

MTI WIRELESS EDGE LTD.

(An Israeli Corporation)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

AS OF SEPTEMBER 30, 2020

MTI WIRELESS EDGE LTD.

(An Israeli Corporation)

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

	Nine month period ended		Year ended
	September 30,		December 31,
	2020	2019	2019
	U.S. \$ in thousands		
	Unaudited		
Revenues	29,661	29,004	40,043
Cost of sales	20,115	19,537	27,247
Gross profit	9,546	9,467	12,796
Research and development expenses	666	890	1,185
Distribution expenses	2,698	3,118	4,229
General and administrative expenses	3,185	2,976	3,931
Loss (profit) from sale of property, plant and equipment	(13)	8	(8)
Profit from operations	2,984	2,491	3,459
Finance expenses	193	156	211
Finance income	(112)	(101)	(161)
Profit before income tax	2,903	2,436	3,409
Tax expenses	451	358	454
Profit	2,452	2,078	2,955
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	-	-	(6)
<i>Items that may be reclassified to profit or loss:</i>			
Adjustment arising from translation of financial statements of foreign operations	(65)	(25)	62
Total other comprehensive income (loss)	(65)	(25)	56
Total comprehensive income	2,387	2,053	3,011
Profit attributable to:			
Owners of the parent	2,327	2,052	2,849
Non-controlling interests	125	26	106
	2,452	2,078	2,955
Total comprehensive income attributable to:			
Owners of the parent	2,262	2,027	2,905
Non-controlling interests	125	26	106
	2,387	2,053	3,011
Earnings per share (dollars)			
Basic	0.0265	0.0236	0.0327
Diluted	0.0265	0.0236	0.0327
Weighted average number of shares outstanding			
Basic	87,942,826	87,125,159	87,229,851
Diluted	87,942,826	87,125,159	87,229,851

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, 2020 (Unaudited):

Attributed to owners of the parent

	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	Total equity
	U.S. \$ in thousands							
Balance at January 1, 2020	207	22,868	52	(62)	(658)	22,407	883	23,290
Changes during the nine month period ended September 30, 2020:								
Comprehensive income								
Profit for the period	-	-	-	-	2,327	2,327	125	2,452
Other comprehensive loss								
Translation differences	-	-	-	(65)	-	(65)	-	(65)
Total comprehensive income (loss) for the period	-	-	-	(65)	2,327	2,262	125	2,387
Dividend	-	-	-	-	(1,758)	(1,758)	-	(1,758)
Exercise of options to share capital	2	306	(54)	-	-	254	-	254
Profit from acquisition and disposal of treasury shares (note 5B)	-	8	-	-	-	8	-	8
Acquisition of the non-controlling interest in subsidiary (note 5D)	-	(15)	-	-	-	(15)	(15)	(30)
Share based payment	-	-	2	-	-	2	-	2
Balance at September 30, 2020	<u>209</u>	<u>23,167</u>	<u>-</u>	<u>(127)</u>	<u>(89)</u>	<u>23,160</u>	<u>993</u>	<u>24,153</u>

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

For the nine month period ended September 30, 2019 (Unaudited):

	Attributed to owners of the parent							Total equity
	Share capital	Additional paid-in capital	Capital reserve for share-based payment transactions	Translation differences	Retained earnings	Total attributable to owners of the parent	Non-controlling interest	
	U.S. \$ in thousands							
Balance at January 1, 2019	205	22,388	366	(124)	(2,195)	20,640	375	21,015
Changes during the nine month period ended September 30, 2019:								
Comprehensive income								
Profit for the period	-	-	-	-	2,052	2,052	26	2,078
Other comprehensive loss								
Translation differences	-	-	-	(25)	-	(25)	-	(25)
Total comprehensive income (loss) for the period	-	-	-	(25)	2,052	2,027	26	2,053
Dividend	-	-	-	-	(1,306)	(1,306)	-	(1,306)
Non-controlling Interest of newly purchased subsidiary	-	-	-	-	-	-	402	402
Exercise of options to share capital	2	111	(24)	-	-	89	-	89
Issuance of treasury shares (note 5C)	-	18	-	-	-	18	-	18
Share based payment	-	-	6	-	-	6	-	6
Balance at September 30, 2019	207	22,517	348	(149)	(1,449)	21,474	803	22,277

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, 2019:

	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, 2019	205	22,388	366	(124)	(2,195)	20,640	375	21,015
Changes during 2019:								
Comprehensive income								
Profit for the year	-	-	-	-	2,849	2,849	106	2,955
Other comprehensive income (loss)								
Remeasurements on defined benefit plans	-	-	-	-	(6)	(6)	-	(6)
Translation differences	-	-	-	62	-	62	-	62
Total comprehensive income for the year	-	-	-	62	2,843	2,905	106	3,011
Dividend	-	-	-	-	(1,306)	(1,306)	-	(1,306)
Non-controlling Interest of newly purchased subsidiary	-	-	-	-	-	-	402	402
Classification of ESOP that expired	-	291	(291)	-	-	-	-	-
Exercise of options to share capital	2	146	(31)	-	-	117	-	117
Profit from acquisition and disposal of treasury shares	-	43	-	-	-	43	-	43
Share based payment	-	-	8	-	-	8	-	8
Balance as at December 31, 2019	<u>207</u>	<u>22,868</u>	<u>52</u>	<u>(62)</u>	<u>(658)</u>	<u>22,407</u>	<u>883</u>	<u>23,290</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

	30.09.2020	30.09.2019	31.12.2019
	U.S. \$ in thousands		
	Unaudited		
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	8,393	6,732	8,140
Trade and other receivables	9,651	9,882	9,799
Unbilled revenue	3,059	2,111	2,866
Current tax receivables	547	644	672
Inventories	5,611	5,510	5,748
	<u>27,261</u>	<u>24,879</u>	<u>27,225</u>
NON-CURRENT ASSETS:			
Long term prepaid expenses	44	34	31
Property, plant and equipment	4,921	5,293	5,212
Deferred tax assets	649	638	664
Intangible assets	1,077	1,129	1,116
	<u>6,691</u>	<u>7,094</u>	<u>7,023</u>
Total assets	<u>33,952</u>	<u>31,973</u>	<u>34,248</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>30.09.2020</u>	<u>30.09.2019</u>	<u>31.12.2019</u>
	<u>U.S. \$ In thousands</u>		
	<u>Unaudited</u>		
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Current maturities and short term bank credit	162	299	312
Trade payables	4,283	4,941	6,448
Other accounts payable	3,987	3,015	2,691
Current tax payables	238	119	230
	<u>8,670</u>	<u>8,374</u>	<u>9,681</u>
NON- CURRENT LIABILITIES:			
Contingent consideration	47	69	69
Lease liabilities	195	222	224
Loans from banks, net of current maturities	48	226	141
Employee benefits, net	839	805	843
	<u>1,129</u>	<u>1,322</u>	<u>1,277</u>
Total liabilities	<u>9,799</u>	<u>9,696</u>	<u>10,958</u>
EQUITY			
Equity attributable to owners of the parent			
Share capital	209	207	207
Additional paid-in capital	23,167	22,517	22,868
Capital reserve from share-based payment transactions	-	348	52
Translation differences	(127)	(149)	(62)
Accumulated losses	(89)	(1,449)	(658)
	<u>23,160</u>	<u>21,474</u>	<u>22,407</u>
Non-controlling interest	993	803	883
Total equity	<u>24,153</u>	<u>22,277</u>	<u>23,290</u>
Total equity and liabilities	<u>33,952</u>	<u>31,973</u>	<u>34,248</u>

November 15, 2020

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**

	Nine month period ended September 30,		Year ended December 31,
	2020	2019	2019
	U.S. \$ in thousands		
	Unaudited		
Cash Flows from Operating Activities:			
Profit for the period	2,452	2,078	2,955
Adjustments for:			
Depreciation and amortization	781	735	973
Loss (gain) from sale of property, plant and equipment	13	(8)	(8)
Equity settled share-based payment expense	2	6	8
Finance (income) expenses, net	56	(2)	32
Tax expenses	451	358	454
Changes in operating assets and liabilities:			
Decrease in inventories	60	707	523
Decrease (increase) in trade receivables	57	(44)	233
Decrease (increase) in other accounts receivables	79	(80)	(137)
Decrease (increase) in unbilled revenues	(193)	160	(595)
Increase (decrease) in trade and other accounts payables	(665)	689	1,821
Increase (decrease) in employee benefits, net	(4)	104	136
Cash from operations	3,089	4,703	6,395
Interest received	23	28	44
Interest paid	(33)	(45)	(77)
Income tax paid	(306)	(726)	(764)
Net cash provided by operating activities	2,773	3,960	5,598

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,
	2020	2019
	U.S. \$ in thousands	
	Unaudited	
Cash Flows From Investing Activities:		
Proceeds from sale of property, plant and equipment	28	8
Payment of contingent consideration regarding business acquisition	(22)	-
Acquisition of initially consolidated subsidiaries	-	(23)
Purchase of property, plant and equipment	(363)	(554)
Net cash used in investing activities	(357)	(699)
Cash Flows From Financing Activities:		
Dividend	(1,758)	(1,306)
Payments of lease liabilities	(376)	(385)
Treasury shares acquired	(155)	(305)
Treasury shares sold	163	323
Exercise of share options	254	89
Acquisition of the non-controlling interest in subsidiary	(30)	-
Repayment of long-term loan from banks	(234)	(483)
Net cash used in financing activities	(2,136)	(2,211)
Increase in cash and cash equivalents during the period	280	1,324
Cash and cash equivalents at the beginning of the period	8,140	5,401
Exchange differences on balances of cash and cash equivalents	(27)	7
Cash and cash equivalents at the end of the period	8,393	6,732

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.

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, 2019 was approved by the board on March 1, 2019. The report of the auditors on those financial statements was unqualified.

The interim consolidated financial statements as of September 30, 2020 have not been audited.

The interim consolidated financial information should be read in conjunction with the annual financial statements as of December 31, 2019 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, 2019 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>Nine month period ended September 30,</u>		<u>Year ended December 31,</u>
	<u>2020</u>	<u>2019</u>	<u>2019</u>
	<u>U.S. \$ in thousands</u>		
	<u>Unaudited</u>		
Revenues arise from:			
Sale of goods*	24,888	23,803	32,236
Rendering of services**	3,077	3,161	4,299
Projects**	1,696	2,040	3,508
	<u>29,661</u>	<u>29,004</u>	<u>40,043</u>

(*) at a point in time

(**) over time

NOTE 4 – OPERATING SEGMENTS:

The following tables present revenue and profit information regarding the Group's operating segments for the nine month period ended September 30, 2020 and 2019 respectively and for the year ended December 31, 2019.

Nine month period ended September 30, 2020 (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	8,534	12,172	8,955	-	29,661
Internal	-	-	105	(105)	-
Total	<u>8,534</u>	<u>12,172</u>	<u>9,060</u>	<u>(105)</u>	<u>29,661</u>
<i>Segment profit</i>	<u>61</u>	<u>1,516</u>	<u>1,230</u>	<u>177</u>	<u>2,984</u>
Finance expense, net					81
Tax expenses					451
Profit					<u>2,452</u>

As of September 30, 2020

	<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>13,791</u>	<u>10,148</u>	<u>6,881</u>	<u>-</u>	<u>30,820</u>
<i>Unallocated assets</i>					<u>3,132</u>
<i>Segment liabilities</i>	<u>3,035</u>	<u>2,740</u>	<u>3,407</u>	<u>-</u>	<u>9,182</u>
<i>Unallocated liabilities</i>					<u>617</u>

MTI WIRELESS EDGE LTD.

(An Israeli Corporation)

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4— OPERATING SEGMENTS (CONT.):

Nine month period ended September 30, 2019 (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	8,903	11,979	8,122	-	29,004
Internal	-	-	118	(118)	-
Total	8,903	11,979	8,240	(118)	29,004
Segment profit (loss)	<u>317</u>	<u>1,170</u>	<u>867</u>	<u>137</u>	<u>2,491</u>
Finance expense, net					55
Tax expenses					358
Profit					<u>2,078</u>

As of September 30, 2019

	<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>13,700</u>	<u>9,481</u>	<u>5,076</u>	-	<u>28,257</u>
<i>Unallocated assets</i>					<u>3,716</u>
<i>Segment liabilities</i>	<u>3,030</u>	<u>1,913</u>	<u>2,717</u>	-	<u>7,660</u>
<i>Unallocated liabilities</i>					<u>2,036</u>

Year ended December 31, 2019

	<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	12,015	16,518	11,510	-	40,043
Inter-segment	-	-	171	(171)	-
Total	12,015	16,518	11,681	(171)	40,043
Segment profit	<u>444</u>	<u>1,562</u>	<u>1,228</u>	<u>225</u>	<u>3,459</u>
Finance expense, net					50
Tax expenses					454
Profit					<u>2,955</u>

MTI WIRELESS EDGE LTD.

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NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4– OPERATING SEGMENTS (CONT.):

As of December 31, 2019

	Antennas	Water Solutions	Distribution & Consultation	Adjustment & Elimination	Total
	U.S. \$ in thousands				
<i>Segment assets</i>	14,576	9,793	5,729	-	30,098
<i>Unallocated assets</i>					4,150
<i>Segment liabilities</i>	3,514	1,836	3,837	-	9,187
<i>Unallocated liabilities</i>					1,771

NOTE 5 – SIGNIFICANT EVENTS:

A. On 1 March 2020, the Board of directors declared a cash dividend of 2 US cents per share, representing approximately \$1,758,000 in total. This dividend was paid on 10 April 2020 to shareholders on the register at the close of trading on 20 March 2020.

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 23 January 2020, 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 nine months until 26 July 2020 and on 27 July 2020 it was announced that the Programme would be extended until 26 January 2021. As at 30 September 2020, no Ordinary Shares were held in treasury under the Programme.

In 2020, MTI Engineering generated a profit of \$8,000 in relation to the Programme, which was recorded in additional paid-in-capital.

C. During January to September 2020, employees of the Company exercised options over 710,000 Ordinary Shares in exchange for a total consideration of approximately \$254,000. There are currently no share options granted under the current employee share option plan of the Company.

D. Mottech Water Solutions Ltd ("Mottech"), a subsidiary of the company, signed an agreement in May 2020 to acquire its joint venture partner's 40% holding in a joint venture it established in China in 2017 ("Mottech China"). Following this acquisition, Mottech China is now a fully owned subsidiary of the Company.

E. 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.

MTI WIRELESS EDGE LTD.

(An Israeli Corporation)

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 – SIGNIFICANT EVENTS (CONT.):

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 the second part of March and most of April 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 working from home is still allowed in Israel. The Company sees recovery in most of the territories where it operates, although there are still significant challenges. 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.