

IMAGESAT INTERNATIONAL (I.S.I.) LTD

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS AT SEPTEMBER 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 September 30, 2022 and the condensed consolidated statements of income, other comprehensive income, changes in equity, and cash flow for the nine- 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 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
November 14, 2022

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

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

	September 30		December 31
	2022	2021	2021
	Unaudited		Audited
	USD thousands		
CURRENT ASSETS:			
Cash and cash equivalents	22,162	7,136	8,402
Restricted cash	186	3,202	691
Short-term deposits	91,250	45,000	44,750
Trade receivables	7,775	3,582	6,985
Other account receivables	4,642	3,307	3,016
Inventories	1,410	883	1,184
	<u>127,425</u>	<u>63,110</u>	<u>65,028</u>
NON-CURRENT ASSETS:			
Property and equipment	6,706	8,092	7,918
Advances on account of property and equipment	96,572	90,001	90,900
Right-of-use assets	7,811	649	6,014
Intangible assets	717	1,001	839
Deferred taxes	586	310	524
Long term receivables	744	744	744
	<u>113,136</u>	<u>100,797</u>	<u>106,939</u>
	<u>240,561</u>	<u>163,907</u>	<u>171,967</u>

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

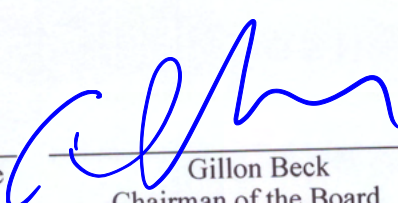
IMAGESAT INTERNATIONAL (I.S.I.) LTD.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION


	September 30		December 31, 2021
	2022	2021	
	Unaudited		Audited
	USD thousands		
CURRENT LIABILITIES:			
Current maturities of lease liabilities	796	600	1,255
Trade payables	527	227	612
Advances and deferred revenues	6,523	8,121	4,197
Income tax payable	699	1,053	2,024
Other account payables	4,480	3,788	4,426
	<u>13,025</u>	<u>13,789</u>	<u>12,514</u>
NON-CURRENT LIABILITIES:			
Lease liabilities	5,895	-	5,181
Other liabilities	166	325	165
Advances and deferred revenues	19,889	19,704	19,704
Employee benefit liabilities	178	117	169
Loan from a related party	39,386	37,679	38,092
	<u>65,514</u>	<u>57,825</u>	<u>63,311</u>
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:			
Share capital	-	-	-
Share premium and capital reserves	205,904	144,485	144,485
Share-based payments reserve	1,876	815	924
Retained loss	(45,758)	(53,007)	(49,267)
	<u>162,022</u>	<u>92,293</u>	<u>96,142</u>
	<u>240,561</u>	<u>163,907</u>	<u>171,967</u>

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

November 14, 2022
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

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2022	2021	2022	2021	2021
	Unaudited				Audited
	USD thousands (other than earnings per share)				
Revenues	24,773	23,219	7,227	7,459	36,268
Operating costs	9,663	6,749	2,442	2,400	10,881
Depreciation	2,317	2,327	776	922	3,223
Gross profit	12,793	14,143	4,009	4,137	22,164
Selling and marketing	2,854	1,866	1,021	558	2,568
General and administrative	3,583	2,719	1,034	708	3,771
Research and development	1,967	3,864	616	1,363	4,890
Operating income	4,389	5,694	1,338	1,508	10,935
Finance expenses (income), net	(9)	1,235	(170)	482	1,898
Income before taxes on income	4,398	4,459	1,508	1,026	9,037
Taxes on income	889	849	306	193	1,604
Net income	3,509	3,610	1,202	833	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	3,509	3,610	1,202	833	7,350
<u>Earnings per share</u>					
Earnings per share attributable to equity holders of the Company (USD)	0.06	0.07*	0.02	0.02*	0.15*
Earnings per share (fully diluted) (USD)	0.06	0.07*	0.02	0.02*	0.15*

* Retroactively adjusted due to share split

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, 2022</u>	-	144,485	924	(49,267)	96,142
Comprehensive income	-	-	-	3,509	3,509
Issuance of shares, net	-	61,263	-	-	61,263
Conversion of options	-	156	(156)	-	-
Share-based payment	-	-	1,108	-	1,108
<u>Balance as of September 30, 2022</u>	<u>-</u>	<u>205,904</u>	<u>1,876</u>	<u>(45,758)</u>	<u>162,022</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, 2021</u>	-	144,485	496	(56,617)	88,364
Comprehensive income	-	-	-	3,610	3,610
Share-based payment	-	-	319	-	319
<u>Balance as of September 30, 2021</u>	<u>-</u>	<u>144,485</u>	<u>815</u>	<u>(53,007)</u>	<u>92,293</u>

	Share capital	Share premium and capital reserves	Share-based payments reserve	Accumulated deficit	Total capital
Unaudited					
USD thousands					
<u>Balance as of June 30, 2022</u>	-	205,903	1,487	(46,960)	160,430
Comprehensive income	-	-	-	1,202	1,202
Conversion of options	-	1	(1)	-	-
Share-based payment	-	-	390	-	390
<u>Balance as of September 30, 2022</u>	<u>-</u>	<u>205,904</u>	<u>1,876</u>	<u>(45,758)</u>	<u>162,022</u>

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 June 30, 2021</u>	-	144,485	708	(53,840)	91,353
Comprehensive income	-	-	-	833	833
share-based payment	-	-	107	-	107
<u>Balance as of September 30, 2021</u>	<u>-</u>	<u>144,485</u>	<u>815</u>	<u>(53,007)</u>	<u>92,293</u>
	Audited				
	USD thousands				
<u>Balance as of January 1, 2021</u>	-	144,485	496	(56,617)	88,364
Comprehensive income	-	-	-	7,350	7,350
Share-based payment	-	-	428	-	428
<u>Balance as of December 31, 2021</u>	<u>-</u>	<u>144,485</u>	<u>924</u>	<u>(49,267)</u>	<u>96,142</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

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2022	2021	2022	2021	2021
	Unaudited				Audited
	USD thousands				
<u>Cash flows from operating activities:</u>					
Net income	3,509	3,610	1,202	833	7,433
Adjustments to reconcile net income to net cash provided by operating activities:					
Adjustments to profit or loss:					
Depreciation of property and equipment	2,194	1,856	750	762	2,592
Depreciation of an intangible asset	122	471	26	160	631
Amortization of right-of-use asset	390	389	130	129	644
Share-based payment	1,108	319	390	107	428
Finance expenses (income), net	(8)	969	305	273	1,379
Taxes on income	889	849	306	193	1,604
Change in employee benefit liabilities, net	9	27	33	(3)	(4)
	<u>4,704</u>	<u>4,880</u>	<u>1,940</u>	<u>1,621</u>	<u>7,274</u>
Changes in assets and liabilities:					
Increase (decrease) in trade receivables	(790)	2,114	5,287	2,526	(1,289)
Increase in other receivables	(1,626)	(1,710)	(563)	(1,702)	(1,419)
Increase in inventories	(226)	(2)	(226)	(2)	(303)
Increase (decrease) in trade payables	102	(87)	(335)	(301)	146
Increase in advances and deferred revenues	2,511	24,931	3,341	25,437	21,007
Increase (decrease) in other account payables	(161)	379	(281)	(260)	923
	<u>(190)</u>	<u>25,625</u>	<u>7,223</u>	<u>25,698</u>	<u>19,065</u>
Cash paid or received in the period for:					
Interest received	237	266	106	138	271
Taxes paid	(1,874)	(846)	(18)	(2)	(846)
	<u>(1,637)</u>	<u>(580)</u>	<u>88</u>	<u>136</u>	<u>(575)</u>
Net cash provided by (used for) operating activities	<u>6,386</u>	<u>33,535</u>	<u>10,453</u>	<u>28,288</u>	<u>33,197</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

	Nine months ended September 30		Three months ended September 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	(968)	(1,537)	(573)	(257)	(1,760)
Investment in intangible assets	-	(103)	-	-	(102)
Advances on account of property and equipment	(5,672)	(20,956)	(1,535)	(842)	(21,854)
Net change in bank deposits	(46,500)	(14,000)	1,250	(25,000)	(13,750)
Deposit of restricted cash	506	-	-	-	2,509
Net cash used in investing activities	<u>(52,634)</u>	<u>(36,596)</u>	<u>(858)</u>	<u>(26,099)</u>	<u>(34,957)</u>
<u>Cash flow from financing activities:</u>					
IPO proceeds, net	61,170	-	-	-	-
Repayment of lease liabilities	(1,162)	(607)	(498)	(303)	(657)
Grants received	-	70	-	-	85
Net cash provided by (used in) financing activities	<u>60,008</u>	<u>(537)</u>	<u>(498)</u>	<u>(303)</u>	<u>(572)</u>
<u>Increase (decrease) in cash and cash equivalents</u>	13,760	(3,598)	9,097	1,886	(2,332)
<u>Cash and cash equivalents at the beginning of the period:</u>	<u>8,402</u>	<u>10,734</u>	<u>13,065</u>	<u>5,250</u>	<u>10,734</u>
<u>Cash and cash equivalents at the end of the period</u>	<u>22,162</u>	<u>7,136</u>	<u>22,162</u>	<u>7,136</u>	<u>8,402</u>
<u>Material non-cash transactions</u>					
Purchase of property and equipment vs. trade payables	<u>201</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>339</u>
Recognition of a right-of-use asset vs. lease liability	<u>1,925</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,620</u>
Classification of advances on account of property and equipment to property and equipment	<u>-</u>	<u>557</u>	<u>-</u>	<u>-</u>	<u>557</u>

The accompanying notes are an integral part of 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 3(A).

B. These financial statements have been prepared in condensed format as at September 30, 2022 and for the nine 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.

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 Israel 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.
- C. On August 24, 2022, a commercial collaboration agreement was entered between the Company and Customer E of the Company for a term of three years (with a mutual option to terminate at the end of each year) for the supply of satellite services in the country in which Customer E provides services. During the term of the agreement, Customer E will be entitled to exclusively market and sell the satellite services of the Company that are set out in the agreement in the territory. In consideration of the aforementioned collaboration, Customer E has undertaken to purchase satellite services from the Company during the term of the agreement of at least \$3.7 million per year (a total of \$11.1 million for the whole term of the agreement). In return for this payment, Customer E will be entitled to receive a minimum quota of satellite services in the relevant year for its utilization as set out in the agreement. At the end of each year, the unutilized quota will expire.
- D. On September 6, 2022, options were granted to the CFO for the purchase of 30,000 Ordinary Shares. The vesting period of each grant is staggered so that the options will vest in three groups as follows: 33% will vest on September 6, 2024, 33% will vest on September 6, 2025 and 33% will vest on September 6, 2026. The options will expire after six years from the date of the grant. The exercise price of each option was set at NIS 18.16 per share. The fair value set for each option was NIS 6.64 based on the Black and Scholes Model. The grants were made pursuant to the equity track (with a trustee) under Section 102 of the Income Tax Ordinance.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3:- SIGNIFICANT EVENTS DURING AND AFTER THE REPORTING PERIOD (Cont.)

- E. On September 15, 2022, the Company and Customer A signed an extension to an existing agreement between the parties for a term of two years for the continued supply of satellite services. This agreement will enter into effect upon the expiry of the term of the current agreement, namely from December 1, 2022. In consideration of the services, Customer A will pay the Company \$8 million per year (a total of \$16 million for the term of the agreement).

NOTE 4:- REVENUES

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

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2022	2021	2022	2021	2021
	USD thousands				
Asia	18,838	19,618	5,860	6,176	28,931
America	3,993	860	1,382	220	3,033
Africa	1,014	1,573	-	536	2,463
Europe	460	425	(15)	136	510
Israel	468	743	-	391	1,331
	<u>24,773</u>	<u>23,219</u>	<u>7,227</u>	<u>7,459</u>	<u>36,268</u>

NOTE 5:- EVENTS AFTER THE REPORTING PERIOD

- A. In the context of the Company's activities with the Chilean Air Force for the construction of a comprehensive national space program (the "Chile Project"), in October 2022, a \$15.5 million agreement was entered with a material supplier for the supply of the hardware and software infrastructure required for the Chile Project. Payment is planned and expected to be made over a term of two and a half years in accordance with an agreed payment schedule in accordance with the progress of the project.
