

MTI WIRELESS EDGE LTD.

(An Israeli Corporation)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

AS OF JUNE 30, 2021

MTI WIRELESS EDGE LTD.

(An Israeli Corporation)

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

	Six month period ended		Year ended
	June 30,		December 31,
	2021	2020	2020
	U.S. \$ in thousands		
	Unaudited		
Revenues	21,344	19,605	40,893
Cost of sales	<u>14,658</u>	<u>13,426</u>	<u>27,816</u>
Gross profit	6,686	6,179	13,077
Research and development expenses	503	403	1,029
Distribution expenses	1,821	1,771	3,579
General and administrative expenses	2,203	2,087	4,379
Loss (profit) from sale of property, plant and equipment	<u>(16)</u>	<u>8</u>	<u>14</u>
Profit from operations	2,175	1,910	4,076
Finance expenses	140	168	275
Finance income	<u>(14)</u>	<u>(91)</u>	<u>(255)</u>
Profit before income tax	2,049	1,833	4,056
Tax expenses	<u>315</u>	<u>293</u>	<u>564</u>
Profit	<u>1,734</u>	<u>1,540</u>	<u>3,492</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	<u>-</u>	<u>-</u>	<u>42</u>
<i>Items that may be reclassified to profit or loss:</i>			
Adjustment arising from translation of financial statements of foreign operations	<u>(61)</u>	<u>(124)</u>	<u>253</u>
Total other comprehensive income (loss)	<u>(61)</u>	<u>(124)</u>	<u>295</u>
Total comprehensive income	<u>1,673</u>	<u>1,416</u>	<u>3,787</u>
Profit attributable to:			
Owners of the parent	1,671	1,452	3,373
Non-controlling interests	<u>63</u>	<u>88</u>	<u>119</u>
	<u>1,734</u>	<u>1,540</u>	<u>3,492</u>
Total comprehensive income attributable to:			
Owners of the parent	1,610	1,328	3,668
Non-controlling interests	<u>63</u>	<u>88</u>	<u>119</u>
	<u>1,673</u>	<u>1,416</u>	<u>3,787</u>
Earnings per share (dollars)			
Basic	<u>0.0189</u>	<u>0.0165</u>	<u>0.0383</u>
Diluted	<u>0.0189</u>	<u>0.0165</u>	<u>0.0383</u>
Weighted average number of shares outstanding			
Basic	<u>88,531,224</u>	<u>87,881,376</u>	<u>88,093,025</u>
Diluted	<u>88,531,224</u>	<u>88,047,659</u>	<u>88,093,025</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, 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	-	-	-	-	1,671	1,671	63	1,734
Other comprehensive loss								
Translation differences	-	-	-	(61)	-	(61)	-	(61)
Total comprehensive income (loss) for the period	-	-	-	(61)	1,671	1,610	63	1,673
Profit from acquisition of treasury shares (note 5B)	-	5	-	-	-	5	-	5
Dividend	-	-	-	-	(2,213)	(2,213)	-	(2,213)
Balance at June 30, 2021	209	23,172	-	130	457	23,968	1,050	25,018

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, 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	Accumulated losses	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 six month period ended June 30, 2020:								
Comprehensive income								
Profit for the period	-	-	-	-	1,452	1,452	88	1,540
Other comprehensive loss								
Translation differences	-	-	-	(124)	-	(124)	-	(124)
Total comprehensive income (loss) for the period	-	-	-	(124)	1,452	1,328	88	1,416
Dividend	-	-	-	-	(1,758)	(1,758)	-	(1,758)
Exercise of options to share capital	1	24	(4)	-	-	21	-	21
Profit from acquisition and disposal of treasury shares	-	8	-	-	-	8	-	8
Acquisition of the non-controlling interest in subsidiary	-	(15)	-	-	-	(15)	(15)	(30)
Share based payment	-	-	2	-	-	2	-	2
Balance at June 30, 2020	208	22,885	50	(186)	(964)	21,993	956	22,949

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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							
	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	Total equity
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 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	-	(15)	-	-	-	(15)	(15)	(30)
Profit from acquisition and disposal of treasury shares	-	8	-	-	-	8	-	8
Share based payment	-	-	2	-	-	2	-	2
Balance as at December 31, 2020	<u>209</u>	<u>23,167</u>	<u>-</u>	<u>191</u>	<u>999</u>	<u>24,566</u>	<u>987</u>	<u>25,553</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

	30.06.2021	30.06.2020	31.12.2020
	U.S. \$ in thousands		
	Unaudited		
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	9,717	7,860	9,577
Trade and other receivables	11,634	10,019	10,653
Unbilled revenue	2,488	3,158	2,318
Current tax receivables	454	559	557
Inventories	5,972	4,998	6,399
	30,265	26,594	29,509
NON-CURRENT ASSETS:			
Long term prepaid expenses	37	44	44
Property, plant and equipment	5,612	4,976	4,818
Deferred tax assets	715	639	696
Intangible assets	1,040	1,090	1,065
	7,404	6,749	6,623
Total assets	37,669	33,343	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>30.06.2021</u>	<u>30.06.2020</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	20	229	105
Trade payables	6,075	4,082	5,098
Other accounts payable	4,906	4,657	4,094
Current tax payables	224	245	213
	<u>11,225</u>	<u>9,213</u>	<u>9,510</u>
NON- CURRENT LIABILITIES:			
Contingent consideration	66	69	51
Lease liabilities	495	239	155
Loans from banks, net of current maturities	27	53	37
Employee benefits, net	838	820	826
	<u>1,426</u>	<u>1,181</u>	<u>1,069</u>
Total liabilities	<u>12,651</u>	<u>10,394</u>	<u>10,579</u>
EQUITY			
Equity attributable to owners of the parent			
Share capital	209	208	209
Additional paid-in capital	23,172	22,885	23,167
Capital reserve from share-based payment transactions	-	50	-
Translation differences	130	(186)	191
Retained earnings	457	(964)	999
	<u>23,968</u>	<u>21,993</u>	<u>24,566</u>
Non-controlling interest	1,050	956	987
Total equity	<u>25,018</u>	<u>22,949</u>	<u>25,553</u>
Total equity and liabilities	<u>37,669</u>	<u>33,343</u>	<u>36,132</u>

August 15, 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

	Six month period ended		Year ended
	June 30,		December 31,
	2021	2020	2020
	U.S. \$ in thousands		
	Unaudited		
Cash Flows from Operating Activities:			
Profit for the period	1,734	1,540	3,492
Adjustments for:			
Depreciation and amortization	454	519	1,009
Loss (Gain) from sale of property, plant and equipment	(16)	8	13
Equity settled share-based payment expense	-	2	2
Finance (income) expenses, net	(14)	(27)	69
Tax expenses	315	293	564
Changes in operating assets and liabilities:			
Decrease (increase) in inventories	412	643	(557)
Decrease (increase) in trade receivables	(709)	(455)	(1,053)
Decrease (increase) Increase in unbilled revenues	(170)	(292)	548
Decrease (increase) in other accounts receivables	(301)	207	255
Increase (decrease) in trade and other accounts payables	1,645	(242)	140
Increase (decrease) in employee benefits, net	12	(23)	25
Cash from operations	3,362	2,173	4,507
Interest received	2	27	28
Interest paid	(19)	(8)	(43)
Income tax paid	(220)	(143)	(494)
Net cash provided by operating activities	3,125	2,049	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.)

	Six month period ended		Year ended
	June 30,		December 31,
	2021	2020	2020
	U.S. \$ in thousands		
	Unaudited		
Cash Flows From Investing Activities:			
Proceeds from sale of property, plant and equipment	28	21	28
changes in contingent consideration regarding business acquisition	12	-	(21)
Purchase of property, plant and equipment	<u>(488)</u>	<u>(172)</u>	<u>(454)</u>
Net cash used in investing activities	<u>(448)</u>	<u>(151)</u>	<u>(447)</u>
Cash Flows From Financing Activities:			
Dividend	(2,213)	(1,758)	(1,758)
Payments of lease liabilities	(214)	(305)	(493)
Treasury shares acquired	5	(155)	(155)
Treasury shares sold	-	163	163
Exercise of share options	-	21	254
Acquisition of the non-controlling interest in subsidiary	-	(30)	(30)
Repayment of long-term loans from banks	<u>(82)</u>	<u>(65)</u>	<u>(308)</u>
Net cash used in financing activities	<u>(2,504)</u>	<u>(2,129)</u>	<u>(2,327)</u>
Increase in cash and cash equivalents during the period	173	(231)	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>(49)</u>	<u>213</u>
Cash and cash equivalents at the end of the period	<u>9,717</u>	<u>7,860</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 June 30, 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:

	<u>Six month period ended</u>		<u>Year ended</u>
	<u>June 30,</u>		<u>December 31,</u>
	<u>2021</u>	<u>2020</u>	<u>2020</u>
	<u>U.S. \$ in thousands</u>		
	<u>Unaudited</u>		
Revenues arise from:			
Sale of goods*	17,238	16,275	33,788
Rendering of services**	2,876	2,029	4,863
Projects**	1,230	1,301	2,242
	<u>21,344</u>	<u>19,605</u>	<u>40,893</u>

(*) 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 six month period ended June 30, 2021 and 2020 respectively and for the year ended December 31, 2020.

Six month period ended June 30, 2021 (Unaudited)

	<u>Antennas</u>	<u>Water Solutions</u>	<u>Distribution & Consultation</u>	<u>Adjustment & Elimination</u>	<u>Total</u>
	<u>U.S. \$ in thousands</u>				
<i>Revenues</i>					
External	5,772	8,601	6,971	-	21,344
Internal	-	-	59	(59)	-
Total	<u>5,772</u>	<u>8,601</u>	<u>7,030</u>	<u>(59)</u>	<u>21,344</u>
Segment profit	<u>246</u>	<u>866</u>	<u>913</u>	<u>150</u>	<u>2,175</u>
Finance expense, net					126
Tax expenses					315
Profit					<u>1,734</u>
As of June 30, 2021					
	<u>Antennas</u>	<u>Water Solutions</u>	<u>Distribution & Consultation</u>	<u>Adjustment & Elimination</u>	<u>Total</u>
	<u>U.S. \$ in thousands</u>				
<i>Segment assets</i>	<u>14,866</u>	<u>10,890</u>	<u>9,068</u>	-	<u>34,824</u>
<i>Unallocated assets</i>					<u>2,845</u>
<i>Segment liabilities</i>	<u>3,226</u>	<u>4,411</u>	<u>4,089</u>	-	<u>11,726</u>
<i>Unallocated liabilities</i>					<u>925</u>

MTI WIRELESS EDGE LTD.

(An Israeli Corporation)

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4– OPERATING SEGMENTS (CONT.):

Six month period ended June 30, 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	5,916	7,942	5,747	-	19,605
Internal	-	-	81	(81)	-
Total	5,916	7,942	5,828	(81)	19,605
<i>Segment profit</i>	<u>56</u>	<u>945</u>	<u>789</u>	<u>120</u>	<u>1,910</u>
Finance expense, net					77
Tax expenses					<u>293</u>
Profit					<u><u>1,540</u></u>

As of June 30, 2020

	<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>	<u>13,976</u>	<u>9,256</u>	<u>7,518</u>	<u>-</u>	<u>30,750</u>
<i>Unallocated assets</i>					<u>2,593</u>
<i>Segment liabilities</i>	<u>3,287</u>	<u>2,425</u>	<u>3,845</u>	<u>-</u>	<u>9,557</u>
<i>Unallocated liabilities</i>					<u>837</u>

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
<i>Segment profit</i>	<u>158</u>	<u>1,928</u>	<u>1,614</u>	<u>376</u>	<u>4,076</u>
Finance expense, net					20
Tax expenses					<u>564</u>
Profit					<u><u>3,492</u></u>

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 15 August 2021, the Company's board of directors and the board of directors of MTI Engineering had decided to continue with the Programme until end of August 2022. As at 30 June 2021, 50,000 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 wholly-owned subsidiary in Canada and is working on establishing its activities in Canada.

D. The effects of the COVID-19 outbreak on the Company and Business Continuity in 2020 was disclosed in the 2020 annual report in note 26c. Since the beginning of 2021 and until the date of this report the Company 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 its employees.

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 a worldwide recovery will start in the near term, but there is still uncertainty regarding the duration for which vaccines will be efficacious and the level of protection they provide against new variants of COVID-19. This, together with the uncertainty of the level of the global economic slowdown, its duration and its medium to long term effects creates challenges, but the Company believes that if there is no further deterioration in the situation, its financial strength and business stability will allow it to navigate through this.

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