RNS Number : 9900V
MTI Wireless Edge Limited
15 August 2022

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MTI Wireless Edge Ltd

("MTI", the "Company" or the "Group")

Interim results

MTI Wireless Edge Ltd (AIM: MWE), the technology group focused on comprehensive communication and radio frequency solutions across multiple sectors, is pleased to today announce its financial results for the six month period ended 30 June 2022.

Financial highlights

- Good revenue growth, up by 6% to US$22.7m (H1 2021: US$21.3m)
- Profit from operations, up by 1% to US$2.19m (H1 2021: US$2.175m). In H1 2022 the Company incurred:
    - one off acquisition costs totalling US$0.1m; and
    - depreciation of intangible assets charges relating to the acquisition totaling US$0.1m (note - from 2023 the depreciation charge will be 50% lower)
- EBITDA* up 11% to $2.9m (H1 2021: $2.6m), with all three divisions contributing positively
- Earnings per share, down by 3% to 0.183 US cents (H1 2021: 1.89 US cents) due to increased finance costs relating to weakness of the Euro and Pound against the US Doller (as some of the Group's net cash is held in these currencies)
- Balance sheet remains strong with net cash at $5.2m as of 30 June 2022 (30 June 2021: $9.7m) after:
    - Payment of 2021 dividend of $0.028 per share (2020 dividend: $0.025 per share) on 31 March 2022
    - divesting the Group's Russian business in March 2022;
    - acquiring 51% of PSK; and
    - providing working capital loans to PSK

  Cash Flow from operation was flat reflecting the use of strong balance sheet with some vendors and PSK's longer debtor terms.

Operational highlights

- Group has delivered another good operational performance across all three divisions, despite the challenges facing all businesses, in particular scarcity in supply of microchips and increasing costs. The operation highlights include:

- MTI Summit having another strong 6 months, with high demand from the defence sector and a satisfying start from the newly acquired PSK business
- Mottech seeing high demand in many geographical areas and softer in others but overall, the order book is strong, including a significant backlog, positioning the division well going forward
- The Antenna division continuing to perform and the 5G market continues to hold significant potential with new relationships being established with most of the market leading OEMs in the sector. Military orders are increasing from both new and existing customers

Moni Borovitz, Chief Executive Officer of MTI Wireless Edge, said:
"This has been a good trading period for the Group, with all divisions making operational profits. In the context of the challenging trading conditions we have faced, including the rising inflation and the difficulties in supply chain (shortage in supply of microchips and shipping costs, which are delaying the delivery of certain orders), the board is very pleased with the results.

"There are some signs of the supply chain issues easing and, as importantly, we have a healthy order book going into the second half of the year and beyond. We have been able to successfully put through a number of price increases which will ensure we can maintain our target profit margins. As a result, we feel confident about the outcome for the full year."

Moni Borovitz, Chief Executive Officer, will provide a live investor presentation relating to the financial results via the Investor Meet Company (IMC) platform on Monday, 15 August 2022 at 10.00am UK time.

Investors can sign up for free via: https://www.investormeetcompany.com/mti-wireless-edge-ltd/register-investor

*Earnings before interest, tax, depreciation and amortization

For further information please contact:

MTI Wireless Edge Ltd	+972 3 900 8900
Moni Borovitz, CEO	http://www.mtiwirelessedge.com
Allenby Capital Limited (Nomad and Joint Broker)	+44 20 3328 5656
Nick Naylor/Alex Brearley/Piers Shimwell (Corporate Finance)	
Amrit Nahal/David Johnson (Sales and Corporate Broking)	
Shore Capital (Joint Broker)	+44 20 7408 4090
Toby Gibbs/John More (Corporate Advisory)	
Novella (Financial PR)	
Tim Robertson/Safia Colebrook	+44 20 3151 7008

Chief Executive's statement

It is pleasing to be able to report a solid set of numbers and a confident outlook for the current year when there are so many challenges facing all businesses. I believe we have been able to do this because our three divisions are all leaders in their respective sectors and the services and expertise they provide all continue to be in high demand. We have intentionally targeted markets which are expanding significantly and as a result our sales have grown and we have been able to pass on, to our customers, most of cost increases that occur in our supply chain. Our order book, coupled to the pipeline of opportunities we have, give us good confidence for the remainder of 2022.

Antenna division

This division is a one stop shop for the sale of 'off the shelf' flat and parabolic antennas, combined with the provision of custom-developed antenna solutions to a range of commercial and military customers, with a growing focus on providing 5G backhaul antenna solutions to support mobile phone operators as they roll-out their 5G networks.

Operationally the Antenna division has performed robustly over the last six months with sales only slightly lower than 2021. The legacy fixed wireless broadband access market generated steady revenues, but it is the future

potential of the 5G market for this division that is increasingly exciting. It is hard to be explicit around timing of revenues, but the division is now working with 5 out of the 7 leading OEMs in the sector. As the roll-out of 5G infrastructure gathers pace the potential for our backhaul solution is significant. Very recently, India completed its 5G auction with a subsequent flurry of customer enquiries around MTI's Indian based manufacturing capabilities, this market is often slow to finalise orders and is price competitive, but the scale is substantial.

As previously reported, alongside the backhaul solution, the Company has developed a 5G automatic beam steering ("ABS") antenna solution, which ensures the antenna adapts to any small movements caused by different climate conditions, including wind or temperature changes. This solution has attracted the interest of most Tier 1 corporations and is currently under development with number of these companies and is therefore further establishing our business within this market.

Military revenues have been slow in the period, mainly due to COVID-19 related delays (some of our customers had only recently returned to full capacity) slowing the projects over the period, but new orders and new enquiry levels are high from both new and existing customers. The conflict in Ukraine has undoubtedly had a knock on effect on military and defence spending by Western Governments which will filter through to both this and the distribution and special consulting services divisions.

With the reputation gained from latest successful projects and the division's existing backlog and pipeline of opportunities the prospects for our military antenna business is strong for the remainder of this year and further out.

Water Control & Management division

This division provides wireless control systems to manage irrigation and water distribution for agriculture, municipal authorities and commercial entities. It operates under the Mottech brand and utilises part of the hardware technology from Motorola, integrated with the Company's own proprietary management software. Our solutions reduce water and power usage, whilst providing higher revenue from accurate irrigation, leading to more and higher quality crops and plants being grown.

Mottech delivered a solid financial performance in H1, growing revenues and maintaining profits. The global issue of water scarcity and subsequently conservation of this vital resource continues to gain prominence amongst commercial enterprises and Governments throughout the world. The OECD has developed recommendations to help countries improve the sustainability of agriculture by developing cost-effective agricultural policies. The policies are anticipated to boost productivity and reduce environmental damage by incorporating proper irrigation solutions, which is expected to benefit the market growth over the coming years.

Mottech is well placed to capitalize on the increased market demand. In our home market of Israel the Company signed a number of long-term agreements which included material price increases with key municipalities to provide irrigation services for their green spaces. In other regions, especially in developed countries, Mottech continued to perform strongly, expanding its client base and its services to existing clients. As recently announced, Mottech has secured a series of new contract wins in Italy, totaling Euro 1.0m, to be supplied in the coming weeks.

Overall, Mottech is well placed to deliver a solid result for the year.

Distribution & Professional Consulting Services division

Operating under the MTI Summit Electronics brand, this division exclusively represents approximately 40 international suppliers of radio frequency/microwave components and sells these products to Israeli customers. Expert knowledge of both the international suppliers and customers further enables MTI to act as a consultant to all parties and assist with devising complete radio frequency/microwave solutions.

Once again MTI Summit produced the largest increases in sales and profitability. As mentioned above, the expected military and defence spending by Western Governments will filter through to this division and demand is high for continued development of new wireless/RF commercial solutions in Israel.

The acquisition of 51% of PSK in January 2022 has proven to be immediately successful. The integration is proceeding well and in July 2022 PSK secured the Group's largest ever contract win (worth up to $10m over the next 7 years) with the Israeli Ministry of Defence. In the short term, PSK will require additional working capital to manage its debtor days, but this is expected to be reduced in time.

The outlook for this division remains very positive with the current order book and is expected to secure a good outcome for this year and is also showing good potential longer term.

Outlook

Given the depth of our order book and the ongoing positive dialogue with our customers across all three divisions we are confident going into the second half of the year. Our products and expertise are in demand because the needs across the markets we cover are high. Financially, our balance sheet remains strong and our cash flow,

which slowed during H1 2022, is expected to improve in the second half of the year. Our profitability will also improve now that we have absorbed various one off costs associated with the acquisition of PSK and the disposal of our Russian subsidiary.

Looking ahead we are confident of delivering a successful 2022.

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 174 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 5G backhaul, Broadband access, public safety, RFID, base station 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 and monitoring 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, increase crops quality and yield while reducing operational and maintenance costs providing fast ROI while helping sustain the environment. Mottech's activities are focused in 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. It also specializes in the development, manufacture and integration of communication systems and advanced monitoring and control systems for the Government and defence industry market.

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

	Six month period ended June 30,		Year ended December 31,
	2022	2021	2021
	U.S. $ in thousands (Except per share data)		
	Unaudited		
Revenues	22,693	21,344	43,184
Cost of sales	15,651	14,658	29,685
Gross profit	7,042	6,686	13,499
Research and development expenses	528	503	965
Distribution expenses	1,815	1,821	3,686
General and administrative expenses	2,501	2,203	4,448
Loss (profit) from sale of property, plant and equipment	8	(16)	25
Profit from operations	2,190	2,175	4,425
Finance expenses	221	140	454
Finance income	(72)	(14)	(67)
Profit before income tax	2,041	2,049	4,038
Tax expenses	364	315	329

Profit	1,677	1,734	3,709
Other comprehensive income (loss) net of tax:			
Items that will not be reclassified to profit or loss:			
Re-measurement of defined benefit plans	-	-	22
Items that may be reclassified to profit or loss:			
Adjustment arising from translation of financial statements of foreign operations	(345)	(61)	(19)
Total other comprehensive income (loss)	(345)	(61)	3
Total comprehensive income	1,272	1,673	3,712
Profit attributable to:			
Owners of the parent	1,617	1,671	3,598
Non-controlling interests	60	63	111
	1,677	1,734	3,709
Total comprehensive income attributable to:			
Owners of the parent	1,212	1,610	3,601
Non-controlling interests	60	63	111
	1,272	1,673	3,712
Earnings per share (dollars)			
Basic and Diluted (dollars per share)	0.0183	0.0189	0.0407
Weighted average number of shares outstanding			
Basic and Diluted (dollars per share)	88,520,113	88,531,224	88,509,740

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

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the six-month period ended June 30, 2022 (Unaudited):

	Attributable to owners of the parent				
	Share capital	**Additional paid-in capital**	**Translation differences**	**Retained earnings**	**Total attributable to owners of the parent**
	U.S. $ in thousands				
Balance at January 1, 2022	209	23,126	172	2,406	25,913
Changes during the six-month period ended June 30, 2022:					
Comprehensive income					
Profit for the period	-	-	-	1,617	1,617
Other comprehensive income					
Translation differences	-	-	(345)	-	(345)
Total comprehensive income for the period	-	-	(345)	1,617	1,272
Acquisition and disposal of treasury shares	-	41	-	-	41
Dividend	-	-	-	(2,479)	(2,479)
Balance at June 30, 2022	209	23,167	(173)	1,544	24,747

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

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONT.)

For the six-month period ended June 30, 2021 (Unaudited):

	Attributed to owners of the parent					
	Share capital	Additional paid-in capital	Capital reserve for share-based payment transactions	Translation differences	Retained earnings	att to
	U.S. $ in thousands					
Balance at January 1, 2021	209	23,167	-	191	999	
Changes during the six- month period ended June 30, 2021:						
Comprehensive income						
Profit for the period	-	-	-	-	1,671	
Other comprehensive loss						
Translation differences	-	-	-	(61)	-	
Total comprehensive income (loss) for the period	-	-	-	(61)	1,671	
Profit from acquisition of treasury shares (note 7B)	-	5	-	-	-	
Dividend	-	-	-	-	(2,213)	
Balance at June 30, 2021	209	23,172	-	130	457	

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

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONT.)

For the year ended December 31, 2021 :

	Attributable to owners of the parent				
	Share capital	Additional paid-in capital	Translation differences	Retained earnings	Total attributab to owners of the parent
	U.S. $ in thousands				
Balance as at January 1, 2021	209	23,167	191	999	24,566
Changes during 2021:					
Comprehensive income					
Profit for the year	-	-	-	3,598	3,598
Other comprehensive income					
Re measurements on defined benefit plans	-	-	-	22	22
Translation differences	-	-	(19)	-	(19)
Total comprehensive income (loss) for the year	-	-	(19)	3,620	3,601

Dividend	-	-	-	(2,213)	(2,213)
Acquisition and disposal of treasury shares	-	(41)	-	-	(41)
Balance as at December 31, 2021	209	23,126	172	2,406	25,913

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

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

	30.06.2022	30.06.2021	31.12.2021
	U.S. $ in thousands		
	Unaudited		
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	5,368	9,717	12,567
Trade and other receivables	11,497	11,634	10,628
Unbilled revenue	3,535	2,488	2,794
Current tax receivables	462	454	518
Inventories	6,457	5,972	6,849
	27,319	30,265	33,356
NON-CURRENT ASSETS:			
Long term prepaid expenses	44	37	26
Property, plant and equipment	5,989	5,612	5,548
Deferred tax assets	1,140	715	994
Intangible assets	3,989	1,040	1,014
	11,162	7,404	7,582
Total assets	38,481	37,669	40,938

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

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

	30.06.2022	30.06.2021	31.12.2021
	U.S. $ In thousands		
	Unaudited		
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Current maturities and short term bank credit and loans	179	20	23

Trade payables	5,703	6,075	5,346
Other accounts payable	3,443	4,906	6,895
Current tax payables	440	224	322
	9,765	11,225	12,586
NON- CURRENT LIABILITIES:			
Contingent consideration	1,432	66	-
Lease liabilities	512	495	465
Loans from banks, net of current maturities	8	27	8
Employee benefits, net	859	838	868
	2,811	1,426	1,341
Total liabilities	12,576	12,651	13,927
EQUITY			
Equity attributable to owners of the parent			
Share capital	209	209	209
Additional paid-in capital	23,167	23,172	23,126
Translation differences	(173)	130	172
Retained earnings	1,544	457	2,406
	24,747	23,968	25,913
Non-controlling interest	1,158	1,050	1,098
Total equity	25,905	25,018	27,011
Total equity and liabilities	38,481	37,669	40,938

August 14, 2022			
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.

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six month period ended June 30,		Year ended December 31,
	2022	2021	2021
	U.S. $ in thousands		
	Unaudited		
Cash Flows from Operating Activities:			
Profit for the period	1,677	1,734	3,709
Adjustments for:			
Depreciation and amortization	734	454	976
Loss (Gain) from sale of property, plant and equipment	8	(16)	(25)
Finance (income) expenses, net	(80)	(14)	53
Tax expenses	364	315	329
Changes in operating assets and liabilities:			
Decrease (increase) in inventories	270	412	(479)

Decrease(increase) in trade receivables	(634)	(709)	604
Decrease (increase) in other accounts receivables	(133)	(170)	(448)
Increase in unbilled revenues	(741)	(301)	(476)
Increase (decrease) in trade and other accounts payables	(659)	1,645	2,803
Increase (decrease) in employee benefits, net	(113)	12	64
Cash from operations	693	3,362	7,110
Interest received	-	2	52
Interest paid	(29)	(19)	(88)
Income tax paid	(627)	(220)	(481)
Net cash provided by operating activities	37	3,125	6,593

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

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (cont.)

	Six month period ended June 30,		Year ended December 31,
	2022	**2021**	**2021**
	U.S. $ in thousands		
	Unaudited		
Cash Flows From Investing Activities:			
Proceeds from sale of property, plant and equipment	-	28	153
Acquisition of subsidiary, net of cash acquired	(1,427)	-	-
Net cash from sale of previously consolidated subsidiaries	(2,785)	-	-
Change (payment) of contingent consideration regarding business acquisition	-	12	(54)
Purchase of property, plant and equipment	(324)	(488)	(835)
Net cash used in investing activities	(4,536)	(448)	(736)
Cash Flows From Financing Activities:			
Dividend	(2,479)	(2,213)	(2,213)
Payments of lease liabilities	(293)	(214)	(449)
Sort-term loans and credit line received from banks	157		
Treasury shares acquired	-	5	(41)
Treasury shares sold	41	-	-
Repayment of long-term loans from	-	(82)	(117)

banks

Net cash used in financing activities	(2,574)	(2,504)	(2,820)
(Decrease)/Increase in cash and cash equivalents during the period	(7,073)	173	3,037
Cash and cash equivalents at the beginning of the period	12,567	9,577	9,577
Exchange differences on balances of cash and cash equivalents	(126)	(33)	(47)
Cash and cash equivalents at the end of the period	5,368	9,717	12,567

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

MTI WIRELESS EDGE LTD.
(An Israeli Corporation)
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - GENERAL:

Corporate information:

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

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

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

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES:

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

The interim consolidated financial information set out above does not constitute full year-end accounts within the meaning of Israeli Companies Law. It has been prepared on the going concern basis in accordance with the recognition and measurement criteria of the International Financial Reporting Standards (IFRS). Statutory financial information for the financial year ended December 31, 2021 was approved by the board on March 6, 2022. The report of the auditors on those financial statements was unqualified.

The interim consolidated financial statements as of June 30, 2022 have not been audited.

The interim consolidated financial information should be read in conjunction with the annual financial statements as of December 31, 2021 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, 2021 are applied consistently in these interim consolidated financial statements.

NOTE 3 - ACQUISITION OF SUBSIDIARY:

On 3 January 2022 the Company, via its wholly-owned subsidiary, MTI Summit Electronics Ltd. ("MTI Summit"), entered into a share purchase agreement, which includes both a purchase of existing shares in and the making of a new equity investment into P.S.K. WIND Technologies Ltd. ("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 has made 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.

The initial consideration paid 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$225,000); and b) a subscription of NIS 3,000,000 (approximately US$ 972,000) for new shares in PSK. In addition, there is an earn out mechanism under which further consideration may be payable, as described in the contingent consideration section below (the "Earn Out"). MTI Summit's loan to PSK of NIS 2,500,000 (approximately US$800,000) is 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.

Cash outflow on the acquisition totalled to US$ 1,427,000.

Acquisition cost of PSK at the date of Acquisition:

	Fair value
	$'000
	Unaudited
Cash paid	1,197
Contingent consideration liability	56
Put options liability	1,376
Total acquisition cost	2,629

NOTE 3 - ACQUISITION OF SUBSIDIARY (CONT'):

Set forth below are the assets and liabilities of PSK at the date of Acquisition:

	Fair value
	$'000
	Unaudited
Trade receivables	671
Other receivables	213
Inventories	65
Property, plant and equipment	256
Intangible assets	1,710
Bank loans	(230)
Trade payables	(522)
Deferred tax liability	(394)
Other liabilities	(436)
Employee benefits, net	(104)
Net identifiable assets	1,229
Goodwill arising on acquisition	1,400
Total purchase cost	2,629

The results of PSK were consolidated into the financial statement of the Group from the beginning of the year.

The cost of acquisition was allocated to tangible assets, intangible assets and liabilities which were acquired based on their fair value at the time of the acquisition. The intangible assets recognized include backlog and customer relations in the total amount of US$ 111 thousands and US$ 1,599 thousands respectively, deferred taxes in the total amount of US$ 394 thousands and goodwill in the total amount US$ 1,400 thousands. The customer relation is amortized over an useful life of up to 15 years.

The goodwill arising on Acquisition is attributed to the expected benefits from the synergies of the combination of the activities of the Company and PSK. The goodwill recognized is not expected to be deductible for income tax purposes.

All transaction costs recorded in General and administrative expenses.

Contingent consideration:

As part of the purchase agreement with the owners of PSK, it was agreed that the sellers, who retain a 49% holding in PSK would be entitled to further consideration to be paid pursuant to an earn out mechanism 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.

NOTE 3 - ACQUISITION OF SUBSIDIARY (CONT'):

Put Option liability:

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. The value of PSK under the Option is to be 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.

As at the Acquisition date, the fair value of the contingent consideration was estimated at US$ 56 thousand and the Option at US$ 1.376 million.

The significant non-observable data used in measuring the fair value of the liability in respect of the contingent consideration and the Put Option liability are as follows:

Discount rate: 15.5%
A significant increase (or decrease) in the estimated amount of the acquired company's pre-tax income will result in a significant increase (decrease) in the fair value of the liability in respect of the contingent consideration whereas a significant increase (decrease) in the discount rate and default risk rate will result in a decrease (an increase) in the fair value of the liability.

NOTE 4 - REVENUES:

	Six month period ended June 30,		Year ended December 31,
	2022	2021	2021
	U.S. $ in thousands		
	Unaudited		
Revenues arise from:			
Sale of goods*	17,486	17,238	35,308
Rendering of services**	3,498	2,876	5,729
Projects**	1,709	1,230	2,147
	22,693	21,344	43,184

(*) at the point in time
(**) over time

NOTE 5 - OPERATING SEGMENTS:

The following tables present revenue and profit information regarding the Group's operating segments for the six month period ended June 30, 2022 and 2021 respectively and for the year ended December 31, 2021.

Six month period ended June 30, 2022 (Unaudited):

	Antennas	Water Solutions	Distribution & Consultation Services	Adjustment & Elimination	Total
	U.S. $ in thousands				
Revenues					
External	5,678	8,825	8,190	-	22,693
Internal	-	-	209	(209)	-
Total	5,678	8,825	8,399	(209)	22,693
Segment profit	95	864	1,144	87	2,190
Finance expense, net					149
Tax expenses					364
Profit					1,677

As of 30 June 2022:

	Antennas	Water Solutions	Distribution & Consultation Services	Adjustment & Elimination	Total
	U.S. $ in thousands				
Segment assets	14,414	10,717	10,538	-	35,669
Unallocated assets					2,812
Segment liabilities	2,241	3,520	6,294	-	12,055
Unallocated liabilities					521

Six month period ended June 30, 2021 (Unaudited):

	Antennas	Water Solutions	Distribution & Consultation Services	Adjustment & Elimination	Total
	U.S. $ in thousands				
Revenues					
External	5,772	8,601	6,971	-	21,344
Internal	-	-	59	(59)	-
Total	5,772	8,601	7,030	(59)	21,344
Segment profit	246	866	913	150	2,175
Finance expense, net					126
Tax expenses					315
Profit					1,734

NOTE 5 - OPERATING SEGMENTS (CONT.):

As of 30 June, 2021:

	Antennas	Water Solutions	Distribution & Consultation Services	Adjustment & Elimination	Total
	U.S. $ in thousands				
Segment assets	14,866	10,890	9,068	-	34,824

Unallocated assets					2,845
Segment liabilities	3,226	4,411	4,089	-	11,726
Unallocated liabilities					925

Year ended December 31, 2021

	Antennas	Water Solutions	Distribution & Consultation Services	Adjustment & Elimination	Total
	U.S. $ in thousands				
Revenues					
External	11,294	17,606	14,284	-	43,184
Inter-segment	-	-	174	(174)	-
Total	11,294	17,606	14,458	(174)	43,184
Segment profit	282	2,074	1,845	224	4,425
Finance expense, net					387
Tax expenses					329
Profit					3,709

31 December, 2021:

	Antennas	Water Solutions	Distribution & Consultation Services	Adjustment & Elimination	Total
	U.S. $ in thousands				
Segment assets	14,399	11,100	11,999	-	37,498
Unallocated assets					3,440
Segment liabilities	3,090	3,626	6,282	-	12,998
Unallocated liabilities					929

NOTE 6 - SALE OF PREVIOUSLY CONSOLIDATED SUBSIDIARIES:

On 22 March 2022, the Company announced that it had disposed of its Russian operations and sold its entire holding in M.T.I Summit SPB ltd. ("SPB") for a de minimis amount, with this sale not having any significant profit/loss impact on the Company.

The effect of the sale on the financial position of the Group is as follows:

	$'000 Unaudited
Other receivables	(417)
Inventories	(6)
Current tax receivables	(10)
Cash and cash equivalents	(2,785)
Other trade payables	3,218
Net assets and liabilities	**-**
Consideration received, satisfied in cash	-
Cash and cash equivalents disposed of	(2,785)
Net cash outflows	(2,785)

NOTE 7 - SIGNIFICANT EVENTS:

A. On 6 March 2022, the Board of directors declared a cash dividend of 2.8 US cents per share, representing approximately $2,479,000, in total. This dividend was paid on 31 March 2022 to shareholders on the register at the close of trading on 18 March 2022.

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"). Thereafter, the board of directors of the Company and the board of directors of MTI Engineering decided to continue with the Programme for several further periods. On 13 April 2022, the Company announced that it would extend the Programme until 31 March 2023, with the Programme having an increased maximum value of up to £200,000 and with the Programme being managed by Shore Capital Stockbrokers Limited pursuant to the terms as announced. As at 30 June 2022, no Ordinary Shares were held in treasury under the Programme.

C. On 9 March 2022 at an extraordinary shareholders meeting, Mr. Luke Ahern was elected as an external director for three year term. At the same meeting approval for the extension of an updated Remuneration Policy for a period of three years or for a longer period, to the extent prescribed in the provisions of the Israeli Companies Law, was granted as well as the extension of an updated management services agreement (the "Management Services Agreement"), between the Company and Mokirei Aya Management (2003) Ltd. (the "Management Company") for the provision of the services of the Chairman and CEO of the Company for a further three years or for a longer period, to the extent prescribed in the provisions of the Israeli Companies Law with effect from 1 March 2022.

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 Coronavirus as a global health emergency, and in March 2020, the World Health Organization declared the pandemic to be a global pandemic. In 2021 and until the date of this report the Company was able to maintain good levels of operation using remote working procedures where appropriate and a sufficient level of production in its production facilities while assuring the health of its employees. Since March 2022 most of the Group's operations have returned to a normal level of activity but aspects of the Group's supply chain are still 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. In particular, shipment costs are higher and availability of shipping is lower, some of the components or other parts (used by the Company or its vendors or its customers) are still under shortage and this can effect the ability to supply part of the demand. This uncertainty of the level of the global economic slowdown, its duration and its medium to long term effects creates challenges, but the Company believes that if there is no further deterioration in the situation, its financial strength and business stability will allow it to navigate through this.

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