

IMAGESAT INTERNATIONAL (I.S.I.) LTD

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS AT MARCH 31, 2023

UNAUDITED

TABLE OF CONTENTS

	Page
Review of Interim Consolidated Financial Statements	2
Consolidated Statements of Financial Position	3-4
Consolidated Statements of Profit or Loss and Other Comprehensive Income	5
Consolidated Statements of Changes in Equity	6
Consolidated Statements of Cash Flows	7-8
Notes to Interim Consolidated Financial Statements	9-10

* This Financial Statements is a translation of the Hebrew Financial Statements reported on May 16, 2023. In the event of any conflicts between the English and the Hebrew version, the Hebrew version shall supersede.



Auditors' Review

To the Shareholders of

IMAGESAT INTERNATIONAL (I.S.I.) LTD.

Introduction

We have reviewed the accompanying financial information of ImageSat International (I.S.I.) Ltd. ("the Company), which includes the condensed consolidated statement of financial position as of March 31, 2023 and the condensed consolidated statements of income, other comprehensive income, changes in equity, and cash flow for three-month period then ended. The board of directors and management are responsible for the preparation and presentation of the financial information for these interim periods in accordance with International Accounting Standard IAS 34, Interim Financial Reporting, and are also responsible for the preparation of this interim financial information in accordance with Chapter D of the Israel Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of the review

We conducted our review in accordance with Israel Review Standard 2410 of the Institute of Certified Public Accountants in Israel, Review of Interim Financial Information by the Independent Auditor of the Entity. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytic and other review procedures. A review is substantially more limited in scope than an audit conducted in accordance with generally accepted auditing standards in Israel and consequently does not enable us to be certain that we are aware of all of the significant matters that could be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that this financial information has not been prepared, in all material respects, in accordance with IAS 34.

In addition to that stated in the paragraph above, based on our review, nothing has come to our attention that causes us to believe that the financial information does not comply, in all material respects, with the disclosure requirements of Chapter D of the Israel Securities Regulations (Periodic and Immediate Reports), 1970.

Tel Aviv
May 15, 2023

Kost Forer Gabbay and Kasierer
KOST FORER GABBAY & KASIERER
Certified Public Accountants

IMAGESAT INTERNATIONAL (I.S.I.) LTD.**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	March 31		December 31
	2023	2022	2022
	Unaudited		Audited
	USD thousands		
CURRENT ASSETS:			
Cash and cash equivalents	20,495	16,933	27,173
Cash from offering held in trust account*	-	61,283	-
Restricted cash	20,093	185	20,093
Short-term deposits	22,250	35,000	22,250
Trade receivables	3,605	10,833	4,057
Other account receivables	8,050	3,088	8,896
Inventories	1,306	1,184	1,306
	<u>75,799</u>	<u>128,506</u>	<u>83,775</u>
NON-CURRENT ASSETS:			
Property and equipment	8,927	7,361	8,710
Fixed assets under construction	181,221	-	180,143
Advances on account of property and equipment	14,315	93,289	12,017
Right-of-use assets	8,921	5,884	7,738
Intangible assets	664	770	690
Deferred taxes	489	908	560
Long term receivables	-	744	-
	<u>214,537</u>	<u>108,956</u>	<u>209,858</u>
	<u>290,336</u>	<u>237,462</u>	<u>293,633</u>

* The offering proceeds were transferred from the trust account to the bank account of the Company in April 2022.

The accompanying notes are an integral part of the interim consolidated financial statements.

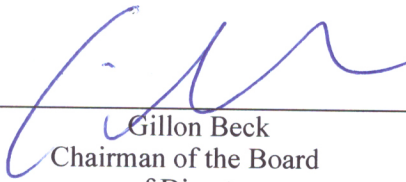
IMAGESAT INTERNATIONAL (I.S.I.) LTD.

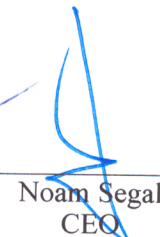
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION


	March 31		December 31,
	2023	2022	2022
	Unaudited		Audited
	USD thousands		
CURRENT LIABILITIES:			
Current maturities of lease liabilities	1,064	1,087	806
Current maturities of loan from a related party	10,222	-	9,955
Trade payables	2,323	3,328	618
Advances and deferred revenues	7,560	3,422	7,954
Income tax payable	-	2,419	664
Other account payables	26,053	5,091	29,275
	<u>47,222</u>	<u>15,347</u>	<u>49,272</u>
NON-CURRENT LIABILITIES:			
Lease liabilities	6,530	5,066	5,824
Other liabilities	33,166	166	33,166
Advances and deferred revenues	12,218	18,634	13,623
Employee benefit liabilities	87	166	90
Loan from a related party	30,046	38,523	29,863
	<u>82,047</u>	<u>62,555</u>	<u>82,566</u>
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:			
Share capital	-	-	-
Share premium and capital reserves	206,040	205,889	205,905
Share-based payments reserve	2,340	1,066	2,266
Retained loss	(47,313)	(47,395)	(46,376)
	<u>161,067</u>	<u>159,560</u>	<u>161,795</u>
	<u>290,336</u>	<u>237,462</u>	<u>293,633</u>

The accompanying notes are an integral part of the interim consolidated financial statements.

May 15, 2023
Date of approval of the
financial statements


Gillon Beck
Chairman of the Board
of Directors


Noam Segal
CEO


Yuval Sipper
CFO

IMAGESAT INTERNATIONAL (I.S.I.) LTD.

CONSOLIDATED STATEMENTS OF INCOME AND OTHER COMPREHENSIVE INCOME

	Three months ended		Year ended
	March 31		December 31
	2023	2022	2021
	Unaudited		Audited
Revenues	5,272	11,144	33,692
Operating costs	1,626	4,777	15,190
Depreciation	822	790	3,229
Gross profit	2,824	5,577	15,273
Selling and marketing	1,156	954	3,869
General and administrative	1,683	1,463	4,777
Research and development	767	687	2,571
Operating income (loss)	(782)	2,473	4,056
Finance expenses, net	116	188	356
Income (loss) before taxes on income	(898)	2,285	3,700
Taxes on income	39	413	881
Net income (loss)	(937)	1,872	2,819
<u>Other comprehensive loss (net of taxes):</u>			
Loss from remeasurement of defined benefit plans	-	-	72
Total other comprehensive loss	-	-	72
Total comprehensive income (loss)	(937)	1,872	2,891
<u>Earnings per share</u>			
Net earnings per share attributable to equity holders of the Company (USD)	(0.02)	0.03	0.05
Net earnings per share on a fully diluted basis (USD)	(0.02)	0.03	0.05

The accompanying notes are an integral part of the interim consolidated financial statements.

IMAGESAT INTERNATIONAL (I.S.I.) LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Share premium and capital reserves	Share-based payments reserve	Accumulated deficit	Total capital
	Unaudited				
	USD thousands				
<u>Balance as of January 1, 2023</u>	-	205,905	2,266	(46,376)	161,795
Comprehensive income	-	-	-	(937)	(937)
Conversion of options	-	135	(135)	-	-
Share-based payment	-	-	209	-	209
<u>Balance as of March 31, 2023</u>	<u>-</u>	<u>206,040</u>	<u>2,340</u>	<u>(47,313)</u>	<u>161,067</u>

	Share capital	Share premium and capital reserves	Share-based payments reserve	Accumulated deficit	Total capital
	Unaudited				
	USD thousands				
<u>Balance as of January 1, 2022</u>	-	144,485	924	(49,267)	96,142
Comprehensive income	-	-	-	1,872	1,872
Issuance of shares, net	-	61,263	-	-	61,263
Conversion of options	-	141	(141)	-	-
Share-based payment	-	-	283	-	283
<u>Balance as of March 31, 2022</u>	<u>-</u>	<u>205,889</u>	<u>1,066</u>	<u>(47,395)</u>	<u>159,560</u>

	Share capital	Share premium and capital reserves	Share-based payments reserve	Accumulated deficit	Total capital
	Audited				
	USD thousands				
<u>Balance as of January 1, 2022</u>	-	144,485	924	(49,267)	96,142
Comprehensive income	-	-	-	2,819	2,819
Issuance of shares, net	-	61,263	-	-	61,263
Conversion of options	-	157	(157)	-	-
Share-based payment	-	-	1,499	-	1,499
Other comprehensive loss for the year	-	-	-	72	72
<u>Balance as of December 31, 2022</u>	<u>-</u>	<u>205,905</u>	<u>2,266</u>	<u>(46,376)</u>	<u>161,795</u>

The accompanying notes are an integral part of the interim consolidated financial statements.

IMAGESAT INTERNATIONAL (I.S.I.) LTD.
CONSOLIDATED STATEMENTS OF CASH FLOW

	Three months ended		Year ended
	March 31		December 31
	2023	2022	2022
	Unaudited		Audited
	USD thousands		
<u>Cash flows from operating activities:</u>			
Net income	(937)	1,872	2,819
Adjustments to reconcile net income to net cash provided by operating activities:			
Adjustments to profit or loss:			
Depreciation of property and equipment	796	720	3,080
Depreciation of an intangible asset	26	70	149
Amortization of right-of-use asset	191	130	519
Share-based payment	209	283	1,499
Finance expenses (income), net	(26)	407	(158)
Taxes on income	39	413	881
Change in employee benefit liabilities, net	(3)	(3)	(7)
	<u>1,232</u>	<u>2,020</u>	<u>5,963</u>
Changes in assets and liabilities:			
Decrease (increase) in trade receivables	452	(3,848)	2,928
Decrease (increase) in other receivables	846	(414)	(5,880)
Increase in inventories	-	-	(226)
Increase in trade payables	1,705	5,036	193
Increase in advances and deferred revenues	(1,799)	(1,845)	(2,324)
Increase (decrease) in other account payables	(3,219)	701	1,564
	<u>(2,015)</u>	<u>(370)</u>	<u>(3,745)</u>
Cash paid or received in the period for:			
Interest received	332	24	908
Taxes paid, net	(635)	-	(1,892)
	<u>(303)</u>	<u>24</u>	<u>(984)</u>
Net cash provided by (used for) operating activities	<u>(2,023)</u>	<u>3,546</u>	<u>4,053</u>

The accompanying notes are an integral part of the interim consolidated financial statements.

IMAGESAT INTERNATIONAL (I.S.I.) LTD.

CONSOLIDATED STATEMENTS OF CASH FLOW

	Three months ended		Year ended
	March 31		December 31
	2023	2022	2022
	Unaudited		Audited
	USD thousands		
<u>Cash flow from investing activities:</u>			
Purchase of property and equipment	(1,013)	(163)	(3,502)
Investment in intangible assets	(1,078)	-	(39,888)
Advances on account of property and equipment	(2,298)	(1,410)	(4,794)
Net change in bank deposits	-	9,750	2,500
Deposit of restricted cash	-	506	599
	<u>(4,389)</u>	<u>8,683</u>	<u>(45,085)</u>
<u>Cash flow from financing activities:</u>			
IPO proceeds, net	-	(3,378)	61,170
Repayment of lease liabilities	(266)	(320)	(1,367)
Grants received	-	-	-
	<u>(266)</u>	<u>(3,698)</u>	<u>59,803</u>
<u>Increase (decrease) in cash and cash equivalents</u>	(6,678)	8,531	18,771
<u>Cash and cash equivalents at the beginning of the period:</u>	<u>27,173</u>	<u>8,402</u>	<u>8,402</u>
<u>Cash and cash equivalents at the end of the period</u>	<u>20,495</u>	<u>16,933</u>	<u>27,173</u>
<u>Material non-cash transactions</u>			
Purchase of property and equipment vs. trade payables	-	-	56,086
Conversion of options	135	141	157
Recognition of a right-of-use asset vs. lease liability	1,286	-	2,243

The accompanying notes are an integral part of the interim consolidated financial statements.

IMAGESAT INTERNATIONAL (I.S.I.) LTD.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1:- GENERAL

A. General description of the Company and its activity

ImageSat International (I.S.I.) Ltd. and its subsidiaries (“ImageSat” or the “Company”) provide advanced satellite-based intelligence solutions that combine remote sensing capabilities and control by an advanced ground system based on artificial intelligence capabilities. The Company was incorporated in Israel on January 26, 1999 as a limited private company. On September 7, 2000, the Company changed its name to ImageSat Israel Ltd. (previously West Indian Space Israel Ltd.) and on September 2, 2021 the Company changed its name to ImageSat International (I.S.I.) Ltd. In February 2022, the Company made an initial public offering of its shares. For further details, see note 1(d) on the 2022 annual financial statements.

B. These financial statements have been prepared in condensed format as at March 31, 2023 ended (the “Interim Consolidated Financial Statements”). The financial statements should be read in the context of the Company’s annual financial statements as at December 31, 2022 for the year then ended, and their accompanying notes (the “Consolidated Annual Financial Statements”).

C. The Company chose to apply the expedient for publication of interim separate financial information allowed by the Amendment to the Regulations for Periodic and Immediate Reporting, 2022.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

A. Basis of presentation of the financial statements:

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”). Furthermore, the financial statements have been prepared in conformity with the provisions of the Israeli Securities Regulations (Annual Financial Statements), 2010.

B. Format of preparation of the Interim Consolidated Financial Statements

The Interim Consolidated Financial Statements have been prepared in accordance with International Accounting Standard IAS 34, Interim Financial Reporting. The accounting policy applied in the preparation of these Interim Consolidated Financial Statements is consistent with the policy applied in the preparation of the annual consolidated financial statements.

C. Functional currency and presentation currency

The presentation currency of the financial statements is the US Dollar.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3:- DISCLOSURE OF NEW IFRS APPLICATION

Amendment to IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors

In February 2021, the IASB issued an amendment to IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors (in this section below: “the Amendment”), in which it introduces a new definition of “accounting estimates”.

Accounting estimates are defined as “monetary amounts in financial statements that are subject to measurement uncertainty”. The Amendment clarifies what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors.

The Amendment is applicable on a prospective basis for annual periods beginning on January 1, 2023 and it applies to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period, with earlier application permitted.

The Company estimates that the initial application of the Amendment is not expected to have a material impact on its financial statements.

Amendment to IAS 12, Income Taxes:

In May 2021, the IASB issued an amendment to IAS 12, “Income Taxes” (“IAS 12” or “the Standard”), which narrows the scope of the initial recognition exception for deferred taxes under sections 15 and 24 in IAS 12 (“the Amendment”).

As part of the guidelines for the recognition of deferred tax assets and liabilities, IAS 12 excludes recognition of deferred tax assets and liabilities for certain temporary differences arising from initial recognition of assets and liabilities in certain transactions. This exception is referred to as “the initial recognition exception”. The Amendment narrows the scope of the initial recognition exception and clarifies that it does not apply to the recognition of deferred tax assets and liabilities arising from a transaction that is not a business combination and for which temporary differences that give rise to equal taxable and deductible temporary differences, even if they meet the other criteria of the initial recognition exception.

The Amendment applies for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. In relation to leases and decommissioning obligations, the Amendment is to be applied commencing from the earliest reporting period presented in the financial statements in which the Amendment is initially applied. The cumulative effect of the initial application of the Amendment should be recognized as an adjustment to the opening balance of retained earnings (or another component of equity, as appropriate) at that date.

The Company estimates that the initial application of the Amendment is not expected to have a material impact on its financial statements.

NOTE 4:- REVENUES

Breakdown of revenues based on the geographic location of the customers:

	Three months ended		Year ended
	March 31		December 31
	2023	2022	2022
	USD thousands		
Asia	3,706	8,927	23,833
America	1,554	1,305	7,565
Africa	-	718	1,014
Europe	3	151	463
Israel	9	43	817
	<u>5,272</u>	<u>11,144</u>	<u>33,692</u>

