



Unitronics (1989) (RG) Ltd.

Quarterly Report as of June 30, 2024

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Unitronics (1989) (RG) Ltd.

Chapter A

Board of Directors Report on the State of
Affairs of the Corporation as of
June 30, 2024

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
7019900

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Period of the Report: The six and three-month period ended on June 30, 2024

Date of the Report: June 30, 2024

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 2023 Periodic Report of the Company (including the Board of Directors' Report as of December 31, 2023, included therein) as published on March 20, 2024 (reference number: 2024-01-028650) (hereinafter: the "**2023 Periodic Report**"). The above reference is cited as inclusion by way of reference. Concurrent therewith, 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.

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. In addition, 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) which allows all customers 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 are in approximately seventy countries (including Israel) throughout Europe, Asia, South and Central America, Australia 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 1.11 in Chapter A of the Company's 2023 Periodic Report.

3. Material events during the Report Period and in the Period until its Publication

3.1 Iron Swords War

On October 7, 2023, the State of Israel faced a surprise attack by terrorist organizations from the Gaza Strip, following which the Israeli government declared the “War of Iron Swords”, which is currently still ongoing.

Shortly following the surprise attack, fighting started on the northern border of the country and later a security threat also developed in the Red Sea area and the trade routes adjacent thereto. As of the date of the report, the war has had a significant impact on the Israeli economy, manifested, among other things, by the evacuation of the population from sensitive areas, extensive mobilization of reserve forces, the temporary closure of businesses, as well as the volatility of the Israeli shekel against foreign currencies.

Furthermore, following the above, the three international credit rating agencies downgraded Israel's credit rating, such that on February 9, 2024, the Moody's rating agency published a report in which it downgraded Israel's credit rating to A2 with a negative outlook, and on April 19, 2024, the S&P Global rating agency downgraded Israel's rating from AA minus to A plus, and on August 13, 2024, the Fitch credit rating agency announced on its downgrading Israel's credit rating from A Plus with a “negative outlook” to A and remaining the negative outlook.

During the period of the fighting and as of the date of the report, all the systems of the Company are operating normally and there is no material direct effect of the war on the operations of the Company. Among other things, in light of its global activities, as of the date of publication of the report, the Company does not anticipate that the events of the war will have a material impact on its business activities. However, there is no certainty that this will indeed be the case if and as war and its consequences develop, including on additional fronts.

3.2 **The impact of inflation and the increase in interest rates**

Further to the aforesaid in section 1.19 (risk factors) of Chapter A (Description of the Business of the Company) in the 2023 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, since 2021 there has been an increase in inflation rates in Israel and in the world, whereas in 2023 there was a 3% increase in the consumer price index in Israel which was a decrease in comparison to 2022 (at which time the inflation rate was 5.3%) and in the first half of 2024 the consumer price index increased by 2.1%.

Concurrent with the global price increase, central banks in the world decided to raise the interest rate in order to curb the price increases, which in 2023 reached a rate of 4.75%, and as of the date of publication of the report stands at 4.5%. In accordance with the forecast of the Research Division of the Bank of Israel, the inflation rate is expected to be 3% during 2024. Furthermore, in accordance with the aforesaid forecast, the monetary interest is expected to be 4.25% in the second quarter of 2025.

The Company has loans from banking corporations at variable interest rates, and the Company also rents a building and parking spaces in exchange for rental fees linked to the consumer price index. 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 materially impact its operating results considering the extent of the loans and the costs affected by the increase in interest rates and the consumer price index.

The Company's assessments with regard to the impact of the War of Iron Swords, the impact of the inflation and the increase in the interest rate 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, including the great uncertainty regarding the scope of the Iron Swords War, its duration and its effect on Israel's economy as well as the macroeconomic effects including the interest rates of central banks in the world, and in Israel in particular. The Company estimates that based on information that is currently held by the Company, on publications on this subject and on relevant government directives, and which it is not certain will materialize, in whole or in part, and which may materialize in a materially different manner, due to factors outside the Company's control.

- 3.3 For events which occurred from January 1, 2024, until the publication date of the report for the first quarter of 2024, see section 2.7 of the Board of Directors' Report of the Company attached to the 2023 Periodic Report as well as section 3 of the Board of Directors' Report for the first quarter of 2024.
- 3.4 On June 19, 2024, an annual and special general meeting of the shareholders of the Company was held, in which the 2023 Periodic Report of the Company was presented, and the following items

on its agenda were approved: (a) the reappointment of the auditor of the Company; (b) the reappointment of the current Directors of the Company (who are not External Directors); (c) the approval of indemnity and exemption for the Directors who are controlling shareholders; (d) the approval of a material private allocation of options to the CEO of the Company, Mr. Amit Harari; (e) the appointment of Ms. Karmit Shilo as an External Director of the Company and the approval of a letter of exemption and indemnity. For further details, see the Immediate Reports of the Company dated May 15, 2024 and June 19, 2024 (reference numbers: 2024-01-047713 and 2024-01-062739, respectively).

- 3.5 Further to the approval of the meeting of the shareholders on June 19, 2024, on June 20, 2024, the Company reported the appointment of Ms. Karmit Shilo as an External Director in the Company, starting from the date of the approval of the meeting. For further details, see the Immediate Report of the Company dated June 20, 2024 (reference number: 2024-01-062949). The aforesaid is included by way of reference.
- 3.6 On July 16, 2024, the Company reported that Mr. Doron Shinar ceased to be an External Director of the Company, due to the end of his term of office. For further details, see the Immediate Report of the Company dated June 20, 2024 (reference number: 2024-01-074290). The aforesaid is included by way of reference.
- 3.7 On August 14, 2024, the company's board of directors, after approval by the audit committee as a non-exceptional transaction, approved a settlement schedule for the balance of the debt of Utron Ltd. (a company owned by the controlling owners of the company), so that the balance of the debt in the amount of approximately NIS 5.7 million will be repaid in 32 monthly payments of 100 thousand NIS in 2024 and 200 thousand NIS from 2025 as well as an update to the credit policy of the company's customers, so that the balance owed by Utron Ltd. to the company will bear an interest rate of prime + 0.4%, which reflects the interest rate of Utron Ltd. to receive credit under the terms of the settlement schedule above, instead of the prime interest rate used for all the company's customers with similar debt conditions.

4. The Financial Status

4.1 Balance sheet

	As of June 30		As of December 31	The Board of Directors' explanations of the material changes in the Balance Sheets compared to December 31, 2023
	2024	2023	2023	
	NIS thousands			
Current assets	86,723	101,286	91,419	A decrease of approximately NIS 4.7 million in the total current assets is mainly due to a decrease in cash balances in the amount of approximately NIS 9.1 million, offset by an increase in trade receivables of approximately NIS 4.4 million.
Non-current assets	58,842	61,174	59,920	A decrease of approximately NIS 1.1 million in total non-current assets is mainly due to a decrease in net right-of-use assets due to the amortization of the assets.
Total assets	145,565	162,460	151,339	
Current liabilities	54,736	67,560	72,300	A decrease in current liabilities in the amount of approximately NIS 17.6 million is mainly due to the liability of the dividend announced in December 2023 in the amount of NIS 10 million which was paid in full in January of this year and due to the expiration of a warrant option for FIMI (approximately NIS 6.9 million) during the second quarter of the year (as specified in section 4.10.2 of Chapter D of the 2023 Periodic Report).
Non-current liabilities	8,212	9,385	9,059	A decrease of approximately NIS 0.8 million mainly due to an decrease in the liability in respect of long-term leases of approximately NIS 1.2 million due to the current repayment of the liabilities.

	As of June 30		As of December 31	The Board of Directors' explanations of the material changes in the Balance Sheets compared to December 31, 2023
	2024	2023	2023	
	NIS thousands			
Equity attributable to the Company's shareholders	82,617	85,515	69,980	An increase of approximately NIS 12.6 is mainly due to a profit in the period in the amount of approximately NIS 27.8 million offset by a dividend distributed in the amount of NIS 16 million.
Total liabilities and equity	145,565	162,460	151,339	

The Company's working capital as of June 30, 2024, June 30, 2023, and December 31, 2023, amounted to approximately NIS 31,987 thousand, NIS 33,726 thousand and NIS 19,119 thousand, respectively.

4.2 Operating results

	For the six-month period ended June 30th		For the three-month period ended June 30th		As of December 31	The Board of Directors' explanations of the material changes in the sections of the Statement of Profit and Loss compared with the corresponding period last year
	2024	2023	2024	2023	2023	
	NIS thousands					
Revenues	106,614	104,445	52,314	54,048	211,671	
Cost of revenues	52,647	53,128	25,806	27,134	106,096	
Gross profit (gross profit margin)	53,967 (50.6%)	51,317 (49.1%)	26,508 (50.7%)	26,914 (49.8%)	105,575 (49.9%)	The gross profit increased in the first half of 2024 compared with the corresponding period last year by an amount of NIS 2.65 million, while improving the gross profit ratio relative to the revenue. The improvement in the gross profit rate is mainly due to a change in the mix of customers and products.
Development expenses	2,425	2,128	1,174	1,202	4,471	
Sales and marketing expenses	18,097	17,093	9,273	8,798	35,197	An increase in sales and marketing expenses in the first half of 2024 compared with the corresponding period last year in the amount of approximately NIS 1 million is mainly due to an increase in salary expenses attributed to an expansion of the sales department of the Company as well as an

	For the six-month period ended June 30th		For the three-month period ended June 30th		As of December 31	The Board of Directors' explanations of the material changes in the sections of the Statement of Profit and Loss compared with the corresponding period last year
	2024	2023	2024	2023	2023	
	NIS thousands					
						increase in marketing activity.
General and administrative expenses	7,831	7,188	3,935	3,643	14,773	An increase in administrative and general expenses in the first half of 2024 compared to the corresponding period last year in the amount of approximately NIS 0.6 million mainly due to an increase in salary and other expenses.
Profit from ordinary activities	25,614	24,908	12,126	13,271	51,134	
Financing income (expenses), net	120	1,158	82	340	1,532	A decrease in financing expenses, net of approximately NIS 1 million in the first half of 2024 compared to the corresponding period last year is mainly due to a loss in foreign currency hedging transactions and a one-time payment for release from an indemnity agreement with a foreign insurance company, offset by financing income from exchange rate differences.

	For the six-month period ended June 30th		For the three-month period ended June 30th		As of December 31	The Board of Directors' explanations of the material changes in the sections of the Statement of Profit and Loss compared with the corresponding period last year
	2024	2023	2024	2023	2023	
	NIS thousands					
Profit (loss) from revaluation of the liability in respect of option warrants	6,907	(1,962)	6,321	(1,454)	2,451	Profit during the report period due to the expiration of an option warrant of FIMI during the second quarter of the year (as specified in in section 4.10.2 of Chapter D of the 2023 Periodic Report).
Profit before taxes on income	32,401	21,788	18,365	11,477	52,053	
Taxes on income	4,614	3,656	2,642	2,370	10,840	An increase in tax expenses during the first half of the year compared to the corresponding period last year in the amount of approximately NIS 1 million is mainly due to the increase in profit.
Profit for the period	27,787	18,132	15,723	9,107	41,213	

4.3 Liquidity and Financing Sources

The balance of cash and cash equivalents as of June 30, 2024, June 30, 2023 and December 31, 2023 amounted to approximately NIS 4,167 thousand, approximately NIS 18,991 thousand and approximately NIS 13,259 thousand, respectively. Below are explanations regarding the changes in cash flows:

	For the six-month period ended June 30th		For the three-month period ended June 30th		As of December 31	The Board of Directors' explanations
	2024	2023	2024	2023	2023	
	NIS thousands					
Cash flow from operating activities	23,751	27,864	5,992	11,639	58,379	<p>The cash flows from current operations in the first half of 2024 are due to the profit from current operations of the Company net of the necessary adjustments for presenting the cash flow from current operations in the amount of NIS 4 million. These adjustments include:</p> <ol style="list-style-type: none"> 1. Addition due to income and expenses that do not involve cash flows in the amount of approximately NIS 0.5 million (mainly depreciation and amortization in the amount of NIS 6.5 million, a decrease in the liability due to deferred taxes in the amount of NIS 0.5 million and the cost of the share-based payment in the amount of NIS 0.3 million, offset by profit due to the expiration of an option

	For the six-month period ended June 30th		For the three-month period ended June 30th		As of December 31	The Board of Directors' explanations
	2024	2023	2024	2023	2023	
	NIS thousands					
						warrant of FIMI in the amount of NIS 6.9 million). 2. Decrease due to changes in working capital sections in the amount of NIS 4.5 million mainly due an increase in customer balances in the amount of NIS 4 million.
Cash flow from investment activities	(5,249)	(4,375)	(2,933)	(2,062)	(9,735)	The cash flows used for investment activities in the first half of the year were mainly used for investments in development assets.
Cash flow from financing activities	(27,833)	(12,018)	(16,654)	(11,031)	(42,758)	The cash flows used for financing activities in the first half of the year were mainly used to pay a dividend in the amount of NIS 26 million, as well as for current repayment of loans from a banking corporation and repayment of lease liabilities.

On June 30, 2024, the total number of unused approved lines of credit which the Company has for current operations was approximately NIS 900 thousand. From time to time, the Company contacts financial institutions to take out lines of credit according to its needs.

5. **Quarterly Report with regard to the list of undertakings by repayment dates**

For details regarding the Company's liabilities by repayment dates as of June 30,2024, 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: August 14, 2024

UNITRONICS (1989) (R"G) LTD

Condensed Interim Financial Statements as of June 30, 2024 (Unaudited)

Unitronics (1989) (R"G) Ltd
Condensed Interim Financial Statements
As of June 30, 2024

(Unaudited)

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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 June 30, 2024 and the interim condensed consolidated statements of profit or loss and the comprehensive income, changes in equity and cash flows for the six and three month periods then ended. The Board of Directors and the management are responsible for the preparation and presentation of the financial information for these interim periods in accordance with International Accounting Standards IAS 34 "Financial Reporting for Interim Periods", and are also responsible for the preparation of financial information for these interim periods in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970. It is our responsibility to express a conclusion on the financial information for these interim periods 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.

Tel Aviv, August 14, 2024

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

Unitronics (1989) (R”G) Ltd.

Condensed Consolidated Statements of Financial Position

	As of June 30		As of December 31
	2024	2023	2023
	<u>(Unaudited)</u>		<u>(Audited)</u>
	<u>NIS (thousands)</u>		
<u>Current assets</u>			
Cash	4,167	18,991	13,259
Trade receivables, net	27,541	26,607	23,174
Other receivables	3,581	4,202	3,405
Related companies	5,784	4,274	5,821
Inventories	45,650	47,212	45,760
	<u>86,723</u>	<u>101,286</u>	<u>91,419</u>
<u>Non-current assets</u>			
Rights-of-use assets	15,136	17,039	16,213
Other deposits	130	151	121
Property and equipment, net	2,346	2,145	2,361
Intangible assets, net	41,230	41,839	41,225
	<u>58,842</u>	<u>61,174</u>	<u>59,920</u>
	<u>145,565</u>	<u>162,460</u>	<u>151,339</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: August 14, 2024

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

Unitronics (1989) (R”G) Ltd.

Condensed Consolidated Statements of Financial Position

		<u>As of June 30</u>		<u>As of December 31</u>
	<u>Note</u>	<u>2024</u>	<u>2023</u>	<u>2023</u>
		<u>(Unaudited)</u>		<u>(Audited)</u>
		<u>NIS (thousands)</u>		
<u>Current liabilities</u>				
Current maturities of loans from bank and				
others		368	1,835	867
Trade payables		25,485	31,956	25,525
Related company		-	70	440
Lease liabilities		2,158	2,174	1,858
Dividend payable		-	-	10,000
Other payables		26,725	20,205	26,703
liability for warrants	4(E)	-	* 11,320	6,907
		<u>54,736</u>	<u>67,560</u>	<u>72,300</u>
<u>Non-current liabilities</u>				
Loans from bank and others		160	335	344
Employee benefit liabilities, net		1,757	1,813	1,750
Lease liabilities		1,359	3,105	2,524
Deferred tax liability		4,936	4,132	4,441
		<u>8,212</u>	<u>9,385</u>	<u>9,059</u>
<u>Equity</u>				
Share capital		430	428	430
Additional paid-in capital		64,564	63,971	64,361
Capital reserve from translation of financial statements of foreign operations		(1,200)	(1,423)	(1,722)
Share based payments reserve		713	922	588
Treasury shares		(7,042)	(7,042)	(7,042)
Reserve from a transaction with a controlling shareholder		104	104	104
Retained earnings		25,048	28,555	13,261
		<u>82,617</u>	<u>85,515</u>	<u>69,980</u>
		<u>145,565</u>	<u>162,460</u>	<u>151,339</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 Profit or Loss

	Note	For the six-month period ended on June 30		For the three-month period ended on June 30		For the year ended December 31
		2024	2023	2024	2023	2023
		(Unaudited)		(Unaudited)		(Audited)
<u>NIS (thousands)</u>						
Revenues	3	106,614	104,445	52,314	54,048	211,671
Costs of revenue		<u>52,647</u>	<u>53,128</u>	<u>25,806</u>	<u>27,134</u>	<u>106,096</u>
Gross profit		53,967	51,317	26,508	26,914	105,575
Development costs		2,425	2,128	1,174	1,202	4,471
Sales and marketing expenses		18,097	17,093	9,273	8,798	35,197
General and administrative expenses		<u>7,831</u>	<u>7,188</u>	<u>3,935</u>	<u>3,643</u>	<u>14,773</u>
Profit from ordinary operations		25,614	24,908	12,126	13,271	51,134
Financing income		238	616	103	146	788
Financing expenses		358	1,774	185	486	2,320
Profit (loss) from revaluation of share warrants	4 (E)	<u>6,907</u>	<u>(1,962)</u>	<u>6,321</u>	<u>(1,454)</u>	<u>2,451</u>
Profit before taxes on income		32,401	21,788	18,365	11,477	52,053
Taxes on income		<u>4,614</u>	<u>3,656</u>	<u>2,642</u>	<u>2,370</u>	<u>10,840</u>
Profit for the period		<u>27,787</u>	<u>18,132</u>	<u>15,723</u>	<u>9,107</u>	<u>41,213</u>
Basic earnings per share in NIS		<u>1.997</u>	<u>1.313</u>	<u>1.130</u>	<u>0.659</u>	<u>2.979</u>
Diluted earnings per share in NIS		<u>1.436</u>	<u>1.304</u>	<u>0.647</u>	<u>0.654</u>	<u>2.705</u>

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

Unitronics (1989) (R”G) Ltd.

Condensed Consolidated Statements of Comprehensive Income

	For the six-month period ended on		For the three-month period ended on		For the year ended
	June		June		December
	30		30		31
	2024	2023	2024	2023	2023
	(Unaudited)		(Unaudited)		(Audited)
	<u>NIS (thousands)</u>				
Profit for the period	27,787	18,132	15,723	9,107	41,213
<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	-	-	-	-	125
<u>Amounts that may be</u> <u>reclassified thereafter to profit</u> <u>or loss:</u>					
Adjustments arising from conversion of financial statements of foreign operations	522	662	317	312	363
Other comprehensive income for the period	522	662	317	312	488
Total comprehensive income for the period	<u>28,309</u>	<u>18,794</u>	<u>16,040</u>	<u>9,419</u>	<u>41,701</u>

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

Unitronics (1989) (R”G) Ltd.

Condensed Consolidated Statements of Changes in Equity

	<u>Share capital</u>	<u>Additional paid-in capital</u>	<u>Capital reserve from translation of financial statements of foreign operations</u>	<u>Share based payments reserve</u>	<u>Company shares held by the company</u>	<u>Reserve from a transaction with a controlling party</u>	<u>Retained earnings</u>	<u>Total</u>
	NIS thousands							
<u>Balance as of January 1, 2024</u>	430	64,361	(1,722)	588	(7,042)	104	13,261	69,980
Profit for the period	-	-	-	-	-	-	27,787	27,787
Other comprehensive income for the period	-	-	522	-	-	-	-	522
Total comprehensive income for the period	-	-	522	-	-	-	27,787	28,309
Exercise of employee stock options	*	203	-	(203)	-	-	-	-
Dividend distribution	-	-	-	-	-	-	(16,000)	(16,000)
Cost of share-based payments	-	-	-	328	-	-	-	328
<u>Balance as of June 30, 2024 (unaudited)</u>	<u>430</u>	<u>64,564</u>	<u>(1,200)</u>	<u>713</u>	<u>(7,042)</u>	<u>104</u>	<u>25,048</u>	<u>82,617</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	-	-	-	-	-	-	18,132	18,132
Other comprehensive income for the period	-	-	662	-	-	-	-	662
Total comprehensive income for the period	-	-	662	-	-	-	18,132	18,794
Exercise of employee stock options	-	-	-	-	-	-	-	-
Profit for the period	*	35	-	(35)	-	-	-	-
Dividend distribution	-	-	-	-	-	-	(10,002)	(10,002)
Cost of share-based payments	-	-	-	90	-	-	-	90
<u>Balance as of June 30, 2023 (unaudited)</u>	<u>428</u>	<u>63,971</u>	<u>(1,423)</u>	<u>922</u>	<u>(7,042)</u>	<u>104</u>	<u>28,555</u>	<u>85,515</u>

Unitronics (1989) (R”G) Ltd.

Condensed Consolidated Statements of Changes in Equity

	<u>Share capital</u>	<u>Additional paid-in capital</u>	<u>Capital reserve from translation of financial statements of foreign operations</u>	<u>Share based payments reserve</u>	<u>Company shares held by the company</u>	<u>Reserve from a transaction with a controlling party</u>	<u>Retained earnings</u>	<u>Total</u>
	NIS thousands							
<u>Balance as of April 1 2024</u>	430	64,409	(1,517)	553	(7,042)	104	25,325	82,262
Profit for the period	-	-	-	-	-	-	15,723	15,723
Other comprehensive income for the period	-	-	317	-	-	-	-	317
Total comprehensive income for the period	-	-	317	-	-	-	15,723	16,040
Exercise of employee stock options	*	155	-	(155)	-	-	-	-
Dividend distribution	-	-	-	-	-	-	(16,000)	(16,000)
Cost of share-based payments	-	-	-	315	-	-	-	315
<u>Balance as of June 30, 2024 (unaudited)</u>	<u>430</u>	<u>64,564</u>	<u>(1,200)</u>	<u>713</u>	<u>(7,042)</u>	<u>104</u>	<u>25,048</u>	<u>82,617</u>
<u>Balance as of April 1 2023</u>	428	63,951	(1,735)	897	(7,042)	104	29,450	86,053
Profit for the period	-	-	-	-	-	-	9,107	9,107
Other comprehensive income for the period	-	-	312	-	-	-	-	312
Total comprehensive income for the period	-	-	312	-	-	-	9,107	9,419
Exercise of employee stock options	*	20	-	(20)	-	-	-	-
Dividend distribution	-	-	-	-	-	-	(10,002)	(10,002)
Cost of share-based payments	-	-	-	45	-	-	-	45
<u>Balance as of June 30, 2023 (unaudited)</u>	<u>428</u>	<u>63,971</u>	<u>(1,423)</u>	<u>922</u>	<u>(7,042)</u>	<u>104</u>	<u>28,555</u>	<u>85,515</u>

(*) Less than NIS 500

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

Unitronics (1989) (R”G) Ltd.
Condensed Consolidated Statements of Changes in Equity
Unitronics (1989) (R”G) Ltd.

	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 year	-	-	-	-	-	-	41,213	41,213
Other comprehensive income for the year	-	-	363	-	-	-	125	488
Total comprehensive income for the year	-	-	363	-	-	-	41,338	41,701
Cost of share-based payment	-	-	-	148	-	-	-	148
Dividend distribution	-	-	-	-	-	-	(48,502)	(48,502)
Exercise of employee options	2	425	-	(427)	-	-	-	-
<u>Balance as of December 31, 2023</u>	<u>430</u>	<u>64,361</u>	<u>(1,722)</u>	<u>588</u>	<u>(7,042)</u>	<u>104</u>	<u>13,261</u>	<u>69,980</u>

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

Unitronics (1989) (R”G) Ltd.

Condensed Consolidated Statements of Cash Flows

	For the six-month period ended		For the three-month period ended		For the year ended
	On June 30		On June 30		December 31
	2024	2023	2024	2023	2023
	(Unaudited)		(Unaudited)		(Audited)
	NIS (thousands)				
<u>Cash flows – operating activities:</u>					
Profit for the period	27,787	18,132	15,723	9,107	41,213
Adjustments required to present the cash flows – current operations (Appendix A)	(4,036)	9,732	(9,731)	2,532	17,166
Net cash derived from operating activities	23,751	27,864	5,992	11,639	58,379
<u>Cash flows – investment activities:</u>					
Investment in fixed assets	(302)	(101)	(261)	(72)	(694)
Investment in right-of-use assets	(73)	-	(73)	-	(253)
Investment in intangible assets	(4,874)	(4,274)	(2,599)	(1,990)	(8,788)
Net cash flows used in investing activities	(5,249)	(4,375)	(2,933)	(2,062)	(9,735)
<u>Cash flows – financing activities:</u>					
Repayment of long-term loans	(685)	(1,160)	(92)	(582)	(2,339)
Long-term loans received from others	-	-	-	-	220
Repayment of lease liabilities	(1,148)	(856)	(562)	(447)	(2,137)
Dividends paid	(26,000)	(10,002)	(16,000)	(10,002)	(38,502)
Net cash used in financing activities	(27,833)	(12,018)	(16,654)	(11,031)	(42,758)
Effect of foreign exchange rate differences on cash balances	239	583	70	289	436
Increase (decrease) in cash and cash equivalents for the period	(9,092)	12,054	(13,525)	(1,165)	6,322
Cash and cash equivalent balance at beginning of the period	13,259	6,937	17,692	20,156	6,937
Cash balance at end of the period	4,167	18,991	4,167	18,991	13,259

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

Unitronics (1989) (R”G) Ltd.
Condensed Consolidated Statements of Cash Flows

	For the six-month period ended		For the three-month period ended		For the year ended
	On June 30		On June 30		December 31
	2024	2023	2024	2023	2023
	(Unaudited)		(Unaudited)		(Audited)
	NIS (thousands)				

Appendix A

**Adjustments required to present net
income – current operations**

**Income and expenses not involving
cash flows:**

Depreciation and amortization	6,531	6,011	3,350	3,160	12,831
Cost of share-based payment	328	90	315	45	148
Change in liabilities for employee benefits, net	7	154	18	154	238
Revaluation of cash balances in foreign currency	(182)	(291)	(37)	(219)	(257)
Revaluation of long-term loans	2	48	4	14	48
Changes in deferred taxes	495	(549)	463	(386)	(260)
Revaluation of financial assets, net	87	509	40	(69)	(152)
Revaluation of warrant options	(6,907)	1,962	(6,321)	1,454	(2,451)
Accrued interest in respect of leases	98	63	36	53	233

Changes in operating assets and liabilities:

Decrease (increase) in trade receivables	(3,951)	6,489	(1,418)	2,156	9,860
Decrease (increase) in other receivables	(242)	1,716	667	1,111	2,676
Decrease (increase) in inventories	280	(7,809)	2,210	(1,838)	(6,548)
Decrease (increase) in related companies, net	(212)	(1,077)	160	(513)	(2,348)
Increase (decrease) in suppliers and service providers	(63)	2,617	(6,114)	(571)	(3,800)
Increase (decrease) in other payables	(307)	(201)	(3,104)	(2,019)	6,948
	(4,036)	9,732	(9,731)	2,532	17,166

**Appendix B - Additional information
on cash flows for current operations**

Cash paid during the period for:

Interest	283	309	196	110	565
Taxes on income	3,395	5,021	2,355	1,261	7,751

Cash received during the year for:

Interest	35	17	25	13	81
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Appendix C – non-cash activities

New lease agreements	277	3,249	152	3,249	3,587
Declaration of dividend	-	-	-	-	10,000

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

Unitronics (1989) (R”G) Ltd.

Notes to the Condensed Consolidated 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, 2023 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 consolidated annual financial statements of the Company as of December 31, 2023.
- C. International Financial Reporting Standard 18, presentation and disclosure in financial statements (hereinafter: "IFRS 18" or the "New Standard"):
IFRS 18, published in April 2024, aims to improve the comparability and transparency of the reporting on the performance of companies. The new standard replaces International Accounting Standard 1, Presentation of Financial Statements, and does not deal with recognition and measurement of items in financial statements.
Below is an overview of the main changes which will apply to the financial statements with the implementation of the new standard, in comparison to the presentation and disclosure instructions currently applicable:
- The new standard will change the structure of the Statement of Profit or Loss and will include three new defined categories: operation, investment and financing and will add two new interim summaries: operating profit and profit before financing and income taxes.
 - The new standard includes guidelines for providing disclosure on management-defined performance measures.
 - The new standard provides guidelines regarding the grouping and dividing of the information in the financial statements in relation to the question of whether information should be included in the main reports or in explanations and disclosures regarding items defined as "Other."
 - The new standard includes amendments to other standards, including limited amendments to International Accounting Standard 7, Statement of Cash Flows.
- IFRS 18 will be applied retroactively from annual periods beginning on January 1, 2027 or later while providing specific disclosure as stipulated in the transitional provisions of the new standard. Early application of IFRS 18 is possible while providing disclosure thereof. The company is examining the possible impact of IFRS 18 on the financial statements; however, at this stage it is unable to estimate the aforesaid impact.

Unitronics (1989) (R"G) Ltd.

Notes to the Condensed Consolidated Financial Statements

Note 3 – Income

Income by geographical area:

	<u>For the six-month period ending</u>		<u>For the three-month period ending</u>		<u>For the year ending</u>
	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>December 31, 2023</u>
	<u>(Unreviewed)</u>		<u>(Unreviewed)</u>		<u>(Reviewed)</u>
	<u>NIS thousands</u>				
Israel	4,320	4,729	1,927	2,346	10,213
Europe	33,463	39,428	15,506	20,266	77,782
United States	55,539	48,038	28,301	24,692	99,095
Others (1)	13,292	12,250	6,580	6,744	24,581
Total income	<u>106,614</u>	<u>104,445</u>	<u>52,314</u>	<u>54,048</u>	<u>211,671</u>

(1) Including income from several countries, wherein the income from one country does not exceed 3% of the total income of the Company.

Income by main products

	<u>For the six-month period ending</u>		<u>For the three-month period ending</u>		<u>For the year ending</u>
	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>December 31, 2023</u>
	<u>(Unreviewed)</u>		<u>(Unreviewed)</u>		<u>(Reviewed)</u>
	<u>NIS thousands</u>				
Controllers and expansion units	102,254	98,505	50,463	51,908	199,365
Others	4,360	5,940	1,851	2,140	12,036
Total income	<u>106,614</u>	<u>104,445</u>	<u>52,314</u>	<u>54,048</u>	<u>211,671</u>

Unitronics (1989) (R"G) Ltd.

Notes to the Condensed Consolidated Financial Statements

Note 4 – Material events during and after the reporting period

A. "Iron Swords" War

On October 7, 2023, the State of Israel faced a surprise attack by terrorist organizations from the Gaza Strip, following which the Israeli government declared the "War of Iron Swords", which is still ongoing.

Shortly following the surprise attack, fighting started on the northern border of the country and later a security threat also developed in the Red Sea area and the trade routes adjacent thereto. As of the date of the report, the war has had a significant impact on the Israeli economy, manifested, among other things, by the evacuation of the population from sensitive areas, extensive mobilization of reserve forces, the temporary closure of businesses, as well as the volatility of the Israeli shekel against foreign currencies.

Furthermore, following the above, the three international credit rating agencies downgraded Israel's credit rating, such that on February 9, 2024, the Moody's rating agency published a report in which it downgraded Israel's credit rating to A2 with a negative outlook, and on April 19, 2024, the S&P Global rating agency downgraded Israel's rating from AA minus to A plus, and on August 13, 2024, the Fitch credit rating agency announced on its downgrading Israel's credit rating from A Plus with a negative outlook to A and remaining the negative outlook.

During the period of the fighting and as of the date of the report, all the systems of the Company are operating normally and there is no material direct effect of the war on the operations of the Company. Among other things, in light of its global activities, as of the date of publication of the report, the Company does not anticipate that the events of the war will have a material impact on its business activities. However, there is no certainty that this will indeed be the case if and as the war and its consequences will develop, including on additional fronts.

- B. On February 5, 2024, a partial off-exchange sale (through a third-party distributor) of holdings was performed by the controlling shareholders of the Company, the FIMI Fund and Mr. Haim Shani (hereinafter: the "Transaction"), such that following the transaction the FIMI Fund and Mr. Haim Shani remained controlling shareholders of the Company, holding 31.52% and 13.82% shares of the Company, respectively. The aforesaid sale was made mainly to More Investments Ltd., the holdings of which following Transaction is 22.43%, and has therefore become an interested party in the Company. As part of the notification given to the Company with regard to the Transaction, the FIMI Fund and Mr. Shani specified that they had undertaken to the aforesaid distributor that starting on February 4, 2024 and for a period of nine months, they will not sell additional shares of the Company. It should be clarified that the aforesaid undertaking was given to the distributor and not to the Company and/or all of its shareholders.
- C. On May 8, 2024, the Board of Directors of the Company decided to distribute a dividend to the company's shareholders in the total amount of NIS 16 million. On June 16, 2024, the dividend was paid in full.

Unitronics (1989) (R"G) Ltd.

Notes to the Condensed Consolidated Financial Statements

Note 4 – Material events during and after the reporting period (cont'd)

- D. On May 8, 2024, the Board of Directors of the Company approved, following the approval of the Remuneration Committee, the allotment of 400,000 options (non-tradable) exercisable for 400,000 ordinary shares of the Company, to the CEO, other officers of the Company and other employees. The options will mature over a period of 4 years in equal parts, starting at the end of the second, third and fourth year following the allotment, and shall be exercisable for a period of 6 years from the date of the allotment. The exercise price of each option will be NIS 38.89, and the fair value of each option on the date of the allotment, which is calculated in accordance with the B&S model, is NIS 14.68. using the following parameters: risk-free interest at a rate of 4.48% on average and a standard deviation of 34.4% on average. The aforesaid allocation of options to the CEO of the Company was approved by a meeting of the shareholders of the Company.
- E. On May 17, 2024, the option granted to the FIMI Fund as part of its investment agreement in the Company expired. With the expiration of the option, a profit in the second quarter of the year in the amount of NIS 6,321 thousand was credited to the Statement of Profit and Loss.

Note 5 – Events subsequent to the balance sheet date

- A. On August 14, 2024, the Board of Directors of the Company decided to distribute a dividend to the shareholders of the Company in the total amount of NIS 8 million.
- B. Subsequent to the balance sheet date, the Company updated its credit policy in relation to a related Company and accordingly the settlement schedule in relation to the related Company's debt balance in the amount of approximately NIS 5.7 million, so that the said debt will be repaid in 32 monthly payments at an annual interest rate of prime + 0.4%.

UNITRONICS (1989) (RG) LTD

Chapter c -

Interim report on the effectiveness of internal control

And Management statements

Interim report on the effectiveness of internal control on the financial reporting and disclosure in accordance with Regulation 37C (a) of the securities Regulations (Periodic and Immediate Reports), 1970, for the period ending on June 30, 2024:

The management of the Company, under the supervision of the Board of Directors of Unitronics (1989) (RG) Ltd. (hereinafter: the "**Company**"), is responsible for establishing and maintaining proper internal control over the financial reporting and disclosure in the Company.

In this regard, the members of the Board of Directors are:

1. Amit Harari, CEO;
2. Itzhak Hai, CFO;
3. Boaz Karmi, VP Sales
4. Ron Alkalai, Chief Operating Officer

The internal control over the financial reporting and the disclosure includes controls and procedures that exist in the Company, which were designed by the General Manager and the most senior officer in the field of finance or under their supervision, or by the person who actually performs the aforesaid duties, under the supervision of the Board of Directors of the Company, which are designed to provide a reasonable degree of security with regard to the reliability of the financial reporting and the preparation of the reports in accordance with the provisions of the law, and to ensure that information that the Company is required to disclose in the reports it publishes, in accordance with the provisions of the law, is collected, processed, summarized and reported on the date and format stipulated by the law.

The internal control includes, among other things, controls and procedures which were designed to ensure that information that the Company is required to disclose, as specified above, is collected and transmitted to the management of the Company, including the General Manager and the Chief Financial Officer or to those who actually perform the aforesaid duties, in order to enable decisions to be made at the appropriate time, with reference to the requirements of disclosure.

Due to its structural limitations, the internal control over the financial reporting and disclosure is not intended to provide absolute assurance that misrepresentation or omission of information in reports will be prevented or discovered.

In the Interim report regarding the effectiveness of the Internal control over the financial reporting and the disclosure which was attached to the Interim report for the period ended on 31.3.2024 (hereinafter - "the Interim report regarding the latest internal control"), the internal control in the corporation was found to be effective.

Until the date of the report, no event or matter has been brought to the attention of the board of directors and the management that could change the assessment of the effectiveness of the internal control, as was found in the Interim report regarding the last internal control ;

As of the date of the report, based on the above on the Interim report regarding the last internal control, and based on information brought to the attention of the management and the board of directors as mentioned above - the internal control is effective.

Managers Statement

CEO Statement in accordance with Regulation 38 c of the Report Regulations:

I, Amit Harari, declare that:

1. I have examined the Interim Report of Unitronics (1989) (RG) Ltd. (hereinafter: the "**Company**") for Second quarter of 2024 (hereinafter: the "**Reports**");
2. To the best of my knowledge, the reports do not include any misrepresentation of a material fact and they do not lack a presentation of a necessary material fact so that the representations included therein, in light of the circumstances in which those representations were included, would not be misleading with reference to the period of the reports;
3. To the best of my knowledge, the financial statements and other financial information contained in the reports adequately reflect, in all material respects, the financial position, results of operations and cash flows of the corporation for the dates and periods to which the reports refer;
4. I have disclosed to the auditor of the corporation, the Board of Directors and the Audit Committee of the corporation Directors, based on my most recent assessment of the internal control over financial reporting and disclosure:
 - A. All the significant deficiencies and material weaknesses in the establishment or operation of the internal control over the financial reporting and disclosure that could reasonably have a negative impact on the ability of the corporation to collect, process, summarize or report financial information in a manner which calls into question the reliability of the financial reporting and the preparation of financial statements in accordance with the provisions of the law ; and -
 - B. Any fraud, whether material or not, involving the General Manager or those directly subordinate thereto or involving other employees who have a material role in the internal control of the financial reporting and disclosure;
5. I, alone or jointly with others in the corporation:
 - A. Established controls and procedures, or verified the establishment and existence under my supervision of controls and procedures, designed to ensure that material information relating to the corporation, including its consolidated companies as defined in the Securities Regulations (Annual Financial Statements), 2010, is brought to my attention by others in the Company and the consolidated companies, in particular during the period of preparation of the reports; and -

- B. Established controls and procedures, or verified the establishment and existence under my supervision of controls and procedures, intended to reasonably ensure the reliability of the financial reporting and the preparation of financial statements in accordance with the provisions of the law, including in accordance with accepted accounting rules;
- C. I have not been informed of any event or matter that occurred during the period between the date of the last report (quarterly or periodic, as the case may be) and the date of this report, which has the potential to change the conclusion of the board of directors and management regarding the effectiveness of the internal control over the financial reporting and disclosure of the corporation.

The above does not detract from my responsibility or the responsibility of any other person, in accordance with any law.

Date: August 14, 2024

_____ Amit Harari, CEO

Managers Statement

Statement of the Chief Financial Officer in accordance with Regulation 38c of the Report Regulations:

I, Itzhak Hai, declare that:

1. I have examined the Interim Report and other financial information contained in the Interim report of Unitronics (1989) (RG) Ltd. (hereinafter: the "**Company**") for the Second quarter of 2024 (hereinafter: the "**Reports**");
2. To the best of my knowledge, the financial Interim statements and the other financial information contained in the Interim reports do not include any misrepresentation of a material fact and they do not lack a presentation of a necessary material fact so that the presentations included therein, in light of the circumstances in which those presentations were included, would not be misleading with reference to the period of the reports;
3. To the best of my knowledge, the financial Interim statements and other financial information contained in the Interim reports adequately reflect, in all material respects, the financial position, results of operations and cash flows of the Company for the dates and periods to which the reports refer;
4. I have disclosed to the auditor of the Company, the Board of Directors and the Audit Committee of the Company, based on my most recent assessment of the internal control over financial reporting and disclosure:
 - A. All the significant deficiencies and material weaknesses in the establishment or operation of the internal control over the Interim financial reporting and disclosure insofar as it relates to the financial statements and the other financial information contained in the Interim statements, which could reasonably have a negative impact on the ability of the Company to collect, process, summarize or report financial information in a manner which calls into question the reliability of the financial reporting and the preparation of the financial statements in accordance with the provisions of the law; and -
 - B. Any fraud, whether material or not, involving the General Manager or those directly subordinate thereto or involving other employees who have a material role in the internal control of the financial reporting and disclosure;
5. I, alone or jointly with others in the Company:
 - A. Established controls and procedures, or verified the establishment and existence under my supervision of controls and procedures, designed to ensure that material information relating to the Company, including its consolidated companies as defined in the Securities Regulations (Annual Financial Statements), 2010, is brought to my attention by others in

the Company and the consolidated companies, in particular during the period of preparation of the reports; and -

- B. Established controls and procedures, or verified the establishment and existence under my supervision, of controls and procedures intended to reasonably ensure the reliability of the financial reporting and the preparation of financial statements in accordance with the provisions of the law, including in accordance with accepted accounting rules;
- C. I have not been informed of any event or matter that applies to the fund as of the date of the last report (quarterly or periodic, as the case may be) on the date of this report, refer to the Interim financial statements and any other financial information contained in the reports for the Interim period, which has the potential to change, in my opinion, the conclusion of the board of directors. and the management regarding the effectiveness of the internal control over the financial reporting and disclosure of the corporation.

The above does not detract from my responsibility or the responsibility of any other person, in accordance with any law.

Date: August 14, 2024

_____ Itzhak Hai, CFO