as of September 30, 2014, totaled to NIS 66.727 million compared with NIS 64.667 million as of December 31, 2013. Below are explanations on the changes in cash flows:

	For the nine month period ended on September 30		For the three months period ended on September 30		For the year ended December 31	Board of directors' explanations for the changes
	2014	2013	2014	2013	2013	
	NIS in thousand					
Cash flows from operating activities	11,746	(18,421)	585	(1,704)	3,332	During the reporting period, the positive cash flows were mainly due to profit for the period and changes in asset and liability items (mainly a decrease in inventory of work in progress and an increase in trade payables) compared to negative cash flows in the same period of 2013, as a result of a decrease in trade payables.
Cash flows from investment activities	(34,956)	(7,933)	(42,874)	2,278	(12,579)	During the reporting period, the negative cash flows primarily stemmed from the classification of debentures (Series 5) proceeds to restricted cash (witch designed for early redemption of debentures (Series 3)) and investments in development offset by the sale of a real estate property during the period. The negative cash flows in the same period of 2013 were mainly due to investments in development.
Cash flows from financing activities	24,167	30,171	38,073	(7,513)	29,002	During the reporting period, the positive cash flows were mainly due to the issue of debentures (series 5), as specified in section 1.3.10 of Chapter A above offset by the second of five payments of debentures (Series 3). The positive cash flows in the same period of 2013 mainly resulted from the issue of debentures (series 4).

During the reporting period and in the third quarter of 2014 the Company recorded an increase in cash balances due to currency translation differences of NIS 525 thousand and NIS 571 thousand, respectively, mainly due to the dollar's appreciation against the NIS during the reporting period and the third quarter of 2014. In the corresponding periods of 2013 and in the whole of 2013, there was a decrease in the amount of NIS 183 thousand, NIS 105 thousand and NIS 326 thousand, respectively, mainly due to the depreciation of the dollar and the Euro.

On September 30, 2014, total credit lines available to the Company for its operating activities amounted to NIS 28.4 million, of which a total of NIS 27.5 million was used to secure the Company's obligations in projects carried out in the Systems and Parking Solutions segments.

2.3 Dedicated Disclosure to Debenture Holders

2.3.1 Below are details, as of the date of the statement of financial position, in connection with the Company's debentures (series 3), which were fully redeemed on October 30, 2014. With regard to the full early redemption of the outstanding debentures (series 3) subsequent to the date of the statement of financial position, see section 1.3.12 above.

(1)	Security	Debentures (Series 3)
A	Issue date	March 2011
B	Total par value on issue date	56,442,000
C	Par value as of the reporting date	33,865,200
D	Par value according to linkage terms – as of the report date	33,626,000
E	Accrued interest as of the report date	40,000
F	Liability value as of the report date	34,973,000
G	Stock Exchange value	37,726,000
H	Type of interest, including description	5.65% annual interest
I	Payment dates of outstanding principal	Three equal annual payments as of March 23, 2015
J	Future interest payment dates	Every 23rd of March and September commencing from March 23, 2015 and until March 23, 2017 (inclusive)
K	Details of linkage basis of interest and principal	Principal and interest linked to the Consumer Price Index. The base rate – the February 2011 CPI.
L	Are the debentures convertible?	Not convertible
M	Corporation's right to perform early redemption (*)	Exist (for details regarding the terms of the Company to exercise its right to early redemption, see section 12 of the Shelf Offering Report dated March 22, 2011, Reference No. 2011-01-088428)
N	Has a guarantee been given for payment of the liability in the trust deed?	No
O	Is the liability material to the Company?	Yes
(2)	The trustee in charge of the debenture series in the trust company; the trustee's contact details	Reznick, Paz, Nevo Trust Ltd 14, Yad Harutzim St, Tel Aviv 67778 Tel: 03-6389200; Fax: 03-6393316 Email: trust@rpn.co.il

* Following the early redemption of the debentures as described above, the debentures (series 3) were delisted from the Tel Aviv Stock Exchange Ltd. and the TASE Clearing House and they are invalid as of the report publication date.

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

(8) On April 4, 2011, a pledge on the bank account deposits was created at the Registrar of Companies, in the amount of the annual interest on the debentures, to secure the payment of interest pursuant to the terms of the debentures (Series 3). This pledge was removed following the full redemption of the outstanding debentures (Series 3).

2.3.2

(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	53,125,000
D	Par value according to linkage terms – as of the report date	54,090,000
E	Accrued interest as of the report date	484,000
F	Liability value as of the report date	52,950,000
G	Stock Exchange value	56,695,000
H	Type of interest, including description	5.4% annual interest
I	Payment dates of outstanding principal	Six unequal annual installments payable on January 31 of each year from 2015 to 2020 (inclusive), at the following rates by years in chronological order: (a) 12.5% of the principal, (b) 12.5% of the principal, (c) 12.5% of the principal (d) 20.5% of the principal, (e) 21% of the principal, (f) 21% of the principal.
J	Future interest payment dates	Every January 31 and July 31 from July 31, 2014 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 from 219.80 (December 2012 index according to the 1993 base) without hedging
L	Are the debentures convertible?	Not convertible
M	Corporation's right to perform early redemption	Exists (for details regarding the terms of the Company to exercise its 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 in charge of the debenture series in the trust company; the trustee's contact details	Custodian – 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 the debentures (Series 4), the Company is not in breach of any obligation or condition set forth in the Deed of Trust, and there are 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 which was designated to secure the payment of interest pursuant to the debentures (Series 4). As long as the Company has an outstanding balance of debentures (Series 4), the Company and all of its subsidiaries (on the date of the signing of the Deed of Trust and any other subsidiary established or acquired until the date of full repayment of the debentures (Series 4) as it may be) shall avoid the creation of 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 first and/or second ranking pledge over their property, in whole or in part, including cash and cash equivalents for the benefit of financing entities, which will provide it with financing for the purchase of property or equipment, including a floating charge over the specific asset/s, including for the purchase of building construction services, including the replacement of financing entities that hold specific pledges on other entities on the date of the Offering Report, without having to obtain consent of the holders of the debentures (Series 4) for this.

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

- Dividend distribution – the Company has undertaken that during the period in which the Debentures (Series 4) are outstanding, it shall not distribute dividend at a rate exceeding 30% of the annual cumulative net profit (calendar) attributable to the Company’s shareholders, based on the recent audited consolidated financial statements of the Company, which were published prior to the date of the Company’s resolution regarding distribution of the dividend, unless the Company obtains the prior consent of the debenture holders (Series 4), which was received by special resolution in a meeting of debenture holders convened in accordance with the Second Addendum to the Trust Deed of Debentures (Series 4). For additional details on the said restriction, see section 11.1 of the Offering Report that was published on January 24, 2013 (Reference No. 2013-01-021699) (hereinafter – “**2013 Offering Report**”).

- The net financial debt to CAP ratio – the Company undertook that as of the date of listing the debentures (Series 4) and as long as the debentures (Series 4) are outstanding, the ratio between the Company's net financial debt and the Company's net CAP (solo) according to its financial statements (solo), whether audited or reviewed (as the case may be), in relation to the Company's financial statements as of the periods ended June 30 and December 31, shall not exceed 80%. If the Company is in breach of this undertaking, at any review date, the rate of interest payable by the Company to the holders of Series 4 Debentures on the first payment date following the date of the breach, will be raised by 0.5% only per annum above the interest rate determined in the tender, during the period in which the breach occurred. Should the Company breach this undertaking on the date following the previous review date, the rate of interest which is to be paid by the Company to the holders of the Series 4 Debentures, 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, on two consecutive review dates, such breach is discovered, such that this ratio is 85% or more, then such breach shall constitute grounds for declaring the outstanding balance of the Debentures (Series 4) immediately due and payable. For additional details regarding the aforesaid restriction, see section 11.2 of the 2013 Offering Report.

- The net financial debt to EBITDA ratio – the Company undertook that as of the date of listing the Debentures (Series 4) and as long as the Debentures (Series 4) are outstanding, the ratio between the Company's net financial debt and the Company's EBITDA according to its audited or reviewed consolidated financial statements (as the case may be), in relation to the Company's financial statements as of the periods ended June 30 and December 31, shall not exceed 10. Should the Company breach this undertaking, at any review date, the interest rate payable by the Company to the holders of the Series 4 Debentures on the first payment date following the date of the breach, will be raised by only 0.5% per annum above the interest rate determined in the tender, during the period of the breach. If the Company is in breach of this undertaking on the date following the previous review date, the interest rate which is to be paid by the Company to the holders of Series 4 Debentures, will 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 on two consecutive review dates said breach is discovered, such that this ratio is 12% or more, then such breach shall constitute grounds for declaring the outstanding balance of the Debentures (Series 4) immediately due and payable. For additional 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 the Company's audited or reviewed financial statements (solo) (as the case may be), as of June 30 and December 31, shall not be less than NIS 20 million during two consecutive quarters. Should the Company breach this undertaking, at any review date, the interest rate which is to be paid by the Company to the holders of the Series 4 Debentures on the first payment date following the publication of the recent financial statements which point to the breach, will be raised by only 0.5% per annum above the interest rate determined in the tender, during the period of the breach. If the Company is in breach of this undertaking on the date following the previous review date, the interest rate which is to be paid by the Company to the holders of Series 4 Debentures, 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, on two consecutive review dates said breach is discovered, such that the shareholders equity fall below NIS 15 million, then such breach shall constitute grounds for declaring the outstanding balance of the Debentures (Series 4) immediately due and payable. For additional 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 floating charge over on its assets, 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 will be established or acquired until the date of final repayment of the Debentures (Series 4), if any) shall not create any charge as aforesaid. For additional 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 the 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 upon certain conditions, the trustee of the 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 its debentures on time; the imposition of an attachment on the Company's assets, the performance of an execution action against the Company's assets, 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 the bulk of the Company's assets; if Mr. Haim Shani ceases to be the controlling shareholder of the Company, whether directly or indirectly, without obtaining the consent of the holders of Series 4 Debentures to the transfer of control; a fundamental breach of the terms of the Debenture and the Deed of Trust (Series 4), which were 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 the Debentures (Series 4) due and payable, see section 18.1 of the 2013 Offering Report.

2.3.3

(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	40,000,000
D	Par value according to linkage terms – as of the report date	40,000,000
E	Accrued interest as of the report date	102,000
F	Liability value as of the report date	38,711,000
G	Stock Exchange value	40,852,000
H	Type of interest, including description	5.8% fixed annual interest
I	Payment dates of outstanding principal	Nine unequal annual installments payable on August 31 of each year from 2015 to 2023 (inclusive), at the following rates by years in chronological order: (a) 10% of the principal, (b) 10% of the principal, (c) 5% of the principal (d) 5% of the principal, (e) 5% of the principal, (f) 5% of the principal, (g) 20% of the principal, (h) 20% of the principal, (i) 20% of the principal.
J	Future interest payment dates	Every February 28 and August 31 of the years 2015 to 2023 (inclusive), except for the first payment that will be made on March 1, 2015.
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 terms in which the Company may exercise its 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 in charge of the debenture series in 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 the debentures (Series 5), the Company is not in breach of any obligation or condition set forth in the Deed of Trust, and there are no grounds for calling for immediate repayment of the debentures.

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

- Dividend distribution – the Company has undertaken that during the period in which the Debentures (Series 5) are outstanding, it shall not make a distribution, as this term is defined in the Companies Law, 1999, at a rate exceeding 30% of the annual net profit in the last calendar year that ended prior to the distribution, attributable to the Company's shareholders, based on the recent audited consolidated financial statements of the Company, which were published prior to the date of the Company's resolution regarding distribution of the dividend, unless the Company obtains the prior approval of the debenture holders (Series 5), which was adopted by special resolution in a meeting of debenture holders convened in accordance with the Second Addendum to the Trust Deed of Debentures (Series 5). For additional details on the said restriction, see section 1 of Appendix 5 to the 2014 Offering Report.

- The net financial debt to net CAP ratio – the Company undertook that as of the date of listing the debentures (Series 5) and as long as the debentures (Series 5) are outstanding, the ratio between the Company's net financial debt and the Company's net CAP (solo) according to its financial statements (solo), whether audited or reviewed (as the case may be), based on the Company's financial statements as of the periods ended June 30 and December 31, shall not exceed 70%. If the Company is in breach of this undertaking, at any review date, the rate of interest payable by the Company to the holders of Debentures (Series 5) on the first payment date following the date of the breach, will be raised by only 0.5% per annum above the interest rate determined in the tender, during the period in which the breach occurred. If the Company is in breach of this undertaking on the date following the previous review date, the rate of interest 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 the 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 the Debentures (Series 5) due and payable. For additional details regarding the aforesaid restriction, see section 2 of Appendix 5 to the 2014 Offering Report.

- Restriction on shareholders' equity – the Company's shareholders' equity according to the Company's audited or reviewed financial statements (solo) (as the case may be), 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 interest payment date following the publication of the last financial statements which point to the breach, will be raised by only 0.5% per annum above the interest rate determined in the tender, during the period of the breach. If the Company is in breach of this undertaking on the date subsequent to the previous review date, the interest rate payable by the Company to the holders of Debentures (Series 5), will 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 the shareholders' equity falls below NIS 20 million, then such breach shall constitute grounds for declaring the outstanding balance of Debentures (Series 5) due and payable. For additional details regarding the aforesaid restriction, see section 3 of Appendix 5 to the 2014 Offering Report.

- The net financial debt to EBITDA ratio – the Company undertook that as of the date of listing the Debentures (Series 5) and as long as the 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 consolidated financial statements (as the case may be), in relation to the 12 month period preceding 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, will be raised by only 0.5% per annum above the interest rate determined in the tender, during the period of the breach. If the Company is in breach of this undertaking on the 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), will 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, indicating a ratio of 12 or more, then this breach shall constitute grounds for declaring the outstanding balance of the Debentures (Series 5) due and payable. For additional details regarding the aforesaid restriction, see section 4 of Appendix 5 to the 2014 Offering Report.

- The Company's undertaking not to create charges – the Company undertook not to create a floating charge over on its assets, and to ascertain that each of its subsidiaries (on the date of signing the Trust Deed and any additional subsidiary of the Company that will be established or acquired until the date of final repayment of the Debentures (Series 5), if any) shall not create any charge as aforesaid. For additional details regarding the aforesaid restriction, see section 5 of 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 upon certain conditions, the trustee of the Debentures (Series 5) may declare the debentures due and payable. Among these events, the following may be set forth in brief: a material deterioration in the Company's business compared to the situation on the date of the offering and a real concern that the Company may not be able to repay its 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 under the law, within 30 days from the last date required by the statute; there is concern that the Company will 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 Trust Deed of the 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 the 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 on the Company's liabilities by repayment dates, as of September 30, 2014, see report dated November 25, 2014, which the Company published concurrently with the publication of this report.

2.5 Projected Cash Flows

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

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

2.6.1 Preparation of the Financial Statements

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

2.6.2 Financial Statements Review Committee

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

Name	CPA Zvi Livneh	CPA Yoel Sela	CPA Moshe Braaz
An independent or an external director	No	External director	External director
Chairman of the Committee for Review of the Financial Statements	No	No	Yes
Has accounting and financial expertise	Yes	Yes	Yes
Did he provide a statement prior to his nomination?	Yes	Yes	Yes

* For details regarding the education and experience of the members of the Committee for Review of the Financial Statements, see section 4.10 of Chapter D of the Periodic Report.

As part of the process of approval of the financial statements as at September 30, 2014, a Committee meeting was held on November 19, 2014. A comprehensive discussion of material issues took place in order to formulate the Committee's recommendations to the Board of Directors, for the purpose of approval of the financial statements; later, the Committee approved its recommendations.

The following people were invited to, and attended, the Committee meeting on November 19, 2014: members of the Committee (CPAs Yoel Sela, Zvi Livneh and Moshe Braaz), the other members of the Board of Directors (Messrs. Haim Shani, Bareket Shani and Edna Ramot); CPA Gaby Badusa, CFO; CPA Avi Peleg, Controller, Mr. Nir Weisberger, Company Attorney, CPA Haim Halfon from the Company's accounting firm; and Mr. Itzik Buchritz from the Company's Internal Audit Office.

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

2.6.3 The Company's Board of Directors

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

1. Mr. Haim Shani – Chairman of the Board and Company CEO, and a director with professional qualifications.
2. Ms Bareket Shani – Director with professional qualifications, Vice President and Head of Human Resources.
3. Mr. Zvi Livneh, CPA – Director with accounting skills, member of the Audit Committee, member of the Committee for Review of the Financial Statements and member of the Remuneration Committee.
4. Mr. Yoel Sela, CPA – External and independent director with accounting skills, member of the Audit Committee, member of the Committee for Review of the Financial Statements and a member of the Remuneration Committee.
5. Mr. Moshe Braaz, CPA – External and independent director with accounting skills, member and Chairman of the Audit Committee, member and Chairman of the Committee for Review of the Financial Statements, member and Chairman of the Remuneration Committee.
6. Mrs. Edna Ramot - director with professional qualifications.

Following the Board of Directors' review of the financial statements, a Board meeting was held for the purpose of presenting and discussing the financial statements. In a meeting held on November 25, 2014, the Company's management reviewed the main data of the financial statements. The Company's auditor attended the meeting and responded to the questions addresses 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.

__________________	__________________
Zvi Livneh	Haim Shani
Director	Chairman and CEO

Date: November 25, 2014

UNITRONICS (1989) (R"G) LTD.

Condensed Consolidated Interim Financial Statements September 30, 2014

(Unaudited)

Unitronics (1989) (R"G) Ltd.

Condensed Consolidated Interim Financial Statements

September 30, 2014

(unaudited)

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REVIEW REPORT OF THE AUDITIORS 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 includes the condensed consolidated interim statement of financial position as at September 30, 2014 and the condensed consolidated interim statements of profit or loss, comprehensive income, changes in Equity and cash flows for the periods of nine and three months then ended. The Board of Directors and management are responsible for the preparation and presentation of the financial information for this interim periods in accordance with IAS 34 “Financial reporting for interim periods”, and they are responsible for the preparation of financial information for this interim periods under Chapter D of the Securities Regulations (Periodic and Immediate Reports) – 1970. Our responsibility is to express a conclusion on the financial information for the interim periods, 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 financial information for interim periods performed by the entity’s auditor”. The review of the financial information for interim periods comprises clarifications, mainly with the people responsible for financial and accounting matters, and from adopting analytical and other review procedures. A review is more limited in scope to a much larger extent than an audit performed in accordance with generally accepted auditing standards in Israel, and therefore does not enable us to be certain that we will know of all the significant matters which could have been identified in an audit. Consequently, we are not issuing an audit opinion.

Conclusion

Based on our review, nothing came to our notice which would cause us to think that the above financial information is not prepared, in all significant aspects, in accordance with IAS 34.

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

Amit, Halfon
Certified Public Accountants (Israel)

Ramat Gan,
November 25, 2014

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

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

	September 30, 2014		September 30, 2014	September 30 2013		December 31, 2013	
	(unaudited)		(unaudited)			(audited)	
			(in thousands)				
	Convenience translation into Euro (1)		NIS				
Current assets							
Cash and cash equivalents	8,588		39,924	22,647		38,442	
Restricted cash	9,291		43,189	4,139		4,145	
Marketable securities	5,766		26,803	25,446		26,225	
Accounts receivable -							
Trade	4,410		20,502	19,701		16,819	
Other	1,020		4,743	1,724		1,577	
Other financial assets	35		163	-		-	
Inventory	5,324		24,751	21,440	(2)	18,866	(2)
Inventory - work in progress	2,393		11,123	20,767		15,313	
	36,827		171,198	115,864		121,387	
Non-current assets							
Deferred taxes	-		-	-		94	
Long-term deposits	94		438	424		412	
Property and equipment, net	4,151		19,296	40,560		40,247	
Intangible assets, net	11,161		51,882	42,493		44,423	
	15,406		71,616	83,477		85,176	
	52,233		**242,814**	**199,341**		**206,563**	

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

Approved: November 25, 2014.

(1) See note 1D.

(2) See note 1C.

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

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

	September 30, 2014	September 30, 2014	September 30 2013	December 31, 2013
	(unaudited)	(unaudited)		(audited)
		(in thousands)		
	Convenience translation into Euro (1)	NIS		
Current liabilities				
Current maturities of long-term loans	462	2,149	3,889	3,346
Current maturities of bonds	9,730	45,233	11,875	11,864
Accounts payable -				
Trade	5,088	23,653	16,218 (2)	15,862 (2)
Other	7,304	33,952	25,395	31,889
Embedded derivatives	187	868	1,477	1,286
	22,771	105,855	58,854	64,247
Non-current liabilities				
Loans from banks and others	1,215	5,649	7,941	7,319
Bonds	17,511	81,403	87,117	87,251
Liabilities for benefits to employees, net	500	2,325	2,585	2,398
Deferred taxes	424	1,970	-	1,585
	19,650	91,347	97,643	98,553
Equity				
Share capital	76	352	352	352
Share premium	10,882	50,588	50,588	50,588
Capital reserve from translation of foreign operation	(209)	(975)	(1,417)	(1,588)
Company shares held by the company	(1,515)	(7,042)	(7,042)	(7,042)
Reserve from a transaction with a controlling party	22	104	104	104
Retained earnings	556	2,585	259	1,349
	9,812	45,612	42,844	43,763
	52,233	**242,814**	**199,341**	**206,563**

(1) See note 1D.

(2) See note 1C.

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

Unitronics (1989) (R"G) Ltd.
Condensed Consolidated Interim Statements of Profit or Loss

	For the nine months period ended September 30,	For the nine months period ended September 30,		For the three months period ended September 30,	For the three months period ended September 30,		For the year ended December 31,
	2014	2014	2013	2014	2014	2013	2013
	(unaudited)	(unaudited)		(unaudited)	(unaudited)		(audited)
				(in thousands)			
	Convenience translation into Euro (1)	NIS		Convenience translation into Euro (1)	NIS		
Revenues	26,358	122,530	112,044	9,075	42,185	39,558	156,179
Cost of revenues	18,242	84,800	81,181	6,002	27,900	27,649	112,728
Gross profit	8,116	37,730	30,863	3,073	14,285	11,909	43,451
Development expenses, net	970	4,511	4,500	346	1,607	1,143	5,706
Selling & marketing expenses	3,109	14,454	12,349	1,178	5,474	4,275	17,056
General & administrative expenses	1,695	7,878	8,084	555	2,582	2,533	11,240
Other expenses (Income)	464	2,158	7	(7)	(33)	-	7
Operating profit	1,878	8,729	5,923	1,001	4,655	3,958	9,442
Financing income	407	1,893	2,319	190	881	1,257	2,681
Financing expenses	1,859	8,642	8,942	1,126	5,233	3,300	10,513
Profit (loss) before taxes on income	426	1,980	(700)	65	303	1,915	1,610
Taxes on income	160	744	-	31	145	-	1,444
Net profit (loss) for the period	266	1,236	(700)	34	158	1,915	166
Profit per 1 ordinary share NIS 0.02 par value (NIS):							
Basic profit (loss) per 1 ordinary share	0.027	0.124	(0.070)	0.003	0.016	0.191	0.017

(1) See note 1D.

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 nine months period ended September 30,	For the nine months period ended September 30,		For the three months period ended September 30,	For the three months period ended September 30,		For the year ended December 31,
	2014	2014	2013	2014	2014	2013	2013
	(unaudited)	(unaudited)		(unaudited)	(unaudited)		(audited)
				(in thousands)			
	Convenience translation into Euro (1)	NIS		Convenience translation into Euro (1)	NIS		
Net profit (loss) for the period	266	1,236	(700)	34	158	1,915	166
Other comprehensive income (loss)							
Items that may not be classified afterwards to profit or loss:							
Actuarial profit	-	-	-	-	-	-	224
Items that may be reclassified to profit or loss in the future if certain conditions are met:							
Translation of foreign operation	132	613	(460)	140	650	(213)	(631)
Other comprehensive loss for the period	132	613	(460)	140	650	(213)	(407)
Comprehensive income (loss) for the period	398	1,849	(1,160)	174	808	1,702	(241)

(1) See note 1D.

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

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

	Share capital	Share premium	Capital reserve from translation of foreign operation	Company shares held by the company	Reserve deriving from a transaction with a controlling party	Retained earnings (loss)	Total
	NIS, in thousands						
Balance at January 1, 2013 (audited)	352	50,588	(957)	(7,042)	-	959	43,900
Net profit for the year	-	-	-	-	-	166	166
Other comprehensive income (loss) for the year	-	-	(631)	-	-	224	(407)
Total comprehensive income (loss) for the year	-	-	(631)	-	-	390	(241)
Capital benefit deriving from a transaction with a controlling party	-	-	-	-	104	-	104
Balance at December 31, 2013 (audited)	352	50,588	(1,588)	(7,042)	104	1,349	43,763
Net profit for the period	-	-	-	-	-	1,236	1,236
Other comprehensive income for the period	-	-	613	-	-	-	613
Total comprehensive income for the period	-	-	613	-	-	1,236	1,849
Balance at September 30, 2014 (unaudited)	352	50,588	(975)	(7,042)	104	2,585	45,612
Balance at January 1, 2013 (audited)	352	50,588	(957)	(7,042)	-	959	43,900
Net loss for the period	-	-	-	-	-	(700)	(700)
Other comprehensive loss for the period	-	-	(460)	-	-	-	(460)
Total comprehensive loss for the period	-	-	(460)	-	-	(700)	(1,160)
Capital benefit deriving from a transaction with a controlling party	-	-	-	-	104	-	104
Balance at September 30, 2013 (unaudited)	352	50,588	(1,417)	(7,042)	104	259	42,844
Balance at July 1, 2014 (unaudited)	352	50,588	(1,625)	(7,042)	104	2,427	44,804
Net profit for the period	-	-	-	-	-	158	158
Other comprehensive income for the period	-	-	650	-	-	-	650
Total comprehensive income for the period	-	-	650	-	-	158	808
Balance at September 30, 2014 (unaudited)	352	50,588	(975)	(7,042)	104	2,585	45,612
Balance at July 1, 2013 (unaudited)	352	50,588	(1,204)	(7,042)	104	(1,656)	41,142
Net profit for the period	-	-	-	-	-	1,915	1,915
Other comprehensive loss for the period	-	-	(213)	-	-	-	(213)
Total comprehensive income (loss) for the period	-	-	(213)	-	-	1,915	1,702
Balance at September 30, 2013 (unaudited)	352	50,588	(1,417)	(7,042)	104	259	42,844

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

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

	Share capital	Share premium	Capital reserve from translation of foreign operation	Company shares held by the company	Reserve arising from a transaction with a controlling party	Retained earnings (loss	Total
	Convenience translation into Euro (1), in thousands (unaudited)						
Balance at December 31, 2013 (audited)	76	10,882	(341)	(1,515)	22	290	9,414
Net profit for the period	-	-	-	-	-	266	266
Other comprehensive income for the period	-	-	132	-	-	-	132
Total comprehensive income for the period	-	-	132	-	-	266	398
Balance at September 30, 2014 (unaudited)	76	10,882	(209)	(1,515)	22	556	9,812
Balance at July 1, 2014 (unaudited)	76	10,882	(349)	(1,515)	22	522	9,638
Net profit for the period	-	-	-	-	-	34	34
Other comprehensive income for the period	-	-	140	-	-	-	140
Total comprehensive income for the period	-	-	140	-	-	34	174
Balance at September 30, 2014 (unaudited)	76	10,882	(209)	(1,515)	22	556	9,812

(1) See note 1D.

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 nine months period ended September 30,	For the nine months period ended September 30,		For the three months period ended September 30,	For the three months period ended September 30,		For the year ended December 31,
	2014	2014	2013	2014	2014	2013	2013
	(unaudited)	(unaudited)		(unaudited)	(unaudited)		(audited)
				(in thousands)			
	Convenience translation into Euro (1)	NIS		Convenience translation into Euro (1)	NIS		
Cash flows - operating activities							
Net profit (loss) for the period	266	1,236	(700)	34	158	1,915	166
Adjustments necessary to show the cash flows - operating activities (Appendix A)	2,261	10,510	(17,721)	92	427	(3,619)	3,166
Cash flows provided by (used in) operating activities	2,527	11,746	(18,421)	126	585	(1,704)	3,332
Cash flows - investing activities							
Sale (Purchase) of marketable securities, net	(18)	(83)	5,953	80	371	6,580	5,453
Purchase of property and equipment	(158)	(733)	(1,420)	(53)	(243)	(185)	(1,499)
Sale of property and equipment	3,964	18,425	77	27	125	-	77
Investment in restricted cash	(8,525)	(39,629)	(1,454)	(8,325)	(38,700)	-	(1,454)
Repayment of restricted cash	141	655	700	-	-	-	700
Repayment (investment) in long-term deposits	(9)	(44)	(65)	(6)	(29)	(68)	20
Investment in intangible assets	(2,915)	(13,547)	(11,724)	(946)	(4,398)	(4,049)	(15,876)
Cash flows provided by (used in) investing activities	(7,520)	(34,956)	(7,933)	(9,223)	(42,874)	2,278	(12,579)
Cash flows - financing activities							
Repayment of long-term loans	(592)	(2,752)	(3,307)	(135)	(629)	(1,125)	(4,476)
Bonds issue	8,326	38,702	51,509	8,326	38,702	-	51,509
Repayment of bonds	(2,535)	(11,783)	(18,031)	-	-	(6,388)	(18,031)
Cash flows provided by (used in) financing activities	5,199	24,167	30,171	8,191	38,073	(7,513)	29,002
Translation differences in respect of foreign operation	113	525	(183)	123	571	(105)	(326)
Change in cash and cash equivalents for the period	319	1,482	3,634	(783)	(3,645)	(7,044)	19,429
Cash and cash equivalents at beginning of period	8,269	38,442	19,013	9,371	43,569	29,691	19,013
Cash and cash equivalents at end of period	8,588	39,924	22,647	8,588	39,924	22,647	38,442

(1) See note 1D.

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 nine months period ended September 30,	For the nine months period ended September 30,			For the three months period ended September 30,	For the three months period ended September 30,			For the year ended December 31,	
	2014	2014	2013		2014	2014	2013		2013	
	(unaudited)	(unaudited)			(unaudited)	(unaudited)			(audited)	
					(in thousands)					
	Convenience translation into Euro (1)	NIS			Convenience translation into Euro (1)	NIS				
Appendix A - Adjustments necessary to show the cash flows - operating activities										
Income and expenses which not involve cash flows:										
Depreciation and amortization	1,677	7,800	5,187		572	2,655	1,548		8,374	
Profit from marketable securities, net	(106)	(495)	(713)		(82)	(380)	(566)		(992)	
Change in liabilities for benefits to employees, net	(16)	(73)	(55)		(23)	(106)	53		(53)	
Reevaluation of restricted cash	(3)	(14)	(36)		(1)	(5)	(9)		(42)	
Capital loss	464	2,158	7		(7)	(33)	-		7	
Deferred taxes	160	744	-		31	145	-		1,444	
Exchange rate changes of long-term loans and bonds	(23)	(107)	1,464		62	290	1,387		1,372	
Reevaluation of embedded derivatives and other financial assets	(125)	(581)	8		22	103	(1,036)		(183)	
Changes in assets and liabilities:										
Increase in accounts receivable - trade	(733)	(3,407)	(5,224)		(448)	(2,085)	(4,449)		(2,376)	
Decrease (increase) in accounts receivable - other	(726)	(3,375)	870		(450)	(2,092)	840		1,020	
Decrease (increase) in inventory	(1,211)	(5,628)	1,528	(2)	(801)	(3,724)	2,528	(2)	3,679	(2)
Decrease (increase) in inventory - work in progress	902	4,192	(2,777)		119	554	(886)		2,682	
Increase (decrease) in accounts payable - trade	1,676	7,789	(15,400)	(2)	238	1,108	(558)	(2)	(15,757)	(2)
Increase (decrease) in accounts payable - other	325	1,507	(2,580)		860	3,997	(2,471)		3,991	
	2,261	10,510	(17,721)		92	427	(3,619)		3,166	

(1) See note 1D.

(2) See note 1C.

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

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

	For the nine months period ended September 30,	For the nine months period ended September 30,		For the three months period ended September 30,	For the three months period ended September 30,		For the year ended December 31,
	2014	2014	2013	2014	2014	2013	2013
	(unaudited)	(unaudited)		(unaudited)	(unaudited)		(audited)
				(in thousands)			
	Convenience translation into Euro (1)	NIS		Convenience translation into Euro (1)	NIS		
Appendix B - Non-cash operations							
Capital benefit deriving from a transaction with a controlling party	-	-	104	-	-	-	104
Appendix C - Additional information on cash flows regarding operating activities							
Cash paid during the period for:							
Interest	1,177	5,470	5,137	544	2,529	3,101	5,221
Taxes on income	17	77	81	5	23	27	108
Cash received during the period for:							
Interest and dividend	189	880	1,119	25	118	156	1,280

(1) See note 1D.

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

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

Note 1 - General

A. These financial statements have been prepared in a condensed format as at September 30, 2014, and for the nine and three months periods then ended ("consolidated interim financial statements"). These financial statements should be read in conjunction with the Company's audited annual financial statements and accompanying notes as at December 31, 2013 and for the year then ended.

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

As of	Israeli CPI	Exchange rate of 1 U.S. dollar	Exchange rate of 1 Euro
	Points (*)	NIS	NIS
September 30, 2014	223.14	3.695	4.6486
September 30, 2013	223.80	3.537	4.7734
December 31, 2013	223.80	3.471	4.7819
Change during the period	%	%	%
Nine months ended September 30, 2014	(0.29)	6.45	(2.79)
Nine months ended September 30, 2013	1.82	(5.25)	(2.99)
Three months ended September 30, 2014	(0.29)	7.48	(0.97)
Three months ended September 30, 2013	0.49	(2.24)	1.14
For the year ended December 31, 2013	1.82	(7.02)	(2.82)

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

C. Immaterial adjustment of comparative figures.

Immaterial inventory balances which were held by subcontractors were set off from suppliers' balances and were not part of the inventory item. According to these financial statements, the company adjusted the comparative figures so that the remaining inventory held by sub-contractors was reclassified into the inventory item. The adjustment above had no impact on the total equity of the company or on the comprehensive income (loss) to the comparison periods.

D. Convenience translation in EURO

For the convenience of the reader, the NIS amounts for the last reported period have been translated in EURO by dividing each NIS amount by the representative rate of exchange of the EURO as at September 30, 2014 (EURO 1 = NIS 4.6486).
The translated EURO amounts presented in these financial statements should not be construed as representing amounts receivable or payable in EURO unless otherwise indicated.

Note 2 - Significant Accounting Policies

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

Note 2 - Significant Accounting Policies (cont'd)

B. Initial implementation of new accounting standards

Amendments to IAS 32 - "Financial Instruments: Presentation regarding Offsetting Financial Assets and Financial Liabilities":

The IASB issued amendments to IAS 32 ("the amendments to IAS 32") regarding the offsetting of financial assets and financial liabilities. The amendments to IAS 32 clarify, among others, the meaning of "currently has a legally enforceable right of set-off" ("the right of set-off"). Among others, the amendments to IAS 32 prescribe that the right of set-off must be legally enforceable not only during the ordinary course of business of the parties to the contract but also in the event of bankruptcy or insolvency of one of the parties. The amendments to IAS 32 also state that in order for the right of set-off to be currently available, it must not be contingent on a future event, there may not be periods during which the right is not available, or there may not be any events that will cause the right to expire.

The influence of the amendments Implementation was not material to the company.

C. Disclosure of new standards in the period prior to their adoption

1. IFRS 15 – Revenues from contracts with customers

IFRS 15 ("the Standard") was issued by the IASB in May 2014.

The Standard replaces IAS 18 Revenue, IAS 11 Construction Contracts, IFRIC 13 Customer Loyalty Programs, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue - Barter Transactions Involving Advertising Services.

The Standard establishes a five-step model that will apply to revenues earned from contracts with customers:

Step 1 - Identifying the contract(s) with a customer, including treatment for combining contracts and contract modifications.

Step 2 - Identifying the separate performance obligations in the contract.

Step 3 - Determining the transaction price, including treatment for variable consideration, significant finance component, non-cash consideration and consideration payable to the customer.

Step 4 - Allocating the transaction price to the separate performance obligations, on a relative stand-alone selling price basis by using observable information if available or estimates.

Step 5 - Recognizing revenue when the entity satisfies a performance obligation, distinguishing between satisfying a performance obligation at a point in time or over time.

In addition the Standard specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Standard will apply to annual periods beginning on or after 1 January 2017. Early adoption is permitted. The Standard permits a modified retrospective approach according to which the Standard will be applied to existing contracts beginning with the current period and no restatement of the comparative periods will be required, as long as comparative disclosures under the Standard are included.

The Company is evaluating the possible effects of the Standard but currently in unable to assess its impact, if any, on the financial statements.

Note 2 - Significant Accounting Policies (cont'd)

C. Disclosure of new standards in the period prior to their adoption (cont'd)

2. IFRS 9, "Financial Instruments"

Further to Note 2w(3) of the annual financial statements as at December 31, 2013, regarding disclosure in the new IFRS Standards during the period prior to their implementation in the matter of IFRS 9, in July 2014 the IASB published the final and full version of IFRS 9 – Financial Instruments (hereinafter: The Final Standard) which includes the following subjects: Classification and measurement, impairment and hedging accounting.

The main changes between the final Standard and the different stages of the Standard, published prior to the publication of the final Standard, are:

Classification and measurement
The final Standard includes an additional category to the classification and measurement of financial assets which are debt instruments. Financial assets classified in this category will be measured at fair value through other comprehensive income (FVOCI), and the differences so recorded to other comprehensive income will be reclassified to the statement of profit or loss on meeting certain conditions, such as at the time of withdrawing the asset. It should be mentioned that financing income, rate of exchange differences and losses from impairment on such financial assets will be recorded to the statement of profit or loss. The classification to this category is possible for debt instruments which meet all the following tests:

1. According to the contractual terms of the financial asset, the Company may, on certain dates, receive cash flows which are only payments of principal and payments of interest on the balance of the principal.

2. The asset is held in the framework of a business model whose purpose is also to collect the contractual cash flows resulting from it and also to realize it.

Impairment in value
The final Standard includes the subject of impairment of financial assets, which sets forth the model of the expected credit losses and this in instead of the existing model IAS 39 which is a model of credit losses that accrued. The expected credit losses model is implemented regarding financial assets which are debt instruments measured at reduced cost or at fair value through other comprehensive income and on the trade receivables item. The model presents a general approach and a more simple approach to calculating an impairment in value:

1. General approach – The credit losses must be recognized as a result from a credit default that may take place during the period of the following 12 months, and this on condition that there is no significant increase in the credit risks since the date of initial recognition of the instrument. On the other hand, if a significant risk occurred in the credit since the date of initial recognition of the instrument, a provision for a loss must be recognized for credit losses which are expected to occur during the balance of the lifespan of exposure to that instrument.

2. The simpler model (which occurs in certain cases regarding certain groups of assets only, including the trade receivables item) – according to this approach the credit losses which are expected to occur during the balance of the lifespan of the exposure for that instrument, must be recognized without any connection with the occurrence of changes in the credit risks since the date of the initial recognition of the instrument.

Note 3 - Events during the reported period

A. On February 2014, the Company engaged in an agreement with a third-party, which is not related to the Company, or to an interested party in it, for the sale of the Company's rights in a real estate property, with an area of 11 thousand sq. m. in the industrial area of Modi'in – Tirat Yehuda, in consideration for NIS 18,550 thousand plus VAT as prescribed by law. In March 2014, in the framework of the process to complete registration of the rights in the real estate property in the buyer's name, the mortgage registered in favor of a bank for a loan received to partly finance the Company's acquisition of the property was cancelled without a demand for repayment of the loan to the bank. As a result of the sale, the company recorded in the reported period a capital loss of about NIS 2 million.

B. On February 23, 2014, the Company's Board of Directors passed a resolution regarding the adoption of a dividend distribution policy as of the date of publication of periodic report as at December 31, 2013. The Company shall distribute to its shareholders a dividend at the rate of 33% from the net profit attributable to the Company's shareholders, based on the Company's annual audited consolidated financial statements, not including earnings deriving from asset revaluation (hereinafter: "the profit"), and that only if the profit in respect of the calendar year, exceeding above NIS 3 million , and in subject, Inter alia, to the provisions of any law ,the financial needs of the company, its business plans and the Company's obligations to the holders of the Company's debentures (Series 3 and 4).

C. On August 19, 2014 the company published a shelf prospectus (Dated August 20, 2014) based on the financial statements of the company as at 31 March 2014. According to the prospectus the company shall be entitled Issue shares, several series of debentures, convertible debentures, warrants for shares and warrants for bonds in accordance with the scope and the terms which will be determined at the shelf offering reports, if and to the extent be published by the company in the future. The offer of the securities in accordance with the Shelf Offer will be done in Israel only and not in Belgium.

D. On September 10, 2014, the Company published a Shelf Offer Report ("Offer Report") in the framework of which the public was offered NIS 40,000,000 par value of bonds (Series 5) of the Company, which were issued at 100% of their par value. The bonds will be repayable (principal) in nine (9) annual unequal installments, which will be paid on August 31 of each of the years of 2015 – 2023 (inclusive), as detailed in the Offer Report. The bonds (Series 5) will bear interest for the unpaid balance of the bonds (Series 5) which will paid in semi-annual equal installments as from March 1, 2014. The proceeds (gross) from the bonds allotted in accordance with the Shelf Offer Report, aggregate NIS 40,000,000 (in total 40,000 bond units (Series 5) were allotted, the annual rate of interest that the bonds bear was set in the tender at 5.8%. The annual effective interest rate is 6.59%.

The Company has designated all proceeds of the offering to perform an early redemption of debentures (Series 3) in circulation, under the repayment terms of this series.

In the framework of the Shelf Offer Report, the Company engaged in a trust deed for the bonds (Series 5) on September 10, 2014 (hereinafter – "the Trust Deed") according to which it undertook, inter alia, to meet financial covenants of a ratio of the financial debt to net CAP which will not exceed 70% and the ratio of financial debt to EBITDA which will not exceed 10, and a condition that the equity will not be less than NIS 25 million, including setting a mechanism for updating the interest for exceptional periods from the financial covenants agreed, and circumstances which are grounds for immediate repayment, and all as detailed in the Trust Deed.

An examination whether the Company meets its financial covenants will be made twice a year in every calendar year on the date of publishing the financial statements as at June 30 and December 31, as long as the bonds exist and are in circulation.

Note 4 - Subsequent events

On October 30, 2014 the Company performed an early redemption of the outstanding bonds (Series 3). The amount used to the early redemption of the bonds was about NIS 38,100 thousand. The total par value of the bonds that have been redeemed was NIS 33,865,200 and it constituted the all par value of the bonds (Series 3) in the turnover to this date. During the reporting period the company recorded a provision for loss of about NIS 3 million due to the implied obligation to perform an early redemption.

Note 5 - 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:

Financial liabilities (*)

	September 30, 2014		September 30, 2013		December 31, 2013	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
	(unaudited)				(audited)	
	NIS, (in thousands)					
Bonds - non-linked to CPI	38,711	40,852	-	-	-	-
Bonds linked to the Israeli CPI	87,925	94,421	98,992	105,559	99,115	106,978

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

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).

B. Classification of financial instruments at fair value rating (cont'd)

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

	Level 1	Level 2	Level 3	Total
As at September 30, 2014 (unaudited)		NIS, (in thousands)		
Financial assets at fair value:				
Marketable securities	26,803	-	-	26,803
Forward contracts	-	163	-	163
Financial liabilities at fair value:				
Embedded derivatives	-	868	-	868
As at September 30, 2013 (unaudited)				
Financial assets at fair value:				
Marketable securities	25,446	-	-	25,446
Financial liabilities at fair value:				
Embedded derivatives	-	1,477	-	1,477
As at December 31, 2013 (audited)				
Financial assets at fair value:				
Marketable securities	26,225	-	-	26,225
Financial liabilities at fair value:				
Embedded derivatives	-	1,286	-	1,286

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 imbedded derivatives which are measured based on the current spot rates, the yield curve of the relevant currencies and the margins between the currencies.

Note 6 - Business segments

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

The CEO examines the 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 Group operates in three main business segments.
- Planning, development, manufacture and marketing of industrial controllers (Programmable Logic Controllers) (Hereinafter - "The products segment").
- System integration projects (Hereinafter - "The system integration projects segment").
- Planning, construction and maintenance of automated parking systems (hereinafter - "Parking solutions segment").

Note 5 - Business segments (cont'd)

	For the nine months period ended September 30,	For the nine months period ended September 30,		For the three months period ended September 30,	For the three months period ended September 30,		For the year ended December 31,
	2014	2014	2013	2014	2014	2013	2013
	(unaudited)	(unaudited)		(unaudited)	(unaudited)		(audited)
	(in thousands)						
	Convenience translation into Euro (1)	NIS		Convenience translation into Euro (1)	NIS		
C. Revenues							
Products	17,382	80,803	71,673	6,117	28,435	24,414	95,449
System integration projects	5,537	25,737	37,996	1,403	6,524	13,508	55,096
Parking solutions	3,374	15,684	2,031	1,526	7,091	1,503	5,195
Other	65	306	344	29	135	133	439
Total revenues	26,358	122,530	112,044	9,075	42,185	39,558	156,179
D. Segment results							
Products	5,848	27,186	21,103	2,166	10,069	7,377	28,336
System integration projects	375	1,742	1,396	61	283	1,397	5,002
Parking solutions	(395)	(1,834)	(3,144)	(44)	(198)	(739)	(4,716)
Other	(1)	(4)	9	2	7	(13)	25
Unallocated corporate expenses	(3,949)	(18,361)	(13,441)	(1,184)	(5,506)	(4,064)	(19,205)
Operating profit	1,878	8,729	5,923	1,001	4,655	3,958	9,442
Unallocated financing expenses, net	1,452	6,749	6,623	936	4,352	2,043	7,832
Taxes on income	160	744	-	31	145	-	1,444
Net profit (loss) for the period	266	1,236	(700)	34	158	1,915	166

(1) See note 1D.

UNITRONICS (1989) (R"G) LTD.

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

September 30, 2014

(Unaudited)

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

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

Introduction

We reviewed the separate interim financial information presented under regulation 38D to the Israeli Securities Regulations (Periodic and Immediate Reports) - 1970 of Unitronics (1989) (R"G) Ltd. (hereinafter – "the Company") as at September 30, 2014 and for the periods of nine and three months then ended. The separate financial information is in the responsibility of the Company's Board of Directors and Management. Our responsibility is to express a conclusion on the separate interim financial information for the interim periods, 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 financial information for interim periods prepared by the entity's auditor". The review of the financial information for interim periods comprises clarifications, mainly with the people responsible for financial and accounting matters, and from adopting analytical and other review procedures. A review is more limited in scope to a much larger extent than an audit performed in accordance with generally accepted auditing standards in Israel, and therefore does not enable us to be certain that we will know of all the significant matters which could have been identified in an audit. Consequently, we are not issuing an audit opinion.

Conclusion

Based on our review, 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,
November 25, 2014

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

Unitronics (1989) (R"G) Ltd.
Assets and liabilities included in the interim consolidated financial statements attributed to the company

	September 30, 2014	September 30, 2014	September 30, 2013		December 31, 2013	
	(unaudited)	(unaudited)			(audited)	
		(in thousands)				
	Convenience translation into Euro (1)	NIS				
Current assets						
Cash and cash equivalents	6,783	31,532	17,184		32,256	
Restricted cash	9,078	42,201	4,139		4,145	
Marketable securities	5,766	26,803	25,446		26,225	
Accounts receivable -						
Trade	2,446	11,371	14,593		12,999	
Other	731	3,398	1,141		636	
Other financial assets	35	163	-		-	
Accounts receivable - other - subsidiaries	6,189	28,769	24,096		10,651	
Inventory	4,881	22,691	19,683	(2)	17,028	(2)
Inventory - work in progress	1,795	8,344	16,978		12,470	
	37,704	175,272	123,260		116,410	
Non-current assets						
Long-term deposits	94	438	424		412	
Property and equipment, net	4,030	18,737	40,006		39,717	
Long-term receivables - Subsidiary	3,227	15,000	-		15,000	
Intangible assets, net	8,434	39,204	35,763		36,448	
	15,785	73,379	76,193		91,577	
	53,489	**248,651**	**199,453**		**207,987**	

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

Approved: November 25, 2014

(1) See note 1D.
(2) See note 1C.
The additional information to the financial information forms an integral part thereof.

Unitronics (1989) (R"G) Ltd.
Assets and liabilities included in the interim consolidated financial statements attributed to the company

	September 30, 2014	September 30 2014	September 30, 2013		December 31, 2013	
	(unaudited)	(unaudited)			(audited)	
		(in thousands)				
	Convenience translation into Euro (1)	NIS				
Current liabilities						
Current maturities of long-term loans	462	2,149	3,889		3,346	
Current maturities of bonds	9,730	45,233	11,875		11,864	
Accounts payable -						
Trade	4,620	21,478	14,973	(2)	13,753	(2)
Other	5,606	26,057	18,725		25,669	
Embedded derivatives	187	868	1,477		1,286	
	20,605	95,785	50,939		55,918	
Non-current liabilities						
Liabilities less assets associated with subsidiaries	3,422	15,907	8,027		9,753	
Loans from banks and others	1,215	5,649	7,941		7,319	
Bonds	17,511	81,403	87,117		87,251	
Liabilities for benefits to employees, net	500	2,325	2,585		2,398	
Deferred taxes	424	1,970	-		1,585	
	23,072	107,254	105,670		108,306	
Equity						
Share capital	76	352	352		352	
Share premium	10,882	50,588	50,588		50,588	
Capital reserve from translation of foreign operation	(209)	(975)	(1,417)		(1,588)	
Company shares held by the company	(1,515)	(7,042)	(7,042)		(7,042)	
Reserve from a transaction with a controlling party	22	104	104		104	
Retained earnings	556	2,585	259		1,349	
	9,812	45,612	42,844		43,763	
	53,489	**248,651**	**199,453**		**207,987**	

(1) See note 1D.
(2) See note 1C.
The additional information to the financial information forms an integral part thereof.

Unitronics (1989) (R"G) Ltd.
Revenues and expenses included in the interim consolidated financial statements attributed to the company

	For the nine months period ended September 30,	For the nine months period ended September 30,		For the three months period ended September 30,	For the three months period ended September 30,		For the year ended December 31,
	2014	2014	2013	2014	2014	2013	2013
	(unaudited)	(unaudited)		(unaudited)	(unaudited)		(audited)
	(in thousands)						
	Convenience translation into Euro (1)	NIS		Convenience translation into Euro (1)	NIS		
Revenues	16,816	78,173	85,973	5,185	24,104	30,364	118,825
Revenues from subsidiaries	4,905	22,803	17,613	1,807	8,401	5,922	23,639
Total revenues	21,721	100,976	103,586	6,992	32,505	36,286	142,464
Cost of revenues	15,229	70,795	78,492	4,699	21,843	25,930	106,924
Gross profit	6,492	30,181	25,094	2.293	10,662	10,356	35,540
Development expenses, net	470	2,184	2,229	146	680	691	2,944
Selling & marketing expenses	1,351	6,280	5,565	491	2,282	2,091	7,519
General & administrative expenses	1,235	5,742	5,891	390	1,814	1,842	8,305
General & administrative expenses to subsidiaries	141	657	601	59	275	275	801
Other expenses (Income)	161	749	7	(7)	(33)	-	7
Operating profit	3,134	14,569	10,801	1,214	5,644	5,457	15,964
Financing income	537	2,495	2,709	243	1,131	1,647	3,136
Financing expenses	1,809	8,411	9,142	1,071	4,981	3,702	10,774
Profit after financing, net	1,862	8,653	4,368	386	1,794	3,402	8,326
The Company's share of subsidiaries loss	(1,456)	(6,767)	(5,068)	(321)	(1,491)	(1,487)	(6,622)
Profit (loss) before taxes on income	406	1,886	(700)	65	303	1,915	1,704
Taxes on income	140	650	-	31	145	-	1,538
Net profit (loss) for the period attributed to the company's shareholders	266	1,236	(700)	34	158	1,915	166

(1) See note 1D.
The additional information to the financial information forms an integral part thereof.

Unitronics (1989) (R"G) Ltd.
Comprehensive income included in the interim consolidated financial statements attributed to the company

	For the nine months period ended September 30,	For the nine months period ended September 30,		For the three months period ended September 30,	For the three months period ended September 30,		For the year ended December 31,
	2014	2014	2013	2014	2014	2013	2013
	(unaudited)	(unaudited)		(unaudited)	(unaudited)		(audited)
				(in thousands)			
	Convenience translation into Euro (1)	NIS		Convenience translation into Euro (1)	NIS		
Net profit (loss) for the period attributed to the company's shareholders	266	1,236	(700)	34	158	1,915	166
Other comprehensive income (loss)							
Items that may not be classified afterwards to profit or loss - Actuarial profit	-	-	-	-	-	-	224
Items that may be reclassified to profit or loss in the future if certain conditions are met - Translation of foreign operation	132	613	(460)	140	650	(213)	(631)
Other comprehensive loss for the period	132	613	(460)	140	650	(213)	(407)
Total comprehensive profit (loss) for the period attributed to the company's shareholders	398	1,849	(1,160)	174	808	1,702	(241)

(1) See note 1D.
The additional information to the financial information forms an integral part thereof.

Unitronics (1989) (R"G) Ltd.
Cash Flows included in the interim consolidated financial statements attributed to the company

	For the nine months period ended September 30,	For the nine months period ended September 30,		For the three months period ended September 30,	For the three months period ended September 30,		For the year ended December 31,
	2014	2014	2013	2014	2014	2013	2013
	(unaudited)	(unaudited)		(unaudited)	(unaudited)		(audited)
				(in thousands)			
	Convenience translation into Euro (1)	NIS		Convenience translation into Euro (1)	NIS		
Cash flows - operating activities							
Net profit (loss) for the period attributed to the company's shareholders	266	1,236	(700)	34	158	1,915	166
Adjustments necessary to show the cash flows - operating activities (Appendix A)	4,100	19,061	(12,479)	1,415	6,576	19	7,610
Cash flows provided by (used in) operating activities of the company	4,366	20,297	(13,179)	1,449	6,734	1,934	7,776
Cash flows used in operating activities from transactions with subsidiaries	(3,898)	(18,118)	(10,431)	(1,688)	(7,844)	(5,761)	(11,986)
Cash flows provided by (used in) operating activities	468	2,179	(23,610)	(239)	(1,110)	(3,827)	(4,210)
Cash flows - investing activities							
Sale (Purchase) of marketable securities, net	(18)	(83)	5,953	80	371	6,580	5,453
Purchase of property and equipment	(139)	(648)	(1,357)	(41)	(187)	(189)	(1,422)
Sale of property and equipment	3,964	18,425	77	27	125	-	77
Investment in restricted cash	(8,325)	(38,700)	(1,454)	(8,325)	(38,700)	-	(1,454)
Repayment of restricted cash	141	655	700	-	-	-	700
Repayment (investment) of long-term deposits, net	(9)	(44)	(65)	(6)	(29)	(68)	20
Investment in intangible assets	(1,740)	(8,084)	(8,250)	(572)	(2,659)	(2,904)	(10,929)
Cash flows provided by (used in) investing activities of the company	(6,126)	(28,479)	(4,396)	(8,837)	(41,079)	3,419	(7,555)
Cash flows provided by investing activities from transactions with subsidiaries	303	1,409	-	-	-	-	-
Cash flows provided by (used in) investing activities	(5,823)	(27,070)	(4,396)	(8,837)	(41,079)	3,419	(7,555)
Cash flows - financing activities							
Repayment of long-term loans	(592)	(2,752)	(3,307)	(135)	(629)	(1,125)	(4,476)
Repayment of bonds	(2,535)	(11,783)	(18,031)	-	-	(6,388)	(18,031)
Bonds issue	8,326	38,702	51,509	8,326	38,702	-	51,509
Cash flows provided by (used in) financing activities	5,199	24,167	30,171	8,191	38,073	(7,513)	29,002
Change in cash and cash equivalents for the period	(156)	(724)	2,165	(885)	(4,116)	(7,921)	17,237
Cash and cash equivalents at beginning of period	6,939	32,256	15,019	7,668	35,648	25,105	15,019
Cash and cash equivalents at end of period	6,783	31,532	17,184	6,783	31,532	17,184	32,256

(1) See note 1D.

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

Unitronics (1989) (R"G) Ltd.
Cash Flows included in the interim consolidated financial statements attributed to the company

	For the nine months period ended September 30,	For the nine months period ended September 30,		For the three months period ended September 30,	For the three months period ended September 30,			For the year ended December 31,	
	2014	2014	2013	2014	2014	2013		2013	
	(unaudited)	(unaudited)		(unaudited)	(unaudited)			(audited)	
				(in thousands)					
	Convenience translation into Euro (1)	NIS		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	1,456	6,767	5,068	321	1,491	1,487		6,622	
Depreciation and amortization	1,498	6,966	5,064	492	2,286	1,537		7,987	
Profit from marketable securities, net	(106)	(495)	(713)	(82)	(380)	(566)		(992)	
Change in liabilities for benefits to employees, net	(16)	(73)	(55)	(23)	(106)	53		(53)	
Capital loss (Gain)	161	749	7	(7)	(33)	-		7	
Deferred taxes	140	650	-	31	145	-		1,538	
Reevaluation of restricted cash	(2)	(11)	(36)	-	(2)	(9)		(42)	
Exchange rate changes of long-term loans and bonds	(23)	(107)	1,464	62	290	1,387		1,372	
Reevaluation of embedded derivatives and other financial assets	(125)	(581)	8	22	103	(1,036)		(183)	
Changes in assets and liabilities:									
Decrease (increase) in accounts receivable - trade	349	1,628	(3,182)	272	1,265	(3,316)		(1,588)	
Decrease (increase) in accounts receivable - other	(647)	(3,009)	830	(480)	(2,233)	618		1,343	
Decrease (increase) in inventory	(1,218)	(5,663)	1,263 (2)	(821)	(3,815)	2,356	(2)	3,562	(2)
Decrease (increase) in inventory - work in progress	888	4,126	(198)	(185)	(859)	455		4,310	
Increase (decrease) in accounts payable - trade	1,661	7,725	(15,008) (2)	428	1,988	(893)	(2)	(16,229)	(2)
Increase (decrease) in accounts payable - other	84	389	(6,991)	1,385	6,436	(2,054)		(44)	
	4,100	19,061	(12,479)	1,415	6,576	19		7,610	

(1) See note 1D.
(2) See note 1C.
The additional information to the financial information forms an integral part thereof.

Unitronics (1989) (R"G) Ltd.
Cash Flows included in the interim consolidated financial statements attributed to the company

	For the nine months period ended September 30,	For the nine months period ended September 30,		For the three months period ended September 30,	For the three months period ended September 30,		For the year ended December 31,
	2014	2014	2013	2014	2014	2013	2013
	(unaudited)	(unaudited)		(unaudited)	(unaudited)		(audited)
				(in thousands)			
	Convenience translation into Euro (1)	NIS		Convenience translation into Euro (1)	NIS		
Appendix B - Non-cash operations							
Providing long-term financing to a subsidiary	-	-	-	-	-	-	15,000
Capital benefit deriving from a transaction with a controlling party	-	-	104	-	-	-	104

(1) See note 1D.
The additional information to the financial information forms an integral part thereof.

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

Note 1 - General

A. These separate interim financial information as at September 30, 2014 and for the periods of nine and three months 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, 2013 and for the year then ended, and with the related additional information.

B. Consolidated companies - defined in Note 1D to the consolidated financial statements as at December 31, 2013.

C. Immaterial adjustment of comparative figures.

Immaterial inventory balances which were held by subcontractors were set off from supplier's balances and were not part of the inventory item. According to these financial statements, the company adjusted the comparative figures so that the remaining inventory held by subcontractors was reclassified into the inventory item. The adjustment above had no impact on the total equity of the company nor on the comprehensive income (loss) to the comparison periods.

D. Convenience translation in EURO

For the convenience of the reader, the NIS amounts for the last reported period have been translated into EURO by dividing each NIS amount by the representative rate of exchange of the EURO as at September 30, 2014 (EURO 1 = NIS 4.6486).
The translated EURO amounts presented in these financial statements should not be construed as representing amounts receivable or payable in EURO unless otherwise indicated.

<u>Chapter D - Statements by the CEO and CFO of the Corporation for the Third Quarter of 2014</u>

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 third quarter of 2014 ("the Report").

2. To the best of my knowledge, the report is free of any misrepresentation of material fact and is not lacking any representation of material fact required for the representations made there in, under the circumstances in which they were made, to not be misleading in reference to the period covered by the report.

3. To the best of my knowledge, the financial statements and other financial information included in the report properly reflect, in all material aspects, the financial standing, operating results and cash flows of the corporation as of the dates and for the periods to which the report refers.

4. I have disclosed to the corporation's Independent Auditor, the Board of Directors and the Audit Committee of the corporation's Board of Directors, any fraud, whether material or not, involving the CEO or any direct report of the CEO, or involving any other employees that have a significant role in the financial reporting and in disclosure and control over financial reporting.

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

November 25, 2014

____

HAIM SHANI, CEO

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

I, GABRIEL 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 third quarter of 2014 (hereinafter - "the Report" or “the Interim Reports”).

2. To the best of my knowledge, the interim financial statements and the other financial information included in the interim reports are free of any mis-representation of material fact and is not lacking any representation of material fact required for the representations made there in, under the circumstances in which they were made, to not be misleading in reference to the period covered by the report.

3. To the best of my knowledge, the interim financial statements and the other financial information included in the interim reports properly reflect, in all material aspects, the financial standing, operating results and cash flows of the corporation as of the dates and for the periods to which the report refers.

4. I have disclosed to the corporation's Independent Auditor, the Board of Directors and the Audit Committee of the corporation's Board of Directors, any fraud, whether material or not, involving the CEO or any direct report of the CEO, or involving any other employees that have a significant role in the financial reporting and in disclosure and control over financial reporting.

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

November 25, 2014

____

GAVRIEL BADUSA, CFO

UNITRONICS (1989) (R"G) LTD.

PRESS RELEASE

Airport City, Israel,

November 25, 2014

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

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

Corporation's Liabilities Status Report by Dates of Payment

Airport City, Israel – November 25, 2014 - 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: September 30th, for the year: 2014.
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	42,387	4,000						7,438	53,825
Second Year	6,761	4,000						4,461	15,222
Third Year	6,761	2,000						3,864	12,625
Fourth Year	11,088	2,000						3,266	16,354
Fifth Year and So On	22,718	28,000						7,143	57,861
Total	**89,715**	**40,000**						**26,172**	**155,887**

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			1,746	403				207	2,356
Second Year			816	403				165	1,384
Third Year			816	403				133	1,352
Fourth Year			495	101				104	700
Fifth Year and So On			2,615	-				329	2,944
Total			**6,488**	**1,310**				**938**	**8,736**

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	42,387	4,000	1,746	403				7,645	56,181
Second Year	6,761	4,000	816	403				4,626	16,606
Third Year	6,761	2,000	816	403				3,997	13,977
Fourth Year	11,088	2,000	495	101				3,370	17,054
Fifth Year and So On	22,718	28,000	2,615	-				7,472	60,805
Total	**89,715**	**40,000**	**6,488**	**1,310**				**27,110**	**164,623**

F. External balance credit exposure ("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									

G. External balance credit exposure of all consolidated companies, excluding companies which are reporting companies and excluding the reporting Corporation's data included in table F 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									

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									

1. 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.
2. 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.
3. 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.

I. (1) Cash and cash equivalents, marketable securities and short term deposits ("Solo" report) (in NIS thousands):97,035
(2) Cash and cash equivalents, marketable securities and short term deposits of all consolidated companies (in NIS thousands):105,427
(*) Pledged cash is excluded.

Respectfully,

Unitronics (1989) (R"G) Ltd.