

**MTI WIRELESS EDGE LTD.**

**(An Israeli Corporation)**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**(Unaudited)**

**AS OF SEPTEMBER 30, 2021**

# **MTI WIRELESS EDGE LTD.**

**(An Israeli Corporation)**

## **INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**(Unaudited)**

**AS OF SEPTEMBER 30, 2021**

### **TABLE OF CONTENTS**

	<b><u>Page</u></b>
Interim Consolidated Statements of Comprehensive Income	2
Interim Consolidated Statements of Changes in Equity	3-5
Interim Consolidated Statements of Financial Position	6-7
Interim Consolidated Statements of Cash Flows	8-9
Notes to Interim Consolidated Financial Statements	10-13

---

---

---

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

	Nine month period ended September 30,		Year ended December 31,
	2021	2020	2020
	U.S. \$ in thousands		
	Unaudited		
Revenues	32,062	29,661	40,893
Cost of sales	22,108	20,115	27,816
<b>Gross profit</b>	9,954	9,546	13,077
Research and development expenses	725	666	1,029
Distribution expenses	2,647	2,698	3,579
General and administrative expenses	3,270	3,185	4,379
Loss (profit) from sale of property, plant and equipment	(16)	(13)	14
<b>Profit from operations</b>	3,328	2,984	4,076
Finance expenses	252	193	275
Finance income	(30)	(112)	(255)
<b>Profit before income tax</b>	3,106	2,903	4,056
Tax expenses	406	451	564
<b>Profit</b>	2,700	2,452	3,492
Other comprehensive income (loss) net of tax: <i>Items that will not be reclassified to profit or loss:</i>			
Re-measurement of defined benefit plans	-	-	42
<i>Items that may be reclassified to profit or loss:</i>			
Adjustment arising from translation of financial statements of foreign operations	(106)	(65)	253
Total other comprehensive income (loss)	(106)	(65)	295
<b>Total comprehensive income</b>	2,594	2,387	3,787
<b>Profit attributable to:</b>			
Owners of the parent	2,612	2,327	3,373
Non-controlling interests	88	125	119
	2,700	2,452	3,492
<b>Total comprehensive income attributable to:</b>			
Owners of the parent	2,506	2,262	3,668
Non-controlling interests	88	125	119
	2,594	2,387	3,787
<b>Earnings per share (dollars)</b>			
Basic	0.0295	0.0265	0.0383
Diluted	0.0295	0.0265	0.0383
<b>Weighted average number of shares outstanding</b>			
Basic	88,516,849	87,942,826	88,093,025
Diluted	88,516,849	87,942,826	88,093,025

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

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

**For the nine month period ended September 30, 2021 (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							
<b>Balance at January 1, 2021</b>	209	23,167	-	191	999	24,566	987	25,553
<b>Changes during the nine month period ended September 30, 2021:</b>								
<b>Comprehensive income</b>								
Profit for the period	-	-	-	-	2,612	2,612	88	2,700
<b>Other comprehensive loss</b>								
Translation differences	-	-	-	(106)	-	(106)	-	(106)
<b>Total comprehensive income (loss) for the period</b>	-	-	-	(106)	2,612	2,506	88	2,594
Profit from acquisition of treasury shares (note 5B)	-	5	-	-	-	5	-	5
Dividend	-	-	-	-	(2,213)	(2,213)	-	(2,213)
<b>Balance at September 30, 2021</b>	209	23,172	-	85	1,398	24,864	1,075	25,939

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, 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							
<b>Balance at January 1, 2020</b>	207	22,868	52	(62)	(658)	22,407	883	23,290
<b>Changes during the nine month period ended September 30, 2020:</b>								
<b>Comprehensive income</b>								
Profit for the period	-	-	-	-	2,327	2,327	125	2,452
<b>Other comprehensive loss</b>								
Translation differences	-	-	-	(65)	-	(65)	-	(65)
<b>Total comprehensive income (loss) for the period</b>	-	-	-	(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	-	8	-	-	-	8	-	8
Acquisition of the non-controlling interest in subsidiary	-	(15)	-	-	-	(15)	(15)	(30)
Share based payment	-	-	2	-	-	2	-	2
<b>Balance at September 30, 2020</b>	<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>

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

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

**For the year ended December 31, 2020:**

	Attributable to owners of the parent							
	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								
<b>Balance as at January 1, 2020</b>	207	22,868	52	(62)	(658)	22,407	883	23,290
<b>Changes during 2020:</b>								
<b>Comprehensive income</b>								
Profit for the year	-	-	-	-	3,373	3,373	119	3,492
<b>Other comprehensive income</b>								
Re measurements on defined benefit plans	-	-	-	-	42	42	-	42
Translation differences	-	-	-	253	-	253	-	253
<b>Total comprehensive income for the year</b>	-	-	-	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
<b>Balance as at December 31, 2020</b>	<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**

	<b>30.09.2021</b>	<b>30.09.2020</b>	<b>31.12.2020</b>
	<b>U.S. \$ in thousands</b>		
	<b>Unaudited</b>		
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	9,323	8,393	9,577
Trade and other receivables	11,168	9,651	10,653
Unbilled revenue	2,700	3,059	2,318
Current tax receivables	482	547	557
Inventories	5,985	5,611	6,399
	29,658	27,261	29,509
<b>NON-CURRENT ASSETS:</b>			
Long term prepaid expenses	38	44	44
Property, plant and equipment	5,570	4,921	4,818
Deferred tax assets	744	649	696
Intangible assets	1,027	1,077	1,065
	7,379	6,691	6,623
<b>Total assets</b>	<b>37,037</b>	<b>33,952</b>	<b>36,132</b>

**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>30.09.2021</u>	<u>30.09.2020</u>	<u>31.12.2020</u>
	<u>U.S. \$ In thousands</u>		
	<u>Unaudited</u>		
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES:</b>			
Current maturities and short term bank credit and loans	20	162	105
Trade payables	5,282	4,283	5,098
Other accounts payable	4,425	3,987	4,094
Current tax payables	82	238	213
	<u>9,809</u>	<u>8,670</u>	<u>9,510</u>
<b>NON- CURRENT LIABILITIES:</b>			
Contingent consideration	-	47	51
Lease liabilities	438	195	155
Loans from banks, net of current maturities	17	48	37
Employee benefits, net	834	839	826
	<u>1,289</u>	<u>1,129</u>	<u>1,069</u>
<b>Total liabilities</b>	<u>11,156</u>	<u>9,799</u>	<u>10,579</u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	209	209	209
Additional paid-in capital	23,172	23,167	23,167
Translation differences	85	(127)	191
Retained earnings	1,398	(89)	999
	<u>24,864</u>	<u>23,160</u>	<u>24,566</u>
Non-controlling interest	1,075	993	987
<b>Total equity</b>	<u>25,939</u>	<u>24,153</u>	<u>25,553</u>
<b>Total equity and liabilities</b>	<u>37,037</u>	<u>33,952</u>	<u>36,132</u>

November 14, 2021

Date of approval of  
financial statementsMoshe Borovitz  
Chief Executive OfficerElhanan Zeira  
ControllerZvi 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,
	2021	2020	2020
	U.S. \$ in thousands		
	Unaudited		
<b>Cash Flows from Operating Activities:</b>			
Profit for the period	2,700	2,452	3,492
Adjustments for:			
Depreciation and amortization	702	781	1,009
Loss from sale of property, plant and equipment	47	13	13
Equity settled share-based payment expense	-	2	2
Finance expenses, net	24	56	69
Tax expenses	406	451	564
Changes in operating assets and liabilities:			
Decrease (increase) in inventories	357	60	(557)
Decrease (increase) in trade receivables	(15)	57	(1,053)
Decrease (increase) Increase in unbilled revenues	(382)	79	548
Decrease (increase) in other accounts receivables	(492)	(193)	255
Increase (decrease) in trade and other accounts payables	376	(665)	140
Increase (decrease) in employee benefits, net	8	(4)	25
<b>Cash from operations</b>	<b>3,731</b>	<b>3,089</b>	<b>4,507</b>
Interest received	3	23	28
Interest paid	(30)	(33)	(43)
Income tax paid	(511)	(306)	(494)
<b>Net cash provided by operating activities</b>	<b>3,193</b>	<b>2,773</b>	<b>3,998</b>

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.)**

	<u>Nine month period ended</u>		<u>Year ended</u>
	<u>September 30,</u>		<u>December 31,</u>
	<u>2021</u>	<u>2020</u>	<u>2020</u>
	<u>U.S. \$ in thousands</u>		
	<u>Unaudited</u>		
<b>Cash Flows From Investing Activities:</b>			
Proceeds from sale of property, plant and equipment	77	28	28
Payment of contingent consideration regarding business acquisition	(54)	-	-
changes in contingent consideration regarding business acquisition	-	(22)	(21)
Purchase of property, plant and equipment	<u>(766)</u>	<u>(363)</u>	<u>(454)</u>
<b>Net cash used in investing activities</b>	<u>(743)</u>	<u>(357)</u>	<u>(447)</u>
<b>Cash Flows From Financing Activities:</b>			
Dividend	(2,213)	(1,758)	(1,758)
Payments of lease liabilities	(324)	(376)	(493)
Treasury shares acquired	5	(155)	(155)
Treasury shares sold	-	163	163
Exercise of share options	-	254	254
Acquisition of the non-controlling interest in subsidiary	-	(30)	(30)
Repayment of long-term loans from banks	<u>(111)</u>	<u>(234)</u>	<u>(308)</u>
<b>Net cash used in financing activities</b>	<u>(2,643)</u>	<u>(2,136)</u>	<u>(2,327)</u>
<b>Increase in cash and cash equivalents during the period</b>	(193)	280	1,224
<b>Cash and cash equivalents at the beginning of the period</b>	9,577	8,140	8,140
<b>Exchange differences on balances of cash and cash equivalents</b>	<u>(61)</u>	<u>(27)</u>	<u>213</u>
<b>Cash and cash equivalents at the end of the period</b>	<u>9,323</u>	<u>8,393</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 trading 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 September 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>Nine month period ended September 30,</u>		<u>Year ended December 31,</u>
	<u>2021</u>	<u>2020</u>	<u>2020</u>
	<u>U.S. \$ in thousands</u>		
	<u>Unaudited</u>		
<b>Revenues arise from:</b>			
Sale of goods*	26,484	24,888	33,788
Rendering of services**	3,900	3,077	4,863
Projects**	1,678	1,696	2,242
	<u>32,062</u>	<u>29,661</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 nine month period ended September 30, 2021 and 2020 respectively and for the year ended December 31, 2020.

**Nine month period ended September 30, 2021 (Unaudited)**

	<u>Antennas</u>	<u>Water Solutions</u>	<u>Distribution &amp; Consultation</u>	<u>Adjustment &amp; Elimination</u>	<u>Total</u>
	<u>U.S. \$ in thousands</u>				
<i>Revenues</i>					
External	8,591	13,049	10,422	-	32,062
Internal	-	-	105	(105)	-
Total	8,591	13,049	10,527	(105)	32,062
Segment profit	425	1,417	1,297	189	3,328
Finance expense, net					222
Tax expenses					406
Profit					2,700

**As of September 30, 2021**

	<u>Antennas</u>	<u>Water Solutions</u>	<u>Distribution &amp; Consultation</u>	<u>Adjustment &amp; Elimination</u>	<u>Total</u>
	<u>U.S. \$ in thousands</u>				
<i>Segment assets</i>	15,069	10,894	8,307	-	34,270
<i>Unallocated assets</i>					2,825
<i>Segment liabilities</i>	3,169	3,926	3,130	-	10,225
<i>Unallocated liabilities</i>					931

**MTI WIRELESS EDGE LTD.**

(An Israeli Corporation)

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 4– OPERATING SEGMENTS (CONT.):**

**Nine month period ended September 30, 2020 (Unaudited)**

	<u>Antennas</u>	<u>Water Solutions</u>	<u>Distribution &amp; Consultation</u>	<u>Adjustment &amp; Elimination</u>	<u>Total</u>
	<b>U.S. \$ in thousands</b>				
<i>Revenues</i>					
External	8,534	12,172	8,955	-	29,661
Internal	-	-	105	(105)	-
<b>Total</b>	<b>8,534</b>	<b>12,172</b>	<b>9,060</b>	<b>(105)</b>	<b>29,661</b>
<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					<u>451</u>
<b>Profit</b>					<u><u>2,452</u></u>

**As of September 30, 2020**

	<u>Antennas</u>	<u>Water Solutions</u>	<u>Distribution &amp; Consultation</u>	<u>Adjustment &amp; Elimination</u>	<u>Total</u>
	<b>U.S. \$ in thousands</b>				
<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>

**Year ended December 31, 2020**

	<u>Antennas</u>	<u>Water Solutions</u>	<u>Distribution &amp; Consultation</u>	<u>Adjustment &amp; Elimination</u>	<u>Total</u>
	<b>U.S. \$ in thousands</b>				
<i>Revenues</i>					
External	11,187	16,121	13,585	-	40,893
Inter-segment	-	-	144	(144)	-
<b>Total</b>	<b>11,187</b>	<b>16,121</b>	<b>13,729</b>	<b>(144)</b>	<b>40,893</b>
<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>
<b>Profit</b>					<u><u>3,492</u></u>

**MTI WIRELESS EDGE LTD.**

**(An Israeli Corporation)**

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 4– OPERATING SEGMENTS (CONT.):**

**Year ended December 31, 2020**

	<b>Antennas</b>	<b>Water Solutions</b>	<b>Distribution &amp; Consultation</b>	<b>Adjustment &amp; Elimination</b>	<b>Total</b>
	<b>U.S. \$ in thousands</b>				
<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 decided to continue with the Programme until end of August 2022. As at 30 September 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.