



Unitronics (1989) (RG) Ltd.

Quarterly Report as of September 30, 2023

On January 1, 2023, the Company announced that it had ceased to be a "small corporation" as such term is defined in the regulations in accordance with Regulation 5E (C) of the Regulations. The Company announced that it intends to continue to report in accordance with Regulation 5D of the Regulations and to implement the reliefs provided to "small corporations" (with the exception of the relief which permits publishing only semi-annual financial reports, which the Company intends to continue to avoid implementing, and it intends to continue publishing quarterly financial reports as was the case in the past) up to and including the Quarterly Report of the Company for the period ending September 30, 2023. For further details, see the Immediate Report of the Company of January 1, 2023 (reference number: 2023-01-000381), which is hereby incorporated by way of reference.

Table of Contents

<u>Chapter / Section</u>	<u>Content</u>	<u>Page</u>
Chapter A	Introduction	3
1.1	General	3
1.2	Description of the Company and its Business Environment	3-4
1.3	Material Events During the Report Period and in the Period Until its Publication	4-8
Chapter B	Board of Directors' Report	8
2.1	The Financial Status	9-14
2.2	Liquidity and Financing Sources	15-16
2.3	Details required in accordance with Regulation 8B (I) of the Regulations	17
2.4	Quarterly Report Regarding the Balance of the Company's Liabilities according to its Repayment Schedule	18
Chapter C	Condensed Consolidated Interim Financial Statements as of September 30, 2023 (Unaudited)	19
3.1	Review Report	21
3.2	Condensed Consolidated Interim Statements of Financial Position	22-23
3.3	Condensed Consolidated Interim Statement of Profit and Loss	24
3.4	Condensed Consolidated Interim Statements of Comprehensive Profit	25
3.5	Condensed Consolidated Interim Statements of Changes in Equity	26-28
3.6	Condensed Consolidated Interim Statements of Cash Flows	29-31
3.7	Notes to Condensed Consolidated Interim Financial Statements	32-37
Chapter D	Statements of the CEO and CFO of the Company	38-40

1. Chapter A – Introduction

1.1. General

Company name:	Unitronics (1989) (RG) Ltd. (Hereinafter: the " Company " or " Unitronics ")
Company number:	520044199
Address:	Unitronics House, 3, Arava St., Airport City, POB 300, Israel 70100
Email address:	riki@unitronics.com
Telephone:	03 977 8888
Facsimile:	03 977 8877
Period of the Report:	The nine and three-month period ended on September 30, 2023
Date of the Report:	September 30, 2023

In accordance with Regulation 39A of the Regulations, the following review is limited in scope and only relates to material changes and developments in the Company's affairs during the report period and it is prepared under the assumption that the reader also has access to the Board of Directors' report for December 31, 2022, as published on March 28, 2023 (reference number: 2023-01-032883). The above reference is cited as inclusion by way of reference ("**2022 Periodic Report**"). At the same time, in some cases, for the purpose of providing an overall picture, the Company has included a more detailed description than is actually required, which incorporates information which, in its opinion, is not necessary material.

1.2. Description of the Company and its Business Environment

The company deals in the design, development, manufacturing, marketing, sales and support of programmable logic controllers (PLC) (hereinafter: the "**Controllers**"). Controllers are computer-based electronic products (hardware and software) used to control and monitor machines which perform automated operations, such as manufacturing systems and other automated installations in various sectors. The company has expanded its product line and has also started marketing and selling propulsion controllers (VFD and Servo systems) designed to interface in an integrative and simple manner with the Controllers of the company. During 2021 the company launched a new integrative platform for cloud services (SaaS). The platform is designed to allow any customer to connect the controllers of the Company to an environment based on a cloud computing infrastructure, transfer data securely and create business dashboards (BI). In this new service, the emphasis is also on the added value which is reflected in the simplicity and ease of application and full integration with the remainder of the products of the company,

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

The Company's PLCs and services are marketed and sold through the Company's internal sales and marketing system via subsidiaries in the United States and Germany, as well as through a network of distributors that includes approximately 190 distributors, of which approximately 110 are in the US and North America and the remainder in approximately seventy countries (including Israel) throughout Europe, Asia, South and Central America and Africa.

The Company mainly operates from office and industrial buildings located at Airport City near the David Ben Gurion Airport. For further details, see Section 1.12 in Chapter A of the Company's 2022 Periodic Report.

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

1.3.1. Consequences of a global shortage of electronic components

The Company is exposed to the effects and risks associated with the global shortage of electronic components. Since the end of 2020 there has been a worldwide shortage of electronic components which is affecting the entire electronics industry. To the best knowledge of the Company, the shortage of electronic components is due to several reasons, including: a decrease in supply due to the Corona crisis, during which many workers stayed at home thereby impairing the production lines, and on the other hand, increased demand for electronic component-based products during the Corona crisis, which was reflected in large-scale chip orders.

From the end of year 2022, there was an improvement in the availability of components that continued in the last months as well, and in light of this, the delivery times of components were shortened compared to the delivery times at the peak of the shortage. As long as this trend continues in the coming months, according to the company's estimation, a return to the availability and regular supply of components is expected, although as of the publication date of this report, there is no clear forecast for the end of the global shortage of electronic components.

As a result of the alleviation of the shortage in the components market and the company's preparations, the delivery times of the orders to the company's customers began to shorten compared to the delivery times to the customers at the peak of the shortage. In light of this, the company does not anticipate significant cancellations of orders as a result of the current order delivery times to the company's customers.

Furthermore, due to the consequences of the global shortage of electronic components on the ability of the Company to supply part of the products of the Company to its customers, the Board of Directors of the Company decided to currently include in this report the following data in respect of the backlog in the orders of the Company:

Backlog of orders as of September 30, 2023	Backlog of orders as of September 30, 2022	Backlog of orders as of December 31, 2022
76,743	88,020	84,784

1.3.2. **The "Swords of Iron" war**

On October 7, 2023, the "Swords of Iron" war ("the war") broke out in Israel following a surprise attack on Israel, which continues until today. As of the date of the report, the war had significant effects on the Israeli economy, among other things, in light of the extensive recruitment of military forces and the closing businesses especially in the combat zone.

During the period of the fighting and as of the date of the report, all of the company's systems work regularly and there is no material direct effect of the war on the company's operation.

The company does not anticipate that the events of the war will have a substantial impact on its business activities, but there is no certainty that this will indeed be the case if and as the war escalates or develops into additional battlefronts.

1.3.3. **The impact of inflation and the increase in interest rates**

Further to the aforesaid in section 1.21 (risk factors) of Chapter A (Description of the Business of the Company) in the 2022 Periodic Report, as of the date of the report, the Company is monitoring and examining the consequences that may arise in the market as a result of the increase in the consumer price index and the interest rate.

In this regard, starting in 2021 there has been an increase in inflation rates in Israel and in the world. In 2021, the consumer price index in Israel increased by approximately 2.8% (compared to a decrease of 0.7% in the previous year), and in 2022 the trend strengthened and an increase in the index was at a rate of 5.3%. Since the beginning of the year, the consumer price index has recorded another increase of about 2.2%. Concurrent with the global increase in prices, central banks in the world decided to raise interest rates in order to curb the price increases. Starting in April 2022, the Bank of Israel decided to raise the interest rate in Israel, which as of the date of publication of the report stands at 4.75% compared to 0.1% at the beginning of 2022.

In accordance with the forecast of the Research Division of the Bank of Israel, the inflation rate in the next four quarters ending in the third quarter of 2024 is forecasted to be 2.9%. Furthermore, in accordance with the forecast, the monetary interest rate is expected to be 4% or 4.25% in the third quarter of 2024.

Concurrent therewith, the Company estimates that the effect of the continued increase in the consumer price index as well as the increase in interest rates are not expected to directly affect the results of its operations in light of the liabilities and cost structure of the Company.

The Company's assessments of the impact of "Swords of Iron" war, the inflation and the increase in the interest rate as well as the global shortage of electronic components and the impact of these factors on the operations of the Company constitute forward-looking information, as defined in the Securities Law, 1968, which is based, inter alia, on the Company's estimates as of the date of publication of this report with respect to factors outside its control. The Company's assessments are based on information that is currently held by the Company, on publications on this subject and on relevant government directives, and which are not certain to materialize, in whole or in part, and which may materialize substantially differently, due to factors outside the Company's control.

- 1.3.4. On August 22, 2023, the Board of Directors of the Company decided to distribute a dividend to the shareholders of the Company in the amount of approximately NIS 2.0619425 for each ordinary share of the Company, and a total of NIS 28.5 million. The dividend distribution was examined by the Board of Directors of the Company in accordance with the distribution tests specified in the Companies Law, 1999, in accordance with the assessment of the Board of Directors of the Company with regard to the ability of the Company to comply with the current and future liabilities thereof, taking into account the projected cash flow of the Company, the operations of the Company, the cash reserve thereof, the strategy and intentions of the Company in the future and the situation thereof from time to time. On August 30, 2023, the company announced an update of the final dividend amount per share following of exercise of employees options to a total of NIS 2.0560376 per share. For further details of the distribution of the dividend, including details of the examination conducted by the Board of Directors of the Company when deciding on the distribution in connection with the compliance of the Company with the profit test and the solvency test specified in section 302 (a) of the Companies Law, 1999, see the Immediate Report of the Company Dated August 30, 2023 (reference no. 2023-01-100704) regarding the distribution of cash dividends to securities (T81). The aforesaid reference is included herein by way of reference.
- 1.3.5. On May 25, 2023, the company announced that Arbitrage Value Hedge Fund Ltd. ceased to have an interest in the company. For more details, see the company's immediate report dated May 25, 2023 (reference number: 2023-01-069198). The aforesaid constitutes a generalization by way of reference.
- 1.3.6. On May 30, 2023, the Board of Directors of the Company decided to distribute a dividend to the shareholders of the Company in the amount of approximately NIS 0.724 for each ordinary share of the Company, and a total of NIS 10 million. The dividend distribution was examined by the Board of Directors of the Company in accordance with the distribution tests specified in the Companies Law, 1999, in accordance with the assessment of the Board of Directors of the Company with regard to the ability of the Company to comply with the current and future liabilities thereof, taking into account the projected cash flow of the Company, the operations of the Company, the cash reserve thereof, the strategy and intentions of the Company in the future and the situation thereof from time to time. For further details of the distribution of the dividend,

including details of the examination conducted by the Board of Directors of the Company when deciding on the distribution in connection with the compliance of the Company with the profit test and the solvency test specified in section 302 (a) of the Companies Law, 1999, see the Immediate Report of the Company Dated May 31, 2023 (reference no. 2023-01-058653) regarding the distribution of cash dividends to securities (T81). The aforesaid reference is included herein by way of reference.

- 1.3.7. On May 30, 2023, the company's board of directors, after the approval of the balance sheet, audit and compensation committee on May 24, 2023, approved the renewal of the company's directors and officers liability insurance policy for a period of 12 months starting from June 1, 2023 until May 31, 2024, in accordance with the provisions of regulations 1b(5)) and 1b1 of the company regulations (facilitation of transactions with interested parties), 2000 (hereinafter: "the facilitation regulations") and in accordance with the company's compensation policy, regarding all directors and officers of the company (those who do not have control of the company as well as those who have control The main terms of the policy are as follows: insurance coverage for one incident and in total for the damages that may occur during the insurance period in the amount of 7,500,000 dollars (seven million and five hundred thousand US dollars) (and other reasonable legal defense expenses in Israel and abroad) , the company's deductible in the amount of \$10,000 except for claims filed in the USA and Canada as well as securities related claims, where the company's deductible will be \$50,000 per case.

For more details, see the company's immediate report on a transaction with a controlling shareholder that does not require the approval of a general meeting according to the relief regulations (T. 136) dated May 31, 2023 (reference number: 2023-01-058665). Said mention is included by way of reference.

- 1.3.8. On April 4, 2023, the Company announced the convening of a special annual general meeting of the Company's shareholders the agenda of which is as follows: (a) Presentation and discussion of the 2021 Periodic Report of the Company; (b) reappointment of the auditors of the Company and the authorization of the Board of Directors of the Company to determine the salary thereof; (c) the reappointment of the directors serving in the Company (who are not external directors); (d) Approval of a lease agreement from a company controlled by Mr. Haim Shani (active chairman of the company's board of directors and jointly controlling it with the Fimi Fund) and Ms. Barkat Shani, Mr. Shani's wife, for a period of three years starting from the date of the approval of the meeting; (e) Approval of an engagement with PCB Technologies Ltd. ("PCB") and a subsidiary of PCB, companies controlled by the Fimi Foundation, which jointly controls the company with Mr. Haim Shani, for a period of three years starting from the date of approval the assembly; (f) the re-approval of the terms of service of Mr. Amit Harari, the CEO of the company.

On May 15, 2023, the Company announced the results of the annual and special general meeting in according with which all the resolutions on the agenda of the meeting were approved by the required majority. For further details, see the Immediate Reports of the Company of April 4, 2022 and May 15, 2023 (reference numbers: 2023-01-038949 and 2023-01-051990, respectively). The aforesaid constitutes a generalization by way of reference.

- 1.3.9. During the reporting period, the Company received from a foreign insurance company a letter of release from indemnity agreements, which were signed in order to setup a framework of surety bonds to secure the obligations of Utron Systems Inc., a related company of the Utron Group. The framework in use which was guaranteed by the Company proximate to the date of receipt of the letter of release totaled approximately USD 25 million. The consideration for the removal from the indemnity agreements totaled approximately NIS 462 thousand.
- 1.3.10. During the reporting period, confirmation was received from a banking corporation of the cancellation of the obligations of the Company to the banking corporation for compliance with the financial covenants as well as receipt of the consent of the banking corporation to distribute a dividend to the shareholders.

Chapter B – Board of Directors' Report

2.1 The Financial Status

2.1.1 Balance sheet

	As of September 30		As of December 31	The Board of Directors' explanations of the material changes in the Balance Sheets compared to December 31, 2022
	2023	2022	2022	
	NIS thousands			
Current assets	86,102	79,880	93,135	A decrease of approximately NIS 7 million in the total current assets is mainly due to a decrease in trade receivables balances amounting to approximately NIS 7.1 million, balances of other receivables and related companies of approximately NIS 6.6 million and a decrease in cash balances in the amount of approximately NIS 2 million. The aforesaid decrease was partially offset by an increase in inventory in the total amount of approximately NIS 8.6 million (as part of the continuation of the Company handling of the global shortage of electronic components and the increase of the backlog of orders and in light of the increase in the Company's activity).
Non-current assets	60,896	59,522	59,488	An increase of approximately NIS 1.4 million is mainly due to an increase in right-of-use assets of NIS 1.9 million due to the increase in the leased area of Unitronics Building.
Total assets	146,998	139,402	152,623	
Current liabilities	59,375	51,833	58,150	An increase of approximately NIS 1.2 million is mainly due to an increase in other payables balance (including an accrual for taxes on income) of approximately NIS 5.8 million and an increase in suppliers and service providers balance of approximately NIS 1.2 million. The increase is partially

	As of September 30		As of December 31	The Board of Directors' explanations of the material changes in the Balance Sheets compared to December 31, 2022
	2023	2022	2022	
	NIS thousands			
				offset by the decrease of related company balance in the amount of NIS 5.5 million.
Non-current liabilities	16,507	17,675	17,840	A decrease of approximately NIS 1.3 million mainly due to a decrease in the value of the obligation regarding option warrants of approximately NIS 2.4 million and a decrease in the balance of loans from banks of approximately NIS 0.7 million, which was partially offset by an increase in the balance of obligations regarding long term leases of approximately NIS 1.6 million (increase in the leased area of Unitronics Building).
Equity attributable to the Company's shareholders	71,116	69,894	76,633	A decrease of approximately NIS 5.6 million in the equity of the Company as of September 30, 2023, mainly due to a profit in the period in the amount of approximately NIS 31.7 million offset by a dividend distributed in the amount of NIS 38.5 million.
Total liabilities and equity	146,998	139,402	152,623	

The Company's working capital as of September 30, 2023, September 30, 2022 and December 31, 2022 amounted to approximately NIS 26,727, NIS 28,047 and NIS 34,985 respectively.

2.1.2 Operating results

	For the nine-month period that ended on September 30th		For a period of three months that ended on September 30th		As of December 31	The Board of Directors' explanations of the material changes compared with the corresponding period last year
	2023	2022	2023	2022	2022	
	NIS thousands					
Revenues	159,315	107,956	54,870	34,308	155,520	The revenues of the Company increased by approximately NIS 51.3 million, a rate of 48%, in the nine-month period ended on September 30, 2023 compared with the corresponding period last year, mainly due to an increase in demand and sales of the products of the Company (mainly in the target countries of the Company), and in addition due to the weakening of the Shekel in relation to the Dollar and the Euro.
Cost of revenues	89,169	57,705	27,041	18,323	83,434	
Gross profit (gross profit margin)	79,146 (49.7%)	50,251 (46.5%)	27,829 (50.7%)	15,985 (46.6%)	72,086 (46.4%)	The gross profit increased in the nine-month period ended on September 30, 2023, compared with the corresponding period last year by an amount of NIS 28.9 million, while improving the gross profit ratio relative to the revenues. The improvement in the gross

	For the nine-month period that ended on September 30th		For a period of three months that ended on September 30th		As of December 31	The Board of Directors' explanations of the material changes compared with the corresponding period last year
	2023	2022	2023	2022	2022	
	NIS thousands					
						profit rate is mainly due to costs of a fixed nature, whose proportion of revenues decreased with the increase in activity and sales.
Development expenses	3,325	2,757	1,197	776	3,436	
Sales and marketing expenses	25,860	20,016	8,767	6,370	29,038	An increase in sales and marketing expenses in the nine-month period ended on September 30, 2023, compared with the corresponding period last year of approximately NIS 5.8 million, mainly due to the expansion of the sales teams of the Company as well as an increase in variable expenses in light of the increase in sales.
General and administrative expenses	10,978	9,646	3,790	3,260	13,219	An increase in general and administrative expenses in the nine-month period ended on September 30, 2023, compared to the corresponding period last year of approximately NIS 1.3 million mainly due to an increase in salary and professional consulting expenses.

	For the nine-month period that ended on September 30th		For a period of three months that ended on September 30th		As of December 31	The Board of Directors' explanations of the material changes compared with the corresponding period last year
	2023	2022	2023	2022	2022	
	NIS thousands					
Profit from ordinary activities	38,983	17,832	14,075	5,579	26,393	
Financing income (expenses), net	(1,136)	76	22	(549)	321	The net financing expenses in the nine-month period ended on September 30, 2023 totaled approximately NIS 1.2 million which is mainly attributed to the loss and the revaluation of foreign exchange hedging transactions, and to payment for release from an indemnity agreement with a foreign insurance company, offset by financing income from exchange rate differences.
Income (loss) from revaluation of warrants for share options	2,376	(2,436)	4,338	(1,211)	(3,336)	Financing income from revaluation of the warrants for share options of approximately NIS 2.4 million according to a valuation (see section 2.3 below).
Profit before taxes	40,223	15,472	18,435	3,819	23,378	
Taxes on income	8,485	3,129	4,829	1,695	4,517	An increase in taxes on income expenses during the reporting period of approximately NIS 5.4 million is mainly due to the

	For the nine-month period that ended on September 30th		For a period of three months that ended on September 30th		As of December 31	The Board of Directors' explanations of the material changes compared with the corresponding period last year
	2023	2022	2023	2022	2022	
	NIS thousands					
						increase in profit for the period, for which the company created a provision for current taxes as well as tax expenses in respect of dividends distributed during the reporting period.
Profit for the period	31,738	12,343	13,606	2,124	18,861	

2.2 Liquidity and Financing Sources

2.2.1 The balance of cash and cash equivalents as of September 30, 2023, September 30, 2022 and December 31, 2022 amounted to approximately NIS 4,942 thousand, approximately NIS 4,747 thousand and approximately NIS 6,937 thousand, respectively. Below are explanations regarding the changes in cash flows:

	For the nine-month period that ended on September 30th		For a period of three months that ended on September 30th		As of December 31	The Board of Directors' explanations
	2023	2022	2023	2022	2022	
	NIS thousands					
Cash flow from operating activities	46,145	12,860	18,281	901	18,677	<p>The cash flows from current operations amounted to approximately NIS 46.1 million and are due to the profit from current operations of the Company which totaled approximately NIS 31.7 million, plus the necessary adjustments for presenting the cash flow from current operations in the amount of NIS 14.4 million. These adjustments include:</p> <p>1. Positive adjustment as a result of working capital items changes in the amount of approximately NIS 7.2 million (mainly due to a decrease in trade receivables and other receivables balances, and due to an increase in the balance of suppliers and service providers and other payables in a total amount of approximately NIS 17.1 million, which was offset mainly by an increase in inventory balances of approximately NIS 8.2 million).</p>

	For the nine-month period that ended on September 30th		For a period of three months that ended on September 30th		As of December 31	The Board of Directors' explanations
	2023	2022	2023	2022	2022	
	NIS thousands					
						2. Income and expenses not involving cash flows amounting to NIS 7.2 million (mainly depreciation and amortization in the amount of approximately NIS 9.2 million, partly offset by an income from the revaluation of option warrants in the amount of approximately NIS 2.4 million).
Cash flow from investment activities	(6,962)	(7,791)	(2,587)	(2,548)	(10,504)	The cash flows used for investment activities during the reporting period amounted to approximately NIS 7 million and were mainly used for investments in development assets.
Cash flow from financing activities	(41,695)	(28,823)	(29,677)	(15,969)	(29,784)	The cash flows used for financing activities during the reporting period totaled approximately NIS 41.7 million, which were mainly used to pay a dividend of NIS 38.5 million, as well as for current repayment of loans from a banking corporation and repayment of lease liabilities.

As of September 30, 2023, the Company's unutilized credit lines for operating activities amounted to NIS 5,400 thousand. From time to time, the Company turns to financial institutions to take out lines of credit according to its needs.

2.3 Required details in accordance with Regulation 8B (I) of the Regulations

Name of the valuation subject	The fair value mechanism for adjusting the prices of a liability in respect of option warrants
Valuation date	September 30, 2023
Subject valuation	NIS 6,982,015
Appraiser	CPA Shai Fulbernis, holds a B.A degree in economics, specializing in accounting from Ben Gurion University. Holds an Israeli CPA license. CEO of Fulbernis Barkat Ben Yehuda since 2007.
Experience in performing valuations for accounting requirements in reporting corporations and with scopes similar to those of the reported valuation or exceeding these scopes	In-depth experience of 16.5 years in the field of valuations and financial consulting in similar or larger scopes.
Dependence on the Company	There is no dependence on the Company
Providing indemnity for the appraiser	The Company undertakes to indemnify the appraiser in connection with any compensation, which exceeds three times the amount of the fee paid by the Company to the appraiser for the opinion, in which the appraiser will be liable to a third party and/or the Company in connection with the opinion, including, all expenses that will be required for legal representation, including opinions of consultants and experts. These expenses will be transferred to the valuation appraiser within 30 days of the notification thereof to the Company by the appraiser.
Valuation model	Monte Carlo
Underlying assumptions in accordance with which the appraiser performed the appraisal	Unitronics standard deviation 32.09%, Utron standard deviation 60.75%, risk-free interest rate 4.34%, life cycle 7 month, Unitronics base asset NIS 31.01, Utron base asset NIS 3.85.
Impact on profit and loss	Financing income in the total amount of NIS 2,376 thousand for the nine-month period ended September 30, 2023.

2.4 Quarterly Report with regard to the list of undertakings by repayment dates

For details regarding the Company's liabilities by repayment dates as of September 30, 2023, see the report on the Balance of the Company's Liabilities According to its Repayment Schedule, which is published concurrently with this report and is included herein by way of reference.

Amit Ben-Zvi
Joint Active Chairman of the
Board of Directors

Haim Shani
Active Chairman of the
Board of Directors

Amit Harari
CEO

Date: November 26, 2023

UNITRONICS (1989) (R"G) LTD
Condensed Consolidated Financial
Statements
September 30, 2023
(Unaudited)

Unitronics (1989) (R"G) Ltd
Condensed Consolidated Interim Financial Statements
September 30, 2023

(Unaudited)

Table of contents

	<u>Page</u>
Audit report	21
Condensed Consolidated Interim Statements of Financial Position	22-23
Condensed Consolidated Interim Statements of Profit or Loss	24
Condensed Consolidated Interim Statements of Comprehensive Income	25
Condensed Consolidated Interim Statements of Changes in Equity	26-28
Condensed Consolidated Interim Statements of Cash Flows	29-31
Notes to the Condensed Consolidated Interim Financial Statements	32-37

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

Introduction

We have reviewed the accompanying statements of financial position of Unitronics (1989) (R"G) Ltd. (hereinafter – "the Company") which includes the condensed consolidated statements of financial position as of September 30, 2023 and the interim condensed consolidated statements of profit or loss and the comprehensive income, changes in equity and cash flows for the nine and three month period then ended. The Board of Directors and the management are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standards IAS 34 "Financial Reporting for Interim Periods, and are also responsible for the preparation of financial information for this interim period in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion on the financial information for this interim period based on our review.

Scope of Review

We conducted our review in accordance with Review Standard (Israel) 2410 of the Institute of Certified Public Accountants in Israel, "Review of Financial Information for Interim Periods Prepared by the Entity's Auditor." A review of interim financial information includes making inquiries, particularly with the people responsible for financial and accounting matters, and performing analytic and other review procedures. A review is significantly limited in scope in comparison to an audit conducted in accordance with generally accepted accounting standards in Israel, and therefore does not allow us to reach an assurance that we have become aware of all material issues which may have been identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention which would lead us to believe that the aforementioned financial information was not prepared, in all material respects, in accordance with IAS 34.

In addition to previous paragraph, based on our review, nothing has come to our attention which would lead us to believe that the above financial information does not comply, in all material respects, with the disclosure requirements set forth in Section D of the Securities Regulations (Periodic and Immediate Reports), 1970.

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

Tel Aviv, November 26 , 2023



Tel Aviv +972-3-6386868	Jerusalem +972-2-6546200	Haifa +972-4-8680600	Beer Sheva +972-77-7784100	Bene Berak +972-73-7145300	Kiryat Shmona +972-77-5054906	Petach Tikva +972-77-7784180	Modiin Ilit +972-8-9744111
-----------------------------------	------------------------------------	--------------------------------	--------------------------------------	--------------------------------------	-----------------------------------------	----------------------------------------	--------------------------------------

Head Office Amot Bituach House 48 Derech Menachem Begin Rd. Tel Aviv 6618001 **Email** bdo@bdo.co.il **Our Site** www.bdo.co.il

BDO Israel, an Israeli partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. BDO is the brand name for the BDO network and for each of the BDO Member Firms

Unitronics (1989) (R”G) Ltd.

Condensed Consolidated Interim Statements of Financial Position

	<u>As of September 30</u>		<u>As of</u> <u>December 31</u>
	<u>2023</u>	<u>2022</u>	<u>2022</u>
	<u>(Unaudited)</u>		<u>(Audited)</u>
	<u>NIS (thousands)</u>		
<u>Current assets</u>			
Cash	4,942	4,747	6,937
Trade receivables, net	25,309	22,642	32,379
Other receivables	2,796	5,963	5,828
Related companies	5,145	8,707	8,711
Inventories	47,910	37,821	39,280
	<u>86,102</u>	<u>79,880</u>	<u>93,135</u>
<u>Non-current assets</u>			
Rights-of-use assets	16,770	15,366	14,920
Other deposits	133	138	129
Property and equipment, net	2,197	2,219	2,376
Intangible assets, net	41,796	41,799	42,063
	<u>60,869</u>	<u>59,522</u>	<u>59,488</u>
	<u>146,998</u>	<u>139,402</u>	<u>152,263</u>

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

Amit Harari
CEO

Itzik Hai
CFO

Date of approval of the financial statements: November 26, 2023

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

Unitronics (1989) (R”G) Ltd.

Condensed Consolidated Interim Statements of Financial Position

		<u>As of September 30</u>		<u>As of December 31</u>
	<u>Note</u>	<u>2023</u>	<u>2022</u>	<u>2022</u>
		<u>(Unaudited)</u>		<u>(Audited)</u>
		<u>NIS (thousands)</u>		
<u>Current liabilities</u>				
Current maturities of loans from bank		1,338	2,303	2,313
Trade payables		30,533	25,788	29,302
Related company		246	5,675	5,788
Lease liabilities		2,292	1,606	1,601
Other payables		24,966	16,461	19,146
		<u>59,375</u>	<u>51,833</u>	<u>58,150</u>
<u>Non-current liabilities</u>				
Loans from bank		253	1,496	969
Employee benefit liabilities, net		1,876	1,929	1,653
Lease liabilities		2,818	1,490	1,179
Warrants for share options	3	6,982	8,458	9,358
Deferred tax liability		4,578	4,302	4,681
		<u>16,507</u>	<u>17,675</u>	<u>17,840</u>
<u>Equity</u>				
Share capital		429	428	428
Additional paid-in capital		64,179	63,910	63,936
Capital reserve from translation of financial statements of foreign operations		(963)	(2,047)	(2,085)
Share based payments reserve		748	849	867
Treasury shares		(7,042)	(7,042)	(7,042)
Reserve from a transaction with a controlling shareholder		104	104	104
Retained earnings		13,661	13,692	20,425
		<u>71,116</u>	<u>69,894</u>	<u>76,633</u>
		<u>146,998</u>	<u>139,402</u>	<u>152,623</u>

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

Unitronics (1989) (R”G) Ltd.

Condensed Consolidated Interim Statements of Profit or Loss

	Note	For the nine-month period ended on		For the three-month period ended on		For the year ended
		September		September		December
		30		30		31
		2023	2022	2023	2022	2022
		(Unaudited)		(Unaudited)		(Audited)
		NIS (thousands)				
Revenues	4	159,315	107,956	54,870	34,308	155,520
Cost of revenues		<u>80,169</u>	<u>57,705</u>	<u>27,041</u>	<u>18,323</u>	<u>83,434</u>
Gross profit		79,146	50,251	27,829	15,985	72,086
Development expenses		3,325	2,757	1,197	776	3,436
Sales and marketing expenses		25,860	20,016	8,767	6,370	29,038
General and administrative expenses		<u>10,978</u>	<u>9,646</u>	<u>3,790</u>	<u>3,260</u>	<u>13,219</u>
Operating income		38,983	17,832	14,075	5,579	26,393
Finance incomes		816	429	200	-	963
Finance expenses		1,952	353 *	178	549 *	642 *
Income (loss) from revaluation of warrants for share options	3	<u>2,376</u>	<u>(2,436) *</u>	<u>4,338</u>	<u>(1,211) *</u>	<u>(3,336) *</u>
Income before taxes on income		40,223	15,472	18,435	3,819	23,378
Income taxes		<u>8,485</u>	<u>3,129</u>	<u>4,829</u>	<u>1,695</u>	<u>4,517</u>
Net income for the period		<u>31,738</u>	<u>12,343</u>	<u>13,606</u>	<u>2,124</u>	<u>18,861</u>
Basic earnings per share in NIS		<u>2.297</u>	<u>0.894</u>	<u>0.983</u>	<u>0.154</u>	<u>1.367</u>
Diluted earnings per share in NIS		<u>2.052</u>	<u>0.889</u>	<u>0.677</u>	<u>0.153</u>	<u>1.355</u>

(*) reclassified

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

Unitronics (1989) (R”G) Ltd.

Condensed Consolidated Interim Statements of Comprehensive Income

	For the nine-month period ended on		For the three-month period ended on		For the year ended
	September		September		December
	30		30		31
	2023	2022	2023	2022	2022
	(Unaudited)		(Unaudited)		(Audited)
	<u>NIS (thousands)</u>				
Profit for the period	31,738	12,343	13,606	2,124	18,861
<u>Other comprehensive income</u> <u>(net of tax)</u>					
<u>Amounts that will not</u> <u>subsequently be reclassified to</u> <u>profit or loss:</u>					
Profits from revaluation in respect of defined benefit plans	-	-	-	-	215
<u>Amounts that will be</u> <u>reclassified to profit or loss if</u> <u>certain conditions are fulfilled:</u>					
Adjustments arising from translation of financial statements of foreign operations	1,122	1,213	460	130	1,175
Other comprehensive income for the period	1,122	1,213	460	130	1,390
Total comprehensive income for the period	32,860	13,556	14,066	2,254	20,251

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

Unitronics (1989) (R”G) Ltd.

Condensed Consolidated Interim Statements of Changes in Equity

	Share capital	Additional paid-in capital	Capital reserve from translation of financial statements of foreign operations	Share based payments reserve	Company shares held by the company	Reserve from a transaction with a controlling party	Retained earnings	Total
					<u>NIS thousands</u>			
					<u>(Unaudited)</u>			
<u>Balance as of January 1, 2023</u>	428	63,936	(2,085)	867	(7,042)	104	20,425	76,633
Profit for the period	-	-	-	-	-	-	31,738	31,738
Other comprehensive income for the period	-	-	1,122	-	-	-	-	1,122
Total comprehensive income for the period	-	-	1,122	-	-	-	31,738	32,860
Exercise of employee stock options	1	243	-	(244)	-	-	-	-
Dividend distribution	-	-	-	-	-	-	(38,502)	(38,502)
Stock-based compensation	-	-	-	125	-	-	-	125
<u>Balance as of September 30, 2023 (unaudited)</u>	<u>429</u>	<u>64,179</u>	<u>(963)</u>	<u>748</u>	<u>(7,042)</u>	<u>104</u>	<u>13,661</u>	<u>71,116</u>
<u>Balance as of January 1, 2022</u>	428	63,877	(3,260)	673	(7,042)	104	16,349	71,129
Profit for the period	-	-	-	-	-	-	12,343	12,343
Other comprehensive income for the period	-	-	1,213	-	-	-	-	1,213
Total comprehensive income for the period	-	-	1,213	-	-	-	12,343	13,556
Exercise of employee stock options	-	33	-	(33)	-	-	-	-
Dividend distribution	*	-	-	-	-	-	(15,000)	(15,000)
Stock-based compensation	-	-	-	209	-	-	-	209
<u>Balance as of September 30, 2022 (unaudited)</u>	<u>428</u>	<u>63,910</u>	<u>(2,047)</u>	<u>849</u>	<u>(7,042)</u>	<u>104</u>	<u>13,692</u>	<u>69,894</u>

(*) Lower than NIS 500

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

Unitronics (1989) (R"G) Ltd.

Condensed Consolidated Interim Statements of Changes in Equity

	Share capital	Addition al paid- in capital	Capital reserve from translation of financial statements of foreign operations	Share based payments reserve	Compan y shares held by the company	Reserve from a transaction with a controlling party	Retained earnings	Total
	NIS thousands							
	(Unaudited)							
<u>Balance as of July 1, 2023</u>	428	63,971	(1,423)	922	(7,042)	104	28,555	85,515
Profit for the period	-	-	-	-	-	-	13,606	13,606
Other comprehensive income for the period	-	-	460	-	-	-	-	460
Total comprehensive income for the period	-	-	460	-	-	-	13,606	14,066
Exercise of employee stock options	1	208	-	(209)	-	-	-	-
Dividend distribution	-	-	-	-	-	-	(28,500)	(28,500)
Stock-based compensation	-	-	-	35	-	-	-	35
<u>Balance as of September 30, 2023</u> <u>(unaudited)</u>	<u>429</u>	<u>64,179</u>	<u>(963)</u>	<u>748</u>	<u>(7,042)</u>	<u>104</u>	<u>13,661</u>	<u>71,116</u>
<u>Balance as of July 1, 2022</u>	428	63,910	(2,177)	788	(7,042)	104	26,568	82,579
Profit for the period	-	-	-	-	-	-	2,124	2,124
Other comprehensive income for the period	-	-	130	-	-	-	-	130
Total comprehensive income for the period	-	-	130	-	-	-	2,124	2,254
Stock-based compensation	-	-	-	61	-	-	-	61
Dividend distribution	-	-	-	-	-	-	(15,000)	(15,000)
<u>Balance as of September 30, 2022</u> <u>(unaudited)</u>	<u>428</u>	<u>63,910</u>	<u>(2,047)</u>	<u>849</u>	<u>(7,042)</u>	<u>104</u>	<u>13,692</u>	<u>69,894</u>

(*) Lower than NIS 500

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

Unitronics (1989) (R"G) Ltd.

Condensed Consolidated Interim Statements of Changes in Equity

	Share capital	Addition al paid- in capital	Capital reserve from translation of financial statements of foreign operations	Share based payments réserve	Company shares held by the company	Reserve from a transaction with a controlling party	Retained earnings	Total
	<u>NIS thousands</u>							
	<u>(Unaudited)</u>							
<u>Balance as of January 1, 2022</u>	428	63,877	(3,260)	673	(7,042)	104	16,349	71,129
Profit for the year	-	-	-	-	-	-	18,861	18,861
Other comprehensive income for the year	-	-	1,175	-	-	-	215	1,390
Total comprehensive income for the year	-	-	1,175	-	-	-	19,076	20,251
Stock-based compensation	-	-	-	253	-	-	-	253
Dividend distribution	-	-	-	-	-	-	(15,000)	(15,000)
Exercise of employee stock options	*	59	-	(59)	-	-	-	-
<u>Balance as of December 31,2022</u>	<u>428</u>	<u>63,936</u>	<u>(2,085)</u>	<u>867</u>	<u>(7,042)</u>	<u>104</u>	<u>20,425</u>	<u>76,633</u>

(*) Lower than NIS 500

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

Unitronics (1989) (R”G) Ltd.

Condensed Consolidated Interim Statements of Cash Flows

	For the nine-month period ended		For the three-month period ended		For the year ended
	On September 30		On September 30		December 31
	2023	2022	2023	2022	2022
	(Unaudited)		(Unaudited)		(Audited)
	NIS (thousands)				
<u>Cash flows – operating activities:</u>					
Profit for the period	31,738	12,343	13,606	2,124	18,861
Adjustments required to reconcile Net income to net cash provided by operating activities (Appendix A)	14,407	517	4,675	(1,223)	(184)
Net cash derived from operating activities	46,145	12,860	18,281	901	18,677
<u>Cash flows – investment activities:</u>					
Purchase of property and equipment	(313)	(542)	(212)	(100)	(893)
Investment in right-of-use assets	(60)	(156)	(60)	-	(167)
Investment in intangible assets	(6,589)	(7,093)	(2,315)	(2,448)	(9,444)
Net cash flows used in investing activities	(6,962)	(7,791)	(2,587)	(2,548)	(10,504)
<u>Cash flows – financing activities:</u>					
Repayment of long-term loans	(1,744)	(2,571)	(584)	(575)	(3,144)
Repayment of lease liabilities	(1,449)	(1,252)	(593)	(394)	(1,640)
Dividend distribution	(38,502)	(25,000)	(28,500)	(15,000)	(25,000)
Net cash used in financing activities	(41,695)	(28,823)	(29,677)	(15,969)	(29,784)
Effect of foreign exchange rate differences on cash balances	517	773	(66)	(465)	820
Change in cash and cash equivalents for the period	(1,995)	(22,981)	(14,049)	(18,081)	(20,791)
Cash and cash equivalent balance at beginning of the period	6,937	27,728	18,991	22,828	27,728
Cash balance at end of the period	4,942	4,747	4,942	4,747	6,937

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

Unitronics (1989) (R”G) Ltd.

Condensed Consolidated Interim Statements of Cash Flows

	For the nine-month period ended		For the three-month period ended		For the year ended
	On September 30		On September 30		December 31
	2023	2022	2023	2022	2022
	(Unaudited)		(Unaudited)		(Audited)
	NIS (thousands)				
<u>Appendix A</u>					
<u>Adjustments required to reconcile net income to net cash provided by operating activities</u>					
<u>Income and expenses not involving cash flows:</u>					
Depreciation and amortization	9,229	8,785	3,218	2,836	11,583
Stock-based compensation	125	209	35	61	253
Accrued severance pay, net	217	-	63	-	(29)
Revaluation of cash balances in foreign currency	(255)	(365)	36	265	(390)
Revaluation of long-term loans	53	8	5	(36)	64
Changes in deferred taxes	(103)	(123)	446	(225)	224
Revaluation of financial assets, net	141	(91)	(368)	(71)	19
Revaluation of warrants for share options	(2,376)	2,436	(4,338)	1,211	3,336
Accrued interest with leases	154	51	91	11	79
<u>Changes in operating assets and liabilities:</u>					
Decrease (increase) in trade receivables	8,172	(1,615)	1,683	1,146	(11,176)
Decrease (increase) in other receivables	3,171	(3,701)	1,455	(3,950)	(3,548)
Changes in related companies, net	(1,604)	(1,166)	(527)	174	(1,103)
Increase in inventories	(8,318)	(9,366)	(509)	(5,857)	(10,818)
Increase (decrease) in suppliers and service providers	1,172	5,749	(1,445)	1,391	9,263
Increase (decrease) in other payables	4,629	(294)	4,830	1,821	2,059
	<u>14,407</u>	<u>517</u>	<u>4,675</u>	<u>(1,223)</u>	<u>(184)</u>

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

Unitronics (1989) (R”G) Ltd.

Condensed Consolidated Interim Statements of Cash Flows

For the nine-month period ended		For the three-month period ended		For the year ended
On September 30		On September 30		December 31
2023	2022	2023	2022	2022
(Unaudited)		(Unaudited)		(Audited)
NIS (thousands)				

Appendix B - Additional information
on cash flows for current operations

Cash paid during the period for:

Interest	421	180	112	57	246
Taxes on income	6,350	1,668	1,329	536	2,262

Cash received during the year for:

Interest	74	-	57	-	-
----------	----	---	----	---	---

Appendix C – non-cash activities

New lease agreements	3,587	944	338	198	1,009
----------------------	-------	-----	-----	-----	-------

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

Unitronics (1989) (R”G) Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

Note 1 – General:

Unitronics (1989) (R”G) Ltd. (hereinafter - the "Company") is engaged in the design, development, production, marketing, sale and support of programmable logic controllers (PLC) and automation products.

The condensed interim financial statements are to be reviewed in conjunction with the annual financial statements of the Company as of December 31, 2022 and the accompanying notes (hereinafter - the "Consolidated Annual Financial Statements"). Therefore, no notes were provided in the condensed interim financial statements with regard to non-material updates relative to the information which has previously been reported in the notes in the most recent annual financial statements of the Company.

Note 2 – Main Points of the Accounting Policies

- A. The condensed interim financial statements are in conformity with the provisions of IAS 34 with regard to “Interim Financial Reporting”. In addition, the condensed interim financial statements are in accordance with the disclosure provisions pursuant to Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970
- B. The condensed interim financial statements were prepared in accordance with the same accounting policies and calculation methods which were applied in the annual financial statements of the Company as of December 31, 2022.

Note 3 –Financial instruments

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

The financial instruments presented in the Statement of Financial Position at fair value or disclosed at their fair value are classified according to groups with similar characteristics to the fair value hierarchy determined in accordance with the source of the data used to determine the fair value:

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

Level 2: Non-quoted prices included in Level 1 which can be forecasted directly or indirectly

Level 3: Data that is not based on market information which can be forecasted (assessment techniques without the use of market data which can be forecasted)

Academic agreements in foreign currency are measured in accordance with level 2.

Liability for options is measured in accordance with level 3.

Unitronics (1989) (R”G) Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

Note 3 – Financial instruments (continued)

A. Classification of financial instruments by fair value rating (continued)

Valuation techniques regarding fair value measurements classified to Level 3 - Liabilities in respect of share options

The fair value of the liability for option warrants, for which no quoted market price exists, is determined throughout the reporting period on the basis of the economic model used in an evaluation made by an external appraiser. Further to the foregoing in Note 26 D of the consolidated annual financial statements, entitlement to additional Company shares held by FIMI shall depend on the total consideration FIMI will receive from the sale of its holdings of the shares of the Company and the Utron shares, Given the number of variables affecting the value of the options, the "Monte Carlo" model is used.

The fair value of the price adjustment mechanism is the expected future value of the additional shares, which will be allotted to FIMI (to the extent they are allotted), discounted on the date of the calculation, where the number of shares that will be allotted to FIMI will be derived from the consideration FIMI will receive upon the sale/s of all the holdings of shares of the Company and the Utron shares (“FIMI shares”).

The future value of FIMI shares was estimated using the Monte Carlo model and was divided into two categories:

1. The branches where the aggregate value of the shares acquired is lower than 250% of FIMI’S purchase price for which FIMI is entitled to the allotment of additional shares.
2. The branches in which the aggregate value of the shares acquired is higher than 250% of FIMI'S purchase price for which FIMI is not entitled to the allotment of additional shares.

The future value of the additional shares was calculated by multiplying (a) the total shares that FIMI will receive by (b) the future value of the share and by (c) the probable future value of the share.

The fair value of the additional shares was calculated by discounting the future value by zero risk interest on the date of the calculation.

B. Adjustment between fair value measurements classified at level 3 in the fair value hierarchy of financial instruments

	Fair value or loss of financial liabilities				
	For the nine-month period ended		For the three-month period ended		For the year ended
	On September 30		On September 30		December 31
	2023	2022	2023	2022	2022
	(Unaudited)		(Unaudited)		(Audited)
	NIS (thousands)				
As of the beginning of the period	9,358	6,022	11,320	7,247	6,022
Total net loss recognized in financing	(2,376)	2,436	(4,338)	1,211	3,336
As of the end of the period	<u>6,982</u>	<u>8,458</u>	<u>6,982</u>	<u>8,458</u>	<u>9,358</u>

Unitronics (1989) (R"G) Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

Note 3 – Financial instruments (continued)

B. Adjustment between fair value measurements classified at level 3 in the fair value hierarchy of financial instruments (continued)

The balance of the liabilities in respect of the option warrants are in accordance with the valuation performed by an external appraiser, based on the "Monte Carlo" model. The underlying assumptions in the calculation of the valuation:

Unitronics base asset NIS 31.01 NIS, Utron base asset NIS 3.85, Unitronics standard deviation 32.09%, Utron standard deviation 60.75%, risk-free interest rate 4.34%, life cycle 7 months.

C. Quantitative data with regard to Level 3 fair value valuations:

The following is the impact on the profit or loss of a deviation from the standard*

As of September 30, 2023 (unaudited)				
+10%	+5%	Fair value	-5%	-10%
(181)	(65)	6,982	21	110

As of September 30, 2022 (unaudited)				
+10%	+5%	Fair value	-5%	-10%
337	173	8,458	(161)	(369)

As of December 31, 2022 (unaudited)				
+10%	+5%	Fair value	-5%	-10%
241	108	9,358	(132)	(182)

The following is the effect on the profit or loss in NIS thousands from a change in the base assets:

As of September 30, 2023 (unaudited)				
+20%	10+%	Fair value	-10%	-20%
4,207	2,426	6,982	(2,717)	(4,887)

As of September 30, 2022 (unaudited)				
+20%	+10%	Fair value	-10%	-20%
1,920	836	8,458	(446)	(366)

Unitronics (1989) (R"G) Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

Note 3 – Financial instruments (continued)

C. Quantitative data with regard to Level 3 fair value valuations: (continued)

As of December 31, 2022 (unaudited)				
+20%	+10%	Fair value	-10%	-20%
332	(62)	9,358	444	1,177

*In the calculation of the aforesaid sensitivity tests, the rate of the increase/decrease taken into account is a change in both the share of the Company and the share of Utron Ltd. (related company), in accordance with the "Monte Carlo" model.

Note 4 – Income

Income by geographical area:

	For the nine-month period ending		For the three-month period ending		For the year ending
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022	December 31, 2022
	Unreviewed		Unreviewed		Reviewed
	NIS, (in thousands)				
Israel	7,096	6,534	2,367	1,680	8,936
Europe	59,954	39,072	20,526	10,940	55,407
United States	74,297	49,954	26,259	17,760	72,822
Others (1)	17,968	12,396	5,718	3,928	18,355
Total income	159,315	107,956	54,870	34,308	155,520

(1) Including income from several countries, wherein the income from one country does not exceed 2% of the total income of the Company.

Income by main products

	For the nine-month period ending		For the three-month period ending		For the year ending
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022	December 31, 2022
	Unreviewed		Unreviewed		Reviewed
	NIS, (in thousands)				
Controllers and expansion units	150,026	101,862	51,521	31,677	144,673
Others	9,289	6,094	3,349	2,631	10,847
Total income	159,315	107,956	54,870	34,308	155,520

Unitronics (1989) (R"G) Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

Note 5 – Material events during and after the reporting period

A. Global shortage of electronic components

The Company is exposed to the effects and risks associated with the global shortage of electronic components. Since the end of 2020 there has been a worldwide shortage of electronic components which is affecting the entire electronics industry. To the best knowledge of the Company, the shortage of electronic components is due to several reasons, including: a decrease in supply due to the Corona crisis, during which many workers stayed at home thereby impairing the production lines, and on the other hand, increased demand for electronic component-based products during the Corona crisis, which was reflected in large-scale chip orders.

From the end of year 2022, there was an improvement in the availability of components that continued in the last months as well, and in light of this, the delivery times of components were shortened compared to the delivery times at the peak of the shortage. As long as this trend continues in the coming months, according to the company's estimation, a return to the availability and regular supply of components is expected, although as of the publication date of this report, there is no clear forecast for the end of the global shortage of electronic components.

As a result of the alleviation of the shortage in the components market and the company's preparations, the delivery times of the orders to the company's customers began to shorten compared to the delivery times to the customers at the peak of the shortage. In light of this, the company does not anticipate significant cancellations of orders as a result of the current order delivery times to the company's customers.

- B. During the reporting period, the Company received from a foreign insurance company a letter of release from indemnity agreements, which were signed in order to set up a framework of surety bonds to secure the obligations of Utron Systems Inc., a related company of the Utron group. The framework guaranteed by the Company close to the date of receiving the letter of release amounted to approximately USD 25 million. The consideration for the removal of the indemnity agreements amounted to approximately NIS 462 thousand.
- C. During the reporting period, confirmation was received from a banking corporation of the cancellation of the obligations of the Company to the banking corporation to comply with financial covenants and to obtain the consent of the banking corporation to distribute a dividend to the shareholders.
- D. On May 15, 2023, the general meeting of the shareholders of the Company (hereinafter - the "Meeting") approved entering into a rental agreement that supersedes the current rental agreement with a company controlled by Mr. Haim Shani (the active Chairman of the Board of Directors of the Company and the joint controlling shareholder thereof with the Fimi Foundation) and Ms. Bareket Shani, the wife of Mr. Shani, for a period of three years from the date of the approval of the meeting. In accordance with the engagement approved at the meeting, the Company will be entitled to reduce the rented or re-increase it again up to a total of 1,600 square meters (provided that it is not below the total of 1,022 square meters, the area leased in the current agreement), and increase the number of parking spaces available thereto in the rented space up to 60 spaces and re-reduce it again (provided that it is not less than 30 parking spaces, the number specified in the current agreement) without changing the price per square meter/per parking or any other term of the rental terms, wherein the reduction or the re-increase will be at the sole discretion of the management in accordance with the needs of the Company.

Unitronics (1989) (R"G) Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

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

Accordingly, the company entered into a new lease agreement for three years according to which the leased area increased in relation to the previous agreement by 257 square meters (total 1,279 square meters) and 6 parking spaces were added (total 36).

- E. Further to note 22b(f) in the annual consolidated financial statements with regard to the agreements of the Company with a supplier of printed circuits and the services for the assembly of electronic components on printed circuits, the controlling shareholder of which is the Fimi Fund, one of the joint controlling shareholders of the Company together with Mr. Haim Shani, the meeting approved on May 15, 2023, as part of the entry into the aforesaid agreements the engagement and activity with the supplier (PCB Technologies Ltd. and the subsidiary thereof) for a period of three years from the date of the approval of the meeting in annual volumes of up to 12% of the total cost of sales or NIS 10 million, whichever is higher.
- F. On May 15, 2023, the Meeting approved an update to the terms of office and employment of Mr. Amit Harari, the CEO of the Company, such that the fixed component of the monthly salary (gross salary) of Mr. Harari will be increased by NIS 4,000 starting on April 1, 2023. The remainder of the terms of office and employment of Mr. Harari will remain unchanged.
- G. On May 30, 2023, the Board of Directors of the Company decided to distribute a dividend to the shareholders of the Company in the total amount of NIS 10 million. On June 20, 2023 the dividend was fully paid.
- H. On August 22, 2023, the Board of Directors of the Company decided to distribute a dividend to the shareholders of the Company in the total amount of NIS 28.5 million. On September 21, 2023 the dividend was fully paid.

Note 6 – Events subsequent to the balance sheet date

On October 7, 2023, the "Swords of Iron" war ("the war") broke out in Israel following a surprise attack on Israel, which continues until today. As of the date of the report, the war had significant effects on the Israeli economy, among other things, in light of the extensive recruitment of military forces and the closing businesses especially in the combat zone.

During the period of the fighting and as of the date of the report, all of the company's systems work regularly and there is no material direct effect of the war on the company's operation.

The company does not anticipate that the events of the war will have a substantial impact on its business activities, but there is no certainty that this will indeed be the case if and as the war escalates or develops into additional battlefronts.

**Chapter D - Statements by the CEO and CFO of the Corporation for the
Third Quarter of 2023**

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

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

I, Amit Harari, certify that:

1. I have reviewed the quarterly report of UNITRONICS (1989) (R"G) Ltd. ("the corporation") for the third quarter of 2023 ("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 26, 2023

Amit Harari, CEO

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

I, Itzik Hai, 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 2023 (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 26, 2023

Itzik Hai, CFO