MTI WIRELESS EDGE LTD.

(An Israeli Corporation)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

AS OF SEPTEMBER 30, 2018

MTI WIRELESS EDGE LTD.

(An Israeli Corporation)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

AS OF SEPTEMBER 30, 2018

TABLE OF CONTENTS

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

	Nine month period ended September 30,		Year ended December 31,
	2018	**2017***	**2017***
	U.S. $ in thousands		
	Unaudited		
Revenues	25,892	25,503	34,653
Cost of sales	17,153	17,219	23,430
Gross profit	8,739	8,284	11,223
Research and development expenses	813	675	927
Distribution expenses	3,102	3,067	4,085
General and administrative expenses	2,949	2,766	3,795
Loss from sale of property, plant and equipment	-	-	6
Profit from operations	1,875	1,776	2,410
Finance expenses	223	355	249
Finance income	(38)	(406)	(287)
Profit before income tax	1,690	1,827	2,448
Tax expenses	119	343	440
Profit	1,571	1,484	2,008
Other comprehensive income (loss) net of tax:			
Items that will not be reclassified to profit or loss:			
Re-measurement of defined benefit plans	-	-	53
Items that may be reclassified to profit or loss:			
Adjustment arising from translation of financial statements of foreign operations	(203)	(10)	61
Total other comprehensive income (loss)	(203)	(10)	114
Total comprehensive income	1,368	1,474	2,122
Profit attributable to:			
Owners of the parent	1,563	1,405	1,949
Non-controlling interests	8	79	59
	1,571	1,484	2,008
Total comprehensive income attributable to:			
Owners of the parent	1,360	1,395	2,063
Non-controlling interests	8	79	59
	1,368	1,474	2,122
Earnings per share (dollars)			
Basic	0.0181	0.0167	0.0231
Diluted	0.0180	0.0166	0.0230
Weighted average number of shares outstanding			
Basic	86,405,168	84,186,375	84,466,788
Diluted	86,845,032	84,811,608	84,909,632

(*) 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

CHANGES IN EQUITY

For the nine month period ended September 30, 2018 (Unaudited):

	Attributed to owners of the parent							
	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	Total equity
	U.S. $ in thousands							
Balance at January 1, 2018*	200	21,716	352	105	(2,781)	19,592	383	19,975
Changes during the nine month period ended September 30, 2018:								
Comprehensive income								
Profit for the period	-	-	-	-	1,563	1,563	8	1,571
Other comprehensive loss								
Translation differences	-	-	-	(203)	-	(203)	-	(203)
Total comprehensive income (loss) for the period	-	-	-	(203)	1,563	1,360	8	1,368
Dividend	5	672	-	-	(1,773)	(1,096)	-	(1,096)
Share based payment	-	-	11	-	-	11	-	11
Balance at September 30, 2018	205	22,388	363	(98)	(2,991)	19,867	391	20,258

(*) 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
CHANGES IN EQUITY (CONT.)

For the nine month period ended September 30, 2017 (Unaudited):**

	Attributed to owners of the parent							
	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	Total equity
	U.S. $ in thousands							
Balance at January 1, 2017	195	21,337	323	44	(3,865)	18,034	324	18,358
Changes during the nine month period ended September 30, 2017:								
Comprehensive income								
Profit for the period	-	-	-	-	1,405	1,405	79	1,484
Other comprehensive loss								
Translation differences	-	-	-	(10)	-	(10)	-	(10)
Total comprehensive income (loss) for the period	-	-	-	(10)	1,405	1,395	79	1,474
Exercise of options to share capital	2	99	(*)	-	-	101	-	101
Dividend	3	280	-	-	(918)	(635)	-	(635)
Share based payment	-	-	22	-	-	22	-	22
Balance at September 30, 2017	200	21,716	345	34	(3,378)	18,917	403	19,320

(*) less than one thousand dollars

(**) 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

CHANGES IN EQUITY (CONT.)

For the year ended December 31, 2017:**

	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 interest	Total equity
	U.S. $ in thousands							
Balance as at January 1, 2017	195	21,337	323	44	(3,865)	18,034	324	18,358
Changes during 2017:								
Comprehensive income								
Profit for the year	-	-	-	-	1,949	1,949	59	2,008
Other comprehensive income								
Re measurements on defined benefit plans	-	-	-	-	53	53	-	53
Translation differences	-	-	-	61	-	61	-	61
Total comprehensive income for the year	-	-	-	61	2,002	2,063	59	2,122
Exercise of options to share capital	2	99	(*)	-	-	101	-	101
Dividend	3	280	-	-	(918)	(635)	-	(635)
Share based payment	-	-	29	-	-	29	-	29
Balance as at December 31, 2017	200	21,716	352	105	(2,781)	19,592	383	19,975

(*) less than one thousand dollars

(**) 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

	30.09.2018	30.09.2017*	31.12.2017*
	U.S. $ in thousands		
	Unaudited		
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	5,348	6,022	3,508
Other current financial assets	-	-	2,011
Trade receivables	11,282	10,708	11,027
Other receivables	737	858	979
Current tax receivables	494	700	619
Inventories	5,363	4,584	5,481
	23,224	23,142	23,625
NON-CURRENT ASSETS:			
Long term prepaid expenses	34	57	45
Property, plant and equipment	4,244	4,153	4,211
Deferred tax assets	495	634	600
Intangible assets	912	1,022	995
	5,685	5,856	5,851
Total assets	28,909	28,998	29,476

(*) 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

	30.09.2018	30.09.2017*	31.12.2017*
	U.S. $ In thousands		
	Unaudited		
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Current maturities and short term bank credit and loans	998	988	869
Trade payables	3,860	4,067	4,186
Other accounts payables	2,511	2,364	2,520
Current tax payables	18	336	237
	7,387	7,755	7,812
NON- CURRENT LIABILITIES:			
Loans from banks, net of current maturities	511	1,161	955
Employee benefits, net	753	762	734
	1,264	1,923	1,689
Total liabilities	8,651	9,678	9,501
EQUITY			
Equity attributable to owners of the parent			
Share capital	205	200	200
Additional paid-in capital	22,388	21,716	21,716
Capital reserve from share-based payment transactions	363	345	352
Translation differences	(98)	34	105
Retained earnings	(2,991)	(3,378)	(2,781)
	19,867	18,917	19,592
Non-controlling interest	391	403	383
Total equity	20,258	19,320	19,975
Total equity and liabilities	28,909	28,998	29,476

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

November 18, 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

	Nine month period ended September 30,		Year ended December 31,
	2018	**2017***	**2017***
	U.S. $ in thousands		
	Unaudited		
Cash Flows from Operating Activities:			
Profit for the period	1,571	1,484	2,008
Adjustments for:			
Depreciation and amortization	428	471	623
Loss (gain) from investments in financial assets	(29)	125	89
Gain from sale of property, plant and equipment	(3)	(14)	(1)
Equity settled share-based payment expense	11	22	29
Finance (income) expenses, net	(17)	82	99
Income tax expense	119	343	440
Changes in operating assets and liabilities:			
Decrease (increase) in inventories	37	274	(294)
Increase in trade receivables	(357)	(189)	(502)
Decrease (increase) in other accounts receivables and prepaid expenses	247	(51)	(152)
Increase (decrease) in trade and other accounts payables	(353)	(14)	252
Increase in employee benefits, net	19	97	122
Cash from operations	1,673	2,630	2,713
Interest received	40	-	-
Interest paid	(46)	(82)	(110)
Income tax paid	(112)	(247)	(326)
Net cash provided by operating activities	1,555	2,301	2,277

(*) 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.)

	Nine month period ended September 30,		Year ended December 31,
	2018	2017*	2017*
	U.S. $ in thousands		
	Unaudited		
Cash Flows From Investing Activities:			
Sell (Purchase) of investments in financial assets, net	2,040	-	(2,000)
Proceeds from sale of property, plant and equipment	28	81	150
Purchase of property, plant and equipment	(348)	(174)	(454)
Net cash used in investing activities	1,720	(93)	(2,304)
Cash Flows From Financing Activities:			
Exercise of share options	-	101	101
Dividend	(1,096)	(635)	(635)
Short term loan from banks	264	63	(42)
Long term loan received from banks	112	19	37
Repayment of long-term loan from banks	(668)	(645)	(847)
Net cash used in financing activities	(1,388)	(1,097)	(1,386)
Increase (decrease) in cash and cash equivalents during the period	1,887	1,111	(1,413)
Cash and cash equivalents at the beginning of the period	3,508	4,887	4,887
Exchange differences on balances of cash and cash equivalents	(47)	24	34
Cash and cash equivalents at the end of the period	5,348	6,022	3,508

Appendix A - Non-cash transactions:

	Nine month period ended September 30,		Year ended December 31,
	2018	2017*	2017*
	U.S. $ in thousands		
	Unaudited		
Purchase of property, plant and equipment against trade payables	84	20	3
Scrip dividend (Note 6 B)	677	283	283

(*) 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)

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.
- Providing engineering services in the field of floating systems and system engineering services.

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 September 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.

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,

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.

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.

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.

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:

	Nine month period ended September 30,		Year ended December 31,
	2018	2017	2017
	U.S. $ in thousands		
	Unaudited		
Revenues arises from:			
Sale of goods	21,318	22,237	27,661
Rendering of services	1,974	1,815	4,379
Projects	2,600	1,451	2,613
	25,892	25,503	34,653

NOTE 4 – OPERATING SEGMENTS:

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

Nine month period ended September 30, 2018 (Unaudited)

	Antennas	Water Solutions	Representation	System Engineering	Adjustment & elimination	Total
	U.S. $ in thousands					
Revenues						
External	9,360	10,567	4,973	992	-	25,892
Internal	-	-	189	-	(189)	-
Total	9,360	10,567	5,162	992	(189)	25,892
Segment profit (loss)	403	971	425	20	56	1,875
Finance expense, net						185
Tax expenses						119
Profit						1,571

Nine month period ended September 30, 2017 (Unaudited)

	Antennas	Water Solutions	Representation	System Engineering	Adjustment & elimination	Total
	U.S. $ in thousands					
Revenues						
External	9,984	9,626	4,683	1,210	-	25,503
Internal	-	-	285	-	(285)	-
Total	9,984	9,626	4,968	1,210	(285)	25,503
Segment profit (loss)	(43)	1,185	371	110	153	1,776
Finance expense, net						51
Tax expenses						343
Profit						1,484

NOTE 4– OPERATING SEGMENTS (CONT.):

Year ended December 31, 2017

	Antennas	Water Solutions	Representation	System Engineering	Adjustment & elimination	Total
	U.S. $ in thousands					
Revenues						
External	13,267	13,109	6,707	1,570	-	34,653
Internal	-	-	382	-	(382)	-
Total	13,267	13,109	7,089	1,570	(382)	34,653
Segment profit	67	1,536	529	129	149	2,410
Finance expense, net						38
Tax expenses						440
Profit						2,008

NOTE 5 – SIGNIFICANT EVENTS:

A. 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 (the “Proposed Transaction”). 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 does 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:

NOTE 5 – SIGNIFICANT EVENTS (CONT.):

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 was classified to the statement of changes in equity as retained earnings.

As consideration for the Merger, the Company was to 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 were also to 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 was to 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 was to 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, 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.

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 was to be 87,038,724 ordinary shares.

The Merger was completed on 20 August, 2018.

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