

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

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**AS AT JUNE 30, 2022**

**UNAUDITED**

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## **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 June 30, 2022 and the condensed consolidated statements of income, other comprehensive income, changes in equity, and cash flow for the six- and 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 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  
August 14, 2022

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

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<b>June 30</b>		<b>December 31</b>
	<u>2022</u>	<u>2021</u>	<u>2021</u>
	<b>Unaudited</b>		<b>Audited</b>
	<b>USD thousands</b>		
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	13,065	5,250	8,402
Restricted cash	186	3,201	691
Short-term deposits	92,500	20,000	44,750
Trade receivables	13,062	6,108	6,985
Other account receivables	4,079	1,606	3,016
Inventories	1,184	881	1,184
	<u>124,076</u>	<u>37,046</u>	<u>65,028</u>
<b>NON-CURRENT ASSETS</b>			
Property and equipment	7,014	8,597	7,918
Advances on account of property and equipment	95,053	89,159	90,900
Right-of-use assets	7,859	778	6,014
Intangible assets	744	1,160	839
Deferred taxes	657	246	524
Long term receivables	744	744	744
	<u>112,071</u>	<u>100,684</u>	<u>106,939</u>
	<u><u>236,147</u></u>	<u><u>137,730</u></u>	<u><u>171,967</u></u>

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

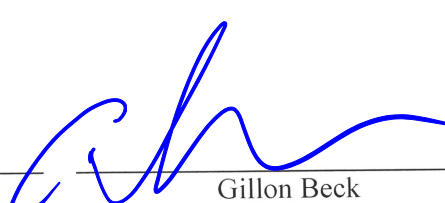
## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30		December 31, 2021
	2022	2021	
	Unaudited	Audited	
	USD thousands		
<b>CURRENT LIABILITIES:</b>			
Current maturities of lease liabilities	1,072	599	1,255
Trade payables	1,010	528	612
Advances and deferred revenues	3,182	2,388	4,197
Income tax payable	482	795	2,024
Other account payables	4,762	4,063	4,426
	<u>10,508</u>	<u>8,373</u>	<u>12,514</u>
<b>NON-CURRENT LIABILITIES:</b>			
Lease liabilities	6,054	291	5,181
Other liabilities	166	326	165
Advances and deferred revenues	19,889	-	19,704
Employee benefit liabilities	145	120	169
Loan from a related party	38,955	37,267	38,092
	<u>65,209</u>	<u>38,004</u>	<u>63,311</u>
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:</b>			
Share capital	-	-	-
Share premium and capital reserves	205,903	144,485	144,485
Share-based payments reserve	1,487	708	924
Retained loss	(46,960)	(53,840)	(49,267)
	<u>160,430</u>	<u>91,353</u>	<u>96,142</u>
	<u>236,147</u>	<u>137,730</u>	<u>171,967</u>

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

August 14, 2022

Date of approval of the  
financial statements

  
Gillon Beck  
Chairman of the Board of  
Directors

  
Noam Segal  
CEO

  
Kfir Aviv  
CFO

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

**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2022	2021	2022	2021	2021
	Unaudited				Audited
	USD thousands (other than earnings per share)				
Revenues	17,546	15,760	6,402	9,172	36,268
Operating costs	7,221	4,349	2,444	2,420	10,881
Depreciation	1,541	1,405	751	745	3,223
Gross profit	8,784	10,006	3,207	6,007	22,164
Selling and marketing	1,833	1,308	879	668	2,568
General and administrative	2,549	2,011	1,086	1,240	3,771
Research and development	1,351	2,501	664	1,339	4,890
Operating income	3,051	4,186	578	2,760	10,935
Finance expenses (income), net	161	753	(27)	432	1,898
Income before taxes on income	2,890	3,433	605	2,328	9,037
Taxes on income	583	656	170	381	1,604
Net income	2,307	2,777	435	1,947	7,433
<u>Other comprehensive loss (net of taxes):</u>					
Loss from remeasurement of defined benefit plans	-	-	-	-	(83)
Total other comprehensive loss	-	-	-	-	(83)
Total comprehensive income	2,307	2,777	435	1,947	7,350
<u>Earnings per share</u>					
Earnings per share attributable to equity holders of the Company (USD)	0.04	0.06*	0.01	0.04*	0.15*
Earnings per share (fully diluted) (USD)	0.04	0.06*	0.01	0.04*	0.15*

\* Retroactively adjusted due to share split.

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

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	Share capital	Share premium and capital reserves	Share-based payments reserve	Accumulated deficit	Total capital
Unaudited					
USD thousands					
<b><u>Balance as of January 1, 2022</u></b>	-	144,485	924	(49,267)	96,142
Comprehensive income	-	-	-	2,307	2,307
Issuance of shares, net	-	61,263	-	-	61,263
Conversion of options	-	155	(155)	-	-
Share-based payment	-	-	718	-	718
<b>Balance as of June 30, 2022</b>	-	205,903	1,487	(46,960)	160,430

	Share capital	Share premium and capital reserves	Share-based payments reserve	Accumulated deficit	Total capital
Unaudited					
USD thousands					
<b><u>Balance as of January 1, 2021</u></b>	-	144,485	496	(56,617)	88,364
Comprehensive income	-	-	-	2,777	2,777
Share-based payment	-	-	212	-	212
<b>Balance as of June 30, 2021</b>	-	144,485	708	(53,840)	91,353

	Share capital	Share premium and capital reserves	Share-based payments reserve	Accumulated deficit	Total capital
Unaudited					
USD thousands					
<b><u>Balance as of March 31, 2022</u></b>	-	205,889	1,066	(47,395)	159,560
Comprehensive income	-	-	-	435	435
Conversion of options	-	14	(14)	-	-
Share-based payment	-	-	435	-	435
<b>Balance as of June 30, 2022</b>	-	205,903	1,487	(46,960)	160,430

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

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	Share capital	Share premium and capital reserves	Share-based payments reserve	Accumulated deficit	Total capital
	Unaudited				
	USD thousands				
<b>Balance as of March 31, 2021</b>	-	144,485	602	(55,787)	89,300
Comprehensive income	-	-	-	1,947	1,947
Share-based payment	-	-	106	-	106
<b>Balance as of June 30, 2021</b>	-	144,485	708	(53,840)	91,353

	Share capital	Share premium and capital reserves	Share-based payments reserve	Accumulated deficit	Total capital
	Audited				
	USD thousands				
<b>Balance as of January 1, 2021</b>	-	144,485	496	(56,617)	88,364
Comprehensive income	-	-	-	7,350	7,350
Share-based payment	-	-	428	-	428
<b>Balance as of December 31, 2021</b>	-	144,485	924	(49,267)	96,142

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

**CONSOLIDATED STATEMENTS OF CASH FLOW**

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2022	2021	2022	2021	2021
	Unaudited				Audited
	USD thousands				
<u>Cash flows from operating activities:</u>					
Net income	2,307	2,777	435	1,947	7,433
Adjustments to reconcile net income to net cash provided by operating activities:					
Adjustments to profit or loss:					
Depreciation of property and equipment	1,444	1,094	724	586	2,592
Depreciation of an intangible asset	96	311	26	160	631
Amortization of right-of-use asset	260	260	130	130	644
Share-based payment	718	212	435	106	428
Finance expenses (income), net	(313)	696	(464)	401	1,379
Taxes on income	583	656	170	434	1,604
Change in employee benefit liabilities, net	(24)	30	(21)	4	(4)
	<u>2,764</u>	<u>3,259</u>	<u>1,000</u>	<u>1,821</u>	<u>7,274</u>
Changes in assets and liabilities:					
Increase in trade receivables	(6,077)	(412)	(2,229)	(1,310)	(1,289)
Increase in other receivables	(1,063)	(10)	(956)	(171)	(1,419)
Increase in inventories	-	-	-	-	(303)
Increase (decrease) in trade payables	437	111	(4,599)	(142)	146
Increase (decrease) in advances and deferred revenues	(830)	(506)	1,015	(1,304)	21,007
Increase (decrease) in other account payables	120	640	(530)	93	923
	<u>(7,413)</u>	<u>(177)</u>	<u>(7,299)</u>	<u>(2,834)</u>	<u>19,065</u>
Cash paid or received in the period for:					
Interest received	131	128	107	12	271
Taxes paid	(1,856)	(844)	(1,856)	(3)	(846)
	<u>(1,725)</u>	<u>(716)</u>	<u>(1,749)</u>	<u>9</u>	<u>(575)</u>
Net cash provided by (used for) operating activities	<u>(4,067)</u>	<u>5,143</u>	<u>(7,613)</u>	<u>943</u>	<u>33,197</u>

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



**CONSOLIDATED STATEMENTS OF CASH FLOW**

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2022	2021	2022	2021	2021
	Unaudited				Audited
	USD thousands				
<u>Cash flow from investing activities:</u>					
Purchase of property and equipment	(395)	(1,177)	(232)	(1,120)	(1,760)
Investment in intangible assets	-	(101)	-	-	(102)
Advances on account of property and equipment	(4,137)	(20,114)	(2,727)	(8,722)	(21,854)
Net change in bank deposits	(47,750)	11,000	(57,500)	500	(13,750)
Deposit of restricted cash	506	-	-	-	2,509
Net cash used in investing activities	(51,776)	(10,392)	(60,459)	(9,342)	(34,957)
<u>Cash flow from financing activities:</u>					
IPO proceeds, net	61,170	-	64,548	-	-
Repayment of lease liabilities	(664)	(305)	(344)	-	(657)
Grants received	-	70	-	-	85
Net cash provided by (used in) financing activities	60,506	(235)	64,204	-	(572)
<u>Increase (decrease) in cash and cash equivalents</u>	4,663	(5,484)	(3,868)	(8,399)	(2,332)
<u>Cash and cash equivalents at the beginning of the period:</u>	8,402	10,734	16,933	13,649	10,734
<u>Cash and cash equivalents at the end of the period</u>	13,065	5,250	13,065	5,250	8,402
<u>Material non-cash transactions</u>					
Purchase of property and equipment vs. trade payables	332	103	332	84	339
Recognition of a right-of-use asset vs. lease liability	2,105	-	2,105	-	5,620
Classification of advances on account of property and equipment to property and equipment	-	557	-	-	557

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

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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**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 3(A).

B. These financial statements have been prepared in condensed format as at June 30, 2022 and for the six and three months then 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, 2021 for the year then ended, and their accompanying notes (“the Consolidated Annual Financial Statements”).

C. For information about the COVID-19 pandemic in 2021, see the Consolidated Annual Financial Statements for 2021. In the reporting period and up to the reporting date, COVID-19 did not have a material effect on the Company’s operations.

D. 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. 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, and in accordance with the disclosure requirements of Chapter D of the Israel Securities Regulations (Periodic and Immediate Reports), 1970. 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.

**B. 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:- SIGNIFICANT EVENTS DURING AND AFTER THE REPORTING PERIOD**

- A. On February 11, 2022, the Company became a public company and its shares were listed on the Tel Aviv Stock Exchange.
- Pursuant to the Prospectus, 11,228,070 ordinary shares with no par value of the Company (“the Ordinary Shares”) were offered by the Company by way of an initial public offering and 5,614,035 Ordinary Shares of the Company were offered by the Offerors (as defined in the Prospectus) by way of an offer for sale, amounting to 16,842,105 Ordinary Shares of the Company in total, at a price of NIS 19 per share by way of a non-uniform offer, as that term is defined under the Israeli Securities Regulations (Manner of Offering Securities to the Public).
- The gross proceeds for the sale of the shares offered pursuant to the Prospectus are divided between the Company and the Offerors (as set out in the Prospectus) in the amount of NIS 213 million and NIS 107 million, respectively, amounting to NIS 320 million in total. The total costs of the offering borne by the Company amount to USD 5 million.
- At the beginning of April, the Company received the balance of the proceeds from the Offering, which had been held by a trustee until that date.
- B. In January 2022, the board of directors of the Company approved an allotment of 1,500,000 (non- negotiable) options convertible into up to 1,500,000 Ordinary Shares of the Company to 36 employees of the Company as follows: (a) 350,000 options to the CEO; (b) 495,000 options to 7 officers who report to the CEO; and (c) 655,000 options to 28 employees who are not officers. The options were granted subject to the completion of the Offering (which was completed as described above), and subject to a 1:10 split of the shares of the Company (such that each share will be split into 10 shares). As of the date of the actual allotment, the fair value of the options that were granted was USD 3.8 million.

**NOTE 4:- REVENUES**

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

	<b>Six months ended</b>		<b>Three months ended</b>		<b>Year ended</b>
	<b>June 30</b>		<b>June 30</b>		<b>December 31</b>
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2021</b>
	<b>USD thousands</b>				
Asia	12,978	13,443	4,050	7,692	28,931
America	2,611	640	1,306	224	3,033
Africa	1,014	1,037	296	770	2,463
Europe	476	288	325	269	510
Israel	467	352	425	217	1,331
	<b>17,546</b>	<b>15,760</b>	<b>6,402</b>	<b>9,172</b>	<b>36,268</b>

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