

MTI WIRELESS EDGE LTD.

(An Israeli Corporation)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

AS OF MARCH 31, 2021

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(An Israeli Corporation)

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

	Three month period ended March 31,		Year ended December 31,
	2021	2020	2020
U.S. \$ in thousands			
Unaudited			
Revenues	9,949	9,556	40,893
Cost of sales	6,783	6,441	27,816
Gross profit	3,166	3,115	13,077
Research and development expenses	283	250	1,029
Distribution expenses	889	907	3,579
General and administrative expenses	1,039	1,108	4,379
Loss (profit) from sale of property, plant and equipment	(4)	8	14
Profit from operations	959	842	4,076
Finance expenses	75	140	275
Finance income	(15)	(15)	(255)
Profit before income tax	899	717	4,056
Tax expenses	157	124	564
Profit	742	593	3,492
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	-	-	42
<i>Items that may be reclassified to profit or loss:</i>			
Adjustment arising from translation of financial statements of foreign operations	(113)	(278)	253
Total other comprehensive income (loss)	(113)	(278)	295
Total comprehensive income	629	315	3,787
Profit attributable to:			
Owners of the parent	705	585	3,373
Non-controlling interests	37	8	119
	742	593	3,492
Total comprehensive income (loss) attributable to:			
Owners of the parent	592	307	3,668
Non-controlling interests	37	8	119
	629	315	3,787
Earnings per share (dollars)			
Basic	0.0080	0.0067	0.0383
Diluted	0.0080	0.0066	0.0383
Weighted average number of shares outstanding			
Basic	88,538,724	87,873,946	88,093,025
Diluted	88,538,724	88,035,747	88,093,025

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, 2021 (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, 2021	209	23,167	-	191	999	24,566	987	25,553
Changes during the three month period ended March 31, 2021:								
Comprehensive income								
Profit for the period	-	-	-	-	705	705	37	742
Other comprehensive loss								
Translation differences	-	-	-	(113)	-	(113)	-	(113)
Total comprehensive income (loss) for the period	-	-	-	(113)	705	592	37	622
Dividend	-	-	-	-	(2,213)	(2,213)	-	(2,213)
Balance at March 31, 2021	209	23,167	-	78	(509)	22,945	1,024	23,969

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, 2020 (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, 2020	207	22,868	52	(62)	(658)	22,407	883	23,290
Changes during the three month period ended March 31, 2020:								
Comprehensive income								
Profit for the period	-	-	-	-	585	585	8	593
Other comprehensive loss								
Translation differences	-	-	-	(278)	-	(278)	-	(278)
Total comprehensive income (loss) for the period	-	-	-	(278)	585	307	8	315
Profit from acquisition and disposal of treasury shares (note 5B)	-	8	-	-	-	8	-	8
Exercise of options to share capital	1	24	(4)	-	-	21	-	21
Share based payment	-	-	1	-	-	1	-	1
Balance at March 31, 2020	208	22,900	49	(340)	(73)	22,744	891	23,635

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, 2020:

	Attributable to owners of the parent							Total equity
	Share capital	Additional paid-in capital	Capital Reserve from share- based payment transactions	Translation differences	Accumulated losses	Total attributable to owners of the parent	Non- controlling interests	
U.S. \$ in thousands								
Balance as at January 1, 2020	207	22,868	52	(62)	(658)	22,407	883	23,290
Changes during 2020:								
Comprehensive income								
Profit for the year	-	-	-	-	3,373	3,373	119	3,492
Other comprehensive income								
Re measurements on defined benefit plans	-	-	-	-	42	42	-	42
Translation differences	-	-	-	253	-	253	-	253
Total comprehensive income (loss) for the year	-	-	-	253	3,415	3,668	119	3,787
Dividend	-	-	-	-	(1,758)	(1,758)	-	(1,758)
Exercise of options to share capital	2	306	(54)	-	-	254	-	254
Acquisition of the non-controlling interest in subsidiary (note 21 B)	-	(15)	-	-	-	(15)	(15)	(30)
Profit from acquisition and disposal of treasury shares (note 23)	-	8	-	-	-	8	-	8
Share based payment	-	-	2	-	-	2	-	2
Balance as at December 31, 2020	209	23,167	-	191	999	24,566	987	25,553

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

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

	31.03.2021	31.03.2020	31.12.2020
	U.S. \$ in thousands		
	Unaudited		
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	9,585	8,985	9,577
Trade and other receivables	9,244	8,378	10,653
Unbilled revenue	2,389	3,305	2,318
Current tax receivables	489	555	557
Inventories	5,631	5,695	6,399
	27,338	26,918	29,509
NON-CURRENT ASSETS:			
Long term prepaid expenses	27	46	44
Property, plant and equipment	5,312	5,165	4,818
Deferred tax assets	689	655	696
Intangible assets	1,053	1,103	1,065
	7,081	6,969	6,623
Total assets	34,419	33,887	36,132

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>31.03.2021</u>	<u>31.03.2020</u>	<u>31.12.2020</u>
	<u>U.S. \$ In thousands</u>		
	<u>Unaudited</u>		
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Current maturities and short term bank credit and loans	36	292	105
Trade payables	4,157	4,237	5,098
Other accounts payable	4,762	4,288	4,094
Current tax payables	142	203	213
	<u>9,097</u>	<u>9,020</u>	<u>9,510</u>
NON- CURRENT LIABILITIES:			
Contingent consideration	49	69	51
Lease liabilities	464	282	155
Loans from banks, net of current maturities	30	65	37
Employee benefits, net	810	816	826
	<u>1,353</u>	<u>1,232</u>	<u>1,069</u>
Total liabilities	<u>10,450</u>	<u>10,252</u>	<u>10,579</u>
EQUITY			
Equity attributable to owners of the parent			
Share capital	209	208	209
Additional paid-in capital	23,167	22,900	23,167
Capital reserve from share-based payment transactions	-	49	-
Translation differences	78	(340)	191
Retained earnings	(509)	(73)	999
	<u>22,945</u>	<u>22,744</u>	<u>24,566</u>
Non-controlling interest	1,024	891	987
Total equity	<u>23,969</u>	<u>23,635</u>	<u>25,553</u>
Total equity and liabilities	<u>34,419</u>	<u>33,887</u>	<u>36,132</u>

May 18, 2021

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	Year ended
	March 31,	December 31,
	2021	2020
	U.S. \$ in thousands	
	Unaudited	
Cash Flows from Operating Activities:		
Profit for the period	742	3,492
Adjustments for:		
Depreciation and amortization	221	1,009
Loss (Gain) from sale of property, plant and equipment	13	13
Equity settled share-based payment expense	-	2
Finance (income) expenses, net	(24)	69
Tax expenses	157	564
Changes in operating assets and liabilities:		
Decrease (increase) in inventories	729	(557)
Decrease (increase) in trade receivables	1,457	(1,053)
Decrease (increase) in other accounts receivables	(112)	255
Increase in unbilled revenues	(71)	548
Increase (decrease) in trade and other accounts payables	(369)	140
Increase (decrease) in employee benefits, net	(16)	25
Cash from operations	2,727	4,507
Interest received	(10)	28
Interest paid	5	(43)
Income tax paid	(155)	(494)
Net cash provided by operating activities	2,567	3,998

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,
	2021	2020	2020
	U.S. \$ in thousands		
	Unaudited		
Cash Flows From Investing Activities:			
Proceeds from sale of property, plant and equipment	23	21	28
Payment of contingent consideration regarding business acquisition	-	-	(21)
Purchase of property, plant and equipment	<u>(151)</u>	<u>(129)</u>	<u>(454)</u>
Net cash used in investing activities	<u>(128)</u>	<u>(108)</u>	<u>(447)</u>
Cash Flows From Financing Activities:			
Dividend	(2,213)	-	(1,758)
Payments of lease liabilities	(103)	(102)	(493)
Treasury shares acquired	-	(155)	(155)
Treasury shares sold	-	163	163
Exercise of share options	-	21	254
Acquisition of the non-controlling interest in subsidiary	-	-	(30)
Repayment of long-term loans from banks	<u>(82)</u>	<u>(86)</u>	<u>(308)</u>
Net cash used in financing activities	<u>(2,398)</u>	<u>(159)</u>	<u>(2,327)</u>
Increase in cash and cash equivalents during the period	41	1,011	1,224
Cash and cash equivalents at the beginning of the period	9,577	8,140	8,140
Exchange differences on balances of cash and cash equivalents	<u>(33)</u>	<u>(166)</u>	<u>213</u>
Cash and cash equivalents at the end of the period	<u>9,585</u>	<u>8,985</u>	<u>9,577</u>

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, 2020 was approved by the board on February 28, 2021. The report of the auditors on those financial statements was unqualified.

The interim consolidated financial statements as of March 31, 2021 have not been audited.

The interim consolidated financial information should be read in conjunction with the annual financial statements as of December 31, 2020 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, 2020 are applied consistently in these interim consolidated financial statements.

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,
	2021	2020	2020
	U.S. \$ in thousands		
	Unaudited		
Revenues arise from:			
Sale of goods*	7,879	7,856	33,788
Rendering of services**	1,444	963	4,863
Projects**	626	737	2,242
	9,949	9,556	40,893

(*) at the point of time

(**) over time

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, 2021 and 2020 respectively and for the year ended December 31, 2020.

Three month period ended March 31, 2021 (Unaudited)

	Antennas	Water Solutions	Distribution & Consultation	Adjustment & Elimination	Total
	U.S. \$ in thousands				
<i>Revenues</i>					
External	2,802	4,161	2,986	-	9,949
Internal	-	-	23	(23)	-
Total	2,802	4,161	3,009	(23)	9,949
Segment profit	63	396	393	107	959
Finance expense, net					60
Tax expenses					157
Profit					742
	Antennas	Water Solutions	Distribution & Consultation	Adjustment & Elimination	Total
	U.S. \$ in thousands				
<i>Segment assets</i>	14,863	9,030	7,861	-	31,754
<i>Unallocated assets</i>					2,665
<i>Segment liabilities</i>	2,936	2,976	3,702		9,614
<i>Unallocated liabilities</i>					836

MTI WIRELESS EDGE LTD.

(An Israeli Corporation)

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4– OPERATING SEGMENTS (CONT.):

Three month period ended March 31, 2020 (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	2,940	3,680	2,936	-	9,556
Internal	2	-	20	(22)	-
Total	2,942	3,680	2,956	(22)	9,556
Segment profit	41	342	394	65	842
Finance expense, net					125
Tax expenses					124
Profit					593
	<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>	15,094	8,441	7,319	-	30,854
<i>Unallocated assets</i>					3,033
<i>Segment liabilities</i>	2,966	2,243	4,041	-	9,250
<i>Unallocated liabilities</i>					1,005

Year ended December 31, 2020

	<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	11,187	16,121	13,585	-	40,893
Inter-segment	-	-	144	(144)	-
Total	11,187	16,121	13,729	(144)	40,893
Segment profit	158	1,928	1,614	376	4,076
Finance expense, net					20
Tax expenses					564
Profit					3,492

MTI WIRELESS EDGE LTD.

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NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4– OPERATING SEGMENTS (CONT.):

Year ended December 31, 2020

	Antennas	Water Solutions	Distribution & Consultation	Adjustment & Elimination	Total
	U.S. \$ in thousands				
<i>Segment assets</i>	<u>14,531</u>	<u>11,194</u>	<u>8,429</u>	<u>-</u>	<u>34,154</u>
<i>Unallocated assets</i>					<u>1,978</u>
<i>Segment liabilities</i>	<u>3,511</u>	<u>3,133</u>	<u>3,621</u>	<u>-</u>	<u>10,265</u>
<i>Unallocated liabilities</i>					<u>314</u>

NOTE 5 – SIGNIFICANT EVENTS:

- A. On 28 February 2021, the Board of directors declared a cash dividend of 2.5 US cents per share, representing approximately \$2,213,000, in total. This dividend was paid on 31 March 2021 to shareholders on the register at the close of trading on 19 March 2021.
- B. On 24 January 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"). On 25 January 2021, the Company announced that the board of directors of the Company and the board of directors of MTI Engineering had decided to continue with the Programme for another six months until 26 July 2021. As at 31 March 2021, no Ordinary Shares were held in treasury under the Programme.
- C. On 4 February 2021, the Company's subsidiary Mottech Water Solutions Ltd registered and opened a fully owned subsidiary in Canada and is working on establishing its activities in Canada.
- D. **Outbreak of COVID-19 and Business Continuity** - In December 2019, the COVID-19 pandemic broke out in China, and the virus has spread to many countries around the world. In January 2020, the World Health Organization announced the outbreak of the Coronavirus as a global health emergency, and in March 2020, the World Health Organization declared the pandemic to be a global pandemic. The spread of the virus is an unusual event on its scale and is dynamic and emergent. Policymakers around the world were forced to take unprecedented steps to curb the pandemic, including the isolation of civilians and establishing strict regulations and rules to create social distancing, to reduce the chances of infection. This included restricting inbound and outbound flights. Along with the dangerous impacts on human lives as a result of the outbreak, significant global and local business impacts have been recorded. While the Group's offices were partially and/or temporarily closed (depending on country of operations) during 2020, the Group was able to maintain good levels of operation using remote work procedures and a sufficient level of production in its production facilities while assuring the health of employees. As of the date of this report the Group has resumed operations in all of its facilities (still under health requirements and regulations), although the facility in India has recently been operating under stricter conditions as there are still significant challenges in that territory.

MTI WIRELESS EDGE LTD.

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NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 – SIGNIFICANT EVENTS (CONT.):

All aspects of the Group's supply chain are working slower, and the Company's industry has been affected on the operational level, along with the rest of the world economy as it faces the risk of a global recession where the ability to predict the timing of a recovery is uncertain.

The introduction of vaccines, and their fast adoption in Israel and consequences, does provide hope that the recovery will start worldwide in the near term, but there is still uncertainty regarding the duration for which vaccines will be efficacious.

NOTE 6 – SUBSEQUENT EVENTS:

On 19 April 2021 at an extra ordinary shareholders meeting, Mrs. Lihi Elimelech Bechor was re-elected at as external director for another three year term.