

MTI WIRELESS EDGE LTD.

(An Israeli Corporation)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

AS OF JUNE 30, 2018

MTI WIRELESS EDGE LTD.

(An Israeli Corporation)

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

	<u>Six month period ended</u> <u>June 30,</u>		<u>Year ended</u> <u>December 31,</u>
	<u>2018</u>	<u>2017</u>	<u>2017</u>
	<u>U.S. \$ in thousands</u>		
	<u>Unaudited</u>		
Revenues	13,236	12,758	26,376
Cost of sales	8,233	7,896	16,828
Gross profit	<u>5,003</u>	<u>4,862</u>	<u>9,548</u>
Research and development expenses	561	461	927
Distribution expenses	1,938	1,912	3,796
General and administrative expenses	1,704	1,610	3,216
loss from sale of property, plant and equipment	-	-	6
Profit from operations	<u>800</u>	<u>879</u>	<u>1,603</u>
Finance expenses	178	101	216
Finance income	25	205	242
Profit before income tax	<u>647</u>	<u>983</u>	<u>1,629</u>
Income tax expenses (income)	(203)	111	320
Profit	<u>850</u>	<u>872</u>	<u>1,309</u>
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	-	-	12
<i>Items that may be reclassified to profit or loss:</i>			
Adjustment arising from translation of financial statements of foreign operations	(200)	31	61
Total other comprehensive income	<u>(200)</u>	<u>31</u>	<u>73</u>
Total comprehensive income	<u><u>650</u></u>	<u><u>903</u></u>	<u><u>1,382</u></u>
Profit attributable to:			
Owners of the parent	848	811	1,250
Non-controlling interests	2	61	59
	<u>850</u>	<u>872</u>	<u>1,309</u>
Total comprehensive income attributable to:			
Owners of the parent	648	842	1,323
Non-controlling interests	2	61	59
	<u>650</u>	<u>903</u>	<u>1,382</u>
Earnings per share (dollars)			
Basic	<u>0.0156</u>	<u>0.0155</u>	<u>0.0236</u>
Diluted	<u>0.0154</u>	<u>0.0153</u>	<u>0.0234</u>
Weighted average number of shares outstanding			
Basic	<u>54,480,915</u>	<u>52,346,974</u>	<u>52,866,352</u>
Diluted	<u>54,936,165</u>	<u>53,167,096</u>	<u>53,309,196</u>

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 six month period ended June 30, 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	114	15,343	352	105	4,212	20,126	383	20,509
Changes during the Six month period ended June 30, 2018:								
Comprehensive income								
Profit for the period	-	-	-	-	848	848	2	850
Other comprehensive loss								
Translation differences	-	-	-	(200)	-	(200)	-	(200)
Total comprehensive income (loss) for the period	-	-	-	(200)	848	648	2	650
Dividend	5	672	-	-	(1,073)	(396)	-	(396)
Share based payment	-	-	9	-	-	9	-	9
Balance at June 30, 2018	119	16,015	361	(95)	3,987	20,387	385	20,772

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 six month period ended June 30, 2017 (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, 2017	109	14,964	323	44	3,468	18,908	324	19,232
Changes during the six month period ended June 30, 2017:								
Comprehensive income								
Profit for the period	-	-	-	-	811	811	61	872
Other comprehensive income								
Translation differences	-	-	-	31	-	31	-	31
Total comprehensive income for the period	-	-	-	31	811	842	61	903
Exercise of options to share capital	(*)	14	(*)	-	-	14	-	14
Dividend	3	280	-	-	(518)	(235)	-	(235)
Share based payment	-	-	14	-	-	14	-	14
Balance at June 30, 2017	112	15,258	337	75	3,761	19,543	385	19,928

(*) less than one thousand dollars

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, 2017:

	Attributable to owners of the parent							Total equity
	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 interest	
U.S. \$ in thousands								
Balance as at January 1, 2017	109	14,964	323	44	3,468	18,908	324	19,232
Changes during 2017:								
Comprehensive income								
Profit for the year	-	-	-	-	1,250	1,250	59	1,309
Other comprehensive income								
Re measurements on defined benefit plans	-	-	-	-	12	12	-	12
Translation differences	-	-	-	61	-	61	-	61
Total comprehensive income for the year	-	-	-	61	1,262	1,323	59	1,382
Exercise of options to share capital	2	99	(*)	-	-	101	-	101
Dividend	3	280	-	-	(518)	(235)	-	(235)
Share based payment	-	-	29	-	-	29	-	29
Balance as at December 31, 2017	114	15,343	352	105	4,212	20,126	383	20,509

(*) less than one thousand dollars

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

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

	30.06.2018	30.06.2017	31.12.2017
	U.S. \$ in thousands		
	Unaudited		
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	3,363	4,786	2,642
Other current financial assets	2,031	-	2,011
Trade receivables	9,115	9,525	8,988
Other receivables	556	792	850
Current tax receivables	283	586	360
Inventories	4,476	4,605	5,281
	<u>19,824</u>	<u>20,294</u>	<u>20,132</u>
NON-CURRENT ASSETS:			
Long term prepaid expenses	28	39	34
Property, plant and equipment	5,275	5,328	5,302
Investment property	598	619	609
Deferred tax assets	583	617	582
Intangible assets	159	267	212
Goodwill	573	573	573
	<u>7,216</u>	<u>7,443</u>	<u>7,312</u>
Total assets	<u>27,040</u>	<u>27,737</u>	<u>27,444</u>

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>30.06.2018</u>	<u>30.06.2017</u>	<u>31.12.2017</u>
	<u>U.S. \$ In thousands</u>		
	<u>Unaudited</u>		
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Current maturities and short term bank credit and loans	817	1,018	848
Trade payables	2,606	2,621	2,239
Other accounts payables	1,871	2,247	2,322
Current tax payables	12	143	114
	<u>5,306</u>	<u>6,029</u>	<u>5,523</u>
NON- CURRENT LIABILITIES:			
Loans from banks, net of current maturities	509	1,321	935
Employee benefits, net	453	459	477
	<u>962</u>	<u>1,780</u>	<u>1,412</u>
Total liabilities	<u>6,268</u>	<u>7,809</u>	<u>6,935</u>
EQUITY			
Equity attributable to owners of the parent			
Share capital	119	112	114
Additional paid-in capital	16,015	15,258	15,343
Capital reserve from share-based payment transactions	361	337	352
Translation differences	(95)	75	105
Retained earnings	3,987	3,761	4,212
	<u>20,387</u>	<u>19,543</u>	<u>20,126</u>
Non-controlling interest	385	385	383
Total equity	<u>20,772</u>	<u>19,928</u>	<u>20,509</u>
Total equity and liabilities	<u>27,040</u>	<u>27,737</u>	<u>27,444</u>

August 28, 2018

Date of approval of
financial statements

Moshe Borovitz
Chief Finance Director

Dov Feiner
Chief Executive Officer

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**

	Six month period ended	Year ended	
	June 30,	December 31,	
	2018	2017	
	U.S. \$ in thousands		
	Unaudited		
Cash Flows from Operating Activities:			
Profit for the period	850	872	1,309
Adjustments for:			
Depreciation and amortization	296	326	637
Loss (gain) from investments in financial assets	(48)	133	-
Loss from sale of property, plant and equipment	-	-	6
Equity settled share-based payment expense	9	14	29
Finance expenses, net	36	56	162
Income tax expense (benefit)	(203)	111	320
Changes in operating assets and liabilities:			
Decrease (increase) in inventories	742	372	(269)
Increase in trade receivables	(266)	(1,409)	(879)
Decrease (increase) in other accounts receivables and prepaid expenses	294	(34)	(88)
Increase (decrease) in trade and other accounts payables	(97)	700	396
Increase (decrease) in employee benefits, net	(24)	54	84
Cash from operations	1,589	1,195	1,707
Interest received	-	-	22
Interest paid	(36)	(56)	(109)
Income tax received (paid)	173	(215)	(190)
Net cash provided by operating activities	1,726	924	1,430

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.)

	Six month period ended June 30,		Year ended December 31,
	2018	2017	2017
	U.S. \$ in thousands		
	Unaudited		
Cash Flows From Investing Activities:			
Purchase of investments in financial assets, net	-	-	(2,000)
Proceeds from sale of property, plant and equipment	-	-	100
Purchase of property, plant and equipment	<u>(142)</u>	<u>(119)</u>	<u>(447)</u>
Net cash used in investing activities	<u>(142)</u>	<u>(119)</u>	<u>(2,347)</u>
Cash Flows From Financing Activities:			
Exercise of share options	-	14	101
Dividend	(396)	(235)	(235)
Short term loan from banks	-	166	-
Long term loan received from banks	-	-	60
Repayment of long-term loan from banks	<u>(429)</u>	<u>(426)</u>	<u>(829)</u>
Net cash used in financing activities	<u>(825)</u>	<u>(481)</u>	<u>(903)</u>
Increase (decrease) in cash and cash equivalents during the period	759	324	(1,820)
Cash and cash equivalents at the beginning of the period	2,642	4,428	4,428
Exchange differences on balances of cash and cash equivalents	<u>(38)</u>	<u>34</u>	<u>34</u>
Cash and cash equivalents at the end of the period	<u>3,363</u>	<u>4,786</u>	<u>2,642</u>

Appendix A - Non-cash transactions:

	Six month period ended June 30,		Year ended December 31,
	2018	2017	2017
	U.S. \$ in thousands		
	Unaudited		
Purchase of property, plant and equipment against trade payables	<u>84</u>	<u>6</u>	<u>3</u>
Scrip dividend (Note 6 B)	<u>677</u>	<u>283</u>	<u>283</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 as a wholly-owned subsidiary of M.T.I Computers and Software Services (1982) Ltd. (hereafter - the "Parent Company"), 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 is engaged in the development, design, manufacture and marketing of antennas and accessories.

Via its subsidiary, Mottech Water solutions Ltd. (hereafter "Mottech"), the Company is also 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.

Certain operational and administrative services are provided by the Parent Company.

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, 2017 was approved by the board on February 15, 2018. The report of the auditors on those financial statements was unqualified.

The interim consolidated financial statements as of June 30, 2018 have not been audited.

The interim consolidated financial information should be read in conjunction with the annual financial statements as of December 31, 2017 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, 2017 are applied consistently in these interim consolidated financial statements. except for the adoption of new standards effective as of 1 January 2018.

New IFRSs adopted in the period

1. IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all six aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

MTI WIRELESS EDGE LTD.

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NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

(a) Classification and measurement

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at fair value through profit or loss ("FVTPL"):

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at fair value through other comprehensive income ("FVOCI") if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at FVTPL: These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

Financial assets at amortized cost: These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses (see b below). Interest income,

MTI WIRELESS EDGE LTD.

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NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Debt investments at FVOCI: These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On de-recognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI: These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

The Company has implemented the classification and measurement requirements of IFRS 9 retrospectively on the basis of the facts and circumstances that existed as of January 1, 2018 by recognizing the cumulative effect of the retrospective application as an adjustment to the opening balance of retained earnings and other components of equity as of January 1, 2018.

(b) Impairment

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

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NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Trade receivables

Exposures within each Company were segmented based on delinquency status, geographic region, age of relationship and type of product purchased.

Actual credit loss experience was adjusted by scalar factors to reflect differences between economic conditions during the period over which the historical data was collected, current conditions and the Company's view of economic conditions over the expected lives of the receivables.

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, on the basis of the facts and circumstances that existed as of January 1, 2018 by recognizing the cumulative effect of the retrospective application as an adjustment to the opening balance of retained earnings and other components of equity as of January 1, 2018.

The adoption of IFRS 9 did not have an impact on the financial statements.

2. IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The core principle of IFRS 15 is that an entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services .

IFRS 15 sets out a single revenue recognition model, according to which the entity shall recognize revenue in accordance with the said core principle by implementing a five-step model framework :

1. Identify the contract(s) with a customer.
2. Identify the performance obligations in the contract .
3. Determine the transaction price .
4. Allocate the transaction price to the performance obligations in the contract.
5. Recognize revenue when the entity satisfies a performance obligation.

Below are the significant accounting policies and judgments applied by the Company in recognizing revenue from customer contracts in detail according to the Company's main activities:

(a) Sale of goods

The Company's contracts with customers for the sale of goods generally include one performance obligation. The Company has concluded that revenue from sale of goods should be recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the equipment.

MTI WIRELESS EDGE LTD.

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NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Variable consideration

Under IFRS 15, volume rebates give rise to variable consideration. The variable consideration is estimated at contract inception and constrained until the associated uncertainty is subsequently resolved. The application of the constraint on variable consideration increases the amount of revenue that will be deferred.

To estimate the variable consideration to which it will be entitled, the Company applied the ‘most likely amount method’ for contracts with a single volume threshold and the ‘expected value method’ for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration was primarily driven by the number of volume thresholds contained in the contract. The Company then applies the requirements on constraining estimates of variable consideration.

Warranty obligations

The Company generally provides warranties for general repairs of defects that existed at the time of sale, as required by law. As such, most warranties are assurance-type warranties under IFRS 15, which the Company accounts for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets, consistent with its practice prior to the adoption of IFRS 15.

Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(b) Rendering of services

Provided the amount of revenue can be measured reliably and it is probable that the Company will receive any consideration, revenue from services is recognized in the period in which they are rendered.

(c) Revenues from Construction Contracts

Revenues are reported by the “percentage of completion” method. The percentage of completion is determined by dividing actual completion costs incurred to date by the total completion costs anticipated.

When a loss from a contract is anticipated, a provision is made in the period in which it first becomes evident, for the entire loss anticipated, as assessed by the company's management.

The Company recognizes income from construction contracts over time, since the Company's performance does not create an asset with alternative use to the Company and the Company has the right to enforce payment for performance completed up to that date.

MTI WIRELESS EDGE LTD.

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NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

The payment terms in the projects are based on milestones set at the date of signing the contract and are based mainly on the rate of progress. For this reason, the Company is not expected to recognize assets in respect of contracts and liabilities in respect of contracts in significant amounts in relation to these contracts.

Causes of uncertainty in material estimates

Measuring the progress of long-term performance commitments - the Company is required to estimate the total cost of completing each project based on estimates of material costs, labor costs, subcontractor performance, and more.

First time application

The Company elected to apply IFRS 15 retrospectively for the first time by recognizing the cumulative effect of the retroactive application as an adjustment to the opening balance of retained earnings as at January 1, 2018.

The adoption of IFRS 15 did not have an impact on the financial statements.

NOTE 3 – REVENUES:

	Six month period ended		Year ended
	June 30,		December 31,
	2018	2017	2017
	U.S. \$ in thousands		
	Unaudited		
Revenues arises from:			
Sale of goods	9,911	10,266	21,271
Rendering of services	1,334	1,175	2,492
Projects	1,991	1,317	2,613
	<u>13,236</u>	<u>12,758</u>	<u>26,376</u>

MTI WIRELESS EDGE LTD.

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NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 – OPERATING SEGMENTS:

The following table's present revenue and profit information regarding the Group's operating segments for the six month period ended June 30, 2018 and 2017 respectively and for the year ended December 31, 2017.

Six month period ended June 30, 2018 (Unaudited)

	Antennas	Water Solutions	Total
	U.S. \$ in thousands		
<i>Revenues</i>			
External	6,111	7,125	13,236
Total	6,111	7,125	13,236
Segment profit	228	572	800
Finance expense, net			153
Profit before income tax			647
<i>Other</i>			
Depreciation and amortization	267	29	296

Six month period ended June 30, 2017 (Unaudited)

	Antennas	Water Solutions	Total
	U.S. \$ in thousands		
<i>Revenues</i>			
External	6,579	6,179	12,758
Total	6,579	6,179	12,758
Segment profit	175	704	879
Finance income, net			104
Profit before income tax			983
<i>Other</i>			
Depreciation and amortization	298	28	326

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NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4– OPERATING SEGMENTS (CONT.):

Year ended December 31, 2017

	Antennas	Water Solutions	Total
	U.S. \$ in thousands		
<i>Revenue</i>			
External	13,267	13,109	26,376
Total	13,267	13,109	26,376
Segment profit	67	1,536	1,603
<i>Unallocated corporate expenses</i>			
Finance expense, net			26
Profit before income tax			1,629
<i>Other</i>			
Depreciation and amortization	586	51	637

NOTE 5–TRANSACTIONS AND BALANCES WITH RELATED PARTIES:

The following transactions occurred with the Parent Company and other related parties:

	Six month period ended June 30,	Year ended December 31,
	2018	2017
	U.S. \$ in thousands	
	Unaudited	
Purchased Goods	102	103
Management Fee	231	221
Services Fee	143	130
Lease income	(36)	(36)
	252	498
	259	(72)

Compensation of key management personnel of the Group:

	Six month period ended June 30,	Year ended December 31,
	2018	2017
	U.S. \$ in thousands	
	Unaudited	
Short-term employee benefits *)	471	417
	920	

*) Including Management fees for the CEO, Directors, Executive Management and other related parties.

All Transactions were made at market value.

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NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 – TRANSACTIONS AND BALANCES WITH RELATED PARTIES (CONT.):

Balances with related parties:

	<u>30.06.2018</u>	<u>30.06.2017</u>	<u>31.12.2017</u>
	<u>U.S. \$ in thousands</u>		
	<u>Unaudited</u>		
Other accounts payables	<u>293</u>	<u>293</u>	<u>467</u>

NOTE 6 – SIGNIFICANT AND SUBSEQUENT EVENTS:

A. During March 2018 the Company announced that it is in preliminary discussions with its majority shareholder, MTI Computers & Software Services (1982) Ltd (“**MTIC**”), regarding a potential merger between the two companies (the “Proposed Transaction”). MTIC, whose shares are listed on the Tel Aviv Stock Exchange, currently holds 53.2% of the Company’s issued ordinary shares. Following the announcement on March 2018, on May 1, 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 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 (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.

On the date of record for the Merger 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

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NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 – SIGNIFICANT AND SUBSEQUENT EVENTS (CONT.):

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. Following completion of the Merger, assuming the Conversion Ratio is not adjusted in accordance with the Conversion Ratio Mechanism (5.26891) 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.

The Merger was completed on August 20, 2018.

- B. On April 5, 2018 the Company paid a dividend of US 2 cents per share totaling approximately US\$ 396,000 and in addition 1,813,970 new ordinary shares were issued to qualifying shareholders that chose the scrip dividend alternative.