

**Dissemination of a Regulatory Announcement that contains inside information according to REGULATION (EU) No 596/2014 (MAR)**

**2 May 2018**

**MTI Wireless Edge Ltd**  
**("MTI" or the "Company")**

**Merger Agreement signed with majority shareholder**

Further to its announcement on 14 March 2018, MTI Wireless Edge Ltd (AIM: MWE), a market leader in the manufacture of flat panel antennas for fixed wireless broadband and a wireless irrigation solutions provider, announces that on 1 May 2018 it entered into a merger agreement (the "Merger Agreement") with its majority shareholder, MTI Computers & Software Services (1982) Ltd ("**MTIC**") and MTI together being the "**Merging Companies**"), according to which, and in accordance with the provisions of Sections 350-351 of the Israeli Companies Law, 5759-1999 (the "**Companies Law**"), as a court approved scheme of arrangement between the Company, MTIC and their shareholders (the "**Scheme of Arrangement**"), MTIC will be merged into the Company in a statutory merger, so that MTIC will be dissolved and all of its activities, assets and liabilities, subject to certain qualifications, will be transferred to the Company in consideration for the allotment of new ordinary shares of the Company and the transfer of MTIC's existing holdings in the Company, to all of MTIC's shareholders<sup>1</sup> (the "**Merger**").

As consideration for the Merger, the Company will allocate to the shareholders of MTIC 31,600,436 new ordinary shares in the Company, subject to a Conversion Ratio Mechanism (as defined below). In addition, MTIC's existing holdings in the Company will also be transferred to all of the shareholders in MTIC, pro rata to their holdings of shares in MTIC. Further details of the consideration for the Merger can be found in section 1(e) below.

Details regarding the benefits of the Merger can be found in the section titled "Benefits of the Merger" below. Details regarding MTIC can be found in the section titled "About MTIC" below.

<sup>1</sup> Alongside the existing holdings in the ordinary shares of MTI.

**The details of the Merger Agreement are as follows:**

Subject to the provisions of the Merger Agreement and the fulfillment of the Conditions Precedents (as defined below), effective from the closing date of the Merger as set forth in the Merger Agreement (the "**Date of Completion**"), the following actions will be carried out and/or will take place simultaneously:

- (1) MTIC will be merged with and into the Company, in such a way that the activities of MTIC<sup>2</sup> will be transferred to the Company, subject to the provisions of paragraph 3 below, and as a result MTIC will be dissolved and deleted from the records of the Israeli Registrar of Companies, by virtue of an order that will be issued by the court, pursuant to the provisions of Section 351 of the

Companies Law, which will confirm the validation of the Merger pursuant to the provisions of the Merger Agreement (the "**Court Order**") and in accordance with which, *inter alia*, on the Date of Completion:

- (a) All of the assets and liabilities of MTIC, including contingent, future, known and unknown obligations, and including contingent, future, known and unknown rights, as well as all securities and charges provided by or in favour of MTIC, will be transferred to and conferred upon the Company, including MTIC's holdings in the Company<sup>3</sup> (the "**Holdings of MTIC in the Company**"), which will constitute part of the Sold Shares, as set forth in sub-paragraph (f) below.
- (b) Subject to the provisions of paragraph (3) below, all of the employees of MTIC who will be employed by the Company starting on the Date of Completion will enjoy the continuity of their rights. This means that the employees will continue in the same functions they fulfilled for MTIC, *mutatis mutandis*, and they will continue to be entitled to all of the benefits and privileges to which they were entitled as employees of MTIC in the framework of an employer-employee relationship with the Company, and their continuity of employment, seniority, social benefits and ancillary conditions will remain unchanged in this regard. For the avoidance of doubt, effective from the Date of Completion, the Company alone will bear all of the duties and rights vis-à-vis the above-referenced employees of MTIC, as if they had been employees of the Company in the first place.
- (c) The Company will be considered as if it were MTIC in any legal proceeding, including any Debt Collection Office proceedings that are pending on behalf of or against MTIC and any such proceeding for which a cause of action, whether known or unknown, exists.
- (d) The Register of Pledges, as this term is defined in Section 181 of the Israeli Companies Ordinance [New Version], 5743-1983, and any other statutory record of security that was provided by MTIC, if any, will be transferred to the Register of Pledges and any other statutory register of security, as stated, of the Company, as applicable.
- (e) On the date of record for the Merger<sup>4</sup> the Company will allocate to the shareholders of MTIC (the "**Date of Record for the Merger**" and the "**Shareholders of MTIC**" respectively) 31,600,436 new ordinary shares in the Company, according to the Conversion Ratio (as defined below) as of the date of the Merger Agreement, subject to the Conversion Ratio Mechanism (as defined below) (the "**Allotted Shares**") and will transfer them, together with MTIC's Holdings in the Company (the "**Sold Shares**"), to all of the shareholders in MTIC, pro rata to their holdings of shares in MTIC on the Date of Record for the Merger, according to the Conversion Ratio. With respect to the Merger Agreement, the "**Conversion Ratio**" - a ratio of 5.2689055 Sold Shares for each share in MTIC as of the date of entry into the Merger Agreement, which has been determined according to a valuation of the business activities of MTIC and the Company, on the basis of the consolidated and audited financial statements for the year ended 31 December 2017 of each company as valued by an independent appraiser (the "**Appraiser**"), which is subject to updates, as necessary, according to the Conversion Ratio Mechanism (as defined below). According to the aforesaid valuation, which constitutes part of the Merger Agreement (the "**Valuation**"), the equity ratio as of 31 December 2017, between the value of MTIC excluding MTIC's holdings in the Company (approximately US\$ 10.7 million as of 31 December 2017) when compared with the value of the Company (approximately US \$ 18.8 million as at 31 December 2017) is approximately 1.75: in favor of the Company<sup>5</sup>. Following completion of the Merger, assuming the Conversion Ratio is not adjusted in accordance with the Conversion Ratio Mechanism (as defined below) and provided none of the options granted by the Company are exercised, the issued share capital of the Company will be 87,038,724 ordinary shares.

- (f) On the Date of Completion, MTIC will be dissolved without liquidation and will be deleted from the records of the Israeli Registrar of Companies and will cease to be a Reporting Corporation as defined in the Israeli Securities Law, 5728-1968 (the "**Securities Law**").
- (g) The Company will be entitled to receive a certificate from the Israeli Registrar of Companies, confirming the completion of the Merger, and to register the Merger in the records for the Company at the Israeli Registrar of Companies.
- (h) The following undertakings will be given the force of a judgment by the court: the undertaking by the Company, its directors and its controlling shareholders, as of the date of entry into the Merger Agreement and as of the date of issuance of the Court Order, to bear liability for any Misleading Information, as this term is defined in the Securities Law, vis-à-vis the Shareholders of MTIC, with respect to the disclosure that is made to them in the framework of the Merger, in light of the offer of shares in the Company to the Shareholders of MTIC, which will make it possible to file, *inter alia*, derivative actions and/or class actions with respect to the referenced liability, subject to having grounds to do so pursuant to the provisions of applicable law, whereby sole jurisdiction with respect to such actions will rest with a court in Israel, and the Company, its directors and its controlling shareholders as stated above will irrevocably undertake not to challenge the jurisdiction of the court in Israel in connection with such actions that are to be filed, if and to the extent that any such actions are filed, and not to approach a court outside Israel on their own initiative in order to obtain protection against such actions that are to be filed, if and to the extent that any such actions are filed.
- (i) The Company will not be required to publish a prospectus to the public in Israel pursuant to the Securities Law for the purpose of offering the Sold Shares to the shareholders of MTIC, and will not become a Reporting Corporation pursuant to the Merger (and accordingly will not be subject to the duties of disclosure and reporting pursuant to the Securities Law and regulations enacted by virtue thereof, as a result of the Merger).

<sup>2</sup> *All of the business, assets and liabilities of any type and kind whatsoever of MTIC, including intangible assets (which include intellectual property of any type and kind whatsoever, such as trade secrets, franchises, licenses, patents, designs, copyrights and the like), contingent, future, known and unknown obligations and contingent, future, known and unknown rights, security of any type and kind whatsoever that was given and/or received (including encumbrances, mortgages, pledges, caveats with respect to property in the public registers, guarantees, indemnifications, rights of offset, lien and the like), standing in any legal proceeding and/or Debt Collection Office proceedings of MTIC and so forth, as further detailed below.*

<sup>3</sup> *The 29,510,716 ordinary shares of the Company currently held by MTIC, which reflect, as at the date of execution of the Merger Agreement, approximately 53.23% of the issued and voting share capital of the Company.*

<sup>4</sup> *The date determined for the eligibility of the shareholders of MTIC to receive the Sold Shares pursuant to the Merger Agreement, which will be determined in coordination with the Tel Aviv Stock Exchange Ltd and will fall after the fulfillment of all of the Conditions Precedent, but before the Date of Completion.*

<sup>5</sup> *The Conversion Ratio is derived from the said ratio of shares and the number of shares in the issued and paid-up share capital of MTIC and of the Company on the date of the Merger Agreement*

- (2) The Sold Shares will be transferred by the Company to the Shareholders of MTIC, pro rata to their holdings of shares in MTIC on the Date of Record for the Merger, according to the Conversion Ratio, free and clear of any debt, lien, pledge, attachment, claim, option or any other third party right of any kind or type, including a right of first refusal, preemptive right, tag along or any other right of any party or any restriction, and the Allotted Shares will be admitted to trading on the AIM market of the London Stock Exchange plc ("AIM").

(3) Pursuant to the Merger and as part of the terms thereof, the following changes will take place in the activity of MTIC and the Company, relative to their activity prior to the Merger:

- (a) All of the members of MTIC's board of directors prior to the Date of Completion will cease to serve as directors of MTIC on the Date of Completion, and the Company will not be obligated to appoint them and/or to employ them in the Company in any way whatsoever, as of the Date of Completion. The foregoing does not derogate from any rights and duties of the referenced directors of MTIC vis-à-vis MTIC with respect to their term in office and the period of their employment in MTIC prior to the Date of Completion, which will be deemed, as of the Date of Completion, as rights and duties vis-à-vis the Subsidiary.
- (b) The CEO of MTIC, Mr. Menashe Mani, will cease to serve in the referenced position on the Date of Completion and will be employed, starting on the Date of Completion, by the Company (as it will be following the Merger of MTIC's activity). Mr. Mani will enjoy full continuity of his rights, as the Systems Engineering Division Manager (this division is currently managed by him in his position as the CEO of MTIC). As of the Date of Completion, Mr. Mani will be engaged as an employee and an officer of the Company, who is subordinate to the CEO of the Company. There will be no change in the terms of Mr. Mani's service and employment in his above-referenced position in the Company, relative to the terms of his service and employment as the CEO of MTIC, and all of his rights and duties vis-à-vis MTIC will be deemed, as of the Date of Employment, as rights and duties vis-à-vis the Company, except for his rights and duties with respect to his actual service as the CEO of MTIC as a Public Company, and except for an indemnification undertaking that was given to him with respect to his service as an officer in MTIC, which will remain in effect vis-à-vis the Company exclusively with respect to the period that preceded the Date of Completion. In addition, starting on the Date of Completion, Mr. Mani will be entitled, in his above-referenced position in the Company, to an indemnification undertaking on terms identical to those that are customary in the Company with respect to its officers.
- (c) The Chairman of MTIC's board of directors, Mr. Zvi Borovitz, who also serves as the Chairman of the Company's board of directors, will cease to serve, on the Date of Completion, as the Chairman of MTIC's board of directors, but will continue to serve as the Chairman of the Company's board of directors, with a cumulative scope of employment that reflects his employment as the Chairman of MTIC's board of directors and as the Chairman of the Company's board of directors (that is, with a cumulative scope of employment that will not be less than 55%), with no change in the terms of his service and employment, other than as set forth below. The consideration to which Mokirey Aya Management Ltd. (the "Management Company") will be entitled with respect to Mr. Borovitz's services as the Chairman of the Company's board of directors, starting on the Date of Completion, will reflect a cumulative consideration with respect to his service as the Chairman of MTIC's board of directors and as the Chairman of the Company's board of directors up to the Date of Completion, with no change (and specifically, the cumulative monthly management fees will continue to be in the amount of NIS 52,000, linked to increases in the Israeli Consumer Price Index from the month of April 2016, plus VAT as provided by law). Notwithstanding the above, with respect to the variable remuneration to which Mr. Zvi Borovitz is entitled in connection with his services as the Chairman of MTIC's board of directors and as the Chairman of the Company's board of directors: (1) he will not be entitled, starting on the Date of Completion, to the variable remuneration to which he was entitled with respect to his service as the Chairman of MTIC's board of directors; (2) he will continue to be entitled, starting on the Date of Completion, without change, to the variable remuneration with respect to his services as the Chairman of the Company's board of directors (as it will be

following the Merger of MTIC's activity). In addition, starting on the Date of Completion, Mr. Borovitz, as an officer in the Company, will not be entitled to the indemnification undertaking to which he was entitled in MTIC with respect to his service as an officer of MTIC (without derogating from the validity of the indemnification undertaking from MTIC with respect to the period that preceded the Date of Completion, which will apply to the Company, and without derogating from the Company's indemnification undertaking for Mr. Borovitz).

In this regard, for the avoidance of doubt there will be no change in the terms of Mr. Moshe Borovitz's service and employment as the Chief Financial Officer of the Company. There will be no change in the scope of Mr. Moshe Borovitz's employment in the referenced position in the Company, and there will be no change in the consideration to which the Management Company is entitled with respect to his referenced employment, and there will be no change in the variable remuneration to which Mr. Moshe Borovitz is entitled as the Chief Financial Officer of the Company (as it will be following the Merger of MTIC's activity).

- (d) On the Date of Completion, MTIC's remuneration policy for its officers will expire, and there will be no change in the Company's remuneration policy for its officers, as such policy will be in effect on the Date of Completion. However, the referenced remuneration policy of the Company will be brought before its competent organs for re-examination and approval, in light of the implications of the Merger, no later than March 2019.
- (e) On the Date of Completion, all of the agreements between MTIC and the Company will expire.
- (f) On the Date of Completion, the Company and Mokirei Aya Ltd. (which forms part of the controlling shareholders of the Company and which will be a controlling shareholder of the Company as of the Date of Completion) will enter into a relationship agreement (a copy of which is attached to the Merger Agreement), in connection with the exercise of the means of control over the Company, *in lieu* of a similar agreement between MTIC and the Company, which shall expire as stated in sub-paragraph (e) above (the "**Relationship Agreement**"). For the avoidance of doubt, under the terms of the Relationship Agreement, and in addition to the provisions of the law, regulations and rules applicable to the Company as an AIM listed company, Mokirei Aya Ltd. is obligated, *inter alia*, to refrain from exercising its powers in a manner that would result in the majority of directors on the Company's board of directors not being independent, and Mokirei Aya Ltd. is further obligated to require the consent of 50% or more of the Company's shareholders (excluding Mokirei Aya Ltd. and its affiliates and related parties) at a meeting of the Company's shareholders, in order to cancel the listing of the Company's shares from AIM. The validity of the Relationship Agreement is conditional upon Mokirei Aya Ltd, together with its affiliates and related parties, controlling at least 30% of the voting rights in the Company.

It should be noted that in accordance with the main points of an agreement by and among Mokirei Aya Ltd<sup>6</sup>, and Zvi Borovitz, Moshe Borovitz and Jacque and Rina Beer in connection with their holdings in the shares of the Company after the Merger (the "**Controlling Shareholders of the Company**"), which will be entered into effective on the Date of Completion, subject to the Merger's entry into force, as provided to the Merging Companies by the Controlling Shareholders of the Company: the Controlling Shareholders of the Company have agreed, among other things, right of first offer and right of first refusal mechanisms upon the sale of their holdings in the Company's shares by any of them under certain circumstances (as defined) to third parties (subject to qualifications), and the tag along right of Jacques and Rina Beer in the event of the sale

by Mokirei Aya Ltd of its holdings (in whole or in part) in the Company to third parties. In addition the Controlling Shareholders of the Company have agreed on certain voting arrangements with respect to their shares in the Company, including with respect to the appointment of directors in the Company. The said agreement also includes certain termination provisions which will be triggered based on minimum holding levels in the Company's shares by the Controlling Shareholders of the Company. In addition, under the terms of such agreement, the Controlling Shareholders of the Company are obligated to act in accordance with the Relationship Agreement. It should also be noted that the aggregate holdings of the Controlling Shareholders of the Company by virtue of such agreement in the shares of the Company following the Merger, according to their holdings in MTIC and the Company on the signing date of the Merger Agreement, as relevant, and the Conversion Ratio, on the signing date of the Merger Agreement, reflects, immediately after the Merger, approximately 45.70% of the issued share capital and the voting rights of the Company, and approximately 45.44% on a fully diluted basis<sup>7</sup>.

- (g) The Merger, the activity of the Company after the Merger, and the shareholders of MTIC and the Company, with respect to the Merger and after the Merger, will be subject to a tax arrangement in accordance with a Pre-Ruling issued the Israeli Tax Authorities, which will be obtained following an application for a pre-ruling, in accordance with the provisions of Part E2 (Structural Change and Merger) of the Israeli Income Tax Ordinance New Version, 1961 (Sections 103-103(s)).
- (h) The Company will not become a Reporting Corporation as a result of the Merger, and the Company, the Controlling Shareholders of the Company and the senior officers of the Company, as the latter term is defined in the Securities Law, will not be subject to duties pursuant to the Securities Law following the Merger, other than their duties pursuant to the Securities Law up to the Date of Completion with respect to their liability vis-à-vis MTIC as a Reporting Corporation up to the Date of Completion, and other than with respect to their liability pursuant to the provisions of the Merger Agreement.
- (i) In the framework of the assignment of MTIC's insurance policies to the Company and/or the reissuance of such policies in the Company, as applicable, the Company will ensure, effective as of the Date of Completion, that the directors and officers of MTIC shall be covered by a run-off insurance, pursuant to the terms of insurance coverage of the directors and officers of MTIC prior to the Date of Completion, with limits of liability of up to US\$6 million per event and per period, for an insurance period of seven years from the Date of Completion, as is customary, on market terms and at a cost to the Subsidiary that will not exceed US\$30,000, and with a deductible of up to US\$25,000 per event and per period.
- (j) The registered share capital of the Company will be updated, to the extent necessary and as part of the terms of the Merger, in order to enable the allocation of the Allotted Shares in the framework of the Merger, and without derogating from the registered capital of the Company, which is necessary for the purpose of allocating shares in the Company with respect to convertible securities of the Company.

It is hereby clarified that there will be no change in the terms of the existing options that were allocated by the Company to employees and officers of the Company and/or of corporations under its control.

<sup>6</sup> A company held in equal shares by Mr. Zvi Borovitz, Mrs. Amalia Borovitz-Brill, Mr. Moshe Borovitz and Mr. Alexander Borovitz (25% each).

<sup>7</sup> That is, with an assumption of the exercise of all of the 1,500,000 of the options that were granted to officers and employees of the Company and corporations under its control that have not yet expired, which, as of the signing date of the Merger Agreement, can be exercised into 1,500,000 shares in the Company, subject to the conditions of eligibility and to adjustments pursuant to the terms thereof; including 200,000 options that were granted to Mr. Zvi Borovitz and 250,000 options that were granted to Mr. Moshe Borovitz.

### **Grounds for Cancelling the Merger Agreement**

If either of the Merging Companies discovers that, during the period between the signing date of the Merger Agreement and the Date of Completion (the "**Interim Period**"), a Substantive Adverse Change (as defined below) has occurred in the situation and or the business of MTIC and/or of the Company, then an independent committee for finalising the terms of the Merger on behalf of MTIC (in the case of a Substantive Adverse Change in the Company) and an independent committee for finalising the terms of the Merger on behalf of the Company (in the case of a Substantive Adverse Change in MTIC), as is relevant, will be entitled, at their discretion, to contact the Appraiser and have it issue a fairness opinion with respect to the fairness and reasonableness of the consideration pursuant to the Merger Agreement, in its estimation and according to its professional experience, and, to the extent required, also with respect to the fair Conversion Ratio pursuant to the Substantive Adverse Change and additional changes that have taken place since the date of the Valuation according to which the Conversion Ratio was determined – provided that, the Appraiser's opinion as stated will not be binding upon the Merging Companies. If the Appraiser gives notice that, in light of the changes that have taken place in MTIC and/or in the Company during the period after 31 December 2017, it will be necessary to update the quantity of Allotted Shares (and, as a result, the quantity of Sold Shares), and if the independent committees on behalf of MTIC and the Company, as stated above, give their consent to update the quantity of Allotted Shares, the quantity of Allotted Shares will be updated according to the fairness opinion issued by the Appraiser, subject to the receipt of all of the approvals required in the Company and MTIC pursuant to the terms of the Merger Agreement, and subject to certification by the court in the framework of the Scheme of Arrangement (the "**Conversion Ratio Mechanism**"). Without derogating from the additional ground below, if the Merging Companies do not reach an agreement with respect to the update to be performed on the quantity of Allotted Shares (or if all of the approvals by the competent organs of the Merging Companies and/or certification by the court are not obtained), each of the Merging Companies will be entitled to give notice of the cancellation of the Merger Agreement, and the other party to Merger Agreement will have no right, claim or action with respect to such cancellation. In this regard, "**Substantive Adverse Change**" is defined as an event, a change or an effect that occurred or applied (as is applicable) during the Interim Period, including in relation to any conditions attached to approvals received in connection with the Conditions Precedent, if any conditions are so attached, and that was not known to MTIC with respect to the Company, or to the Company with respect to MTIC, as is relevant, and was not taken into account in the basic assumptions used in the Valuation according to which the Conversion Ratio was determined at the date of signing date of the Merger Agreement, and that is capable of affecting the Valuation and its outcome, in a way that entails a reduction of more than 5% of the value of MTIC and/or more than 5% of the value of the Company, as is relevant, as that value will be determined in the fairness opinion.

Without derogating from the provisions of the above, if during the Interim Period there is a change that would require the Company to issue an Admission Document under the AIM Rules for Companies, either Merging Company may declare the cancellation of the Merger Agreement without the other party to the Merger Agreement having any right, claim or action due to such cancellation<sup>8</sup>.

<sup>8</sup> It should be noted that after consulting with its nominated advisor, Allenby Capital Limited the directors of the Company believe that the Merger transaction as currently contemplated does not qualify as a Reverse Takeover under the AIM Rules

*for Companies and the Company is therefore not required to publish an Admission Document in connection with the Merger.*

### **Conditions Precedent to the Merger**

The completion of the Merger pursuant to the terms of the Merger Agreement is contingent upon the fulfillment of the conditions precedent (the "**Conditions Precedent**") by 30 August 2018, unless such date is extended by the Merging Companies, explicitly and in writing:

- (a) Obtaining the approval for the Merger from the Audit and/or Remuneration Committees (as is relevant) and the boards of directors of the Company and MTIC, pursuant to Section 275 of the Companies Law, and, in so doing, obtaining the confirmation of the boards of directors of the Company and MTIC that, to the best of their knowledge, as is relevant, there is no reasonable concern that, as a result of the Merger, the Company will be unable to comply with its undertakings vis-à-vis its creditors in the foreseeable future following completion of the Merger, bearing in mind the financial situation of the Merging Companies on the date of such confirmation<sup>9</sup>.
- (b) Obtaining the approval for the Merger from the meetings of shareholders of the Company and MTIC pursuant to the provisions of the Merger Agreement, including the majority required pursuant to Section 350 of the Companies Law and provided that this will also reflect the special majority required pursuant to Section 275 of the Companies Law, as is relevant, in accordance with the instructions of the court in the framework of the Scheme of Arrangement (the "**Approvals of the Meetings** "). In this regard, it should be noted that in accordance with the Company's undertakings, the circular to be issued when convening the meeting of MTIC's shareholders as aforesaid for approval of the Merger transaction will be signed, in addition to MTIC, by the Company through its authorised signatories and the Company will also procure that it is signed by a majority of the members of the board of directors, including at least one director who is an external director, as defined in the Companies Law. In addition, the disclosure to be included in the such circular shall include disclosure in accordance with the Securities Regulations (Transaction between a Company and its Controlling Shareholder), 5761-2001.
- (c) Obtaining a pre-ruling from the Israel Securities Authority by MTIC and the Company, pursuant to which the Company will continue to be traded on AIM only and will be exclusively subject to the rules and regulations that are applicable to companies that are traded on AIM – in other words, it will not be required to publish a prospectus in Israel in connection with the Merger, and it will not become a Reporting Corporation as a result of the Merger (and furthermore, it will not be subject to the provisions with respect to disclosure and reporting pursuant to the Securities Law and the regulations promulgated thereunder).
- (d) MTIC and the Company obtaining a pre-ruling from the tax authorities with respect to the tax implications for them and for their shareholders as a result of the Merger, and, in so doing, obtaining a tax exemption with respect to the Merger and the deferment of a tax event for the shareholders of MTIC and the Company as a result of the Merger, until the realisation of their holdings in the Company.
- (e) Obtaining the certification of the court for the Merger in the framework of the Arrangement, and, in so doing, obtaining the Court Order.
- (f) Obtaining the approval of the Israel Antitrust Authority for the Merger or obtaining an exemption for MTIC and the Company to file a merger application, as is relevant, if and to the extent necessary.



- (g) Obtaining the approval for the Merger from the Merging Companies' financial creditors, if and to the extent necessary, in order for the Merger not to constitute a breach of the undertakings of MTIC and/or of the Company vis-à-vis them.
- (h) On the Date of Completion, no court order that prohibits the implementation of the Merger will be pending.

The terms of the Merger Agreement were formulated by the independent directors' committees of the Merging Companies (consisting of members of the audit committees, as relevant) with the assistance of independent external consultants (including the Appraiser), in accordance with the determination of the Merging Companies' audit committees regarding a proper process in cases where the controlling shareholders of the Merging Companies have or may have a personal interest, as the case may be, and approved, effective 1 May 2018, by the audit committees and the boards of directors of each of the Merging Companies (consisting of the members of the audit committees of the Merging Companies, as the case may be) as a transaction in the best interest of MTIC and the Company (as is relevant), which does not constitute a Distribution (as defined under the Companies Law) in favor of the controlling shareholders, as the case may be. This is after the audit committees of the Merging Company classified the Merger transaction under the Merger Agreement as an Extraordinary Transaction, as defined in the Companies Law. In this context, the boards of directors of the Merging Companies also confirmed that they do not believe, as the case may be, that there is a reasonable risk that due to the Merger, the Company will not be able to meet its liabilities to its creditors in the foreseeable future after completion of the Merger, while taking into consideration the financial condition of the Merging Companies.

<sup>9</sup> See details below regarding receiving such approval immediately prior to entering into the Merger Agreement.

### **Benefits of the Merger**

**The directors of the Company believe that the key benefits the Merger are:**

- (1) Creating a larger company - the merged company will have revenues which are approximately 30% above the Company's current revenues.
- (2) Broadened business base - the merged company will still focus on Radio Frequency and Microwave solutions but will add two divisions that will diversify the business (namely, Representation Radio Frequency and Microwave solutions in Israel and Russia and System Engineering).
- (3) Alignment of shareholder interests and the elimination of potential conflicts of interest.
- (4) Costs savings and efficiency – shares of the merged company will be traded on one stock exchange, being the AIM market of the London Stock Exchange, and this will save significant costs and allow management to spend more time on developing the combined business.
- (5) Increased liquidity - at the end of the merger process, non-controlling shareholders will hold an increased proportion of the Company's ordinary shares with more diversified holdings, thus assisting liquidity.

### **About MTIC**

A substantial part of MTIC's assets are its holding of 29,510,716 ordinary shares in MTI, which reflect (as at the date hereof) approximately 53.23% of the issued share capital of MTI. In addition to its holding in MTI, MTIC has two operating divisions, which will be acquired by MTI as part of the merger, being the Representation Radio Frequency and Microwave Solutions division ("Representation") and the System Engineering division ("System Engineering").

The Representation division which has been operating since 1970 specialises in consulting to and the representation of international companies in the fields of Radio Frequency/Microwave components, solutions and applications, and communication intelligence (COMINT) systems, where such companies are seeking to sell and promote their products in Israel. In 2014, the Representation division expanded partially into Eastern Europe following the opening of an office in Russia.

The System Engineering division operates in the “Lighter-than-Air” field. The System Engineering division’s business is based on know-how encompassing the overall aerostat operation and commercial ballooning applications, including system design and integration of platform subsystems, signals intelligence (SIGINT), RADAR and Communication and Observation systems. The System Engineering division’s team of experts includes experienced Israel Defense Forces reserve officers with up to 40 years of field, design, and management experience. MTIC has been involved in System Engineering since 1987 as consultants to the local defense industry in Israel and to TCOM L. P. of the US since 1988.

MTIC’s audited results for the year ended 31 December 2017 recorded revenues of US\$34.65 million and a profit before income tax of US\$2.45 million. The audited total assets of MTIC as at 31 December 2017 were US\$29.5 million. The financial statements of MTI are consolidated in full within the MTIC financial information stated above. The majority of MTIC’s operating revenues (excluding revenues from MTI) are generated from its Representation division.

MTIC has been publicly traded on the Tel Aviv Stock Exchange (TASE) since 1994. Further information on MTIC can be found via the following website address: <http://www.mti-group.co.il/>

#### **Related Party Transaction**

MTIC’s interest in MTI’s issued ordinary share capital is currently 53.2%. As such, MTIC is classified as a related party of MTI under Rule 13 of the AIM Rules for Companies (“AIM Rule 13”). The Merger is therefore classified as a transaction with a related party.

Zvi Borovitz, MTI’s Non-Executive Chairman, is also Chairman of MTIC and not deemed independent for the purposes of AIM Rule 13. MTIC is controlled by Mokirei Aya Ltd., a company controlled by members of the Borovitz family, which include Zvi Borovitz and MTI’s Finance Director Moni Borovitz. Moni Borovitz is not deemed independent for the purposes of AIM Rule 13. David Yariv, a Non-Executive Director of MTI, is appointed to MTI’s board pursuant to a shareholders’ agreement in respect of MTIC between Mokirei Aya Ltd and the Beer family (who currently own 16.16% of MTIC), which Mr. Yariv is a part of and Mr. Yariv is not deemed independent for the purposes of AIM Rule 13. Dov Finer, MTI’s Chief Executive Officer is a shareholder in MTIC and not deemed independent for the purposes of AIM Rule 13. Accordingly, the independent directors of MTI for the purposes on AIM Rule 13 are Lihi Elimelech-Bechor, Richard Bennett and Zvi Kanor (the “Independent Directors”).

The Independent Directors consider, having consulted with the Company’s nominated adviser, Allenby Capital Limited, that the terms of the Merger are fair and reasonable insofar as MTI’s shareholders are concerned.

#### **Other**

The Company and MTIC intend to approach the court in the near future in order to submit an application for the Scheme of Arrangement. Following application to court and in accordance with the court’s instructions the Company will issue a circular to shareholders setting out details of the Merger, which will include notice of the shareholders meeting required to approve the Merger in accordance with Israeli law.

The Company will make further announcements in respect of the Merger as appropriate.

Shareholders should note that the AGM and EGM planned for May 23, 2018 as announced on April 17, 2018 will take place as announced and pending the approval at these meetings of reelection of the board members of the Company it is the intention of the Company that such elected board members shall continue in their capacity also following the completion of the Merger.

For further information please contact:

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**About MTI Wireless Edge**

MTI is engaged in the development, production and marketing of high quality, low cost, flat panel antennas for commercial and for military applications. Commercial applications include: WiMAX; wireless networking; RFID readers; and broadband wireless access. With over 40 years' experience MTI supplies 100KHz to 90GHz antennas (including directional antennas and omni directional) for outdoor and indoor deployments, including smart antennas for WiMAX, Wi-Fi, public safety, RFID and base stations and terminals for the utility market. Military applications includes a wide range of broadband, tactical and specialized communications antennas, antenna systems and DF arrays installed on numerous airborne, ground and naval, including submarine, platforms worldwide.

Via its subsidiary, Mottech Water Solutions Ltd (“Mottech”), MTI is also a leading provider of remote control solutions for water and irrigation applications based on Motorola IRRInet state of the art control, monitoring and communication technologies. Mottech, headquartered in Israel, is the global prime distributor of Motorola for the IRRInet remote control solutions serving its customers worldwide through its subsidiaries and a global network of local distributors and representatives. It utilizes over 25 years of experience in providing its customers with remote control and management systems which ensure constant, reliable and accurate water usage, while reducing operational costs and maintenance costly expenses. Mottech activities are focused in the market segments of agriculture, water distribution, municipal and commercial landscape and wastewater and storm water reuse.