

IMAGESAT INTERNATIONAL (I.S.I) LTD

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS AT SEPTEMBER 30, 2023

UNAUDITED

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* This Financial Statements is a translation of the Hebrew Financial Statements reported on November 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 September 30, 2023 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 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 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**

	September 30		December 31
	2023	2022	2022
	Unaudited		Audited
	USD thousands		
CURRENT ASSETS:			
Cash and cash equivalents	13,592	22,162	27,173
Restricted cash	93	186	20,093
Short-term deposits	17,250	91,250	22,250
Trade receivables	10,319	7,775	4,057
Other account receivables	12,597	4,642	8,896
Inventories	1,306	1,410	1,306
	<u>55,157</u>	<u>127,425</u>	<u>83,775</u>
NON-CURRENT ASSETS:			
Property and equipment	184,649	6,706	8,710
Property and equipment under construction	13,276	-	180,143
Advances on account of property and equipment	2,164	96,572	12,017
Right-of-use assets	8,494	7,811	7,738
Intangible assets	611	717	690
Deferred taxes	-	586	560
Long term receivables	-	744	-
	<u>209,194</u>	<u>113,136</u>	<u>209,858</u>
	<u>264,351</u>	<u>240,561</u>	<u>293,633</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

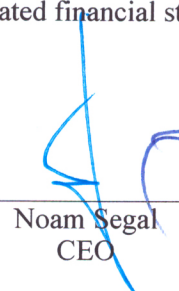
	September 30		December 31, 2022
	2023	2022	
	Unaudited	Unaudited	Audited
	USD thousands		
CURRENT LIABILITIES:			
Current maturities of lease liabilities	903	796	806
Current maturities of loan from a related party	10,400	-	9,955
Trade payables	3,137	527	618
Advances and deferred revenues	78	6,523	7,954
Income tax payable	89	699	664
Other account payables	38,369	4,480	29,275
	52,976	13,025	49,272
NON-CURRENT LIABILITIES:			
Lease liabilities	5,886	5,895	5,824
Other liabilities	166	166	33,166
Advances and deferred revenues	8,608	19,889	13,623
Employee benefit liabilities	72	178	90
Deferred taxes	205	-	-
Loan from a related party	30,770	39,386	29,863
	45,707	65,514	82,566
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:			
Share capital	-	-	-
Share premium and capital reserves	206,040	205,904	205,905
Share-based payments reserve	2,808	1,876	2,266
Accumulated deficit	(43,180)	(45,758)	(46,376)
	165,668	162,022	161,795
	264,351	240,561	293,633

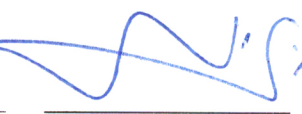
The accompanying notes are an integral part of the interim consolidated financial statements.

November 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 PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Nine months ended Sep 30		Three months ended Sep 30		Year ended December 31
	2023	2022	2023	2022	2022
	Unaudited				Audited
	USD thousands (other than earnings per share)				
Revenues	27,980	24,773	12,392	7,227	33,692
Operating costs	7,388	9,663	4,230	2,442	15,190
Depreciation	6,417	2,317	4,613	776	3,229
Gross profit	14,175	12,793	3,549	4,009	15,273
Selling and marketing	3,119	2,854	906	1,021	3,869
General and administrative	3,862	3,583	1,040	1,034	4,777
Research and development	2,771	1,967	1,179	616	2,571
Operating income	4,423	4,389	424	1,338	4,056
Finance expenses (income), net	378	(9)	214	(170)	356
Income before taxes on income	4,045	4,398	210	1,508	3,700
Taxes on income	849	889	163	306	881
Net income	3,196	3,509	47	1,202	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	3,196	3,509	47	1,202	2,891
<u>Earnings per share</u>					
Earnings per share attributable to equity holders of the Company (USD)	0.05	0.06	0.00	0.02	0.05
Earnings per share (fully diluted) (USD)	0.05	0.06	0.00	0.02	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	-	-	-	3,196	3,196
Conversion of options	-	135	(135)	-	-
Share-based payment	-	-	677	-	677
<u>Balance as of Sep 30, 2023</u>	-	206,040	2,808	(43,180)	165,668

	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 Sep 30, 2022</u>	-	205,903	1,876	(45,758)	162,022

	Share capital	Share premium and capital reserves	Share-based payments reserve	Accumulated deficit	Total capital
Unaudited					
USD thousands					
<u>Balance as of June 30, 2023</u>	-	206,040	2,503	(43,227)	165,316
Comprehensive income	-	-	-	47	47
Share-based payment	-	-	305	-	305
<u>Balance as of Sep 30, 2023</u>	-	206,040	2,808	(43,180)	165,668

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, 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 Sep 30, 2022</u>	-	205,903	1,876	(45,758)	162,022

	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
Net 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>	-	205,905	2,266	(46,376)	161,795

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 Sep 30		Three months ended Sep 30		Year ended December 31
	2023	2022	2023	2022	2022
	Unaudited				Audited
	USD thousands				
<u>Cash flows from operating activities:</u>					
Net income	3,196	3,509	47	1,202	2,819
Adjustments to reconcile net income to net cash provided by operating activities:					
Adjustments to profit or loss:					
Depreciation of property and equipment	6,338	2,194	4,587	750	3,080
Depreciation of an intangible asset	79	122	26	26	149
Amortization of right-of-use asset	766	390	289	130	519
Share-based payment	677	1,108	305	390	1,499
Finance income, net	(801)	(8)	98	305	(158)
Taxes on income	849	889	163	306	881
Change in employee benefit liabilities, net	(18)	9	(2)	33	(7)
	<u>7,890</u>	<u>4,704</u>	<u>5,466</u>	<u>1,940</u>	<u>5,963</u>
Changes in assets and liabilities:					
Decrease (increase) in trade receivables	(6,262)	(790)	(4,476)	5,287	2,928
Decrease (increase) in other receivables	(1,369)	(1,626)	940	(563)	(5,880)
Increase in inventories	-	(226)	-	(226)	(226)
Increase (decrease) in trade payables	187	102	(458)	(335)	193
Increase (decrease) in advances and deferred revenues	(12,891)	2,511	(7,362)	3,341	(2,324)
Increase (decrease) in other account payables*	880	(161)	1,354	(281)	1,564
	<u>(19,455)</u>	<u>(190)</u>	<u>(10,002)</u>	<u>7,223</u>	<u>(3,745)</u>
Cash paid or received in the period for:					
Interest received	1,667	237	189	106	908
Taxes paid	(658)	(1,874)	(10)	(18)	(1,892)
	<u>1,009</u>	<u>(1,637)</u>	<u>179</u>	<u>88</u>	<u>(984)</u>
Net cash provided by (used for) operating activities	<u>(7,360)</u>	<u>6,386</u>	<u>(4,310)</u>	<u>10,453</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

	Nine months ended Sep 30		Three months ended Sep 30		Year ended December 31
	2023	2022	2023	2022	2022
	Unaudited				Audited
	USD thousands				
<u>Cash flow from investing activities:</u>					
Purchase of property and equipment*	(26,925)	(968)	(789)	(573)	(3,502)
Investment in property and equipment under construction	(3,064)	-	(225)	-	(39,888)
Advances on account of property and equipment	(354)	(5,672)	(94)	(1,535)	(4,794)
Net change in bank deposits	5,000	(46,500)	10,000	1,250	2,500
Deposit of restricted cash	20,000	506	-	-	599
Net cash used in investing activities	(5,343)	(52,634)	8,892	(858)	(45,085)
<u>Cash flow from financing activities:</u>					
IPO proceeds, net	-	61,170	-	-	61,170
Repayment of lease liabilities	(878)	(1,162)	(339)	(498)	(1,367)
Net cash provided by (used in) financing activities	(878)	60,008	(339)	(498)	59,803
<u>Increase (decrease) in cash and cash equivalents</u>	(13,581)	13,760	4,243	9,097	18,771
<u>Cash and cash equivalents at the beginning of the period:</u>	27,173	8,402	9,349	13,065	8,402
<u>Cash and cash equivalents at the end of the period</u>	13,592	22,162	13,592	22,162	27,173
<u>Material non-cash transactions</u>					
Purchase of property and equipment vs. trade payables	-	201	-	-	56,086
Conversion of options	135	-	-	-	157
Recognition of a right-of-use asset vs. lease liability	1,286	1,925	-	-	2,243

* Reclassified

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

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 September 30, 2023 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, 2022 for the year then ended, and their accompanying notes (“the Consolidated Annual Financial Statements”).

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

D. Further to note 1(a) to the consolidated annual financial statements, on June 26, 2023, a series of in-orbit acceptance tests (hereafter "IOT") of the EROS C3 satellite (hereafter "the satellite") was completed and the satellite will begin to be integrated into the company's commercial activity. As of the end of the IOT, the satellite was classified from a property and equipment under construction to a property and equipment and began to be depreciated. As described in note 24(4) in the consolidated annual financial statements, the company paid the IOT a payment at the end of the IOT. The next payment will be paid 12 months from this date and therefore was classified as current liabilities in the statement of financial position. In addition to growth expectations in the business activity according to the company's estimates, the company is examining interim financing for making the said payments. Following the examination carried out by the company with several financial institutions, the management of the company believes that it will be able to obtain interim financing, as mentioned if required.

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.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (cont.)

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, 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.

C. Functional currency and presentation currency

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

D. Initial adoption of amendments to existing financial reporting and accounting standards:

Amendment to IAS 8, "Accounting Policies, Changes to Accounting Estimates and Errors":

In February 2021, the IASB issued an amendment to IAS 8, "Accounting Policies, Changes to Accounting Estimates and Errors" ("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 the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors.

The Amendment is to be applied prospectively for annual reporting periods beginning on or after January 1, 2023 and is applicable to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period.

The application of the Amendment did not have a material impact on the Company's interim financial statements.

Amendment to IAS 12, "Income Taxes":

In May 2021, the IASB issued an amendment to IAS 12, "Income Taxes" ("IAS 12"), which narrows the scope of the initial recognition exception under IAS 12.15 and IAS 12.24 ("the Amendment").

According to the recognition guidelines of deferred tax assets and liabilities, IAS 12 excludes recognition of deferred tax assets and liabilities in respect of certain temporary differences arising from the initial recognition of 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 transactions that are not a business combination and that give rise to equal taxable and deductible temporary differences, even if they meet the other criteria of the initial recognition exception.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (cont.)

The Amendment is effective for annual reporting periods beginning on or after January 1, 2023. In relation to leases and decommissioning obligations, the Amendment is 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 is recognized as an adjustment to the opening balance of retained earnings (or another component of equity, as appropriate) at that date.

The application of the Amendment did not have a material impact on the Company's interim financial statements.

Amendment to IAS 1 - Disclosure of Accounting Policies:

In February 2021, the IASB issued an amendment to IAS 1, "Presentation of Financial Statements" ("the Amendment"), which replaces the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. One of the main reasons for the Amendment is the absence of a definition of the term 'significant' in IFRS whereas the term 'material' is defined in several standards and particularly in IAS 1.

The Amendment is effective for annual periods beginning on or after January 1, 2023.

The above Amendment did not have an effect on the Company's interim consolidated financial statements. However, the Company is evaluating whether the Amendment will affect the disclosures of accounting policies in the Company's annual consolidated financial statements.

Amendment to IAS 12, "Income Taxes":

In May 2023, the IASB issued "International Tax Reform—Pillar Two Model Rules – Amendment to IAS 12" ("the Amendment") to clarify the application of IAS 12, "Income Taxes", to income taxes arising from tax law enacted or substantively enacted to implement the Organisation for Economic Co-operation and Development (OECD)/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS) Pillar Two model rules (Pillar Two income taxes).

The Amendment introduces:

- (a) A mandatory temporary exception to the accounting for deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- (b) Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The mandatory temporary exception in (a) above – the use of which is required to be disclosed – applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after January 1, 2023, but not for any interim periods ending on or before December 31, 2023.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (cont.)

The application of the Amendment did not have any impact on the Company's interim consolidated financial statements since the International Tax Reform does not apply to the Group whose annual revenues are less than €750 million.

NOTE 3:- DISCLOSURE OF NEW IFRS APPLICATION

Amendments to IAS 7, "Statement of Cash Flows", and IFRS 7, "Financial Instruments: Disclosures":

In May 2023, IASB issued amendments to IAS 7, "Statement of Cash Flows", and IFRS 7, "Financial Instruments: Disclosures" ("the Amendments") to address the presentation of liabilities and the associated cash flows arising out of supplier finance arrangements, as well as disclosures required for such arrangements.

The disclosure requirements in the Amendments enhance the current requirements and are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The Amendments are effective for annual reporting periods beginning on or after January 1, 2024. Early adoption is permitted but will need to be disclosed.

The Company believes that the Amendments are not expected to have a material impact on its consolidated financial statements.

Amendments to IAS 21, "The Effects of Changes in Foreign Exchange Rates":

In August 2023, the IASB issued "Amendments to IAS 21: Lack of Exchangeability (Amendments to IAS 21, "The Effects of Changes in Foreign Exchange Rates")" ("the Amendments") to clarify how an entity should assess whether a currency is exchangeable and how it should measure and determine a spot exchange rate when exchangeability is lacking.

The Amendments set out the requirements for determining the spot exchange rate when a currency lacks exchangeability and provide the disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable on the entity's financial performance, financial position and cash flows.

The Amendments apply for annual reporting periods beginning on or after January 1, 2025. Earlier application is permitted, in which case, an entity is required to disclose that fact. When applying the Amendments, an entity cannot restate comparative information. Instead, when the entity concludes that the foreign currency is not exchangeable at the beginning of the annual reporting period in which the Amendments are first applied (the initial application date), the entity should translate affected assets, liabilities and equity as required by the Amendments and recognize the differences as of the initial application date as an adjustment to the opening balance of retained earnings and/or to the foreign currency translation reserve, as required by the Amendments .

The Company believes that the Amendments are not expected to have a material impact on its consolidated financial statements.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4:- SIGNIFICANT EVENTS DURING AND AFTER THE REPORTING PERIOD

- A. As of Sep 30, 2023, the company has a debt balance to a related party in the amount of \$2.7 million.
- B. "Haravot barzel" war

As of the date of publication of the report, the State of Israel is at war in Gaza and other arenas, as a result of the terrorist attack made by the Hamas organization against the State of Israel (hereinafter: the war) on October 7, 2023. It should be noted that since the outbreak of the war, the company has maintained its operational routine and business activities and regularly monitors developments. As with the entire economy, the war has created several challenges, among other things, from recruitment of employees in the various departments of the company, which affects, among other things, the progress of development activities and readiness systems; Logistical difficulties in reaching the customers' sites; Negative geopolitical effects in some of the company's target markets and more.

As of the date of this report, the company has no indication that there is a material impact of the war on the company's business, but nevertheless, it is not possible to predict the duration of the war or the extent of the future effects of the war, if any, on the company's activities and business results. The company maintains a routine of activity, under the limitations described above, and continuously monitors the developments, including examining the consequences for the company's activities.

NOTE 5:- REVENUES

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

	Nine months ended		Three months ended		Year ended
	Sep 30		Sep 30		December 31
	2023	2022	2023	2022	2022
	USD thousands				
Asia	16,687	18,838	6,472	5,860	23,833
America	9,638	3,993	5,684	1,382	7,565
Africa	-	1,014	-	-	1,014
Europe	270	460	203	(15)	463
Israel	1,385	468	33	-	817
	<u>27,980</u>	<u>24,773</u>	<u>12,392</u>	<u>7,227</u>	<u>33,692</u>
