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MTI Wireless Edge Limited
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Dissemination of a Regulatory Announcement that contains inside information according to Regulation 11 of the Market Abuse (Amendment) (EU Exit) Regulations 2019/310.

4 January 2022

MTI Wireless Edge Ltd
("MTI" or the "Company")

Acquisition of 51% of P.S.K. WIND Technologies Ltd. ("PSK")

MTI Wireless Edge Ltd (AIM: MWE), the technology group focused on comprehensive communication and radio frequency solutions across multiple sectors, announces that its wholly-owned subsidiary, MTI Summit Electronics Ltd. ("MTI Summit"), has entered into a share purchase agreement, which includes both a purchase of existing shares in and the making of a new equity investment into PSK, after which MTI Summit will own 51% of PSK (the "Acquisition"). The initial consideration for the Acquisition is approximately US$1.2 million, with an earn out payment subject to performance of up to approximately US$2.56 million. In addition, MTI Summit will make a loan to PSK of US$0.8 million and is party to an option agreement in relation to the acquisition of the remaining 49% of PSK.

PSK is an Israeli company which is well known to MTI having collaborated together on numerous projects over the past 10 years. PSK specialises in the development, manufacture and integration of communication systems and advanced monitoring and control systems for the Government and defence industry market.

Highlights

- PSK has over 20 employees in Israel with high security classifications, qualifying it to serve Government and defence industry customers on strategic long-term projects
- In 2020 and over the first six months of 2021, PSK suffered from the effects of COVID-19 and a lack of Government budget in Israel, which translated into lower military and corporate spending
- Since July 2021, PSK has received an increasing level of orders and has quoted on a number of significant potential projects, which are expected to be delivered from 2022 onwards
- The Board of MTI believes that PSK has both revenue and profit growth potential
- PSK is a platform for MTI to increase its recurring revenue from service and maintenance contracts in the defence sector and expand its business strategy in its Antenna and Distribution & Professional Consulting Services divisions
- PSK's audited revenue for the year ended 31 December 2020 was NIS 10.4m (US$3.4m) (2019: NIS 11.4m or US$3.6m)
- PSK's audited operating loss for the year ended 31 December 2020 was NIS 1.5m (US$0.5m) (2019: profit of NIS 0.6m or US$0.2m). The Board considers

that PSK was break even for the year ended 31 December 2020 on an adjusted unaudited operating profit basis, after adjusting for one-off write offs as part of the process of becoming part of a public company and for conversion to International Financial Reporting Standards

- PSK's unaudited balance sheet (as of 30 November 2021) includes NIS 4.6m (US$1.5m) of gross assets and net liabilities of NIS 2.3m (US$0.75m). PSK is currently funded by bank loans which will be repaid out of MTI's investment and loan
- The consideration for the Acquisition is to be funded out of MTI's existing cash resources

Moni Borovitz, CEO of MTI, commented: *"We are delighted with this Acquisition, which the Board expects to be earnings enhancing and will contribute to our future profits. The Acquisition will enable MTI Summit to step up the value-chain in the Israeli defence market by offering not only components, but also turn-key solutions. We have been in discussions with PSK for nearly a year and waited to see the recovery in its order book and project quotation activity prior to executing the Acquisition.*

Over the past 18 months PSK was effected by COVID-19 and a lack of Government budget in Israel, which led to reduced spending and delays in projects and commitments from PSK's existing and potential customers. In recent months this has improved, with an increase in orders and opportunities, which has given us confidence in PSK's immediate growth potential. The synergies between PSK and MTI's Antenna division and Distribution & Professional Consulting Services division are significant. We expect that MTI's strength and size will assist PSK in increasing its customer base and involvement in the market, while enabling MTI to offer a wider range of higher value products to customers."

Consideration and terms of the Acquisition

The initial consideration payable by MTI, to acquire 51% of the equity in PSK, comprises: a) the purchase of existing shares in PSK for NIS 700,000 (approximately US$225,000); and b) a subscription of NIS 3,000,000 (approximately US$0.95m) for new shares in PSK. In addition, there is an earn out mechanism under which further consideration may be payable, as described below (the "Earn Out"). MTI Summit will also lend PSK NIS 2,500,000 (approximately US$800,000) through a term loan which is to be repaid on 1 January 2024. The loan is not convertible and bears interest of 3.26% per annum.

In addition to the Acquisition, MTI Summit has an option to purchase and the vendors of PSK have an option to sell to MTI Summit the remaining 49% of PSK (the "Option") starting from 2027, subject to the terms described below.

The vendors of 51% of the equity in PSK are Mr. Siman Tov Karako and Mr. Meir Silber (the "Vendors").

The Earn Out
Any further consideration to be paid to the Vendors pursuant to the Earn Out is dependent on PSK's actual revenues in 2022 and 2024 versus certain agreed targets in each of those years and is capped at a maximum of NIS 8,000,000 (approximately US$2.56m), to be paid in cash. In order for the Vendors to receive

any of the Earn Out, PSK would need to increase its revenues by more than 40% from its current trading levels.

The Option

The consideration payable by MTI Summit under the Option (which will become exercisable in January 2027) will be based on the value of PSK, calculated on the basis of eight times the average EBITDA level of PSK in 2025 and 2026, with MTI being required to pay 49% of this value upon exercise. If the Option is to be exercised at any time after the preparation of PSK's financial results for the first quarter of 2027, the calculation will be based on PSK's average EBITDA for the last eight quarters. The Option will remain in place until exercised.

The Board of MTI expects to be able to increase the recurring revenues from PSK's operations following completion of the Acquisition.

Further information about PSK

PSK operates in Israel, providing the following solutions and services:

- Turn-Key implementation of fixed and mobile communication, telemetry and signal intelligence systems.
- Design, manufacture and implementation (including construction, where applicable) of fixed and mobile platforms for military use.
- Engineering consulting in the fields of civil engineering (mainly for communication towers), mechanical engineering and RF engineering, primarily for telemetry systems.
- Professional support for testing programs, and field support for test ranges.
- Maintenance and Customer support services.

For further information please contact:

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About MTI Wireless Edge Ltd. ("MTI")

Headquartered in Israel, MTI is a technology group focused on comprehensive communication and radio frequency solutions across multiple sectors through three core divisions:

Antenna division

MTI is a world leader in the design, development and production of high quality, state-of-the-art, and cost-effective antenna solutions including Smart Antennas, MIMO Antennas and Dual Polarity Antennas for wireless applications. MTI supplies antennas for both military and commercial markets from 100 KHz to 90 GHz.

Internationally recognized as a producer of commercial off-the-shelf and custom-developed antenna solutions in a broad frequency range, MTI addresses both commercial and military applications.

MTI supplies directional and omnidirectional antennas for outdoor and indoor deployments, including smart antennas for WiMAX, broadband access, public safety, RFID, base stations and terminals for the utility market.

Military applications include a wide range of broadband, tactical and specialized communication antennas, antenna systems and DF arrays installed on numerous airborne, ground and naval, including submarine, platforms worldwide.

Water Control & Management division

Via its subsidiary, Mottech Water Solutions Ltd ("Mottech"), MTI provides high-end remote control solutions for water and irrigation applications based on Motorola's IRRInet state-of-the-art control, monitoring and communication technologies.

As Motorola's global prime-distributor Mottech serves its customers worldwide through its international subsidiaries and a global network of local distributors and representatives. With over 25 years of experience in providing customers with irrigation remote control and management, Mottech's solutions ensure constant, reliable and accurate water usage, while reducing operational and maintenance costs. Mottech's activities are focused on the market segments of agriculture, water distribution, municipal and commercial landscape as well as wastewater and storm-water reuse.

Distribution & Professional Consulting Services division

Via its subsidiary, MTI Summit Electronics Ltd., MTI offers consulting, representation and marketing services to foreign companies in the field of RF and microwave solutions and applications including engineering services (including design and integration) in the field of aerostat systems and the ongoing operation of Platform subsystems, SIGINT, RADAR, communication and observation systems which is performed by the Company.

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