

MTI WIRELESS EDGE LTD.

(An Israeli Corporation)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

AS OF MARCH 31, 2019

MTI WIRELESS EDGE LTD.

(An Israeli Corporation)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

AS OF MARCH 31, 2019

TABLE OF CONTENTS

	<u>Page</u>
Interim Consolidated Statements of Comprehensive Income	2
Interim Consolidated Statements of Changes in Equity	3-5
Interim Consolidated Statements of Financial Position	6-7
Interim Consolidated Statements of Cash Flows	8-9
Notes to Interim Consolidated Financial Statements	10-18

MTI WIRELESS EDGE LTD.
(An Israeli Corporation)
INTERIM CONSOLIDATED STATEMENTS OF
COMPREHENSIVE INCOME

	Three month period ended March 31,		Year ended December 31,
	2019	2018	2018
U.S. \$ in thousands			
Unaudited			
Revenues	9,076	7,838	35,471
Cost of sales	6,155	5,220	23,420
Gross profit	2,921	2,618	12,051
Research and development expenses	290	294	1,090
Distribution expenses	1,089	1,056	4,277
General and administrative expenses	941	907	3,767
Profit from sale of property, plant and equipment	-	-	(7)
Profit from operations	601	361	2,924
Finance expenses	68	126	288
Finance income	(29)	(13)	(14)
Profit before income tax	562	248	2,650
Tax expenses (income)	12	(287)	321
Profit	550	535	2,329
Other comprehensive income (loss) net of tax: <i>Items that will not be reclassified to profit or loss:</i>			
Re-measurement of defined benefit plans	-	-	22
<i>Items that may be reclassified to profit or loss:</i>			
Adjustment arising from translation of financial statements of foreign operations	7	23	(229)
Total other comprehensive income (loss)	7	23	(207)
Total comprehensive income	557	558	2,122
Profit attributable to:			
Owners of the parent	558	547	2,337
Non-controlling interests	(8)	(12)	(8)
	550	535	2,329
Total comprehensive income (loss) attributable to:			
Owners of the parent	565	570	2,130
Non-controlling interests	(8)	(12)	(8)
	557	558	2,122
Earnings per share (dollars)			
Basic	0.0064	0.0064	0.0270
Diluted	0.0064	0.0064	0.0269
Weighted average number of shares outstanding			
Basic	86,765,353	85,224,754	86,565,298
Diluted	87,131,353	85,677,133	86,986,917

The accompanying notes form an integral part of the financial statements.

MTI WIRELESS EDGE LTD.
(An Israeli Corporation)
INTERIM CONSOLIDATED STATEMENTS OF
CHANGES IN EQUITY

For the three month period ended March 31, 2019 (Unaudited):

	Attributed to owners of the parent							Total equity
	Share capital	Additional paid-in capital	Capital reserve for share-based payment transactions	Translation differences	Retained earnings	Total attributable to owners of the parent	Non-controlling interest	
	U.S. \$ in thousands							
Balance at January 1, 2019	205	22,388	366	(124)	(2,195)	20,640	375	21,015
Changes during the three month period ended March 31, 2019:								
Comprehensive income								
Profit for the period	-	-	-	-	558	558	(8)	550
Other comprehensive loss								
Translation differences	-	-	-	7	-	7	-	7
Total comprehensive income (loss) for the period	-	-	-	7	558	565	(8)	557
Buy back purchase of stock	(1)	-	-	-	(133)	(134)	-	(134)
Share based payment	-	-	2	-	-	2	-	2
Balance at March 31, 2019	204	22,388	368	(117)	(1,770)	21,073	367	21,440

The accompanying notes form an integral part of the financial statements.

MTI WIRELESS EDGE LTD.
(An Israeli Corporation)
INTERIM CONSOLIDATED STATEMENTS OF
CHANGES IN EQUITY (CONT.)

For the three month period ended March 31, 2018 (Unaudited) *:

	Attributed to owners of the parent							Total equity
	Share capital	Additional paid-in capital	Capital Reserve for share-based payment transactions	Translation differences	Retained earnings	Total attributable to owners of the parent	Non-controlling interest	
	U.S. \$ in thousands							
Balance at January 1, 2018	200	21,716	352	105	(2,781)	19,592	383	19,975
Changes during the three month period ended March 31, 2018:								
Comprehensive income								
Profit for the period	-	-	-	-	547	547	(12)	535
Other comprehensive loss								
Translation differences	-	-	-	23	-	23	-	23
Total comprehensive income (loss) for the period	-	-	-	23	547	570	(12)	558
Share based payment	-	-	6	-	-	6	-	6
Balance at March 31, 2018	200	21,716	358	128	(2,234)	20,168	371	20,539

(*) comparative numbers were adjusted to reflect the merger, refer to note 5A.

The accompanying notes form an integral part of the financial statements.

MTI WIRELESS EDGE LTD.
(An Israeli Corporation)
INTERIM CONSOLIDATED STATEMENTS OF
CHANGES IN EQUITY (CONT.)

For the year ended December 31, 2018:

	Attributable to owners of the parent							
	Share capital	Additional paid-in capital	Capital Reserve from share-based payment transactions	Translation differences	Retained earnings	Total attributable to owners of the parent	Non-controlling interests	Total equity
	U.S. \$ in thousands							
Balance as at January 1, 2018	200	21,716	352	105	(2,781)	19,592	383	19,975
Changes during 2018:								
Comprehensive income								
Profit for the year	-	-	-	-	2,337	2,337	(8)	2,329
Other comprehensive income								
Re measurements on defined benefit plans	-	-	-	-	22	22	-	22
Translation differences	-	-	-	(229)	-	(229)	-	(229)
Total comprehensive income (loss) for the year	-	-	-	(229)	2,359	2,130	(8)	2,122
Dividend	5	672	-	-	(1,773)	(1,096)	-	(1,096)
Share based payment	-	-	14	-	-	14	-	14
Balance as at December 31, 2018	205	22,388	366	(124)	(2,195)	20,640	375	21,015

The accompanying notes form an integral part of the financial statements.

MTI WIRELESS EDGE LTD.
(An Israeli Corporation)
INTERIM CONSOLIDATED STATEMENTS OF
FINANCIAL POSITION

	31.03.2019	31.03.2018*	31.12.2018
	U.S. \$ in thousands		
	Unaudited		
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	6,068	5,024	5,401
Other current financial assets	-	2,021	-
Trade and other receivables	9,628	8,001	9,591
Unbilled revenue	2,470	2,056	2,271
Current tax receivables	700	569	153
Inventories	5,447	5,159	6,005
	24,313	22,830	23,421
NON-CURRENT ASSETS:			
Long term prepaid expenses	47	30	32
Property, plant and equipment	5,080	4,201	4,245
Deferred tax assets	731	620	687
Intangible assets	875	967	881
	6,733	5,818	5,845
Total assets	31,046	28,648	29,266

(*) comparative numbers were adjusted to reflect the merger, refer to note 5

The accompanying notes form an integral part of the financial statements.

MTI WIRELESS EDGE LTD.

(An Israeli Corporation)

**INTERIM CONSOLIDATED STATEMENTS OF
FINANCIAL POSITION**

	<u>31.03.2019</u>	<u>31.03.2018*</u>	<u>31.12.2018</u>
	<u>U.S. \$ In thousands</u>		
	<u>Unaudited</u>		
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Current maturities and short term bank credit and loans	440	856	581
Trade payables	4,391	3,397	3,998
Other accounts payable	3,217	2,306	2,532
Current tax payables	79	54	12
	<u>8,127</u>	<u>6,613</u>	<u>7,123</u>
NON- CURRENT LIABILITIES:			
Lease liabilities	365	-	-
Loans from banks, net of current maturities	374	754	427
Employee benefits, net	740	742	701
	<u>1,479</u>	<u>1,496</u>	<u>1,128</u>
Total liabilities	<u>9,606</u>	<u>8,109</u>	<u>8,251</u>
EQUITY			
Equity attributable to owners of the parent			
Share capital	204	200	205
Additional paid-in capital	22,388	21,716	22,388
Capital reserve from share-based payment transactions	368	358	366
Translation differences	(117)	128	(124)
Retained earnings	(1,770)	(2,234)	(2,195)
	<u>21,073</u>	<u>20,168</u>	<u>20,640</u>
Non-controlling interest	367	371	375
Total equity	<u>21,440</u>	<u>20,539</u>	<u>21,015</u>
Total equity and liabilities	<u>31,046</u>	<u>28,648</u>	<u>29,266</u>

(*) comparative numbers were adjusted to reflect the merger, refer to note 5A.

May 22, 2019			
Date of approval of financial statements	Moshe Borovitz Chief Executive Officer	Elhanan Zeira Controller	Zvi Borovitz Non-executive Chairman of the Board

The accompanying notes form an integral part of the financial statements.

MTI WIRELESS EDGE LTD.

(An Israeli Corporation)

INTERIM CONSOLIDATED STATEMENTS OF

CASH FLOWS

	Three month period ended March 31,	Year ended December 31,
	2019	2018*
	U.S. \$ in thousands	
	Unaudited	
Cash Flows from Operating Activities:		
Profit for the period	550	535
Adjustments for:		
Depreciation and amortization	283	137
Gain from investments in financial assets	-	(10)
Gain from sale of property, plant and equipment	-	(10)
Equity settled share-based payment expense	2	6
Finance (income) expenses, net	29	17
Tax expense (income)	12	(287)
Changes in operating assets and liabilities:		
Decrease (increase) in inventories	572	334
Decrease (increase) in trade receivables	(262)	1,538
Decrease in other accounts receivables and prepaid expenses	23	431
Increase (decrease) in trade and other accounts payables	646	(1,009)
Increase (decrease) in employee benefits, net	39	8
Cash from operations	1,894	1,690
Interest received	-	-
Interest paid	(20)	(17)
Income tax received (paid)	(535)	133
Net cash provided by operating activities	1,339	1,806

(*) comparative numbers were adjusted to reflect the merger, refer to note 5

The accompanying notes form an integral part of the financial statements.

MTI WIRELESS EDGE LTD.

(An Israeli Corporation)

INTERIM CONSOLIDATED STATEMENTS OF

CASH FLOWS (cont.)

	Three month period ended		Year ended
	March 31,		December 31,
	2019	2018*	2018
	U.S. \$ in thousands		
	Unaudited		
Cash Flows From Investing Activities:			
Proceeds from sale of investments in financial assets, net	-	-	2,040
Proceeds from sale of property, plant and equipment	-	-	39
Purchase of property, plant and equipment	<u>(174)</u>	<u>(84)</u>	<u>(515)</u>
Net cash used in investing activities	<u>(174)</u>	<u>(84)</u>	<u>1,564</u>
Cash Flows From Financing Activities:			
Buy back purchase of stock	(134)	-	-
Payments of lease liabilities	(155)	-	-
Dividend	-	-	(1,773)
Share issuance due to the merger	-	-	677
Short term loan from banks	-	-	(21)
Long term loan received from banks	-	10	120
Repayment of long-term loan from banks	<u>(214)</u>	<u>(214)</u>	<u>(878)</u>
Net cash used in financing activities	<u>(503)</u>	<u>(204)</u>	<u>(1,875)</u>
Increase in cash and cash equivalents during the period	662	1,518	1,950
Cash and cash equivalents at the beginning of the period	5,401	3,508	3,508
Exchange differences on balances of cash and cash equivalents	<u>5</u>	<u>(2)</u>	<u>(57)</u>
Cash and cash equivalents at the end of the period	<u><u>6,068</u></u>	<u><u>5,024</u></u>	<u><u>5,401</u></u>

(*) comparative numbers were adjusted to reflect the merger, refer to note 5A.

The accompanying notes form an integral part of the financial statements.

MTI WIRELESS EDGE LTD.

(An Israeli Corporation)

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - GENERAL:

Corporate information:

M.T.I Wireless Edge Ltd. (hereafter - the "Company", or collectively with its subsidiaries, the "Group") is an Israeli corporation. The Company was incorporated under the Companies Act in Israel on December 30, 1998, and commenced operations on July 1, 2000. Since March 2006, the Company's shares have been traded on the AIM market of the London Stock Exchange.

The formal address of the Company is 11 Hamelacha Street, Afek industrial Park, Rosh-Ha'Ayin, Israel.

The Company and its subsidiaries are engaged in the following areas:

- Development, design, manufacture and marketing of antennas for the military and civilian sectors.
- A leading provider of remote control solutions for water and irrigation applications based on Motorola's IRRInet state of the art control, monitoring and communication technologies.
- Providing consulting, representation and marketing services to foreign companies in the field of RF and Microwave, including engineering services in the field of aerostat systems and system engineering services.

In these financial statements, the Company included the results of its aerostat system division in its representation and consulting services division, as it deems this appropriate given the nature of the consulting services provided in both segments and the respective size of these segments.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES:

The interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles for the preparation of financial statements for interim periods, as prescribed in International Accounting Standard No. 34 ("Interim Financial Reporting").

The interim consolidated financial information set out above does not constitute full year-end accounts within the meaning of Israeli Companies Law. It has been prepared on the going concern basis in accordance with the recognition and measurement criteria of the International Financial Reporting Standards (IFRS). Statutory financial information for the financial year ended December 31, 2018 was approved by the board on March 10, 2019. The report of the auditors on those financial statements was unqualified.

The interim consolidated financial statements as of March 31, 2019 have not been audited.

The interim consolidated financial information should be read in conjunction with the annual financial statements as of December 31, 2018 and for the year then ended and with the notes thereto. The significant accounting policies applied in the annual financial statements of the Company as of December 31, 2018 are applied consistently in these interim consolidated financial statements. Except for the adoption of new standards effective as of 1 January 2019.

MTI WIRELESS EDGE LTD.

(An Israeli Corporation)

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

New IFRSs adopted in the period

- IFRS 16 Leases

The Group has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in the opening balance sheet on 1 January 2019.

The main impact of adopting the standard early is the elimination of existing requirement on lessees to classify leases as operating lease (off-balance sheet) or finance lease, and they are now required to use a single accounting model for all leases, similarly to how finance leases are currently accounted for. Accordingly, before first-time adoption, under IAS 17 (the previous standard for leases), the Group classified leases where it served as lessee as operating leases, because it did not have substantially all risks and rewards incidental to ownership of the asset. In agreements where the Group is the lessor, it applies IFRS 16 using a single accounting model under which it recognizes a right-of-use asset and a lease liability upon inception of the lease contract. It does so for all leases in which the Group has right to control the use of identified assets for a period of time in exchange for consideration. Accordingly, the Group recognizes depreciation and depreciation charges on the right-of-use asset and tests the need for recognizing impairment of the right-of-use asset in compliance with IAS 36 "Impairment of Assets", and also recognizes finance expenses in relation to a lease liability. Therefore, beginning on first-time adoption, rent expenses relating to properties rented under operating leases, are now presented as assets that are depreciated through depreciation and depreciation assets.

For all leases, the Group applied the transitional provisions such that it initially recognized a liability at the commencement day at an amount equal to the present value of the lease payments during the lease, discounted using the effective interest rate as of that date, and concurrently recognized a right-of-use asset at an amount identical to the liability. As a result, the standard had no impact on equity and the retained earnings of the Group as at initial application.

As part of the initial application, the Group elected to adopt the following practical expedients, as permitted by the standard:

- a. The use of a single discount rate for a portfolio of leases with similar characteristics;
- b. Not separating lease and non-lease components of a contract, and instead accounting for all components as a single lease;
- c. Excluding initial direct costs from the measurement of the right-of-use asset as at initial application;
- d. Use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease;

MTI WIRELESS EDGE LTD.

(An Israeli Corporation)

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

New IFRSs adopted in the period (cont.)

The following new significant accounting policy for agreements in which the Group is the lessee as applied beginning on January 1, 2019 following initial application of the standard:

Right-of-use assets:

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and includes the amount of lease liabilities recognized, initial direct costs impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain that it will obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment. The right-of-use assets are presented within property, plant and equipment.

Lease liabilities:

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

Lease term:

The term of a lease is determined as the non-cancellable period for which a lessee has the right to use an underlying asset, together with both periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

Depreciation of a right-of-use asset:

Subsequent to the inception of the lease, a right-of-use asset is measured using the cost method, less accumulated depreciation and accumulated impairment losses, and is adjusted for re-measurements of the lease liability. Depreciation is measured using the straight-line method over the useful life or contractual lease term, whichever ends earlier.

Lessees will be also required to re-measure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used

MTI WIRELESS EDGE LTD.

(An Israeli Corporation)

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

to determine those payments). The lessee will recognize the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset, until the carrying amount is reduced to zero.

The following table presents a summary of the impact on the interim consolidated statement of financial position as of January 1, 2019, assuming that the previous accounting policy of the Group for leases would have continued in that period.

The impact on the interim consolidated statement of financial position as of January 1, 2019 (Unaudited):

	Under previous policy	The change	Under IFRS 16
	U.S. \$ in thousands		
<i>Non-current assets:</i>			
Property, plant and equipment	4,245	920	5,165
<i>Current liabilities:</i>			
Other accounts payable	2,532	452	2,984
<i>Non-current liabilities:</i>			
Lease liabilities	-	468	468

The Group recognized the right-of-use assets based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. As part of initial application, there was no impact on retained earnings on January 1, 2019.

The following is a reconciliation of the Company's liabilities in respect of operating leases disclosed in the financial statements as of December 31, 2018, discounted at the incremental interest rate on the initial implementation date and lease commitments recognized on January 1, 2019 (Unaudited):

	U.S. \$ in thousands
Operating lease commitments as of December 31, 2018	970
Weighted average incremental borrowing rate as of January 1, 2019	4.8%
Discounted operating lease commitments	920
Lease liabilities as of January 1, 2019	920

MTI WIRELESS EDGE LTD.

(An Israeli Corporation)

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 – REVENUES:

	Three month period ended March 31,		Year ended December 31,
	2019	2018	2018
	U.S. \$ in thousands		
Unaudited			
Revenues arise from:			
Sale of goods	7,350	5,903	27,734
Rendering of services	1,024	1,107	4,209
Projects	702	828	3,528
	9,076	7,838	35,471

NOTE 4 – OPERATING SEGMENTS:

The following tables present revenue and profit information regarding the Group's operating segments for the three month period ended March 31, 2019 and 2018 respectively and for the year ended December 31, 2018.

Three month period ended March 31, 2019 (Unaudited)

	Antennas	Water Solutions	Distribution & Consultation	Adjustment & Elimination	Total
	U.S. \$ in thousands				
<i>Revenues</i>					
External	2,830	3,503	2,743	-	9,076
Internal	-	-	33	(33)	-
Total	2,830	3,503	2,776	(33)	9,076
Segment profit (loss)	64	250	231	56	601
Finance expense, net					39
Tax expenses					12
Profit					550
	Antennas	Water Solutions	Distribution & Consultation	Adjustment & Elimination	Total
U.S. \$ in thousands					
<i>Segment assets</i>	13,076	8,755	4,755	-	26,606
<i>Unallocated assets</i>					4,460
<i>Segment liabilities</i>	3,019	2,398	2,826	-	8,243
<i>Unallocated liabilities</i>					1,363

MTI WIRELESS EDGE LTD.

(An Israeli Corporation)

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4– OPERATING SEGMENTS (CONT.):

Three month period ended March 31, 2018 (Unaudited)

	<u>Antennas</u>	<u>Water Solutions</u>	<u>Distribution & Consultation</u>	<u>Adjustment & elimination</u>	<u>Total</u>
	U.S. \$ in thousands				
<i>Revenues</i>					
External	3,054	3,102	1,682	-	7,838
Internal	-	-	57	(57)	-
Total	3,054	3,102	1,739	(57)	7,838
Segment profit	102	147	102	10	361
Finance expense, net					113
Tax expenses (income)					(287)
Profit					535

	<u>Antennas</u>	<u>Water Solutions</u>	<u>Distribution & Consultation</u>	<u>Adjustment & Elimination</u>	<u>Total</u>
	U.S. \$ in thousands				
<i>Segment assets</i>	14,047	7,990	3,397	-	25,434
<i>Unallocated assets</i>					3,214
<i>Segment liabilities</i>	3,306	1,976	2,013	-	7,295
<i>Unallocated liabilities</i>					814

Year ended December 31, 2018

	<u>Antennas</u>	<u>Water Solutions</u>	<u>Distribution & Consultation</u>	<u>Adjustment & Elimination</u>	<u>Total</u>
	\$'000				
<i>Revenues</i>					
External	12,670	14,298	8,503	-	35,471
Inter-segment	-	-	238	(238)	-
Total	12,670	14,298	8,741	(238)	35,471
Segment profit	630	1,395	728	171	2,924
Finance expense, net					274
Tax expenses					321
Profit					2,329

MTI WIRELESS EDGE LTD.

(An Israeli Corporation)

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4– OPERATING SEGMENTS (CONT.):

Year ended December 31, 2018

	Antennas	Water Solutions	Distribution & Consultation	Adjustment & Elimination	Total
	U.S. \$ in thousands				
<i>Segment assets</i>	13,800	8,772	3,235	-	27,807
<i>Unallocated assets</i>					3,459
<i>Segment liabilities</i>	3,651	2,025	1,953	-	7,629
<i>Unallocated liabilities</i>					622

NOTE 5 – SIGNIFICANT EVENTS:

A. Merger

During March 2018 the Company announced that it was in preliminary discussions with its majority shareholder, MTI Computers & Software Services (1982) Ltd (“**MTIC**”), regarding a potential merger between the two companies. MTIC, whose shares were listed on the Tel Aviv Stock Exchange, at that point held 53.2% of the Company’s issued ordinary shares. Following the announcement in March 2018, on 1 May, 2018 the Company announced that it had entered into a merger agreement (the “**Merger Agreement**”) with its majority shareholder, MTIC and the Company 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 was to be merged into the Company in a statutory merger, so that MTIC would be dissolved and all of its activities, assets and liabilities, subject to certain qualifications, would 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 (the “**Merger**”).

The Merger did not constitute a business combination within the scope of IFRS 3 and accordingly is treated by the Company in the financial statements as a pooling of interest. According to this method, the Company prepared its financial statements in order to reflect as if the Merger was in effect as of the establishment of the Company, while making the adjustments as follows:

The capital balance of the transferred activities was classified in the statement of changes in equity as part of the additional paid-in capital. Dividend distribution to the owners prior to the date of the merger were classified to the statement of changes in equity as retained earnings.

As consideration for the Merger, the Company allocated 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 were also transferred to all of the shareholders in MTIC, pro rata to their holdings of shares in MTIC.

MTI WIRELESS EDGE LTD.

(An Israeli Corporation)

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 – SIGNIFICANT EVENTS (cont.):

On the date of record for the Merger the Company allocated 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 transferred 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, was 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**"), was subject to updates, as necessary, according to the Conversion Ratio Mechanism (as defined below). According to the aforesaid valuation, which constituted 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) was approximately 1.75: in favor of the Company. The Merger was completed on 20 August, 2018.

Following completion of the Merger, the Conversion Ratio was not adjusted in accordance with the Conversion Ratio Mechanism (5.26891) and none of the options granted by the Company were exercised, and accordingly on completion of the Merger, the issued share capital of the Company was 87,038,724 ordinary shares.

B. On 11 March 2019, the Board of directors declared a cash dividend of 1.5 cent per share, representing approximately \$1,306,000, in Total. This dividend was paid on 5 April 2019 to shareholders on the register at the close of trading on 22 March 2019.

C. On January 24 2019 the Company announced a share repurchase program to conduct market purchases of ordinary shares of par value 0.01 Israeli Shekels each ("**Ordinary Shares**") in the Company up to a maximum value of £150,000 (the "**Programme**"). The Programme is managed by Peterhouse Capital Limited ("**Peterhouse Capital**"). The Company has entered into an arrangement with Peterhouse Capital in relation to the Programme where Peterhouse Capital will make the trading decisions concerning the timing of the market purchases of Ordinary Shares independently of and uninfluenced by the Company, with such trading decisions being in line with the terms of the Programme. Purchases may continue during any prohibited periods of the Company, as defined by the Market Abuse Regulation 596/2014/EU ("MAR"), which may fall during the term of the Programme. The Company reserves the right to bring a halt to the Programme under circumstances that it deems to be appropriate, provided that it is permissible for this to occur in compliance with MAR.

The Programme commenced on 28 January 2019 and will continue until no later than 26 July 2019.

MTI WIRELESS EDGE LTD.

(An Israeli Corporation)

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 – SIGNIFICANT EVENTS (cont.):

Ordinary Shares acquired as a result of the Programme will be held by MTI Engineering and in accordance with the Israeli Companies Law, 1999 will not have any voting rights. An objective of the Programme is that Ordinary Shares acquired by MTI Engineering will be resold, provided that this occurs under circumstances that the Board of MTI deems to be appropriate and in compliance with MAR. Cash generated from any eventual resales of Ordinary Shares acquired by MTI Engineering under the Programme will be credited to an account held with a third party, which will be under the direction of Peterhouse Capital and such cash may be used by Peterhouse Capital to make future purchases of Ordinary Shares under the Programme. As at 31 March 2019, a total 510,000 shares Ordinary Shares had been repurchased under the Programme.

NOTE 6 - SUBSEQUENT EVENTS:

During April 2019, the Company's Chairman and the Chief Executive Officer, exercised options over 450,000 shares in exchange for a total consideration of approximately \$56,000.