MTI COMPUTER SOFTWARE SERVICES LTD AND MTI WIRELESS EDGE LTD

COMPANY'S VALUE ESTIMATION FOR THE PURPOSE OF MERGER RATIO ESTIMATION AS OF DECEMBER 31, 2017

Prepared By:
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MTI COMPUTERS
& SOFTWARE SERVICES (1982) LTD.

MTI WIRELESS EDGE LTD

To: 24/4/18

THE SPECIAL INDEPENDENT COMMITTEE OF MTI COMPUTER SOFTWARE SERVICES LTD;
THE SPECIAL INDEPENDENT COMMITTEE OF MTI WIRELESS EDGE LTD

Dear Gentleman/Ladies,

Company's Value Estimation

Following your request, and in accordance with the contractual agreement dated March 6, 2018, S.C.A Economic Advisory Ltd ("S.C.A") have performed an estimation of the fair market value of MTI Wireless Edge Ltd. ("MTI Wireless), and MTI Computer Services Ltd. ("MTI" or the "Company"), net of its holdings in MTI Wireless ("MTI w/o Wireless"), as of December 31, 2017 ("Valuation Date"), for the purpose of estimating merger ratio in expected merger of MTI and MTI Wireless ("Valuation"). Any use of this valuation report without our prior written permission, is strictly prohibited.

Despite the above prohibition and other restrictions in the terms of this valuation report, we approve our consent to attach this valuation report to the filings and/or public reports of MTI Computers and Software Services (1982) Ltd. and of MTI Wireless Edge Ltd (together the "Merging Companies") related to the Merger Transaction between the Merging Companies (the "Transaction") and to attach it to the documents filed in the Israeli court.

Foundation of the Estimation

This report is an indicative economic assessment, based on specific economic models, work assumptions and forecasts, as detailed therein and below. This report pertains only to the economic issues directly required of it, and does not discuss other issues such as the feasibility of the transaction in question, legal aspects, taxation aspects, or other accounting aspects pertaining to the transaction, either directly or indirectly. Use and/or publication of this report, quotation from it or its attachment to any document, for purposes that stand in contrast with the hereinafter, including in relation to the execution of any transaction and/or as part of a report to any factor, without our written permission, given in advance, is strictly prohibited. It should be noted that our fees for this work were not conditioned on the results of this work.

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Valuation Procedures

Our Valuation included the following procedures:

- Analysis of the data, documents and presentations provided by the Management, as mentioned above;
- Discussions with the MTI's management ("Management");
- Performing various calculations as detailed in this report.

In order to take into consideration all the aspects of the value estimation, all of the assumptions embedded in the value estimation as well as the exhibits included in this report should be read and considered.

Sources of Information

During the course of the study, we relied on information from various sources, including but not limited to:

- MTI and MTI Wireless audited Financial Statements for the year 2017;
- MTI's operating segments' Balance Sheet data as of December 31, 2017, as provided by the Management;
- MTI's operating segments' Profit and Loss ("P&L") data for the years 2015, 2016 and 2017, as provided by the Management;
- MTI's budget for 2018 divided by operating segments, as provided by the Management;
- P&L forecast for the year 2019 for each operating segment, as provided by the Management;
- MTI's forecasted effective tax rates by operating segments for the years 2018-2022, as provided by the Management;
- Data and verbal information obtained from Management through discussions;
- Supplemental information obtained from public sources;

Information Integrity

Our estimation is based solely on the facts detailed in the information provided to us by the Management, in accordance with the specific circumstances brought forth herein. It is hereby emphasized and clarified that we have not been asked to perform, nor have we performed due diligence or any tests concerning the reliability, completeness or currency of the said data, and we express no opinion regarding it.

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Our opinion has been prepared under the assumption that all the information we have been given is true, complete, accurate and up to date, that no significant and/or relevant details and/or documents have been omitted, and that all the details that had needed to be updated were updated prior to the signing of this report. S.C.A or any of its employees will not be held responsible in any way for any inaccuracy, mistakes, absence or mispresentation of the information provided by the Company or any of its representatives. In addition, we operated under the assumption that all the data we received was final, and underwent no changes without our knowledge after being sent to us. It is hereby clarified that any deviation from the data infrastructure we were provided with may bring about significant changes in these report basic assumptions, and, consequently, its results. Therefore we keep us the right to update the value estimation in case a new data, which was not previously brought to our attention, will be revealed to us.

Valuation Specialist

S.C.A specializes in business consultation, support and transaction leading, evaluations and due diligence, capital raising processes, writing business plans and auxiliary material for investors, evaluations for various needs – accounting, taxation, personal, expert opinions for legal purposes, model generation, economic checks etc. The work was conducted under the direction of Zohar Avraham, CPA, who has about 15 years experience in economic consulting for a variety of private and public companies.

We appreciate the opportunity to have provided valuation services to you and should you have any further questions, please do not hesitate to contact us.

Respectfully submitted,

S.C.A Economic Advisory Ltd

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Glossary

Term	Definition
Antennas	Operating segment including the operations of AdvantCom Sarl (wholly owned subsidiary of MTI Wireless)
Mottech Water Solutions	Operating segment including the operations of Mottech Water Solutions Ltd. (wholly owned subsidiary of MTI Wireless)
Representatives	Operating segment including the operations of MTI Engineering Ltd. and MTI Summit Electronics Ltd. (wholly owned subsidiaries of MTI)
System Engineering	Operating segment including the operations of MTI on solo basis (other than management of other operating segments)
Operating Segments	Antennas, Mottech Water Solutions, Representatives and System Engineering
Merger	Expected merger between MTI and MTI Wireless - acquisition of MTI by MTI Wireless by allocating MTI Wireless shares to MTI shareholders.
WACC	Weighted Average Cost of Capital
CAPM	Capital Asset Pricing Model
DCF	Discounted Cash Flow

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1. Executive Summary

1.1. Background

MTI

Established in 1982, MTI is a solution provider in RF and MicroWave field for both commercial and military applications. Part of its offering is based on IP developed in MTI and its subsidiaries and part is by representing leading manufacturers including in the area of Lighter-than-air platforms for intelligence use.

MTI is operating via several subsidiaries and joint ventures offering fixed wireless communication, RF & MW components and engineering solutions to the global market. MTI holds approximately 52.2% of MTI Wireless which operates in Antennas and Mottech Water Solutions segments, and also incorporates Representatives and System Engineering operating segments, as described below. The Company has been publicly traded on the Tel Aviv Stock Exchange (TASE) since 1994.

MTI Wireless

Established in 1972, MTI Wireless Edge Ltd. is headquartered in Israel and traded on AIM London Stock Exchange. MTI Wireless incorporates Antennas and Mottech Water Solutions operating segments.

1.2. Summary of Value Estimation

Methodology

We chose the DCF method as a valuation method for the purpose of this valuation analysis, given that this method is considered the most theoretically supported as well as the most commonly accepted valuation method. DCF method is based on the analysis of the Operating Segments as an on-going concern. According to the DCF method, the company's operating value is estimated as the present value of the cashflows expected to be generated by the company's operations in the future. Those cashflows are discounted by the cost of capital, which reflects the level of company's operating risk. The value of surplus (usually financial) assets, net of financial liabilities, are deducted from the resulting operating vale, in order to estimate the equity value.

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Summary of Value estimation results

Based on the assumptions, estimations and calculations underlying the value estimation as detailed below in this valuation report, we estimate the equity values of MTI and MTI Wireless as follows:

	$ thousands
Antennas	5,908
Mottech Water Systems	12,854
Total MTI Wireless	**18,762**

	$ thousands
Representatives	8,418
System Engeneering	2,276
Total MTI w/o Wireless	**10,694**

Given the above, the estimated equity value ratio of MTI Wireless to MTI (net of its holdings in MTI Wireless) is approximately 1.8.

Furthermore, the number of shares of MTI Wireless to be issued and allocated to the holders of MTI Shares, in addition to MTI Wireless' shares owned by MTI as of the Valuation Date, is estimated at 31,600,436, based on the following calculation:

	Value ($ thosands)	% of Total MTI Value
MTI Wireless	18,762	64%
MTI w/o MTI Wireless	10,694	36%
Total MTI	**29,456**	**100%**
Total MTI Wireless shares as of the Valuation Date	55,438,288	64%
Additional shares to be Issued and allocated to MTI shareholders	31,600,436	36%
Total MTI Wireless Shares after expected merger	**87,038,724**	**100%**

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2. MTI, MTI Wireless and Operating Segment Overview

2.1. MTI

Established in 1982, MTI is a solution provider in RF and MicroWave field for both commercial and military applications. Part of its offering is based on IP developed in MTI and its subsidiaries and part is by representing leading manufacturers including in the area of Lighter-than-air platforms for intelligence use.

MTI is operating via several subsidiaries and joint ventures offering fixed wireless communication, RF & MW components and engineering solutions to the global market. MTI holds approximately 52.2% of MTI Wireless which operates in Antennas and Mottech Water Solutions segments as described below, and also incorporates Representatives and System Engineering operating segments, as described below. The Company has been publicly traded on the Tel Aviv Stock Exchange (TASE) since 1994.

2.2. MTI Wireless

Established in 1972, MTI Wireless Edge Ltd. is headquartered in Israel and traded on AIM London Stock Exchange. MTI Wireless incorporates Antennas and Mottech Water Solutions operating segments, as described below.

2.3. Operating Segments

Following is the brief description of the Operating Segments:

Antennas

General

Antennas operating segment includes a premier design, development and production of state-of-the-art antennas and antenna systems for myriad wireless markets. MTI Wireless is an internationally recognized producer of Commercially-of-the-Shelf and custom-developed antenna solutions in a broad frequency range of HF to 90 GHz, addressing both commercial and military applications.

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Offering a one-stop-shop for the design, manufacture, analysis, simulation and deployment of superior antenna systems, Antennas segment's extensive product range encompasses numerous mainstream and niche applications, including:

- Wireless telecommunications applications for the commercial markets;
- Airborne, Naval and Tactical military antennas.

MTI Wireless' antennas conform to ETSI, FCC, and international standards and specifications and are developed in ISO 9001-2000 & ISO 14001 certified product plant. In addition, all of Antennas' products comply with CE, RoHS (for commercial products) and IEEE standards, based on customer requirements.

Mottech Water Solutions

Mottech Water Solutions is a worldwide master distributor of Motorola's innovative, proven and reliable IRRInet platform. Mottech provides comprehensive and professional irrigation and water control management systems for Agricultural Irrigation, Municipal Turf & Landscape Irrigation, and Water Distribution applications.

Mottech's IRRInet systems rely on Motorola's unparalleled expertise to provide the robust communications infrastructure essential for remote management. Using a wide range of communication methods such as private radio, cellular, landline, fibre optic and Internet, Mottech can offer a communication solution for virtually any site, in any location.

Mottech's international network subsidiaries, local offices and regional distributors provides ongoing support and service to our customers worldwide.

Representatives

Representatives specialize in RF & Microwave solutions and applications. It was founded in 1970 in order to support defense and commercial Israeli RF & Microwave industries through its variety of RF & Microwave components suppliers. In this area MTI's subsidiary provides consulting services to international electronics suppliers in respect with their operations in Israel. Since 2013 Representatives' segment promotes a selected group of international suppliers of RF/Microwave, SATCOM and optic fiber components and systems, providing to customers a complete solution package, while since 2014 those operations expended to Eastern Europe, with opening of the office in Russia.

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System Engineering

System Engineering is an operating segment in the Lighter-than-Air field. It is based on know-how encompassing overall system design and integration of Platform subsystems, SIGINT, RADAR, Communication and Observation systems, as well as aerostat operation and commercial ballooning applications. MTI's team of experts includes experienced Israel Defense Forces reserve officers with up to 40 years of field, design, and management experience. MTI has been involved in System Engineering since 1987 as consultants to the local defense industry and to TCOM L. P. of the U.S.A.(since 1988).

System Engineering operations Include:

- Managing the aerostat programs for one of the major Israeli defense contractors.
- Consulting to TCOM L.P. with regard to Aerostat Systems and their implementation in the Israeli and worldwide market .
- Involvement in all the large aerostat programs for the IDF, including a turnkey Aerostat System managing the in-country activity (site-construction, system installation, and training.
- Marketing activities of various types of balloons and airships .
- Small Aerostat system operation and maintenance.
- Payloads integration support .
- Maintenance support.

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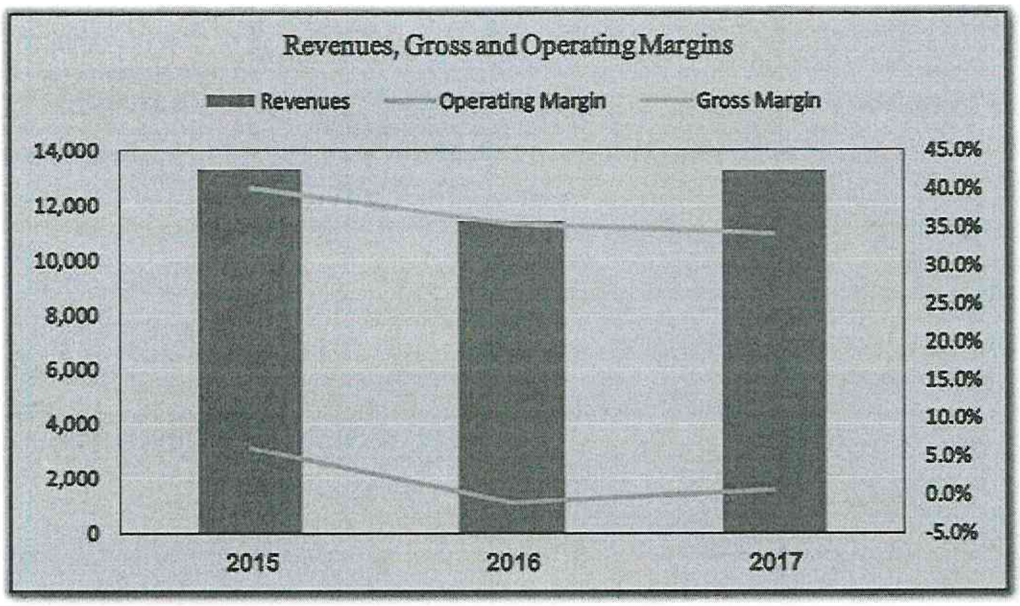
3. Historic P&L Data

3.1. Antennas

Following is the summary of the Antennas' operating profit and loss data for the years 2015-2017:

$ Thousands	2015	2016	2017
Revenues	**13,305**	**11,427**	**13,267**
% growth		*-14%*	*16%*
Cost of Sales	7,953	7,376	8,721
% revenues	*59.8%*	*64.5%*	*65.7%*
Gross Profit	**5,352**	**4,051**	**4,546**
% revenues	*40.2%*	*35.5%*	*34.3%*
Research and Development expenses	1,216	959	874
% revenues	9%	8%	7%
Sales and Marketing Expenses	1,656	1,715	1,769
% revenues	*12.4%*	*15.0%*	*13.3%*
General&Administrative Expenses	1,621	1,485	1,836
% revenues	*12.2%*	*13.0%*	*13.8%*
Operating Profit (Loss)	**859**	**-108**	**67**
% revenues	*6.5%*	*-0.9%*	*0.5%*

The following illustrates the revenues, gross margins and operating margins over the years 2015-2017:



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Revenues

The Company's revenues have decreased by approximately 14% in 2016 as compared to 2015, however they bounced back to 2015 level in 2017.

Gross Profit

Antennas' gross profit margin has declined from approximately 40% in 2015 down to approximately 35.5% in 2016, and further down to 34.3% in 2017. According to the Management, the decline in gross margin in 2016 was due to economies of scale, while the decline in 2017 was due to relatively low gross margin of specific large project which was characterized by a high cost of materials.

Operating Profit (Loss)

Antennas' operating profit margin has declined from approximately 6.5% in 2015 down to the marginal loss 2016. In 2017 the Company switched back to operating profit, at a margin of approximately 0.5%

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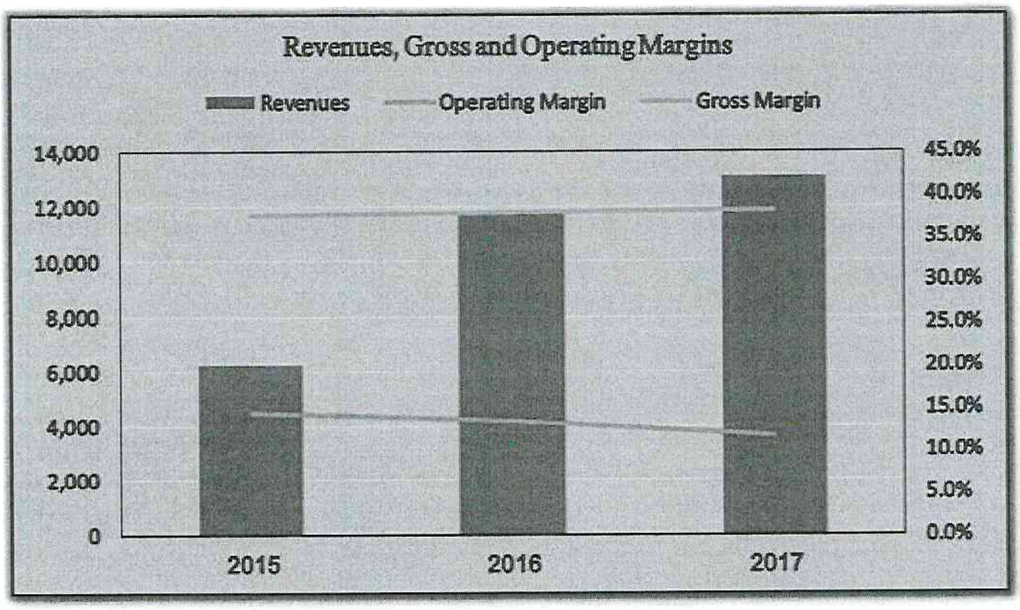
3.2. Mottech Water Solutions

Following is the summary of the Mottech Water Solutions' operating profit and loss data for the years 2015-2017:

$ Thousands	2015	2016	2017
Revenues	**6,274**	**11,849**	**13,109**
% growth		*89%*	*11%*
Cost of Sales	3,917	7,352	8,106
% revenues	*62.4%*	*62.0%*	*61.8%*
Gross Profit	**2,357**	**4,497**	**5,003**
% revenues	*37.6%*	*38.0%*	*38.2%*
Research and Development expenses	0	120	53
% revenues	0%	1%	0%
Sales and Marketing Expenses	751	1,631	2,026
% revenues	*12.0%*	*13.8%*	*15.5%*
General&Administrative Expenses	703	1,155	1,388
% revenues	*11.2%*	*9.7%*	*10.6%*
Operating Profit (Loss)	**903**	**1,591**	**1,536**
% revenues	*14.4%*	*13.4%*	*11.7%*

The following illustrates the revenues, gross margins and operating margins over the years 2015-2017:



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Revenues

Mottech Water Solutions' revenues recorded by MTI Wireless have increased by approximately 89% in 2016 as compared to 2015, due to the fact that the acquisition of Mottech by MTI Wireless occurred during 2015. Therefore the presented P&L results are for 2015 only. In 2017 the revenues increased by approximately 11%.

Gross Profit

Mottech Water Solutions' gross profit margin has slightly and gradually increased from approximately 37.6% in 2015 up to approximately 38.2% in 2017.

Operating Profit (Loss)

Mottech Water Solutions' operating profit margin has gradually declined from approximately 14.4% in 2015 down to 11.7% in 2017, mainly due to investment in marketing, especially due to expansion of the operations to China.

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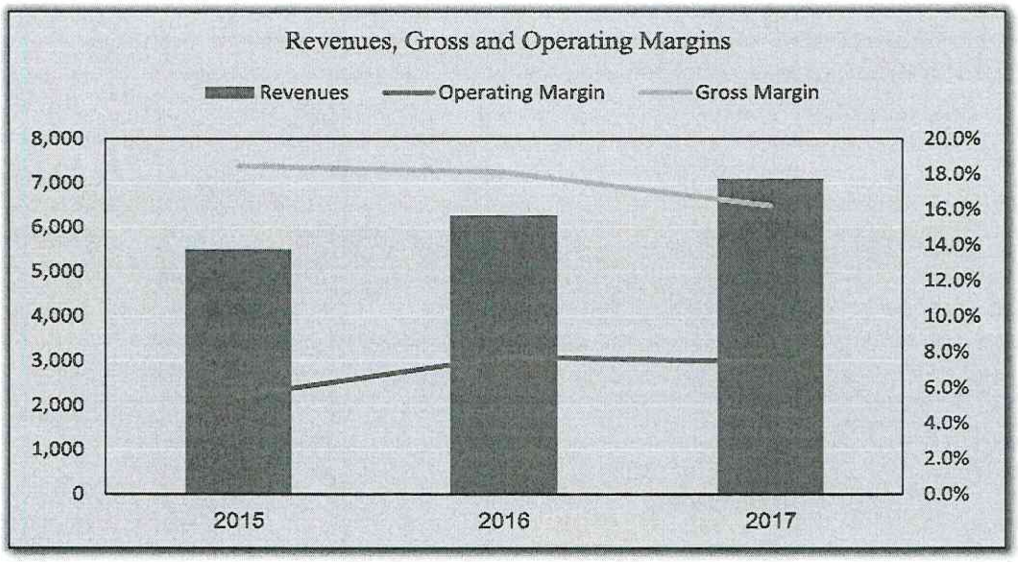
3.3. Representatives

Following is the summary of the Representatives' operating profit and loss data for the years 2015-2017:

$ Thousands	2015	2016	2017
Revenues	**5,502**	**6,267**	**7,089**
% growth		*14%*	*13%*
Cost of Sales	4,486	5,134	5,945
% revenues	*81.5%*	*81.9%*	*83.9%*
Gross Profit	**1,015**	**1,133**	**1,144**
% revenues	*18.5%*	*18.1%*	*16.1%*
Research and Development expenses	0	0	0
% revenues	0%	0%	0%
Sales and Marketing Expenses	327	238	99
% revenues	*6.0%*	*3.8%*	*1.4%*
General&Administrative Expenses	370	416	516
% revenues	*6.7%*	*6.6%*	*7.3%*
Operating Profit (Loss)	**318**	**478**	**529**
% revenues	*5.8%*	*7.6%*	*7.5%*

The following illustrates the revenues, gross margins and operating margins over the years 2015-2017:



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Revenues

Representatives' revenues have increased by approximately 14% in 2016 as compared to 2015, followed by an increase of 13% in 2017.

Gross Profit

Representatives' gross profit margin has gradually declined from approximately 18.5% in 2015 down to approximately 16.1% in 2017.

Operating Profit (Loss)

Representatives' operating profit margin has increased from approximately 5.8% in 2015 up to approximately 7.5%-7.6% level in 2016-2017, due to the economies of scale and a decrease in operating expenses.

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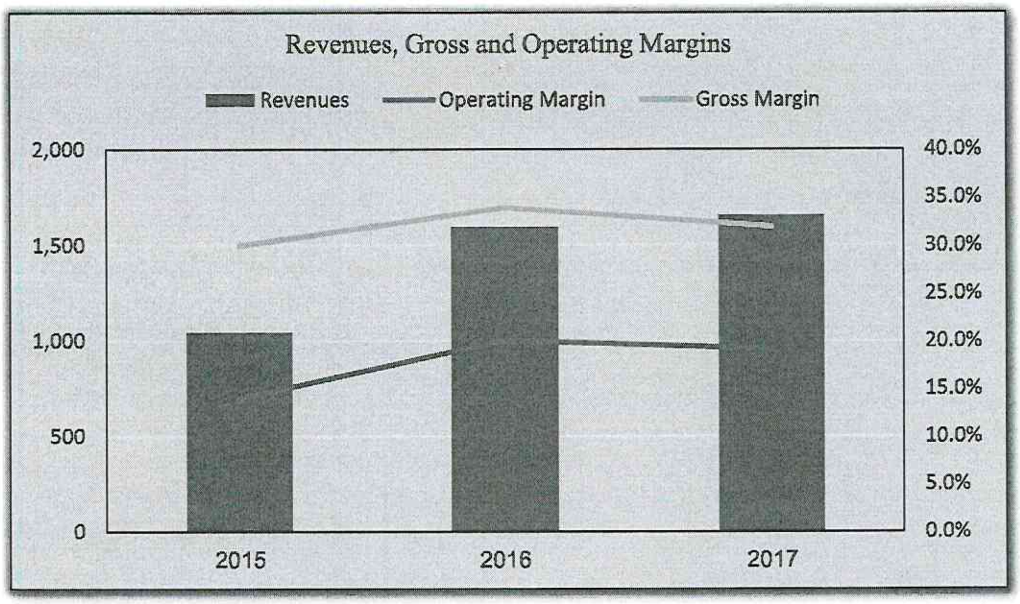
3.4. System Engineering

Following is the summary of the System Engineering's operating profit and loss data for the years 2015-2017:

$ Thousands	2015	2016	2017
Revenues	**1,044**	**1,594**	**1,655**
% growth		*53%*	*4%*
Cost of Sales	731	1,054	1,126
% revenues	*70.0%*	*66.1%*	*68.1%*
Gross Profit	**313**	**541**	**528**
% revenues	*30.0%*	*33.9%*	*31.9%*
Research and Development expenses	0	0	0
% revenues	0%	0%	0%
Sales and Marketing Expenses	174	161	191
% revenues	*16.6%*	*10.1%*	*11.5%*
General&Administrative Expenses	(6)	60	21
% revenues	*-0.6%*	*3.8%*	*1.3%*
Operating Profit (Loss)	**146**	**320**	**317**
% revenues	*13.9%*	*20.1%*	*19.1%*

The following illustrates the revenues, gross margins and operating margins over the years 2015-2017:



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Revenues

System Engineering's revenues have increased by approximately 53% in 2016 as compared to 2015, followed by an increase of 4% in 2017. It should be noted that System Engineering's revenues are project-based and at current state are relatively volatile (according to System Engineering's budget for 2018, the revenues are expected to decline by 23%, down to $1,280 thousands).

Gross Profit

System Engineering's gross profit margin has increased from approximately 30% in 2015 up to approximately 34% in 2016, due to economies of scale, however declined down to 31.9% in 2017.

Operating Profit (Loss)

System Engineering's operating profit margin has increased from approximately 14% in 2015 up to approximately 20% in 2016, due to the economies of scale, however slightly declined down to approximately 19% in 2017.

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4. Business Environment Review[1]

4.1. Wireless Antennas Market

An antenna is a metallic device that transmits and receives electromagnetic waves. It transforms a radio frequency (RF) signal into an electromagnetic wave, which is transmitted into space. Antennae have a property known as reciprocity. This means that an antenna will maintain the same characteristics irrespective of whether it is transmitting or receiving signals. An antenna is an important part of any radio equipment.

One trend in the wireless antenna market is deployment of next-generation LTE wireless networks. The consumption of mobile data has risen at an exponential rate, which has fueled the demand for next-generation LTE wireless networks such as 3G and 4G. LTE is one of the fastest-growing mobile technologies for which specific bands have been designated according to ReportsnReports.com.

The analysts forecast global wireless antenna market to grow at a CAGR of 8.27% during the period 2017-2021. One driver in the market is emergence of connectivity in vehicles. The adoption of wireless connectivity in vehicles is increasing across the globe. Wireless connectivity enables the users to communicate with the external world even while driving. It also enhances other features like navigation and infotainment. In addition, it improves the safety standards of the vehicles and increases the driving pleasure of the driver. The increased adoption of wireless connectivity, particularly in the passenger car segment, is one of the most crucial factors driving the growth of the global wireless antenna market.

The major challenge in the market is high associated cost. The cost associated with the acquisition of a site and the installation process for an antenna network, specifically for a telecom network, is very high. This hinders the growth of the global wireless antenna market. In addition, organizations need to adhere to the stringent spectrum regulations that are set by the telecommunication standard organizations.

[1] Source: www.prnewswire.com, www.microwavejournal.com, ww2.frost.com, www.marketsandmarkets.com.

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This is an expensive affair for the organizations. The attractiveness of the industry and the presence of a large number of players in the market have created persistent pressure for competitive pricing, which is adversely affecting the profit margins of the organizations.

Key players in the global wireless antenna market: Fractus Antennas, Pulse Electronics, Taoglas, and YAGEO. Other Prominent Vendors in the market are: Johanson Technology, Linx Technologies, and AirNet Communications.

4.2. Irrigation System Controllers Market

The irrigation controllers market is estimated to be valued at USD 529.2 Million in 2017 and is projected to reach USD 1,186.6 Million by 2022, at a CAGR of 17.53% from 2017.

The market is driven by the increasing need for water conservation, adoption of modern farming practices, and increased demand for lawn and garden equipment. The high investment costs and low farm incomes are expected to restrict the market growth.

The weather-based segment accounted for a major share in the irrigation controllers market. The demand for weather-based irrigation controllers is witnessing a rise in developed regions such as North America and Europe. These controllers obtain inputs from satellite weather stations or local weather servers and update the amount of irrigation required .

The smart controllers segment is projected to grow at the highest CAGR during the forecast period. The features of smart controllers such as sense flow, sense high flow, and the ability to generate and analyze weather and soil reports are the key factors leading to an increased demand for smart controllers across regions such as North America and Europe .

The Asia Pacific irrigation controllers market is projected to grow at the highest rate between 2017 and 2022. The demand for irrigation controllers is expected to increase in the Asia Pacific region owing to the rising number of sports facilities in the region and increased investments in greenhouse farming by international players.

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The global market for irrigation controllers is dominated by large players such as Valmont Industries (US), Lindsay Corporation (US), Toro (US), Hunter Industries (US), and Rain Bird (US). Some of the other players in the irrigation controllers market include HydroPoint Data Systems (US), Netafim (Israel), Calsense (US), Glacon (Israel), Rachio (US), Weathermatic (US), Green IQ (Israel), and Nelson Irrigation (US).

4.3. RF and Microwave Market

The radio frequency (RF) and microwave test and measurement equipment market is on the verge of major changes over the next 5-10 years principally with a shift of focus from the commercial space from low frequencies to millimeter-wave frequencies. Historically, the sub-8 GHz market was associated with general purpose and wireless applications and frequencies above 8 GHz were associated with aerospace and defense applications. The assumption that the higher frequencies are not for commercial applications will no longer be valid.

Currently though, lower frequencies still represent the bulk of the market revenue for RF test equipment.

Over the next few years, the transition in the cellular space to 5G through 4.5 G (LTE Advanced Pro) and 4.9 G as well as the transition in the WLAN space from 802.11ac to 802.11ax will fuel growth in this market. Higher bandwidth requirements stemming from the aggregation of existing LTE carriers and the addition of more carriers will be compounded with higher test complexity and drive new test equipment purchases, as current equipment is not capable of handling such high bandwidth needs to test the radios. On the 802.11ax front, specific features in that standard require higher RF performance and more accurate measurements, which will drive customers to upgrade their test equipment over the next 2 years.

While especially acute in the mobile IoT space, pressure on price on RF test equipment is a growing trend overall, not only due to exponential growth in technological complexity but also for fierce competition. Customers have increased their attention on their capital expenditures (CAPEX) leading to significant discounts. Their interest is also growing in asset management services to better understand their actual test asset utilization and better control expenses related to test equipment.

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This market has also become a battleground for leaders including Rohde & Schwarz, Keysight Technologies, Anritsu, National Instruments, and LitePoint whose focus has led to significant innovation and product introductions in the past few years. Ubiquitous connectivity has expanded the use of RF across industries increasing the volume of devices requiring RF testing. Although there is a lot of focus on automotive applications for high frequencies such as automotive radars, there is just a significant uptake in connectivity in the automotive industry that is expected to drive demand for RF test equipment. The sheer volume of RF-enabled devices that will require testing creates the need for better and less expensive solutions. Currently, this is driving demand from many customers to augment current testers with PXI-based RF instruments and USB-based instrumentation. Copper Mountain Technologies, Anritsu and Tektronix are examples of companies innovating in this space.

Revenue for RF GaN devices increased by slightly more than 23 percent in 2016, and demand is expected to grow, according to market research firm Strategy Analytics.

Growth in defense applications, particularly radar, communications and EW, will offset flat revenue from the wireless infrastructure segment. Strategy Analytics forecasts revenue for RF GaN devices will grow at a compound annual average growth rate of 14.1 percent to reach $733 million in 2021.

Global demand for RF/Microwave semiconductors is forecast to exceed $4.5 billion in 2022, according to the Global RF/Microwave Semiconductors Industry-Update 2017, released March 2017 by Engalco Research. RF/Microwave Semiconductors are expected to continue to outpace other segments of this market, driven by strongly increasing demand for communications and radar systems – notably digitally enhanced systems and active arrays.

4.4. Aerostat Systems Market

The global aerostat systems market is projected to reach USD 10.95 billion by 2021, registering a CAGR of 15.10% during the forecast period.

A number of factors, such as the ability of aerostats to provide persistent surveillance in addition to vital geospatial information are expected to drive this market. The increased focus by defense departments of various countries towards using economical solutions for surveillance is also expected to bolster the growth of the said market.

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Airships projected to be the fastest-growing segment in the aerostat systems market, segmented based on product type. This segment is expected to register the highest growth rate, primarily driven by the capability of airships to provide effective surveillance even in turbulent conditions and their capability to carry heavier payloads.

Powered aerostats projected to witness the fastest growth in the aerostat market, segmented based on propulsion type. The segment comprising powered aerostats is expected to witness a higher CAGR owing to their lesser fuel consumption, which makes them a viable alternative to unpowered aerostats.

Communication intelligence is expected to register the highest growth in the aerostat market, segmented based on payload. The rapid growth of the aerostat systems for military applications in areas such as surveillance, communication, reconnaissance, intelligence, and border security, has increased the requirement for various payloads.

The aerostat systems equipment market is expected to witness the highest growth in the Middle East. This growth can be attributed to the increasing emphasis by governments in the region on strengthening their surveillance capabilities in lieu of rise in terrorism. These aerostat systems are also extensively being used in countries such as Israel to spot any potential public unrest situations such as riots.

The major players in this market have been identified to be TCOM L.P (U.S.), Lockheed Martin (U.S.), Augur Rosaerosystems (Russia), RT LTA systems ltd (Israel), Raytheon (U.S.), and Raven Industries Inc. (U.S.).

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5. MTI Wireless and MTI w/o Wireless Value Estimation

5.1. Methodology

General

In order to estimate MTI Wireless and MTI w/o Wireless fair market value we used the Income Approach. The income approach utilizes a procedure generally known as the discounted cash flow ("DCF") method of valuation.

The value determined by the DCF analysis reflects the operations and cost structure, and it is generally considered the best indicator of value when sufficient projected and historical operating results are available. In estimating the projected future performance of the Company, various assumptions were made based on discussions with Management. For more detailed explanation regarding the valuation methodology please refer to Appendix B.

Projection Period and Assumptions Basis

In utilizing DCF valuation method, the cashflow forecast was estimated for a 5 year period. From the year 5 onwards the Company's cashflows were assumed to grow at the fixed growth rate. Therefore, 2022 (year 5) was assumed to be a representative year for a long term forecast.

In forecasting the expected future cashflows, the profit and loss forecast for 2018 was estimated according to the approved budget of each Operating Segment. The profit and loss forecast for 2019 was estimated according to the Management estimates for which sanity checks were performed. Further valuation assumptions were made in order to estimated the cashflows for the years 2020-2022.

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5.2. Antennas' Valuation

5.2.1 Valuation Assumptions

Revenues and Revenue Growth

Based on the Company's approved budget, it was assumed that Antennas revenues will amount at approximately $14.5 milllion in 2018, representing a 9% growth vs. 2017, which is, according to the Management, is mainly due to the growth in revenues from new 80 GHZ product line launched just in 2017, which is backed up by backlog of orders existing as of the Valuation Date. The similar 9% growth rate in revenues is expected in 2019, with the same main growth driver. It was further assumed that the revenues growth rate would gradually decline, from 6% in 2020 down to the long-term growth rate of 2%.

Cost of Sales

Materials and Subcontractors

Based on the Company's approved budget, the costs of materials and subcontractors in 2018 were assumed at approximately $6.2 million, representing approximately 43% rate out of the revenues. Due to the variable nature of these costs, the above rate of costs was assumed to remain stable through the projection period.

Salary Costs

Based on the Company's approved budget, the salary costs in 2018 were assumed at approximately $1.9 million, representing approximately 13% rate out of the revenues. Based on the Management projections, salary costs for 2019 were assumed at approximately $2.1 million, representing similar rate out of the revenues as in 2018, mainly due to further expansion of operations in new product line. For the rest of the projection period, i.e. for 2020-2022, salary costs were assumed to grow at an annual rate of 2%.

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Other Costs of Sales

Based on the Company's approved budget, the other costs of sales in 2018 were assumed at approximately $1 million, representing approximately 7% rate out of the revenues. Based on the Management projections, other costs of sales for 2019 were assumed at approximately $1.1 million, representing similar rate out of the revenues as in 2018. Due to the variable nature of these costs (as for the Management estimation), the above rate of costs was assumed to remain stable through the projection period.

Gross Profit

Given the above assumptions relating to the costs of sales, the gross profit margin of approximately 37.3% was assumed in 2018, slowly and gradually rising up to 37.9% in 2022.

Operating Expenses

R&D expenses

Based on the Company's approved budget, R&D expenses in 2018 were assumed at approximately $1.1 million, representing approximately 7.5% rate out of the revenues. Based on the Management projections, those expenses in 2019 were assumed at approximately $1.2 million, representing 7.3% rate out of the revenues. For the rest of the projection period, i.e. for 2020-2022, R&D expenses were assumed to grow at 40% rate of the revenue growth rate.

Sales and Marketing (S&M) Expenses

Based on the Company's approved budget, S&M expenses in 2018 were assumed at approximately $1.7 million, representing approximately 11.9% rate out of the revenues. Based on the Management projections, those expenses in 2019 were assumed at approximately $1.8 million, representing 11.4% rate out of the revenues. For the rest of the projection period, i.e. for 2020-2022, S&M expenses were assumed to grow at 40% rate of the revenue growth rate, but at least by 2% annually.

General and Administrative (G&A) Expenses

Based on the Company's approved budget, G&A expenses in 2018 were assumed at approximately $1.9 million, representing approximately 13.3% rate out of the revenues. Based on the Management projections, those expenses in 2019 were assumed at approximately $2 million, representing 12.7% rate out of the revenues. For the rest of the projection period, i.e. for 2020-2022, G&A expenses were assumed to grow at 25% rate of the revenue growth rate, but at least by 2% annually.

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Operating Profit

Given the above assumptions relating to the operating expenses, the operating profit margin of approximately 4.6% was assumed in 2018, gradually rising up to 8.1% in 2022.

Operating Profit and Loss Forecast

Following is the summary of the Antennas' operating profit and loss forecast, based on the assumptions described above:

					Representative
$ Thousands	**2018**	**2019**	**2020**	**2021**	**2022**
Revenues	**14,500**	**15,800**	**16,748**	**17,250**	**17,595**
% growth	*9%*	*9%*	*6%*	*3%*	*2.0%*
Materials and Subcontractors	6,187	6,742	7,146	7,361	7,508
% revenues	*43%*	*43%*	*43%*	*43%*	*43%*
Salaries	1,936	2,061	2,103	2,145	2,187
% revenues	*13%*	*13%*	*13%*	*12%*	*12%*
%growth	*6%*	*6%*	*2%*	*2%*	*2%*
Others	971	1,106	1,172	1,208	1,232
% revenues	7%	7.0%	*7%*	*7%*	*7%*
Cost of Sales	9,094	9,909	10,421	10,713	10,927
% revenues	*62.7%*	*62.7%*	*62.2%*	*62.1%*	*62.1%*
Gross Profit	**5,406**	**5,891**	**6,327**	**6,538**	**6,668**
% revenues	*37.3%*	*37.3%*	*37.8%*	*37.9%*	*37.9%*
Research and Development expenses	1,092	1,150	1,178	1,192	1,201
% revenues	*7.5%*	*7.3%*	*7.0%*	*6.9%*	*6.8%*
Sales and Marketing Expenses	1,722	1,800	1,843	1,880	1,918
% revenues	*11.9%*	*11.4%*	*11.0%*	*10.9%*	*10.9%*
General&Administrative Expenses	1,924	2,000	2,040	2,081	2,122
% revenues	*13.3%*	*12.7%*	*12.2%*	*12.1%*	*12.1%*
Operating Profit	**669**	**941**	**1,266**	**1,385**	**1,427**
% revenues	*4.6%*	*6.0%*	*7.6%*	*8.0%*	*8.1%*

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Tax expenses

Annual tax expenses of approximately $120 thousands were assumed over the years 2018-2021 based on the Management's assumptions as tax expenses payable due to operations in India, while Antennas' segment in Israel have large carry forward losses for tax purposes and given the above operating profit forecast is not expected to pay taxes in those years. In the representative year and in the long term, an effective tax rate of 20% was assumed, based on the Management, resulting in tax expenses in the representative year of $285 thousands.

Investment in Fixed Assets and Depreciation

Based on the Management's estimations, it was assumed that the investment in fixed assets would be equal to the depreciation over the projection period.

Working Capital

Based on the Management's assumption, the working capital was assumed at approximately 50% of Antennas' revenues, based on this rate in 2017.

Residual Value

For the purpose of estimation of the residual value of the cashflow, in the representative year, a growth rate of 2% into perpetuity was assumed.

Discount Rate

For the purpose of the Company's operating value and discount rate estimation, we applied a Weighted Average Cost of Capital (WACC) model, so that the estimated WACC will reflect the risk embedded in cashflow projections of the Company. We estimate WACC at 15.5%. For further details please refer to Appendix C.

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Cashflow Forecast

Following is Antennas' cashflow forecast, based on the assumptions described above:

$ Thousands	2018	2019	2020	2021	Representative 2022
Operating Profit	669	941	1,266	1,385	1,427
Taxes	(120)	(120)	(120)	(120)	(285)
Operating Profit (after tax)	**548**	**821**	**1,146**	**1,265**	**1,142**
Changes in Working Capital	(621)	(655)	(478)	(253)	(174)
Free Cashflow	**(73)**	**165**	**668**	**1,011**	**968**
Residual Value					7,312
Total	**(73)**	**165**	**668**	**1,011**	**8,280**
Discounted Cashflow	**(68)**	**133**	**466**	**611**	**4,329**

Minority Share

Due to the fact that there is a minority holding in Avantcom Srl.'s subsidiary managing Antennas operations in Indian market, the deduction of minority's stake in the Antennas operating value is required. Based on the Management, this stake was estimated at approximately 6.9% of operating value, based on approximately 20% minority stake of the percentage of sales estimated to be attributed to Indian market (based on this rate in 2017 that was estimated at approximately 35%).

5.2.2 Valuation Summary

Given the above cashflow projections and discount rate estimated, Antennas' operating value is estimated at approximately $5,092 million. To that value, the value of non-operating (financial) assets net of the value of non-operating (financial) liabilities was added.

Following is the summary of the Antennas' (equity) value estimation, as of the Valuation Date:

	$ thousands
Operating Value	**5,471**
Net of minority	378
Operating value for MWE	**5,092**
Financial Assets	2,811
Financial Liabilities	-1,996
Equity Value	**5,908**

Given the above, we estimate Antennas equity value at $5,908 thousands.

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5.2.3 Sensitivity Analysis

The following table presents the sensitivity analysis of Antennas equity value to the discount rate and long-term growth rate:

		Discount Rate				
		13.5%	14.5%	15.5%	16.5%	17.5%
Long-term Growth Rate	1.0%	6,664	6,152	5,713	5,331	4,997
	1.5%	6,808	6,268	5,807	5,408	5,061
	2.0%	6,965	6,393	**5,908**	5,491	5,129
	2.5%	7,135	6,529	6,017	5,579	5,202
	3.0%	7,322	6,676	6,134	5,674	5,279

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5.3. Mottech Water Solutions' Valuation

5.3.1 Valuation Assumptions

Revenues and Revenue Growth

Based on the Company's approved budget it was assumed that Mottech Water Solutions' revenues would amount at approximately $13.9 million in 2018, representing a 6% growth vs. 2017. The similar 7% growth rate in revenues is expected by the Management in 2019. It was further assumed that the revenues growth rate would gradually decline, from 6% in 2020 down to the long-term growth rate of 2%.

Cost of Sales

Materials and Subcontractors

Based on the Company's approved budget, the costs of materials and subcontractors in 2018 were assumed at approximately $5.9 million, representing approximately 43% rate out of the revenues. Due to the variable nature of these costs, the above rate of costs was assumed to remain stable through the projection period.

Salary Costs

Based on the Company's approved budget, the salary costs in 2018 were assumed at approximately $2.19 million, representing approximately 16% rate out of the revenues. Based on the Management projections, salary costs for 2019 were assumed at approximately $2.23 million, representing approximately 15% rate out of the revenues. For the rest of the projection period, i.e. for 2020-2022, salary costs were assumed to grow at an annual rate of 2%.

Other Costs of Sales

Based on the Company's approved budget, the other costs of sales in 2018 were assumed at approximately $0.45 million, representing approximately 3% rate out of the revenues. Based on the Management projections, other costs of sales for 2019 were assumed at approximately $0.46 million, representing similar rate out of the revenues as in 2018. Due to the variable nature of these costs (as for the Management estimation), the above rate of costs was assumed to remain stable through the projection period.

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Gross Profit

Given the above assumptions relating to the costs of sales, the gross profit margin of approximately 38.2% was assumed in 2018, gradually rising up to 39.9% in 2022.

Operating Expenses

R&D expenses

Due to the nature of Mottech Water Solutions' operations, its R&D expenses are relatively insignificant. Based on the Company's approved budget, R&D expenses in 2018 were assumed at approximately $0.2 million, representing approximately 1.5% rate out of the revenues. Based on the Management projections, those expenses in 2019 were assumed at approximately $0.3 million, representing 2% rate out of the revenues. For the rest of the projection period, i.e. for 2020-2022, R&D expenses were assumed to grow at 50% rate of the revenue growth rate.

Sales and Marketing (S&M) Expenses

Based on the Company's approved budget, S&M expenses in 2018 were assumed at approximately $2.3 million, representing approximately 16.9% rate out of the revenues. Based on the Management projections, those expenses in 2019 were assumed at approximately $2.5 million, representing 16.8% rate out of the revenues. For the rest of the projection period, i.e. for 2020-2022, S&M expenses were assumed to grow at 40% rate of the revenue growth rate, but at least by 2% annually.

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General and Administrative (G&A) Expenses

Based on the Company's approved budget, G&A expenses in 2018 were assumed at approximately $1.3 million, representing approximately 9.6% rate out of the revenues. Based on the Management projections, those expenses in 2019 were assumed at approximately $1.4 million, representing 9.4% rate out of the revenues. For the rest of the projection period, i.e. for 2020-2022, G&A expenses were assumed to grow at 25% rate of the revenue growth rate, but at least by 2% annually.

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Operating Profit

Given the above assumptions relating to the operating expenses, the operating profit margin of approximately 10.2% was assumed in 2018, gradually rising up to 12.9% in 2022.

Operating Profit and Loss Forecast

Following is the summary of the Mottech Water Solutions' operating profit and loss forecast, based on the assumptions described above:

					Representative
$ Thousands	**2018**	**2019**	**2020**	**2021**	**2022**
Revenues	**13,853**	**14,870**	**15,762**	**16,235**	**16,560**
% growth	*6%*	*7%*	*6%*	*3%*	*2.0%*
Materials and Subcontractors	5,917	6,352	6,733	6,935	7,073
% revenues	*43%*	*43%*	*43%*	*43%*	*43%*
Salaries	2,194	2,229	2,274	2,319	2,366
% revenues	*16%*	*15%*	*14%*	*14%*	*14%*
%growth	*6%*	*2%*	*2%*	*2%*	*2%*
Others	448	461	489	503	513
% revenues	3.2%	3.1%	*3%*	*3%*	*3%*
Cost of Sales	8,559	9,042	9,495	9,757	9,953
% revenues	*61.8%*	*60.8%*	*60.2%*	*60.1%*	*60.1%*
Gross Profit	**5,294**	**5,828**	**6,267**	**6,478**	**6,607**
% revenues	*38.2%*	*39.2%*	*39.8%*	*39.9%*	*39.9%*
Research and Development expenses	211	300	309	314	317
% revenues	*1.5%*	*2.0%*	*2.0%*	*1.9%*	*1.9%*
Sales and Marketing Expenses	2,345	2,500	2,560	2,611	2,663
% revenues	*16.9%*	*16.8%*	*16.2%*	*16.1%*	*16.1%*
General&Administrative Expenses	1,329	1,400	1,428	1,457	1,486
% revenues	*9.6%*	*9.4%*	*9.1%*	*9.0%*	*9.0%*
Operating Profit	**1,409**	**1,628**	**1,970**	**2,096**	**2,141**
% revenues	*10.2%*	*10.9%*	*12.5%*	*12.9%*	*12.9%*

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Tax expenses

The tax rate of 15% was assumed in accordance with the weighted rate of the tax liability according to 2018 budget of the operating segment.

Investment in Fixed Assets and Depreciation

Based on the Management estimations, it was assumed that the investment in fixed assets would be equal to the depreciation over the projection period.

Working Capital

Based on the Management assumption, the working capital was assumed at approximately 33% of revenues, based on this rate in 2017.

Residual Value

For the purpose of estimation of the residual value of the cashflow, in the representative year, a growth rate of 2% into perpetuity was assumed.

Discount Rate

We estimate WACC at 15.5%. For further details please refer to Appendix C.

Cashflow Forecast

Following is Mottech Water Solutions cashflow forecast, based on the assumptions described above:

$ Thousands	2018	2019	2020	2021	Representative 2022
Operating Profit	1,409	1,628	1,970	2,096	2,141
Taxes	(211)	(244)	(295)	(314)	(321)
Operating Profit (after tax)	**1,197**	**1,384**	**1,674**	**1,782**	**1,820**
Changes in Working Capital	(245)	(336)	(294)	(156)	(107)
Free Cashflow	**952**	**1,048**	**1,380**	**1,626**	**1,713**
Residual Value					12,942
Total	**952**	**1,048**	**1,380**	**1,626**	**14,655**
Discounted Cashflow	**886**	**844**	**963**	**982**	**7,662**

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5.3.2 Valuation Summary

Given the above cashflow projections and discount rate estimated, Mottech Water Solutions' operating value is estimated at approximately $11,377 million. To that value, the value of non-operating (financial) assets net of the value of non-operating (financial) liabilities was added.

Following is the summary of the Mottech Water Solutions' (equity) value estimation, as of the Valuation Date:

	$ thousands
Operating Value	**11,337**
Financial Assets	1,633
Financial Liabilities	-116
Equity Value	**12,854**

Given the above, we estimate Mottech Water Solutions equity value at $12,854 thousands.

5.3.3 Sensitivity Analysis

The following table presents the sensitivity analysis of Mottech Water Solutions equity value to the discount rate and long-term growth rate:

		Discount Rate				
		13.5%	**14.5%**	**15.5%**	**16.5%**	**17.5%**
Long-term Growth Rate	**1.0%**	14,022	13,066	12,243	11,527	10,900
	1.5%	14,437	13,413	12,537	11,780	11,118
	2.0%	14,889	13,789	**12,854**	12,049	11,349
	2.5%	15,381	14,196	13,195	12,338	11,596
	3.0%	15,921	14,639	13,563	12,648	11,861

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5.4. Representatives' Valuation

5.4.1 Valuation Assumptions

Revenues and Revenue Growth

Based on the Company's approved budget it was assumed that Representatives' revenues would amount at approximately \$8.3 million in 2018, representing a 24% growth vs. 2017. A 13% growth rate in revenues is expected by the Management in 2019. It was further assumed that the revenues growth rate would gradually decline, from 10% in 2020 down to the long-term growth rate of 2%.

Cost of Sales

Materials and Subcontractors

Based on the Company's approved budget, the costs of materials and subcontractors in 2018 were assumed at approximately \$6 million, representing approximately 68% rate out of the revenues. Due to the variable nature of these costs, the above rate of costs was assumed to remain stable through the projection period.

Salary Costs

Based on the Company's approved budget, the salary costs in 2018 were assumed at approximately \$1.21 million, representing approximately 14% rate out of the revenues. Based on the Management projections, salary costs for 2019 were assumed at approximately \$1.25 million, representing approximately 12% rate out of the revenues. For the rest of the projection period, i.e. for 2020-2022, salary costs were assumed to grow at an annual rate of 2%.

Other Costs of Sales

Based on the Company's approved budget, the other costs of sales in 2018 were assumed at approximately \$0.14 million, representing approximately 1.5% rate out of the revenues. Based on the Management projections, other costs of sales for 2019 were assumed at approximately \$0.19 million, representing approximately 1.8 % rate out of the revenues. Due to the variable nature of these costs (as for the Management estimation), the above rate of costs was assumed to remain stable through the projection period.

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Gross Profit

Given the above assumptions relating to the costs of sales, the gross profit margin of approximately 16.5% was assumed in 2018, gradually rising up to 18.7% in 2021-2022.

Operating Expenses

Sales and Marketing (S&M) Expenses

Based on the Company's approved budget, S&M expenses in 2018 were assumed at approximately \$0.33 million, representing approximately 3.8% rate out of the revenues. Based on the Management projections, those expenses in 2019 were assumed at approximately \$0.36 million, representing 3.6% rate out of the revenues. For the rest of the projection period, i.e. for 2020-2022, S&M expenses were assumed to grow at 25% rate of the revenue growth rate, but at least by 2% annually.

General and Administrative (G&A) Expenses

Based on the Company's approved budget, G&A expenses in 2018 were assumed at approximately \$0.38 million, representing approximately 4.4% rate out of the revenues. Based on the Management projections, those expenses in 2019 were assumed at similar amount as in 2018. For the rest of the projection period, i.e. for 2020-2022, G&A expenses were assumed to grow at 25% rate of the revenue growth rate, but at least by 2% annually.

Operating Profit

Given the above assumptions relating to the operating expenses, the operating profit margin of approximately 8.4% was assumed in 2018, gradually rising up to 12% in 2021-2022.

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Operating Profit and Loss Forecast

Following is the summary of the Representatives' operating profit and loss forecast, based on the assumptions described above:

					Representative
$ Thousands	2018	2019	2020	2021	2022
Revenues	**8,823**	**10,000**	**10,956**	**11,589**	**11,821**
% growth	*24%*	*13%*	*10%*	*6%*	*2.0%*
Materials and Subcontractors	6,020	6,823	7,475	7,907	8,066
% revenues	*68%*	*68%*	*68%*	*68%*	*68%*
Salaries	1,214	1,245	1,270	1,296	1,322
% revenues	*14%*	*12%*	*12%*	*11%*	*11%*
%growth	*2%*	*3%*	*2%*	*2%*	*2%*
Others	135	185	202	214	218
% revenues	1.5%	1.8%	*2%*	*2%*	*2%*
Cost of Sales	7,369	8,253	8,948	9,417	9,606
% revenues	*83.5%*	*82.5%*	*81.7%*	*81.3%*	*81.3%*
Gross Profit	**1,454**	**1,747**	**2,008**	**2,172**	**2,216**
% revenues	*16.5%*	*17.5%*	*18.3%*	*18.7%*	*18.7%*
Sales and Marketing Expenses	334	360	369	376	383
% revenues	*3.8%*	*3.6%*	*3.4%*	*3.2%*	*3.2%*
General&Administrative Expenses	384	385	394	402	410
% revenues	*4.4%*	*3.9%*	*3.6%*	*3.5%*	*3.5%*
Operating Profit	**737**	**1,002**	**1,245**	**1,394**	**1,422**
% revenues	*8.4%*	*10.0%*	*11.4%*	*12.0%*	*12.0%*

Tax expenses

The tax rate of 20% was assumed in accordance with the average effective tax rate of the operating segment in 2017.

Investment in Fixed Assets and Depreciation

Based on the Management estimations, it was assumed that the investment in fixed assets would be equal to the depreciation over the projection period.

Working Capital

Based on the historic financial data, in particular as of 2017, no significant required working capital was assumed.

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Residual Value

For the purpose of estimation of the residual value of the cashflow, in the representative year, a growth rate of 2% into perpetuity was assumed.

Discount Rate

We estimate WACC at 15.5%. For further details, please refer to Appendix C.

Cashflow Forecast

Following is Representatives' cashflow forecast, based on the assumptions described above:

$ Thousands	2018	2019	2020	2021	Representative 2022
Operating Profit	737	1,002	1,245	1,394	1,422
Taxes	(147)	(200)	(249)	(279)	(284)
Operating Profit (after tax)	**589**	**801**	**996**	**1,115**	**1,138**
Changes in Working Capital	-	-	-	-	-
Free Cashflow	**589**	**801**	**996**	**1,115**	**1,138**
Residual Value					8,595
Total	**589**	**801**	**996**	**1,115**	**9,732**
Discounted Cashflow	548	646	695	673	5,088

5.4.2 Valuation Summary

Given the above cashflow projections and discount rate estimated, Representatives' operating value is estimated at approximately $7,651 milllion. To that value, the value of non-operating (financial) assets net of the value of non-operating (financial) liabilities was added.

Following is the summary of the Representatives' (equity) value estimation, as of the Valuation Date:

	$ thousands
Operating Value	**7,651**
Financial Assets	816
Financial Liabilities	-49
Equity Value	**8,418**

Given the above, we estimate Representatives' equity value at $8,418 thousands.

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5.4.3 Sensitivity Analysis

The following table presents the sensitivity analysis of Representatives' equity value to the discount rate and long-term growth rate:

		Discount Rate				
		13.5%	14.5%	15.5%	16.5%	17.5%
Long-term Growth Rate	1.0%	8,972	8,355	7,825	7,363	6,957
	1.5%	9,357	8,686	8,111	7,613	7,178
	2.0%	9,775	9,042	$\boxed{8,418}$	7,881	7,414
	2.5%	10,232	9,428	8,749	8,168	7,665
	3.0%	10,732	9,848	9,107	8,476	7,933

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5.5. System Engineering Valuation

5.5.1 Valuation Assumptions

Revenues and Revenue Growth

Based on the Company's approved budget it was assumed that System Engineering's revenues would amount at approximately $1.3 million in 2018, representing a 23% decline vs. 2017, which according to the Management is due to a reduction in services provided to a large client. A revenue of approximately $4.2 million is expected by the Management in 2019, mostly based on expected project for Israeli Ministry of Defense, weighted by its probability. Furthermore, according to the Management, in the second part of 2019 a joint venture will start with ELTA Systems Ltd., a subsidiary of Israel Aerospace Industries, which would enable to maintain System Engineering's probability-weighted revenues in 2020-2021 at similar level as in 2019. In 2022 (representative year) the long-term growth rate of 2% was assumed.

Cost of Sales

Materials and Subcontractors

Based on the Company's approved budget, the costs of materials and subcontractors in 2018 were assumed at approximately $0.15 million, representing approximately 11% rate out of the revenues. Due to the variable nature of these costs, the above rate of costs was assumed to remain stable through the projection period.

Salary Costs

Based on the Company's approved budget, the salary costs in 2018 were assumed at approximately $0.5 million, representing approximately 39% rate out of the revenues. Based on the Management projections, salary costs for 2019 were assumed at approximately $1.67 million, representing approximately 40% rate out of the revenues. For the rest of the projection period, i.e. for 2020-2022, salary costs were assumed to change at 75% rate of the rate of change in revenues, given the connection between the revenue volume and the number of employee hours required to generate it.

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Other Costs of Sales

Based on the Company's approved budget, the other costs of sales in 2018 were assumed at approximately $0.28 million, representing approximately 22% rate out of the revenues. Based on the Management projections, other costs of sales for 2019 were assumed at approximately $0.9 million, representing similar approximately 22% rate out of the revenues. Due to the variable nature of those costs (as for the Management estimation), the above rate of costs was assumed to remain stable through the projection period.

Gross Profit

Given the above assumptions relating to the costs of sales, the gross profit margin of approximately 28% was assumed in 2018, and decreasing up to approximately 27% in 2019-2022.

Operating Expenses

Sales and Marketing (S&M) Expenses

Based on the Company's approved budget, S&M expenses in 2018 were assumed at approximately $0.1 million, representing approximately 7.7% rate out of the revenues. Based on the Management projections, those expenses in 2019 were assumed at approximately $0.27 million, representing 6.5% rate out of the revenues. For the rest of the projection period, i.e. for 2020-2022, S&M expenses were assumed to grow at 25% rate of the revenue growth rate, but at least by 2% annually.

General and Administrative (G&A) Expenses

Based on the Company's approved budget, G&A expenses in 2018 were assumed at approximately $0.21 million. Based on the Management projections, those expenses in 2019 were assumed at approximately $0.3 million. For the rest of the projection period, i.e. for 2020-2022, G&A expenses were assumed to grow at 25% rate of the revenue growth rate, but at least by 2% annually.

Operating Profit

Given the above assumptions relating to the operating expenses, the operating profit margin of approximately 3.9% was assumed in 2018, rising up to 13.3% in 2019 and 12.7% in 2021-2022.

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Operating Profit and Loss Forecast

Following is the summary of the System Engineering operating profit and loss forecast, based on the assumptions described above:

$ Thousands	2018	2019	2020	2021	Representative 2022
Revenues	**1,280**	**4,157**	**4,100**	**4,182**	**4,266**
% growth	*-23%*	*225%*	*-1%*	*2%*	*2.0%*
Materials and Subcontractors	146	474	467	476	486
% revenues	*11%*	*11%*	*11%*	*11%*	*11%*
Salaries	499	1,661	1,644	1,677	1,711
% revenues	*39%*	*40%*	*40%*	*40%*	*40%*
%growth	*-16%*	*233%*	*2%*	*2%*	*2%*
Others	277	900	888	905	924
% revenues	22%	22%	*22%*	*22%*	*22%*
Cost of Sales	922	3,035	2,999	3,059	3,120
% revenues	*72.0%*	*73.0%*	*73.1%*	*73.1%*	*73.1%*
Gross Profit	**358**	**1,122**	**1,101**	**1,123**	**1,145**
% revenues	*28%*	*27%*	*27%*	*27%*	*27%*
Sales and Marketing Expenses	99	270	275	281	287
% revenues	*7.7%*	*6.5%*	*6.7%*	*6.7%*	*6.7%*
General&Administrative Expenses	208	300	306	312	318
% revenues	*16.3%*	*7.2%*	*7.5%*	*7.5%*	*7.5%*
Operating Profit	**50**	**552**	**520**	**530**	**541**
% revenues	*3.9%*	*13.3%*	*12.7%*	*12.7%*	*12.7%*

Tax expenses

In accordance with the carry forward losses for tax purposes, no tax payment was assumed in 2018, while, based on the Management estimation, the effective tax rate was assumed to rise from 15% in 2019 up to 20% in 2020-2021, reaching the Israeli statutory rate of 23% in 2022 and onwards.

Investment in Fixed Assets and Depreciation

Based on the Management estimations, it was assumed that the investment in fixed assets would be equal to the depreciation over the projection period.

Working Capital

Based on the historic financial data, in particular as of 2017, no significant required working capital was assumed.

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Residual Value

For the purpose of estimation of the residual value of the cashflow, in the representative year, a growth rate of 2% into perpetuity was assumed.

Discount Rate

We estimate System Engineering's WACC at 17.5%, due to an additional 2% risk premium added to WACC, calculated for other Operating Segments (please refer to Appendix C for this calculation), due to relatively high uncertainty of the segment's cashflow forecast because of its dependence on an existence of the project for Israeli Ministry of Defense and of a future joint venture with ELTA Systems Ltd..

Cashflow Forecast

Following is System Engineering's cashflow forecast, based on the assumptions described above:

					Representative
$ Thousands	**2018**	**2019**	**2020**	**2021**	**2022**
Operating Profit	50	552	520	530	541
Taxes	0	(83)	(104)	(106)	(124)
Operating Profit (after tax)	**50**	**469**	**416**	**424**	**416**
Changes in Working Capital	-	-	-	-	-
Free Cashflow	**50**	**469**	**416**	**424**	**416**
Residual Value					2,739
Total	**50**	**469**	**416**	**424**	**3,156**
Discounted Cashflow	**47**	**368**	**278**	**241**	**1,527**

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5.5.2 Valuation Summary

Given the above cashflow projections and discount rate estimated, System Engineering's operating value is estimated at approximately $2,461 milllion. To that value, the value of non-operating (financial) assets net of the value of non-operating (financial) liabilities was added.

Following is the summary of the System Engineering's (equity) value estimation, as of the Valuation Date:

	$ thousands
Operating Value	**2,461**
Financial Assets	49
Financial Liabilities	-234
Equity Value	**2,276**

Given the above, we estimate System Engeneering's equity value at $2,276 thousands.

5.5.3 Sensitivity Analysis

The following table presents the sensitivity analysis of System Engineering' equity value to the discount rate and long-term growth rate:

		Discount Rate				
		15.5%	16.5%	17.5%	18.5%	19.5%
Long-term Growth Rate	1.0%	2,328	2,166	2,023	1,897	1,784
	1.5%	2,482	2,303	2,146	2,007	1,884
	2.0%	2,648	2,449	**2,276**	2,124	1,989
	2.5%	2,827	2,606	2,415	2,248	2,101
	3.0%	2,986	2,745	2,537	2,355	2,196

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5.6. MTI Wireless and MTI w/o Wireless Valuation Summary and Derived Merger Ratio Estimation

Given the estimation of values of Operating segments presented above, following is the summary of the MTI Wireless and MTI w/o Wireless, as of the Valuation Date:

	$ thousands
Antennas	5,908
Mottech Water Systems	12,854
Total MTI Wireless	**18,762**
	$ thousands
Representatives	8,418
System Engeneering	2,276
Total MTI w/o Wireless	**10,694**

Given the above, the value ratio between MTI Wireless and MTI w/o Wireless, which is to serve as an estimate of expected merger ratio is 1:1.8.

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5.7. MTI Wireless and MTI w/o Wireless Valuations – Reasonability Tests

5.7.1 Comparison with Trading Market Value

Following is the summary of the MTI Wireless value as compared to its trading value on AIM Stock Exchange as of the Valuation Date:

	$ thousands
Total MTI Wireless	18,762
Market Value 31/12/2017	17,742
Dif	5.7%

Following is the summary of the MTI value as compared to its trading value on Tel Aviv Stock Exchange as of the Valuation Date:

	$ thousands
Total MTI Value	20,488
Market Value 31/12/2017	19,166
Dif	6.9%

Given the above, it can be concluded that the results of Valuation stand in line with the trading market values of MTI and MTI Wireless, while similar rate of surplus of estimated value over the trading market value can represent the control premium. Furthermore, the ratio of MTI Wireless value to MTI w/o Wireless value derived from the abovementioned trading values as of the Valuation date is similar to the one derived from Valuation as presented above – approximately 1.8.

5.7.2 Comparison with Ratio of Operating Profits

The table below shows that the ratio of MTI Wireless 2017 operating profit to MTI w/o Wireless operating profit is approximately 1.9 – close to the ratio of MTI Wireless value to MTI w/o Wireless value as estimated in the Valuation:

	$ thousands
MTI Wireless Operating Profit 2017	1,623
MTI w/o Wireless Operating Profit 2017	846
Operating Profit Ratio	**1.9**

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6. Estimation of MTI Wireless' Shares to be Issued and Allocated to MTI Shareholders

The table below summarizes calculation of the number of MTI Wireless' shares to be issued and allocated to MTI Shareholders in addition to MTI Wireless' shares owned by MTI, as of the Valuation Date and representing 52.2% stake of MTI in MTI Wireless, as a part of expected merger:

	Value ($ thosands)	% of Total MTI Value
MTI Wireless	18,762	64%
MTI w/o MTI Wireless	10,694	36%
Total MTI	**29,456**	**100%**
Total MTI Wireless shares as of the Valuation Date	55,438,288	64%
Additional shares to be Issued and allocated to MTI shareholders	31,600,436	36%
Total MTI Wireless Shares after expected merger	**87,038,724**	**100%**

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Appendices

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Appendix A – Assumptions and Limiting Conditions

The general assumptions and limiting conditions pertaining to the value conclusions stated in this document are summarized below.

1. To the best of our knowledge and belief, the statements of facts contained in this document, upon which the analysis and conclusions expressed are based, are true and correct. Information, estimates and opinions furnished to us and contained in this document or utilized in the formation of the value conclusions were obtained from sources considered reliable and believed to be true and correct. However, no representation, liability or warranty for the accuracy of such items is assumed by or imposed on us, and is subject to corrections, errors, omissions and withdrawal without notice.

2. The valuation may not be used in conjunction with any other appraisal or study. The value conclusions stated in this document may not be separated into parts. The valuation was prepared solely for the purpose, function and party identified in this report and for the Israeli court, as required. This report may not be reproduced, in whole or in part, and the findings of this document may not be utilized by any third party, except for the Israeli court, for any purpose, including, but not limited to, acquisition of sale of shares or considered in any way as a recommendation or expressed opinion regarding taking any action or avoiding it, such as an investment recommendation, sale, disposition or any other action, and it should not be filed or addressed to, in whole or in part, in any document, except for addressing it in documents filed to Israeli Tax Authority .

3. No change of any item in any of this document shall be made by anyone other than SCA, and we shall have no responsibility for any such unauthorized change.

4. The work papers for this engagement are being retained in our files and are available for your reference. We would be available to support our valuation conclusions should this be required. Those services would be performed for an additional fee.

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5. Neither all nor any part of the contents of this document shall be disseminated or referred to the public through advertising, public relations, news or any other public means of communication or referenced in any publication, including any private or public offerings including but not limited to those filed with the SEC or other governmental agency, without the prior written consent and approval of and review by SCA. Despite the above prohibition and other restrictions in the terms of this valuation report, we approve our consent to attach this valuation report to the filings and/or public reports of MTI Computers and Software Services (1982) Ltd. and of MTI Wireless Edge Ltd (together the "Merging Companies") related to the Merger Transaction between the Merging Companies (the "Transaction") and to attach it to the documents filed in the Israeli court.

6. Good and marketable title to the business interests and assets being appraised is assumed. We are not qualified to render an "opinion of title," and no responsibility is assumed or accepted for matters of a legal nature affecting the business being appraised. No formal investigation of legal title to or liabilities against the business valued was made, and we render no opinion as to ownership of the business or condition of its title.

7. We take no responsibility for any events, conditions or circumstances affecting our opinion of value that take place subsequent to the Valuation Date.

8. This valuation is based on historical and prospective financial statements. Some assumptions or projections inevitably will not materialize and unanticipated events and circumstances may occur during the forecast period. These could include major changes in the economic conditions; significant increases or decreases in current interest rates and/or terms or availability of financing altogether; property assessment; and/or major revisions in current state and/or federal tax or regulatory laws. Therefore, the actual results achieved during the projected period and investor requirements relative to anticipated annual returns and overall yields could vary from the projection. Thus, variations could be material and have an impact on the value conclusions stated herein.

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9. Budgets/projections/forecasts relate to future events and are based on assumptions that may not remain valid for the whole of the relevant period. We express no opinion as to how closely the actual results will correspond to those projected/forecast by management.

10. We assume no responsibility and make no representations with respect to the accuracy or completeness of any information provided by and on behalf of management.

11. Our work with respect to prospective financial information did not constitute an examination, compilation, or agreed upon procedures engagement of a financial forecast in accordance with standards established by the American Institute of Certified Public Accountants, and we do not express assurance of any kind on it.

12. SCA have no present or prospective interest in the property that is the subject of this report, and have no personal interest with respect to the parties involved;

13. Compensation for completing this assignment is not contingent upon an action or event resulting from the analyses, opinions or conclusions in, or the use of, this report. In addition compensation is not contingent on the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

14. This value estimation report cannot be considered in any way as a recommendation to any shareholder regarding his vote on any matter. Furthermore, our report does not constitute any recommendation or expresses any opinion regarding taking any action or avoiding it, such as an investment recommendation, sale, disposition or any other action.

15. It is hereby agree as a condition for using this valuation report, that The Appraiser's all-inclusive financial liability towards MTI and/or towards anyone acting on behalf of MTI or MTI Wireless together or separately, from any source for any cause, including damages, except in the case of malicious intent by the Appraiser on all matters related to The Appraiser's, liability for the performance of the work will be limited to a maximum total of 3 times (*3) the fee paid for the services.

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16. It is hereby agree as a condition for using this valuation report, that if a legal proceeding or other proceeding (including arbitration) is initiated against The Appraiser, and as a result, The Appraiser is required to pay any amount in relation to the performance of the work, MTI will indemnify The Appraiser for reasonable expenses The Appraiser pays or is required to pay for legal advice and representation, expert opinions, defense from legal proceedings, negotiations etc. in relation to any claim, demand or other proceedings related to the performance of the works, in an amount greater than 3 times (*3) the amount paid for this work.

17. The aforementioned duty of indemnity will apply in all the aforementioned cases and under all the aforesaid terms, even for all matters, related corporations, directors, position holders, employees or agents of The Appraiser.

18. It can therefore be concluded and agreed, as a condition to the submission of this report, that The Appraiser shall bear no liability that stems from reliance on and or use of this report, and that we shall be exempt from any liability for any damage suffered by MTI and/or MTI representatives as a result of actions and/or inactions related to this opinion directly or indirectly (with the exception of cases where a preemptory rule states that we had acted maliciously or been grossly negligent in the preparation of this opinion). MTI hereby declare and agree, as a condition to receiving this report, that you and/or the company and/or those acting on your behalf shall have no claims and/or demands and/or complaints towards us in relation to this report.

19. This work isn't a recommendation to a shareholder and / or director and / or manager to vote for approval of the transaction described in this document and / or to determine the merger ratio. All users of this opinion do so at their sole decision.

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Appendix B – Valuation Methodology

General

Fair market value is generally described as the price at which property or a business would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having equal knowledge of relevant facts.

In general, three valuation methodologies are available to determine the fair market value of a business enterprise: the income approach, the market approach and the cost approach. A brief discussion of each methodology follows.

Income Approach

The income approach utilizes a procedure generally known as the discounted cash flow ("DCF") method of valuation. Currently in wide use to quantitatively analyze capital stocks, acquisition candidates and capital projects, the DCF method measures value by reference to an enterprise's expected future debt-free cash flows from business operations. This typically involves a projection of income and expense and other sources and uses of cash, the assignment of a terminal (or residual) value at the end of the projection period that is reasonably consistent with the key assumptions and long-term growth potential of the business, and a determination of an appropriate discount rate that reflects the risk of achieving the projections. Factors that form the basis for expected future financial performance include:

- Historical and projected growth rates;
- Business plans or operating budgets for the enterprise in question;
- Prevailing relevant business conditions and industry trends, including growth expectations in light of general market growth, competitive environment and market position;
- Anticipated needs for working and fixed capital;
- Historical and expected levels and trends operating profitability.

Typically, a five- to ten-year projection period of annual free cash flows plus an estimated terminal value, which represents the value of the business enterprise beyond the projection period, are discounted to present value through the application of a discount rate that reflects the weighted average cost of capital for the subject enterprise.

The present value of aggregate annual free cash flows plus the terminal value represents the total capital or the net asset value of the operating entity, which equals the combined debt and equity capital or enterprise value of the company. Therefore, in order to estimate the equity value, the value

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of surplus (usually financial) assets, net of financial liabilities, are deducted from the above enterprise value.

Market Comparable Approach

The market comparable approach is a generally accepted valuation technique used in evaluating a privately held business entity, or a division or subsidiary of a publicly traded corporation. This approach examines either publicly traded companies or acquisitions of privately held companies within the same industry as the subject business entity. Market-derived multiples based on such measures as earnings, book value, cash flow and revenues are typically applied to the appropriate financial indicators of the subject entity to determine a range of total capital values for the business. Companies might typically be considered comparable even though their product mixes or corporate sizes differ, so long as valuation ranges are rationalized in terms of relative financial performance and capital structure considerations such as:

- Historical and prospective growth;
- Absolute and relative profit margins and cost determinants;
- Capital structure (leverage);

Cost Approach

The underlying premise when using the cost approach is that the book value or cost of an asset is equal to its fair market value. Certain adjustments are made to assets on a case-by-case basis if this premise does not hold true. For example, in determining the value of a company's assets, appropriated land held for investment purposes would be carried at its fair market value and not its cost basis. This approach is an important tool for determining the fair market value of property, particularly when reliable data relating to sales of comparable companies are not available and when the subject company has not been historically profitable and future profitability is highly uncertain.

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Appendix C – WACC Estimation

In order to estimate WACC which reflects the level of Operating Segment's operating risk, we applied a CAPM model, using a data of a number of public companies operating in the industry comparable to the Operating Segments , for estimating the model input parameters.

Following is the formula for calculating the WACC:

WACC= Ke * S / (S + B) + Kd * B / (S + B) * (1 - T)
Ke= Rf + Rp * BETA+ Ssp
Where:

	Description	Note	Rate/Value
Rf	Risk-free rate	A	3.6%
Rp	Market risk premium	B	5.1%
BETA	An estimate of the Company's risk in relation to the market risk	C	1.25
D/(D+E)	Debt ratio	D	0%
Ssp	Small size risk premium	E	5.6%
WACC	**Cost of Capital (rounded)**		**15.5%**

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Notes

A. Risk-free rate – assumed based on Israeli government dollar-linked treasury bonds yield curve (zero coupon).
B. Market risk premium – average market risk premium required by international investor in mature market in addition to risk-free rate .
C. Beta – coefficient which reflects the risk of the specific investment in relation to the risk of "Market Portfolio", and is based on a correlation between the specific investment yield and "Market Portfolio" yield. For the purpose of Company's WACC estimation, beta was estimated at the average unlevered relevant industry beta[2].
D. Debt Ratio – based on MTI and MTI Wireless actual debt ratio, which according to Management represents the market participant normative debt ratio.
E. Small size risk premium – it is common to take into account an additional risk premium as an additional return required on the investment in small cap companies. For the purpose of Company's WACC estimation a small size premium of 5.6% was assumed based on the Company size and data from Duff&Phelps database.[3]

[2]Source: Damodaran online, Stern Business School.

[3] Source: Duff&Phelps 2017 Valuation Handbook – Guide to Cost of Capital.

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Appendix D – Historic Trading Values of MTI and MTI Wireless

Following table presents data regarding MTI trading values on Tel Aviv Stock Exchange and MTI Wireless trading values on AIM Stock Exchange over the period of 6 months prior to the Valuation Date (translated to $thousands):

	MTI Market Value ($thousands)	MTI Wireless Market Value ($thousands)
Maximum over 7-12/2017	19,878	26,074
Minimum over 7-12/2017	16,139	17,558
Average over 7-12/2017	18,184	20,639

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