

**MTI WIRELESS EDGE LTD.**

**(An Israeli Corporation)**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**(Unaudited)**

**AS OF MARCH 31, 2020**

# **MTI WIRELESS EDGE LTD.**

**(An Israeli Corporation)**

## **INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**(Unaudited)**

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

	<b>Three month period ended</b>		<b>Year ended</b>
	<b>March 31,</b>		<b>December 31,</b>
	<b>2020</b>	<b>2019</b>	<b>2019</b>
	<b>U.S. \$ in thousands</b>		
	<b>Unaudited</b>		
Revenues	9,556	9,076	40,043
Cost of sales	6,441	6,155	27,247
<b>Gross profit</b>	3,115	2,921	12,796
Research and development expenses	250	290	1,185
Distribution expenses	907	1,089	4,229
General and administrative expenses	1,108	941	3,931
Loss (profit) from sale of property, plant and equipment	8	-	(8)
<b>Profit from operations</b>	842	601	3,459
Finance expenses	140	68	211
Finance income	(15)	(29)	(161)
<b>Profit before income tax</b>	717	562	3,409
Tax expenses	124	12	454
<b>Profit</b>	593	550	2,955
Other comprehensive income (loss) net of tax: <i>Items that will not be reclassified to profit or loss:</i>			
Re-measurement of defined benefit plans	-	-	(6)
<i>Items that may be reclassified to profit or loss:</i>			
Adjustment arising from translation of financial statements of foreign operations	(278)	7	62
Total other comprehensive income (loss)	(278)	7	56
<b>Total comprehensive income</b>	315	557	3,011
<b>Profit attributable to:</b>			
Owners of the parent	585	558	2,849
Non-controlling interests	8	(8)	106
	593	550	2,955
<b>Total comprehensive income (loss) attributable to:</b>			
Owners of the parent	307	565	2,905
Non-controlling interests	8	(8)	106
	315	557	3,011
<b>Earnings per share (dollars)</b>			
Basic	0.0067	0.0064	0.0327
Diluted	0.0066	0.0064	0.0327
<b>Weighted average number of shares outstanding</b>			
Basic	87,873,946	86,765,353	87,229,851
Diluted	88,035,747	87,131,353	87,229,851

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

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

**For the three month period ended March 31, 2020 (Unaudited):**

	Attributed to owners of the parent							Total equity
	Share capital	Additional paid-in capital	Capital reserve for share-based payment transactions	Translation differences	Retained earnings	Total attributable to owners of the parent	Non-controlling interest	
	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 three month period ended March 31, 2020:</b>								
<b>Comprehensive income</b>								
Profit for the period	-	-	-	-	585	585	8	593
<b>Other comprehensive loss</b>								
Translation differences	-	-	-	(278)	-	(278)	-	(278)
<b>Total comprehensive income (loss) for the period</b>	-	-	-	(278)	585	307	8	315
Profit from acquisition and disposal of treasury shares (note 5B)	-	8	-	-	-	8	-	8
Exercise of options to share capital	1	24	(4)	-	-	21	-	21
Share based payment	-	-	1	-	-	1	-	1
<b>Balance at March 31, 2020</b>	208	22,900	49	(340)	(73)	22,744	891	23,635

**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 three month period ended March 31, 2019 (Unaudited):**

	Attributed to owners of the parent							Total equity
	Share capital	Additional paid-in capital	Capital reserve for share- based payment transactions	Translation differences	Retained earnings	Total attributable to owners of the parent	Non- controlling interest	
	U.S. \$ in thousands							
<b>Balance at January 1, 2019</b>	205	22,388	366	(124)	(2,195)	20,640	375	21,015
<b>Changes during the three month period ended March 31, 2019:</b>								
<b>Comprehensive income (loss)</b>								
Profit (loss) for the period	-	-	-	-	558	558	(8)	550
<b>Other comprehensive income</b>								
Translation differences	-	-	-	7	-	7	-	7
<b>Total comprehensive income (loss) for the period</b>	-	-	-	7	558	565	(8)	557
Buy back purchase of stock	(1)	-	-	-	(133)	(134)	-	(134)
Share based payment	-	-	2	-	-	2	-	2
<b>Balance at March 31, 2019</b>	204	22,388	368	(117)	(1,770)	21,073	367	21,440

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

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

**For the year ended December 31, 2019:**

	Attributable to owners of the parent							Non-controlling interests	Total equity
	Share capital	Additional paid-in capital	Capital Reserve from share-based payment transactions	Translation differences	Retained earnings	Total attributable to owners of the parent	Total equity		
U.S. \$ in thousands									
<b>Balance as at January 1, 2019</b>	205	22,388	366	(124)	(2,195)	20,640	375	21,015	
<b>Changes during 2019:</b>									
<b>Comprehensive income</b>									
Profit for the year	-	-	-	-	2,849	2,849	106	2,955	
<b>Other comprehensive income (loss)</b>									
Re measurements on defined benefit plans	-	-	-	-	(6)	(6)	-	(6)	
Translation differences	-	-	-	62	-	62	-	62	
<b>Total comprehensive income for the year</b>	-	-	-	62	2,843	2,905	106	3,011	
Dividend	-	-	-	-	(1,306)	(1,306)	-	(1,306)	
Non-controlling Interest of newly purchased subsidiary	-	-	-	-	-	-	402	402	
Classification of ESOP that expired	-	291	(291)	-	-	-	-	-	
Exercise of options to share capital	2	146	(31)	-	-	117	-	117	
Profit from acquisition and disposal of treasury shares (note 5C)	-	43	-	-	-	43	-	43	
Share based payment	-	-	8	-	-	8	-	8	
<b>Balance as at December 31, 2019</b>	<u>207</u>	<u>22,868</u>	<u>52</u>	<u>(62)</u>	<u>(658)</u>	<u>22,407</u>	<u>883</u>	<u>23,290</u>	

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

**MTI WIRELESS EDGE LTD.**  
**(An Israeli Corporation)**  
**INTERIM CONSOLIDATED STATEMENTS OF**  
**FINANCIAL POSITION**

	<b>31.03.2020</b>	<b>31.03.2019</b>	<b>31.12.2019</b>
	<b>U.S. \$ in thousands</b>		
	<b>Unaudited</b>		
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	8,985	6,068	8,140
Trade and other receivables	8,378	9,628	9,799
Unbilled revenue	3,305	2,470	2,866
Current tax receivables	555	700	672
Inventories	5,695	5,447	5,748
	<u>26,918</u>	<u>24,313</u>	<u>27,225</u>
<b>NON-CURRENT ASSETS:</b>			
Long term prepaid expenses	46	47	31
Property, plant and equipment	5,165	5,080	5,212
Deferred tax assets	655	731	664
Intangible assets	1,103	875	1,116
	<u>6,969</u>	<u>6,733</u>	<u>7,023</u>
<b>Total assets</b>	<u><u>33,887</u></u>	<u><u>31,046</u></u>	<u><u>34,248</u></u>

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

**MTI WIRELESS EDGE LTD.**

**(An Israeli Corporation)**

**INTERIM CONSOLIDATED STATEMENTS OF  
FINANCIAL POSITION**

	<u>31.03.2020</u>	<u>31.03.2019</u>	<u>31.12.2019</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	292	440	312
Trade payables	4,237	4,391	6,448
Other accounts payable	4,288	3,217	2,691
Current tax payables	203	79	230
	<u>9,020</u>	<u>8,127</u>	<u>9,681</u>
<b>NON- CURRENT LIABILITIES:</b>			
Contingent consideration	69	-	69
Lease liabilities	282	365	224
Loans from banks, net of current maturities	65	374	141
Employee benefits, net	816	740	843
	<u>1,232</u>	<u>1,479</u>	<u>1,277</u>
<b>Total liabilities</b>	<u>10,252</u>	<u>9,606</u>	<u>10,958</u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	208	204	207
Additional paid-in capital	22,900	22,388	22,868
Capital reserve from share-based payment transactions	49	368	52
Translation differences	(340)	(117)	(62)
Retained earnings	(73)	(1,770)	(658)
	<u>22,744</u>	<u>21,073</u>	<u>22,407</u>
Non-controlling interest	891	367	883
<b>Total equity</b>	<u>23,635</u>	<u>21,440</u>	<u>23,290</u>
<b>Total equity and liabilities</b>	<u>33,887</u>	<u>31,046</u>	<u>34,248</u>

May 18, 2020

Date of approval of  
financial statements

Moshe Borovitz  
Chief Executive Officer

Elhanan Zeira  
Controller

Zvi Borovitz  
Non-executive Chairman  
of the Board

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



**MTI WIRELESS EDGE LTD.**

(An Israeli Corporation)

**INTERIM CONSOLIDATED STATEMENTS OF**

**CASH FLOWS**

	<b>Three month period ended</b>	<b>Year ended</b>	
	<b>March 31,</b>	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>	
	<b>U.S. \$ in thousands</b>		
	<b>Unaudited</b>		
<b>Cash Flows from Operating Activities:</b>			
Profit for the period	593	550	2,955
Adjustments for:			
Depreciation and amortization	256	283	973
Gain (loss) from sale of property, plant and equipment	8	-	(8)
Equity settled share-based payment expense	1	2	8
Finance (income) expenses, net	(24)	29	32
Tax expenses	124	12	454
Changes in operating assets and liabilities:			
Decrease (increase) in inventories	(143)	572	523
Decrease (increase) in trade receivables	1,327	(63)	233
Decrease (increase) in other accounts receivables	15	23	(137)
Increase in unbilled revenues	(439)	(199)	(595)
Increase (decrease) in trade and other accounts payables	(397)	646	1,821
Increase (decrease) in employee benefits, net	(27)	39	136
<b>Cash from operations</b>	<b>1,294</b>	<b>1,894</b>	<b>6,395</b>
Interest received	19	-	44
Interest paid	(4)	(20)	(77)
Income tax paid	(31)	(535)	(764)
<b>Net cash provided by operating activities</b>	<b>1,278</b>	<b>1,339</b>	<b>5,598</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.)**

	<b>Three month period ended</b>		<b>Year ended</b>
	<b>March 31,</b>		<b>December 31,</b>
	<b>2020</b>	<b>2019</b>	<b>2019</b>
	<b>U.S. \$ in thousands</b>		
	<b>Unaudited</b>		
<b>Cash Flows From Investing Activities:</b>			
Proceeds from sale of property, plant and equipment	21	-	31
Acquisition of initially consolidated subsidiaries	-	-	(23)
Purchase of property, plant and equipment	<u>(129)</u>	<u>(174)</u>	<u>(707)</u>
<b>Net cash used in investing activities</b>	<u>(108)</u>	<u>(174)</u>	<u>(699)</u>
<b>Cash Flows From Financing Activities:</b>			
Dividend	-	-	(1,306)
Payments of lease liabilities	(102)	(155)	(511)
Treasury shares acquired	(155)	(134)	(428)
Treasury shares sold	163	-	471
Exercise of share options	21	-	117
Long term loan received from banks	-	-	-
Repayment of long-term loan from banks	<u>(86)</u>	<u>(214)</u>	<u>(554)</u>
<b>Net cash used in financing activities</b>	<u>(159)</u>	<u>(503)</u>	<u>(2,211)</u>
<b>Increase in cash and cash equivalents during the period</b>	1,011	662	2,688
<b>Cash and cash equivalents at the beginning of the period</b>	8,140	5,401	5,401
<b>Exchange differences on balances of cash and cash equivalents</b>	<u>(166)</u>	<u>5</u>	<u>51</u>
<b>Cash and cash equivalents at the end of the period</b>	<u>8,985</u>	<u>6,068</u>	<u>8,140</u>

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

## **MTI WIRELESS EDGE LTD.**

**(An Israeli Corporation)**

### **NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

#### **NOTE 1 - GENERAL:**

##### **Corporate information:**

M.T.I Wireless Edge Ltd. (hereafter - the "Company", or collectively with its subsidiaries, the "Group") is an Israeli corporation. The Company was incorporated under the Companies Act in Israel on December 30, 1998, and commenced operations on July 1, 2000. Since March 2006, the Company's shares have been traded on the AIM market of the London Stock Exchange.

The formal address of the Company is 11 Hamelacha Street, Afek industrial Park, Rosh-Ha'Ayin, Israel.

The Company and its subsidiaries are engaged in the following areas:

- Development, design, manufacture and marketing of antennas for the military and civilian sectors.
- A leading provider of remote control solutions for water and irrigation applications based on Motorola's IRRInet state of the art control, monitoring and communication technologies.
- Providing consulting, representation and marketing services to foreign companies in the field of RF and Microwave, including engineering services in the field of aerostat systems and system engineering services.

In these financial statements, the Company included the results of its aerostat system division in its representation and consulting services division, as it deems this appropriate given the nature of the consulting services provided in both segments and the respective size of these segments.

#### **NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES:**

The interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles for the preparation of financial statements for interim periods, as prescribed in International Accounting Standard No. 34 ("Interim Financial Reporting").

The interim consolidated financial information set out above does not constitute full year-end accounts within the meaning of Israeli Companies Law. It has been prepared on the going concern basis in accordance with the recognition and measurement criteria of the International Financial Reporting Standards (IFRS). Statutory financial information for the financial year ended December 31, 2019 was approved by the board on March 1, 2019. The report of the auditors on those financial statements was unqualified.

The interim consolidated financial statements as of March 31, 2020 have not been audited.

The interim consolidated financial information should be read in conjunction with the annual financial statements as of December 31, 2019 and for the year then ended and with the notes thereto. The significant accounting policies applied in the annual financial statements of the Company as of December 31, 2019 are applied consistently in these interim consolidated financial statements.

**MTI WIRELESS EDGE LTD.**

(An Israeli Corporation)

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 3 – REVENUES:**

	Three month period ended March 31,		Year ended December 31,
	2020	2019	2019
	U.S. \$ in thousands		
Unaudited			
<b>Revenues arise from:</b>			
Sale of goods*	7,856	7,350	32,236
Rendering of services**	963	1,024	4,299
Projects**	737	702	3,508
	9,556	9,076	40,043

(\*) 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 three month period ended March 31, 2020 and 2019 respectively and for the year ended December 31, 2019.

**Three month period ended March 31, 2020 (Unaudited)**

	Antennas	Water Solutions	Distribution & Consultation	Adjustment & Elimination	Total
	U.S. \$ in thousands				
<i>Revenues</i>					
External	2,940	3,680	2,936	-	9,556
Internal	2	-	20	(22)	-
Total	2,942	3,680	2,956	(22)	9,556
Segment profit	41	342	394	65	842
Finance expense, net					125
Tax expenses					124
Profit					593
	Antennas	Water Solutions	Distribution & Consultation	Adjustment & Elimination	Total
U.S. \$ in thousands					
<i>Segment assets</i>	15,094	8,441	7,319	-	30,854
<i>Unallocated assets</i>					3,033
<i>Segment liabilities</i>	2,966	2,243	4,041	-	9,250
<i>Unallocated liabilities</i>					1,005

**MTI WIRELESS EDGE LTD.**

(An Israeli Corporation)

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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

**Three month period ended March 31, 2019 (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	2,830	3,503	2,743	-	9,076
Internal	-	-	33	(33)	-
<b>Total</b>	<b>2,830</b>	<b>3,503</b>	<b>2,776</b>	<b>(33)</b>	<b>9,076</b>
Segment profit	<u>64</u>	<u>250</u>	<u>231</u>	<u>56</u>	<u>601</u>
Finance expense, net					39
Tax expenses					<u>12</u>
Profit					<u><u>550</u></u>
	<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>13,076</u>	<u>8,755</u>	<u>4,755</u>	<u>-</u>	<u>26,606</u>
<i>Unallocated assets</i>					<u>4,460</u>
<i>Segment liabilities</i>	<u>3,019</u>	<u>2,398</u>	<u>2,826</u>	<u>-</u>	<u>8,243</u>
<i>Unallocated liabilities</i>					<u>1,363</u>

**Year ended December 31, 2019**

	<u>Antennas</u>	<u>Water Solutions</u>	<u>Distribution &amp; Consultation</u>	<u>Adjustment &amp; Elimination</u>	<u>Total</u>
	<b>\$'000</b>				
<i>Revenues</i>					
External	12,015	16,518	11,510	-	40,043
Inter-segment	-	-	171	(171)	-
<b>Total</b>	<b>12,015</b>	<b>16,518</b>	<b>11,681</b>	<b>(171)</b>	<b>40,043</b>
Segment profit	<u>444</u>	<u>1,562</u>	<u>1,228</u>	<u>225</u>	<u>3,459</u>
Finance expense, net					50
Tax expenses					<u>454</u>
Profit					<u><u>2,955</u></u>

**MTI WIRELESS EDGE LTD.**

**(An Israeli Corporation)**

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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

**Year ended December 31, 2019**

	<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>14,576</u>	<u>9,793</u>	<u>5,729</u>	<u>-</u>	<u>30,098</u>
<i>Unallocated assets</i>					<u>4,150</u>
<i>Segment liabilities</i>	<u>3,514</u>	<u>1,836</u>	<u>3,837</u>	<u>-</u>	<u>9,187</u>
<i>Unallocated liabilities</i>					<u>1,771</u>

**NOTE 5 – SIGNIFICANT EVENTS:**

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

B. On 24 January 2019, the Company announced a share repurchase program to conduct market purchases of ordinary shares of par value 0.01 Israeli Shekels each ("Ordinary Shares") in the Company up to a maximum value of £150,000 (the "Programme"). On 23 January 2020, the Company announced that the board of directors of the Company and the board of directors of MTI Engineering had decided to continue with the Programme for another six months until 26 July 2020. As at 31 March 2020, no Ordinary Shares were held in treasury under the Programme.

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

C. During January 2020, an employee of the Company exercised options over 60,000 Ordinary Shares in exchange for a total consideration of approximately \$21,000.

D. **Outbreak of COVID-19 and Business Continuity** - In December 2019, the COVID-19 pandemic broke out in China, and the virus has spread to many countries around the world. In January 2020, the World Health Organization announced the outbreak of the Corona virus as a global health emergency, and in March 2020, the World Health Organization declared the pandemic as a global pandemic. The spread of the virus is an unusual event on its scale and is dynamic and emergent. Policymakers around the world were forced to take unprecedented steps to curb the pandemic, including the isolation of civilians and establishing strict regulations and rules to create social distancing, to reduce the chances of infection. This included eliminating most inbound and outbound flights. Along with the dangerous impacts on human lives as a result of the outbreak, significant global and local business impacts have been recorded. As of March 2020, restrictions have been imposed by most governments on civilian movement and public and private sector activity.

**MTI WIRELESS EDGE LTD.**

**(An Israeli Corporation)**

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 5 – SIGNIFICANT EVENTS (CONT.):**

While the Group's offices were partially and/or temporarily closed (depending on country of operations) during the second part of March and most of April 2020, the Group was able to maintain good levels of operation using remote work procedures and a sufficient level of production in its production facilities while assuring the health of employees.

As of the date of this report the Group has resumed its operation in most of its facilities (still under health requirements and regulations) and it sees recovery in most of its territories although there are still significant challenges. All aspects of the Group's supply chain are working slower, and the Company's industry has been affected on the operational level, along with the rest of the world economy as it faces the risk of a global recession where the ability to predict the timing of a recovery is uncertain.