IMPORTANT NOTICE

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to this international offering wrapper (the "Wrapper") and the attached translated draft prospectus (the "Draft Prospectus" and, together with the Wrapper, the "Memorandum"), and you are therefore advised to read this disclaimer page carefully before reading, accessing or making any other use of the Memorandum. In accessing the Memorandum, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from ImageSat International (I.S.I.) Ltd. (the "Company" or "ISI") as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OF ANY OTHER JURISDICTION OTHER THAN THE STATE OF ISRAEL, AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES (AS DEFINED IN REGULATION S UNDER THE U.S. SECURITIES ACT ("REGULATION S")), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, APPLICABLE STATE SECURITY LAWS, OR APPLICABLE LAWS OF OTHER JURISDICTIONS.

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QUALIFIED INSTITUTIONAL BUYERS ("QIBs," WITHIN THE MEANING OF RULE 144A UNDER THE U.S. SECURITIES ACT ("RULE 144A")) OR (2) OUTSIDE THE UNITED STATES (IN COMPLIANCE WITH REGULATION S) WHO ARE QUALIFYING INVESTORS (AS DEFINED BELOW).

IN ADDITION, THIS OFFERING IS AVAILABLE ONLY TO INVESTORS OUTSIDE OF ISRAEL WHO ARE EITHER (I) ENTITIES WITH EQUITY EXCEEDING NEW ISRAELI SHEKELS ("ILS") 50,000,000 OR AN EQUIVALENT AMOUNT IN ANOTHER CURRENCY, BASED ON THE LATEST FINANCIAL STATEMENTS; OR (II) ENTITIES THAT TOGETHER WITH ANY ENTITY CONTROLLING, CONTROLLED BY OR UNDER COMMON CONTROL WITH SUCH ENTITY, IN THE AGGREGATE, (A) HAVE ASSETS UNDER MANAGEMENT IN AN AGGREGATE AMOUNT EXCEEDING ILS 100,000,000 OR AN EQUIVALENT AMOUNT IN ANOTHER CURRENCY PROVIDED THAT THE SHARES PURCHASED IN THE OFFERING WOULD BE PURCHASED FOR THE ASSETS UNDER MANAGEMENT; AND/OR (B) OWN AND INVEST ON A DISCRETIONARY BASIS IN SECURITIES OF ISSUERS THAT ARE NOT AFFILIATED WITH SUCH ENTITY, IN AN AGGREGATE AMOUNT EXCEEDING ILS 100,000,000 OR AN EQUIVALENT AMOUNT IN ANOTHER CURRENCY. THE COMPANY, THE SELLING SHAREHOLDERS (AS DEFINED BELOW), THE SOLE GLOBAL COORDINATOR (AS DEFINED BELOW) AND THEIR AFFILIATES, AND OTHERS WILL RELY UPON THE TRUST AND ACCURACY OF THE REPRESENTATIONS, ACKNOWLEDGEMENTS AND AGREEMENTS HEREIN.

THE MEMORANDUM WILL BE ACCESSIBLE IN ELECTRONIC FORMAT AND YOU ACKNOWLEDGE THAT YOU RECEIVED THE MEMORANDUM IN A FORMAT THAT MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE MEMORANDUM IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE U.S. SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of Your Representations: In order to be eligible to view the Memorandum or make an investment decision with respect to the securities described therein, you and any customers you represent must: (A) if in the United States, be a QIB as defined in Rule 144A; or (B) if outside of the United States, be a Qualifying Investor (as defined below) participating in an offshore transaction outside the United States in reliance on Regulation S. The Memorandum is being sent at your request and by accepting the e-mail and accessing the Memorandum, you shall be deemed to have represented to the Company, the Selling Shareholders, the Sole Global Coordinator and their affiliates that (1) you and any customers you represent are (a) QIBs, if in the United States or (b) Qualifying Investors, if outside the United States, and that the electronic mail address that you gave us and to which the Memorandum has been delivered is not located in the United States, and (2) that you consent to delivery of such Memorandum by electronic transmission. For the purposes of this Memorandum, a "Qualifying Investor" is either (i) in a Member State of the European Economic Area, and is a "qualified investor" within the meaning of Article 2(e) of Regulation (EU) 2017/1129 (the "Prospectus Regulation"); (ii) in the United Kingdom and is a "qualified investor" within the meaning of Article 2(e) of Regulation (EU) 2017/1129 as it forms part of domestic law in the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the "UK Prospectus Regulation") and who: (x) has professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Order"); (y) falls within Article 49(2)(a) to (d) (high net worth companies, unincorporated associates, etc.) of the Order; or (z) is a person to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 ("FSMA")) in connection with the issue and sale of any ordinary shares of ISI (the "Shares") may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons"); or (iii) in Canada and is an accredited investor (as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the Securities Act (Ontario)) and/or a permitted client (as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*).

In addition, offers of the Shares (as defined below) are only addressed to, and directed at, persons in member states of the European Economic Area who are "qualified investors" within the meaning of Article 2(e) of the Prospectus Regulation. In addition, in the United Kingdom, this electronic transmission and the Memorandum is being distributed only to, and is directed only at, relevant persons (as defined above). This electronic transmission and the Memorandum must not be acted on or relied on (i) in the United Kingdom by persons who are not relevant persons, and (ii) in any member state of the European Economic Area by persons who are not "qualified investors" within the meaning of Article 2(e) of the Prospectus Regulation. Any investment or investment activity to which this electronic transmission and the Memorandum relate is available only to (i) in the

United Kingdom, relevant persons, and (ii) in any member state of the European Economic Area, "qualified investors" within the meaning of Article 2(e) of the Prospectus Regulation, and will be engaged in only with such persons.

You have accessed the attached Memorandum on the basis that you have confirmed to UBS AG London Branch ("UBS") (the "Sole Global Coordinator"), that: (A) if you are in the United States you and any customers you represent are QIBs or (B) if you are not in the United States, you are a Qualifying Investor and you have not accessed the attached Memorandum in the United States, its territories and possessions, any state of the United States or the District of Columbia; "possessions" include Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands and, with respect to each of the foregoing, you consent to delivery by electronic transmission.

The Memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and, consequently, none of the Sole Global Coordinator, any person who controls the Sole Global Coordinator, FIMI Opportunity 6, Limited Partnership and FIMI Israel Opportunity 6, Limited Partnership (together, the "FIMI Partnership"), Discount Capital Ltd., Noam Segal and Kfir Aviv (the "Selling Shareholders"), the Company or any of its respective subsidiaries or affiliates, nor any director, officer, employer, employee or agent of theirs, or affiliate of any such person, accepts any liability or responsibility whatsoever in respect of any difference between the Memorandum distributed to you in electronic format and the hard copy version available to you on request from the Sole Global Coordinator.
You are reminded that the Memorandum has been delivered to you on the basis that you are a person into whose possession the attached Memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorized to deliver the Memorandum to any other person. You will not transmit the Memorandum (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person except with the consent of the Sole Global Coordinator.

The materials relating to this international offering (as defined in the Memorandum) do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that this international offering be made by a licensed broker or dealer in that jurisdiction and the Sole Global Coordinator or any affiliate of the Sole Global Coordinator is a licensed broker or dealer in that jurisdiction, this international offering shall be deemed to be made by the Sole Global Coordinator or such affiliate on behalf of the Company and the Selling Shareholders, as applicable, in such jurisdiction.

The Shares have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state of the United States or of any other jurisdiction other than the State of Israel. Unless they are registered, the Shares may not be offered or sold within the United States or to, or for the benefit of, U.S. Persons (as defined in Regulation S), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act, applicable state securities laws and applicable laws of other jurisdictions. The Shares are only being offered to, and may only be sold: (1) inside the United States to QIBs; and (2) outside the United States to Qualifying Investors, subject to the qualifications above. For further details about eligible offerees and resale restrictions, please refer to the sections in the Wrapper entitled "*Notice to Investors*" and "*Transfer Restrictions.*"

The Company, the Selling Shareholders and the Sole Global Coordinator have not authorized anyone to provide any information other than that contained in this Memorandum. The Company, the Selling Shareholders and the Sole Global Coordinator have not authorized anyone to provide you with any other information. If you receive any other information, the Company, the Selling shareholders and the Sole Global Coordinator take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you.

The Company, the Selling Shareholders and the Sole Global Coordinator are offering to sell the Shares only in places where offers and sales are permitted.

You should not assume that the information contained in the Memorandum is accurate as of any date other than the date as it appears on the front cover of the Memorandum. Neither the delivery of the Memorandum nor any sale made hereunder shall under any circumstances imply that the information herein is correct as of any date subsequent to the date on the cover of the Memorandum.

STRICTLY CONFIDENTIAL

PRIVATE OFFERING MEMORANDUM

ImageSat International (I.S.I.) Ltd.

(a company with limited liability formed under the laws of the State of Israel)

This international offering wrapper (the "Wrapper") relates to the offering of ordinary shares (the "Shares") of ImageSat International (I.S.I.) Ltd. (the "Company" or "ISI") comprising a primary offering of new Shares to be issued by the Company and a secondary offering of existing Shares offered by FIMI Opportunity 6, Limited Partnership and FIMI Israel Opportunity 6, Limited Partnership (together, the "FIMI Partnership"), Discount Capital Ltd., Noam Segal and Kfir Aviv (the "Selling Shareholders") in this international offering (this "International Offering") in transactions exempt from registration under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"). The terms "we," "us" or "our" refer to the Company.

This International Offering is part of a global offering (the "Global Offering") in which we and the Selling Shareholders are concurrently offering Shares in Israel pursuant to an initial public offering (the "Israeli Initial Public Offering").

The Global Offering consists of Shares being offered in this International Offering (the "International Shares") and Shares being offered in the Israeli Initial Public Offering in a total combined amount of up to 25,263,158 Shares. The Global Offering comprises a primary offering of up to 16,842,105 new Shares to be issued by us to raise gross proceeds of up to approximately ILS 320 million (approximately $100 million) and a secondary offering of up to 8,421,053 existing Shares offered by the Selling Shareholders. The Shares offered in the Global Offering will be allocated between this International Offering and the Israeli Initial Public Offering based on market conditions and the relevant regulatory requirements. UBS AG London Branch ("UBS") is acting as Sole Global Coordinator of the Global Offering offered hereby.

The Israeli Initial Public Offering will be made in Israel pursuant to a prospectus of the Company (the "Israeli Prospectus" or the "Prospectus") with respect to which the Israel Securities Authority is expected to issue a permit. A translation from Hebrew to English of the current public draft of the Israeli Prospectus, which is not yet final, is annexed hereto as Appendix I (the "Draft Prospectus"). The Wrapper and the Draft Prospectus are referred to as the "Memorandum."

Prior to the Global Offering, there has been no trading market for our Shares. We have applied to have our Shares approved for listing and trading on the Tel-Aviv Stock Exchange Ltd. ("TASE"). The Shares will be listed for trading on the TASE under the symbol "ISIX" and the listing will take place approximately three business days following the publication of the Israeli Prospectus and its approval by the Israel Securities Authority (the "ISA"). No certainty can be given that the TASE listing criteria will be met to enable such listing and there can be no assurances that an active trading market for the Shares will develop, or, if developed, that it will be sustained after completion of the Global Offering. For further details about eligible offerees and resale restrictions, please refer to the sections in the Wrapper entitled "*Notice to Investors*" and "*Transfer Restrictions*."

Investing in the Shares involves risks. See the section entitled "*Risk Factors*" beginning on page 9 of the Wrapper and Section 6.37 in Chapter 6 of the Draft Prospectus.

OFFER PRICE RANGE: ILS 19.0 TO ILS 25.0 PER SHARE

The price at which the Shares will be sold (the "Offer Price") is expected to be between ILS 19.0 and ILS 25.0 per Share (the "Offer Price Range") and will be determined through a book-building process. The Offer Price Range in this International

Offering and the Israeli Initial Public Offering are identical. The Offer Price Range may be amended during the book-building process and, as a result, the Offer Price may be outside the Offer Price Range set forth in this Memorandum.

UBS

Sole Global Coordinator

Memorandum, dated January 31, 2022

The Shares have not been and will not be registered under the U.S. Securities Act and may not be offered or sold, directly or indirectly, within the United States except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. The Shares are being sold by us and the Selling Shareholders (a) in the United States, only to "qualified institutional buyers" ("QIBs") as defined in and in reliance on, Rule 144A ("Rule 144A") under the U.S. Securities Act and (b) outside of the United States, to Qualifying Investors (as defined herein) participating in offshore transactions in reliance upon Regulation S ("Regulation S") under the U.S. Securities Act. Offers of the Shares in the United States will be made only by registered broker-dealers in the United States. For further details about eligible offerees and resale restrictions, please refer to the sections in the Wrapper entitled "*Notice to Investors*" and "*Transfer Restrictions*."

Except as provided herein, the Sole Global Coordinator expects to deliver the International Shares against payment on or about the third business day following the publication of the Israeli Prospectus and its approval by ISA in book-entry form through participants of the local exchange (each referred to herein as a "TASE Member") entitled to hold securities accounts with the Tel Aviv Stock Exchange Clearing House Ltd. ("TASECH") (either directly if such TASE Member is a member of the TASECH or indirectly through a TASE Member which is a member of the TASECH) on behalf of owners of book-entry interests in securities listed on the TASE. For more information, please refer to the sections in the Wrapper entitled "*Risk Factors*," "*Book-Entry, Delivery and Form*" and "*Transfer Restrictions*."

Assuming the gross proceeds of the initial public offering will be ILS 480 million ($150 million), up to ILS 152 million of the net proceeds from the Global Offering will go to the Selling Shareholders named in the Prospectus. In addition, we expect to receive up to approximately ILS 299.9 million of the net proceeds from the Global Offering. Please refer to Chapter 5 in the Draft Prospectus entitled "Offering Proceeds."

The closing of the Global Offering is conditioned upon meeting the TASE listing standards, receipt of the ISA's permit for the public offering under the Prospectus, receipt of approval of the TASE for the listing of the Shares prior to the publication of the Israeli Prospectus, and meeting the minimum order threshold to be provided in the Israeli Prospectus, if any.

The information contained in this Memorandum has been provided by the Company and other sources identified herein. The Sole Global Coordinator makes no representation, express or implied with respect to the accuracy or completeness of any of the information in this Memorandum. The Sole Global Coordinator accepts no responsibility whatsoever for the contents of this Memorandum nor for any other statement made or purported to be made by it or on its or their behalf in connection with the Company or the Shares. The Sole Global Coordinator disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect to this Memorandum or any such statement. This Memorandum should not be considered as a recommendation by any of the Company, the Selling Shareholders or the Sole Global Coordinator that any recipient of this Memorandum should subscribe for or purchase the Shares. Each potential investor in the Shares should read this Memorandum in its entirety and determine for itself the relevance of the information contained in this Memorandum and its subscription of the Shares should be based upon such investigation as it deems necessary. In making an investment decision, prospective investors must rely upon their own examination of the Company and the terms of this Memorandum, including the risks involved.

This Memorandum is highly confidential and has been prepared solely for use in connection with the placement of the Shares as described herein. Any reproduction or distribution of this Memorandum in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than considering an investment in the Shares offered hereby is prohibited, except to the extent such information is otherwise publicly available. Each offeree of the Shares, by accepting delivery of this document, agrees to the foregoing.

The Sole Global Coordinator reserves the right to reject any offer to purchase the Shares, in whole or in part, for any reason. This Memorandum is personal to each offeree to whom it has been delivered by the Sole Global Coordinator and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire the Shares. Distribution of this Memorandum to any person other than the offeree and those persons, if any, retained to advise such offeree with respect thereto is unauthorized and any disclosure of any of its contents without the prior written consent of the Company is prohibited. Each offeree of the Shares, by accepting delivery of this Memorandum, agrees to the foregoing and to make no reproductions of this Memorandum.

The Sole Global Coordinator is acting for the Company and the Selling Shareholders and no-one else in connection with this International Offering and will not regard any other person as its client in relation to this International Offering and will not be responsible to anyone other than the Company for providing the protections afforded to the respective customers of the Sole Global Coordinator nor for providing advice in relation to this International Offering, the contents of this document or any transaction or arrangement referred to in this Memorandum.

In connection with this International Offering, the Sole Global Coordinator and any affiliate acting as an investor for its own account may take up the Shares and in that capacity may retain, purchase or sell for its own account such securities of the Company or related investments and may offer or sell such securities or other investments otherwise than in connection with this International Offering. Accordingly, reference in this Memorandum to the Shares being offered or placed should be read as including any offering or placement of securities to the Sole Global Coordinator and any affiliate acting in such capacity. The Sole Global Coordinator does not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

The contents of this Memorandum are not intended to be nor should they be construed as legal, financial or tax advice, and therefore prospective investors must not treat the contents of this Memorandum as advice relating to legal, taxation, investment or any other matters. Prospective investors must inform themselves as to: (a) the legal requirements within their own countries for the purchase, holding, transfer, redemption or other disposal of any Shares; (b) any foreign exchange restrictions applicable to the purchase, holding, transfer, redemption or other disposal of any Shares which they might encounter; and (c) the income and other tax consequences which may apply in their own countries as a result of the purchase, holding, transfer, redemption or other disposal of any Shares. Prospective investors must rely upon their own representatives including their own legal advisers and accountants, as to legal, tax, investment or any other related matters concerning the Company and an investment therein.

It is expected that delivery of the International Shares will be made against payment therefor on or about the third business day following the publication of the Israeli Prospectus and its approval by the Israel Securities Authority (such settlement cycle being referred to as "T+3"). It is expected that the Shares will be listed and will begin trading on the TASE on or about the next business day. Under Rule 15c6-1 under the U.S. Securities Exchange Act of 1934, as amended (the "U.S. Exchange Act"), trades in the secondary market generally are required to settle in two business days unless the parties to any such trade expressly agree otherwise.

WE, THE SELLING SHAREHOLDERS AND THE SOLE GLOBAL COORDINATOR HAVE NOT AUTHORIZED ANYONE TO PROVIDE ANY INFORMATION OTHER THAN THAT CONTAINED IN THIS MEMORANDUM. WE, THE SELLING SHAREHOLDERS AND THE SOLE GLOBAL COORDINATOR TAKE NO RESPONSIBILITY FOR, AND CAN PROVIDE NO ASSURANCE AS TO THE RELIABILITY OF, ANY OTHER INFORMATION THAT OTHERS MAY GIVE YOU. WE, THE SELLING SHAREHOLDERS AND THE SOLE GLOBAL COORDINATOR ARE NOT MAKING AN OFFER OF THESE SECURITIES IN ANY STATE WHERE THE OFFER IS NOT PERMITTED.

IN MAKING AN INVESTMENT DECISION, YOU MUST RELY ON YOUR OWN EXAMINATION OF US AND THE TERMS OF THE INTERNATIONAL SHARES COVERED BY THIS INTERNATIONAL OFFERING HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION OR ANY OTHER SECURITIES COMMISSION OR OTHER REGULATORY AUTHORITY, NOR HAVE THE FOREGOING AUTHORITIES APPROVED THIS MEMORANDUM OR CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE UNDER THE LAWS OF THE UNITED STATES.

You should not assume that the information contained in this Memorandum is accurate as of any date other than the date as it appears on the front cover of this Memorandum. Neither the delivery of this Memorandum nor any sale made hereunder shall under any circumstances imply that the information herein is correct as of any date subsequent to the date on the cover of this Memorandum.

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NOTICE TO INVESTORS

ImageSat International (I.S.I.) Ltd. is a company with limited liability formed under the laws of the State of Israel. Its principal executive office is located at 6 Yoni Netanyahu St. Or Yehuda, 6037604, Israel and its telephone number at that address is +972-3-7960600.

The Company is providing this Memorandum only to prospective purchasers of the Shares. You should read this Memorandum before making a decision as to whether to purchase any Shares. You must not:

- use this Memorandum for any other purpose;
- make copies of any part of this Memorandum or give a copy of it or any part of it to any other person; or
- disclose any information in this Memorandum to any other person.

The Company has prepared this Memorandum and it is solely responsible for its contents. The information contained in this Memorandum is as of the date hereof and subject to change, completion or amendment without notice. Neither the delivery of this Memorandum at any time nor any subsequent commitment to enter into any financing shall, under any circumstances, create any implication that there has been no change in the information set forth in this Memorandum or in the Company's affairs since the date of this Memorandum. The information in this Memorandum has been provided by the Company and other sources it believes to be reliable. This Memorandum contains summaries, believed to be accurate, of some of the terms of specific documents, but reference is made to the actual documents, copies of which may be made available, subject to the Company's discretion, upon request, for the complete information. All summaries are qualified in their entirety by this reference.

You are responsible for making your own examination of the Company and your own assessment of the merits and risks of investing in the Shares. You may contact the Company if you need any additional information. By purchasing any Shares, you will be deemed to have acknowledged that:

- you have reviewed this Memorandum;
- you have had an opportunity to request and to review, and you have received, any additional information that you need from the Company;
- the Sole Global Coordinator is not responsible for, nor is making any representation to you concerning, the Company's future performance or the accuracy or completeness of this Memorandum;
- you have not relied upon the Sole Global Coordinator or any person affiliated with the Sole Global Coordinator in connection with your investigation of the accuracy of such information or your investment decision;
- this Memorandum relates to an offering that is exempt from registration under the U.S. Securities Act and may not comply in important respects with the rules of the U.S. Securities and Exchange Commission that would apply to an offering document relating to a public offering of securities in the United States; and
- no person has been authorized to give information or to make any representation concerning the Company, this International Offering or the Shares, other than as contained in this Memorandum in connection with your examination of the Company and the terms of this International Offering.

The Company is not providing you with any legal, business, tax or other advice in this Memorandum. You should consult your own attorney, business advisor and tax advisor for legal, business and tax advice regarding an investment in the Shares.

The Shares have not been recommended by any U.S. federal, state or foreign securities authorities, nor have any such authorities determined that this Memorandum is accurate or complete. Any representation to the contrary is a criminal offense.

This Memorandum does not constitute an offer to sell or an invitation to subscribe for or purchase any of the Shares in any jurisdiction in which such offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. You must comply with all laws and regulations that apply to you in any place in which you buy, offer or sell any Shares or possess or distribute (to the extent authorized) this Memorandum. You must also obtain any consents, permission or approvals that you need in order to purchase, offer or sell any Shares under the laws and regulations in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales. The Company, the Selling Shareholders and the Sole Global Coordinator are not responsible for your compliance with these legal requirements. The Company, the Selling Shareholders and the Sole Global Coordinator are not making any representation to you regarding the legality of your investment in the Shares under any legal investment or similar law or regulation.

The Sole Global Coordinator assumes no responsibility nor makes any representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this Memorandum. Nothing contained in this Memorandum is, or shall be relied upon as, a promise or representation by the Sole Global Coordinator as to the past or future.

No person is authorized in connection with any offering made by this Memorandum to give any information or to make any representation not contained in this Memorandum and, if given or made, any other information or representation must not be relied upon as having been authorized by the Company, the Selling Shareholders or the Sole Global Coordinator.

If you are a person outside of Israel, irrespective of where you are resident or incorporated, you shall be deemed to have represented to the Company, to the Sole Global Coordinator and to the Selling Shareholders that you are (i) an entity with an equity exceeding ILS 50,000,000 or an equivalent amount in another currency, based on the latest financial statements; or (ii) an entity that together with any entity controlling, controlled by or under common control with such entity, in the aggregate, (a) have assets under management in an aggregate amount exceeding ILS 100,000,000 or an equivalent amount in another currency provided that the Shares purchased in the offering would be purchased for the assets under management; and/or (b) own and invest on a discretionary basis in securities of issuers that are not affiliated with such entity, in an aggregate amount exceeding ILS 100,000,000 or an equivalent amount in another currency.

Notice to Prospective Investors in the United States

The Shares have not been recommended by any United States federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Memorandum. Any representation to the contrary is a criminal offense in the United States.

The Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction in the United States, and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in compliance with any applicable state securities laws. Accordingly, the Shares are being: (i) offered and sold in the United States only to QIBs in reliance upon the exemption from the registration requirements of the U.S. Securities Act provided by Rule 144A and (ii) offered and sold outside the United States only to Qualifying Investors in compliance with Regulation S under the U.S. Securities Act. For certain restrictions on the sale and transfer of the Shares, see the section in the Wrapper entitled “Transfer Restrictions.”

In the United States, this Memorandum is being furnished only to QIBs on a confidential basis solely for the purpose of enabling a prospective investor to consider purchasing the particular securities described herein. The information contained in this Memorandum has been provided by the Company and other sources identified herein. Distribution of this Memorandum to any person other than the offeree specified by the Sole Global Coordinator or its representatives, and those persons, if any, retained to advise such offeree with respect thereto, is unauthorized, and any disclosure of its contents, without the Company’s prior written consent, is prohibited. Any reproduction or distribution of this Memorandum in the United States, in whole or in part, and any disclosure of its contents to any other person is prohibited. This Memorandum is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for, or otherwise acquire, the Shares.

Notice to Prospective Investors in the European Economic Area

In relation to each Member State of the European Economic Area (each a "Relevant State"), no Shares have been offered or will be offered pursuant to the Global Offering to the public in that Relevant State prior to the publication of a prospectus in relation to the Shares, which has been approved by the competent authority in that Relevant State or, where appropriate, approved in another Relevant State and notified to the competent authority in that Relevant State, in each case in accordance with the Prospectus Regulation, except that an offer to the public in that Relevant State of any Shares at any time may be made under the following exemptions under the Prospectus Regulation:

(a) to any legal entity which is a "qualified investor" within the meaning of Article 2 of the Prospectus Regulation;

(b) to fewer than 150 natural or legal persons (other than "qualified investors" as defined under the Prospectus Regulation); or

(c) in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of the Shares shall require the Company, the Selling Shareholders, the Sole Global Coordinator or any underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an "offer to the public" in relation to the Shares in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the offer and any Shares to be offered so as to enable an investor to decide to purchase any Shares, and the expression "Prospectus Regulation" means Regulation (EU)2017/1129.

In the case of any Shares being offered to a financial intermediary, as that term is used in Article 5 of the Prospectus Regulation, such financial intermediary must be a "qualified investor" within the meaning of Article 2(e) of the Prospectus Regulation and: (a) the Shares acquired by it must not be acquired on a non-discretionary basis on behalf of, nor with a view to their offer or resale to, persons in any Relevant State that are not qualified investors within the meaning of Article 2(e) of the Prospectus Regulation (except with the consent of the Company, the Selling Shareholders and the Sole Global Coordinator); or (b) where Shares have been acquired by it on behalf of person in any Relevant State other than qualified investors within the meaning of Article 2(e) of the Prospectus Regulation, the offer of those Shares to it is not treated under the Prospectus Regulation as having been made to such persons.

Notice to Prospective Investors in the United Kingdom

In relation to the United Kingdom, no Shares have been offered or will be offered pursuant to the Global Offering to the public in the United Kingdom prior to the publication of a prospectus in relation to the Shares, which has been approved by the Financial Conduct Authority, except that an offer to the public in the United Kingdom of any Shares at any time may be made under the following exemptions from the UK Prospectus Regulation:

(i) to any legal entity which is a "qualified investor" as defined under Article 2 of the UK Prospectus Regulation;

(ii) to fewer than 150 natural or legal persons (other than qualified investors as defined under Article 2 of the UK Prospectus Regulation); or

(iii) in any other circumstances falling within Section 86 of the FSMA,

provided that no such offer of the offer of the Shares shall require the Company, the Selling Shareholders, the Sole Global Coordinator or any underwriter to publish a prospectus pursuant to Section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision, the expression an "offer to the public" in relation to the Shares in the United Kingdom means the communication in any form and by any means of sufficient information on the terms of the offer and any Shares to be offered so as to enable an investor to decide to purchase or subscribe for any Shares;

the expression "UK Prospectus Regulation" means Regulation (EU) 2017/1129 as it forms part of the domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018; and the expression "FSMA" means the Financial Services and Markets Act 2000, as amended.

In the case of any Shares being offered to a financial intermediary, as that term is used in Article 5 of the UK Prospectus Regulation, such financial intermediary must be a "qualified investor" within the meaning of Article 2 of the UK Prospectus Regulation and: (a) the Shares acquired by it must not be acquired on a non-discretionary basis on behalf of, nor with a view to their offer or resale to, persons in the United Kingdom that are not "qualified investors" within the meaning of Article 2 of the UK Prospectus Regulation (except with the consent of the Company, the Selling Shareholders and the Sole Global Coordinator); or (b) where Shares have been acquired by it on behalf of person in the United Kingdom other than "qualified investors" within the meaning of Article 2 of the UK Prospectus Regulation, the offer of those Shares to it is not treated under the UK Prospectus Regulation as having been made to such persons.

The communication of this Memorandum and any other document and/or materials relating to the Global Offering, the offer or sale of Shares have not been approved, by an authorized person for the purposes of Section 21 of the Financial Services and Markets Act 2000, as amended ("FSMA"). Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of such documents and/or materials are only being made to and directed at persons outside the United Kingdom and those persons in the United Kingdom who are "qualified investors" within the meaning of Article 2 of the UK Prospectus Regulation who: (i) have professional experience in matters relating to investments and who fall within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Order"); (ii) fall within Article 49(2)(a) to (d) of the Order; or (iii) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of FSMA) in connection with the issue and sale of any Shares may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons"). In the United Kingdom, the International Shares offered hereby are only available to, and any investment or investment activity to which this Memorandum relates will be engaged only with, relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on this Memorandum, the Draft Prospectus, any Prospectus supplement or any of their contents.

Notice to Prospective Investors in Canada (Ontario, Quebec, Alberta, Manitoba and British Columbia Only)

Resale Restrictions

The distribution of the Shares in Canada is being made only in the provinces of Ontario, Quebec, Alberta, Manitoba and British Columbia on a private placement basis exempt from the requirement that we prepare and file a prospectus with the securities regulatory authorities in each province where trades of these securities are made. Any resale of the Shares in Canada must be made under applicable securities laws which may vary depending on the relevant jurisdiction, and which may require resales to be made under available statutory exemptions or under a discretionary exemption granted by the applicable Canadian securities regulatory authority. Purchasers are advised to seek legal advice prior to any resale of such securities.

Representations of Canadian Purchasers

By purchasing the Shares in Canada and accepting delivery of a purchase confirmation, a purchaser is representing to us and the dealer from whom the purchase confirmation is received that:

- the purchaser is entitled under applicable provincial securities laws to purchase such securities without the benefit of a prospectus qualified under those securities laws as it is an "accredited investor" as defined under National Instrument 45-106 – Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), as applicable;
- the purchaser is not an individual;
- the purchaser is a "permitted client" as defined in National Instrument 31-103 - Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Shares must be made in accordance

with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws;

- where required by law, the purchaser is purchasing as principal and not as agent; and
- the purchaser has reviewed the text above under Resale Restrictions.

Conflicts of Interest

Canadian purchasers are hereby notified that the Sole Global Coordinator is relying on the exemption set out in section 3A.3 of National Instrument 33-105 – *Underwriting Conflicts* from having to provide certain conflict of interest disclosure in this document.

Statutory Rights of Action

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Enforcement of Legal Rights

All of our directors and officers as well as the experts named herein may be located outside of Canada and, as a result, it may not be possible for Canadian purchasers to effect service of process within Canada upon us or those persons. All or a substantial portion of our assets and the assets of those persons may be located outside of Canada and, as a result, it may not be possible to satisfy a judgment against us or those persons in Canada or to enforce a judgment obtained in Canadian courts against us or those persons outside of Canada.

Taxation and Eligibility for Investment

Canadian purchasers of Shares should consult their own legal and tax advisors with respect to the tax consequences of an investment in the Shares in their particular circumstances and about the eligibility of the Shares for investment by the purchaser under relevant Canadian legislation.

Notice to Prospective Investors in Israel

This Memorandum does not constitute an offering of the International Shares in Israel pursuant to the Israeli Securities Law, 1968 (the "Israeli Securities Law"). Prospective purchasers in Israel shall refer only to the Israeli Prospectus as submitted to the ISA and shall not rely on this Memorandum.

Notice to Prospective Investors in Australia

This Memorandum is not, and is not intended to be, a disclosure document within the meaning of the Corporations Act 2001 (Cth) of Australia ("Australian Corporations Act"). No action has been taken by the Company or UBS that would permit a public offering of the Shares in Australia. This Memorandum has not been, and no prospectus or other disclosure document (as defined in the Australian Corporations Act) in relation to the Shares has been or will be, lodged with the Australian Securities and Investments Commission ("ASIC"). Accordingly, no offer or invitation for applications for the issue, sale or purchase of the Shares may be made in Australia (including an offer or invitation which is received by a person in Australia) and no draft, preliminary or definitive prospectus, offering circular, disclosure document, advertisement or other offering material relating to the Shares may be distributed or published in Australia unless:

- the aggregate consideration payable on acceptance of the offer or invitation by each offeree or invitee is at least AUD $500,000 (or its equivalent in other currencies, but disregarding moneys lent by the offeror or its associates) or the offer or invitation otherwise does not require disclosure to investors in accordance with Parts 6D.2 or 7.9 of the Australian Corporations Act;

- such action does not require any document to be lodged with ASIC or any other regulatory authority in Australia;

- the offer or invitation is not made to a person who is a "retail client" within the meaning of section 761G of the Australian Corporations Act; and

- the offer, invitation or distribution complies with all applicable laws, regulations and directives in Australia relating to the offer, sale and resale of the Shares in Australia and in the jurisdiction in which such offer, sale and resale occurs.

Notice to Prospective Investors in Hong Kong

The Shares may not be offered or sold in Hong Kong by means of any document, any Shares other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "SFO") and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions Ordinance (Cap. 32) of Hong Kong (the "C(WUMP)O") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

No advertisement, invitation or document relating to the Shares may be issued or may be in the possession of any person for the purposes of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

The contents of this Memorandum have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offering. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

Notice to Prospective Investors in South Africa

No "offer to the public" (as such term is defined in the South African Companies Act, 71 of 2008, as amended (the "South African Companies Act")) in South Africa is being made in connection with the issue of the Shares and accordingly this Memorandum does not, nor does it intend to, constitute a "registered prospectus", as contemplated in chapter 4 of the South African Companies Act. No South African residents or other offshore subsidiaries may subscribe for or purchase any Shares or beneficially own or hold any Shares unless such subscription, purchase or beneficial holding or ownership is pursuant to Section 96(1) of the South African Companies Act, or is otherwise permitted under the South African Exchange Control Regulations or the rulings or policies of the South African Reserve Bank or applicable law.

Information made available in this Memorandum should not be considered as "advice" as defined in the South African Financial Advisory and Intermediary Services Act, 2002.

Notice to Prospective Investors in Switzerland

This Memorandum is not intended to constitute an offer or solicitation to purchase or invest in the Shares. The Shares may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland within the meaning of the Swiss Financial Services Act ("FinSA") and will not be admitted to any trading venue (exchange or multilateral trading facility) in Switzerland. Neither this Memorandum nor any other offering or marketing material relating to the Shares constitutes a prospectus as such term is understood pursuant to FinSA, and neither this Memorandum nor any other offering or marketing material relating to the Shares may be publicly distributed or otherwise made publicly available in Switzerland.

Notice to Prospective Investors in Other Jurisdictions

The distribution of this Memorandum may be restricted by law in certain jurisdictions. Persons into whose possession this Memorandum (or any part hereof) comes are required by the Company and UBS to inform themselves about, and to observe, any such restriction.

AVAILABLE INFORMATION

As a TASE-listed public company, the Company will be subject to the disclosure regime of the Israeli Securities Law and regulations promulgated thereunder. As such, the Company will generally, and subject to certain exemptions, be required to file annual and quarterly reports as well as annual and quarterly financial statements prepared in accordance with the International Financial Reporting Standards ("IFRS") and, with respect to annual financial statements, in accordance with the Securities Regulations (Annual Financial Statements), 2010. The Company will also be required to file immediate reports within specified times following the occurrence of material or non- ordinary course events (as set forth in the Securities Regulations (Periodic and Immediate Reports), 1970, and following the occurrence of certain additional events). Company reports filed under the Israeli Securities Law and the regulations promulgated thereunder are available, in Hebrew, on the websites of the ISA and the TASE.

The Company is not subject to the periodic reporting and other informational requirements of the U.S. Exchange Act. If, at any time, the Company is neither subject to Section 13 or 15(d) of the U.S. Exchange Act, nor exempt from reporting pursuant to Rule 12g3-2(b) under the U.S. Exchange Act, it will furnish, upon request, to any owner of the Shares, or any prospective purchaser designated by any such owner, the information required to be delivered pursuant to Rule 144A(d)(4) under the U.S. Securities Act.

EXCHANGE RATE TABLE

The following table sets forth, for the periods and dates indicated, certain information regarding the Bank of Israel representative rate of exchange for U.S. dollars, expressed in New Israeli Shekels ("ILS") per one U.S. dollar.

Calendar Year	Average(1)	High	Low	End Period
2017	3.576	3.860	3.467	3.467
2018	3.606	3.781	3.388	3.748
2019	3.555	3.746	3.455	3.456
2020	3.425	3.862	3.210	3.215
2021	3.132	3.168	3.132	3.110
2022 (through January 21, 2022)	N/A	3.140	3.092	3.140

(1) Calculated based on the average of the representative exchange rates on the last business day of each month during the relevant period.

As of January 21, 2022, the representative ILS per U.S. dollar exchange rate of the Bank of Israel was ILS 3.140 per one U.S. Dollar.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some statements contained in this Memorandum are forward-looking statements within the meaning of the U.S. Securities Act. These forward-looking statements can be identified by the use of words such as "aim," "anticipate," "assessment," "believe," "continues," "could," "estimate," "expect," "intend," "goal," "may," "plan," "project," "projections," "should," "will" and similar expressions. Estimates and forward-looking statements speak only as of the date they were made, and except to the extent required by law, the Company undertakes no obligation to update or to review any estimate and/or forward-looking statement because of new information, future events or other factors. We have based these forward-looking statements on our current expectations about future events based upon our current expectations, assumptions and estimates of future events and trends that may affect us and the retailer markets. These forward-looking statements are subject to various risks and uncertainties that may be outside our control and that may result in actual results differing materially from projected results. The statements we make regarding the following matters are forward-looking by their nature:

- Our estimates for revenue and EBITDA for the year ended December 31, 2021 and forecasts for revenue and EBITDA for the year ending December 31, 2024;
- Our pipeline for prospective business that we expect to generate in the future;
- Our belief that an economic slowdown will not have a substantial impact on our activities and revenues;
- Our business development goals in the upcoming years;
- Our ability to use our extensive experience and wide-ranging know-how in our area of activity, as well as a large research and development team, to enable us to integrate additional satellites into the constellation;
- Our ability to demonstrate technological flexibility and advanced technical capability, particularly in the field of analytics and AI;
- Our ability to maintain certain relationships with third parties for the commercialization of such third party's satellites;
- Our ability to maintain continuous services for our customers from third parties' satellites during times when our EROS C satellites are not covering certain areas of interest to our customers;
- Our ability to prevent material technological failures, including cyber risks, by operating under strict information security requirements and using advanced security technologies;
- Our ability to retain the several significant customers that comprise a substantial portion of our revenue;
- Our ability to prevent and manage satellite related issues including significant failures in a satellite and delayed or failed satellite launches;
- Our ability to secure and maintain insurance policies that could mitigate reasonable amounts of our losses associated with a future failure of our satellites;
- Our ability to obtain and maintain the various approvals and licenses that pertain to defense/security exports;
- Our ability to meet our expectations regarding strategic operations, and our ability to maintain stable business relations with our satellite manufacturers and satellite launch providers;
- Our ability to sustain our quality control standards and test protocols, making sure that the satellites operated by the Company are positioned in the VVHR category, which is the highest category from the standpoint of sensor quality, resolution of photography, and platform performance;
- Our ability to retain key personnel in our business;
- Our estimates regarding our goals and business strategy, our activities and results;

- Our forecast for continued growth in the demand for products pertaining to the collection of intelligence and the generation of insights in the military and economic/civilian field in general and independently;
- Our forecast for developments in the upcoming year;
- Our forecast regarding the risk factors which could affect our business and the extent of such impact;
- Our aim to significantly expand our service provision capabilities by adding additional advanced satellites to the EROS NG constellation;
- Our aim to expand our activity in the RUNNER satellite area and improve our positioning in the cheaper satellites ("new space") market; and
- Our aim to significantly expand our network of distributors and to make our EROS satellite services available to our customers, through the development of a cloud-based platform, which we are developing, and by means of which customers will be able to order and purchase satellite products.

THE PRECEDING LIST IS NOT INTENDED TO BE AN EXHAUSTIVE LIST OF ALL OF OUR FORWARD-LOOKING STATEMENTS. ALTHOUGH WE BELIEVE THAT THESE ESTIMATES AND FORWARD-LOOKING STATEMENTS ARE BASED UPON REASONABLE ASSUMPTIONS, WE ARE SUBJECT TO SEVERAL RISKS AND UNCERTAINTIES AND MAKE SUCH ESTIMATES AND FORWARD-LOOKING STATEMENTS IN LIGHT OF INFORMATION CURRENTLY AVAILABLE TO US. AS A RESULT OF THE RISKS AND UNCERTAINTIES DESCRIBED ABOVE, THE ESTIMATES AND FORWARD-LOOKING STATEMENTS DISCUSSED IN THIS MEMORANDUM MIGHT NOT OCCUR AND OUR FUTURE RESULTS AND PERFORMANCE MAY DIFFER MATERIALLY FROM THOSE EXPRESSED IN THESE FORWARD-LOOKING STATEMENTS OWING TO, AND INCLUDING, BUT NOT LIMITED TO, THE FACTORS MENTIONED BELOW. BECAUSE OF THESE UNCERTAINTIES, YOU SHOULD NOT RELY ON THESE FORWARD-LOOKING STATEMENTS WHEN MAKING AN INVESTMENT DECISION. IN ADDITION, INVESTING IN THE SHARES AND THE COMPANY INVOLVES RISKS. SEE THE SECTION ENTITLED "*RISK FACTORS*" BEGINNING ON PAGE 9 OF THE WRAPPER AND SECTION 6.37 IN CHAPTER 6 OF THE DRAFT PROSPECTUS. THE FACTORS ABOVE SHOULD NOT BE CONSTRUED AS EXHAUSTIVE AND SHOULD BE READ WITH THE OTHER CAUTIONARY STATEMENTS IN THIS MEMORANDUM. IN ADDITION, EVEN IF OUR RESULTS OF OPERATIONS, FINANCIAL CONDITION AND LIQUIDITY, AND THE DEVELOPMENT OF THE INDUSTRY IN WHICH WE OPERATE REMAIN CONSISTENT WITH THE FORWARD-LOOKING STATEMENTS CONTAINED IN THIS MEMORANDUM, THOSE RESULTS OR DEVELOPMENTS MAY NOT BE INDICATIVE OF RESULTS OR DEVELOPMENTS IN SUBSEQUENT PERIODS. GIVEN THESE RISKS AND UNCERTAINTIES, YOU ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE ON SUCH FORWARD-LOOKING STATEMENTS. ANY FORWARD-LOOKING STATEMENTS THAT WE MAKE IN THIS MEMORANDUM SPEAK ONLY AS OF THE DATE OF THOSE STATEMENTS, AND WE UNDERTAKE NO OBLIGATION TO UPDATE THOSE STATEMENTS OR TO PUBLICLY ANNOUNCE THE RESULTS OF ANY REVISIONS TO ANY OF THOSE STATEMENTS TO REFLECT FUTURE EVENTS OR DEVELOPMENTS. COMPARISONS OF RESULTS FOR CURRENT AND ANY PRIOR PERIODS ARE NOT INTENDED TO EXPRESS ANY FUTURE TRENDS OR INDICATIONS OF FUTURE PERFORMANCE, UNLESS EXPRESSED AS SUCH, AND SHOULD ONLY BE VIEWED AS HISTORICAL DATA.

MATERIAL INCORPORATED BY REFERENCE

The Draft Prospectus annexed hereto as Appendix I is incorporated by reference herein, and the Wrapper is qualified in its entirety by the more detailed information contained therein. In the event of any inconsistency between the Wrapper and the Draft Prospectus, the Draft Prospectus will prevail. Except as otherwise stated or required by the context, any reference to the Memorandum herein shall also include the Draft Prospectus.

SUMMARY

Our Company

We are a leading provider of space-based intelligence and information solutions. We offer a full range of space and ground-based solutions, including satellite imagery data, analytics, satellite solutions (or designs) and ground-based infrastructure. Our customers consist primarily of government and defense agencies as well as commercial companies. Our origins date back to 1997 and we rebranded in 2015 under a new management team that launched a new strategic direction for the Group. Since then, we have increased our Research and Development ("R&D") investment and we have substantially expanded our portfolio of proprietary assets and increased access to a range of assets via third-party agreements and product offerings. As such, our proprietary assets and access to certain satellites provide us with one of the highest resolution satellite-based electro-optical and synthetic aperture radar ("SAR") offerings globally.

For the nine months ended September 30, 2021 and 2020, our revenue was $23.2 million and $19.1 million, respectively, and our EBITDA was $8.0 million and $8.3 million, respectively. For the years ended December 31, 2020, 2019 and 2018, our revenue was $25.9 million, $30.0 million and $27.3 million, respectively, and our EBITDA was $10.8 million, $13.2 million and $13.3 million, respectively. See below "Financial Summary" for our estimates regarding our expected financial results for fiscal year 2021.

Our Solutions

We offer a holistic portfolio of solutions spanning across each segment of the geospatial intelligence value chain including: (1) satellite services, (2) artificial intelligence ("AI") and analytics and (3) space-based intelligence infrastructure solutions.

Satellite Services – We provide our customers with observation services from Very Very High Resolution ("VVHR") imaging satellites, based on our advanced earth observation satellite constellation, EROS Next Generation (the "EROS NG"). EROS NG is one of the world's most powerful commercial intelligence collection platforms. We currently operate three satellites in orbit (which will increase to five in 2022), providing ultra-high performance, 30 cm resolution, military-grade earth observation satellites. Designed to meet modern demanding operational challenges, the EROS NG Constellation introduces VVHR satellite imagery and wide area collection capability at an unprecedented revisit rate[1]. Based on our two decades of experience in satellite services, we have developed ClearSky, an innovative ground control segment, which employs sophisticated AI capabilities to automatically execute all collection missions for multi–mission and multi-sensor satellite constellations. This allows us optimal and effective mission planning, while enabling direct access by multiple users to each of the satellites. Designed to serve the world's leading defense and intelligence agencies, the EROS NG constellation is designed to ensure our customers' independence and confidentiality during their operational collection cycle.

Our solutions within satellite services include:

- *Direct Access Services.* Direct access services are offered under the commercial name of the satellite operating partner and provide exclusive access to the satellite over a defined geographical area of interest. Direct access services are provided mainly to customers in the defense sector through multi-year agreements and enable the independent and discreet performance of all of the mission stages.

- *Direct Access Ground Segment.* Our direct access ground segment solution enables the independent and discreet operation of all of the mission stages. Ground stations are owned by the customer and include turnkey hardware and software. We train customers to enable them to independently plan, command, downstream data and process the raw data into images.

[1] "Revisit rate" represents the number of times in a 24-hour period that a satellite or satellite constellation can monitor a certain point on the surface of the earth.

- *Data Partners and Occasional Customers.* We also extend our satellite data service offering to multiple customers with a larger number of transactions but relatively small scope. These are currently provided by means of the EROS satellites. We expect demand for this solution to increase and reach peak following entry of EROS C3.

AI & Analytics – We offer AI-based analytics solutions, ranging from software for customers to do their own analysis to a complete intelligence service whereby we review data and provide insight to customers.

Our solutions within AI & Analytics include:

- *Geoimpact.* GEOIMPACT is our integrated geospatial analytics software platform, currently under development. GEOIMPACT is designed to support every component of the intelligence mission process through collecting, processing, analyzing and archiving, based on the cloud infrastructure of Amazon Web Services. Our GEOIMPACT platform is designed to enable efficient render of satellite products and easy accessibility to potential commercial customers.

- *Kingfisher.* In addition to GEOIMPACT, we provide maritime domain awareness services using our Kingfisher platform, providing maritime surveillance using a combination of optical, radar (SAR), AIS[2] and RF[3] data.

Space-Based Intelligence Infrastructure – We develop and supply a holistic, complete value-chain space-based intelligence and information infrastructure, which includes advanced satellite missions, based on New Space technology, an innovative ground segment for command-and-control of satellite constellations, as well as cloud-based archiving, processing and dissemination of data and information, for a variety of uses that expand the range of satellite services within the wider society. Our space-based intelligence infrastructures services provide our customers intimate involvement in project design and configurations, ensure our customers have unlimited access in times of need and provide our customers with tailor-made space-based missions for our customer's specific requirements and needs.

The rapid development of technology in remote sensing services, and the reduction in all costs related to the development of such a satellite system and its launch into space, now makes it possible for many countries, which historically were not able to source and own expensive traditional-technology satellites, to acquire innovative satellite missions using our New Space technology infrastructure satellites. New Space technology infrastructure satellites are characterized by the use of commercial off-the-shelf components, with shortened processes and minor adjustments to the space environment. Generally, these satellites are smaller and have a slightly lower resolution, compared to traditional satellites, and, in most cases, they are characterized by a shorter life span. These satellites constitute a complementary product to traditional satellites, primarily due to the element of higher revisit rate and lower price, thereby enabling the launch of a larger number of satellites. Our design, launch and operation of innovative, high-performance New Space technology satellites are expected to open new markets for us and accelerate our growth.

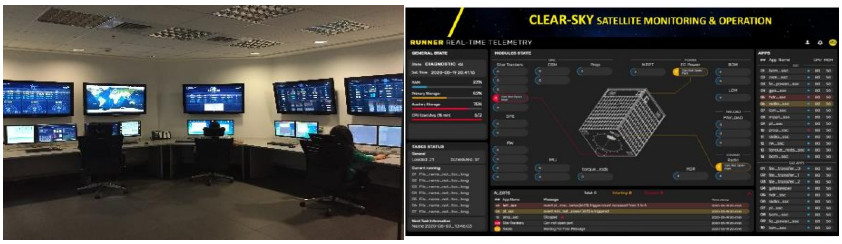
Our solutions within spaced-based intelligence infrastructure include:

- *Smaller, high-revisit satellite.* We provide complete satellite missions, consisting of our own proprietary highly capable New Space imaging satellites for customers ownership and operation, including small electro-optical ("EO") satellites that are cost effective to build, launch and operate as well as Runner and KNIGHT satellites that are offered to customers as part of our turnkey offering and form the basis of our planned "Global Eye" constellation. Three RUNNER satellites have been selected by Chile for their next national satellite program, in addition to seven micro-satellites.

- *Ground segment solutions.* We offer a variety of ground segment technologies for space mission operations, including ClearSky Command and Control, which is a platform-agnostic spacecraft

[2] Automatic Identification System.
[3] Radio Frequency.

operations solution currently under development, and EROS Direct Access, which enables customers' use of the EROS constellation over their areas of interest via tasking and downlink. In addition, the satellite operators can conduct missions from their own locations without outside assistance. Multiple ground stations of EROS Direct Access have been deployed globally for our customers.



Our Competitive Advantages and Growth Opportunities

We believe that our key competitive advantages and growth opportunities are as follows:

- *Leading provider of space-based intelligence and information solutions.* We believe that our comprehensive, integrated portfolio of high-quality, multi-source imagery data, AI-driven analytics and turnkey space infrastructure solutions enable us to deliver valuable solutions to our government and commercial customers across the full value chain. Our technical capabilities, from the quality of our imagery to the breadth of our solutions, and the cost efficiencies we are able to leverage through our long-term strategic partnerships, are important differentiators that drive our commercial performance and provide us a platform for future growth. We are one of only a few companies offering both high-quality 30 cm resolution optical data and the ability for customers to task and collect data directly (i.e., via a direct access program).[4]

- *Differentiated strategic partnerships.* We believe that our strategic partnerships, when coupled with the satellites we own, provide access to valuable satellite imagery data and technologies creating a leading constellation on an asset-light, capital-efficient basis, and which underpin our cash-flow-positive position. We commercialize the spare capacity from our strategic partners' satellites, while incurring limited incremental cost. This vastly increases imaging capacity and allows us to have a world-class constellation without the associated capital investment, ongoing costs and development time. As a result, we have differentiated and VVHR capabilities, which positions us well to capture the expected dynamic market growth.

- *Significant growth potential.* We believe that our newly expanded range of capabilities provide us with a platform for significant growth. In particular, the EROS NG Constellation substantially increases our imaging collection capacity from 24 million to 224 million square kilometers, providing for new selling opportunities.[5] Until early 2021, we only operated one satellite (EROS B) for all of our customers, we already have two additional 30 cm resolution satellites in orbit and plan to increase our imaging capacity by almost 10x by the time we launch the full EROS NG Constellation, expected in late 2026. In terms of covering the global area of interest, the complete EROS NG Constellation is expected by 2026 to create coverage, that is approximately 30x our coverage in the fiscal year of 2020.

- *Attractive, large and fast-growing market.* We operate in a market that is large and expected to continue to grow at pace. The demand for satellite information and intelligence based on space systems has led to a significant growth in the industry. Our total addressable market[6] ("TAM") (as discussed in

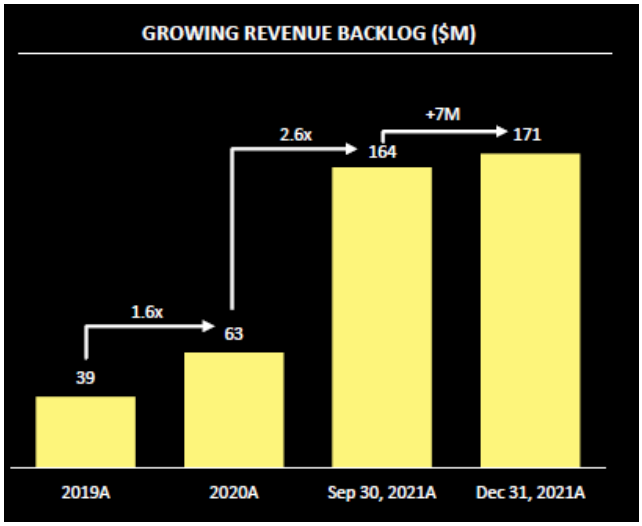
[4] *Source:* Quilty analytics LLC - ISI Commercial Due Diligence Report, dated October 20, 2021, which was prepared at the request of the Company (the "Quilty Report").

[5] *Source:* Quilty Report.

[6] The Company's total addressable market ("TAM") comprises all geographies worldwide, although not all are accessible to the Company (as a result of Israel's diplomatic relations with certain nations and other reasons).

greater detail below) is expected to grow from $19.9 billion in 2020 to $26.3 billion in 2025 and has the potential to grow to $76.0 billion in 2030, with growth across the defense, government and commercial segments, and across all three of our product lines.[7]

Scalable business model with strong revenue visibility. As of September 30, 2021, we had revenue backlog of $164.4 million and a pipeline of $1.8 billion (valued until (and including) 2032), underpinning an expected revenue CAGR of 42% between 2021 and 2024 and an expected EBITDA CAGR of 55% for the same period. Our backlog consists of contracted opportunities pending execution and has expanded by more than four times since 2019 from $39 million to $164.4 million in the nine months ended September 30, 2021, driven by existing customer renewals and new opportunities. Our pipeline is based only on opportunities currently pursued by the Company with over 50% chance of occurring (based on the Company's estimates), and has grown substantially since 2019 (when we had a pipeline lower than $0.5 billion) to $1.8 billion as of December 31, 2021. Further the opportunities pipeline is expected to be driven by ongoing discussions with existing customers, with a new range of offerings aiding expansion of our customer base over the next two to three years, as well as new customers, including from our increasing commercial offerings.



- *Entrepreneurial, innovative and experienced management team.* Our current management team, which has been together since 2015, has transformed our business strategy and brought us to the forefront of the space industry. The team has strong backgrounds in aerospace, defense and technology roles as well as extensive experience in building client relationships and innovation. At a company level, we are a young and vibrant organization, and we combine this entrepreneurial spirit with the deep experience of the leadership team.

Our Market[8]

Our TAM has expanded considerably with our development of new capabilities. Our imagery collection capacity is forecast to increase by almost 10x between 2020 and 2026 from 24 million to 224 million square kilometers with most of that increase to be achieved by 2022 as we launch two more satellites in addition to the commercialization of EROS C1 and EROS C2 in 2021. Traditionally, we have been one of the strongest competitors within the government and defense segment of the market. However, commercial end markets are poised to become a greater focus for our new EROS NG satellites, in particular as we build upon our forthcoming EROS C3 collection asset, well suited for premium commercial customers. Historically, commercial adoption was relatively low but the

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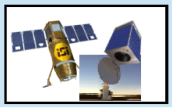
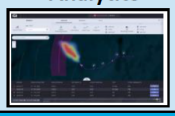
The TAM estimates included in the Wrapper assume a penetration of 100% over a 10-year period. However, this level of penetration would only be achievable in highly favourable circumstances.

[7] *Source:* Quilty Report.

[8] *Source:* Quilty Report.

lower cost and increased commercial applicability of satellite imagery when enriched with AI and Analytics is expected to drive accelerated adoption. As such, we expect multiple growth opportunities in defense & intelligence, as well as the commercial end markets. We expect our TAM to grow significantly over the next decade. As of 2020, the TAM for our services was $19.9 billion (of which $9.4 billion comprised defense and $10.5 billion comprised commercial). Our TAM is expected to increase to $26.3 billion (of which $11.3 billion is expected to comprise defense and $15.0 billion is expected to comprise commercial) in 2025 and to $76.0 billion (of which $25.0 billion is expected to comprise defense and $51.0 billion is expected to comprise commercial) in 2030, representing a 14% CAGR between 2020 and 2030.

Segment	What is Included	2020 Estimate	2020 Composition	2025 Forecast	Comments
Systems/Infra. 	Production and ground station build-out for commercial and gov't EO satellites	$8.1 bil*	Still majority are large expensive EO sats; inflection point to low-cost constellations underway	$9.2 bil (2.5% CAGR)	Modest growth but significant disruption underway as increasingly market shifts toward newer/different providers focused on smaller classes of EO sats.
EO Data & Processing/Distrib 	Data from optical, SAR, and other satellite-based EO modalities (incl. RF); and basic processing and distribution	$2.1 bil	Optical data still the main driver ($1.0 bil), followed by processing/distro ($0.6), SAR ($0.3), and other new imaging & RF modalities ($0.1)	$3.5 bil (11.3% CAGR)	Optical remains largest and is growing healthily (9.2% CAGR) due to new VHR data supply. Newer modalities (including SAR) fastest-growing but from a much smaller base. Distribution & processing are slower-growth segments.
Downstream GEOINT & Analytics 	GIS & mapping platforms, EO GEOINT, aerial, and EO analytics solutions	$9.7 bil	Software-based EO analytics beginning to mature, but GIS/map platforms ($5.4), outsourced GEOINT ($1.7) still the largest.	$13.6 bil (6.8% CAGR)	Automated EO analytics (often AI & ML-based) are growing rapidly (10.5% CAGR). Other sub-segments show more moderate growth (with further upside possible from future catalysts such as autonomous vehicles).
Total Size		**$19.9 bil**		**$26.3 bil**	

* Includes all remote sensing system types, including nation-state orders.

Defense & Intelligence End-Markets – Global defense and intelligence spending exceeded $2 trillion in 2020 and is expected to grow at 3.32% between 2020 and 2025. Largely derived from defense and intelligence budgets, spending for geospatial intelligence programs unlocks a variety of defense use cases, including: monitoring and predicting adversary or non-state-actor activities over particular areas of interest; maritime domain awareness for surveillance of coastlines and open oceans; border security; protection and monitoring of infrastructure; managing domestic security and defending against new threats (e.g., emergent missile and hypersonic weapon technologies).

Commercial End-Markets – Historically, commercial EO satellites were optimized for defense and intelligence applications, with most of the capacity reserved for government customers. However, a variety of factors are expected to unlock future opportunities, in multiple industries, including: *Agriculture* for the prediction and enhancement of crop yields; *Aviation* for improved weather and turbulence data; *Finance* to monitor commodity supplies globally; *Utilities* to monitor infrastructure and pipelines; *Security* to detect suspicious and unusual activities; *Insurance* to validate claims and underwriting risks; *Maritime* for fishery management and enforcement; *Natural resources* to reduce exploration and production costs; and *Real Estate* property monitoring and assessments for extracting information from satellite images, which can generate 20% of the revenue generated by the corresponding earth observation data. We are prioritizing solutions that are expected to deliver actionable intelligence to our customers, aided by our advanced AI/ML technology. Our AI/ML and analytics services can be used for multiple purposes, including risk management, inventory monitoring, site condition assessment, tracking global supply and commodities transport analysis.

Financial Summary

For the nine months ended September 30, 2021 and 2020, our revenue was $23.2 million and $19.1 million, respectively, and our EBITDA was $8.0 million and $8.3 million, respectively. For the years ended December 31, 2020, 2019 and 2018, our revenue was $25.9 million, $30.0 million and $27.2 million, respectively, and our EBITDA was $10.8 million, $13.2 million and $13.2 million, respectively. The expansion of solutions and capabilities and commercialization of two new satellites, EROS C1 and EROS C2, have resulted in new client wins and driven significant revenue growth for the nine months ended September 30, 2021. Since 2019, we have had an accelerating revenue backlog expansion driven by existing customer renewals and new opportunities. In addition, we have historically had a steadily growing pipeline with opportunities valued until (and including) 2032 at approximately $1.8 billion in total. The approximately $1.8 billion in opportunities pipeline consists of about $1.6 billion from existing customers and about $0.2 billion from potential new customers. Based on our pipeline and backlog, we expect strong revenue growth and operating leverage in the next few years, which are expected to feed into margin growth over time.

In the nine months ended September 30, 2021, we served six major customers, as well as several smaller customers, with our largest and second-largest customers accounting for 29% and 26% of our total revenue, respectively. The expansion of our solution set resulted in an improved customer revenue mix from 2020 when we served five major customers, as well as several smaller customers, with our largest and second-largest customers accounting for 38% and 30% of our total revenue, respectively.

Our total costs for the years ended December 31, 2020, 2019 and 2018 were $15.1 million, $16.8 million and $14.0 million, respectively, representing 58.1%, 56.0% and 51.2% of our revenue, respectively. For the nine months ended September 30, 2020 and 2021 our total costs were $10.9 million and $15.2 million, respectively, representing 56.9% and 65.5% of our revenue, respectively.

	Year ended December 31,			Nine months Ended September 30,	
	2020	2019	2018	2021	2020
	Audited			Unaudited	
	U.S. dollars in thousands				
Revenue	$ 25,917	$ 30,046	$ 27,253	$ 23,219	$ 19,139
Operating costs	8,036	9,051	8,330	6,749	5,882
Depreciation	2,143	6,190	6,914	2,327	1,665
Gross profit	15,738	14,805	12,009	14,143	11,592
Selling and marketing	2,280	2,241	2,306	1,866	1,536
General and administrative	2,814	2,495	2,018	2,719	1,929
Research and development	1,939	3,033	1,312	3,864	1,514
Operating income	8,705	7,036	6,373	5,694	6,613
Finance expenses, net	878	730	1,090	1,235	890
Income before taxes on income	7,827	6,306	5,283	4,459	5,723
Taxes on income	693	12	257	849	(54)
Net income	7,134	6,294	5,026	3,610	5,777
EBITDA[(1)]	10,848	13,226	13,287	8,021	8,278

[(1)] Net income plus depreciation, plus finance expenses (net), plus taxes on income. See below for reconciliation.

EBITDA reconciliation:

	Year ended December 31,			Nine months Ended September 30,	
	2020	2019	2018	2021	2020
	Audited			Unaudited	
	U.S. dollars in thousands				
Net income	7,134	6,294	5,026	3,610	5,777

	Year ended December 31,			Nine months Ended September 30,	
	2020	2019	2018	2021	2020
	Audited			Unaudited	
	U.S. dollars in thousands				
Depreciation	2,143	6,190	6,914	2,327	1,665
Finance expenses, net	878	730	1,090	1,235	890
Taxes on income	693	12	257	849	(54)
EBITDA[(1)]	10,848	13,226	13,287	8,021	8,278

Fiscal Year 2021 - Estimated Revenue and EBITDA

Set forth below are preliminary estimates of unaudited financial data for the three months ended December 31, 2021. Our unaudited interim consolidated financial statements for the three months ended December 31, 2021 are not yet available and our audited consolidated financial statements for the year ended December 31, 2021 are not yet available. The following information reflects our preliminary estimates for the year ended December 31, 2021 based on currently available information, is not a comprehensive statement of our financial results and could be subject to material changes. We have provided ranges, rather than specific amounts, for the preliminary estimates of the unaudited financial data described below because our financial results for the three months ended December 31, 2021 are not yet available and will be subject to certain closing procedures. As a result, our final results upon completion of our closing procedures may vary from the preliminary estimates. These estimates should not be viewed as a substitute for our full interim or annual financial statements prepared in accordance with the International Financial Reporting Standards ("IFRS"). Further, our preliminary estimated results are not necessarily indicative of the results to be expected for any future period. See the sections titled "Forward-Looking Statements" and "Risk Factors" in this Memorandum and the accompanying Israeli Prospectus and the documents incorporated by reference herein and therein for additional information regarding factors that could result in differences between the preliminary estimated ranges of certain of our unaudited financial data presented below and the actual financial data we will report for the three months and year ended December 31, 2021 or for the year ended December 31, 2021. The preliminary estimates for the three months and year ended December 31, 2021 presented below have been prepared by, and are the responsibility of, management. Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global, our independent registered public accounting firm, has not audited, reviewed, compiled or performed any procedures with respect to such preliminary data nor has Kost Forer Gabbay & Kasierer, a Member of Ernst & Young Global, reviewed or compiled the financial data for the comparative three-month period ended December 31, 2020. Accordingly, Kost Forer Gabbay & Kasierer, a Member of Ernst & Young Global, does not express an opinion or any other form of assurance with respect thereto.

The following table is based on our financial results for i) the nine months ended September 30, 2021; and ii) our expected revenue for the three month period ended December 31, 2021, based on backlog as reflected in the table below, and additional recognition of revenues for the three month period ended December 31, 2021 from a contract with an existing customer, Customer B, that was signed in January 2022 and has retroactive effect.[9] We expect that our revenue for the fiscal year 2021 will be approximately $36.0 million, which constitutes year-on-year

[9] During January 2022, the Company signed a contract with Customer B in the total amount of approximately $20.7 million (under which the Company will supply services from the satellites EROS B, EROS C2 and EROS C3 (when it is launched and enters into commercial service) together with accompanying ground services) until June 2023. This contract has a retroactive effect (the revenue from Customer B in respect of such contract was already recognized in the financial statements for the third quarter of 2021 for services provided before the signing of contract (on the basis of the separate undertaking that the customer gave for that quarter)). The said recognized revenue and the revenue that the Company estimates will be recognized for the fourth quarter of 2021 are in the total amount of approximately $3 million). The balance of the unrecognized revenue of this contract (approximately $17.7 million) is not included in the balance of the Backlog as of December 31, 2021, since it was signed after that balance sheet date.

revenue growth of approximately 38%. Based on such estimated revenue for the fiscal year 2021, our EBITDA is expected to be between $13.0 million to $14.0 million, which constitutes year-on-year EBITDA growth, in relation to 2020, of between 18% to 29%, respectively.

Recognition period for forecast income	Backlog as of December 31, 2020	Backlog as of September 30, 2021	Backlog as of December 31, 2021
	U.S. dollars in millions		
First nine months of 2021	$ 19.2	$ -	$ -
Q4 2021	4.4	11.0	-
2022	22.0	36.6	36.6
2023	11.7	66.8	66.8
2024 and thereafter	5.8	50.0	50.0
Total	**63.1**	**164.4**	**153.4**

Management Business Outlook Estimates

Backlog and Opportunities Pipeline

*Set forth below are estimates regarding our backlog and opportunities pipeline, which are based among others on our management expectations with respect to future agreements related to our services that we may enter into with our existing or prospective customers. These estimates are forward-looking and subject to significant business, economic, regulatory and competitive uncertainties and contingencies, many of which are beyond the control of the Company and our management, and are based upon assumptions concerning future decisions, which are subject to cha*nge. *In addition, many of these estimates are based on current or expected negotiations with current or prospective customers in connection with current or future services that we plan to offer; there is a substantial risk that the Company may not be able to successfully convert any of these current or future negotiations into actual revenue or other business opportunities. Actual results will vary and those variations may be material. See the sections titled "Forward-Looking Statements" and "Risk Factors" in this Memorandum and the accompanying Israeli Prospectus and the documents incorporated by reference herein and therein for additional information regarding factors that could result in material differences between our estimates and actual results. Nothing in this Memorandum or the Israeli Prospectus should be regarded as a representation by any person that these estimates will be achieved and the Company undertakes no duty to update its estimates.*

Bulk orders (backlog) - As of December 31, 2020 and as of September 30, 2021, our backlog was approximately $63.1 million and $164.4 million, respectively.[10]

Opportunities pipeline - is an index that we use based on actual and concrete business opportunities that have not yet matured into commercial undertakings and, based on our estimates and experience, we estimate that there is a more than 50% probability that they will materialize.[11] It is clarified that the index is only calculated on the basis

[10] Out of our total backlog for September 30, 2021, (i) Customer A represented $10.6 million, (ii) Customer C represented $1.8 million, (iii) Customer D represented $30.4 million, (iv) Customer E represented $4.9 million, (v) Chile represented $109.9 million and (vi) others represented $6.8 million.

[11] In light of long-standing relationships with our existing strategic customers, the length of the existing contracts with them and the fact that contracts have been renewed with them a number of times in the past (whether by way of extensions to existing contracts or, in the case of Customers A and B, also a transition between satellites, i.e., from receiving services from the EROS A satellite to the EROS B satellite) (excluding Customer E, which is a new customer of the Company from 2021), our management considers that opportunities involving these customers as having greater prospects of materializing than those of new potential customers and, indeed, approximately $1.6 billion of the opportunities pipeline stems from potential transactions from our existing customers. As for other opportunities, generally, said probability is based onour estimations and experience, including, the following factors: (a) the level of familiarity with the customer and the length of the commercial relationship with it; (b) an estimation of its security needs and the systemic alternatives available to it; (c) an estimation of its budgetary availability and

of business opportunities in the defense industry. As of the date of this Memorandum our business teams are in various stages of interactions with existing and potential customers for potential future transactions. As of December 31, 2021 pipeline opportunities amounted to approximately $1.8 billion.[12] There is no certainty that the interactions in connection with the said future transactions will mature into binding agreements and that these will be realized in practice in whole or in part. As of the date of this Memorandum, of the opportunity pipeline, approximately $1.5 billion represent opportunities with an average length of supply of approximately three years and there is one transaction of approximately $0.3 billion with an average length of supply of approximately eight years. The total of the above index is calculated over a period of up to 10 years, i.e., up to 2032 (inclusive), whereby approximately $1.5 billion is spread across a period of up to 6 years (i.e., up to 2027 (inclusive)) and the balance up to the end of the period of the index (up to 10 years).

Taking into account our backlog and only five opportunities (all in connection with Customers A, B and C), which, in our estimation have the highest probability of coming to pass, out of dozens of opportunities that comprise our opportunities pipeline as of the date of the Memorandum, we expect that by 2024 our revenue will be between $102 million to $134 million. Accordingly, we expect our annual EBITDA to be $48 to $76 million.

its willingness to invest it in solutions of the type that we provide; (d) an estimation of the maturity of the customer's procurement process; (e) an estimation of the suitability of our solutions for the needs of the customer; (f) an estimation of our competitive position in relation to other suppliers; (g) an estimation of the desire of the customer to develop its space activity; (h) an estimation of the political climate in the customer's country.

[12] The amount of approximately $1.8 billion in respect of the opportunities pipeline comprises a total of approximately $1.6 billion from existing customers and approximately $0.2 billion from new customers. The opportunities pipeline divided in accordance with product lines is as follows: (1) Satellite services – approximately 57%; (2) Analytics and artificial intelligence – approximately 5%; and (3) Space-based it urgent infrastructures – approximately 38%.

RISK FACTORS

Our business, financial condition and results of operations could be materially and adversely affected if any of the risks described in this Memorandum occur. As a result, the market price of the Shares could decline, and you could lose all or part of your investment. This Memorandum also contains forward-looking statements that involve risks and uncertainties. For more information, see the section of the Wrapper entitled "Special Note Regarding Forward-Looking Statements." Our actual results could differ materially and adversely from those anticipated in these forward-looking statements as a result of certain factors, including the risks facing our Company or investments in Israel described below, in the Draft Prospectus and elsewhere in this Memorandum. In particular, we urge you to carefully consider the risk factors set forth below those under Section 6.37 "Discussion of Risk Factors" in Chapter 6 of the Draft Prospectus.

Risk Factors Related to Our Business

For a discussion of risks related to our business, see the section of the Israeli Prospectus entitled "*Discussion of risk factors*."

Risk Factors Related to Israel

Our corporate headquarters, research and development sites and key employees are located in Israel and, therefore, our business and operations may be adversely affected by political, economic and military conditions in Israel.

We are incorporated under Israeli law and our corporate headquarters and research and development teams are located in Israel. In addition, substantially all of our key employees, directors and officers are residents of Israel. Accordingly, political, economic and military conditions in the Middle East in general, and in Israel in particular, may directly affect our business. Such conditions, could, among others, affect our ability to continue our marketing efforts, development efforts and support our products during periods of heightened activity and may result in a decline in demand for our products and services that may adversely affect our results of operations.

Since the State of Israel was established in 1948, a number of armed conflicts have occurred between Israel and its neighboring countries, and since 2000, there have been increasing occurrences of terrorist violence. In recent years, hostilities between Israel and Hezbollah in Lebanon (and Syria) and Hamas in the Gaza Strip have both involved missile strikes in various parts of Israel causing disruption of economic activities. This violence has strained Israel's relationship with its Arab citizens, Arab countries and, to some extent, with other countries around the world. Our corporate headquarters, research and development, service and payments teams are located within the range of missiles that could be fired from Lebanon, Syria or the Gaza Strip into Israel. In addition, Israel faces many threats from more distant neighbors, in particular Iran (which is believed to be an ally of Hamas in Gaza and Hezbollah in Lebanon). Any armed conflicts involving Israel or in the region or any political instability in the region, including acts of terrorism as well as cyberattacks or any other hostilities involving or threatening Israel, might negatively affect business conditions and make it more difficult for us to maintain continuous operations of business.

In addition, our employees may be called upon to perform up to 36 days (and in some cases more) of annual military reserve duty until they reach the age of 40 (and in some cases, up to the age of 45 or older) and, in emergency circumstances, could be called to active duty. In response to increased tension and hostilities, there have been occasional call-ups of military reservists, including in connection with the mid-2006 war in Lebanon and the December 2008, November 2012, July 2014 and May 2021 conflicts with Hamas in the Gaza Strip. It is possible that there will be additional call-ups in the future. Our business could be disrupted by the absence of a significant number of employees or the absence of one or more key employees for extended periods of time due to military service. Such disruption could materially adversely affect our business, results of operations and revenue. Additionally, the absence of a significant number of the employees of our service providers and contractors for extended periods of time due to military service may disrupt their operations and thereby affect the operation of our business and results of operations. Conversely, limitations imposed upon the Company by the Government of Israel as a result of connections and strategic conventions with foreign countries limit the Company's activity and its access to certain international markets. This, in turn, could limit or even preclude the Company's activity and worsen its results. Likewise, the Company's defense/security activity depends upon obtaining various approvals and

licenses that pertain to defense/security exports. These licenses are limited in time and are required for each product. The Company cannot ensure that those export approvals will be issued, will be renewed, or will not be revoked in the future. Changes in the export policy of the Government of Israel and/or foreign governments in the countries where the Company is active, and regulatory changes pertaining to export, might detract from the Company's ability to provide certain services in the future. The Company might be subject to licensing requirements and regulatory requirements in countries where it provides services. The Company's business is sensitive to regulatory changes in those countries.

Several countries, principally in the Middle East, as well as certain companies, organizations and movements, restrict doing business with Israel or Israeli companies, and additional countries may impose restrictions on doing business with Israel and Israeli companies. In addition, there have been increased efforts by activists to cause companies and consumers to boycott Israeli goods and services based on Israeli government policies. The Boycott, Divestment and Sanctions Movement, a global campaign attempting to increase economic and political pressure on Israel to comply with the stated goals of the movement, may gain increased traction and result in a boycott of Israeli products and services. Political changes in the countries in which the Company operates, as well as changes in the diplomatic relations between Israel and those countries, might reduce or even cause the elimination of the Group's activity in those countries.

Any hostilities involving Israel or the interruption or curtailment of trade between Israel and its present trading partners, or significant downturn in the economic or financial condition of Israel or Israeli companies, could adversely affect our business, results of operations and financial condition.

Risks Related to the Shares and this International Offering

The market price of the Shares will be subject to fluctuation, which could result in substantial losses for our investors.

The stock market in general, and the market price of the Shares in particular, will be subject to fluctuation, and changes in the market price of the Shares may be unrelated to our operating performance. The market price of the Shares is and will be subject to a number of factors, including those described in the Draft Prospectus and the following:

- general market conditions;
- regional security in Israel and decisions by the Israeli government that affect us;
- exchange rate fluctuations;
- variations in our and our competitors' results of operations;
- changes in the regulatory environment;
- changes in expectations as to our future financial performance, including earnings estimates or recommendations by securities analysts and investors;
- technology changes;
- information security failures and instability of information systems;
- technical failures and damage to infrastructure;
- declines in the market price of shares generally;
- future sales of our Shares or other securities;
- investor perceptions of the investment opportunity associated with our Shares relative to other investment alternatives;

- the public's response to press releases or other public announcements by us or third parties;
- announcements related to litigation;
- guidance, if any, that we provide to the public, any changes in this guidance, or our failure to meet this guidance;
- changes in accounting principles;
- risks related to our business and industry, including those described in Section 6.37 in Chapter 6 of the Draft Prospectus;
- risks related to compliance with anti-bribery laws and regulations in different markets and industries;
- risks unique to the Company, including those described in Section 6.37 in Chapter 6 of the Draft Prospectus;
- general market conditions and other factors, including factors unrelated to our operating performance; and
- events such as the epidemics (*i.e.*, such as the COVID-19 pandemic, as described in Sections 6.16.7 and 6.37) in Chapter 6 of the Draft Prospectus), natural disasters, war or acts of terrorism.

These factors mentioned above, the risk factors described in Section 6.37 in Chapter 6 of the Draft Prospectus and any corresponding price fluctuations may materially and adversely affect the market price of the Shares and result in substantial losses for our investors.

Your rights and responsibilities as a shareholder will be governed by Israeli law, which differs in some material respects from the rights and responsibilities of shareholders of U.S. companies.

The rights and responsibilities of the holders of our Shares are governed by our amended and restated articles of association, which will become effective upon the closing of the Israeli Initial Public Offering, and by Israeli law. These rights and responsibilities differ in some material respects from the rights and responsibilities of shareholders in U.S. corporations. For example, a shareholder of an Israeli company has a duty to act in good faith and in a customary manner in exercising its rights and performing its obligations towards such company and its shareholders, and to refrain from abusing its power in such company, including, among other things, voting at a general meeting of shareholders on matters such as amendments to a company's articles of association, increases in a company's authorized share capital, mergers and acquisitions and related party transactions requiring shareholder approval. A shareholder also has a general duty to refrain from oppressing other shareholders. In addition, a shareholder who is aware that it possesses the power to determine the outcome of a shareholder vote or to appoint or prevent the appointment of a director or executive officer in the company has a duty of fairness toward the company. There is limited case law available to assist us in understanding the nature of these duties or the implications of these provisions. These provisions may be interpreted to impose additional obligations and liabilities on holders of our Shares that are not typically imposed on shareholders of U.S. corporations.

You may have difficulties enforcing a U.S. judgment against us or our executive officers and directors and some of the experts named in this Memorandum in respect of any obligations under the Shares, or in asserting foreign securities law claims in Israel.

All or a substantial portion of our assets and the assets of our directors and executive officers and some of the experts named in this Memorandum are located in Israel. Therefore, a judgment obtained against us or any of them in a United States or another foreign jurisdiction, including one based on the civil liability provisions of the U.S. federal securities laws, may not be collectible in the United States or such other jurisdiction and may not be enforced by an Israeli court. It may also be difficult for you to assert foreign securities laws claims in original actions instituted in Israel. Israeli courts may refuse to hear a claim based on an alleged violation of foreign securities laws on the grounds that Israel is not the most appropriate forum in which to bring such a claim. Even if an Israeli court agrees to hear a claim, it may determine that Israeli law and not such foreign law is applicable to the claim. If foreign law is found to be applicable, the content of applicable foreign law must be proved by expert witnesses, which can be a time-consuming and costly process. Certain matters of procedure will also be governed by Israeli

law. There is little binding case law in Israel addressing the matters described above. For more information regarding the enforceability of civil liabilities against us, our directors, executive officers and the Israeli experts named in this Memorandum, please refer to the section in the Wrapper entitled "*Service of Process and Enforcement of Civil Liabilities*."

Any judgment obtained against us in Israeli courts in respect of any obligations under the Shares may be payable in Israeli currency.

If a foreign judgment is enforced by an Israeli court, it generally will be payable in Israeli currency, which can then be converted into non-Israeli currency and transferred out of Israel. Under existing Israeli law, a foreign judgment payable in foreign currency may be paid in Israeli currency at the rate of exchange in force on the date of the payment. Notwithstanding this, Israeli law permits a judgment debtor to make payment in foreign currency. Pending collection, the amount of the judgment of an Israeli court stated in Israeli currency ordinarily will be linked to the Israeli consumer price index plus interest at the annual statutory rate set by Israeli regulations prevailing at the time. Judgment creditors must bear the risk of unfavorable exchange rates.

Shareholders in the United States and other non-Israeli jurisdictions may not be able to participate in future equity offerings.

Securities laws of certain jurisdictions may restrict our ability to allow participation by shareholders in future offerings. In particular, shareholders in the United States or in certain other jurisdictions may not be entitled to participate in future offerings unless the shares are registered under the U.S. Securities Act, or the shares are offered pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act, or equivalent local securities laws. In such cases, shareholders in non-Israeli jurisdictions may experience a dilution in their shareholding.

We cannot assure prospective investors that any exemption from such non-Israeli securities law requirements would be available to enable shareholders in the United States or certain other jurisdictions to participate in future offerings or, if available, that we will utilize such exemption.

No market currently exists for the Shares and we cannot assure you that an active trading market will develop for the Shares.

Prior to the Global Offering, there has been no public market for the Shares. We cannot predict the extent to which investor interest in our Company will lead to the development of an active and liquid trading market for our Shares, or, if developed, that it will be sustained after completion of the Global Offering. If an active market does not develop, you may have difficulty selling any of the Shares that you purchase in this International Offering. The Offer Price has been determined by us through a book-building process carried out by the Sole Global Coordinator and the local distributors and may not be indicative of prices that will prevail in the open market following this International Offering. Investors therefore may not be able to resell the Shares at or above the Offer Price.

Lower trading volumes in the Company's ordinary Shares could have a negative effect on shareholders' ability to sell their Shares.

The Shares will only be traded on the TASE. Historically, trading volumes in shares listed on the TASE have been lower in comparison to trading volumes in shares listed other major international markets. The relatively lower trading volumes in shares traded on the TASE could negatively affect shareholders' ability to sell their Shares.

Investors may face foreign exchange risks by investing in the Shares.

The Shares are priced and will trade in ILS. In addition, any potential dividends declared or payable in the future may be paid, solely at the option of the Company, in U.S. dollars or ILS. Accordingly, the value of the Shares or any ILS- denominated dividends declared or payable in the local currency of the country in which an investor outside of Israel is based is likely to fluctuate in line with any fluctuation of the exchange rate between such local currency and the ILS. If the value of the ILS depreciates against the local currency of the country in which an investor outside Israel is based, the value of the Shares in such local currency will decrease.

The transfer of the Shares in the United States is restricted, which could adversely affect their liquidity and the price at which they may be sold.

The Shares have not been registered under, and will not be registered under, the U.S. Securities Act, and unless so registered, the Shares may not be offered or sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and any other applicable laws. The Shares are not being offered for sale in the United States except to QIBs in accordance with Rule 144A and the Shares are only being offered outside the United States to Qualifying Investors in compliance with Regulation S. Please refer to the section in the Wrapper entitled "*Transfer Restrictions*." You may only transfer or sell Shares initially sold in reliance on Rule 144A to QIBs and in reliance on Regulation S to Qualifying Investors.

As a result of the foregoing, you may be required to bear the risk of your investment in the Shares for an indefinite period of time.

It is your obligation to ensure that your offers and sales of the Shares within the United States and other countries comply with applicable securities laws.

We will not be subject to the Sarbanes-Oxley Act of 2002.

Because we will not register the Shares under the U.S. Securities Act after the Global Offering, we will not be subject to the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley"), which requires public companies to have and maintain effective disclosure controls and procedures to ensure timely disclosure of material information, and have management review the effectiveness of those controls on a quarterly basis. Sarbanes-Oxley also requires public companies to have and maintain effective internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements, and have management review the effectiveness of those controls on an annual basis (and have the independent auditor attest to the effectiveness of such internal controls). We will not be required to comply with these requirements, and therefore we will not have comparable procedures in place as compared to U.S. public companies. Companies whose shares are listed on the TASE are subject to Section 9B of the Israeli Securities Regulations (Periodic and Immediate Reports), 1970, which requires the management of a public company and its independent auditors to opine on the effectiveness of the internal audit of the company's financial reporting and disclosure. However, under an exemption set forth in said regulations, companies conducting initial public offerings are generally exempt from the requirement to publish an audit report on the effectiveness of the internal audit of the financial reporting and disclosure for a period of five years.

Future sales of the Shares by the Selling Shareholders, such as sales after the end of lock-up periods, could cause our Share price to decline.

Assuming the full allocation of the Shares in the Global Offering following completion of the Global Offering, the market price of the Shares could decline if there are substantial sales of the Shares, particularly sales by the Selling Shareholders when a large number of Shares are sold. Subject to certain exceptions and as described in Section 3 in Chapter 3 of the Draft Prospectus, the Selling Shareholders (excluding Noam Segal, Kfir Aviv) are subject to a mandatory lock-up prescribed by TASE Bylaws pursuant to which (a) during the first three months immediately after the initial public offering, the Selling Shareholders may not sell their Shares, or enter into certain other transactions with respect to their Shares and (b) during the period commencing after three months from the initial public offering and ending eighteen (18) months after the initial public offering, not to trade more than 2.5% of their Shares during any one month period or enter into transactions or perform other actions with similar effect. After the expiry of these periods and the contractual lock-ups agreed with the Sole Global Coordinator pursuant to the Purchase Agreement among the Company, the Selling Shareholders and the Sole Global Coordinator (such agreement, the "Purchase Agreement") as described in the Israeli Prospectus, the shareholders subject to the lock-up will be free to sell their Shares. Any sales of a substantial number of Shares or, or the perception that such sales might occur, could cause the market price of the Shares to decline. For further details, see the section of the Wrapper entitled "*Plan of Distribution for this International Offering*."

If equity research analysts issue unfavorable commentary or downgrade our shares, the price of the Shares could decline.

The trading market for the Shares will rely in part on the research and reports that equity research analysts publish about us and our business. The price of the Shares could decline if one or more securities analysts downgrade the Shares or if those analysts issue other unfavorable commentary or cease publishing reports about us or our business.

You may be diluted by the future issuance of additional shares in connection with financings, acquisitions, investments, our share incentive plans or otherwise.

We may choose to raise substantial further equity capital in the future in order to finance unanticipated working capital requirements, execute our business strategy or respond to competitive pressures. The issuance of any additional ordinary shares in the future, or any securities that are exercisable for or convertible into our ordinary shares, will have a dilutive effect on our shareholders since, by issuing equity or convertible debt securities, we will reduce the percentage ownership of our then-existing shareholders and these securities may have dividend preferences senior to those of our existing shareholders. Any ordinary shares that we issue would dilute the percentage ownership held by the investors who purchase International Shares.

Israeli law, including applicable securities regulations and tax considerations, may delay, prevent or make difficult an acquisition of us, which could prevent a change of control and negatively affect the price of our ordinary shares.

Israeli corporate law regulates mergers, requires tender offers for acquisitions of shares above specified thresholds, requires special approvals for certain transactions involving directors, officers or significant shareholders and regulates other matters that may be relevant to these types of transactions. Each of these provisions of Israeli law may delay, prevent or make difficult an acquisition of us, which could prevent a change of control and therefore negatively affect the price of our ordinary shares. For example, under the Israeli Companies Law, 1999 (the "Israeli Companies Law") upon the request of a creditor of either party to a proposed merger, the court may delay or prevent the merger if it concludes that there exists a reasonable concern that as a result of the merger the surviving company will be unable to satisfy the obligations of any of the parties to the merger.

In addition, pursuant to our Articles of Association, as long as we are subject to the Israeli Security Arrangements for Public Entities (Definition of Security Establishment Enterprises and Enterprises that Manufacture Products for the Security Establishment (Amendment), 5779-2019 (the "Order"), no person may hold means of control in our Company in an amount exceeding 12% of the issued and paid-up capital of the Company without the prior written approval of the Israeli Ministry of Defense, subject to the authority of the Ministry of Defense to change the foregoing rate at a range of 12-15% by written notice to the Company. Any holdings that exceed such threshold without the requisite consent ("Excess Holdings") shall not grant their holder voting rights or a right to appoint directors or any economic right such as the right for dividend, and may be forfeited by us in accordance with the provisions of our Articles of Association. Additionally, our Articles of Association provide that any transfer of "control" (as defined in the Israeli Securities Law, 1968) over us requires the prior written approval of the Israeli Ministry of Defense.

Furthermore, Israeli tax considerations may make potential transactions unappealing to us or to our shareholders, especially for those shareholders whose country of residence does not have a tax treaty with Israel, which exempts such shareholders from Israeli tax or provides them with a tax credit for any Israeli tax paid. For example, Israeli tax law does not recognize tax-free share exchanges to the same extent as U.S. tax law. With respect to mergers, Israeli tax law allows for tax deferral in certain circumstances but makes the deferral contingent on the fulfillment of a number of conditions, including, in some cases, a holding period of two years from the date of the transaction during which sales and dispositions of shares of the participating companies are subject to certain restrictions as well as fulfillment of specific conditions. Moreover, with respect to certain share swap transactions, the tax deferral is limited in time, and when such time expires, the tax becomes payable even if no disposition of the shares has occurred. In order to benefit from the tax deferral, a pre-ruling from the Israel Tax Authority is required.

There can be no assurance that the Company will not be a passive foreign investment company ("PFIC") for the current or any future year, which could result in adverse U.S. federal income tax consequences to U.S. investors in our Shares.

In general, a non-U.S. corporation will be a PFIC for any taxable year in which (i) 75% or more of its gross income consists of passive income or (ii) 50% or more of the value of its assets (generally determined on a quarterly average basis) consists of assets that produce, or are held for the production of, passive income. For purposes of the above calculations, a non-U.S. corporation that directly or indirectly owns at least 25% by value of the shares of another corporation is treated as if it held its proportionate share of the assets of the other corporation and received directly its proportionate share of the income of the other corporation. Passive income generally includes interest, rents, dividends, certain gains and royalties (other than certain rents and royalties derived in the active conduct of a trade or business). Goodwill is treated as an active asset under the PFIC rules to the extent attributable to activities that produce active income. Cash is generally a passive asset.

Based on the manner in which the Company currently operate its business, the current and expected composition of its income and assets and the expected value of its assets (including the value of its goodwill, which is based on the expected price of the Shares in the Global Offering), the Company does not expect to be a PFIC for its current taxable year or in the foreseeable future. However, a company's PFIC status is an annual determination that can be made only after the end of each taxable year, and the Company's PFIC status for each taxable year will depend on the composition of its income and assets and the value of its assets from time to time, including goodwill (which may be determined by reference to the market value of the Shares, which may be volatile), and the manner in which the Company operates its business. Because the Company will hold a substantial amount of cash following the Global Offering, it may be or become a PFIC if its market capitalization declines. Accordingly, the Company cannot assure U.S. investors that it will not be a PFIC for the current or any future taxable year. The Company does not intend to provide any annual assessments of its PFIC status for any taxable year. If the Company were a PFIC for any taxable year during which a U.S. taxpayer held our Shares, the U.S. taxpayer generally would be subject to adverse U.S. federal income tax consequences, including increased tax liability on disposition gains and certain distributions and additional reporting requirements. See "Certain U.S. Federal Income Tax Considerations—Passive Foreign Investment Company Rules."

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For information on the Company's *Management's Discussion and Analysis of Financial Condition and Results of Operations*, please see the *Board of directors' report on the state of the Company's affairs and Chapter 6: Description of the Company's Business and Activity of the Draft Prospectus*.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Company is organized under the laws of the State of Israel. All of the Company's directors and officers named herein reside outside of the United States (principally in Israel). All or a substantial portion of the assets of these persons and of the Company are located outside of the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons or the Company or its assets or to enforce against them judgments obtained in U.S. courts predicated upon the civil liability provisions of the federal securities laws of the United States. Please refer to the risk factor in the Wrapper entitled *"Risk Factors Related to Israel—You may have difficulties enforcing a U.S. judgment against us or our executive officers and directors and some of the experts named in this Memorandum in respect of any obligations under the Shares, or in asserting foreign securities law claims in Israel."*

We have been informed by our legal counsel in Israel, Naschitz, Brandes, Amir & Co., Advocates that it may be difficult to initiate an action with respect to the securities laws of another jurisdiction (referred to as "foreign securities laws") in Israel. Israeli courts may refuse to hear a claim based on an alleged violation of foreign securities laws, reasoning that Israel is not the most appropriate forum to hear such a claim. In addition, even if an Israeli court agrees to hear such a claim, it may determine that Israeli law and not the laws of another jurisdiction is applicable to the claim. If the laws of another jurisdiction are found to be applicable, the content of such applicable laws must be proved as a fact by expert witnesses, which can be a time-consuming and costly process. Certain matters of procedure may also be governed by Israeli law.

Subject to certain time limitations and legal procedures, Israeli courts may enforce the judgment of a court of another jurisdiction in a civil matter which is non-appealable, (including, for example, a judgment based upon the civil liability provisions of the U.S. Securities Act and the U.S. Exchange Act), and including a monetary or compensatory judgment in a non-civil matter, provided that, among other things:

- the judgment was rendered by a court which was, according to the laws of the state of the court, competent to render the judgment;
- the obligation imposed by the judgment is enforceable according to the rules relating to the enforceability of judgments in Israel and the substance of the judgment is not contrary to public policy; and
- the judgment is executory in the state in which it was given.

Even if these conditions are met, an Israeli court will not declare a foreign civil judgment enforceable if:

- the judgment was rendered in a state whose laws do not provide for the enforcement of judgments of Israeli courts (subject to exceptional cases);
- the enforcement of the judgment is likely to prejudice the sovereignty or security of the State of Israel;
- the judgment was obtained by fraud;
- the opportunity given to the defendant to bring its arguments and evidence before the court was not reasonable in the opinion of the Israeli court;
- the judgment was rendered by a court not competent to render it according to the laws of private international law as they apply in Israel;
- the judgment is contradictory to another judgment that was rendered in the same matter between the same parties and that is still valid;
- at the time the action was brought in the foreign court, an action in the same matter and between the same parties was pending before a court or tribunal in Israel; or
- The enforcement is time-barred.

If a foreign judgment is enforced by an Israeli court, it generally will be payable in Israeli currency, which can then be converted into non-Israeli currency and transferred out of Israel. The usual practice in an action before an Israeli court to recover an amount in a non-Israeli currency is for the Israeli court to issue a judgment for the equivalent amount in Israeli currency at the rate of exchange in force on the date of the judgment, but the judgment debtor may make payment in foreign currency. Pending collection, the amount of the judgment of an Israeli court stated in Israeli currency ordinarily will be linked to the Israeli consumer price index plus interest at the annual statutory rate set by Israeli regulations prevailing at the time. Judgment creditors must bear the risk of unfavorable exchange rates. Please refer to the risk factor in the Wrapper entitled *"Risk Factors Related to Israel—Any judgment obtained against us in Israeli courts in respect of any obligations under the Shares may be payable in Israeli currency" and "Risk Factors Related to Israel— You may have difficulties enforcing a U.S. judgment against us or our executive officers and directors and some of the experts named in this Memorandum in respect of any obligations under the Shares, or in asserting foreign securities law claims in Israel."*

LEGAL AND REGULATORY MATTERS

For information on the Company's *Legal and Regulatory Matters*, please see Sections 6.29, 6.30, 6.33 and 6.37 in Chapter 6 of the Draft Prospectus.

CERTAIN ISRAELI TAX CONSIDERATIONS

The following is a description of certain Israeli tax consequences of the ownership and disposition of the Shares acquired in the Global Offering by non-Israeli tax residents and should be read in conjunction with the discussion in Chapter 2 of the Draft Prospectus entitled "Details of the Offer of the Securities—Taxation." This discussion does not purport to be a comprehensive description of all the Israeli tax considerations that may be relevant to a particular person's decision to acquire the Shares and it does not describe all of the potential Israeli tax considerations that may be applicable to a potential investor. This summary applies only to potential investors who hold the Shares as capital assets and not to traders or dealers in securities. It is based on Israeli tax law and the Convention between the Government of the United States and the Government of the State of Israel with respect to Taxes of Income, as amended (the "Treaty") as of the date hereof, changes to any of which subsequent to the date of this Memorandum may affect the tax consequences described herein, possibly with retroactive effect.

Prospective purchasers of Shares should consult their own tax advisors with respect to Israeli and non-Israeli tax consequences of the ownership and disposition of the Shares in their particular circumstances including the application of any tax treaty between Israel and their country of residence.

As is customary when making financial investment decisions, the tax implications associated with investing in the securities offered under the prospectus should be considered. The provisions contained in the prospectus regarding the taxation of securities do not purport to constitute an authoritative interpretation of the provisions of the law mentioned in the prospectus, and do not replace professional and individual advice, depending on the special data and the unique circumstances of each investor. It is recommended that anyone seeking to purchase securities under this prospectus seek professional advice in order to clarify the tax results that will apply to him, taking into account his unique circumstances.

Taxation of Dividend Distributions

As described in Chapter 2 of the Draft Prospectus entitled "Details of the Offer of the Securities—Taxation" applicable to dividend income with respect to the offered securities," dividends distributed to our non-Israeli shareholders, both corporations and individuals, will generally be subject to a 25% Israeli tax, or in the case of a Substantial Shareholder (as defined below), a 30% Israeli tax, in each case unless reduced under an applicable tax treaty. A "Substantial Shareholder" means a shareholder who holds, directly or indirectly, alone or with others, at least 10% or more of one or more classes of the Company's means of control (which includes the right to receive profits of the Company, voting rights, the rights to receive proceeds upon the Company's liquidation or the right to appoint a director) on the date of the distribution or on any date in the preceding 12 months of the distribution. If the dividend is distributed from income that was subject to a reduced tax rate under the Israeli Law for Encouragement of Capital Investments, 1959 (the "Encouragement Law"), then the applicable tax rate would generally be 20%.

Dividends paid by a company whose shares are registered in and held by a Nominee Company will be subject to withholding tax at a rate of 25%. Under the Treaty, the maximum tax on dividends paid to a U.S. resident shareholder, whether a corporation or an individual, who is entitled to the benefits under the Treaty is 25%. The Treaty further provides for a reduced 12.5% withholding tax rate on dividends paid by an Israeli company to a U.S. shareholder who is entitled to the benefits of the Treaty and is a U.S. corporation holding at least 10% of the voting rights of the Company during the portion of the current taxable year of the Company that precedes the date of payment of the dividend and the entire preceding taxable year of the Company and if certain other conditions are met, unless the dividend is distributed from income that was subject to a reduced tax rate under the Encouragement Law, in which case the applicable withholding tax rate is 15%, subject to meeting certain other conditions as prescribed under the Treaty.

The aforementioned rates under the Treaty will not apply if the dividend income was derived through a permanent establishment of the U.S. shareholder in Israel.

Eligibility to benefit from tax treaties is conditioned upon the holder presenting a withholding certificate issued by the Israel Tax Authority prior to the applicable payment.

A non-Israeli resident who receives a dividend derived from or accrued in Israel from which tax was withheld is generally exempt from the duty to file tax returns in Israel with respect to such income, provided that (i) such income was not generated from business conducted in Israel by the taxpayer,(ii) the taxpayer has no other taxable

sources of income in Israel with respect to which a tax return is required to be filed and (iii) the taxpayer is not subject to Surtax (as further discussed below).

Taxation of Capital Gains from Sale of Shares

Israeli domestic law generally imposes capital gains tax on the sale of any capital assets by residents of Israel, as defined for Israeli income tax purposes, and on the sale of assets located in Israel, including shares in Israeli companies, by both residents and non-residents of Israel, unless a specific exemption is available or unless a tax treaty between Israel and the shareholder's country of residence provides otherwise.

As described in Section 2.13.1 in Chapter 2 of the Draft Prospectus "Details of the Offer of the Securities—Taxation—Capital gain from the sale of the offered securities," capital gains of non-Israeli shareholders upon sale of the Shares are generally exempt from Israeli taxation under Israeli domestic law provided that the relevant legal conditions are met (including that the gains were not derived from a permanent establishment in Israel of such non-Israeli shareholders), except in certain cases of non-Israeli resident entity shareholders with substantial Israeli rights holders (as described in Chapter 2 of the Draft Prospectus) or to non-Israeli shareholders whose gains from selling of the shares are deemed to be business income. Furthermore, non-Israeli corporations will not be entitled to such exemption if one or more Israeli residents, whether directly or indirectly, (i) hold more than 25% of the means of control in such non-Israeli corporation, or (ii) are the beneficiaries of or are entitled to 25% or more of the revenues or profits of such corporation. If the exemption under Israeli law does not apply (*e.g.*, because one or more the legal conditions have not been met, the tax law has changed etc.), non-Israeli individual shareholders would generally be subject to Israeli tax at a rate of 25%, or 30% for a Substantial Shareholder on capital gains from the sale of Shares, and non-Israeli corporate shareholders will be subject to the regular corporate tax rate (23% in 2021) (which may be withheld at source at a rate of 25% for individuals and at the regular corporate tax rate for corporations) unless a reduced tax rate or an exemption is available under an applicable income tax treaty.

Pursuant to the Treaty, capital gains arising from the sale, exchange or disposition of Shares by a person who qualifies as a resident of the United States within the meaning of the Treaty and who holds the Shares as a capital asset and is entitled to claim the benefits afforded to such person by the Treaty will generally not be subject to the Israeli capital gains tax unless (i) such person holds, directly or indirectly, Shares representing 10% or more of our voting power during any part of the 12-month period preceding such sale, exchange or disposition, subject to particular conditions, (ii) the capital gains arising from such sale, exchange or disposition can be allocated to a permanent establishment of the shareholder located in Israel or (iii) the U.S. shareholder is an individual and was present in Israel for a period or periods of 183 days or more in the aggregate during the relevant tax year. If the sale, exchange or disposition of such Shares by the U.S. resident is not exempt under the Treaty, it would be subject to Israeli tax, to the extent applicable, unless exempt under Israeli domestic law as described above. Eligibility to benefit from tax treaties is conditioned upon the holder presenting a withholding certificate issued by the Israel Tax Authority prior to the applicable payment.

Since availability of an exemption from capital gains tax under Israeli domestic law or under the Treaty depends on a U.S. shareholder's particular circumstances, U.S. shareholders should consult their tax advisors regarding whether such an exemption would be available to them.

As is customary when making financial investment decisions, the tax implications associated with investing in the securities offered under the prospectus should be considered. The provisions contained in the prospectus regarding the taxation of securities do not purport to constitute an authoritative interpretation of the provisions of the law mentioned in the prospectus, and do not replace professional and individual advice, depending on the special data and the unique circumstances of each investor. It is recommended that anyone seeking to purchase securities under this prospectus seek professional advice in order to clarify the tax results that will apply to him, taking into account his unique circumstances. In addition, the provisions included reflect the provisions of the law and interpretation as they are as of the date of the proposal report.

Offsetting and losses from the sale of the offered securities

As a rule, losses in the tax year arising from the sale of securities offered in a particular tax year and if capital gains were taxable by their recipient (individual or member of persons), will first be offset against real capital gains and real estate appreciation from the sale of any property (including negotiable security), in Israel Or outside it

(except for inflation-linked capital gains which will be offset by a ratio of 1 to 3.5), all in accordance with the provisions of section 92 of the Ordinance.

Capital loss as a result of the sale of a security in the tax year can also be offset against interest or dividends paid in respect of the same security or against interest or dividends paid in respect of other securities in the same tax year, provided that the tax rate applies to interest and dividends from the other security do not exceed tax rate. The companies specified in section 126 (a) of the Ordinance (in 2021 - 23%) in the same tax year in respect of a company, and in respect of an individual,

The offsetting of the losses will be effected by way of offsetting the capital loss against capital gains or against such interest income or dividend (except for the inflationary debt which must be offset in a ratio of 1 to 3.5) and all subject to the provisions of section 92 of the Ordinance.

A capital loss that cannot be offset in the tax year will be offset against capital gains and real estate appreciation only as stated in section 92 (b) of the Ordinance in subsequent tax years, after the year in which the loss was incurred, provided a report was submitted to the ITA.

Pursuant to the provisions of section 94C of the Ordinance, the sale of a share by a member of the people shall be deducted from the amount of the capital loss arising from the sale of the share a dividend received due to the share for twenty-four (24) months prior to the sale but not more than the loss.

Surtax

Individuals who are subject to tax in Israel (whether such individual is an Israeli resident or non-Israeli resident) are also subject to an additional tax at a rate of 3% on their annual income exceeding a certain threshold (ILS 647,640 for 2021), which amount is linked to the annual change in the Israeli consumer price index. The provisions of this section apply to all types of income, including but not limited to income from dividend, interest, capital gains and real estate appreciation, except for inflation-linked capital gains and the sale value of a right in real estate in a residential apartment exceeding NIS 4,615,245 and the said sale is not tax-exempt under any law and except for an inflationary amount.

The above description is not intended to constitute a complete analysis of all tax consequences of the ownership and disposition of the Shares. Prospective purchasers of Shares should read the discussion in Chapter 2 of the Draft Prospectus and consult their own tax advisors with respect to Israeli and non-Israeli tax consequences of the ownership and disposition of the Shares in their particular circumstances.

CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following is a description of certain U.S. federal income tax consequences to you, if you are a U.S. Holder described below of the ownership and disposition of the Shares, but it does not purport to be a comprehensive description of all tax considerations that may be relevant to your decision to acquire the Shares. This discussion applies to you only if you acquire Shares in the Global Offering and hold them as capital assets. In addition, this discussion does not describe all of the tax consequences that may be relevant to you in light of your particular circumstances, including alternative minimum tax consequences, any aspect of the Medicare contribution tax on "net investment income" and tax consequences that may apply to you if you are subject to special rules, for example if you are:

- a financial institution;
- an insurance company;
- a dealer or an electing trader in securities that marks its securities to market for U.S. income tax purposes;
- a person holding Shares as part of a straddle, integrated or similar transaction;
- a person whose functional currency for U.S. federal income tax purposes is not the U.S. dollar;
- an entity classified as a partnership for U.S. federal income tax purposes or a partner therein;
- a tax-exempt entity, an individual retirement account, or a "Roth IRA";
- a person that owns or is deemed to own 10% or more of the Company's stock by vote or value; or
- a person holding Shares in connection with a trade or business outside the United States.

If you are a partnership for U.S. federal income tax purposes, the U.S. federal income tax treatment of the ownership and disposition of the Shares with respect to you and your partners generally will depend on the status of the partners and your activities. If you are a partnership owning Shares or a partner therein, you should consult your tax adviser as to your particular U.S. federal income tax consequences of owning and disposing of the Shares.

This discussion is based on the Internal Revenue Code of 1986, as amended (the “Code”), administrative pronouncements, judicial decisions, final, temporary and proposed Treasury regulations, and the Treaty, all as of the date hereof. These laws are subject to change, possibly with retroactive effect.

You are a “U.S. Holder” for purposes of this discussion if you are, for U.S. federal income tax purposes, a beneficial owner of Shares and:

- a citizen or individual resident of the United States;
- a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States, any state therein or the District of Columbia; or
- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

This discussion does not address the effects of any state, local or non-U.S. tax laws, or any U.S. federal taxes other than income taxes (such as U.S. federal estate or gift tax consequences). You should consult your tax adviser with regard to the application of the U.S. federal tax laws to your particular situation, as well as any tax consequences that may arise under the laws of any state, local or non-U.S. taxing jurisdiction.

Taxation of Distributions

This discussion is subject to the discussion under “─Passive Foreign Investment Company Rules” below.

Distributions paid on the Shares, other than certain *pro rata* distributions of ordinary shares to all shareholders, will be treated as dividends to the extent paid out of the Company's current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Because the Company does not maintain calculations of its earnings and profits under U.S. federal income tax principles, it is expected that distributions generally will be reported to you as dividends. Subject to applicable limitations, if you are a non-corporate U.S. Holder, dividends paid to you may be eligible for taxation as "qualified dividend income" and therefore may be taxable at a favorable rate, subject to the satisfaction of certain holding period and other requirements, and provided that the Company is eligible for the benefits of the Treaty and is not a passive foreign investment company ("PFIC") for its taxable year of the distribution or the preceding taxable year. You should consult your tax adviser regarding the availability of the favorable tax rate on dividends. Dividends will not be eligible for the dividends-received deduction generally available to U.S. corporations under the Code.

Dividends will generally be included in your income on the date of receipt. The amount of any dividend income paid in ILS will be the U.S. dollar amount calculated by reference to the spot rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars. If the dividend is converted into U.S. dollars on the date of receipt, you should not be required to recognize foreign currency gain or loss in respect of the amount received. You may have foreign currency gain or loss if the dividend is converted into U.S. dollars after the date of receipt, and any such gain or loss will be U.S.-source ordinary income or loss.

Dividend income will include any amounts withheld in respect of Israeli taxes and will be treated as foreign-source income for foreign tax credit purposes. Subject to applicable limitations, some of which vary depending upon your circumstances, Israeli income taxes withheld from dividends on Shares generally will be creditable against your U.S. federal income tax liability. The rules governing foreign tax credits are complex, and you should consult your tax adviser regarding the creditability of Israeli taxes in your particular circumstances. Subject to applicable limitations, in lieu of claiming a foreign tax credit, you may elect to deduct foreign taxes, including any Israeli taxes, in computing your taxable income. An election to deduct foreign taxes instead of claiming foreign tax credits applies to all foreign taxes paid or accrued in the relevant taxable year.

Sale or Other Taxable Disposition of Shares

You generally will recognize capital gain or loss on a sale or other taxable disposition of the Shares equal to the difference between the amount realized on the sale or disposition and your tax basis in the Shares, each as determined in U.S. dollars. Such capital gain or loss will be long-term capital gain or loss if at the time of sale or disposition the Shares have been held for more than one year. Any gain or loss will generally be U.S.-source for foreign tax credit purposes. If you sell Shares for an amount denominated in a non-U.S. currency, you should consult your tax adviser regarding the exchange rate at which the amount received should be translated to U.S. dollars, and whether any U.S.-source foreign currency may be required to be recognized as a result of the sale. The deductibility of capital losses is subject to limitations. Israeli taxes on capital gains will generally not be eligible for foreign tax credits to the extent that you are entitled to an exemption from such taxes under Israeli domestic law or the Treaty. You should consult your tax adviser with respect to the creditability of Israeli taxes, if any, on disposition gains in other circumstances.

Passive Foreign Investment Company Rules

In general, a non-U.S. corporation will be a PFIC for any taxable year in which (i) 75% or more of its gross income consists of passive income or (ii) 50% or more of the value of its assets (generally determined on a quarterly average basis) consists of assets that produce, or are held for the production of, passive income. For purposes of the above calculations, a non-U.S. corporation that directly or indirectly owns at least 25% by value of the shares of another corporation is treated as if it held its proportionate share of the assets of the other corporation and received directly its proportionate share of the income of the other corporation. Passive income generally includes interest, rents, dividends, certain gains and royalties (other than certain rents and royalties derived in the active conduct of a trade or business). Goodwill is treated as an active asset under the PFIC rules to the extent attributable to activities that produce active income. Cash is generally a passive asset.

Based on the manner in which the Company currently operates its business, the current and expected composition of its income and assets and the expected value of its assets (including the value of its goodwill, which is based on the expected price of the Shares in the Global Offering), the Company does not expect to be a PFIC for its current taxable year or in the foreseeable future. However, a company's PFIC status is an annual determination that can be made only after the

end of each taxable year, and the Company's PFIC status for each taxable year will depend on the composition of its income and assets and the value of its assets from time to time, including goodwill (which may be determined by reference to the market value of the Shares, which may be volatile), and the manner in which the Company operates its business. Because the Company will hold a substantial amount of cash following the Global Offering, it may be or become a PFIC if its market capitalization declines. Accordingly, the Company cannot assure you that it will not be a PFIC for the current or any future taxable year. The Company does not intend to provide any annual assessments of its PFIC status for any taxable year.

If the Company is a PFIC for any taxable year and any entity in which the Company owns equity interests is also a PFIC (any such entity, a "Lower-tier PFIC"), you will be deemed to own a proportionate amount (by value) of the equity interests of each Lower-tier PFIC and will be subject to U.S. federal income tax according to the rules described in the next paragraph on (i) certain distributions by a Lower-tier PFIC and (ii) dispositions of equity interests of Lower-tier PFICs, in each case as if you held such shares directly, even though you will not receive any proceeds of those distributions or dispositions.

Generally, if the Company is a PFIC for any taxable year during which you own the Shares, gains recognized upon a disposition (including, under certain circumstances, a pledge) of Shares by you will be allocated ratably over your holding period for such Shares. The amounts allocated to the taxable year of disposition and to years before the Company became a PFIC will be taxed as ordinary income. The amount allocated to each other taxable year will be subject to tax at the highest rate in effect for that taxable year for individuals or corporations, as applicable, and an interest charge will be imposed on the resulting tax liability for each taxable year. Further, to the extent that distributions you receive on your Shares during a taxable year exceed 125% of the average of the annual distributions on these Shares received during the preceding three taxable years or your holding period, whichever is shorter, the excess distribution will be subject to taxation in the same manner. If the Company is a PFIC for any taxable year during which you own Shares, it will generally continue to be treated as a PFIC with respect to you for all succeeding years during which you own the Shares, even if the Company ceases to meet the threshold requirements for PFIC status. If the Company is a PFIC for any taxable year but ceases to be a PFIC for subsequent years, you should consult your tax adviser regarding the advisability of making a "deemed sale" election that will allow you to eliminate continuing PFIC status under certain circumstances.

Alternatively, if the Company is a PFIC for any taxable year and if its Shares are "regularly traded" on a "qualified exchange," a U.S. Holder may be able to make a mark-to-market election that will result in tax treatment different from the general tax treatment described in the preceding paragraph. The Shares will be treated as "regularly traded" in any calendar year in which more than a *de minimis* quantity of the Shares are traded on a qualified exchange on at least 15 days during each calendar quarter. A non-U.S. exchange is a "qualified exchange" if it is regulated by a governmental authority in the jurisdiction in which the exchange is located and with respect to which certain other requirements are met. The Internal Revenue Service has not identified specific non-U.S. exchanges that are "qualified" for this purpose. Generally, if you make a mark-to-market election, you generally will recognize as ordinary income any excess of the fair market value of the Shares at the end of each taxable year over your adjusted tax basis, and will recognize an ordinary loss in respect of any excess of the adjusted tax basis of the Shares over your fair market value at the end of the taxable year (but only to the extent of the net amount of income previously included as a result of the mark-to-market election). If you make the election, your tax basis in the Shares will be adjusted to reflect these income or loss amounts. Any gain recognized on the sale or other disposition of Shares in a taxable year in which the Company is a PFIC will be treated as ordinary income and any loss will be treated as an ordinary loss (but only to the extent of the net amount of income previously included as a result of the mark-to-market election, with any excess treated as a capital loss). If you make the mark-to-market election, distributions paid on the Shares will generally be treated as discussed under "*—Taxation of Distributions*" above. You should consult your tax advisers regarding the availability and advisability of making a mark-to-market election in your particular circumstances. In particular, you should consider the impact of a mark-to-market election with respect to your Shares given that the Company may have Lower-tier PFICs, and there is no provision in the Code, Treasury regulations or other official guidance that would give U.S. Holders the right to apply a mark-to-market treatment to any Lower-tier PFIC the shares of which are not publicly traded.

The Company does not intend to provide information necessary for U.S. Holders to make qualified electing fund elections which, if available, would result in tax treatment different from the general tax treatment for PFICs described above.

If you own Shares during any year in which the Company is a PFIC, you generally will be required to file annual reports together with your U.S. federal income tax returns, subject to certain exceptions. You should consult your tax advisers regarding whether the Company is a PFIC for any taxable year and the potential application of the PFIC rules to your ownership of Shares.

Backup Withholding and Information Reporting

Payments of dividends and sales proceeds that are made within the United States or through U.S. or certain U.S.-related financial intermediaries will generally be subject to information reporting and backup withholding, unless (i) you are an exempt recipient or (ii) in the case of backup withholding, you provide a correct taxpayer identification number and certify that you are not subject to backup withholding. Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against your U.S. federal income tax liability, provided that the required information is timely furnished to the Internal Revenue Service.

Certain U.S. Holders who are individuals (or certain specified entities) may be required to report information relating to their ownership of Shares, or non-U.S. accounts through which Shares are held. You should consult your tax adviser regarding your reporting obligations with respect to the Shares.

CERTAIN CONSIDERATIONS FOR EMPLOYEE BENEFIT PLANS

A fiduciary of a pension, profit-sharing or other employee benefit plan, including entities such as collective investment funds, partnerships and separate accounts whose underlying assets include the assets of such plans (collectively, "ERISA Plans"), subject to Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), should consider the fiduciary standards of ERISA in the context of the ERISA Plan's particular circumstances before authorizing an investment in the Shares. Accordingly, among other factors, the fiduciary should consider whether the investment would satisfy the prudence and diversification requirements of ERISA and would be consistent with the documents and instruments governing the ERISA Plan, and whether the investment would involve a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code.

Section 406 of ERISA and Section 4975 of the Code prohibit ERISA Plans, as well as plans and other arrangements (including individual retirement accounts and Keogh plans) subject to Section 4975 of the Code (together with ERISA Plans, "Plans"), from engaging in certain transactions involving "plan assets" with persons who are "parties in interest" under ERISA or "disqualified persons" under the Code with respect to the Plan. A violation of these prohibited transaction rules may result in civil penalties or other liabilities under ERISA and/or an excise tax under Section 4975 of the Code for those persons, unless exemptive relief is available under an applicable statutory, regulatory or administrative exemption.

Certain employee benefit plans and arrangements, including those that are governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and non-U.S. plans (as described in Section 4(b)(4) of ERISA) (each, a "Non-ERISA Arrangement"), are not subject to the requirements of Title I of ERISA or Section 4975 of the Code but may be subject to similar provisions under applicable federal, state, local, non-U.S. or other regulations, rules or laws (collectively, "Similar Laws").

The acquisition or holding of the Shares by a Plan with respect to which the Company, the Sole Global Coordinator, any of the Selling Shareholders or any of their respective affiliates is or becomes a party in interest or disqualified person may constitute or result in a prohibited transaction under ERISA or Section 4975 of the Code, unless those Shares are acquired and held pursuant to and in accordance with an applicable exemption. Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code provide an exemption for the purchase and sale of securities where neither the counterparty to the Plan nor any of its affiliates has or exercises any discretionary authority or control or renders any investment advice with respect to the assets of the Plan involved in the transaction and the Plan pays no more and receives no less than "adequate consideration" in connection with the transaction (the so-called "service provider exemption"). In addition, the U.S. Department of Labor has also issued five prohibited transaction class exemptions, or "PTCEs," that may provide exemptive relief if required for direct or indirect prohibited transactions that may arise from the purchase or holding of the Shares. These exemptions are:

- PTCE 84-14, an exemption for certain transactions determined or effected by independent qualified professional asset managers;
- PTCE 90-1, an exemption for certain transactions involving insurance company pooled separate accounts;
- PTCE 91-38, an exemption for certain transactions involving bank collective investment funds;
- PTCE 95-60, an exemption for transactions involving certain insurance company general accounts; and
- PTCE 96-23, an exemption for plan asset transactions managed by in-house asset managers.

Each of the above-mentioned exemptions contains conditions and limitations on its application. Thus, the fiduciaries of a Plan that is considering acquiring and/or holding the Shares in reliance of any of these, or any other, exemptions should carefully review the conditions and limitations of the exemption and consult with their counsel to confirm that it is applicable. There can be no assurance that any of these statutory or class exemptions will be available with respect to transactions involving the Shares.

Any purchaser or transferee (and, if the purchaser or transferee is a Plan or Non-ERISA Arrangement, its fiduciary or trustee) of Shares (or any interest therein) will be deemed to have represented and warranted by its acquisition and holding of the Shares (or any interest therein) that either (1) it is not a Plan or Non-ERISA Arrangement and is not acquiring or holding the Shares (or any interest therein) on behalf of or with "plan assets" of

any Plan or Non-ERISA Arrangement, or (2) its acquisition, holding and subsequent disposition of Shares (or any interest therein) will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code, or, in the case of a Non-ERISA Arrangement, will not constitute or result in a violation of the provisions of any Similar Law.

Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is important that fiduciaries or other persons considering purchasing Shares on behalf of or with "plan assets" of any Plan or Non-ERISA Arrangement consult with their counsel regarding the availability of exemptive relief under any of the PTCEs listed above, the service provider exemption or any other applicable exemption, or the potential consequences of any acquisition or holding of Shares under Similar Laws, as applicable.

Each purchaser and transferee (and, if such purchaser or transferee is a Plan or Non-ERISA Arrangement, its fiduciary or trustee) of the Shares has exclusive responsibility for ensuring that its purchase, holding and subsequent disposition of the Shares does not violate the fiduciary or prohibited transaction rules of ERISA or the Code or provisions of any applicable Similar Laws. The sale of any Shares to any Plan or Non-ERISA Arrangement is in no respect a representation that such an investment meets all relevant legal requirements with respect to investments by Plans or Non-ERISA Arrangements generally or any particular Plan or Non-ERISA Arrangement, or that such an investment is appropriate for Plans or Non-ERISA Arrangements generally or any particular Plan or Non-ERISA Arrangement. Neither this discussion nor anything in this Memorandum is or is intended to be investment advice directed at any potential purchaser or holder that is a Plan or Non-ERISA Arrangement, or at such purchasers or holders generally.

PLAN OF DISTRIBUTION FOR THIS INTERNATIONAL OFFERING

Subject to the terms and conditions that will be contained in the Purchase Agreement among the Company, the Selling Shareholders and the Sole Global Coordinator (such agreement, the "Purchase Agreement"), the Company and the Selling Shareholders are expected to agree to offer and sell to the Sole Global Coordinator, as initial purchaser, an aggregate number of the Company's ordinary Shares, without par value, equal to the number of Shares offered and sold in connection with the International Shares and the Israeli Shares.

UBS will also act as the Selling Shareholders' and the Company's exclusive underwriter in connection with the Company's initial public offering in Israel, consisting of the offer and sale of the Israeli Shares (as defined below) to certain Israeli "institutional investors" (as such term is defined in Section 1 of the Securities Regulations (The Manner of Offering Securities to the Public), 2007) (the "Institutional Investors"), such that the aggregate number of Shares to be sold in the Israeli Initial Public Offering shall be equal to the difference of (a) the Initial Shares (as defined below), less (b) the number of International Shares (such shares, the "Israeli Shares")

The total number of shares comprising the International Shares and the Israeli Shares to be sold by us and the Selling Shareholders pursuant to this Agreement shall equal up to 25,263,158 Shares (the "Initial Shares").

The Sole Global Coordinator may offer and sell the Shares through certain of its affiliates.

In the Purchase Agreement, the Company and each of the Selling Shareholders are expected to agree that:

- the Company and each Selling Shareholder (insofar as the information relates to the relevant Selling Shareholder) will provide customary representations and warranties;

- as detailed in Section 3.6 in Chapter 3 of the Draft Prospectus, neither the Selling Shareholders nor the Company will make any transaction with the Shares in breach of the applicable lock-up limitations restricting the disposal of the Company's ordinary shares for a period of 12 months in the case of the Company, Noam Segal and Kfir Aviv and 6 months in the case of FIMI Partnership and Discount Capital Ltd, subject to exemptions, following completion of the Global Offering, as set forth in the Purchase Agreement and as prescribed by the TASE Bylaws. Moreover, pursuant to the terms of the Purchase Agreement, Israel Aerospace Industries Ltd. is expected to agree to comply with similar lock-up restrictions, for a period of 6 months from the date of the Purchase Agreement, as will be documented under a separate contract;

- the Company and the Selling Shareholders will indemnify the Sole Global Coordinator against certain liabilities in connection with the Global Offering. The Company and the Selling Shareholders indemnification obligation is qualified by certain limitations, including (a) the capping of each Selling Shareholder's liability at the net proceeds received by such Selling Shareholder in connection with the Global Offering, and (b) the capping of the Sole Global Coordinator's indemnification by the Company for the Israeli Initial Public Offering, pursuant to the Israeli Securities Law; and

- the Sole Global Coordinator may terminate the agreement upon the occurrence of (i) a general banking moratorium shall have been declared by any of federal, New York or Israeli authorities; (ii) there shall have occurred any outbreak or escalation of national or international hostilities or any crisis or calamity, or any change in the United States, Israel or international financial markets, or any substantial change or development involving a prospective substantial change in United States', Israel's or international political, financial or economic conditions, as in the judgment of the Sole Global Coordinator is material and adverse and makes it impracticable to market the Shares in the manner and on the terms described herein and therein or to enforce contracts for the sale of securities; (iii) in the judgment of the Sole Global Coordinator there shall have occurred any material adverse change; (iv) there has been a breach by the Company or any of the Selling Shareholders of any of the representations, warranties or covenants contained in the Purchase Agreement or (v) the Company shall have sustained a loss by strike, fire, flood, earthquake, accident or other calamity of such character as in the judgment of the Sole Global Coordinator may interfere materially with the conduct of the business and operations of the Company regardless of whether or not such loss shall have been insured.

The Shares have not been registered under the U.S. Securities Act. In the Purchase Agreement, the Sole Global Coordinator has agreed that:

- the Shares may not be offered or sold within the United States except pursuant to an exemption from the registration requirements of the U.S. Securities Act or in transactions not subject to those registration requirements; and

- it will offer or sell the Shares only to: (i) QIBs in compliance with Rule 144A or (ii) Qualifying Investors (as defined herein) participating in offshore transactions outside the United States in compliance with Regulation S.

In relation to offers and sales outside of the United States in reliance on Regulation S, the Sole Global Coordinator has to its knowledge not made and will not make an offer of Shares to the public in a Relevant State or in the United Kingdom, except that it may, with effect from and including such date, make an offer of Shares to the public in a Relevant State or in the United Kingdom at any time to a Qualifying Investor in a Relevant State or in the United Kingdom, or otherwise in circumstances which do not require publication by the Company of a prospectus pursuant to section 85(1) of FSMA or the Prospectus Regulation.

For the purposes of this Memorandum, a "Qualifying Investor" is either (i) in a Member State of the European Economic Area, and is a "qualified investor" within the meaning of Article 2(e) of Regulation (EU) 2017/1129 (the "Prospectus Regulation"); (ii) in the United Kingdom and is a "qualified investor" within the meaning of Article 2(e) of Regulation (EU) 2017/1129 as it forms part of domestic law in the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the "UK Prospectus Regulation") and who: (A) has professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Order"); (B) falls within Article 49(2)(a) to (d) (high net worth companies, unincorporated associates, etc.) of the Order; or (C) is a person to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 ("FSMA")) in connection with the issue and sale of any ordinary shares of ISI (the "Shares") may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons"), or (iii) in Canada and is either an accredited investor (as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the Securities Act (Ontario)) and/or a permitted client (as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*).

For the purposes of the above, the expression an "offer of Shares to the public" in relation to any Shares in any Relevant State or the United Kingdom means the communication in any form and by any means of sufficient information on the terms of the offer and the Shares to be offered so as to enable an investor to decide to purchase or subscribe the Shares. The Sole Global Coordinator has further represented and agreed that no action has been or will be taken in any country or jurisdiction other than Israel by it that would, or is intended to, permit a public offering of the Shares, or the possession or distribution of a prospectus or any other offering material, in any country or jurisdiction where action for that purpose is required.

In addition, each person outside of Israel, irrespective of where such person is resident or incorporated, shall be deemed to have represented, acknowledged and agreed to the Company, the Sole Global Coordinator and their affiliates that it is (i) an entity with an equity exceeding ILS 50,000,000 or an equivalent amount in another currency, based on the latest financial statements; or (ii) an entity that together with any entity controlling, controlled by or under common control with such entity, in the aggregate, (a) have assets under management in an aggregate amount exceeding ILS 100,000,000 or an equivalent amount in another currency provided that the Shares purchased in the offering would be purchased for the assets under management; and/or (b) own and invest on a discretionary basis in securities of issuers that are not affiliated with such entity, in an aggregate amount exceeding ILS 100,000,000 or an equivalent amount in another currency. The Company, the Sole Global Coordinator and their affiliates, and others will rely upon the trust and accuracy of the foregoing representation, acknowledgment and agreement.

There is currently no established trading market for the Shares. In addition, the Shares are subject to certain restrictions on resale and transfer as described in the Wrapper under "*Transfer Restrictions*."

It is expected that delivery of the International Shares will be made on or about the third business day following the publication of the Israeli Prospectus and its approval by ISA (such settlement cycle being referred to as "T+3").

It is expected that the Shares will be listed and will begin trading on the TASE on or about the next business day. Under Rule 15c6-1 under the U.S. Exchange Act, trades in the secondary market generally are required to settle in two business days unless the parties to any such trade expressly agree otherwise.

The Sole Global Coordinator and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, private banking investment research, principal investment, hedging, financing and brokerage activities. The Sole Global Coordinator and its affiliates have engaged, and may in the future engage, in any such activity with us, our affiliates, the Selling Shareholders and their respective affiliates.

BOOK-ENTRY, DELIVERY AND FORM

General

The Shares will be listed for trading on the TASE. Pursuant to the relevant provisions of the bylaws of the TASECH, collectively, the "TASECH Bylaws," a new Share Certificate will be issued, on or around February 14, 2022 (the "Closing Date"), in the name of the nominee company (*Hevra Lerishumim*) of the Tel Aviv Stock Exchange as depositary (the "NC"), and will thereafter follow a book-entry system. The NC will be the only registered holder of the Shares, but will not be the beneficial holder of the Shares.

Ownership of beneficial interests in the Shares ("Book-Entry Interests") will be recorded in book-entry form and will be held through TASE Members entitled to hold securities accounts with the TASECH (either directly if such TASE Member is also a member of the TASECH or indirectly through a TASECH Member ("TASECH Member")) and thereafter be credited by such TASE Members to the accounts of their clients who will be the owners of Book-Entry interests in the Shares listed on the TASE.

Pursuant to the Israeli Companies Law, holders of Book-Entry Interests in a public company through a TASE Member of shares registered in the name of a nominee company are considered shareholders for all purposes ("Shareholders").

The holding of Book-Entry Interests will be limited to persons that have accounts with a TASE Member. Shareholders must rely on the TASECH Bylaws, as well as the procedures of the TASECH Member and TASE Member through which they hold their Book-Entry Interests, to transfer their interests or to exercise any rights of Shareholders under law.

Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by the TASECH and the relevant TASE Members. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of such securities in definitive certificated form. Pursuant to the TASECH Bylaws, Shares may not be issued to investors in definitive certificated form. The Shares will not be eligible for clearance with the Depository Trust Company. The foregoing limitations may impair your ability to own, transfer or pledge Book-Entry Interests. For more information, see the section of the Wrapper entitled "*Transfer Restrictions*."

We will not have any responsibility, or be liable, for any aspect of the records relating to the Book-Entry Interests. Book-Entry Interests may incur fees normally payable in respect of the maintenance and operation of accounts in the relevant TASE Member, as applicable.

Payment of Dividends

Pursuant to the TASECH Bylaws, payments of dividends will first be made by the Company to the NC and then from the NC, through the TASECH, to the payment accounts of the TASE Members who are credited with Shares. We understand that payment will thereafter be credited by such TASE Members to the accounts of their clients who hold the Shares in their individual securities accounts with such TASE Members, subject to their operations, procedures, any applicable agreements or applicable laws.

The Company, the Selling Shareholders and the Sole Global Coordinator do not have and will not have any responsibility or liability for any aspect of the records of the TASECH, any TASE Member or any client thereof relating to, or payments made on account of, a Book-Entry Interest, or for maintaining, supervising or reviewing the records of the TASECH, any TASE Member or any client thereof relating to, or payments made on account of, a Book-Entry Interest.

Action by Owners of Book-Entry Interests

Clients of TASE Members that hold Book-Entry Interests in the Shares can take any action permitted to be taken by a Shareholder in accordance with the Israeli Companies Law and regulations promulgated thereunder and the TASE Bylaws and directives (collectively, the "TASE Rules"), which, in some cases, require receipt of an "ownership certification" ("*Ishur Baalut*") from the relevant TASE Member, for the purpose of exercising rights attached to the Shares, such as voting rights.

Transfers

The Shares will be subject to certain restrictions on transfer described under the section in the Wrapper entitled "*Transfer Restrictions*."

Initial Settlement

Initial settlement for the Shares will be made in ILS. Book-Entry Interests held through a TASE Member will follow the settlement procedures applicable to similar securities traded on the TASE. The Shares will be registered in the name of the NC and Book-Entry Interests will initially be credited to the accounts of the TASE Members by the NC through the TASECH in accordance with the holdings of their respective clients for further credit by each TASE Member to the accounts of its clients on the settlement date. The Shares will thereafter be credited by the TASE Members to the accounts of their clients who hold the Shares in their individual securities accounts with such TASE Members.

Secondary Market Trading

Trading in Book-Entry Interests on the TASE is executed anonymously between TASE Members, and settled T+1 in ILS. The TASECH acts as a central counterparty for transactions executed in the TASE.

Information Concerning the Clearing System and Its Participants

We provide the following summary of the operations and procedures of the TASECH, solely for the convenience of investors.

TASECH and TASE Members

All Book-Entry Interests held by clients of a TASE Member will be subject to the TASECH Bylaws and the operations and procedures of the relevant TASECH Member and TASE Member. The TASECH Bylaws and the operations and procedures of each TASECH Member and TASE Member may be changed at any time. Neither we nor the Sole Global Coordinator are responsible for those operations or procedures.

We understand as follows with respect to each TASE Member: TASE members are banks and non-Israeli banks, non-bank members ("NBMs") and remote members. Each NBM is a corporation whose core business is securities transactions, including on behalf of others (e.g., brokerage, the execution of trading transactions on TASE, investment advisory, investment marketing). In order to become a TASE Member, an entity must meet certain criteria set forth in the TASE Rules as applicable to banks, non-Israeli banks, NBMs or remote members. Once approved as a member, the TASE Member must continue to meet these criteria and also comply with the applicable provisions of the TASE Rules, which include, among other requirements, regulated areas of operation, rules regarding relationships with other TASE Members and clients, information security requirements, requirements to conduct risk surveys, reporting obligations to the TASE and documentation requirements. Pursuant to TASE Rules, the supervision of TASE Members is focused on issues related to proper and fair trading, and the fairness of their dealings with their clients, as far as securities activity on TASE is concerned. The authority to supervise the financial stability of TASE Members which are banks, non-Israeli banks and remote members is granted to regulatory entities other than the TASE, and the TASE does not supervise their financial stability. However, the TASE's supervision of Israeli NBMs, pursuant to the TASE Rules, includes, in addition to other issues as detailed above such proper and fair trading and dealings with their clients their financial stability and their conduct in issues related to corporate governance.

Most of the TASE members are also members of TASECH. TASE members that are not members of TASECH clear their trades through members of TASECH. TASE Members provide various services to their clients, including the safekeeping, administration, brokerage of traded securities on TASE.

TRANSFER RESTRICTIONS

United States

The Shares have not been, and will not be, registered under the U.S. Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws.

Each purchaser of the International Shares outside the United States will be deemed to have represented and agreed that it has received a copy of this Memorandum and such other information as it deems necessary to make an informed investment decision and that:

(1) the purchaser is a Qualifying Investor (as defined herein), (ii) is aware that the sale to it is being made pursuant to an exemption from, or a transaction not subject to, the registration requirements of the securities laws of the relevant jurisdiction, and (iii) is acquiring such shares for its own account or for the account of a Qualifying Investor;

(2) the Shares have not been and will not be registered under the U.S. Securities Act, or with any securities regulatory authority of any state of the United States, and, subject to certain exceptions, may not be offered or sold within the United States;

(3) the purchaser and the person, if any, for whose account or benefit the purchaser is acquiring the Shares, was located outside the United States at the time the buy order for the Shares was originated and continues to be located outside the United States and has not purchased the Shares for the account or benefit of any person in the United States or entered into any arrangement for the transfer of the Shares or any economic interest therein to any person in the United States;

(4) the purchaser is not an affiliate of the Company or a person acting on behalf of such affiliate;

(5) the Shares have not been offered to it by means of any "directed selling efforts" as defined in Regulation S;

(6) the Company shall not recognize any offer, sale, pledge or other transfer of the Shares made other than in compliance with the above-stated restrictions;

(7) if it is acquiring any of the Shares as a fiduciary or agent for one or more accounts, it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account; and

(8) the Company, the Selling Shareholders and the Sole Global Coordinator and their respective affiliates will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Each purchaser of the International Shares within the United States will be deemed to have represented and agreed that it has received a copy of this Memorandum and such other information as it deems necessary to make an informed investment decision and that:

(1) the purchaser is authorized to consummate the purchase of the Shares in compliance with all applicable laws and regulations;

(2) the Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state of the United States and are subject to restrictions on transfer;

(3) the purchaser (i) is a QIB (as defined in Rule 144A under the U.S. Securities Act), (ii) is aware that the sale to it is being made pursuant to an exemption from, or a transaction not subject to, the registration requirements of the U.S. Securities Act, and (iii) is acquiring such Shares for its own account or for the account of a QIB;

(4) the Shares are being offered in the United States in a transaction not involving any public offering in the United States within the meaning of the U.S. Securities Act;

(5) if in the future, the purchaser decides to offer, resell, pledge or otherwise transfer the Shares, or any economic interest therein, the Shares or any economic interest therein may be offered, sold, pledged or otherwise transferred only (i) to a person whom the beneficial owner and/or any person acting on its behalf reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A under the U.S. Securities Act, (ii) in compliance with Regulation S under the U.S. Securities Act, or (iii) in accordance with Rule 144 under the U.S. Securities Act (if available), in each case in accordance with any applicable securities laws of any state of the United States or any other jurisdiction;

(6) the Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act and no representation is made as to the availability of the exemption provided by Rule 144 for resales of any Shares;

(7) the purchaser will not deposit or cause to be deposited the Shares into any depositary receipt facility established or maintained by a depositary bank other than a Rule 144A restricted depositary receipt facility, so long as the Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act;

(8) if, in the future, it offers, resells, pledges or otherwise transfers the Shares, it shall notify such subsequent transferee of the transfer restrictions set out above;

(9) the Company shall not recognize any offer, sale, pledge or other transfer of the Shares made other than in compliance with the above-stated restrictions;

(10) if it is acquiring any of the Shares as a fiduciary or agent for one or more accounts, it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account; and

(11) the Company, the Sole Global Coordinator and their respective affiliates will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.

Prospective purchasers that are QIBs are hereby notified that the sellers of the Shares may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A under the U.S. Securities Act.

European Economic Area

Each person in a Relevant State who receives any communication in respect of, or who acquires any Shares under, the offers contemplated hereby will be deemed to have represented, warranted and agreed to and with each of the Sole Global Coordinator and the Company that:

(1) it is a Qualifying Investor (as defined herein); and

(2) in the case of any Shares acquired by it as a financial intermediary, as that term is used in Article 5(1) of the Prospectus Regulation, (i) the Shares acquired by it in the International Offering have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant State other than Qualifying Investors, and the prior consent of the Sole Global Coordinator has been given to the offer or resale; or (ii) where Shares have been acquired by it on behalf of persons in any Relevant State other than Qualifying Investors, the offer of those Shares to it is not treated under the Prospectus Regulation as having been made to such persons.

For the purposes of this provision, the expression "offer" to the public in relation to any of the Shares in any Relevant States means the communication in any form and by any means of sufficient information on the terms of the International Offering and any Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Shares.

United Kingdom

Each person in the United Kingdom who receives any communication in respect of, or who acquires any Shares under, the offers contemplated hereby will be deemed to have represented, warranted and agreed to and with each of the Sole Global Coordinator and the Company that:

(1) it is a Qualifying Investor (as defined herein); and

(2) in the case of any Shares acquired by it as a financial intermediary, as that term is used in Article 5(1) of the Prospectus Regulation or Article 5(1) of the UK Prospectus Regulation, (i) the Shares acquired by it in the International Offering have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant State or the United Kingdom other than Qualifying Investors, and the prior consent of the Sole Global Coordinator has been given to the offer or resale; or (ii) where Shares have been acquired by it on behalf of persons in any Relevant State or the United Kingdom other than Qualifying Investors, the offer of those Shares to it is not treated under the Prospectus Regulation or the UK Prospectus Regulation as having been made to such persons.

For the purposes of this provision, the expression "offer" to the public in relation to any of the Shares in any Relevant States or the United Kingdom means the communication in any form and by any means of sufficient information on the terms of the International Offering and any Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Shares.

In addition, each person outside of Israel, irrespective of where such person is resident or incorporated, shall be deemed to have represented, acknowledged and agreed to us and to the Sole Global Coordinator that it is (i) an entity with an equity exceeding ILS 50,000,000 or an equivalent amount in another currency, based on the latest financial statements; or (ii) an entity that together with any entity controlling, controlled by or under common control with such entity, in the aggregate, (a) have assets under management in an aggregate amount exceeding ILS 100,000,000 or an equivalent amount in another currency provided that the Shares purchased in the offering would be purchased for the assets under management; and/or (b) own and invest on a discretionary basis in securities of issuers that are not affiliated with such entity, in an aggregate amount exceeding ILS 100,000,000 or an equivalent amount in another currency. The Company, the Sole Global Coordinator and their affiliates, and others will rely upon the trust and accuracy of the foregoing representation, acknowledgement and agreement.

FOREIGN EXCHANGE CONTROLS AND OTHER LIMITATIONS

Non-residents of Israel who purchase the Shares may freely convert all amounts received in Israeli currency in respect of such Shares, whether as a dividend, liquidation distribution or as proceeds from the sale of the Shares, into freely-repatriable non-Israeli currencies at the rate of exchange prevailing at the time of conversion (provided, in each case, that the applicable Israeli income tax, if any, is paid or withheld). The State of Israel does not restrict in any way the remittances of dividends on the Shares, proceeds from the sale of the Shares or interest or other payments on the Shares to non-residents of Israel, except to subjects of a country that is in a state of war with Israel.

LEGAL MATTERS

Davis Polk & Wardwell LLP, New York, New York and Naschitz, Brandes, Amir & Co., Advocates Israel will pass upon the validity of the Shares being offered by the Memorandum. The validity of Shares offered by the Memorandum will be passed upon for the Sole Global Coordinator by Cleary, Gottlieb, Steen & Hamilton LLP, London, United Kingdom and Fischer (FBC & Co.), Israel.

APPENDIX I: TRANSLATION OF THE ISRAELI DRAFT PROSPECTUS FROM HEBREW TO ENGLISH

The information in the attached Draft Prospectus is subject to updating, completion, revision, verification and amendment. Nothing in the Draft Prospectus constitutes legal, financial, tax or other advice, nor takes into account the particular investment objectives, financial situation, taxation position or needs of any person. The attached Draft Prospectus does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to acquire the securities referred to in the Draft Prospectus, nor shall it (or any part of it), or the fact of its distribution, form the basis of, or be relied on or in connection with, any contract therefor. Prospective investors should not acquire any securities referred to in the Draft Prospectus except on the basis of the information in a final public prospectus approved by the Israel Securities Authority. No reliance may be placed for any purpose whatsoever on the completeness, accuracy or fairness of the information or opinions contained in the Draft Prospectus.

Translated from Hebrew

Public Draft No. 2 and Draft No. 8 for the Israel Securities Authority and the Tel Aviv Stock Exchange Ltd. dated January 31, 2022

ImageSat International (I.S.I.) Ltd.
(the "Company")

FIMI Opportunity 6, Limited Partnership
FIMI are Israel Opportunity 6, Limited Partnership
Discount Capital Ltd.
Noam Segal, Chief Executive Officer
Kfir Aviv, Chief Finance Officer
(the "Offerors")

Prospectus

Initial public offering of

between 11,228,070 and 16,842,105 ordinary registered shares with no par value of the Company (hereinafter: **"Ordinary Shares"** or **"Shares"**) that are offered pursuant to this Prospectus by way of an initial public offering by the Company (hereinafter: the **"Shares for Issue"**).

Offer for sale to the public of

between 5,614,035 and 8,421,105 ordinary registered shares with no par value of the Company (hereinafter: **"Ordinary Shares"** or **"Shares"**) that are offered pursuant to this Prospectus by way of an offer for sale by the Offerors (hereinafter: the **"Shares for Sale"**).

The Shares for Issue and the Shares for Sale that are offered pursuant to this Shelf Prospectus will be referred to collectively hereinafter as the **"Offered Shares"** and the "**Offered Securities."**

Together with the listing of

between 44,914,946 and 42,107,928 ordinary registered shares with no par value of the Company (hereinafter: **"Ordinary Shares"** or **"Shares"**) that currently form part of the issued and paid up capital of the Company.[1]

The Offered Securities are offered to institutional investors (subject to that stated below) (as this term is defined under the Securities Regulations (Method of Offer of Securities to the Public), 5767-2007 that are incorporated in Israel (hereinafter: the **"Institutional Investors"** and **"Offer Regulations,"** respectively) that are incorporated in and outside of Israel by way of a non-uniform offer pursuant to Regulation 11(a)(1) of the Offer Regulations of [-] units (each of the units will be referred to hereinafter as a **"Unit"**) and a uniform price per Unit, whereby the composition and price of each Unit are as follows:

Composition of Unit	Price
[-] Ordinary Shares at a price of NIS between NIS 19 and NIS 25 per share	NIS [-]

[1] The shares that currently form part of the issued and paid-up capital of the Company do not include the Shares for Issue or the Shares for Sale.

Total price per Unit **NIS [-](*)**

(*) The Units that will be sold to Institutional Investors by way of a non-uniform offer will be at the price per Unit stated above without any discount or benefit.

If the issue of the Shares for Issue and/or the offer of the Shares for Sale is cancelled for any reason, the Offered Shares will not be allotted to the subscribers and will not be listed on the Tel Aviv Stock Exchange. The offer to the Institutional Investors is only directed to the Institutional Investors, including institutional offerees that are incorporated outside of Israel (the "Foreign Institutional Offerees") that are: (1) in the United States, an investor that constitutes a "Qualified Institutional Buyer" ("QIB"), as defined under Rule 144A of the Securities Act of 1933 (the "Securities Act"); or (2) outside of the United States, an investor that constitutes a "Qualifying investor" (as defined under Section 2.5 of Chapter 2 of this Prospectus) that is participating in the offer outside of the United States pursuant to Regulation S of the Securities Act ("Regulation S").

In addition, the offer to the Foreign Institutional Offerees is limited to investors who also meet one of the conditions that are set forth below and any Foreign Institutional Offeree that purchases shares in the issue outside of Israel will be deemed to have declared by way of purchasing the shares in the issue that it meets one of the following conditions: (1) the investor is an entity with equity capital exceeding NIS 50 million or an equivalent amount in another currency on the basis of its last financial statements; or (2) the investor, in concert with any entity that controls it, is controlled by it or that is under the same control as it, in aggregate (i) manages assets in a total amount exceeding NIS 100 million or an equivalent amount in another currency, provided that the shares that are purchased in the issue are purchased for the assets that are managed by it; and (ii) holds and invests on a discretionary basis securities of issuers that are not related to it in an aggregate amount exceeding NIS 100 million or an equivalent amount in another currency.

A Foreign Institutional Offeree that purchases shares pursuant to this Prospectus will be deemed to have declared that it meets all of the aforementioned conditions.

The Prospectus has not been submitted to the U.S. Securities and Exchange Commission. Subject to the following, the securities that are offered to the institutional offerees pursuant to this Prospectus have not been, and will not be, registered pursuant to the Securities Act, as amended from time to time, or pursuant to any law of a state of the United States and the holders of the securities that are offered pursuant to the Prospectus are prohibited from selling them, pledging them and/or transferring them in any way in the United States (subject to trading them on the Tel Aviv Stock Exchange, as set forth below) or to or for a person who is a U.S. Person (as defined under Regulation S), unless they are registered pursuant to the Securities Act or there is an exemption from registration pursuant to the Securities Act and pursuant to the law of the state of the United States.

It is clarified that the Company does not undertake to list the securities that are offered pursuant to the Prospectus in the United States pursuant to the Securities Act.

The Institutional Offerees outside of the United States will be deemed to have declared that they meet the following cumulative conditions: (1) they are not purchasing the Offered Securities for a person who is outside of the United States or who has entered into any agreement to transfer the Offered Securities or any other economic right in them to any person who is staying in the United States; (2) they are not staying in the United States at the time of the submission of the application to purchase the Offered Securities and will not be staying in the United State at the time of their purchase.

Pursuant to the foregoing, the Company may offer the securities that are offered pursuant to the Prospectus to the institutional offerees, list them on the Tel Aviv Stock Exchange and the offerees pursuant to this report will be permitted to trade them on the Tel Aviv Stock Exchange.

A decision to purchase the securities that are offered pursuant to the Prospectus should only be made in reliance on the information that is included (including by way of reference) in this Prospectus.

In addition, the distributors for the issue and the offer for sale have declared that they will not offer the Offered Securities to any person who is located in the United States or to any person who is a U.S. Person, other than pursuant to an exemption from the registration requirements pursuant to the Securities Act or in the framework of a transaction that is not subject to such registration requirements.

The performance of the offer of securities pursuant to this Prospectus is conditional upon the satisfaction of the requirements of the Tel Aviv Stock Exchange (hereinafter: **"TASE"**). For details, see Section 2.8 of Chapter 2 of the Prospectus.

Pursuant to Regulation 11(a)(1) of the Offer Regulations, this non-uniform offer to Institutional Investors is underwritten with respect to 25% of the Shares that are offered pursuant to this Prospectus. For the purpose of the marketing and distribution of the Offered Securities, the Company and the Offerors entered into a purchase agreement with UBS AG London Branch (hereinafter: the **"Pricing Underwriter"**) on [-] under which the Offered Shares will be offered to Institutional Investors in Israel pursuant to the Prospectus and will also be sold to foreign institutional offerees outside of Israel. The Pricing Underwriter will also serve as international distributor to foreign investors outside of Israel for the issue. The Company and the Offerors have entered[2] into an distribution engagement with a consortium of distributors led by Discount Capital Underwriting Ltd. (Discount Capital Underwriting Ltd. is a private company controlled by Discount Capital Ltd, an interested party in the Company) (hereinafter: **"Discount Underwriting"**) and Barak Capital Underwriting Ltd. (hereinafter: collectively: the **"Distributors in Israel"**) for the purpose of offering the Offered Shares to Institutional Investors in Israel. For additional details about the purchase agreement for the purpose of resale and underwriting, including the consideration that will be paid to the Pricing Underwriter and the Distributors in Israel, see Section 2.6 of Chapter 2 of this Prospectus. The Distributors in Israel will be entitled to transfer some of the commission to other Israeli distributors.

[2] [Note for the draft: As of the present date, they have not yet entered the engagement]

If the issue and offer for sale are cancelled for any reason, the Offered Shares will not be sold to subscribers and will not be listed. For details about the Offered Shares, details of the offer and the manner in which the Offered Shares will be offered, see Chapter 2 of the Prospectus.

For details of the rights that are ancillary to the Offered Shares, see Chapter 4 of the Prospectus.

This offer is an initial offer of the securities of the Company to the public (IPO).

Also a Shelf Prospectus

This Prospectus also constitutes a shelf prospectus under which the Company will be able to issue different classes of securities pursuant to the provisions of the law – ordinary shares of the Company, bonds that are not convertible into shares (including by way of extending existing series of bonds of the Company, if any exist from time to time), bonds that are convertible into shares of the Company (including by way of extending existing series of bonds of the Company, if any exist from time to time), options that can be exercised into shares of the Company, options that can be exercised into bonds or bonds that are convertible into shares of the Company, negotiable securities, and any other security that, by law, may be issued under a shelf prospectus at the relevant date (hereinafter: the **"Securities"** or the **"Included Securities"**).

The Securities will be offered pursuant to this Shelf Prospectus pursuant to the provisions of Section 23A of the Securities Law by way of shelf offer reports in which all of the details that are unique to the relevant offer will be completed, including the details and conditions of the Securities and the composition of the offered units, pursuant to the provisions of any law and pursuant to the Rules and Regulations of the Tel Aviv Stock Exchange, in such form as they may be in at the time.

In the framework of its business activity, the Company is exposed to a variety of risk factors. The risk factors with a major effect on the business of the Company are: termination of agreements with third parties, failures in a satellite, and risks involved in satellite launch. For additional details, see Section 6.37of Chapter 6 of the Prospectus.

The Company estimates that the total expenses involved in preparing and publishing this Prospectus (calculated on the assumption of the purchase of all of the offered units) will amount to approximately USD [-] million, which, after the division of the expenses between the Offerors and the Company, as set forth in Section 5.2 of Chapter 5 of this Prospectus, constitutes approximately [-] of the consideration due to the Offerors (gross) pursuant to this Prospectus and approximately [-] of the consideration due to the Company (gross). For additional details about the expenses of the Offer for Sale and their division between the Company and the Offerors, see Section 5.2 of Chapter 5 of the Prospectus.

For details about restrictions on the distribution of dividends, see Section 8.4 of Chapter 8 of the Prospectus.

In June 2020, a transaction was performed involving securities of the Company at a price that is lower by 10% or more of the price per Offered Share, see Sections 6.6 and 6.13of Chapter 6 of the Prospectus

(these shares were allotted at a share value that is between approximately 37% and approximately 52% lower than the share value that will be determined for the issue that is the subject of this Prospectus).

The full version of the Prospectus of the Company can be viewed on the website of the Israel Securities Authority at www.magna.isa.gov.il and the website of the Tel Aviv Stock Exchange at www.tase.co.il

Date of the Prospectus: [-]

Translated from the Hebrew

Public Draft No. 2 and Draft No. 8 for the Israel Securities Authority and the Tel Aviv Stock Exchange Ltd. dated January 31, 2022

Table of Contents

Chapter 1: Introduction

1.1 Definitions

In this Prospectus, the following terms will have the meaning appearing next to them, unless expressly stated otherwise:

"Board of Directors Report"	–	The Board of Directors Report on the State of the Corporation for the year ended December 31, 2020 and for period ended September 30, 2021, which are included in Chapter 6 of this Prospectus.
"TASE"	–	The Tel Aviv Stock Exchange Ltd.
"Annual Financial Statements"	–	The pro forma consolidated financial statements of the Company for the period ended December 31, 2020, which are attached in Chapter 9 of the Prospectus.
"Q3 Financial Statements"		The pro forma consolidated financial statements of the Company for the period ended September 30, 2021, which are attached in Chapter 9 of the Prospectus.
"Group"	–	The Company and companies under its control.
"Companies Law"	–	The Companies Law, 5759-1999.
"Securities Law	–	The Securities Law, 5728-1968.
"Periodic and Immediate Reports Regulations"	–	The Securities Regulations (Periodic and Immediate Reports), 5730-1970.
"Prospectus Details Regulations"	–	The Securities Regulations (Details of the Prospectus and Draft Prospectus – Structure and Form), 5729-1969.
"Shelf Offer Regulations"	–	The Securities Regulations (Shelf Offer of Securities), 5766-2005.
"Method of Offer Regulations"	–	The Securities Regulations (Method of Offer of Securities to the Public), 5767-2007.
"Nominee Company"	–	The Tel Aviv Stock Exchange Nominee Company Ltd.

1.2 General

The Company was incorporated in Israel in January 1999 as a private company limited by shares pursuant to the Companies Law.

The offer pursuant to this Prospectus is an initial offer of securities of the Company to the public. Upon the listing of the securities of the Company on TASE pursuant to this Prospectus, the Company will become a public company, as this term is defined under the Companies Law, and a reporting corporation, as this term is defined under the Securities Law.

1.3 Permissions and approvals for an initial offer of securities pursuant to this Prospectus[1]

1.3.1 The Company and the Offerors have received all of the permissions, approvals and licenses required pursuant to every law for the offer, issue and offer for sale of the securities pursuant to this Prospectus (hereinafter: the **"Prospectus"**) for their listing and the publication of the Prospectus.

1.3.2 The permission of the Israel Securities Authority (ISA) to publish the Prospectus does not constitute verification of the details presented in it or confirmation of their reliability or completeness and does not constitute the expression of an opinion about the quality of the securities that are offered under the Prospectus.

1.3.3 The Company has applied to TASE to list the shares that currently form part of the issued and paid-up capital of the Company, the shares offered in the offer for sale and the issue to the public, as set forth in Chapter 2 of this Prospectus, and the shares that will arise from the exercise of (unlisted) options (hereinafter: the **"Securities for which Approval is Sought"**) that have been and will be allotted to officers and employees of the Company, as set forth in Section 3.5 below and TASE has given its approval to do so.

1.3.4 The listing of the Securities for which Approval is Sought on TASE is subject to compliance with the requirements of the TASE Rules and Regulations, as required of a new company in the category of the Company, including, with respect to the minimum spread of the holdings of the public of the shares of the Company, compliance with the value and minimum amount of holdings of the public of the shares of the Company, and the value of the shares of the Company pursuant to the TASE Rules and Regulations, as set forth in Section 2.10 of Chapter 2 of the Prospectus, and the publication of an immediate report about the changes in capital, as set forth in Section 3.1 of Chapter 3 of the Prospectus.

1.3.5 The above-mentioned approval of TASE should not be regarded as approval of the details that are presented in the Prospectus, their reliability or completeness and does not constitute the expression of an opinion about the Company or the quality of the securities that are offered under the Prospectus or the price at which they are offered.

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[1] [Note for the draft: As of the present date, the approvals have not yet been received].

1.4 Permissions and approvals relating to the Shelf Prospectus

1.4.1 The Company has received all of the permissions, approvals and licenses required pursuant to every law for the offer of securities pursuant to this shelf prospectus through shelf offer reports, their issue and the publication of this shelf prospectus.

This Prospectus is a shelf prospectus, as defined under Section 23A of the Securities Law, and securities will be offered pursuant to it, pursuant to shelf offer reports in which the details unique to the relevant offer will be completed.

1.4.2 The permission of the ISA to publish the shelf prospectus does not constitute verification of the details presented in it or confirmation of their reliability or completeness and does not constitute the expression of an opinion about the quality of the Offered Securities.

1.4.3 The Company has received approval in principle from TASE relating to the securities that are included in this shelf prospectus and that will be offered, if at all, pursuant to shelf offer reports (hereinafter: the **"Approval in Principle"**).

1.4.4 The above-mentioned Approval in Principle should not be regarded as approval of the details that are presented in the shelf prospectus or of their reliability or completeness and does not constitute the expression of an opinion about the Company or the quality of the securities that will be offered by way of shelf offer reports that will be published by virtue of the Shelf Prospectus or the price at which they will be offered under the shelf offer reports.

1.4.5 The grant of this Approval in Principle does not constitute approval to the listing of the securities and the listing of the securities will be subject to receipt of approval of an application to list the securities pursuant to a shelf offer report, which will be published pursuant to the Securities Law and the Shelf Offer Regulations.

1.4.6 The grant of this Approval in Principle does not constitute an undertaking to grant approval to the listing of the securities pursuant to a shelf offer report. The provisions of the TASE Rules and Regulations, as they will be in force at the time of the submission of the listing application pursuant to the shelf offer report, will apply to the approval of an application to list securities pursuant to a shelf offer report.

1.5 Capital of the Company

1.5.1 The registered, issued and paid-up share capital of the Company as of the date of the Prospectus:

Class of shares	Quantity of shares in the registered capital*	Quantity of shares in the issued and paid-up capital*	Quantity of shares in the issued and paid-up capital on a fully diluted basis[2]
Ordinary shares of no par value	150,000,000	49,273,900	53,487,250

(*) The data presented is on the assumption of the conversion of the Preference A Shares and the Preference B Shares into ordinary shares after the increase of the registered capital of the Company and the split of the share capital of the Company, as set forth in Section 3.1 of Chapter 3 below, which will enter into effect upon completion of the offer for sale pursuant to the Prospectus and before the listing of the shares of the Company on TASE (hereinafter: the **"Share Capital Split"**).

1.5.2 It is clarified that, prior to the listing of the securities on TASE pursuant to this Prospectus, all of the Preference A Shares and the Preference B Shares of the Company will be converted on a 1:1 ratio, such that, after the completion of the issue on the basis of this Prospectus, all of the shares in the registered and issued capital of the Company will be ordinary shares. Moreover, (unlisted) options that have been allotted to officers who are employees of the Company will be exercisable into ordinary shares only. For additional details, see Section 3.1 of Chapter 3 of this Prospectus. The capital of the Company as of September 30, 2021 according to the Financial Statements (in thousands of dollars):

	$ thousands
Share capital	-
Premiums on shares and capital reserves	144,485
Capital reserve in respect of share-based payment	815
Balance of loss	(53,007)
Total	92,293

[2] As of the date of the Prospectus, there are 4,213,350 (unlisted) options, exercised into up to 4,213,350 shares of the Company which was and will be allotted subject to the completion of the offer pursuant to this Prospectus to officers who are employees of the Company. For additional details about the options, see Section 3.5 below.. The above quantity of options is after adjusting the quantity of options in respect of changes in the share capital (which will enter into effect upon the completion of the offer for sale pursuant to the Prospectus and before the listing of the shares of the Company on TASE). For additional details about the options, see Section 3.5 below.

1.6 Adoption of leniencies for "small corporations"

The Company is a "small corporation," as this term is defined under Regulation 5C of the Securities Regulations (Periodic and Immediate Reports), 5730-1970 (hereinafter: the **"Reports Regulations"**) and the board of directors of the Company is expected to adopt, as from the annual report for 2020, all or some of the leniencies listed in Regulation 5D(b) of the Reports Regulations, to the extent relevant to the Company, including: (1) Cancellation of the obligation to publish an internal audit report, and an auditor's report on the internal audit; (2) increase in the threshold of materiality with respect to the addition of valuations to 20% for the purpose of the balance sheet and result test and 10% for the purpose of the minimum equity test; (3) increase of the threshold for adding the reports of materially included companies to interim reports to 40%; (4) reporting on the basis of the reporting format of an exempt small corporation (half-yearly reporting format).

Chapter 2: Details of the Offer of the Securities

2.1 The securities of the Company and the Offered Securities

2.1.1 Listing of the securities of the Company

between 44,914,946 and 42,107,928 ordinary registered shares with no par value of the Company that currently form part of the issued and paid-up capital of the Company (hereinafter: **"Ordinary Shares"** or **"Shares"**).[1]

2.1.2 The Offered Securities

(a) The securities offered by the Company – By way of issue – between 11,228,070 and 16,842,105 Ordinary Shares (hereinafter: the **"Shares for Issue"**); and

(b) The securities offered by the Offerors – By way of offer for sale – total of between 5,614,035 and 8,421,105 Ordinary Shares (hereinafter: the **"Shares for Sale"**). For additional details about the Offerors, see Section 2.1.3 below.

The [-] Shares for Issue and the [-] Shares for Sale will be referred to collectively hereinafter as the **"Offered Shares"** or the **"Offered Securities."**

(c) Capital of the Company – Prior to the listing, the number of shares in the registered capital of the Company comes to 150,000,000 Ordinary Shares. The issued and paid-up capital of the Company prior to the listing comes to 49,273,900 Ordinary Shares. All of the Ordinary Shares of the Company are fully paid up.

The Offered Shares constitute approximately between approximately 34.18% and 51.27% of the issued and paid-up share capital of the Company and the voting rights in it immediately prior to the completion of the issue and the offer for sale pursuant to this Prospectus and between approximately 27.27% and 37.5% of the issued and paid-up capital of the Company upon completion of the issue and the offer for sale pursuant to this Prospectus on the assumption that all of the shares offered pursued to this Prospectus will be sold and allotted upon completion of the issue and the offer for sale.

[1] The shares that currently form part of the issued and paid-up capital of the Company do not include the Shares for Issue and the Shares for Sale.

2.1.3 Details about the Offerors and the Shares for Sale

2.1.3.1 FIMI Opportunity 6, Limited Partnership and FIMI Israel Opportunity 6, Limited Partnership (hereinafter: the **"FIMI Partnership"**). The FIMI Partnership holds, immediately prior to the issue, 21,881,110 Ordinary Shares, which constitute [-] of the issued and paid-up capital of the Company, and offers pursuant to this Prospectus [-] Shares for Sale, which constitute [-] of the issued and paid-up capital of the Company and the voting rights therein. Upon completion of the offer for sale pursuant to the Prospectus, under the assumption of the sale of all of the Offered Securities, the FIMI Partnership will hold [-] Ordinary Shares, which constitute [-] of the issued and paid-up capital of the Company and the voting rights therein.

2.1.3.2 Discount Capital Ltd. (hereinafter: "**Discount Capital**"). Discount Capital holds, immediately prior to the issue, 8,462,350 Ordinary Shares, which constitute [-] of the issued and paid-up capital of the Company, and offers pursuant to this Prospectus [-] Shares for Sale, which constitute [-] of the issued and paid-up capital of the Company and the voting rights therein. Upon completion of the offer for sale pursuant to the Prospectus, under the assumption of the sale of all of the Offered Securities, Discount Capital will hold [-] Ordinary Shares, which constitute [-] of the issued and paid-up capital of the Company and the voting rights therein.

2.1.3.3 Noam Segal, the Chief Executive Officer of the Company (hereinafter: **"Segal"**). Segal will hold,[2] immediately prior to the issue, [-] Ordinary Shares, which constitute [-] of the issued and paid-up capital of the Company, and offers pursuant to this Prospectus all such Ordinary Shares. Upon completion of the offer for sale pursuant to the Prospectus, under the assumption of the sale of all of the Offered Securities, Segal will not hold Ordinary Shares but rather [-] options that constitute [-] of the issued and paid-up capital of the Company on a fully diluted basis.

2.1.3.4 Kfir Aviv, the Chief Finance Officer of the Company (hereinafter: "**Aviv**"). Aviv will hold, immediately prior to the issue, [-] Ordinary Shares, which constitute [-] of the issued and paid-up capital of the Company, and offers pursuant to this Prospectus all such Ordinary Shares. Upon completion of the

[2] As of the date of the Prospectus, Noam Segal and Kfir Aviv do not hold Ordinary Shares of the Company. They have given instructions to the Company to exercise the options into the full quantity of shares offered by them in the framework of the sale pursuant to this Prospectus before the completion of the issue pursuant to this Prospectus and before the listing.

offer for sale pursuant to the Prospectus, under the assumption of the sale of all of the Offered Securities, Aviv will not hold Ordinary Shares but rather [-] options that constitute [-] of the issued and paid-up capital of the Company on a fully diluted basis.

(*) The information regarding the holding of shares of the Company after completion of the issue and the offer for sale, as set forth above, is on the assumption that all of the Offered Shares pursuant to this Prospectus will be sold and allotted upon completion of the issue.

2.1.3.5 A summary of the securities that are offered by each of the Offerors (not being the Company) is below:

Name of Offeror	Quantity of Offered Shares for Sale	Proportion of the Shares for Sale
FIMI Partnership	[-]	66.55%
Discount Capital	[-]	25.74%
Noam Segal, CEO	[-]	4.32%
Kfir Aviv, CFO	[-]	3.39%
Total	[-]	100%

Moreover, the Company offers between 11,228,070 and 16,842,105 Ordinary Shares to the public in the framework of the issue.

The FIMI Partnership, Discount Capital, Segal and Aviv will be referred to hereinabove and hereinafter, collectively as the **"Offerors."** The Ordinary Shares, the Shares for Sale and the shares for exercise will be transferred to their purchasers free of any debt, lien and any other third party right.

For details about the Offerors and the agreements between them, see Sections 3.3 and 3.5 of Chapter 3 of the Prospectus and Section 8.4 of Chapter 8 of the Prospectus.

2.2 Method of offer of securities to the public

The securities offered pursuant to this Prospectus are offered to institutional investors, as this term is defined under the Securities Regulations (Method of Offer of Securities to the Public), 5767-2007 that are incorporated in Israel (hereinafter: the **"Institutional Investors"** and **"Offer Regulations,"** respectively) that are incorporated in and outside of Israel by way of a non-uniform offer ("Book Building") (as this terms is defined in Chapter 3 of the Offer Regulations) of [-] units at a uniform price of [-] per share (hereinafter: **"Units"**) pursuant to Regulation 11(a)(1) of the Offer Regulations.

All of the securities offered pursuant to this Prospectus will be offered in proportional shares (of 1/3 and 2/3) between the Shares for Sale and the Shares for Issue whereby the composition and price of each Unit are as follows:

Composition of Unit	Price
[-] Ordinary Shares at a uniform price of between NIS 19 and NIS 25 per share	NIS [-]
Total price per Unit	**NIS [-](*)**

(*) The Units that will be sold to Institutional Investors by way of a non-uniform offer will be at the price per Unit stated above without any discount or benefit.

It is clarified that, if orders are received to purchase a lower quantity of Offered Shares than the quantity of Offered Shares that are offered pursuant to this Prospectus, the Shares for Issue and Shares for Sale will be sold in proportional shares between them, such proportional shares being in accordance with the proportions that the Shares for Sale and the Shares for Issue make up of the total amount of Shares that are actually sold, such that the issue of the Shares for Issue by the Company and the offer of the Shares for Sale by the Offerors may be performed only partially. Under circumstances of such an incomplete acceptance, the Shares for Sale that will be sold will be sold in proportional shares among the Offerors, each Offeror in accordance with its proportional share of the Shares for Sale out of the total sale of the Shares for Sale.

The Company and the Offerors may cancel the offer of the securities (partially or wholly) at any time before the proceeds of the issue are received by the coordinator of the offer for sale from the subscribers without the subscribers having any claim in this regard. In such a case, all of the orders that have been received will be deemed void.

With respect to the existence of an underwriting commitment with respect to 25% of the Offered Securities (a total of [-] Ordinary Shares) pursuant to Regulation 11(a)(1) of the Offer Regulations, see Section 2.6 below.

As stated above, the Offerors offer the public a total of between 5,614,035 and 8,421,105 Shares for Sale by way of the offer for sale. It is clarified that, if not all of the Offered Shares are sold to the public (both the Shares for Sale that are offered by the Offerors and the Shares for Issue that are offered by the Company), each Offeror's portion of the Shares for Sale that will be sold will be identical to the percentage of the holdings of that Offeror of the total Shares for Sale that are offered by all of the Offerors and the portion of Shares for Sale of the total shares that will be sold will be identical to the percentage that the Shares for Sale constitute of the total shares that are offered in the framework of this Prospectus on the date of this Prospectus (i.e., the amount of Shares for Sale and shares that are offered to the public by the Company).

2.3 Terms of the Offered Securities

The shares that are offered pursuant to this prospectus have rights that are equal to the Ordinary Shares that constitute the capital of the Company and will entitle the owner to equal rights to receive dividends, bonus shares, and to participate in any other distribution that will be announced or made by the Company after the date of the Prospectus.

For a description of the rights that are ancillary to the shares of the Company pursuant to the provisions of the Articles of Association of the Company as these will enter into effect on the date of the completion of the issue to the public pursuant and subject to this Prospectus, see Chapter 4 of this Prospectus.

The shares that constitute the issued capital of the Company, including the shares that are offered under the issue and the offer for sale and the shares that will arise from the exercise of (unlisted) options that have been allotted to officers and employees of the Company and companies under its control will be registered in the name of the Tel Aviv Stock Exchange Nominee Company Ltd. (hereinafter: the **"Nominee Company"**).

2.4 Conditions precedent to the completion of the offer pursuant to this Prospectus

The completion of the offer pursuant to this Prospectus and the listing of the securities of the Company on TASE are conditional upon the fulfillment of the conditions under the TASE Rules and Regulations (in this Chapter, the "TASE Rules") in this regard. For details see Section 2.8 below.

2.5 Description of the offer – non-uniform offer ("Book Building")

The offer of the securities is to Institutional Investors (as this term is defined under the Offer Regulations) that are incorporated in and outside of Israel ("Institutional Offerees") and is only addressed to Institutional Investors, including Institutional Offerees that are incorporated outside of Israel ("Foreign Institutional Offerees") that are: (1) in the United States, an investor that constitutes a "qualified institutional buyer" (**"QIB"**), as defined under Rule 144A of the Securities Act of 1933 (the **"Securities Act"**); or (2) outside of the United States, an investor that constitutes a "qualifying investor" (as defined below) that is participating in the offer outside of the United States pursuant to Regulation S of the Securities Act (**"Regulation S"**) in a non-uniform offer.

In addition, the offer to the Foreign Institutional Offerees is limited to investors who also meet one of the conditions that are set forth below. Any Foreign Institutional Offeree that purchases shares in the issue outside of Israel will be deemed to have declared by way of purchasing the shares in the issue that it meets one of the following conditions: (1) the investor is an entity with equity capital exceeding NIS 50 million or an equivalent amount in another currency on the basis of its last financial statements; or (2) the investor, in concert with any entity that controls it, is controlled by it or that is under the same control as it, in aggregate (i) manages assets in a

total amount exceeding NIS 100 million or an equivalent amount in another currency, provided that the shares that are purchased in the issue are purchased for the assets that are managed by it; and (ii) holds and invests on a discretionary basis securities of issuers that are not related to it in an aggregate amount exceeding NIS 100 million or an equivalent amount in another currency.

Qualifying investor means an investor that is one of the following:

a. In a Member State of the European Economic Area – An investor that meets the definition of the term "qualified investor," within the meaning of Article 2(e) of Regulation (EU) 2017/1129.

b. In the United Kingdom – a "qualified investor" within the meaning of Article 2(e) of Regulation (EU) 2017/1129 as it forms part of domestic law in the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 and who: (1) has professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the **"Order"**); (2) falls within Article 49(2)(a) to (d) (high net worth companies, unincorporated associates, etc.) of the Order; or is a person to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000) in connection with the issue and sale of any ordinary shares of the Company may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons").

c. In Canada – An investor who constitutes an "accredited investor," as defined in National Instrument 45-106 Prospectus Exemptions or as defined in subsection 73.3(1) of the Securities Act (Ontario) and/or a permitted client, as defined under National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations.

A Foreign Institutional Offeree that purchases shares in the issue outside of Israel will be deemed to have declared by virtue of its purchase of the Shares for Issue that it meets all of the aforementioned conditions.

The Prospectus has not been submitted to the U.S. Securities and Exchange Commission. Subject to the following, the securities that are offered to the institutional offerees pursuant to this Prospectus have not been, and will not be, registered pursuant to the Securities Act, as amended from time to time, or pursuant to any law of a state of the United States and the holders of the securities that are offered pursuant to the Prospectus are prohibited from selling them, pledging them and/or transferring them in any way in the United States (subject to trading them on the Tel Aviv Stock Exchange, as set forth below) or to or for a person who is a U.S. Person (as defined under Regulation S), unless they are registered pursuant to the Securities Act or there is an exemption from

registration pursuant to the Securities Act and pursuant to the law of the state of the United States.

It is clarified that the Company does not undertake to list the securities that are offered pursuant to the Prospectus in the United States pursuant to the Securities Act.

The Institutional Offerees outside of the United States will be deemed to have declared that they meet the following cumulative conditions: (1) they are not purchasing the Offered Securities for a person who is outside of the United States or who has entered into any agreement to transfer the Offered Securities or any other economic right in them to any person who is staying in the United States; (2) they are not staying in the United States at the time of the submission of the application to purchase the Offered Securities and will not be staying in the United State at the time of their purchase.

Pursuant to the foregoing, the Company may offer the securities that are offered pursuant to the Prospectus to the Institutional Offerees, list them on TASE and the offerees pursuant to this report will be permitted to trade them on TASE.

A decision to purchase the securities that are offered pursuant to the Prospectus should only be made in reliance on the information that is included (including by way of reference) in this Prospectus.

In addition, the distributors for the issue and the offer for sale have declared that they will not offer the Offered Securities to any person who is located in the United States or to any person who is a U.S. Person, other than pursuant to an exemption from the registration requirements pursuant to the Securities Act or in the framework of a transaction that is not subject to such registration requirements.

2.5.1 Structure of the offer

between 16,842,105 and 24,263,58 Ordinary Shares are offered to Institutional Offerees pursuant to a non-uniform offer at a uniform price of between NIS 19 and NIS 25per share by the Company and the Offerees.

Before the date of publication of this Prospectus, a book building process was undertaken vis-à-vis institutional investors through UBS AG London Branch (hereinafter: the **"Pricing Underwriter"**). The allotment of the Offered Shares among the Institutional Offerees will be determined at the discretion of the Pricing Underwriter, the Company and the Offerors. The period for submitting orders will end after two hours have elapsed from the date of the publication of the Prospectus.

In the framework of the allotment, the quantity that will be allotted to all of the Institutional Investors that are included in the Group of an Underwriter for the offer (whether they are sold to it by the underwriter that is included in its group or whether

they are sold to it by another underwriter or distributor) or in the Group of a Distributor or whose investments are managed by its group, will not exceed 5% of the quantity of Units that are sold under the issue. If the value of the assets that are managed for the public by all of the Institutional Investors in the Group of the Underwriter, as aforesaid, is more than NIS 10 billion, the quantity that is allotted to them will not exceed 10% of the quantity of offered Units.

"Group of an Underwriter" or "Group of a Distributor," as the case may be, are as those terms are defined in the Offer Regulations.

It is clarified that, if orders are received from Foreign Institutional Offerees with respect to an amount exceeding 25% of the total Offered Shares that, pursuant to the terms of the Underwriting Agreement (as defined below), as set forth in Section 2.6 below, are intended to be purchased by the Pricing Underwriter and sold to such Offerees, the requirements of Section 11(a) of the Offer Regulations regarding the existence of an underwriting commitment with respect to 25% of the total offered securities will apply (however, it is clarified that if institutional subscribers that have subscribed for more than 75% of the total Offered Shares do not fulfill their commitment under the order forms (if any are submitted) and do not actually purchase the Offered Shares pursuant to the Prospectus, the underwriting commitments of the Pricing Underwriter will reapply).

2.5.2 Allotment of the Offered Securities to the Institutional Offerees

The allotment of the securities that are offered pursuant to this Prospectus will be by way of sending certificates in respect of the allotted securities to the Nominee Company. Pursuant to the TASE Rules, all of the shares of the Company, including all of the shares that form part of the capital of the Company, including the Shares for Sale and the shares rising from the exercise of (unregistered) options of the Company that have been allotted to employees and senior officers of the Company, as set forth in Section 3.5of Chapter 3 of the Prospectus , and the Offered Shares (i.e., the Shares for Sale and the shares for Issue) will be registered in the securities' register of the Company in the name of the Nominee Company.

In addition, any new shares that are issued by the Company, including shares that arise from the conversion of securities that are convertible into shares that are issued by the Company, if any, will be registered in the securities' register of the Company in the name of the Nominee Company.

The offer of the securities that are offered pursuant to this Prospectus will be partially underwritten. For details about the Underwriting Agreement (as defined below) (including the commissions to the Pricing Underwriter), see Section 2.6 below.

By 6:00 p.m. on the date of the publication of the Prospectus, the Pricing Underwriter will notify the Company of the results of the Book Building vis-à-vis Institutional Investors whose offers have been answered. The Company will make an immediate report about the results of the offer and the offer for sale.

No later than 10:00 a.m. on the second trading day after the publication of the immediate report on the results of the offering under the Prospectus, the Institutional Offerees will transfer the consideration for the offer and the offer for sale to Israel Discount Bank Ltd.[3] (hereinafter: the **"Offer Coordinator"** or the **"Coordinator"**), which will serve as the coordinator of the offer. Immediately after the consideration has been received by the Coordinator, the Company will allot the Offered Securities to the Nominee Company, as stated in this Section above. For details about the transfer of the proceeds from the Offer Coordinator to the Company, see Section 2.7 below.

It is noted that, if not all of the consideration for the Offered Shares has been transferred to the Company on the date of the allotment of the shares into the name of the Nominee Company, the Company will make a report immediately after the date of the allotment regarding the changes in its capital composition in which it will state that the consideration for the Offered Shares has not yet been received.

Upon receipt of the full consideration for the Offered Shares by the Coordinator for the Company and the Offerors or by the Company or the Offerors, the Company will publish an additional report regarding the changes in its capital composition in which it will state that the consideration for the Offered Shares have been received. It is clarified that, as long as not all of the consideration for the Offered Shares in respect of the Offered Shares has been received, it will not be possible to list them on TASE.

2.6 Underwriting, distribution

2.6.1 For the purpose of the distribution and underwriting of the Offered Shares, the Company and the Offerors entered into a purchase agreement in February, 2022[4] (hereinafter: the **"Underwriting Agreement"**) with the Pricing Underwriter under which the Offered Shares will be offered to Institutional Investors in Israel pursuant to the Prospectus and will also be sold to Foreign Institutional Offerees outside of Israel. In the United States, this will be in reliance on the provisions of Rule 144A and in other countries around the world (excluding Israel), in reliance on Regulation S.

2.6.2 Pursuant to the Underwriting Agreement, the Company and the Offerors will sell the Shares to the Pricing Underwriter for sale to Foreign Institutional Investors (hereinafter: the **"International Shares"**) and Israeli Institutional Investors. In

[3] Discount Capital Ltd., which is an interested party in the Company, is a subsidiary of Israel Discount Bank Ltd.
[4] [Note for the draft: This has not yet been signed as of the present date].

addition, the Pricing Underwriter will serve as an exclusive underwriter (pursuant to the provisions of the Securities Regulations (Underwriting), 5767-2007 and the Securities Regulations (Method of Offer of Securities to the Public), 5767-2007) for the shares for the Israeli Institutional Investors (hereinafter: the **"Israeli Shares"**) and, together with the International Shares: the **"Initial Shares"**).

2.6.3 The offer of the Israeli Shares will be pursuant to the Prospectus, whereas the offer of the International Shares will be on the basis of a special purpose international disclosure document, which will include, *inter alia*, a translation of the Prospectus into English (hereinafter, collectively: the **"International Disclosure Bundle"**).

2.6.4 In consideration of the services of the Pricing Underwriter pursuant to the Underwriting Agreement, including distribution services, the Offerors and the Company will pay, through the Coordinator, a commission of 3.5% of the total gross immediate consideration received from the offer pursuant to this Prospectus.

2.6.5 The completion of the transaction that is the subject of the Underwriting Agreement is conditional upon receipt of all of the approvals required by law for the publication of the Prospectus and the listing of the shares of the Company on TASE, the absence of a material adverse change (as defined in the Underwriting Agreement) and the production of various documents by all of the parties, in particular, a legal opinion on behalf of the Company and the Offerors as to the competence of the parties to enter into the Underwriting Agreement and the propriety of the disclosure in the Prospectus and the International Disclosure Bundle.

2.6.6 The Underwriting Agreement includes representations that have been given to the Pricing Underwriter by the Company with respect to the Company, its share capital, compliance with the law, the business of the Company and the results of its activity and the propriety of the disclosure in the Prospectus and the International Disclosure Bundle plus other representations. The Underwriting Agreement also includes undertakings given to the Pricing Underwriter by the Offerors with respect, principally, to the details pertaining to them, their ability to sell the Shares and the cleanliness of its rights in the Shares for Sale.

2.6.7 In the framework of the Underwriting Agreement, the Company (including person acting on behalf of the Company) has undertaken to refrain from performing transactions with the shares of the Company (such as issues, buybacks or derivative transactions with the shares (for a period of 12 months commencing on the date of receipt of the consideration for the issue pursuant to this Prospectus, subject to a list of standard exceptions, such as allocation of options on certain terms and allotment of shares in an investment or purchase transaction, subject to standard excluding and limitations (**"lock-up"**). In addition, in the framework of the signature of the

Underwriting Agreement, Noam Segal (CEO) and Kfir Aviv (CFO) committed to lock-up restrictions for a similar period and FIMI Partnership, Discount Capital and IAI committed to lock-up restrictions of 6 months commencing on the date of signature of the Underwriting Agreement. The restrictions that the Company, the above-mentioned officers and the above-mentioned parties have assumed in the framework of the lock-up will apply in addition to the lock-up restrictions that apply by virtue of the TASE Rules and Regulations and not instead of them.

2.6.8 The Company has undertaken to indemnify the Pricing Underwriter (including corporations related to it, its officers and employees and parties on its behalf) in respect of claims, liabilities and losses (hereinafter in this Section, collectively: **"Damage"**) that arise directly or indirectly: (a) as a result of a misleading detail (including the omission of a material detail) in the Prospectus or the International Disclosure Bundle, including any act or omission of the Pricing Underwriter in connection with the issue that constitutes Damage, if such Damage arises from a matter included in this subparagraph (a); or (b) as a result of a violation of laws or regulations of foreign countries (i.e., outside of Israel and the United States) in which shares have been offered or sold (although the Company will be entitled to a refund of any amount that is paid to the Pricing Underwriter pursuant to this subparagraph (b) if it is determined in a conclusive judgment that the Damage was caused directly as a result of an act or omission of the Underwriter that was performed with gross negligence or intentionally (hereinafter: the **"Indemnification Undertaking of the Company"**). The Indemnification Undertaking of the Company will not apply with respect to a misleading detail that is based on information that was provided to the Company for the purpose of inclusion in the Prospectus or the International Disclosure Bundle by the Underwriter.

2.6.9 Notwithstanding the foregoing, pursuant to the provisions of Section 34A of the Securities Law, the amount that is paid by virtue of the Indemnification Undertaking of the Company due to a misleading detail (including the omission of a material detail) in the Prospectus in connection with the offer of the Israeli shares (hereinafter: the **"Prospectus Indemnity"**) will not exceed, in aggregate, the total consideration paid in respect of the Offered Shares (hereinafter: the **"Israeli Cap"**). In addition, on the date on which the amount that is paid by virtue of the Prospectus Undertaking reaches, in aggregate, an amount equal to 25% of the equity of the Company according to its financial statements that were most recently published before the date of the payment of the indemnity and the board of directors of the Company determines in writing that an additional payment is likely to harm the ability of the Company to meet its existing and future liabilities on time (hereinafter: the **"Solvency Consideration"**), the undertaking of the Company to pay the Prospectus Indemnity will be suspended until the removal of the Solvency Consideration and, upon its removal, the payment of the

Prospectus Indemnity will continue up to the Israeli Cap. In addition, the Prospectus Indemnity is subject to the provisions of Section 34A(d) of the Securities Law (which establishes certain qualifications to indemnification relating to the good faith of the underwriter and relating to acts performed intentionally or recklessly).

2.6.10 It is noted that, in the framework of the discussion regarding the approval of the Underwriting Agreement, the board of directors of the Company determined that the Israeli Cap is reasonable under the circumstances of the case, taking into account, *inter alia*, standard practice with respect to underwriting agreements in Israel in recent years and the Solvency Consideration as well as the complexity of the issue and its global spread.

2.6.11 The Offerors have undertaken to indemnify the Pricing Underwriter (including corporations related to it, its officers and employees and parties on its behalf) in respect of claims, liabilities and losses (hereinafter in this Section, collectively: **"Damage"**) that arise directly or indirectly: (a) as a result of a misleading detail (including the omission of a material detail) in the data of the Offerors included in the Prospectus or the International Disclosure Bundle on the basis of information provided by the Offerors, as defined in the Underwriting Agreement, up to a total amount that will not exceed the amount of the net consideration received by each of the Offerors in respect of their Shares for Sale.

2.6.12 The Underwriting Agreement may be terminated before the completion of the Offer for Sale and the issue by the Pricing Underwriter in any of the following cases: (a) The declaration of a freeze on bank obligations by the competent authorities of the United States, New York or Israel; (b) an outbreak or worsening of national or international hostilities, a crisis or disaster or a change in the market in the United States, Israel or the international markets or a change or development connected with an expected material change in political, economic or financial conditions in the international arena that, in the view of the Pricing Underwriter, is material and negative and makes it impractical to market the shares for the issue; (c) the occurrence of a material adverse change (as defined in the Underwriting Agreement) in the view of the Pricing Underwriter; (d) a breach of undertakings and/or representations of the Company and/or the Offerors; (e) a loss for the Company due to a strike, natural disaster, epidemic, accident and the like that has characteristics that, in the view of the Pricing Underwriter, are likely to materially harm the management of the business of the Company and its activity. In the event of the termination of the Underwriting Agreement, as set forth above, the Company and the Offerors will be exempt from any obligation except for bearing the expenses of the Pricing Underwriter. However, the Indemnification Undertaking of the Company and the indemnification undertaking of

the Offerors will also remain in effect in the case of such a termination of the Underwriting Agreement.

2.6.13 The Underwriting Agreement is subject to the laws of the state of New York and includes an exclusive jurisdiction clause that gives exclusive jurisdiction to the competent courts of Manhattan, New York.

2.6.14 In addition, the Company and the Offerors have entered into an distribution engagement[5] with a consortium of distributors led by Discount Capital Underwriting Ltd. (Discount Capital Underwriting Ltd. is a private company controlled by Discount Capital Ltd, an interested party in the Company) (hereinafter: **"Discount Underwriting"**) and Barak Capital Underwriting Ltd. (hereinafter: collectively: the **"Distributors in Israel"**) who will serve as distributors in Israel for the purpose of distributing the Offered Securities in Israel. The Distributors in Israel will be entitled to a commission for the distribution services in Israel, as set forth in Section 5.1 of Chapter 5 of the Prospectus.

2.7 Letters of allotment and certificates

The provisions of this Section are subject to the provisions of every law and the TASE Rules on the date of the publication of the Prospectus.

If all of the conditions to performing the offer pursuant to this Prospectus are satisfied, the Company will allot and the Offerors will transfer , the Offered Securities to the Nominee Company against the transfer by the Offer Coordinator of the money deposited in the account of the Offer Coordinator to the Company and the Offerors provided that such allotment and transfer will not be made before the Coordinator is satisfied that the requirements of the TASE Rules have been satisfied in full, as stated in Section 2.8 below.

Pursuant to the provisions of the TASE Rules, all of the shares that constitute the issued capital of the Company, including the Shares for Sale and the shares stemming from an exercise of (unlisted) options of the Company that have been allotted to employees and senior officers of the Company, as set forth in Section 3.5of Chapter 3 of this Prospectus below, and all of the Ordinary Shares that will be issued by the Company (hereinafter: the **"Securities for which Approval is Sought"**) will be registered in the shareholder register in the name of the Nominee Company.

The Offered Securities will be capable of being transferred, split and waived in favor of others subject to the completion of a deed of transfer or split or waiver and the delivery thereof together with the letters of allotment/certificates to the Company and subject to the payment of all of the concomitant expenses, taxes and levies by the applicant and subject to the TASE Rules and Regulations.

[5] [Note for the draft: They have not yet entered into an engagement as of the present date]

2.8 Listing on TASE

2.8.1 The Company has applied to TASE to list the Securities for which Approval is Sought and TASE has given its approval to this.

2.8.2 Pursuant to the TASE Rules, the listing on TASE of the Securities for which Approval is Sought pursuant to this Prospectus is conditional upon the value and amount of the holdings of the public of the shares of the Company after the listing not being less than prescribed under the TASE Regulations for a new company in the category of the Company that is listed on TASE pursuant to Alternative C1. As of the date of the Prospectus, the listing of the Securities for which Approval is Sought on TASE is conditional upon the value of the holdings of the public of the shares of the Company following the listing not being less than NIS 80 million, the value of the shares of the Company after the listing not being less than NIS 200 million, and the value of the holdings of the public of the shares stemming from the issue of the shares that will be issued pursuant to the Prospectus not being less than NIS 80 million.

In addition, pursuant to the TASE Rules, the listing of the Securities for which Approval is Sought is conditional upon fulfillment of the minimum spread of holdings by the public, as follows: the minimum number of holders of the Offered Shares will be at least one hundred (100) holders; the value of the holding of each of which will be at least NIS 16 thousand. For details about the contract of the Company with a market maker, see Section 2.9 below. Since a contract has been entered with a market maker, as aforesaid, the minimum number of holders of shares pursuant to the TASE Rules will be at least thirty-five (35) holders instead of 100 holders.

In this Section**, "holder"** means one holder, the value of whose holdings exceeds the value of the minimum holding per holder required, as stated above, or a holder in concert with others, the value of whose joint holdings exceeds the value of the minimum holding per holder, as stated above.

2.8.3 In addition, the listing of the Offered Shares is subject to the Company issuing an immediate report about the results of the issue and the offer for sale and, prior to the listing, about (1) the satisfaction of the conditions stated in Section 2.8.2 above and (2) completion of the registered capital increase and the share split, quantity of the issued and paid-up capital, the Company's total amount of options after the exercise of options as part in the Shares for Sale, and the set of securities to which the lock-up will apply as set forth in Sections 3.1, 3.5.5 and 3.6.8 of Chapter 3 of the Prospectus.

2.8.4 After TASE has verified that the conditions set forth in this Section 2.8 and the other relevant provisions set forth in the TASE Rules have been satisfied, it will give approval to the listing, following which the securities will be listed on TASE.

2.8.5 If it transpires that not all of the requirements of TASE, as set forth in Sections 2.8.2-2.8.4 above, are satisfied, the offer will be cancelled, the Offered Securities will not be sold or allotted and will not be listed on TASE, and money will not be collected from the subscribers.

2.8.6 If the offer is cancelled, as set forth above, the Company will announce this by way of an immediate report to the ISA and TASE (in accordance with the dates prescribed by law) and will publish an announcement on the matter in two daily newspapers with wide circulation that are published in Israel in Hebrew by the first business day after such cancellation of the offer.

2.9 Market maker

In December, 2021, the Company entered into a market making agreement with respect to its shares (hereinafter: the **"Market Making Agreement"**) with Excellence Investments Management and Securities Ltd. (hereinafter: the **"Market Maker"**). On December 30, 2021, the Market Maker received the approval of TASE to serve as a market maker for the Ordinary Shares of the Company pursuant to that provided under the market making rules prescribed under the TASE Rules and Regulations, Part 3 (Chapter I) and pursuant to a resolution of the board of directors of TASE on the matter and the provisions of law. The key elements of the Market Making Agreement are as follows:

2.9.1 In consideration of the market making, the Company has undertaken to pay the Market Maker an amount that is not material to the Company.

2.9.2 The term of the Market Making Agreement is for one year from the first date of trading of the shares of the Company (hereinafter: the **"Initial Term of the Agreement"**). On the expiry of the Initial Term of the Agreement, the Market Making Agreement will be automatically extended for additional terms of 12 months each unless one party notifies the other that it wishes to terminate the agreement on the original date (hereinafter: the **"Additional Terms"**). Notwithstanding the foregoing, the parties may terminate the Market Making Agreement, as follows: (a) At any time, each party may terminate the Market Making Agreement during the Additional Terms with at least 21 days' prior notice; (b) each party may terminate the Market Making Agreement immediately in the case of a legal bar; (c) the parties may terminate the Market Making Agreement with 72 hours' prior written notice (or a shorter period, if necessary) if the Market Maker ceases to serve as a market maker pursuant to a determination and/or requirement and or notice of TASE and/or any competent authority and/or pursuant to any law. The Market Maker undertakes to notify the Company in writing immediately about any notice that it receives related to the approval of TASE and/or the ISA and/or any other competent authority, including a notice about the removal and/or suspension and/or

cessation of the approval for market making activity with the transaction shares and will give the Company a written copy of any such notice.

2.9.3 Pursuant to the TASE Regulations, if the Market Maker ceases to serve as a market maker or the chief executive officer of TASE cancels the approval given to the Market Maker to act as a market maker before one year has elapsed from the listing of the securities, the Company will appoint another market maker within 14 days of the date on which the Market Maker ceases to serve as a market maker or the date on which the chief executive officer of TASE cancels the approval given to the Market Maker to act as a market maker, as the case may be, in every case pursuant to the TASE Rules. The Market Maker will notify the Company immediately of any case in which TASE cancels the approval given to it to act as a Market Maker.

2.10 Refraining from undertaking arrangements that are not written in the Prospectus

2.10.1 The Offerors, the Company, the board of directors of the Company and the Pricing Underwriter undertake by signing the Prospectus not to undertake arrangements that are not written in the Prospectus in connection with an offer of the securities or their distribution and spread among the public, and undertake not to grant any right to purchasers of the securities pursuant to the Prospectus to sell the securities that they have purchased beyond that set forth in the Prospectus.

2.10.2 The Offerors, the Company, the board of directors of the Company and the Pricing Underwriter undertake by signing the Prospectus not to enter into a contract with any third party that, to the best of their knowledge, has made arrangements that contravene that stated in Section 2.10.1 above.

2.10.3 The Offerors, the Company, the board of directors of the Company and the Pricing Underwriter undertake, by signing the Prospectus to notify the ISA of any arrangement that is known to them with a third party in connection with the offer of the securities that are offered pursuant to this Prospectus or their distribution and spread among the public that contravenes the undertakings set forth in Sections 2.10.1 and 2.10.2 above.

2.10.4 The Offerors, the Company, the board of directors of the Company and the Pricing Underwriter undertake, by signing the Prospectus not to accept applications for securities from this sale to the public from a distributor who has not undertaken in writing to comply with the provisions of this Section.

2.11 Refraining from diluting capital

During the period commencing on the date of the publication of the Prospectus until the completion of the offer of the securities that are offered pursuant to this Prospectus, the Company will not perform any act, excluding the sale to the public pursuant to this Prospectus, that will constitute a "dilution of capital," as defined under the Prospectus Details Regulations.

2.12 Shelf prospectus

2.12.1 This Prospectus also constitutes a shelf prospectus.

2.12.2 Pursuant to the shelf prospectus, it will be possible to issue to the public Ordinary Shares of the Company, non-convertible bonds (including by way of extending existing series of bonds of the Company, if any exist from time to time), bonds that are convertible into shares of the Company (including by way of extending existing series of bonds of the Company that are convertible into shares of the Company, if any exist from time to time), options that can be exercised into shares of the Company, options that can be exercised into non-convertible bonds or bonds that are convertible into shares of the Company, negotiable securities and any other security that, by law, may be issued under a shelf prospectus at the relevant date.

2.12.3 The securities will be offered pursuant to the Shelf Prospectus pursuant to the provisions of Section 23A of the Securities Law by way of shelf offer reports in which all of the details that are unique to the relevant offer will be completed, including the details and conditions of the securities and the composition of the offered Units, pursuant to the provisions of any law and pursuant to the TASE Rules and Regulations, in such form as they may be in at the time.

2.13 Taxation

In the framework of Amendment No. 195 of the Income Tax Ordinance (New Version), 5721-1961 (hereinafter: the **"Ordinance"**), Section 121B was added to the Ordinance, which prescribes a surtax on high income. An individual whose taxable income during the tax year exceeds NIS 647,640 (as of 2021 – the amount is updated annually in accordance with the increase in the consumer price index) will pay additional tax in the amount of 3% of the amount of the taxable income that exceeds the aforementioned amount. The provisions of this Section apply to all categories of income, including income from capital gains and the betterment of land, with the exception of the element of the value of the sale of a right in land in a residential property that exceeds NIS 4,615,280 and such sale is not exempt from tax under any law, and with the exception of an inflationary amount, as defined in Section 88 of the Ordinance and Section 47 of the Land Taxation Law (hereinafter: the **"Surcharge"**).

On December 29, 2016, the Economic Efficiency Law (Legislative Amendments for the Implementation of the Economic Policy for the Budget Years 2017 and 2018), 5777-2016 (in this Section: the **"Law"**) was published in *Reshumot* [the Government Gazette]. In the framework of the Law, an amendment was also made to Amendment No. 234 of the Ordinance, under which it was provided, *inter alia*, that the corporate tax rate would be reduced to 24% as from January 1, 2017 and 23% as from January 1, 2018 and onward on income generated or arising as from January 1, 2018. Changes in the tax rate applying to individuals were also made.

It is clarified that what follows below, which relates to the method of taxation of investors who are residents of Israel, may not apply with respect to a "foreign resident" (an individual or a body corporate), an "individual who has become a resident of Israel for the first time" and a "returning resident after an extended period," as defined in the Ordinance, and it is suggested that such residents seek individual advice to examine their entitlement to tax benefits in Israel. In addition, it is noted that, for investors who will be deemed to be "controlling shareholders" or material shareholders, as defined under the Ordinance, tax implications in addition to those described below may apply.

In addition, the discussion below regarding the taxation of a body corporate that is a foreign resident is qualified in a case in which residents of Israel are the controlling shareholders or beneficiaries of it or are entitled to 25% or more of the income or profits of the foreign resident, directly or indirectly, pursuant to the provisions of Section 68A of the Ordinance.

As is customary when making decisions about financial investments, the tax implications connected with an investment in the securities offered pursuant to the Prospectus must be considered. The provisions included in the Prospectus regarding the taxation of the securities do not purport to be an authorized interpretation of the provisions of the law mentioned in the Prospectus, and do not replace professional and individual advice in accordance with the particular data and unique circumstances of each investor. Anyone seeking to purchase securities pursuant to this Prospectus is recommended to seek professional advice to clarify the tax consequences that will apply to him taking into account his unique circumstances. Moreover, the provisions that are included reflect the provisions of the law and the interpretation that apply as at the date of this shelf offer report.

According to the law as it exists today, the tax arrangements that are described in brief below apply to the securities offered pursuant to the Prospectus:

2.13.1 Capital gain from sale of the Offered Securities

Pursuant to Section 91 of the Ordinance, a real capital gain[6] from the sale of securities by an individual who is a resident of Israel whose income from the sale of the securities does not constitute income in his hands from a "business" or an "occupation" and who has not claimed a deduction of real interest expenses and linkage differentials by virtue of the securities is liable to tax at the marginal tax rate of the individual pursuant to Section 121 of the Ordinance, but at a rate not exceeding twenty-five percent (25%) and the capital gain will be regarded as the highest rung of the his taxable income ladder. This is except with respect to the sale of securities by an individual who is a "material shareholder" of the Company, meaning to say, the holder,

6 As this term is defined under Section 88 of the Ordinance.

directly or indirectly, alone or in concert with another,[7] of at least ten percent (10%) of one or more of any category of means of control[8] of the Company on the date of the sale of the securities or any date in the twelve (12) months preceding such sale (hereinafter: **"Material Shareholder"**), for whom the tax rate for any real capital gain in his hands will be a rate not exceeding thirty percent (30%). Notwithstanding the foregoing, an individual who has claimed real interest expenses and linkage differentials by virtue of the securities will be charged for tax on the real capital gain from the sale of the securities at a rate of thirty percent (30%) until the determination of provisions and conditions for the deduction of real interest expenses pursuant to Sections 101A(a)(9) and 101A(b) of the Ordinance. This reduced tax rate will not apply to an individual for whom the income in his hands from the sale of the securities constitutes income from a "business" or an "occupation" pursuant to provisions of Section 2(1) of the Ordinance, who will be charged at a marginal rate, as provided under Section 121 of the Ordinance (up to 47% in 2021).

In addition to the aforementioned tax rates, a surcharge of 3% will apply to that portion of the taxable income of an individual that exceeds NIS 647,640 (in 2021 – the amount is updated annually in accordance with the increase in the index).

A body corporate will be liable to tax on a real capital gain from a sale of securities at the corporate tax rate that is prescribed under Section 126(a) of the Ordinance (in 2021 – 23%).

Pursuant to Section 94B of the Ordinance, on the sale of a share that is listed on TASE by an individual, if the date of the purchase of the shares was before the effective date, or by a body corporate, provided that it is a "Material Shareholder" on the date of the sale or during the 12 months preceding it, the amount of the real capital gain stemming from the sale will be reduced by an amount equal to part of the distributable profits that accrued from January 1, 2006 and onward in the Company whose shares were sold, pro rata to the portion of the seller with the right to the profits of the company.

On the sale of shares that originated from options that were exercised into shares, the original price of the options will be deemed to be the original price (for the purpose of calculating the capital gain from the sale) of the shares and the payment made to exercise them into shares will be deemed to be betterment expenses. In addition, for tax purposes, the date of the purchase of such shares or bonds will be deemed to be date of the purchase of the options.

An exempt trust fund and also provident funds and entities that are exempt from tax pursuant to Section 9(2) of the Ordinance, are exempt from tax in respect of capital gains

7 As this term is defined under Section 88 of the Ordinance.
8 As this term is defined under Section 88 of the Ordinance.

from the sale of securities, as aforesaid, pursuant and subject to the conditions of the section.

With respect to the income of a taxable trust fund from the sale of securities, the tax rate that would apply to such profits or income if they were received by an individual for whom the income does not constitute income in his hands from a "business" or "occupation" will apply, unless expressly provided otherwise. If a special tax rate has not been prescribed for the income, the income will be taxed at the maximum tax rate prescribed under Section 121 of the Ordinance.

As a rule, foreign residents (individuals and bodies corporate), as defined under the Ordinance, are exempt from tax on the capital gain from the sale of securities that are listed on the stock exchange in Israel as long as the profit is not attributed to a permanent establishment of foreign residents in Israel subject to the provisions of Section 97(b2) of the Ordinance. This exemption will not apply to a company that is a foreign resident if residents of Israel are its controlling shareholders or are beneficiaries of, or entitled to, 25% or more of the income or profits of the foreign resident, directly or indirectly, pursuant to the provisions of Section 68A of the Ordinance. If such exemption does not apply, as a rule, the exemption provisions of a relevant double taxation treaty (if one exists) between the State of Israel and the state of residence of the foreign resident may apply, subject to the production in advance of an appropriate certificate from the Israel Tax Authority.

With respect to the withholding tax on the real capital gain on the sale of the Offered Securities, pursuant to the Income Tax Regulations (Withholding from Consideration, a Payment or a Capital Gain on the Sale of a Security, the Sale of a Unit of a Trust Fund or a Futures Transaction), 5763-2002 (hereinafter: the "Withholding From Capital Gains Regulations"), a payor (as this term is defined under the said Regulations) who pays a seller consideration on the sale of offered securities, will pay withholding tax at a rate of twenty-five percent (25%) on the real capital gain if the seller is an individual. If the seller is a body corporate, withholding tax will be paid at the corporate tax rate that is prescribed under Section 126(a) of the Ordinance (in 2021 – 23%) on the real capital gain. This is subject to certificates of exemption from (or a reduced rate for) withholding tax and subject to the set off of losses that the payor of the withholding tax may make.

The Withholding from Consideration Regulations will not apply to a payor that is a financial institution paying a seller who is a foreign resident consideration or another payment in respect of an exempt capital gain if the foreign resident submitted a declaration on Form 2402 within 14 days of the date of the opening of the account and once every three years, if he or his representative was in Israel, regarding the fact that he is a foreign resident and regarding his entitlement to an exemption.

In addition, withholding tax will not be paid for provident funds, trust funds and other entities that are exempt from withholding tax by law and that are specified in the addendum to the Income Tax Regulations (Withholding from Interest, Dividends and Certain Profits), 5766-2005 (hereinafter: the "Withholding from Dividends and Interest Regulations") after the production of the appropriate certificates by them.

If the securities that are offered pursuant to this shelf offer report are delisted from TASE, the rate of withholding tax that will be paid at the time of their sale (after the delisting) will be thirty percent (30%) of the consideration for as long as a certificate from the assessing officer has not been produced indicating another rate of withholding tax for the withholding (including an exemption from withholding tax).

With respect to a foreign resident, it is provided that the Withholding from Capital Gains Regulations will not apply to a payor that is a financial institution paying a seller who is a foreign resident consideration or another payment in respect of an exempt capital gain, if the foreign resident submitted a declaration on Form 2402 within fourteen (14) days of the date of the opening of the account, and once every three years, if he or his representative was in Israel, regarding the fact that he is a foreign resident and regarding his entitlement to an exemption.

If the full withholding tax on the real capital gain has not been paid on the date of the sale, the provisions of Section 91(d) of the Ordinance and the provisions thereunder will apply with respect to the reporting and payment of an advance by the Seller in respect of such sale on July 31 and January 31 of every tax year with respect to a sale of securities made in the six months preceding the month in which the report applies.

As a rule, if the securities that are offered pursuant to this Prospectus are delisted from TASE, the rate of withholding tax that will be paid at the time of their sale (after the delisting) will be thirty percent (30%) of the consideration for as long as a certificate from the assessing officer has not been produced indicating another rate of withholding tax (including an exemption from withholding tax).

Moreover, the rate of withholding tax in the case of a foreign resident may be reduced pursuant to a valid certificate from the Israel Tax Authority, and subject to the provisions of a double taxation treaty, as stated above.

2.13.2 Set-off and losses from a sale of the Offered Securities

As a rule, losses in a given tax year that originate from a sale of the Offered Securities in that tax year, which, had they been a capital gain, would have been taxable in the hands of their recipient (an individual or body corporate), will first be set off against real capital gains and land betterment from the sale of any asset (including a negotiable security) in Israel or outside of Israel (with the exception of a taxable inflationary

capital gain, which will be set off at a ratio of 1: 3.5), in each case pursuant to the provisions of Section 92 of the Ordinance.

A capital loss as a result of a sale of a security during a tax year may also be set off against interest or dividends that have been paid in respect of that security or against interest or dividends that have been paid in respect of other securities in the same tax year, provided that the tax rate that applies to the interest and dividends from the other security does not exceed the corporate tax rate that is prescribed under Section 126(a) of the Ordinance (in 2021 – 23%) in the relevant tax year with respect to a company and, with respect to an individual, provided that it did not exceed the rate prescribed under Sections 125B(1) or 125C(b) of the Ordinance, which is 25%.

The losses will be set off by way of the set off of a capital loss against capital gains or against interest or dividend income, as stated, (with the exception of a taxable inflationary profit, which will be set off at a ratio of 1: 3.5), in each case pursuant to the provisions of Section 92 of the Ordinance.

A capital loss that cannot be set off in a tax year will be set off against capital gains and land betterment only, as provided under Section 92(b) of the Ordinance, in the following tax years, after the year in which the loss was created. provided that a return has been filed with the assessing officer for the tax year in which the loss occurred.

Pursuant to the provisions of Section 94C of the Ordinance, on the sale of a share by a body corporate, the amount of dividends received in respect of the share during the twenty-four (24) months preceding the sale, but no more than the amount of loss and excluding dividends on which tax has been paid (with the exclusion of tax that has been paid outside of Israel) at a rate of 15% or more, will be deducted from the capital loss created from the sale of the share.

Pursuant to the Withholding from Capital Gains Regulations, when calculating the capital gains for the purpose of the payment of withholding tax on the sale of negotiable securities, units of trust funds and futures transactions (hereinafter: **"Negotiable Securities"**), the payor of the withholding tax (as this term is defined under the Withholding from Consideration Regulations) will set off the capital gain created from the sale of Negotiable Securities that were under its management subject to the profit created in the tax year in which the loss has been created, whether before the creation of the loss or after such date.

2.13.3 <u>The tax rate that will apply to dividend income in respect of the Offered Securities</u>

Pursuant to Section 125B of the Ordinance, a dividend originating from the Offered Securities, provided that it is not a dividend originating from an approved enterprise or a beneficiary enterprise or a preferred enterprise, as defined under the Encouragement

of Capital Investments Law, 5719-1959 (hereinafter: the **"Encouragement Law"**), will, as a rule, be taxable in the hands of individuals who are residents of Israel at a rate of 25%, with the exception of an individual who is a material shareholder, as aforesaid, on the date of the receipt of the dividend or on any date in the 12 months preceding that date, in respect of whom the tax rate will be 30%.

In addition to the foregoing, a surcharge of 3% will be imposed on that amount of the taxable income in 2021 that exceeds NIS 647,640 (this amount is updated annually in accordance with the increase in the consumer price index).

With respect to dividends in the hands of companies that are residents of Israel, as a rule, pursuant to Section 126(b) of the Ordinance, these will not be included in the amount of their taxable income provided that the source of the dividends is not income that has been generated or accrued, directly or indirectly, outside of Israel and that has been received directly or indirectly from another body corporate that is liable to corporate tax and are not dividends originating from an approved enterprise or a beneficiary enterprise or a preferred enterprise (unless the company has applied the preferred enterprise provisions to itself, in accordance with the law, and the dividends are not from exempt income).

Furthermore, according to the Israeli Tax Authority position, as stated in Reportable Position 1/2016, if a company derives dividend income which originates from revalued profits, such dividend income shall be subject to tax at the standard corporate tax rates in accordance with Section 126(a) of the Ordinance, and the provisions of Section 126(b) will not apply. The Israeli Tax Authority position is that Section 100A1 shall enter into force only after the enactment of the tax Regulations thereunder re the definition of "revaluated profits". Pursuant to the provisions of Section 100A1 of the Ordinance, when a company distributes a dividend that originates from revalued profits, as a rule, capital gains tax may apply on the level of the company distributing the dividend in respect of a notional realization of the revalued amount that has been distributed as a dividend.

A foreign resident will be liable to tax in respect of such a dividend at the rate of 25% with the exception of a foreign resident who is a material shareholder, as aforesaid, on the date of the receipt of the dividend or on any date during the 12 months preceding such date, in respect of whom a tax rate of 30% will apply This is subject to the double taxation treaty (if any) that has been entered between the State of Israel and the state of residence of the foreign resident and also subject to the production in advance of an appropriate certificate of exemption from withholding tax from the Israel Tax Authority. The tax rate with respect to a dividend in the hands of a taxable trust fund will be in accordance with the tax rates that apply to an individual for whom the income does not constitute income in his hands from a "business" or "occupation," unless expressly provided otherwise.

An exempt trust fund, and also provident funds and additional entities that are exempt from tax pursuant to Section 9(2) will be exempt from tax in respect of such a dividend.

The corporate tax that is prescribed under Section 126(a) of the Ordinance (in 2021 – 23%) will apply to the taxable income of a body corporate from a dividend originating from income that has been generated or accrued outside of Israel.

Pursuant to the Income Tax Regulations (Withholding from Interest, Dividends and Certain Profits), 5766-2005, the rate of the withholding tax that must be paid upon the distribution of a dividend to an individual and a foreign resident (an individual and a body corporate) in respect of the shares, including a distribution to a shareholder, as aforesaid, who is a material shareholder of the corporation on the date of the receipt of the dividend or on any date during the 12 months preceding such date and whose shares are registered for trading on a stock exchange and registered with and held by the Nominee Company, will be at the rate of 25%. Pursuant to these regulations, if a dividend has been paid to an individual who is a resident of Israel and/or a foreign resident in respect of whom a limited tax rate has been prescribed pursuant to any law, the withholding tax will be paid at the rate so prescribed. It is clarified that the rate of withholding tax for the foreign resident will be subject to the provisions of the double taxation treaty entered between the State of Israel and the state of residence of the recipient and subject to the production in advance of an appropriate certificate from the Israel Tax Authority for an exemption from/a reduction in the rate of withholding tax.

Withholding tax will not be paid in respect of payments to provident funds, trust funds and additional entities that are exempt from withholding tax in accordance with the law.

Withholding tax on a dividend that has been paid by a body corporate that is a resident of Israel whose shares are listed on TASE in respect of shares that are held by the Nominee Company will be paid through a financial institution.

Due to the material changes applying to the taxation of the capital market in light of the income tax reform, the proper practice in terms of the implementation of its provisions has not yet been crystallized, and there may be a number of interpretations as to the manner of their implementation. Moreover, there may be legislative changes to the provisions of the reform. In the nature of things, it is impossible to foresee the content and effect of such changes.

As is customary when making decisions about financial investments, it is necessary to consider the tax implication associated with investing in the Offered Securities. The description above is merely general and is not a substitute for

individual expert advice, taking into account the unique circumstances of each investor. Each applicant seeking to purchase securities that will be offered pursuant to this Prospectus is recommended to seek professional and individual advice in order to clarify the tax consequences that will apply to him, taking into account the unique circumstances of the investor and the Offered Security.

Chapter 3: Capital of the Company

3.1 The registered share capital and the issued and paid-up share capital of the Company

Class of shares	Quantity of shares in the registered capital	Quantity of shares in the issued and paid-up capital	Quantity of shares in the issued and paid-up capital on a fully diluted basis[1]
Ordinary shares of no par value (**"Ordinary Shares"**)	150,000,000	49,273,900	53,487,250

In July 2021, a restructuring was executed between the Company and ImageSat International NV, a foreign company that is incorporated in Curacao, and registered with the Registrar of Companies in Israel as a foreign company (hereinafter: **"ImageSat NV"**), which, prior to the restructuring, was the parent company that held the full issued and paid-up share capital of the Company, in the framework of which shares and options of the Company were allotted to the holders of the shares and (non-negotiable) options of ImageSat NV in exchange for their holdings in ImageSat NV, which became a wholly-owned subsidiary of the Company. In addition, in the framework of the restructuring, the following acts, *inter alia*, were performed: (1) the par value of the Ordinary Shares of the Company was cancelled; (2) the registered capital of the Company was increased to 16,600,000 Ordinary Shares and converted into various classes; (3) changes were made in the issued capital for the purpose of allotting the shares to the shareholders of ImageSat NV (prior to the restructuring). For additional details, see the table in Section 3.2 below, and Section 6.9 of Chapter 6 of the Prospectus.

In May, 2021, the general meeting approved, subject to the completion of the issue pursuant to this Prospectus, an increase in the registered capital of the Company to 150,000,000 shares with no par value (hereinafter: the **"Registered Capital Increase"**) and a split of the share capital of the Company, such that every Ordinary Share of the Company with no par value would be split into 10 Ordinary Shares of no par value (hereinafter: the **"Share Capital Split"**)[2] and, in this framework, the incorporation documents were updated accordingly.

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1 As of the date of the Prospectus, there are (a) 2,713,350 (unlisted) options, which were allotted in September 2018, September 2020 and November 2020 to officers who are employees of the Company. The options can be exercised into up to 2,713,350 shares of the Company. The above quantity of options is after adjusting the quantity of options in respect of the split in the share capital (which will enter into effect upon the completion of the offer for sale pursuant to the Prospectus and before the listing of the shares of the Company on TASE); and (b) 1,500,000 (unlisted) options, which will be allotted subject to the completion of the offer pursuant to this Prospectus to officers who are employees of the Company. The options may be exercised into up to 1,500,000 shares of the Company.For additional details about the options, see Section 3.5below.

2 The Registered Capital Increase in the Share Capital Split will enter into effect upon completion of the offer for sale pursuant to this Prospectus and before listing. The Company will announce the results of the issue, the completion of the Changes in Capital in the framework of an immediate report.

The Registered Capital Increase and the Share Capital Split, hereinafter, collectively the **"Changes in Capital."**

In January, 2022, the Company received an irrevocable notice of conversionfrom the holders of the Preference A Shares and the Preference B Shares (as defined below), according to which, prior to the listing of the securities on TASE pursuant to this Prospectus, the preference shares will be converted into Ordinary Shares at a 1:1 ratio, such that, upon the completion of the issue on the basis of this Prospectus and before the listing of the shares of the Company, all of the shares in the registered and paid-up capital of the Company will be Ordinary Shares (hereinafter: the **"Conversion of the Preference Shares"**) and non-negotiable options that have been allotted to employees who are officers, which will only be exercisable into Ordinary Shares that are registered in the name of the Nominee Company of the Company.

The data specified above about the registered share capital and issued and paid-up share capital of the Company as of the date of the Prospectus are after the conversion of the preference shares into Ordinary Shares and after the completion of the Changes in Capital.

Subject to the completion of the issue pursuant to this Prospectus, the Company will announce in the framework of the immediate notice about the results of the issue and, before the listing, the aforementioned Conversion of the Preference Shares, the completion of the Changes in Capital and the quantity of the issued and paid-up capital.

3.2 Development of the registered share capital and issued and paid-up share capital of the Company

The changes that have occurred in the registered share capital and paid-up share capital of the Company in the three years prior to the date of the Prospectus are as follows:

Date	Nature of the change	Registered capital of the Company	Issued and paid-up share capital of the Company
Opening balance on January 1, 2018		16,600 Ordinary Shares with a par value of NIS 1 each	100 Ordinary Shares with a par value of NIS 1 each
July 2021	Restructuring, as specified in Section 3.1 above.	13,565,654 Ordinary Shares with no par value 2,188,111 Preference A Shares with no par value 846,235 Preference B Shares with no par value	1,893,044 Ordinary Shares with no par value 2,188,111 Preference A Shares with no par value 846,235 Preference B Shares with no par value
Date of the completion of the issue	Conversion of the preference shares (*) and the changes in capital of the Company, as specified in Section	150,000,000 Ordinary Shares with no par value	49,273,900 Ordinary Shares with no par value

	3.1 above.		

(*) The conversion of the preference shares into Ordinary Shares at a 1:1 ratio (as stated in Section 3.1 above) and the change in the share capital of the Company, which will enter into effect immediately before the listing of the shares of Company on TASE.

3.3 Holdings of the securities of the Company

3.3.1 Details about the holdings of the securities of the Company as of the date of the Prospectus (on the assumption of the conversion of the preference shares into Ordinary Shares, the completion of the Capital Share Split and the cancellation of the nominal value, as specified in Section 3.1 above) are as follows:

Name of interested party	Ordinary Shares with no par value	Unlisted options that have been allotted	Percentage of capital and voting rights	Percentage of capital and voting rights (on a fully diluted basis)
FIMI Partnership[3]	21,881,110	-	44.41%	42.09%
Israel Aerospace Industries Ltd.[4]	18,728,470	-	38.01%	36.03%
Discount Capital Ltd.[5]	8,462,350	-	17.17%	16.28%
Noam Segal, CEO of the Company(*)	-	1,386,810	-	2.67%
Kfir Aviv, CFO(*)	-	540,820	-	1.04%
Officers and other employees (*)	-	785,720	-	1.51%
Other shareholders (who are not interested parties)	201,970	-	0.41%	0.39%
Total	49,273,900	2,713,350	100%	100%

(*) There is an employer-employee relationship between each of the holders of the options and the Company. In addition, none of the holders of the options is interested party by virtue of his holdings of shares of the Company and, following the exercise (if at all) of the options, he will not become interested partie by virtue of his holdings and, therefore, the TASE lock-up rules do not apply to him.

3 The holders are FIMI Opportunity 6, Limited Partnership and FIMI Israel Opportunity 6, Limited Partnership (hereinafter: the "**FIMI Partnership**"), whereby the general partner that manages them is FIMI 6 2016 Ltd. For additional details, see Section 3.4 below.

4 The controlling shareholder of Israel Aerospace Industries Ltd. is the State of Israel, which holds its entire issued and paid-up capital. Includes holdings of IAI Asia Pte Ltd., which is a wholly-owned subsidiary.

5 A wholly-owned subsidiary of Israel Discount Bank Ltd.

3.3.2 Details about the holdings of the securities of the Company after the completion of the offer pursuant to this Prospectus are as follows (on the assumption of complete[6] acceptance of the issue and offer for sale pursuant to this Prospectus):

Name of interested party	Ordinary Shares with no par value	Unlisted options that have been allotted	Unlisted Options that will be allotted	Percentage of capital and voting rights	Percentage of capital and voting rights (on a fully diluted basis)
FIMI Partnership[7]	18,114,698[8]	-	-	29.78%	28.12%
Israel Aerospace Industries Ltd.[9]	18,728,470	-	-	30.74%	29.03%
Discount Capital Ltd.[10]	7,017,322[11]	-	-	11.52%	10.88%
Noam Segal, CEO of the Company*		1,036,810[12]	350,000	-	2.15%
Kfar Aviv, CFO*		265,820[13]	70,000	-	0.52%
Officers and other employees*	- -	785,720	1,080,000	-	2.89%
Public	16,748,586[14]	-	-	27.97%	26.42%
Total	**60,670,925**	**2,088,350**	**1,500,000**	**100%**	**100%**

(*) There is an employer-employee relationship between each of the holders of the options and the Company. In addition, none of the holders of the options is an interested party by virtue of his holdings of shares of the Company and, following the exercise (if at all) of the options, he will not become interested parties by virtue of his holdings and, therefore, the TASE lock-up rules do not apply to him.

3.4 Control of the Company

The controlling shareholder of the Company is the FIMI Partnership (FIMI Opportunity 6, Limited Partnership and FIMI Israel Opportunity 6, Limited Partnership), whereby the general

6 Under an alternative of Offered Shares of 16,842,105 Ordinary Shares of which: (a) 11,228,070 Ordinary Shares of the Shares for Issue; And (b) 5,614,035 ordinary shares of the Shares for Sale.
7 See footnote 5 above.
8 Under the assumption of the sale of 3,736,412 Ordinary Shares as part of the Shares for Sale.
9 See footnote 6above.
10 See footnote 7 above.
11 Under the assumption of the sale of 1,445,028 Ordinary Shares as part of the Shares for Sale.
12 Under the assumption of exercising 350,000 options for 242,253 Ordinary Shares in net exercise and their sale as part of the Shares for Sale.
13 Under the assumption of exercising 275,000 options for 190,342 Ordinary Shares in net exercise and their sale as part of the Shares for Sale.
14 Consists of (a) 201,970 Ordinary Shares that were in the Company's capital prior to the issue; and (b) 16,842,105 Ordinary Shares of the Offered Shares.

partner that manages them is FIMI 6 2016 Ltd. The management, operation and control (including signature rights) of the FIMI Partnership has been irrevocably entrusted to the general partner. To the best of the knowledge of the Company, Mr. Ishay Davidi is the controlling shareholder of the general partner.

3.5 Unlisted options that have been allotted to the Chief Executive Officer of the Company and officers who are employees

3.5.1 In the framework of the restructuring, as specified in Section 3.1.A above, options were allotted to employees of the Company in place of the options that had been allotted to them until that date in ImageSat NV in accordance with the option plan (options that are non-negotiable or unlisted), to employees and service providers of the Company and its subsidiaries since 2018. In May 2021, the Company adopted the option plan and amended it, as stated, in order to adjust its provisions to an option plan of a public company (hereinafter: the **"Option Plan"**). Following the changes in capital (as set forth in Section 3.1 above), as of the date of this Prospectus, 2,713,350 options (that are non-negotiable or unlisted) that are convertible into to 2,713,350 Ordinary Shares of the Company, subject to the adjustments that are specified in Section 3.5.10 below (hereinafter: the **"Existing Options"**) have been allotted to 10 employees of the Company, as follows: (a) 1,386,810 Options have been allotted to Noam Segal, the Chief Executive Officer of the Company, and (b) 1,326,540 Options have been allotted to 9 officers who are employees of the Company (hereinafter, collectively: the **"Existing Offerees"**).

3.5.2 In January 2022, the board of directors of the Company approved the allotment of 1,500,000 (non-negotiable) options convertible into up to 1,500,000 Ordinary Shares of the Company subject to the adjustments that are set forth in Section 3.5.10 below (hereinafter: the **"New Options"**) to 36 employees of the Company, as follows: (a) 350,000 Options to the Chief Executive Officer of the Company; (b) 510,000 Options to 8 officers (subjected to the Chief Executive Officer of the Company); and (c) 640,000 Options to 27 employees which are not officers of the Company (hereinafter: the **"New Offerees"**). The New Options will be granted subject to the completion of the offer pursuant to this Prospectus and before the listing of the shares of the Company. The exercise price of the stock option is the price per share that will be determined in the framework of the offer pursuant to this Prospectus (the exercise price of the options will be published in the framework of the immediate report on the results of the offer).

The Existing Options and the New Options will be referred to hereinafter collectively as the "**Options**."

The Existing Offerees and the New Offerees will be referred to hereinafter collectively as the "**Offerees**."

3.5.3 There is an employer/employee relationship the Company and the Existing Offerees and none of them is or will be interested party by virtue of his holdings of the Securities of the Company (including on the assumption of the exercise of the Options). The Options have been, and will be, allotted to the employees on a capital gains track through a trustee pursuant to Section 102 of the Ordinance and the rules made thereunder, as these may be amended from time to time.

3.5.4 Details of the Options that the Company has granted in the three years prior to the date of the Prospectus are as follows:

Date	Number of Options that are convertible into Ordinary Shares (*)	Exercise price per share (**)	Nature of the allotment	Maturity	Special rights
	Opening balance – 0				
September 20, 2018	1,597,980	$1.828	Grant of Options to the CEO and to employees under the plan[15]	Three equal tranches (33.3%), each tranche after a year starting from December 27, 2018	
September 9, 2020	77,170	$1.828	Grant of Options to the CEO	All of the Options will mature as from two years from the date of allotment	Acceleration in the case of an issue (as defined in the plan)
November 15, 2020	1,038,200	$3.749	Grant of Options to the CFO and to employees under the plan	Maturity in three tranches. The first of 50% after July 15, 2022 and then two equal tranches of 25% each in each year thereafter.	Some of the options have an acceleration mechanism in the case of an issue (as defined in the plan)
Shortly after the Prospectus and before listing	1,500,000	[-] NIS (the Exercise price will be determined in the	Grant of Options to the CFO and to employees under the plan	Maturity in three equal tranches. tranches over a period of four years when the first	-

[15] All of these Options have been allotted to employees who are officers. for additional details about the Options see Sections 8.1.5 of the Prospectus.

Date	Number of Options that are convertible into Ordinary Shares (*)	Exercise price per share (**)	Nature of the allotment	Maturity	Special rights
		framework of the offer pursuant to this Prospectus		tranche after two years	
	Closing balance –4,213,350 Options (quantity after the change in capital in the Section 3.1 above)				

(*) Does not necessarily represent the number of shares that will actually be allotted in the case of an exercise but a maximum theoretical number since there is a possibility of exercise on the basis the benefit component (net exercise). For additional details, see Section 3.5.11.

(**) The exercise price is the exercise price after the completion of the changes in capital that are specified in Section 3.1 above.

For more regarding the grant of the Options (prior to the implementation of the changes in capital specified in Section 3.1 above), see Note 21 to the 2020 annual financial statements that are attached to this Prospectus.

3.5.5 The Options that have been, and will be, allotted pursuant to the plan will not be listed on TASE or any other stock exchange. Any future allotment under the Option Plan will be subject to satisfaction of the conditions prescribed under the TASE Rules and Regulations (at the time), including with respect to the minimum exercise price, and receipt of approval from TASE to list the shares that will stem from the exercise of the Options. Pursuant to the Prospectus, TASE has given approval for the listing[16] of up to 2,713,350 Ordinary Shares that will arise from the exercise of 2,713,350 Existing Options that have been allotted pursuant to the Option Plan of the Company up until the date of the listing and up to 1,500,000 Ordinary Shares stemming from the exercise of 1,500,000 New Options that will be allotted pursuant to the option plan of the Company subject to the completion of the offer pursuant to this Prospectus and before listing, which satisfy the conditions prescribed under the TASE Rules and Regulations (after the changes in capital specified in Section 3.1 above). It is emphasized that, in light of the fact that a number of the option holders are joining the offer for sale pursuant to this Prospectus, for additional details see Chapter 2 of this Prospectus, the final quantity of the Options that will be exercised by the option holders and of the

[16] [Note for the Draft: As of the present date, the approval has not yet been received].

exercise shares that will arise from the exercise of the Options, as aforesaid, will be determined in accordance with the quantity that the option holders will sell in the offer pursuant to the Prospectus in accordance with the results of the issue and the updated amount will be published in the immediate report on the results of the issue.

3.5.6 The Options are not listed on TASE and are deposited with the trustee in favor of and for the Offerees. Subject to the completion of the issue pursuant to this Prospectus, Ordinary Shares that will be allotted following an exercise of the Options (hereinafter: the **"Exercise Shares"**) will be listed subject to receipt of approval from TASE and will, as from the date of their allotment (if the Options are exercised) have rights that are equal, for all intents and purposes, with those of the Ordinary Shares of the Company. The Exercise Shares will be registered in the name of the Nominee Company of the Company, in accordance with the law.

3.5.7 Subject to the completion of the change in capital, as referred to in Section 3.1 above, each of the Options will be exercisable into one Ordinary Share with no par value of the Company subject to adjustments, as set forth in Section 3.5.13 below.

3.5.8 The Offerees, each of them severally, following completion of the issue are not, and will not be "interested parties," as this term is defined under the Companies Law 5759-1999. Mr. Noam Segal, the Chief Executive Officer of the Company, is an interested party, as this term is defined under the Securities Law, 5728-1968, by virtue of his position at the Company but not by virtue of his holding of securities of the Company. The other officers of the Company are not interested parties and will not become interested parties, as this term is defined under the Securities Law, 5728-1968, on the assumption of the full exercise of the convertible securities that are in their possession.

3.5.9 The Options have been and will be granted to the Offerees for no consideration.

3.5.10 <u>Exercise of the Options</u>

(1) Pursuant to the terms of the Option Plan, unless the board of directors or a committee of the board of directors (as the case may be) will determine otherwise, the Options will mature in three tranches over a period of three or more years. For details about the dates of maturity of the Options that have been allotted, see Section 3.5.4 above. The Options that have matured are convertible by the Offeree in full at any time or partially from time to time, if the date for the conveyance of the Option has arrived and before the expiry date has passed.

(2) An Offeree who wishes to exercise the Option in his possession will provide a written notice of this to the Company or a representative on its behalf in the form and manner that will be determined by the Company and, if necessary, by the trustee pursuant to the requirements of Section 102 of the Ordinance. The

exercise will become effective upon receipt of the notice of exercise by the Company and/or a representative on its behalf and payment of the exercise price at the office of the Company or a representative on its behalf (hereinafter: the **"Exercise Date"**). In the notice, the Offeree will specify the number of the Options that he wishes to exercise. All of the other documents that the Offeree is required to sign as a condition to the exercise of the Option, as specified in the plan and the option agreement and in accordance with a resolution of the Board of Directors, will also be attached to the notice.

3.5.11 Exercise of the Options on the basis of the benefit component (net exercise)

The Offeree may elect to pay the exercise price on the Exercise date through a mechanism whereby options are exercised into shares on the basis of the benefit component (net exercise), as follows:

(1) The Offeree will exercise part or all of the quantity of Options whose maturity date has arrived by way of a mechanism whereby options are exercised into shares on the basis of the benefit component (net exercise), whereby the Offeree will be entitled to receive shares that reflect the benefit component that is inherent in the Options that are being exercised in accordance with the formula below. For the avoidance of doubt, it is hereby clarified that, according to this method of exercise, the Options can only be exercised into a quantity of shares that reflect the benefit component. When this exercise mechanism is selected, the Company will deem the Exercise Shares as fully paid up.

(2) The number of shares that can be purchased by the Offeree in accordance with this mechanism will be determined in accordance with the following formula:

$$X = \frac{Y(A - B)}{A}$$

X = The number of shares that will be issued to the Offeree in accordance with this mechanism.

Y = The number of Options that can be exercised whose date of maturity has arrived and that have not yet been exercised and that the Offeree wishes to exercise through this mechanism.

A = The market value of each share as of the Exercise Date.

B = The adjusted exercise price for each Option.

3.5.12 Expiry of the Options

(1) The expiry date of the Options: At the end of six (6) years from the date of the allotment, the Options will expire. An Option that has not been exercised by the expiry date will be void and will not confer any right on the Offeree in relation to the Company. Notwithstanding the foregoing, if the expiry date of any tranche of the Options ends during a period that has been determined by the Company to be a period of absolute prohibition or lock-up from exercising the options (including net exercise) whether due to the potential existence of inside information or any other lock-up that is effective on the Offeree (hereinafter: the **"Exercise Prohibition Period"**), then, subject to compliance with, and satisfaction of, all of the other conditions of the plan, the expiry date will be automatically extended without the need for an additional resolution by the board of directors of the Company for an additional period of three months after the end of the Exercise Prohibition Period.

(2) Subject to the following, the right to exercise the Options by the Offeree will exist for as long as the Offeree is employed by, or provides services to, the Company (as the case may be). If the Offeree ceases to be employed by, or to provide services to, the Company for any reason, he may exercise the Options whose exercise period has already arrived at that time within three months of the date of the termination of the employment or the provision of the services or within 12 months in the case of death or disability (as defined in the plan), but, in any event, no later than the date of the expiry of the Options, as referred to in Section 3.5.12 (1) above, whereas the right to exercise the rest of the Options whose exercise period has not yet arrived will expire. Notwithstanding the foregoing, in the event of a termination of an employment relationship between the employee and the Company in cases that deprive him of the entitlement to severance pay, on the date of termination of the employment of the employee, all of the Options of that employee will expire immediately and the employee may not exercise the Options.

3.5.13 Adjustments:

(1) General adjustments of the Options

(a) The Options will not be exercised on an effective date for a distribution of bonus shares, for a rights offer, for the distribution of a dividend, for a capital consolidation, for a capital split or for a capital reduction (each of the foregoing will be referred to hereinafter as a "Corporate Event").

(b) The Options will not be exercised on the "ex date" if the "ex date" of a Corporate Event falls before the effective date.

(2) Adjustments in respect of a distribution of bonus shares

(a) If, during the period while the Options exist, the Company distributes bonus shares to the holders of the Ordinary shares, the rights of the Offeree holding the Options will be preserved such that the number of shares that arise from the exercise to which the Offeree will be entitled upon the exercise of the Options will increase or decrease by the number of shares to which the Offeree would have been entitled as bonus shares if he had converted the Options shortly before the effective date. The number of Exercise Shares to which the holder of the Options will be entitled will only be adjusted in the case of a distribution of bonus shares, as referred to in this Section above but not in the case of any other issues (including issues to interested parties).

(b) The right of the Offeree to securities of the Company in the case of the distribution of bonus shares, as stated above, will be preserved until the date of the exercise and will only be effected in practice on the date of the exercise, i.e., only upon the exercise of all or some of the Options by the Offeree will the Offeree be entitled to receive the securities to which he would have been entitled as a result of the distribution of the bonus shares in respect of the number of allotted shares that are actually allotted to him.

(c) If, as a result of a distribution of bonus shares, as stated above, fractions of shares are created, the Offeree will not be entitled to receive part of a share and the number of shares will be rounded down.

(3) Provisions in respect of a rights issue during the period of the plan

In the case of a rights issue by the Company to the shareholders during a period while there is a right to exercise the Options, the number of shares that arise from the conversion of the Options will be adjusted to the benefit component of the rights, as expressed as a ratio between the closing price of the share on TASE on the last trading day before the "ex" date and the base price of the "ex rights" share.

(4) Adjustments in respect a distribution of dividends during the period of the plan

If the Company distributes a dividend during a period while there is a right to convert the Options, the exercise supplement that is determined per share will be

reduced by the amount of the dividend in New Israeli Shekels that has been distributed in respect of one Ordinary Share of the Company.

(5) Split, consolidation or redistribution

If the Company undertakes a split, consolidation or redistribution of its Ordinary Shares by way of shares with a different par value, the necessary adjustments will apply to the Exercise Shares. However, the Offeree will not be entitled to receive part of a share and the number of shares will be rounded down.

(6) Adjustments for a transaction

If the Company is a party to a share exchange agreement or arrangement (for example, a merger transaction or a reorganization) (hereinafter: the **"Exchange Transaction"**) in which an offer is made to the shareholders of the Company to exchange their shares for securities of another corporation, the Company will act such that the other corporation will be required to allot to the Offerees, provided that the Offerees have not yet exercised [their] Options before the Exchange Transaction, the securities that have been so offered to the holders of the Ordinary Shares of the Company as if the Offerees were shareholders on the effective date for the purpose of such Exchange Transaction.

In the case of such an Exchange Transaction, the Company may require the Offerees, in respect of all of the Options that are held by or for them and that have not yet been exercised, to accept options that are exercisable into shares of the other corporation (hereinafter: the **"Alternative Options"**) instead of the Options of the Company that are held by him, in accordance with the exchange ratio determined for all of the holders of the Ordinary Shares of the Company, provided that the total exercise price in respect of all of the Alternative Options that will be allotted will be equal to the total exercise price in respect of all of the Options of the Company that are held by or for the Offerees and that have not yet been exercised.

Without derogating from the foregoing and subject to the provisions of every law, if, on the occurrence of a Transaction (as defined below) that does not include consideration for the Offerees who hold Options or under which the purchasing company (or a parent company or subsidiary of the purchasing company) does not agree to convert or exchange the Options, the Company will deliver a notice to the Offerees as to their option to exercise the Options that will have matured before the effective date of the Transaction, as will be specified in the notice (hereinafter: the **"Exercise Deadline Date"**). On the Exercise Deadline Date, all of the Options that have matured and that have not yet been

exercised into shares as of that date (as well as all of the Options that have not yet matured) will immediately expire.

"Transaction" means (a) a merger, sale or reorganization of the Company with another company or a number of legal entities whether or not the Company is the surviving company; (b) a sale of all or most of the shares of the Company.

3.6 Lock-up of securities

The TASE regulations regarding the lock-up of securities after the date of their listing on TASE, as of the date of the Prospectus, are as follows (the **"Regulations"**).

3.6.1 Definitions

"Interested Party" – Includes a person who holds convertible securities or any right to receive shares, in respect of which, on the assumption that they are exercised, the holder will be an interested party.

"Shares Allotted before Listing" – Any of the following:

(a) Shares that have been allotted or purchased from an Interested Party during the period commencing twelve (12) months before the submission of the listing application and ending on the listing date.

(a) Shares that have been allotted in the framework of a conversion of convertible securities during the period commencing twelve (12) months before the submission of the listing application and ending on the listing date.

(b) Convertible securities that have been allotted or purchased on any date before the listing and that have not been exercised before the listing.

But excluding:

(b) Shares that have been offered to the public pursuant to the Prospectus.

(c) Bonus shares that have been allotted during the period commencing twelve (12) months before the submission of the listing application and ending on the listing date in respect of shares allotted before such period.

"Transaction or Act" – includes a loan, a grant or receipt of an option over locked-up shares even if its exercise date falls after the end of the lock-up period, a transfer of voting rights in respect of locked-up shares or another agreement that is entered whether in writing or orally during the lock-up period of the securities that are the subject of the agreement and that contains an undertaking by a holder of locked-up shares to exercise his means of control in a corporation by virtue of those shares in the manner prescribed under the agreement.

"Share" – includes a convertible security.

3.6.2 For the Interested Parties in the Company on the listing date (i.e., FIMI Partnership, Israel Aerospace Industries Ltd. and Discount Capital Ltd., as specified in Section 3.6.6 below), with the exclusion of a person who becomes an Interested Party on that date as a result of purchasing shares that are offered in the framework of an offer to the public pursuant to this Prospectus (pursuant to which the Company will first be listed), the following lock-up conditions will apply:

3.6.2.1 During the three (3) months commencing on the date of the listing of the shares, an Interested Party will not perform any Transaction or Act with the Shares that are held by him on the listing date (in this Section 3.6.2: the "Locked-Up Shares").

3.6.2.2 As from the beginning of the fourth (4th) month after the listing date until the end of the eighteenth (18th) month after the listing date, an Interested Party may perform any Transaction or Act with the Locked-Up Shares in an amount not exceeding 2.5% of the quantity of Locked-Up Shares per month. The quantity of Locked-Up Shares for the purposes of this paragraph will be calculated on a cumulative basis.

3.6.2.3 At the end of the eighteenth (18th) month after the listing date, there will no longer be any bar to performing any Transaction or Act with the Locked-Up Shares.

The provisions of this Section 3.6.2 will not apply to shares that have been offered in the framework of an offer to the public pursuant to this Prospectus, pursuant to which the Company is initially listed, and that have been purchased before the listing. It should be noted that the provisions of this Section 3.6.2 are in addition to the lock-up provisions included in the Underwriting Agreement, as set forth in Section 2.6 of Chapter 2 of the Prospectus.

3.6.3 For a holder of shares in the Company who is not an Interested Party on the listing date and for a holder of Shares who becomes an Interested Party on that date as a result of purchasing shares that were offered in the framework of the offer to the public pursuant to this Prospectus pursuant to which the Company was first listed, the following lock-up conditions will apply:

3.6.3.1 During the three (3) months commencing on the date of the listing of the shares, a holder of Shares will not perform any Transaction or Act with Shares that were allotted before the listing (in this Section 3.6.3: the **"Locked-Up Shares"**).

3.6.3.2 As from the beginning of the fourth (4th) month after the listing date until the end of the ninth (9th) month after the listing date, a holder of Locked-Up Shares may perform any Transaction or Act with the Locked-Up Shares in an amount not exceeding 12.5% of the quantity of Locked-Up Shares per month. The quantity of Locked-Up Shares for the purposes of this paragraph will be calculated on a cumulative basis.

3.6.3.3 At the end of the ninth (9th) month after the listing date, there will no longer be any bar to performing any Transaction or Act with the Locked-Up Shares.

3.6.4 That stated in this Section will not apply to an employee who is not an "interested party employee," as defined under Chapter E of the TASE Regulations.

In this regard, an "interested party employee" is an employee who is an interested party in the Company by virtue of a holding of shares or who will be an interested party in the Company by virtue of a holding shares after the employee issue, including on the assumption that he will exercise all of the convertible securities that are not listed on TASE that are held by him, including those that will be allotted to him in the employee issue.

3.6.5 Notwithstanding that stated in this Section 3.6 above, a Transaction or Act may be performed with the Locked-Up Shares in the following cases and under the following conditions:

3.6.5.1 As from the end of six (6) months from the listing date, the Locked-Up Shares may be transferred in a transaction outside of TASE, provided that the recipient of the Shares undertakes that the lock-up conditions that applied on the listing date, as set forth in this Section above, will continue to apply to the Shares that he has received.

3.6.5.2 The Locked-Up Shares may be offered to the public by way of an offer for sale.

3.6.5.3 The Chief Executive Officer of TASE, or a person who has been authorized by him, may release Locked-Up Shares from the lock-up for the purpose of transferring them to a market maker for the purpose of market-making pursuant to the provisions of Part 3 of the TASE Rules and Regulations.

3.6.5.4 The Locked-Up Shares may be advanced as a pledge provided that the pledge will only be exercised after the end of the period of the prohibition against any Transaction or Act, as stated in this Section 3.6above, that is prescribed under the TASE Regulations.

3.6.5.5 Locked-Up Shares may be transferred from a holder of Locked-Up Shares to a corporation that is wholly-owned by such holder or a corporation that wholly owns such holder on condition that the recipient of the shares undertakes that the lock-up conditions that applied on the listing date, as stated in this Section 3.6 above, will continue to apply to the shares that he has received.

3.6.5.6 A Transaction or Act may be performed with the Locked-Up Shares if the following conditions are satisfied:

(a) In lieu of the shares that are the subject of the Transaction or Act, other shares that are held by a corporation that is wholly-owned by the holder of the Locked-Up Shares or by a person that wholly owns the holder of the Locked-Up Shares will be locked up.

(b) The shares that will be locked up will be identical in class and quantity to the Locked-Up Shares that are the subject of the Transaction or Act and their holder will undertake that the lock-up conditions that applied to the Locked-Up Shares that are the subject of the Transaction or Act, as referred to in this Section 3.6 above, will continue to apply to them throughout the remaining lock-up period.

3.6.5.7 If securities have been locked-up, as stated in paragraph 3.6.5.6 or 3.6.5.7 above, by a corporation that is wholly-owned by the holder of the Locked-Up Shares, no change of ownership of such corporation will occur until the end of the lock-up period.

3.6.5.8 For the purposes of Sections 3.6.4.4-3.6.4.6:

"holder of Locked-Up Shares" – whether or not the holder is an Interested Party.

"wholly owns" or "wholly-owned" – whether directly or indirectly.

3.6.5.9 The Chief Executive Officer of TASE or a person who has been authorized by him may release Locked-Up Shares from the lock-up for the purpose of lending them to an underwriter for the purpose of an over-allotment on a non-uniform allotment, as provided under the Securities Regulations (Manner of Offer of Securities to the Public), 5767-2007 for a period of thirty (30) days following the date of the publication of the Prospectus.

3.6.6 The provisions of Sections 3.6.2 to 3.6.4 above will not apply to shares that have been offered in the framework of the offer to the public pursuant to the Prospectus pursuant

to which the Company is initially listed and that have been purchased before the listing.

3.6.7 General provisions

With the exception of the shares that are sold in the framework of the offer, the rest of the shares that are held by the Offerees will be locked-up in accordance with the TASE Regulations, as specified in Section 3.6 above. The Locked-Up Shares will be deposited with a trustee during the lock-up period – before the listing of the shares of the Company on TASE, the Locked-Up Shares will be deposited with Altshuler Shaham Trusts Ltd.(a company that has been approved by the assessing officer to serve as a trustee pursuant to Section 3(a)(1) of the Income Tax Rules (Tax Relief on the Allotment of Shares to Employees), 5763-2003, hereinafter in this Section: the **"Trustee"**)[17][18] during the lock-up period such that the Locked-Up Shares that are registered in the books of the Company in the name of the Nominee Company will be held by a TASE Member by way of a deposit that is held in the name of the Trustee, whereby only the Trustee will have signature rights in respect of the deposit.

3.6.7.1 If shares have been locked-up pursuant to the regulations set forth in this Section above, the lock-up will apply to bonus shares that have been distributed in respect thereof, to shares that arise from a conversion of locked-up convertible securities, and to rights that have been distributed in respect thereof for no consideration.

3.6.7.2 If shares have been locked up pursuant to the regulations set forth in this Section above and shares have been offered in respect of them by way of a rights offer for consideration, the holder of the Locked-Up Shares will act in one of the following ways:

(a) He will sell on TASE the rights in respect of the Locked-Up Shares and, with the consideration that he receives from the sale, he will purchase shares that are identical to the Locked-Up Shares and the lock-up provisions that apply to the Locked Up Shares that are held by him will apply to them.

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17 Pursuant to the regulations under the Second Part of the TASE Rules and Regulations, a "trustee" for the purposes of this section is a trust company of which a bank or a TASE Member is the parent company or an affiliate company; an attorney or an attorneys' trust company; a certified public accountant or a certified public accountants' trust company; a company that has been approved by the chairperson of the Israel Securities Authority to serve as a trustee pursuant to Section 9 of the Joint Investment Trusts Law, 5754-1994; or a company that has been approved by the assessing officer to serve as a trustee pursuant to Section 3(a)(1) of the Income Tax Rules (Tax Relief on the Allotment of Shares to Employees), 5763-2003. If the Company wishes to change the trustee after the publication of this Prospectus, under which shares of the Company will be offered to the public, it will publish a notice to the public about this with details about the new trustee, provided that it satisfies the conditions stated above.

18 The trustee also serves as a trustee for the Exercise Shares, as specified in Section 2.2.2 above.

(c) He will exercise the rights in respect of the Locked-Up Shares. The lock-up provisions that apply to the Locked-Up Shares that are held by him will apply to the shares that arise from the exercise of the rights, with the exception of that quantity of shares whose value according to the "ex rights" price is equal to the value of his investment in respect of the exercise of the rights.

(d) The provisions of this Section 3.6.6 will also apply to convertible securities that are not listed, to rights that are exercisable into securities, and to the securities that arise therefrom. The lock-up period will be counted from the date of the initial listing of the securities of the company on TASE.

3.6.8 A summary of the securities of the Company as of the date of the Prospectus to which the lock-up will apply (without taking into account the performance of the offer for sale pursuant to this Prospectus)[19] is as follows:

Name of Holder	Class of Security	Quantity	Section of Prospectus that relates to the lock-up
FIMI Partnership	Ordinary Shares	21,881,110*	3.6.2
Israel Aerospace Industries Ltd.	Ordinary Shares	18,728,470*	3.6.2
Discount Capital Ltd.	Ordinary Shares	8,462,350*	3.6.2

(*) The maximum amount held under the lock-up without taking into account the sale of up to [-] Ordinary Shares in the framework of the offer for sale pursuant to this Prospectus. This quantity is subject to changes, if any, in the Supplementary Notice. It is clarified that shares that are not sold in the framework of the issue pursuant to this Prospectus and that remain with the holder will also be locked up pursuant to Section 3.6.2 above.

Subject to the completion of the issue pursuant to this Prospectus, the Company will announce, in the framework of the immediate report, the results of the issue and before listing the set of securities to which the lock-up will apply.

[19] The data that is presented are after the conversion of the preference shares into Ordinary shares, the changes in capital, as specified in Section 3.1 above, which will enter into effect upon the completion of the offer pursuant to the Prospectus and before listing.

Chapter 4: The Rights Ancillary to the Shares of the Company[1][2]

The description below is a description of the key provisions of the Articles of Association of the Company (hereinafter: the **"Articles of Association"**)[3] in connection with the shares of the Company and the rights ancillary thereto. The full version of the Articles of Association, which includes provisions that will enter into effect immediately upon the completion of the listing of the securities of the Company on the Tel Aviv Stock Exchange Ltd., is exhibited as **Appendix A** to this Chapter and will be published on the MAGNA website of the Israel Securities Authority (http://www.magna.isa.gov.il). The summary description referred to above is not a substitute for reviewing the full version of the Articles of Association.

4.1 Participation in a distribution of dividends and bonus shares

For details of the provisions of the Articles of Association with respect to participation in a distribution of dividends and bonus shares, see Articles 113 to 121 of the Articles of Association. Every distribution will be subject to compliance with the By-laws of the TASE Clearing House.

4.2 Rights on liquidation

For details of the provisions of the Articles of Association with respect to rights on liquidation, see Article 128 of the Articles of Association.

4.3 Lien on the shares

For details of the provisions of the Articles of Association with respect to the right of the Company to take a lien on shares that have not been fully paid up and the powers of the board of directors to exercise such lien, see Articles 37 to 40 of the Articles of Association.

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1 That stated is subject to the provisions of Section 46B of the Securities Law, 5728-1968. The provisions of the Articles of Association that are described in this Chapter will automatically enter into effect immediately before the listing of the securities of the Company that are offered pursuant to this Prospectus. The capital of the Company will consist of only one class of shares, which confers equal voting rights in accordance with their par value. All of the issued share capital of the Company will be fully paid up. All of the issued share capital will be registered in the shareholder register of the Company in the name of the Nominee Company in accordance with the TASE Rules.

2 For as long as the securities of the Company are listed on TASE, the provisions of the Articles of Association of the Company will be subject to the provisions of the TASE Rules and Regulations and the By-laws of the TASE Clearing House.

3 In the event of a contradiction between the provisions of the Articles of Association and the non-waivable provisions of the Companies Law, 5759-1999 (hereinafter: the **"Companies Law"**), the provisions of the Companies Law will control.

4.4 Share capital, variation of rights, and redeemable shares

For details of the provisions of the Articles of Association with respect to the share capital of the Company, see Articles 4 to 12.

For details of the provisions of the Articles of Association with respect to redeemable shares, see Article 48 of the Articles of Association.

4.5 Convening of general meetings

For details of the provisions of the Articles of Association with respect to the holding of general meetings of the shareholders, see Articles 53 and 55 of the Articles of Association.

4.6 Notices of general meetings and notices to the shareholders

For details of the provisions of the Articles of Association with respect to the right to receive a notice of general meetings of shareholders, see Articles 57 and 59 and Article 141 of the Articles of Association.

4.7 Voting and adoption of resolutions at a general meeting

For details of the provisions of the Articles of Association with respect to voting and the adoption of resolutions at general meetings of shareholders, see Article 62 to 83 of the Articles of Association.

4.8 Negotiability of shares

For details of the provisions of the Articles of Association with respect to the negotiability of shares of the Company, see Articles 41 to 47 of the Articles of Association.

4.9 Demands for payment, forfeiture of shares and liens

For details of the provisions of the Articles of Association with respect to the right of the directors of the Company to demand payments that are due to the Company in respect of shares and with respect to the directors' powers of forfeiture and to take liens, see Articles 21 to 36 of the Articles of Association.

4.10 Restrictions on transfers of means of control

Pursuant to Article 16A of the Articles of Association, as long as the Company is subject to the Israeli Security Arrangements for Public Entities (Definition of Security Establishment Enterprises and Enterprises that Manufacture Products for the Security Establishment (Amendment), 5779-2019 (the "**Order**"), no person may hold means of control in the Company in an amount exceeding 12% of the issued and paid-up capital of the Company without the prior written approval of the Israeli Ministry of Defense (subject to the power of the Ministry of Defense to change such percentage within a range of between 12% and 15% of the issued and paid-up capital of the Company subject to written notice (if any is given from time to time) to

the Company on the matter). Any holdings that exceed such threshold without the requisite consent ("**Excess Holdings**") shall not grant their holder voting rights or a right to appoint directors or any economic right such as the right for dividend, and, *inter alia*, may be forfeited by the Company in accordance with the provisions of our Articles of Association. Additionally, Article 16B of the Articles of Association provide that any transfer of "control" (as defined in the Securities Law) over the Company requires the prior written approval of the Israeli Ministry of Defense.

4.11 Arrangements prescribed under the Articles of Association pursuant to particular provisions of the Companies Law, 5759-1999 (hereinafter: "Companies Law"), as specified in Regulation 26(d) of the Securities Regulations (Details of the Prospectus and Draft Prospectus – Structure and Form), 5729-1969

Section of the Companies Law	Topic	Sections of the Articles of Association
20	Change to Articles of Association	139
22	Restriction on the possibility to change the Articles of Association	Not relevant
50	Transfer of powers between organs	52, 93 and 103
59	Appointment of directors	75, 76, 77, 79 and 85
61(a)	Non-holding of annual meeting	None
78-81	Quorum at general meeting, adjourned meeting and chairman – freedom of stipulation	60 to 65
85	Extraordinary majority at a general meeting	67
105	Voting by the board of directors other than in accordance with one vote per director	None
107	Resolutions of the board of directors – if the votes are tied, the chairman of the board of directors has an additional vote	None
222	Term of office of directors	84 to 91
259	Pre-exemption for officers	130
301	Restrictions on distribution	113 to 121
307	Manner of adopting a distribution resolution	113 to 121
324	Refraining from/conditioning of mergers	129

Translated from the Hebrew

Articles of Association

of

ImageSat International (I.S.I.) Ltd. (hereinafter: "Company")

Company No. 512737560

Interpretation

1. In these Articles of Association, unless the wording requires a different interpretation:

"Board of Directors"	–	The board of directors of the Company that is duly elected pursuant to the provisions of these Articles of Association.
"Director"	–	Includes an alternate thereof who is appointed pursuant to the provisions of these Articles of Association.
"Company"	–	The Company referred to above, as stated in Article 2 below.
"Companies Law"	–	The Companies Law, 5759-1999, as has been or will be amended from time to time and also the regulations that have been, or will be, enacted thereunder.
"Securities Law"	–	The Securities Law, 5728-1968, as has been or will be amended from time to time and also the regulations that have been, or will be, enacted thereunder.
"Law"	–	The Companies Law, the Securities Law and any law that is in force with respect to companies, to the extent that it applies to the Company, and in its form at the relevant time, including all regulations thereunder.
"Writing"	–	Includes fax, electronic mail or any other method that may be determined by the chairman of the Board of Directors.
"Shareholder Register"	–	The shareholder register that must be kept pursuant to Section 127 of the Companies Law and, in addition, the register of material shareholders must be kept pursuant to Section of the Companies Law and/or, if the Company holds an additional register outside of Israel, each additional register, as the case may be.
"Office"	–	The registered office of the Company, whatever it may be from time to time.
"Participants"	–	Shareholders or Directors, as the case may be, who are

present at a general meeting/meeting, as the case may be, who are entitled to participate, and do participate, in a vote, not including abstainers.

"Securities" – As defined under the Securities Law, as has been or will be amended from time to time and also the regulations that have been, or will be, enacted thereunder.

Subject to the provisions of this Article, in these Articles of Association, unless the wording requires a different interpretation, the terms that have been defined in the Companies Law will have the interpretation given to them there; and words in the singular include the plural and *vice versa*, words in the masculine gender will include the feminine gender, and words that denote persons will include corporations; the provisions of the Companies Law as of the date of the adoption of these Articles of Association that may be made subject to conditions in accordance with an express provision included in them will apply to the Company if a condition has not been made otherwise under these Articles of Association, and will be deemed to be an integral part of its provisions. If a provision of these Articles of Association conflicts with a law that may not be made subject to conditions, the provisions of these Articles of Association will be interpreted and adjusted insofar as possible in accordance with the provisions of the law without prejudicing the validity of the other provisions of these Articles of Association.

Name of the Company

2. The name of the Company is as follows:

In Hebrew: ImageSat International (I.S.I.) Ltd.

In English: ImageSat International (I.S.I.) Ltd.

Objects of the Company

3. The Company may engage in any legal occupation.

Donations

4. The Company may donate a reasonable amount to an appropriate cause even if the donation is not in the framework of business considerations.

Registered share capital

(a) The registered share capital is divided into 150,000,000 ordinary shares with no par value each (hereinafter: the **"Ordinary Shares"**).

(b) The rights that are ancillary to the shares of the Company will be those that are prescribed under these Articles of Association and may be varied in the manner prescribed under these Articles of Association.

(c) All of the Ordinary Shares will have equal rights with each other for all intents and purposes and each Ordinary Share will confer on its owner:

(1) A right to be invited to, and participate at, all of the general meetings of the Company, whether annual or special, and the right to one vote in respect of each Ordinary Share in his possession, at every vote, at every general meeting of the Company at which he participates.

(2) A right to receive any distribution, including dividends and bonus shares, if and when these are distributed.

(3) A right to participate in a distribution of the balance of the assets of the Company on its liquidation.

Notwithstanding the foregoing, and without derogating from any other right of the Company pursuant to the Articles of Association, the Board of Directors may cancel any of the rights that are appurtenant to any share if the consideration that is due to the Company in respect of that share has not been paid in full pursuant to such an undertaking, provided that, if, under the terms of the allotment of the shares, there are no prescribed times for repayment, a demand for payment has been issued to the shareholder that has not been satisfied on time.

Liability of the shareholders

5. The liability of the shareholders is limited. Each shareholder is liable to repay the par value of his shares only. If the Company has allotted shares for a lower consideration than their par value, as provided under Section 304 of the Companies Law (hereinafter: the **"Reduced Consideration"**), the liability of each shareholder will be limited to repayment of the amount of the Reduced Consideration in respect of each share that has been so allotted to him.

Public company

6. The Company is a public company.

Shares of the Company and other securities

7. The Company may issue shares and/or securities of any class, including convertible securities, with preferred rights or subordinated rights or issue redeemable securities from unissued capital or issue shares with other special limited rights or with restrictions in connection with the distribution of dividends, voting rights or in connection with other matters, in each case subject to the provisions of any law that may apply to the Company, including Section 46B of the Securities Law.

8. If, at any time, the share capital is divided into different classes of shares, the Company may, by a resolution that is adopted by the general meeting by a majority of votes of the shareholders participating in the vote, unless the terms of the allotment of the relevant class of shares stipulate otherwise, convert, expand, add or otherwise vary the rights, privileges, advantages, restrictions and provisions connected or not connected at that time with one of the classes.

9. The special rights that are conferred on the owners of shares or a class of shares that have been issued, including shares with preference rights or other special rights, will not deemed to be different by way of the creation or issue of additional shares that rank equally with them, unless it has been stipulated otherwise under the terms of the allotment of the existing shares.

10. If a meeting of a class is required for the purpose of any resolution, the provisions of these Articles of Association with respect to general meetings will apply, *mutatis mutandis*, to each class meeting.

11. The unissued shares of the Company will be under the supervision of the Board of Directors, which may allot them up to the limit being the balance of the registered unissued capital of the Company to those persons, in consideration of cash or for other consideration not being cash (pursuant to the provisions of the Companies Law), subject to those qualifications and conditions, whether for more than their par value, at their par value or (pursuant to the provisions of the Companies Law) for a consideration that is lower than their par value and on those dates that the Board of Directors deems fit, and the Board of Directors will have the power to serve a demand for payment on any person for any share referred to above, for their par value or for more than their par value or (pursuant to the provisions of the Companies Law) for a consideration lower than their par value during that time and for that consideration and on those conditions that the Board of Directors deems fit.

12. Upon the allotment of shares, the Board of Directors may apply differences between shareholders in respect of the amounts of the demands for payment and/or the times for the satisfaction thereof.

13. If, pursuant to the terms of the allotment of any share, the payment of all or part of the consideration in respect of the share is in installments, the person who is the registered owner of the shares at the relevant time or his guardians will be liable to pay each such installment to the Company at the time for its repayment.

14. Where two (or more) persons are registered as the holder of a share, the Company may treat each of them as the agent of such shareholders, including for the purpose of the delivery of notices, the distribution of dividends, the delivery of a demand for payment and the delivery of a share certificate.

15. The Company may, at any time, pay a commission to any person for his function as underwriter or his consent to serve as underwriter, whether unconditionally or conditionally, for any security, including bond stock of the Company or for his consent to underwrite, whether unconditionally or conditionally, any security, bond or bond stock of the Company. In each case, the commission may be paid or settled in cash or securities or bonds or bond stock of the Company.

16. The rights that are ancillary to the shares of the Company will be those prescribed under these Articles of Association and may be varied in the manner prescribed under these Articles of Association.

16A. If the Company is subject to the Security Arrangements for Public Entities (Definition of Security Establishment Enterprises and Enterprises that Manufacture Products for the Security Establishment (Amendment), 5779-2019 (hereinafter: the **"Order"**), no person may hold in the Company means of control in an amount exceeding 12% of the issued and paid-up capital of the Company (hereinafter: the **"Effective Interested Party"**) without receiving the prior written approval of the Ministry of Defense (hereinafter: the **"Ministry Approval"**). Subject to a written notice (if any is given from time to time) to the Company on the matter, the Ministry may change such percentage within a range of between 12% and 15% of the issued and paid-up capital of the Company. However, it is clarified that any person that was an interested party before the Company is first listed for trade on TASE will not require such an approval from the Ministry by virtue of his being an Effective Interested Party after the Company is first listed.

A holding or purchase of shares that will make a shareholder into an Effective Interested Party without obtaining Ministry Approval will not confer on their holder any right in relation to the Company with respect to those shares that exceed the Effective Interested Party threshold (hereinafter: the **"Holdings Exceeding the Threshold"**), including rights to vote at general meetings, to appoint Directors or other officers or any economic right.

In light of the foregoing, before the receipt of the aforementioned approval, the Company will not allot shares to an offeree that will make him into an Effective Interested Party as a result of the allotment before receipt of the aforementioned Ministry Approval. Where a shareholder becomes an Effective Interested Party before the receipt of the aforementioned Ministry Approval, the Company will have the right, only with respect to the Holdings Exceeding the Threshold, either to forfeit, for no consideration, and/or to place the Holdings Exceeding the Threshold through that Interested Party into the Treasury, such that, after the forfeiture and/or placement into the Treasury of the shares, that shareholder will not be an Effective Interested Party of the Company. The resolution as to the forfeiture and/or placement into the Treasury of the shares will be adopted by the Board of Directors of the Company provided that, if Ministry Approval is given, the aforementioned forfeiture and/or placement into the Treasury of the shares will be cancelled and the forfeited shares and/or those placed in the Treasury will be restored to the shareholder.

This Article is intended to protect the security interests of the Ministry of Defense in the Company and, therefore, the Ministry of Defense will have the right to enforce compliance with this Article directly against a person who holds a security of the Company in breach of this Article.

This Article may only be varied by a special majority of 75% of the total issued shares of the Company.

16B. Any transfer of control of the Company (as this term is defined under the Securities Law) will require the prior written approval of the Ministry.

This Article may only be varied by a special majority of 75% of the total issued shares of the Company and subject to the approval of the Ministry to the variation of this Article.

Share certificate

17. Subject and pursuant to the provisions of the Companies Law, a share certificate will bear the stamp of the Company together with the signature of two Directors or of one Director together with the chief executive officer of the Company or together with the secretary of the Company or as the Board of Directors may prescribe.

18. Every shareholder that is directly registered in the Shareholder Register may receive one share certificate in respect of the shares that are registered in his name or, if the Board of Directors approves this (after the amount that the Board of Directors may prescribe from time to time has been paid), several share certificates, each one relating to one or more such shares. Each share certificate will state the quantity of the shares in respect of which it has been issued and the serial numbers of the shares.

    Where the shares of the Company are registered in the name of the Nominee Company, no person may be registered in the Shareholder Register of the Company other than with the approval of the Board of Directors, which may refuse such registration for any reason.

19. If a number of persons are the owners of one share (or a number of shares in concert), the Company will not be required to issue more than one share certificate in respect of those shares and the Company may deliver such certificate to any of said shareholders.

20. If a share certificate has been lost or destroyed, the Board of Directors may issue a new certificate in its place provided that the certificate has not been cancelled by the Company or it has been proven to the satisfaction of the Board of Directors that the certificate has been lost or destroyed and it has received security to its satisfaction in respect of any possible damage, in each case in consideration of payment, if the Board of Directors resolves to impose it.

Demands for payment

21. The Board of Directors may, from time to time, at its discretion, serve demands for payment on shareholders for all of the money that has not yet been paid in respect of the shares that are owned by each of the shareholders and that, pursuant to the terms of the allotment of the shares, do not need to be repaid at fixed times, and all of the shareholders are required to pay the Company the amount of the demands that have been served on them at the time and place prescribed by the Board of Directors. A demand for payment may be by way of dividing the payment into installments. The date of the demand for payment will be the date of the resolution of the Board of Directors regarding the demand for payment.

22. With every demand for payment, a notice of fourteen (14) days will be delivered stating the amount of the payment and the manner of payment, provided that, before the date for the satisfaction of the demand for payment, the Board of Directors may, by written notice to the shareholders, cancel the demand or extend the time for its satisfaction, provided that a resolution in this regard is adopted before the time for satisfaction of the demand for payment.

23. Joint owners of a share will be jointly and severally liable to pay all of the installments of the payment and the demands for payment that are due in respect of such share.

24. If, pursuant to the terms of allotment of any share, or in any other way, the whole amount must be paid on a fixed date or in installments on fixed dates, the whole such amount or installment will be paid as if it were a demand for payment that has been duly served by the Board of Directors and regarding which notice has been duly delivered, and all of the provisions of these Articles of Association with respect to demands for payment will apply to such amount or installment.

25. If the amount of the demand for payment or the installment has not been paid on or before the date for its satisfaction, the person who, at that time, is the owner of the share in respect of which the demand for payment has been served or in respect of which the installment is due, will be required to pay interest on the aforementioned amount at such rate as the Board of Directors may determine from time to time or at the rate that is permitted at that time by law from the date prescribed for its payment until the date of its actual payment. However, the Board of Directors may waive all or some of the payment of the interest.

26. Any amount that, pursuant to the terms of the allotment of a share must be paid at the time of the allotment or on a fixed date, whether on account of the amount of the share or in respect of a premium, will be deemed in respect of the Articles of Association to be a demand for payment that has been duly made, and the date for satisfaction is the date prescribed for the payment. In the case of non-payment, all of the sections of the Articles of Association that deal with the payment of interest, linkage and expenses, the forfeiture of shares and the like and all of the other sections of the Articles of Association that are connected with the matter will apply as if the amount had been duly demanded and as if a notice had been given as prescribed above.

27. A shareholder will not be entitled to a dividend or to his rights as a shareholder unless he has satisfied all of the demands of payment that have been made of him in full plus interest, linkage and expenses, if there are any such and they have been imposed by the Board of Directors.

28. If the Board of Directors deems fit, it may accept [payment] from a shareholder who wishes to pay money in advance that has not yet been demanded or whose payment date has not yet arrived and that has not yet been paid on account of his shares or some of them. The Board of Directors may resolve that the Company will pay to the shareholder for the money that has been paid in advance in the manner mentioned above, or for some of it, interest up to the date on which it would have been necessary to pay the money had it not been paid in advance at a rate that will be agreed between the Board of Directors and the shareholder.

Forfeiture, pledge, lien and set-off

29. If a shareholder has not paid all or some of the consideration that he has undertaken to pay on the date and under the conditions that have been prescribed, whether or not a demand for payment has been issued, the Board of Directors may, at any time, deliver a notice to that shareholder demanding that he pay the unpaid amount plus accrued interest and all of the expenses that the Company has borne in respect of the non-payment of such consideration.

30. The notice will prescribe a day, which will be at least fourteen (14) days after the date of the notice, and the manner in which the demand for payment referred to above must be satisfied plus interest and expenses, as mentioned above. The notice will state that, in the event of total or partial non-payment by the date prescribed at the place stated in the notice, the Company may forfeit all or some of the shares in respect of which the demand for payment has been made or the date for payment of the installment has arrived, this being without derogating from the other provisions of these Articles of Association.

31. If the demands that are included in the above-mentioned notice have not been satisfied, then, at any time thereafter, before the satisfaction of the demand for payment or installment [or] interest and expenses that are due in connection with the shares, the Board of Directors may, by a resolution on the matter, forfeit all or some of the shares in respect of which the aforementioned notice has been given. Such forfeiture will include all of the distributions and rights, including the dividends that have been declared in respect of the forfeited shares and that have not actually been paid before the forfeiture.

32. Every share that has been forfeited as a result of this will be deemed to be the property of the Company and the Board of Directors may, taking into account the provisions of these Articles of Association, sell it, reallot it or transfer it in any other way, as it may deem fit, with or without any amount that has been paid on the share or that is deemed to have been paid on it.

33. The Board of Directors may, at any time before a sale, reallotment or transfer in any other way of any share that has been forfeited, as aforesaid, cancel the forfeiture on those terms that the Board of Directors deems fit.

Until a transfer or sale of the shares that have been forfeited, as aforesaid, they will be treasury shares, as referred to in Section 308 of the Companies Law.

(a) Any shareholder whose shares have been forfeited will cease to be the owner of the shares that have been so forfeited. However, he will continue to owe the Company all of the demands for payment, installments, interest and expenses that are due on account of or for those shares prior to the date of the forfeiture plus interest on those amounts from the date of the forfeiture until date of payment at the maximum rate that is permitted at that time by law unless the shares that have been forfeited have been sold and the Company has received all of the consideration that was undertaken by the shareholder plus all of the above-mentioned expenses, including those ancillary to the sale.

(b) If the consideration that has been received in respect of a sale of the shares that have been forfeited has exceeded the consideration that was undertaken by the holder of the shares that have been so forfeited, the shareholder is entitled to a refund of the partial consideration that he has paid for them, if any (subject to the provisions of the allotment agreement), provided that the consideration that remains in the possession of the Company will not be less than the full amount of consideration undertaken by the holder of the shares that have been forfeited plus all of the above-mentioned expenses, including those ancillary to the sale.

34. The provisions of these Articles of Association with respect to the forfeiture of shares will also apply to cases of non-payment of a liquidated amount whose payment date, pursuant to the terms of the allotment of share, falls on a prescribed date, as if such amount was due to be paid by virtue of a demand for payment that has been delivered and in respect of which notice has been given.

35. The Board of Directors may collect the money that has been forfeited, or part of it, at its discretion. However, it will have no obligation to do so.

36. The forfeiture of a share will cause, at the time of the forfeiture, the cancellation of every right in the Company and every claim or demand against it with respect to the share, with the exception of those rights and obligations that cannot be negated pursuant to law.

37. The Company will have a right to take a first pledge and a right to take a lien and a right of set-off over all of the shares that are registered in the name of any shareholder, whether alone or in concert with others, with the exception of shares that have been fully paid-up, and also over the income from their sale, for the purpose of satisfying the debts and undertakings of that shareholder to the Company, whether himself or in concert with any other person, whether or not the date of the satisfaction of those debts or the date for the satisfaction of those undertakings has arrived, whatever the sources of the debts may be, and no right in equity will be created over any share. The aforementioned pledge, set-off and lien will also apply to all of the distributions and rights that may be declared from time to time in respect of the shares. Unless resolved otherwise, the registration by the Company of a transfer of shares will be deemed to be a waiver on the part of the Company over the pledge, lien or set-off (if any) over the shares.

38. In order to exercise the above-mentioned pledge, the Board of Directors may sell the pledged shares in such manner as it deems fit, at its discretion. However, no share may be sold unless the period stated in Article 31 above [has passed] and a notice has been delivered to the shareholders stating that the Company intends to sell the share and the shareholder or the person entitled to the share, as stated, has not paid the above-mentioned debts or has not satisfied or complied with the above-mentioned undertakings within fourteen (14) days of the date of sending of the notice.

39. The income from any such sale, after clearing the expenses of the sale, will be used to satisfy the debts and satisfy the undertakings of such shareholder (including the debts, undertakings and contracts the date of whose satisfaction or fulfillment has not yet arrived) and the provisions of Article 34(b) will apply *mutatis mutandis*.

40. In the case of a sale after a forfeiture or for the purpose of an execution of a pledge by way of the exercise of the powers granted above, the Board of Directors may appoint a person to sign a deed of transfer of the shares that have been sold and to register the purchaser in the Shareholder Register as the owner of the shares that have been sold, and the purchaser will not be required to verify that these acts have been duly performed, and it will not be his concern why the sale proceeds were expended and, after his name has been recorded in the Shareholder Register with respect to the shares, the validity of the sale may not be appealed and the only remedy of any

person who has been harmed by the sale will be a claim of damages from the Company and from it alone.

Transfer and delivery of shares and other securities

41. A transfer of shares (whether or not they have been paid in full) of a shareholder who is registered in the Shareholder Register, including a transfer by and/or to the Nominee Company, will be made in writing and will not be recorded in the Shareholder Register unless an appropriate deed of transfer has been delivered to the Company. A deed of transfer of a share of the Company will be signed by the transferor and the transferee or on their behalf and the transferor will be deemed to remain the registered holder of the share until the name of the transferee has been recorded in the Shareholder Register in respect of the transferred share.

    The deed of transfer of a share will be drawn up as follows or in a form as similar as possible to that or in an ordinary or customary form that is approved by the Board of Directors:

    I, _____, of _____ (the "Transferor"), which I received from _____ (the "Transferee"), hereby transfer to the Transferee _____ "_____" shares of NIS _____ each that are marked with the numbers up to _____ , inclusive, of _____Ltd. to be in the possession of the Transferee, the executors of his estate, his guardians and representatives, in accordance with all of the terms according to which I held them immediately prior to signing this deed and I, the Transferee, hereby agree to accept the aforementioned shares in accordance with the aforementioned terms.

    In witness whereof we hereunto set our hands on the _____ day of _____, _____.

42. Shares and/or securities will be transferable without requiring the approval of the Board of Directors, with the exception of shares and/or securities that are not fully paid-up or shares and/or securities over which the Company has a lien, a set-off or a pledge, whose transfer the Board of Directors may, at its absolute discretion and without giving any reasons, refuse to register and the Board of Directors may make their transfer conditional on an undertaking by the transferee or transferor.

43. Every deed of transfer will be delivered to the Office for the sake of registration together with all other proofs that the Company may require with respect to the proprietary right of the transferor or his right to transfer the shares. The deeds of transfer that will be registered will remain in the possession of the Company.

44. Upon the death of a shareholder of the Company until the issue of a probate order, inheritance order and/or appointment of an executor, the living partner or partners – if the deceased was a partner in the share – and the guardians or executors or heirs of the deceased – if the deceased was a sole holder or was the only individual remaining alive of the holders of a share or security that was jointly owned, as aforesaid – will be recognized by the Company as the only holders of the voting rights in respect of the shares or securities of the deceased. However, the foregoing

will not exempt the estate of a joint owner of a share from any obligation with respect to a share that was held in partnership.

45. Subject to the provisions of Article 44 above, any person who becomes the owner of a right in shares as a result of the death of a shareholder will be entitled, upon presenting proof of probate or appointment as a guardian or the issue of an inheritance order that attest to his having the right to the shares of the deceased shareholder, to be registered as a shareholder in respect of such shares or he may, subject to the provisions of the Articles of Association, transfer such shares.

46. The Company may recognize a receiver or liquidator of a shareholder that is a corporation that is in liquidation or being wound up or a trustee in bankruptcy or any receiver of a shareholder who is bankrupt as the owner of the right to the shares registered in the name of such shareholder.

47. The receiver or liquidator of a shareholder that is a corporation in liquidation or being wound up or the trustee in bankruptcy or any receiver of a shareholder who is bankrupt may, after producing such evidence as may be required of him by the Board of Directors that attests to his having the right to the shares of the shareholder in liquidation or being wound up or in bankruptcy, with the consent of the Board of Directors (and the Board of Directors may refuse to give its consent without giving any reason for its refusal), be registered as a shareholder in respect of such shares or, may, subject to the provisions of these Articles of Association, transfer such shares.

Everything stated above about the transfer of shares will apply to the transfer of other securities of the Company, *mutatis mutandis*.

Redeemable shares

48. The Company may, subject to the provisions of Section 312 of the Companies Law, issue redeemable securities on such terms as the Board of Directors may prescribe. If the Company has issued redeemable securities, it may redeem them and the restrictions under Chapter 2 of Part 7 of the Companies Law will not apply to the redemption. If the Company has issued redeemable securities, it may attach the characteristics of shares to them, including voting rights and a right to participate in profits.

Variation of capital

49. The Company may, from time to time, by a resolution of the general meeting, increase its registered share capital through such classes of shares as it may determine, whether or not all of the shares that are registered at that time have been issued. Subject to the provisions of the Law, the increased capital may be divided into shares with preferred rights or deferred rights or other special rights (subject to the special rights of any existing class of shares) or subject to such conditions and restrictions as may have been required by the general meeting in its resolution to increase the capital.

50. Unless stated otherwise in the resolution approving the increase in share capital, as aforesaid, the provisions of these Articles of Association will apply to the new shares.

51. By a resolution of the general meeting, the Company may:

(a) Consolidate and redivide its share capital into shares with a greater par value than the par value of the exiting shares and, if its shares were without par value, into capital that is composed of a smaller number of shares, provided that this will not change the percentage holdings of the shareholders in the issued capital.

In order to execute any such resolution, the Board of Directors may resolve any difficulty that may arise as it deems fit and, *inter alia*, issue certificates for fractions of shares or certificates in the name of a number of shareholders that will include the fractions of shares that are due to them.

Without derogating from the aforementioned authority of the Board of Directors, where, as a result of a consolidation, there will be shareholders, the consolidation of whose shares leaves fractions, the Board of Directors may:

(1) Sell the total amount of all of the fractions and, for this purpose, appoint a trustee in whose name the share certificates including the fractions will be issued, who will sell them and the consideration that will be received, less commissions and expenses, will be distributed to those entitled to it; or

(2) Allot to each of the shareholders for whom the consolidation has left a fraction, shares of the class of shares from before the consolidation that are fully paid-up, in such number that their consolidation with the fraction will amount to one complete consolidated share and such allotment will be deemed effective shortly before the consolidation; or

(3) Prescribe that shareholders will not be entitled to receive a consolidated share in respect of a fraction of a consolidated share that stems from their consolidation or less than the number of shares whose consolidation creates one consolidated share and they will be entitled to receive one consolidated share in respect of a fraction of a consolidated share that stems from the consolidation of more than half of the number of shares whose consolidation creates one consolidated share.

If an act in accordance with paragraph (2) or (3) above will require the issue of additional shares, they will be paid up in the manner in which a bonus share may be paid up. A consolidation and division, as referred to above, will not be deemed to be a variation of the rights of the shares that are the subject of the consolidation and division.

(b) Redivide all or some of its existing shares, or all or some of its share capital, into shares with a smaller par value than the par value of the existing shares in such manner that, with respect to the shares that are created as a result of the division, it will be possible in the resolution regarding the division to give a preferred right or advantage to one or more shares with respect to dividends, returns of capital, voting rights or any other right over the remaining shares or any of them, and, if the shares were with no par value, into issued

capital that is composed of a greater number of shares, provided that the foregoing does not change the percentage of the holdings of the shareholders in the issued capital.

(c) Cancel the registered share capital that, on the date of the adoption of the resolution, has not yet been allotted, provided that there is no undertaking by the Company, including a contingent undertaking, to allot the shares.

(d) Reduce, increase and/or cancel the par value of its shares.

(e) Reduce its share capital and any capital redemption reserve in such manner as it deems fit and to exercise all or some of the possibilities that are prescribed under Section 303 of the Companies Law.

The general meeting – general

52. (a) **Convening of the general meeting**

The general meeting will be convened in accordance with the Law, subject to that provided under Article 140(b) of these Articles of Association.

(b) **Powers of the general meeting**

The powers of the general meeting are as provided in the Companies Law.

The general meeting may, by resolution, assume powers that are given to another organ with respect to a particular matter or a particular period of time that does not exceed the period of time required under the circumstances of the case. If the general meeting has assumed powers that are given pursuant to the Companies Law to the Board of Directors, the rights, duties and liabilities that apply to Directors with respect to the exercise of such powers will apply to the shareholders, *mutatis mutandis*, and, as part of this, the provisions of Chapters 3, 4 and 5 of Part 6 of the Companies Law will apply to them, taking into account their holdings in the Company, their participation at the meeting and their manner of voting.

53. General meetings of the shareholders will be convened once a year on such date and in such place as may be prescribed by the Board of Directors and no later than 15 months after the last ordinary meeting. These meetings will be called "ordinary meetings," whereas other meetings of the Company will be called "special meetings."

54. The ordinary meeting:

(a) Will discuss the financial statements and report of the Board of Directors of the Company for the previous year.

(b) Will appoint the accountant, and the Board of Directors or a party on its behalf will have the power to determine his fees.

(c) Will appoint the members of the Board of Directors (with the exception of external directors, who will be appointed pursuant to the provisions of the Companies Law).

(d) Will discuss all of the other matters that are within the power of the general meeting and that will be placed on the agenda in the invitation to the ordinary meeting.

55. The Board of Directors may, at its discretion, convene a special meeting and is required to convene a special meeting in accordance with a written demand, as provided under Section 63 of the Companies Law. Every such demand must specify the purposes for which the meeting should be convened and will be signed by the parties demanding the meeting and will be delivered to the Office. The demand may be composed of a number of documents in identical form, each of which is signed by one or more demanding party. If the Board of Directors does not convene a meeting within the time prescribed in the aforementioned section from the aforementioned date of the demand, the demanding parties, or some of them, that represent more than half of the voting rights of all of the demanding parties, may convene the meeting themselves, provided that a meeting that has been so convened will not be held after three months have passed since the submission of the demand.

56. Agenda

(a) The agenda of a general meeting will be determined by the Board of Directors and will also include matters in respect of which a special meeting must be convened pursuant to Article 55 above and any topic that is referred to in Article 56(b) below.

(b) One or more shareholder, who holds at least one percent (1%) of the voting rights of the general meeting may request the Board of Directors to include a topic on the agenda of a general meeting that will be convened in the future, provided that the topic is suitable to be discussed at a general meeting.

(c) A request that is referred to in Article 56(b) above will be submitted to the Company in writing at least seven (7) days before the issue of the notice convening the general meeting and the form of the resolution that is proposed by the shareholder will be attached to it, unless otherwise provided by any law.

57. The notice convening shareholder meetings will be given on the dates stated in the Companies Law.

58. The notice convening the general meeting will state the matters required pursuant to the Law.

59. A defect that has occurred in good faith in the convening or conduct of a general meeting or another defect that stems from non-compliance with a provision or condition that is prescribed under the Companies Law or the Articles of Association of the Company, including with respect to the manner of convening or conducting the general meeting, will not disqualify any resolution that was adopted at the general meeting and will not vitiate the discussions that took place thereat, subject to the provisions of every law.

Adoption of resolutions at the general meeting

60. Other than in cases in which it is stipulated otherwise pursuant to the Companies Law or the Articles of Association of the Company, a quorum for holding a general meeting is the presence of one or more shareholders who, themselves or through a proxy, hold between them at least twenty-five percent (25%) of the total voting rights in the Company. In cases in which there is an obligation under the Companies Law to enable voting by polling, resolutions of the general meeting may be adopted by polling. In such a case, the Companies Regulations (Voting in Writing and Position Notices) Regulations 5766-2005 will apply to the meeting.

61. If half an hour has elapsed from the time scheduled for a meeting and there is no quorum, the meeting will be automatically adjourned by one week to the same time and place or to such other day, time and place as was prescribed in the invitation to the meeting or as may be prescribed the Board of Directors in a notice to the shareholders and, at the adjourned meeting, the matters for which the original meeting was called will be discussed. If there is no quorum at the adjourned meeting, one member who is present himself or through his proxy will constitute a quorum, subject to the Companies Law.

62. If the general meeting was convened at the demand of shareholders, the adjourned meeting will only be held if at least one or more shareholders who hold at least five percent (5%) of the issued capital and at least one percent (1%) of the voting rights in the company, or one or more shareholders who hold at least five percent (5%) of the voting right in the Company, are present thereat.

63. That provided in Article 62 above will also apply (as the case may be) to a general meeting at which a resolution to which Section 275(a)(3)(a) of the Companies Law applies stands to be discussed and at which shareholders who do not have a personal interest in the act or contract that is the subject of the resolution are not present.

64. The chairman of the Board of Directors, or a person who has been appointed by him for this purpose in a written notice to the corporation, will chair every general meeting. If there is no chairman, or if he is not present after fifteen (15) minutes have passed from the time scheduled for the meeting, or if he does not wish to serve as chairman of the meeting, the shareholders who are present at the meeting will elect one of them to be chairman.

65. Subject to the provisions of the law, the chairman of a general meeting may, on the date of the meeting, with the consent of the meeting that constitutes a legal quorum, adjourn the meeting from time to time and from place to place and he is required to adjourn it, as aforesaid, if the meeting has instructed him to do so. At an adjourned meeting, only matters that were on the agenda at the meeting in which the adjournment was resolved and the discussion of which did not end or did not begin may be discussed.

Voting of shareholders

66. Subject to the provisions of the law, any proposed resolution that is tabled at a meeting will be adopted by a vote on a show of hands in such manner that every share that confers a voting right will confer one vote. If the votes were tied, the resolution will be deemed to have been rejected.

67. Resolutions of the general meeting will be adopted by an ordinary majority, unless any other majority is prescribed under the Companies Law or the Articles of Association of the Company.

68. A vote on a show of hands will be held as instructed by the chairman and its results will be deemed to be a resolution of the meeting. If a vote is required to elect a chairman or adjourn the meeting to another date, the vote will be held immediately.

69. Subject to special conditions, privileges and restrictions regarding the voting by shareholders that are entailed at the relevant time in any shares, every shareholder who is present himself or through a proxy or through polling will have one vote per share that belongs to him and that confers a voting right.

70. A corporation that is a shareholder of the Company may vote through a person who is appointed on its behalf pursuant to a power of attorney that will be delivered to the corporation, as provided under the articles of association of the corporation or, in the relevant cases, through polling. A person who is authorized, as aforesaid, may exercise, on behalf of the corporation that he represents, those voting rights that the corporation itself could have exercised had it been an individual shareholder.

Voting rights

71. A shareholder who wishes to vote at the general meeting, will prove his ownership of the share to the Company, as required by law.

72. A shareholder who is a minor and a shareholder whom a competent court has declared to be incompetent may only vote through their guardians and any such guardian may vote through a proxy.

73. A shareholder may not vote at any general meeting or be considered in the number of those present for as long as he owes a payment to the corporation that has been demanded in respect of the shares that are held by him unless the terms of the issue of those shares provide otherwise.

74. The Board of Directors may, from time to time, prescribe, with respect to any particular meeting or generally, the resolutions of the general meeting that may also be adopted by polling. In the cases that are prescribed under the Companies Law, a shareholder may vote at a general meeting by polling, subject to the Companies Law and the regulations enacted thereunder.

75. Subject to the provisions of every law, in a case of joint owners of a share, each of them may vote at any meeting, whether himself or through a proxy, with respect to such share as if he is the only person entitled to it. If more than one joint owner of a share participates at a meeting, whether himself or through a proxy, the one whose name appears first in the Shareholder Register in

respect of the share, or in a certificate of his ownership of the share or in such other document as may be prescribed by the Board of Directors for this purpose, as the case may be, will vote. Several guardians or several executors of a registered shareholder who has died will be deemed for the purposes of this section to be joint owners of the relevant shares.

76. The shareholders may vote personally or through a proxy, as will be stipulated below.

77. Any document appointing a proxy to vote (hereinafter: a **"Proxy Appointment"**) will be drawn up in writing and signed by the appointor or by his representative who has power in writing to do so and, if the appointor is a corporation, the appointment will be made in writing signed by the authorized signatories of the corporation and the stamp of the corporation or the stamp of its authorized representative.

78. The Proxy Appointment, or a copy thereof that is to the satisfaction of the Board of Directors of the Company or a party authorized by it, will be deposited at the Office or at the place designated for convening the meeting no less than 48 hours before the time scheduled for the beginning of the meeting at which the person stated in the Proxy Appointment will vote. However, the chairman of the meeting may waive this requirement with respect to all of the Participants with respect to any meeting and to accept their Proxy Appointments or a copy thereof, to the satisfaction of the chairman of the meeting, at the beginning of the meeting.

79. A shareholder that is the owner of more than one share may appoint more than one proxy or empower the proxy with respect to only some of the shares, subject to the following provisions:

(a) The Proxy Appointment will state the class and number of shares in respect of which it is given.

(b) If the total number of shares of a particular class that are specified in the Proxy Appointments that have been given by one shareholder exceeds the number of shares of that class that are held by him, the following provisions will apply: (1) if the vote in respect of all of the shares that are stated in all of the Proxy Appointments is uniform, all of the Proxy Appointments given by that shareholder will be void in respect of the excess shares only; (2) if the vote in respect of all the shares that are stated in all of the Proxy Appointments is non-uniform, the shareholder will be deemed to have abstained from voting in respect of all the shares that are stated in the Proxy Appointments, in each case without derogating from the right of the shareholder to vote by virtue of his shares himself if he is present at the relevant meeting.

(c) If only one proxy has been appointed by a shareholder and the Proxy Appointments do not state the number and class of shares in respect of which they have been given, the Proxy Appointments will be deemed to have been given in respect of all the shares held by the shareholder on the date of the delivery of the Proxy Appointment at the Office or the date of its delivery to the chairman of the meeting, as the case may be. If the Proxy Appointments have been given in respect to a number of shares that is less than the number of shares that are held by the shareholder, the shareholder will be deemed to have abstained from voting in

respect of the rest of the shares in his possession and the deed of appointment will only be valid in respect of the number of shares which are stated in it.

80. Every Proxy Appointment, whether for a meeting that is specially stated or otherwise, will, as far as the circumstances allow, be in the following form:

I, _____, of _____, a shareholder of _____ Ltd. (the "Company") hereby appoint _____, whose Identity No. is _____, or, in his/her absence, _____, whose Identity No. is _____, to vote for me and on my behalf in respect of ____ shares of _____ class that are held by me at the annual general meeting/special meeting of the Company/at a meeting of the holders of the shares of _____ class that will be held on _____ day of _____, _____, and at any meeting adjourned from that meeting.

In witness whereof I have hereunto set my hand on_____ day of _____, Signature _____.

81. A vote pursuant to the provisions of the document appointing a proxy will be effective notwithstanding the death of the appointor or the revocation of the Proxy Appointment or the transfer of the share in respect of which the vote was made unless a written notice of the death, revocation or transfer was received at the Office of the Company by the chairman of the meeting by the time of the vote.

82. A shareholder or a proxy may vote by virtue of some of the shares that are owned by him or in respect of which he is a proxy; and he may vote by virtue of some of the shares in one manner and by virtue of some of them in another manner.

83. A vote that is made by virtue of a deed of appointment will be valid even if there was a defect in the deed of appointment that was not apparent on its face and even if, before the vote, the appointor died or became incompetent or the deed of appointment or power of attorney by virtue of which the deed of appointment was signed was revoked or the share in respect of which the deed of appointment was given was transferred, unless written notice of the defect, death, incapacity, revocation or transfer was received at the Office of the Company by the chairman of the general meeting before the vote.

Board of Directors

84. The number of the members of the Board of Directors will be prescribed from time to time by the general meeting by a majority of votes of the shareholders participating in the vote but will not be less than five (5), of which at least two (2) will be external directors, as provided under the Companies Law, and will not exceed twelve (12).

85. (a) Other than in a case specified in Article 90 below, the Directors of the Company will be elected by a resolution adopted by an annual or special general meeting by a majority of the votes of the shareholders participating in the vote themselves or through their proxies or, subject to the provisions of the Companies Law, by way of polling.

(b) The tenure of a Director will begin on the date of his appointment by the meeting, as aforesaid, except that the meeting may prescribe a later date of appointment than the date of the meeting. The tenure of each Director, with the exception of external directors, will continue until the end of the first annual meeting that is held after the date of his election or until he ceases to serve in his position pursuant to the provisions of the Articles of Association, whichever is earlier. Notwithstanding the foregoing, if the minimum number of Directors stated in Article 84 above are not elected at the general meeting, as provided above, the Directors who were elected at the previous general meeting will continue in office.

86. (a) A Director may, at any time, appoint a person to serve as a substitute director on the Board of Directors provided that the identity of the substitute has been approved in advance by the chairman of the Board of Directors (hereinafter: an "**Alternate Director"**). For as long as the appointment of the Alternate Director is in effect, he will be entitled to receive invitations to every meeting of the Board of Directors (without negating the right of the appointing Director to receive invitations) and to participate and vote at every meeting of the Board of Directors from which the appointing Director is absent.

(b) Subject to the provisions of the deed of appointment by which he has been appointed, the Alternative Director will have all of the powers that the Director for whom he is substituting has and he will be treated as a Director.

(c) For the avoidance of doubt, the appointment of an Alternate Director will not negate the responsibility of the Director for whom he is substituting and will apply taking into account the circumstances of the case, including the circumstances of the appointment of the Alternate Director and the length of his tenure.

87. (a) A Director who has appointed an Alternate Director (hereinafter: the **"Appointing Director"**) may revoke the appointment at any time. The tenure of an Alternate Director will terminate if the Appointing Director has given a written notice to the Company of the resignation of the Appointing Director or if the tenure of the Appointing Director has been terminated in any other way.

(b) Any appointment of an Alternate Director and a revocation of his appointment will be made by written notice to the Company.

88. A Director who has ceased to serve in his office may be reappointed.

89. In addition to the provisions of every law, the office of a Director will be automatically vacated on any of the following events:

(a) If he has resigned from his office by way of a letter signed by him that has been served on the Company, as provided under Section 229 of the Companies Law, or he has been dismissed, as provided under Sections 230-231 of the Companies Law.

(b) If he has become bankrupt or has made a compromise with his creditors in the framework of bankruptcy proceedings.

(c) Upon his death and, in the case of a corporation, upon its liquidation.

(d) In accordance with the decision of a court, as provided under Section 233 of the Companies Law.

(e) If he has been convicted of an offence, as provided under Section 232 of the Companies Law.

(f) If a competent statutory authority has prohibited him from serving as a director and in accordance with the determination of that authority.

(g) If he has become incompetent.

90. The Board of Directors may, from time to time, appoint a Director or additional Directors to the Company, whether to fill the office of a Director that has been vacated or for any reason, provided that the total number of Directors will not exceed the maximum number prescribed under Article 84 above. A Director who has been appointed, as aforesaid, will serve until the end of the first general meeting that takes place after the date of his election, as aforesaid. The Board of Directors or the general meeting may terminate the tenure of a Director who has been appointed, as aforesaid.

91. If the number of Directors falls below that provided in Article 84, the remaining Directors will act to convene a general meeting of the Company or a meeting of the Board of Directors for the purpose of appointing an additional Director/additional Directors up to the minimum required or to take the necessary urgent steps to protect the interests of the Company.

92. The terms of office and salary of the Directors will be approved by the appropriate organs and in accordance with the necessary processes, all as prescribed under the Companies Law, including, in the relevant cases, pursuant to the Companies Regulations (Rules on the Compensation and Expenses of an External Director), 5760-2000 or any regulations that may replace it.

Powers of the Board of Directors

93. The powers of the Board of Directors are as provided under the Companies Law. The Board of Directors may assume the powers of the chief executive officer by a resolution of the Board of Directors for a particular matter or for a particular period of time.

94. The signature rights on behalf of the Company will be prescribed by the Board of Directors.

Meetings of the Board of Directors

95. The Board of Directors will convene from time to time for the purpose of the management of the business of the Company and at least once every three months.

96. In addition to that provided under Article 95 above, every Director may call a meeting of the Board of Directors at any time and a meeting of the Board of Directors may also be convened pursuant to a notice of the chief executive officer, as provided under Section 122 of the Companies Law, or the notice of an auditor, as provided under Section 169 of the Companies Law.

97. Any notice of a meeting of the Board of Directors may be given orally, by electronic mail, by telephone call or in writing, provided that the notice is given a reasonable time before the date scheduled for the meeting unless all of the members of the Board of Directors or their substitutes (if any) have agreed on a shorter deadline or on convening the meeting without notice. The notice will be delivered to the Director and/or Alternate Director, as the case may be, in accordance with the details that have been provided by them in advance to the Company.

98. Until it is resolved otherwise by the Board of Directors and subject to the provisions of the Companies Law, a majority of the members of the Board of Directors who are serving at the relevant time who are not prevented pursuant to any law to participate and vote at the meeting of the Board of Directors will constitute a quorum at meetings of the Board of Directors.

99. Resolutions of the Board of Directors will be adopted by a majority of votes of the Directors participating in the vote.

100. The Board of Directors may adopt resolutions even without actually convening provided that all of the Directors who are entitled to participate in the discussion and to vote on the matter that has been tabled for resolution have agreed in writing not to convene to discuss the matter, and the provisions of Section 103 of the Companies Law will apply.

101. The Board of Directors will elect one of its members to serve as chairman of the Board of Directors and he will serve in this position for as long as a resolution to the contrary has not been adopted by the Board of Directors. The chairman of the Board of Directors will chair every meeting of the Board of Directors. If the chairman is not present after fifteen (15) minutes have passed from the time scheduled for the meeting or, if he does not wish to chair it, and he has not appointed another Director to serve as chairman of that meeting, the members of the Board of Directors who are present at the meeting will elect one of their number to serve as chairman, to conduct the meeting and to sign the minutes of the meeting.

102. Where a resolution is signed by all of the Directors (or their alternates) who are entitled to participate in the discussion and to vote on the matter that has been presented for resolution or where the Directors (or their alternates) who are entitled to participate in the discussion and vote on the matter that has been presented for resolution have agreed upon it in writing, this will have the same effect, for all intents and purposes, as if it had been adopted at a meeting of the Board of Directors that was duly convened.

102A For as long as the Company is subject to the Order, if the Board of Directors is required to deal with classified matters, these matters will be discussed by a special committee of the Board of

Directors on which only Directors with the appropriate security classification of the Ministry of Defense will serve.

Committees of the Board of Directors

103. The Board of Directors may establish committees and appoint members to them from among the members of the Board of Directors. Subject to the provisions of the Companies Law, the Board of Directors may delegate its powers or some of them to such committees and may, from time to time, revoke any such power.

104. The functions, powers and work methods of every committee will be as prescribed under the Companies Law, and every committee may also discharge any additional duty that may be prescribed under the Companies Law or the Articles of Association.

105. A committee of the Board of Directors will regularly report to the Board of Directors on its resolutions or recommendations, as prescribed by the Board of Directors.

Minutes

106. The Company will keep a register of minutes of general meetings, class meetings, meetings of the Board of Directors and meetings of committees of the Board of Directors and will keep it at the Office for a period of seven (7) years from the date of the relevant meeting, as the case may be.

107. All of the minutes will include the following details:

(a) The names of those present, and if they were proxies or alternates, the names of the proxies or their appointors and, for a meeting of the shareholders, the quantity and the class of shares by virtue of which the vote was held.

(b) A summary of the discussions of the Participants in the vote and the resolutions that were adopted.

(c) Instructions that were given by the Board of Director to committees of the Board of Directors or the chief executive officer.

(d) The provisions above will also apply, *mutatis mutandis*, to written resolutions and to a meeting that is held by any other means of communication.

Chief Executive Officer

108. The Board of Directors may, from time to time, appoint a chief executive officer or chief executive officers to the Company, whether for a fixed period or an unlimited period, and it may, from time to time, transfer or dismiss him or them from his or their office (subject to the provisions of any contract between him or them and the Company) and to appoint another or others in his or their place. If the approval of the general meeting is required pursuant to any law to the appointment of the chief executive officer, this appointment will be subject to the approval of the general meeting.

109. As stated, the Board of Directors may appoint more than one chief executive officer and, subject to any other approval that may be required by law, determine the terms of the contract with him, including his salary, terms of his employment and retirement.

Powers of the Board of Directors and the chief executive officer

110. The Board of Directors will outline the policy of the Company and supervise the performance of the functions of the chief executive officer and his actions, and, as part of this, he will discharge the functions that are incumbent upon him pursuant to the Companies Law.

111. The chief executive officer is responsible for the ordinary management of the affairs of the Company in the framework of the policy that has been determined by the Board of Directors and subject to its instructions.

112. The chief executive officer will have all of the powers of management and execution that have not been conferred under the Companies Law or the Articles of Association on another organ of the Company and will be under the supervision of the Board of Directors.

Distribution

113. The Board of Directors may decide upon any distribution, as defined under the Companies Law, including dividends, bonus shares, a buyback of shares and/or securities of the Company and other rights subject to the provisions of the Companies Law (for the purpose of Articles 113 to 121, hereinafter: a **"Distribution"**).

114. Subject to any special rights or restrictions that are appurtenant to any shares, a distribution will be made and paid to the shareholders *pro rata* and *pari passu* with the other shareholders in accordance with the par value of the shares that are registered in their name.

115. The Board of Directors may delay any Distribution or amounts that are payable in respect of shares in respect of which the Company has a lien, a right of set-off and/or a pledge and to use any such amount or to exercise any such benefit and any right to use the consideration from the exercise to satisfy the debts in respect of which the Company has a lien, right of set-off and/or pledge.

116. The transfer of a share will not entitle the transferee to a Distribution that is announced after the transfer but before the registration of the transfer, provided that, in a case where a transfer of shares requires the approval of the Board of Directors, the date of the approval will be in lieu of the date of the registration of the transfer.

117. Unless the Board of Directors has prescribed otherwise, the Distribution may be paid by way of a check or payment order that may be sent by mail to every shareholder that is registered in the Shareholder Register of the Company and whose address is known to the Company and, in the case of joint registered owners, to the member whose name is registered first in the Shareholder Register in relation to the joint ownership. Any such check will be made to the order of the

person to which it is sent and its satisfaction will serve as a release in respect of all of the payments that have been made in connection with the relevant share.

118. Where the payment of a Distribution has not been demanded within a period of 12 months from the date of the resolution to distribute it, the party entitled to it will be deemed to have waived it and it will revert to the ownership of the Company. The Company will not be required to pay interest for a Distribution that is demanded with a delay.

119. The Board of Directors may deduct from any Distribution that is payable in connection with shares that are in the possession of a shareholder, whether he is the sole owner or a joint owner with another shareholder, all of the amounts of money that are due from him which he is required to pay alone or in concert with another to the Company on account of demands for payment and the like.

120. On a distribution of bonus shares, all of the shareholders of the Company will receive shares of a uniform class or of the class that conferred on him the rights to receive the bonus shares, as may be prescribed by the Board of Directors.

121. Wherever required by law, a contract or other written document must be attached pursuant to Section 291 of the Companies Law. The Board of Directors may, at its discretion, appoint a trustee to sign such contract or documents on behalf of those entitled to the dividend or capitalized fund.

Internal auditor

122. The Board of Directors will appoint an internal auditor pursuant to a proposal of the audit committee.

123. The provisions of the Companies Law will apply to the internal auditor.

124. The organ to which the internal auditor will report will be the chairman of the Board of Directors or another Director who is appointed by the Board of Directors for this purpose.

125. The internal auditor will submit a proposed annual or periodic plan of operation for the approval of the Board of Directors or the approval of the audit committee and the Board of Directors or the audit committee will approve it with such changes as it deems fit.

Auditor

126. The auditor will be appointed at every annual meeting and will serve in his position until the end of the following general meeting. Notwithstanding the foregoing, the general meeting may, by a resolution that is adopted by a majority of votes of the shareholders participating in the vote, appoint an auditor who will serve in his position for a longer period that will not extend beyond the end of the third annual meeting after the one in which he was appointed.

127. The fees of the auditor of the Company will be prescribed at the discretion of the Board of Directors. In addition, the Board of Directors may prescribe the fees of the auditor for additional services that are provided by him to the Company, not being audit activities.

Liquidation of the Company

128. In the case of a liquidation of the Company, whether voluntary or otherwise, then, unless prescribed otherwise under these Articles of Association or the terms of the allotment of any share, the following provisions will apply:

(a) The liquidator will first use all of the assets of the Company to satisfy its debts and undertakings pursuant to any law (the assets of the Company after the payment of its debts will be referred to hereinafter as the "Surplus Assets").

(b) Subject to any special rights that are appurtenant to the shares, the liquidator will distribute the Surplus Assets among the shareholders *pro rata* and *pari passu* to the par value of the shares that are registered in their names and for which the consideration undertaken to be paid by them has been paid in full.

(c) With the approval of the Company by a resolution that is adopted by the general meeting by a majority of votes of the shareholders participating in the vote, the liquidator may distribute the Surplus Assets of the Company or some of them among the shareholders in kind and also deliver any of the Surplus Assets to a trustee on deposit in favor of the shareholders, as the liquidator deems fit.

(d) For the purposes of this Article, where there is a person who is entitled to shares (and has paid the consideration for them) but the shares have not yet been allotted to him, the shares to which he is entitled will be deemed to have been allotted to him immediately prior to liquidation and paid-up in respect of the amount that has been paid on account of the par value of those shares.

Merger

129. A merger (as defined under Part 8 of the Companies Law) requires the approval of the general meeting, as prescribed under the Companies Law, by a resolution that is adopted by a majority of votes of the shareholders participating in the vote. Notwithstanding the foregoing, a merger does not require the approval of the meeting in the cases specified in the Companies Law.

Exemption from liability

130. The Company may, by a resolution that is adopted in the manner prescribed under the Companies Law, exempt in advance, an officer of all or some of his liability in respect of damage as a result of a breach of the duty of care that is owed to it. Notwithstanding the foregoing, the Company may not exempt in advance a Director of his liability as a result of a breach of the duty of care for a distribution.

Liability insurance

131. Subject to the provisions of the Companies Law, the Company may enter into contract of insurance for the liability of an officer in respect of liability that may be imposed on him as a result of an act that he has performed by virtue of his being an officer for any case or act in respect of which liability insurance may be taken out pursuant to the Companies Law and pursuant to any law, including, *inter alia*, for the following cases:

(a) A breach of the duty of care owed to it or to another person.

(b) A breach of the duty of loyalty owed to it, provided that the officer acted in good faith and had a reasonable ground to assume that the act would not harm the interests of the Company.

(c) A financial liability that is imposed on him in favor of another person.

(d) A payment to a person harmed by a violation, as provided under Section 52BBB(a)(1)(a) of the Securities Law.

(e) Expenses that an officer has incurred or is liable to pay in connection with an Administrative Enforcement Proceeding that has been conducted in respect of him, including reasonable litigation expenses, including attorneys' fees.

(f) Expenses that he has or will incur in connection with a proceeding that has been conducted in respect of him pursuant to and/or in connection with the Economic Competition Law, 5748-1988, including reasonable litigation expenses, including attorneys' fees.

(g) Any other liability or expense in respect of which it is permitted and/or it will be permitted to insure the liability of an officer pursuant to any law, as may be amended from time to time.

For the purposes of Articles 130 to 138 above and below, **"Administrative Enforcement Proceeding"** means a proceeding pursuant to Chapters E3 (imposition of a financial penalty by the Israel Securities Authority), E4 (imposition of means of administrative enforcement by the administrative enforcement committee), I1 (conditional arrangement to refrain from the taking of proceedings or to discontinue proceedings) of the Securities Law, a proceeding pursuant to Subchapter D of Chapter 4 of Part 9 of the Companies Law, as may be amended from time to time, and any other proceeding similar to the foregoing subject to the law.

Indemnification

132. Subject to the provisions of the Companies Law, the Company may, by a resolution that is adopted in the manner prescribed under the Companies Law, indemnify an officer in respect of a liability or expense, as specified below, that has been imposed on him or that he has incurred as a result of an act that he has performed by virtue of his being an officer in respect of any case or act in respect of which it is permitted to insure against liability pursuant to the Companies Law and pursuant to any law, including in the following cases:

(a) A financial liability that has been imposed on him in favor of another person/entity pursuant to a judgment, including a judgment entered by settlement or an arbitration award that has been approved by a court.

(b) Reasonable litigation expenses, including attorneys' fees, that an officer has incurred as a result of an investigation or proceeding that has been conducted in respect of him by an authority competent to conduct an investigation or proceeding and that has ended without the filing of an indictment against him and without any financial liability being imposed upon him as an alternative to a criminal proceeding or that has ended without the filing of an indictment against him but with the imposition of a financial liability as an alternative to a criminal proceeding with respect to an offence that does not require proof of criminal intent or connection with a financial penalty.

In this paragraph:

(1) **"End of a proceeding without the filing of an indictment on a matter in which a criminal investigation was held"** is as this term is defined under the Companies Law.

(2) **"Financial liability as an alternative to a criminal proceeding"** is as this term is defined under the Companies Law.

(c) Reasonable litigation expenses, including attorneys' fees, that have been incurred by the officer or that he has been charged by a court in a proceeding that has been filed against him by or on behalf of the Company or by another person or in an indictment from which he has been cleared or an indictment in which he has been convicted of an offence that does not require proof of criminal intent.

(d) A payment to a person harmed by a violation, as provided under Section 52BBB(a)(1)(a) of the Securities Law.

(e) Expenses that have been incurred by an officer or that he has been charged in connection with an Administrative Enforcement Proceeding that has been conducted in respect of him, including reasonable litigation expenses, including attorneys' fees.

(f) Expenses that he has incurred or will incur in connection with a proceeding that has been conducted in respect of him pursuant to and/or in connection with the Economic Competition Law, 5748-1988, including reasonable litigation expenses, including attorneys' fees, and including by way of advance indemnification.

(g) Any other liability or expense in respect of which it is permitted and/or it will be permitted to indemnify the liability of an officer pursuant to any law, as may be amended from time to time.

133. The Company may undertake in advance to indemnify an officer provided that the indemnification undertaking in this regard will be limited to an amount or criterion that has been determined by the Board of Directors to be reasonable under the circumstances of the case and

the indemnification undertaking will state the events that, in the view of the Board of Directors, are expected, in light of the actual activity of the Company at the time of giving the undertaking and also the amount or criterion that the Board directors has determined to be reasonable under the circumstances of the case.

134. The Company may also indemnify an officer retroactively.

135. Articles 130 to 134 above will not apply with respect to one or more of the following cases:

(a) A breach of a duty of loyalty, excluding with regard to indemnification and insurance by virtue of a breach of a duty of loyalty under the circumstances referred to in Article 131(b) above.

(b) A breach of a duty of care that has been committed intentionally or recklessly, excluding where it has only been committed negligently.

(c) An intentional act with the intention of unlawfully making a profit.

(d) A fine, civil fine, financial penalty or bail that has been imposed on him.

(e) An Administrative Enforcement Proceeding, excluding with regard to expenses, as described in Article 131(d) and (e) and Article 132(d) and (e).

136. It is clarified that, in this Chapter, an undertaking with respect to indemnification and insurance, as aforementioned, for an officer may also be effective after the officer has ceased to serve at the Company.

137. The Company may enter into a contract with respect to the exemption, indemnification and insurance of officers of companies under its control, related companies or other companies in which it has any interest to the maximum extent permitted by any law and the provisions above regarding the exemption, indemnification and insurance of officers of the Company will apply in this regard, *mutatis mutandis*.

138. The provisions above regarding exemption, indemnification and insurance are not intended to, and they will not, limit the Company in any way in entering into a contract with respect to the exemption, insurance or indemnification of officers of other companies, including related companies, and of persons who are not officers of the Company, including employees, contractors or advisors, in each case subject to the provisions of every law.

Variation of the Articles of Association

139. These Articles of Association may be varied by a resolution of the shareholders at a general meeting, by a resolution that has been adopted by a majority of the votes of the shareholders participating in the vote.

Notices to shareholders

140. Where the Company has grounds to assume that an address that has been provided to the Company by a shareholder who is registered in the shareholder register that must be kept pursuant to Section 127 of the Companies Law or, in addition, the register of material shareholders that must be kept pursuant to Section 128 of the Companies Law and/or, if the Company holds an additional register outside of Israel, any additional register, as the case may be (hereinafter: the **"Shareholder Register"**) is no longer his address, that shareholder will be deemed to have not provided an address to the Company in each of the following cases:

(a) Where the Company has sent him a letter by registered mail to the address that he has provided in which he has been requested to confirm that the said address is still his address and/or to notify the Company of a new address and the Company has not received a response within sixty (60) days of the date of the sending of the letter by the Company.

(b) Where the Company has sent him a letter by registered mail to the said address and the Postal Authority – whether or not by way of returning letter– has notified the Company that the letter has not been delivered to him at the said address since the said address is unknown or for any other similar reason.

141. Subject to the requirements of the Law, the Company may:

(a) Deliver any notice and any document to a shareholder by delivering it into his hands or by sending it by mail to the address that he has provided to the Company. If a notice has been sent by mail, the notice will be deemed to have been duly executed if the letter containing the notice bears the address that he has given to the Company and has been delivered to the post office duly stamped and, for as long as it has not been proven otherwise, delivery will be deemed to have been effected within seventy-two (72) hours from its delivery by the Company to the post office when the address is in Israel and when the address is overseas, within ten (10) days of its delivery by the Company to the post office.

(b) Notwithstanding the foregoing, if the Company publishes a notice to the shareholders whether in a manner by which it must be delivered according to the Law (for example, in connection with convening a general meeting of the Company) or by way of publication in two daily newspapers and or by way of publication on the website of the Company, no additional delivery will be required pursuant to this Section, and the date of the publication will be deemed to be the date on which notice was received by the shareholders. In particular, in these cases, a notice convening a general meeting will not need to be delivered to the shareholders who are registered in the Shareholder Register.

(c) Nothing stated in paragraphs (a) and (b) imposes any obligation on the Company to give a notice to any person who has not provided the Company with an address in Israel.

General

142. The remedies and rights that are conferred on the Company pursuant to these Articles of Association do not derogate from any other remedy or right that is available to it by law.

Approval of non-extraordinary transactions

143. Subject to the provisions of the Companies Law, a transaction of the Company with an officer or a transaction of the Company with another person in whom the officer has a personal interest and these do not constitute extraordinary transactions, will be approved as follows:

(a) The entry, as aforesaid, into a transaction that is not extraordinary will be approved by the Board of Directors or by another entity, including the audit committee of the Company or an officer of the Company who does not have a personal interest in the transaction (provided that such officer will not approve transactions pertaining to the terms of office and employment of officers) who will be authorized for that purpose by the Board of Directors, whether under a particular resolution or in the framework of the procedures of the Board of Directors or under a general consent, a consent to a particular class of transactions or a consent to a particular transaction.

(b) Transactions that are not extraordinary, as aforesaid, may be approved by way of the issue of a general approval to such transactions or to a particular class of such transactions by way of the prescription of criteria by the audit committee of the Company, which will be approved by it once a year.

Israeli company and center of business and activity

144. The Company will remain Israeli and the center of its business and activity will be in Israel.

Chapter 5: Offering Proceeds

5.1 Consideration for the offer

5.1.1 Consideration for the issue

The total consideration that is expected for the Company from the issue pursuant to this Prospectus on the assumption of the sale of all of the Offered Shares by the Company is as set forth as follows:

Expected consideration from the issue (gross)	Between approximately 213.33 million NIS to approximately 320 million NIS
Less the Company's portion of the underwriting and distribution commissions for the Pricing Underwriter (as defined in Section 2.5.1 of Chapter 2 of the Prospectus), including in respect of the international distribution service[1] and for the Distributors in Israel[2]	
Less the total fixed costs involved in the preparation and publication of the Prospectus	
Immediate expected consideration (net)	

[1] The Pricing Underwriter will be entitled to commission in the amount equal to 3.5% of the total proceeds of the issue and offer for sale (gross), which will be paid by the Company and the Offerors pro rata to their portion of the Offered Shares.

[2] Discount Capital Underwriting Ltd.(a private company controlled by Discount Capital Ltd, an interested party in the Company) and Barak Capital Ltd. will serve as Israeli distributors for the issue and will be entitled to commission in the amount equal to [up to 1.5%] of the total consideration for the issue and offer for sale (gross), which will be paid by the Company and the Offerors pro rata to their portion of the Offered Shares.

5.1.2 **Consideration for the offer for sale**

The total consideration that is expected for the Offerors from the offer for sale pursuant to this Prospectus on the assumption of the sale of all of the Offered Shares by the Offerors is as set forth as follows:

Expected consideration from the sale (gross)	Between approximately 106.66 million NIS to approximately 160 million NIS
Less the Offerors' portion of the underwriting and distribution commissions for the Pricing Underwriter, including in respect of the international distribution service[1] and for the Distributors in Israel[2]	
Immediate expected consideration (net)	

5.2 Apportionment of expenses

The Company and each Offeror will bear its *pro rata* share of the commissions for the Pricing Underwriter, as set forth in the Underwriting Agreement (as defined in Section 2.6 of Chapter 2 of the Prospectus), including with respect of distribution services, and also the commission of the Israeli Distributors (as defined in Section 2.6.14 of Chapter 2 of the Prospectus).

The Company will bear the fixed expenses involved in the preparation and publication of the Prospectus, including for legal advisors, accountants, the Offer Coordinator, additional fees and commissions and ancillary expenses of immaterial amounts (translations, photocopies, and so forth) and also one-time bonuses in respect of the issue that the Company intends to award to employees and officers subject to the completion of the issue pursuant to this Prospectus in an aggregate amount of approximately $ 1.274 million. For additional details, see Section 8.1.5.7 of Chapter 8 of the Prospectus.

5.3 Purpose of the consideration from the issue

5.3.1 Pursuant to the foregoing, the consideration that will be received by the Company in respect of the shares that are issued by the Company pursuant to this Prospectus is intended to be used for the business activity of the Company, including:

5.3.1.1 Payments in respect of the continued construction of the EROS C3 satellite and the costs involved in launching it, including insurance, in the total amount of approximately $30 million, which, in the estimation of the Company, will be expended by the end of 2022.

5.3.1.2 Payments for the commencement of the construction of a new satellite (in all likelihood, the EROS C4 satellite) of approximately $30 million, in respect of which the Company expects to enter into a procurement contract and to begin such payments by the end of 2022.

5.3.1.3 Payments connected with R&D and the establishment of the Global Eye constellation in the total amount of approximately $40 million, which, in the estimation of the Company, will be expended during 2022-2023.

5.3.2 It is clarified that the Company reserves the right to change the purposes that are intended to be achieved using the consideration from the issue, the amount necessary to achieve the purposes and the timetable for achieving them, in each case by resolution of the board of directors of the Company.

It is further clarified that the Company's estimates as to the costs of launching the EROS C3 satellite and EROS C4 satellite (as of the present date a procurement contract has not yet been signed in respect of this) and the payments connected with R&D and establishment of the Global Eye constellation constitute "forward looking statements" as defined in the Securities Law. The actual amounts invested and paid may differ materially, depending, among others, on the progress and timing of the launch of the satellites, and potential delays, as well as potential changes to the Company's resolutions relating to the use of proceeds.

5.3.3 Until the consideration that is received, as aforesaid, is used, the consideration money will be invested in solid and liquid investments, such as deposits (New Israeli Shekels, dollars), short-term loans, and so forth. The Company will invest the consideration, as aforesaid, in such manner as will be determined by the management of the Company from time to time.

5.4 The consideration from the issue pursuant to the shelf prospectus and its purpose

The Shelf Prospectus does not include an actual offer of securities on the date of its publication and, accordingly, there will be no immediate consideration following the publication of the Shelf Prospectus. If securities are offered in the future pursuant to this Shelf Prospectus and pursuant to shelf offer reports, the consideration that will be received from the issue will be used to finance the business activity of the Company in accordance with resolutions of the board of directors of the Company, as adopted from time to time. If a specific use is determined

for the consideration from the securities pursuant to a shelf offer report that will be published by the Company, it will be specified in the shelf offer report.

5.5 Minimum amount

No minimum amount that must be achieved through the offer pursuant to this Prospectus has been determined.

5.6 Underwriting

Pursuant to Regulation 11(a)(1) of the Securities Regulations (Manner of Offer of Securities to the Public), 5767-2017, the issue of the Offered Shares pursuant to this Prospectus is underwritten with respect to 25% of the Offered Shares. For additional details about the underwriting agreement, see Section 2.6 of Chapter 2 of this Prospectus.

Chapter 6: Description of the Company's Business and Activity

This chapter contains forward-looking information, as this term is defined in the Securities Law, 5728-1968. Forward-looking information is information that is not certain with respect to the future, including a forecast, an evaluation, an estimate, or other information that refers to a future matter or event, the occurrence of which is not certain and/or which is beyond the Company's control. The forward-looking information included in the Prospectus below is based on information or evaluations that exist within the company as of the date of publication of this Prospectus. It should be emphasized that the actual results may be significantly different from the results estimated on the basis of, or implied by, this information, *inter alia*, due to the risk factors set forth in Section 6.37 below. In certain cases, it is possible to identify forward-looking information, *inter alia*, in light of the fact that it contains the words "in the Company's estimation," "the Company intends," and so forth. Forward-looking information may also appear in other wordings.

For the purposes of this Prospectus, the Company has received a certificate of exemption pursuant to Section 19(a)(2) of the Securities Law, 5728-1968, in connection with details, the disclosure of which might harm the security of the State.[1]

Glossary of terms

"Sensing Satellite"	A satellite whose function is to remotely monitor activity on the surface of the Earth by means of an electro-optic (EO) sensor (camera), a radar (SAR) sensor, and the like.
"Satellite Constellation"	A group of satellites operated in operational/commercial synchronization of their orbits around the Earth – generally speaking, in order to achieve a high Revisit Rate or to combine different sensing capabilities in the same areas.
"Traditional Satellite"	A satellite that was developed and constructed on the basis of components and processes specifically intended for the space environment and that is not a New Space Satellite.
"Resolution"	The ability to distinguish details on the surface of the Earth, by means of the satellite's payload system. The unit of measurement of resolution represents the area in square meters on the surface of the Earth that is measured by a single pixel in the satellite camera.

[1] [Note for the draft: As of the present date, the approvals have not yet been received].

"High Resolution"	The level of image sharpness and image detail in payloads of the electro-optic (EO) type (camera). Very High Resolution (VH) or Very, Very High Resolution (VVH), according to context.
Very High Resolution (VH)	Between 0.5-1.5 m^2.
"Very Very High Resolution""VVH" or "VVHR"	Less than 0.5 m^2.
"New Space"	New Space Satellites are characterized by the use of COTS (commercial off-the-shelf) components, with shortened processes and minor adjustments to the space environment. Generally speaking, these satellites are smaller and have a slightly lower resolution, compared to Traditional Satellites, and, in most cases, they are characterized by a shorter lifespan. These satellites constitute a complementary product to Traditional Satellites, primarily due to the element of Revisit Rate, which results primarily from their lower price, which enables the launching of a larger number of satellites.
"Revisit Rate"	An index that describes the number of times in a 24-hour period that a satellite or Satellite Constellation can monitor a certain point on the surface of the Earth.
"Ground Stations or Ground Segment"	The command, control, communications and data processing systems that make it possible to operate the satellite and to process the information received from it, including interpretive and analytical capabilities. There is a distinction between a manager ground station, which is only owned by the Company, and a user ground station, which is on the customers' premises.
"Imagery"	Satellite images.
"EROS NG"	A Satellite Constellation of the Company's satellites, including VH and VVH satellites. This Constellation includes the EROS C1, EROS C2, EROS C3, EROS C4, EROSAR 1 and EROSAR 2.
"EROS A"	The Company's first satellite, whose activity ended in 2016.
"EROS B"	A VH electro-optic satellite, active, commercial, serving and owned by the Company.

"EROS C1"	A VVH electro-optic satellite, active, commercial, serving the Company and owned by a third party.
"EROS C2"	A VVH electro-optic satellite, active, commercial, serving the Company and owned by a third party.
"EROS C3"	A VVH electro-optic satellite, under construction, scheduled for launch in 2022, and owned by the Company. It will include the possibility of color photography (multi-spectral).
"EROS C4"	A VVH electro-optic satellite, which the Company and a third party intend to finance and to purchase, with a distribution of costs to be determined between the parties, and which is planned for launch (subject to its purchase) in 2026.
"EROSAR 1"	A VVH SAR satellite, owned by a third party and planned for launch in 2022.
"EROSAR 2"	A VVH SAR satellite, owned by a third party and planned for launch in 2026.
"RUNNER"	A VH satellite of the New Space Satellite family. The first satellite is now in the assembly and testing stage. Intended for launch in 2022 and owned by the Company.
"KNIGHT"	A VH satellite. An additional satellite of the New Space Satellite family. The first satellite is now in the R&D stage.
"GLOBAL-EYE"	The Company's future Satellite Constellation, which is now mostly in the R&D stage. The constellation is based on the RUNNER and KNIGHT platforms, as well as on additional platforms that are in the planning stages.

Part A – General

6.1 The Company, which is a leading space company in Israel, was incorporated in Israel on January 26, 1999, as a private limited liability company. On September 7, 2000, the Company changed its name to ImageSat Israel Ltd. (formerly West Indian Space Israel Ltd.) and, on September 2, 2021, it changed its name to ImageSat International (I.S.I.) Ltd. (hereinafter: "ImageSat" or the "Company"). Following the completion of the offer of securities pursuant to this Prospectus, the Company will become a public company, as this term is defined in the Companies Law, 5759-1999 (hereinafter: the "Companies Law").

6.2 The Company was established as a subsidiary of ImageSat International N.V., a foreign company, which is incorporated in Curaçao and is registered with the Registrar of Companies in Israel as

an offshore company (hereinafter: "Image Sat NV"), which was established in 1997 by Israel Aerospace Industries Ltd. (hereinafter: "IAI"), ELOP Electro-Optic Systems, and other additional investors, with a view to commercializing the technology and operational experience of Israel's space industry.

6.3 On December 27, 2017, a transaction was completed between IAI and a FIMI partnership,[2] in which the FIMI partnership invested a total of $40 million in ImageSat NV (which, at that time, was the Company's parent company), in exchange for an allocation of preferred shares, which, on the date of their allocation, constituted approximately 53.6% of ImageSat NV's issued share capital,[3] and, as a result, became its controlling shareholder. In the framework of the transaction, it was agreed that IAI and the Company would enter into an agreement for the supply of a new observation satellite, EROS C3 (for additional details with respect to the purchase agreement of the EROS C3, see Section 6.30.2 below). As a result of the completion of the transaction, the FIMI Partnership became the controlling shareholder of ImageSat NV, and, indirectly, of the Company. Upon completion of the restructuring (as set forth in Section 6.9) the FIMI Partnership became the controlling shareholder of the Company. For details with respect to the FIMI Partnership's holdings in the Company, see Section 3.4 in Chapter 3 of this Prospectus.

6.4 During September 2019, the Company entered into a contract with a third party, according to which, *inter alia*, the Company will have the exclusive right of use of an electro-optic satellite owned by the above-referenced third party. The commercial name of that satellite is EROS C2. All this, in accordance with the conditions determined between the parties to the contract. For more details, see Section 6.32.2 below.

6.5 During September 2019, the Company signed a strategic cooperation agreement with a third party, in which it was determined, *inter alia*, that the Company would be the exclusive satellite commercialization entity for the third party's existing and future satellites, for 10 years from the signing date of the agreement (if that third party were to decide to commercialize the satellites owned by it). For more details, see Section 6.32.3 below.

6.6 On June 23, 2020, a share allocation agreement was signed between ImageSat NV and Discount Capital Ltd., a wholly-owned subsidiary of Israel Discount Bank Ltd. (hereinafter: "Discount Capital"). In the framework of that agreement, Discount Capital invested approximately US$ 32 million in ImageSat NV, in exchange for priority shares constituting 17.17% of ImageSat NV's issued and outstanding shares. For additional details regarding the share allocation agreement,

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2 The holders are FIMI Opportunity 6, L.P., and FIMI Israel Opportunity 6, L.P. (hereinafter: the **"FIMI Partnership"**), whereby their general managing partner is FIMI 6 2016 Ltd. For additional details, see Section 3.5 in Chapter 3 of this Prospectus.

3 Before the investment set forth in Section 6.5 below.

see Section 6.13.1.1 below. For details regarding the percentage of Discount Capital's holdings as of the date of this Prospectus, see Chapter 3 of the Prospectus.

6.7 In January 2021, the Company entered into an additional agreement with a third party, according to which the Company will have an exclusive right of use of an additional electro-optic satellite owned by the above-referenced third party, with capabilities similar to those of EROS C2. The commercial name of that satellite is EROS C1. All this, in accordance with the conditions determined between the parties to the contract. For more details, see Section 6.32.4 below.

6.8 For additional details regarding an agreement for strategic cooperation with e-GEOS S.p.A. (hereinafter: **"e-GEOS"**) in connection with the possibility of offering satellite services from a constellation incorporating the satellites at the disposal of both companies – that is, EROS NG and COSMO-SKYMED – see Section 6.32.5 below.

6.9 On July 2021, the Company and ImageSat NV completed a restructuring operation divided into three stages, which were implemented simultaneously. In the first stage, ImageSat NV split its assets and liabilities, including its holdings in the Company, with the exception of the contracts with entities and/or customers that could not be assigned from ImageSat NV to the Company(hereinafter respectively: the "**Transferred Activity**" and the "**Continuing Activity**"), to a new affiliate company. Immediately thereafter, in the second stage, the new company transferred all of the new company's assets and liabilities, by way of a merger, to the Company, and the new company was eliminated as a result of the merger and without liquidation. Immediately thereafter, in the third stage, 99.996% of the shareholders in ImageSat NV transferred their rights in ImageSat NV to the Company, in exchange for an allocation of shares in the Company (the remaining 0.004% of the Company's share capital is held by a trustee in trust until and subject to the transfer of their rights in ImageSat NV as stated). In addition, stock options of the Company were allocated to the holders of ImageSat NV's stock options, instead of the stock options that they had held, as stated, in ImageSat NV (hereinafter jointly: the "**Restructuring**"). For additional details, see Notes 18b and 20d to the Company's *pro forma* consolidated financial statements for the period ended December 31, 2020, which are attached in Chapter 9 of the Prospectus (hereinafter: the **"Financial Statements"**).It should be noted that on May 13, 2021, a tax ruling was provided regarding the Restructuring.[4]

Unless otherwise stated, the description of the Company and its area of activity, including with respect to the periods that preceded the date of completion of the Restructuring (that is, up to July 2021)

[4] The following are the main terms and provisions of the tax ruling - (1) the Company is obligated to maintain the majority of the Transferred Activity assets until 31.3.2023 (inclusive) (hereinafter: "Required Period") which will be customary used, during the aforesaid term, during the Company's ordinary course of business; (2)the Company will continue, during the Required Period with its economic activity as it was (in the Company and Imagesat NV) before the Restructuring; (3) during the Required Period FIMI, IAI and Discount Capital's (the "Holders in the Company before the Restructuring") cumulative holdings in the Company shall not be less than 25% of their holding in the Company; (4) Imagesat NV shares will not be sold during the Required Period.Violating the terms and provisions of the ruling could lead to cancelling the

(hereinafter: the **"Date of Completion of the Restructuring"**) and the transfer of the activity to the Company, has been provided, with respect to the Company, as if the Restructuring were already complete, including the transfer of ImageSat NV's activity, during the periods that are included and described in this chapter, notwithstanding the fact that the transfer of the activity, as stated, was only performed on the Date of Completion of the Restructuring. The comparative financial data are based on the *pro forma* financial statements for the years 2019, 2020 and the first nine months of 2021, which were drawn up for the purpose of reflecting the results of the Company's activity for the periods stated therein.

The description of the Company's business and activity in this chapter will be for the years 2019, 2020 and the first nine months of 2021, given that the Company is a first-time issuer pursuant to Section 1(a) of the First Addendum to the Securities Regulations (Details of the Prospectus and Draft Prospectus – Structure and Form), 5729-1969.

6.10 In this chapter, the term "the Group" will refer to the Company and/or ImageSat NV (according to content and context). The Group deals in finding space-based intelligence solutions. In so doing, the Group provides its military and civilian customers with a variety of systemic solutions, systems, technologies and services based on remote Sensing Satellites, including the processing and analysis of the products collected by those satellites into products and insights that are of value for the Group's customers (hereinafter: **"Space-Based Intelligence Solutions"**). The Group's activity in Space-Based Intelligence Solutions is conducted by means of three principal product lines:

(a) Satellite services – In this product line, the Group provides its customers with (1) observation services from VH photography satellites, based on the advanced observation Satellite Constellation, EROS Next Generation (hereinafter: **"EROS NG"**), which is based on advanced observation satellites built by IAI (which has provided the observation satellites operated by the Group from the first day of its activity), and which is operated by the Group, and/or (2) intelligence products based on analysis and processing of information from those satellites (for more details on this product line, see Section 6.17.2 (a) below).

(b) Analytics and artificial intelligence – In this product line, the Company develops solutions and services based on artificial intelligence (hereinafter: **"AI"**) in the field of analytics, for the purpose of extracting the information collected from the various satellites (for more details on this product line, see Section 6.17.2 (b) below).

(c) Space-based intelligence infrastructures – In this product line, the Group develops and supplies advanced satellite systems based on New Space technology (hereinafter: **"New**

tax exemptions granted under the ruling. As long as the Company and / or the rights Holders in the Company before the Restructuring do not fulfill their obligations under the tax arrangement, the tax benefits granted under the tax arrangement will be canceled retroactively, and the parties to the structure, including the rights Holders in the Company before the Restructuring, will be taxed and linkage differences and interest from the date of the Restructuring until the date of payment.

Space"), including an innovative ground segment for command-and-control of a satellite and/or of Satellite Constellations with numerous satellites, for a variety of uses that expand the range of satellite services (for more details on this product line, see Section 6.17.2 (c) below).

It should be noted that the Company's customers may transact with it for the purchase of products from each of the three principal product lines separately, irrespective of the other products, or, in the alternative, as part of an integrated solution that includes more than one product line. As of the date of this Prospectus, the majority of the Company's activity is conducted in the framework of the satellite services line as a single product (for details regarding the scope of sales with respect to this product line, see Section 6.17.3 below). As of the date of publication of this report, its activity in the fields of space-based intelligence infrastructures and analytics and AI is not at a significant scope (for details on the highlights of the Company's transactions involving the product lines, see Section 6.17.5 below). Nonetheless, in light of the Company's marketing activity, and as can be learned from the Company's winning the tender, and afterwards, signing the contract, for the accomplishment of Chile's space program, as set forth in Section 6.17.2 (c) below, the Company expects its activity in those two product lines to increase to significant activity in the coming years.

That stated above regarding the Company's expectations in connection with the expansion of its activity in the line of products of space-based intelligence infrastructures and analytics and AI is forward-looking information, as this term is defined in the Securities Law, 5728-1968, and is based on the Company's assumptions, estimates by its management, internal forecasts and work programs in accordance with the data that exist at this time. This forward-looking information might not come to pass, or might come to pass in a different way from that which is expected, due to factors independent of the Company, including economic changes, regulatory variables, various market variables, and especially with respect to the risk factors set forth in Section 6.37 below.

In addition to the Company's activity in the three principal product lines, the Company invests considerable efforts in research and development of breakthrough technologies related to space, in accordance with the Group's estimations as to future needs and requirements in the field of space and in the satellite market, in combination with technological entrepreneurship and innovation, access to the Group's existing market and customer base, and a wide range of industrial partners. This range of future solutions, which, as stated, are in the stages of research and development as of the date of this Prospectus, constitutes the building blocks for the Company's future-generation Satellite Constellation – the GLOBAL-EYE constellation, which is based on the RUNNER and KNIGHT

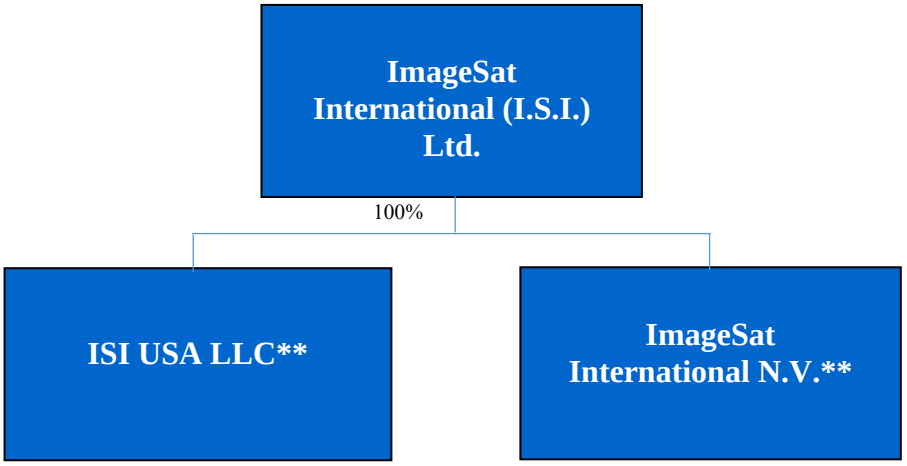
observation satellites and on additional technological building blocks developed by the Company.

For additional details on the Company's area of activity, see Section 6.17 below.

Part B – Description of the economic development of the Company's business

6.11 Activity of the corporation and description of the development of its business

6.11.1 Following is a diagram showing the structure of the Group's holdings as of the date of this Prospectus:



* The company is inactive.

** In the framework of the Restructuring, the Company allocated shares for all of the shareholders in ImageSat NV, whereby the shareholders who hold 99.996% of ImageSat NV's issued and paid-up capital transferred their rights in ImageSat NV to the Company, in exchange for the allocation of shares in the Company. The shares of the remaining shareholders, who have not yet transferred their rights as stated, are held for them by a trustee until and subject to the transfer of their rights in ImageSat NV to the Company.

6.12 The area of activity

The Group has one area of activity – Space-Based Intelligence Solutions as set forth in Section 6.12 above and, in greater detail, in Section 6.17 below.

6.13 Investments in the corporation's capital and transactions in its shares

Following are the details of the investments in the Company's capital[5] that were made in the last two years:

6.13.1 Share purchase agreement – Discount Capital

6.13.1.1 On June 23, 2020, a share allocation agreement was signed between the Company and Discount Capital (in this section, respectively: the **"Agreement"** and the **"Purchaser"**). On July 15, 2020, the transaction pursuant to the Agreement was completed and the Company allocated to the Purchaser shares that constituted 17.17% of the Company's issued and outstanding shares, in exchange for a total amount of approximately $32 million. It should be clarified that, as stated in Section 6.9 above, in the framework of the Restructuring, the Purchaser became the owner of shares in the Company, instead of its holding in ImageSat NV, in which its investment described above was made. For additional details regarding the Purchaser's holdings, see Chapter 3 of this Prospectus.

6.13.1.2 The Agreement contains standard clauses for agreements of this type, including an indemnification clause, provisions regarding the applicable law and the dispute resolution mechanism.

[5] It should be clarified that the investments described in this section were made in ImageSat NV before the Restructuring.

6.13.2 Following is a table presenting the change in ImageSat NV's share capital in the last two years, before the Restructuring, as set forth below:[6]

Date	No. of shares (at a nominal value of US$ 0.01 each)	Share price derived from the transaction	Company value ("post money")	Nature of the change	Consideration received for the shares	Total shares in the issued and paid-up capital after the change (at a nominal value of US$ 0.01 each)
July 15, 2020	846,235 Class B priority shares	US$ 37.49	US$ 184,728,514	Allocation of Class B priority shares in an investment round as stated in Section 6.13.1.1 above	US$ 31,725,464	1,893,044 ordinary shares; 2,188,111 Class A priority shares; and 846,235 Class B priority shares

6.13.3 For additional details on investments in the corporation's capital, see Chapter 3 of this Prospectus.

6.14 Distribution of dividends

6.14.1 In the last two years, the Company did not distribute dividends to its shareholders.

6.14.2 The balance of the Company's distributable profits (for dividends) as at September 30, 2021 is $13,879 thousands, on the basis of the balance of surplus for the last two years.

6.14.3 According to the shareholders' agreement as set forth in Section 8.4 of Chapter 8 of the Prospectus, the Company undertook not to distribute dividends until IAI receives additional consideration in the amount of $50.4 million on account of the EROS C3 satellite, in accordance with the agreement for its purchase and as set forth in Section 6.31.1 below.

[6] It should be clarified, as stated, that, in the Restructuring, the Company allocated shares for all of the shareholders in ImageSat NV, whereby the shareholders who hold 99.996% of ImageSat NV's issued and paid-up capital transferred their rights in ImageSat NV to the Company, in exchange for the allocation of shares in the Company. In this framework, for the shareholders who have not yet transferred their rights as stated, the shares in the Company are held for them by a trustee until and subject to the transfer of their rights in ImageSat NV. In addition, options of the Company were allocated to the holders of ImageSat NV's options, instead of the options that they had held, as stated, in ImageSat NV, so that the holdings of the shareholders in the Company, as of the date of the Prospectus, constitute a "mirror image" of the holdings of the shareholders in ImageSat NV immediately prior to the Restructuring.

Part C – Other information

6.15 Financial information regarding the Group's area of activity

Following are details regarding the Company's income, costs attributed to the area of activity, and the gross profit resulting therefrom, as at December 31, 2019, as at December 31, 2020 and for the first nine months of 2021 (data in thousands of dollars)*:

	Sept. 30, 2021	Dec. 31, 2020	Dec. 31, 2019
Revenues (from external entities)	23,219	25,917	30,046
Revenues from other areas of activity	-	-	-
Total Revenues	23,219	25,917	30,046
Costs constituting income from another area	-	-	-
Other costs	-	-	-
Fixed costs attributed to the activity	13,814	12,456	16,927
Variable costs attributed to the activity	3,711	4,756	6,083
Total costs	17,525	17,212	23,010
Profit from ordinary activities attributed to the owner	5, 694	8,705	7,036
Profit (Loss) attributed to rights that do not confer control	-	-	-
Operating income	5,694	8,705	7,036
Total assets attributed to the activity	**163,907**	**134,465**	**96,434**
Total liabilities attributed to the activity	**71,614**	**46,101**	**45,167**

* For an explanation regarding the developments that occurred in the financial information data, see the Company's Board of Directors Report as at December 31, 2020 and as at September 30, 2021, which appears in **Appendix A** below (hereinafter: the **"Board of Directors Report"**).

6.16 General environment and effect of external factors on the Group's activity

6.16.1 The Group's principal activity is the provision of advanced Space-Based Intelligence Solutions based on satellites, which combine remote-sensing capabilities and control by an advanced ground segment based on AI capabilities. As a rule, the Group operates in a market that is experiencing steep growth, and, to the best of the Company's knowledge and estimation, that growth is also expected to continue in the future in each of the three principal product lines in which the Group is active, based on the factors and assumptions in Section 6.16 below.

6.16.2 The demand for satellite information and intelligence based on space systems has led to a significant growth in the industry. In the last decade, constant growth has been recorded

in the estimated market scope of each of the Group's principal product lines, and, according to the Company's forecasts,[7] this trend is also expected to continue in the foreseeable future.

The scope of the total market available to the Company (hereinafter: the **"Total Available Market"**)[8] , in the Company's three product lines, came to $19.9 billion in 2020,[9] will come to approximately $26.3 billion in 2025,[10] and is expected to experience an average annual growth rate (CAGR) of approximately 14% in the coming decade, to a scope of $76 billion in 2030.[11]

In the estimation of the Company, the high growth forecast in the market is expected in both the military and the economic/civilian fields.

6.16.3 In the macro view of the entire market, there is a forecast for continued growth in the demand for products pertaining to the collection of intelligence and the generation of insights in the military and economic/civilian field in general and independently. This forecast is principally based on the developed world, in which most countries publish a procurement program in advance, and does not include developing countries, most of which do not publish procurement programs in advance.

6.16.4 The constant need for solutions based on advanced intelligence systems is nourished by the global security challenges with which many countries throughout the world contend. Having to contend with these challenges calls for flexibility in the use of intelligence collection means, as well as for rapid response capacity with no geographical limits.

6.16.5 The following factors, *inter alia*, can be listed as part of the global security challenges affecting demand for the Company's services:

(a) The growing struggle for control of the marine trade routes in Southeast Asia.

(b) Protection of natural resources and minerals (infrastructures in the oil industry, fishing areas, and so forth).

(c) Ongoing international terrorism risks.

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7 See also information from Quilty Analytics LLC – ISI Commercial Due Diligence Report, dated October 20, 2021 (hereinafter: the **"CDD"**) which was prepared at the Company's request. For additional information about Quilty Analytics LLC please see https://www.quiltyananlytics.com.

8 Said information derives from the CDD. See footnote 5 above. It should be noted that the CDD presumes favorable market circumstances (which may or may not materialize. See forward looking statements disclaimer below).

9 Of which approximately $9.4 billion in the security market segment and approximately $10.5 billion in the commercial market segment.

10 Of which approximately $11.3 billion in the security market segment and approximately $15 billion in the commercial market segment.

11 Of which approximately $25 billion in the security market segment and approximately $51 billion in the commercial market segment.

(d) Monitoring migration trends from countries in which geopolitical changes are taking place.

The ongoing response of the above (samples) security challenges, requires ongoing intelligence efforts, and accordingly increases the various applications and uses required of satellite-based intelligence collection systems.

6.16.6 The significant technological advancement that has taken place in the field of remote Sensing Satellites now makes it possible, more than ever before, to operate complex systems and a variety of sensors with minimal intervention by the user. The advanced technology allows the systems to be more complex and more efficient, and the trend of technological advancement is evident in all areas relevant to satellites: sensing and sensors, energy consumption management, navigation systems and electronic systems. The trend of technological improvements is also evident in the user interfaces, which are becoming simpler and more accessible for the user, so that technological barriers that existed in the past are continuously shrinking, in a way that enables accessibility for additional end users joining the ranks of potential customers. These factors support the forecast of continued growth in this market, and, accordingly, of growth in the scope of the Group's activity. It should be noted that, *inter alia*, the Company invests a lot of resources to preserve its technological soundness.

6.16.7 **Implications of the COVID-19 pandemic**

Starting in January 2020, the world has been affected by a global event with significant macro and microeconomic implications, which originated in the outbreak of the COVID-19 virus in China, followed by the spread of the virus to many countries throughout the world, including Israel. On March 11, 2020, the World Health Organization declared the spread of COVID-19 to be a pandemic (hereinafter respectively: the **"Pandemic"** and the "**COVID 19 Crisis"**). Generally speaking, nearly two years after the Pandemic first appeared, it can be stated that its effect on the demand for intelligence systems and solutions in general, and on the satellite services market in particular, is not substantial. According to a report by Deloitte Touche Tohmatsu Limited, which principally consisted of a forecast for the defense market and the aerospace market for 2021 and thereafter, countries throughout the world did not make substantial changes in their defense budgets, with the intention of preserving military and intelligence capabilities.[12] Parallel to budget cuts and a slowdown in general procurement processes, as a derivative of the global economic crisis directly resulting from the Pandemic, no change was perceived in government spending in many countries worldwide with respect to intelligence collection capabilities. Furthermore, a slowdown in the civil aviation market and concern for recurring waves of contagion in countries that began to experience recovery are

[12] Deloitte Touche Tohmatsu Limited – Aerospace & Defense Industry Outlook 2021.

leading to a growing demand for safeguarding borders, and, as a result, an increase in expenses, or, at the very least, refraining from cuts in these budget items.

In addition, the civilian-commercial market and the demand for commercial applications for space-based intelligence have been preserved, and are even expected to grow as part of the overall increase in demand in that market. The Group made necessary adjustments in order to continue to perform marketing activities to new customers, and, in addition, in order to provide support and maintenance services to existing customers.

From the standpoints of marketing and sales, the traditional manner of work, which involves face-to-face meetings, has naturally slowed down. On the other hand, however, processes involving online meetings, in the framework of conferences and events, were speeded up, as were direct communications with potential customers. At the same time, it should be stated that the slowdown in the traditional marketing processes impacted processes that began before the outbreak of the Pandemic, due to the time required to make the necessary adjustments and the inability to conduct face-to-face meetings with the customers. These processes, such as setting up a ground segment for a specific customer, are experiencing delays in the original schedule, and, as a result, the Company ran into timing differentials, from the standpoint of its backlog and income during this period.

On the other hand, from the standpoints of support and maintenance services, in light of the nature of the area of activity, the end customers have contact people, employed by the customer or by a third party, who were trained by the Group to perform support and maintenance services, and, when the need arises, it is even possible to provide remote support online, while simultaneously sending hardware components as spare parts, as necessary. The use of these contact people employed by the customer or by a third party enabled the continuity of the support and maintenance process; nonetheless, it naturally also led to a certain slowdown relative to the period prior to the outbreak of the Pandemic. In light of the foregoing, the effect of COVID-19 on the Group is not substantial and principally manifested as the timing of recognition of revenues due to the postponement of a project that resulted from the limitation on the Group's ability to visit the customer, and as a temporary reduction of use by one of the customers, due to limitations on travel. As a result, the Company ran into timing differentials, from the standpoint of its backlog and income during this period. For additional details, see Section 3 of the Board of Directors Report.

From the standpoint of competition, it should be noted that the same effects apply, at the same time, to the other players in the market, and that, in all matters related to the launch of new satellites, we are seeing delays, relative to the official timetables that were published. The Company cannot indicate, with certainty, the connection between these delays and the COVID-19 Pandemic. Nonetheless, to the best of its knowledge from

entities in the industry and from entities in the media with regard to morbidity, mandatory quarantine/isolation, and even lockdowns, similarly to what is happening in Israel, in the estimation of the Company, these delays are directly related to the Pandemic.

That stated above regarding the economic environment and the effect of external factors on the Group's activity, including the forecast for increased demand in the market, is forward-looking information, as this term is defined in the Securities Law, 5728-1968, and is based on the Company's assumptions, estimates by its management, internal forecasts and work programs in accordance with the data that exist at this time. This forward-looking information might not come to pass, or might come to pass in a different way from that which is expected, due to factors independent of the Company, including economic changes, regulatory variables, various market variables, and especially with respect to the risk factors set forth in Section 6.37 below.

It should be noted that the Company's estimations in this section and in this chapter are based, *inter alia*, on published data that were not examined independently by the Company.

Part D – Description of the Group's business by areas of activity

6.17 Area of activity in space-based intelligence solutions

6.17.1 General information on the area of activity

6.17.1.1 Structure of the area of activity and changes occurring in it:

The area of space-based intelligence solutions, in which the Group operates, is experiencing continuous growth in each of the Group's three principal product lines. According to all of the Company's estimations, this growth is slated to continue in the foreseeable future.

The satellite services product line is characterized by the activity of several different players, which provide different kinds of services, in accordance with their customers' requirements. The Group, like other satellite-owning companies in the field, has the ability to provide its customers with a broad range of observation services, by means of a Satellite Constellation consisting of high-resolution photography satellites, which are owned by it and/or by a third party with which the Company has agreements for reciprocal satellite use.

The solutions existing in the area of activity are distinguished from each other by the performance parameters of the various satellites, and primarily by the type of sensors installed on the satellite and the maximum imagery resolution. From this standpoint, the satellites operated by the Group are positioned in

the VVHR category, which is the highest category from the standpoint of sensor quality, resolution of photography, and platform performance.

The growth expected in the space-based intelligence infrastructures market results, *inter alia*, from the rapid development of technology in remote sensing services, and from a reduction in all of the costs related to the development of satellite systems and their launch into space – which led to lower prices and, accordingly, to increased demand for the acquisition of the satellite systems among customers that were formerly precluded from acquiring those systems due to their high price. In addition, the accelerated growth in the civilian market results from the activity of many startup companies, which are slated to launch large Satellite Constellations, primarily in the framework of business models for the provision of services to commercial entities.

To the best of the Company's knowledge, the analytics market is also experiencing growth, primarily due to the increase in the availability of satellite collection products and the technological developments in recent years, which enable the generation and extraction of the information collected by the satellites, in order to provide a response to a wide range of defense, commercial and economic needs, and the use of cloud-based infrastructures and services, which enable convenient and simple accessibility of analytics products to customers throughout the world.

That stated above regarding the expected growth and the expected increase in the market in which the Company operates is forward-looking information, as this term is defined in the Securities Law, 5728-1968, and is based on the Company's assumptions, estimates by its management, internal forecasts and work programs in accordance with the data that exist at this time. This forward-looking information might not come to pass, or might come to pass in a different way from that which is expected, due to factors independent of the Company, including economic changes, regulatory variables, various market variables, and especially with respect to the risk factors set forth in Section 6.37 below.

6.17.1.2 Limitations, legislation, standards, and special constraints that apply to the area of activity:

For more details regarding regulation that applies to the Company and the area of its activity, see Section 6.30 below.

6.17.1.3 Changes in the scope of activity in the area and in its profitability:

To the best of the Company's knowledge, the field of Space-Based Intelligence Solutions grew significantly in the last decade, and is expected to continue to grow, as set forth in Section 6.16 above. In the estimation of the Company, each of the Group's three principal product lines is expected to experience similar growth. The growth, and the forecast for continued growth, in the scope of activity in the area result from different reasons, in accordance with the relevant market segment:

(a) The defense/security market

The defense/security market experienced growth, principally as a result of the emergence of operational needs and the diversion of the center of gravity toward operational reference parameters, the present defense/security challenges faced by various countries throughout the world (*inter alia*, as set forth in Section 6.16 above), and those of the foreseeable future, in which intelligence collection through the use of satellites is the principal, and at times the only, solution.

Due to the nature of the service, in which most customers require exclusivity for the satellite collection products, and various areas of demand throughout the world (for example, Southeast Asia, the Middle East, North Africa, and so forth), there is a demand surplus in defined areas, which vary from time to time. This trend of a demand surplus, together with a high entry barrier for the area, constitutes a business opportunity for the Company and intensifies the demand for the satellite services that it provides.

In addition, as stated above, the rapid development of technology in remote sensing services, and the reduction in all costs related to the development of such a satellite system and its launch into space, now makes it possible for many developing countries, which do not have the economic possibility of purchasing EROS NG satellite services due to their high cost, to acquire innovative satellite systems with New Space technology. The entry of satellites with New Space technology into the market opens new markets to the Group, which, in the past, were not considered as potential markets for the acquisition of any satellite systems, as set forth in Section 6.17.1.5 below.

In addition, the multiplicity of remote sensing means and the customers' need to analyze the intelligence products collected by them, as set forth in Section 6.17.1.1 above, in combination with the need to train personnel for this purpose and the absence of skilled personnel among those customers,

increases the need and, accordingly, the demand for analytics services, which are among the services that the Group provides.

(b) The civilian market

The accelerated growth in the civilian market results from the increased availability of satellite collection products, as well as from technological development in recent years, which enables the generation and extraction of the information collected by satellites, using a variety of AI-based technologies (for more details, see Section 6.17.2 (b) below). These changes enable the use of satellite services in obtaining a response to a broad range of commercial and economic needs, such as mapping extensive services, a wide variety of solutions for the oil and gas industry and the mining industry, inventory monitoring and tracking the movement of goods, performing precise measurements and infrastructure surveys, securing facilities, geological surveys, environmental monitoring, and more. The switch to the provision of cloud-based information services significantly increases the availability of the services, and, accordingly, the demand for those services and the customer base that consumes them (civilian customers primarily consume processed intelligence products, in contrast to raw, unprocessed satellite products).

In 2019, 2020 and the first nine months of 2021 and as of the date of this Prospectus, the Company's principal activity is in the defense/security market, and the scope of its activity in the civilian market during those periods is not substantial (less than 5% of the total scope of activity). The limited scope of the Company's activity in the civilian market, as of the date of this Prospectus, and the difficulty in penetrating that market result, *inter alia*, in the estimation of the Company, from the fact that, until 2021, the Company had at its disposal a single satellite (EROS B), which generates products at a quality that does not meet the needs of the civilian market.

At the same time, the entry of the EROS C1 and EROS C2 satellites enables the Company to offer products that meet the requirements of the civilian market. In light of this fact, the Company is taking measures toward a significant expansion of the scope of its activity in the civilian market. In addition, the Company expects that, upon the entry of the EROS C3 satellite into service, the Company will obtain access to an even more extensive segment of the civilian market, which, to date, was blocked for the Company due to the inability of providing satellite imagery in color (for more details, see Section 6.17.4.1 below). In addition, the GEOIMPACT platform that the Company is developing will make it possible to render the satellite products

efficiently and easily accessible to a wide range of potential customers in the civilian area (for more details, see Section 6.34.2 below).

It is hereby clarified that the Company's estimations, as stated, with respect to a significant expansion of its scope of activity in the civilian market are forward-looking information, as this term is defined in the Securities Law, 5728-1968, and there is no certainty that they will come to pass; and, furthermore, are based on the Company's estimations according to its experience in and familiarity with the area of activity. The actual effects may be different, primarily as a result of changes in the field, and, in addition, as a result of the entry of additional competitors into the field, changes in the customers' preferences, changes in the defense/security and geopolitical situation, regulatory changes in the field, the realization of any of the risk factors set forth in Section 6.37 below, and so forth.

6.17.1.4 Developments in the markets of the area of activity, or changes in the characteristics of its customers:

It is the Company's estimation that continued growth in both the demand for space-based intelligence solutions – and, accordingly, for the solutions that it provides in the framework of the Group's three principal product lines – are to be expected.

In light of the operational needs, intelligence collection through the use of satellites constitutes the principal, and, at times, the sole solution, as set forth in Section 6.17.1.3 above, and the defense challenges facing the various countries throughout the world, which are expected to continue in the foreseeable future as well – for example, the existence of a growing struggle for control of the Marine trade routes in Southeast Asia; the protection of natural resources and minerals (infrastructures in the oil industry, fishing areas, and so forth); ongoing international terrorism risks; the major waves of migration from conflict areas in the Middle East and on the African continent toward Europe. Thus, for example, in the military area, the Company has identified a rising demand for satellite services, especially in the Asia Pacific theater, as a result of an increasing need by the countries in that area for monitoring the activity of neighboring countries, with emphasis on regional conflicts.

Similarly, the Company foresees growth in developing markets, in both Africa and Latin America. In those areas, the growth results from the need to contend

with border security and internal security issues, as well as from requirements for precise mapping and setting up geospatial databases.

In addition, the Company has identified a rising demand in the space-based intelligence infrastructures market as a result of development in the technology in that field, which increases accessibility for developing countries and enables additional countries to initiate significant procurement programs for a variety of solutions in the area of activity, without the principal entry barrier that existed in the past – access to technology and cutting-edge information in the field, or appropriate technological infrastructure in the target country.

With respect to those markets, and especially to developing countries, the Company has noted a trend of localization characteristic of the area of activity – the choice to own a satellite system, rather than acquiring services from a satellite owned by a third party, is strengthened by the customers' wish for autonomous and independent operation of the satellite by means of a local control segment, which minimizes the time required for obtaining the satellite products. The decreasing costs of manufacturing and launching satellites and the significant increase in performance are leading more and more countries to initiate procurement programs and local development of national remote-sensing satellites.

To the best of the Company's knowledge, the forecast with respect to the developed markets, especially in North America and the European Union, which constitute a significant segment of the market as a whole, is that this market segment is expected to maintain its size, and even to grow at a constant rate in the coming years.

In the civilian field, activity today is principally focused on commercial companies operating in North America and Western Europe. In the last year, the Company has identified an increase in activity among startup companies in the developed markets in Asia – for example, in Singapore, Japan and Korea.

The Company has identified a steep increase in demand for systems and services in the field of analytics and AI, which results from the development of technology in the field and from increased accessibility and availability of cloud-based services, which enable any customer, whether military or civilian, to receive advanced observation satellite processing products on his personal computer, at a quality and accuracy level that, up to a few years ago, could only be obtained by intelligence agencies of great powers.

6.17.1.5 Technological changes which may cause a significant effect on the area of activity:

As stated above, the area of the Group's activity is characterized by rapid technological development in each of the Group's three principal product lines.

In recent years, satellites that are lighter in weight and accordingly cost less to launch have been developed, caused the entry barrier of launch costs to be reduced for satellites in the New Space category; and new commercial players (companies such as SpaceX, Rocketlab, and Virgin Orbit) have entered the field.

As a result of the drop in prices of satellite launch into space as stated above, the number of observation satellites launched is increasing every year. Most of these satellites are small satellites (nano satellites), with reduced capabilities and performance, which provide services in categories that complement the services provided by the EROS NG constellation operated by the Group.

In the area of satellite systems, the Company has identified rapid technological development in all fields related to satellite system manufacturing. This accelerated development enables the miniaturization of the systems, as well as a reduction of the orders of magnitude of development, manufacturing, and operation costs for intelligence infrastructures based on New Space technology, compared to Traditional Satellite systems. This trend makes it possible for the Group to offer its customers a holistic, multilayer solution, which combines satellite services at the highest resolution from the EROS NG constellation operated by the Group with the acquisition of satellite systems as a complementary solution.

In the area of ground segments, the operation of a satellite in space and the provision of services from it call for a ground segment, which includes a mission station, communication systems, tracking antennas, image processing systems, encryption and security systems, and more. A single satellite can be accessible by means of several stations distributed over the surface of the Earth, whereby the satellite content, the station location, the ease of operation, and the cost of the hardware and software required for efficient satellite operation affect the quality, nature and attractiveness of the service to the customers. The geographic location of the station constitutes a significant component, which affects the mission performance time, the supply time for the satellite products to the customers, and so forth. In this field, there is a

trend of change, which arises from the demand for increased availability of the products and the shortening of the time required for their supply. Many companies enable the use of commercial reception stations, as well as the possibility of very rapid data download from the satellite, which expands the range and scope of its activity. Thus, for example, AWS (Amazon Web Services) has begun to provide such a service to companies operating observation satellites. This capability obviates many customers' need to acquire hardware and software required for satellite operation, and enables them to obtain access to various satellite services, within a short time span and with almost no geographical limitations.

The accelerated growth in the field of analytics and AI is attributed to the lowering of the technological and infrastructural thresholds in this field, as a result, *inter alia*, of the following factors:

1. The development of technology in the field of hardware and systems, especially in the field of processing systems, is leading to a steep rise in availability and a significant drop in the costs of computing and processing resources required for the operation of analytics and AI capabilities. In recent years, lively competition has been developing among processing solution providers. Supply and competition in the market are growing, with a parallel drop in prices.

2. The development of infrastructure for cloud services, which currently enables the storage of vast quantities of information with no need to procure and maintain expensive and complex infrastructure on the customer's and/or the Company's premises, as well as enabling the performance of complex processing at unprecedented speed.

3. Considerable research in the field of AI, and especially the field of deep learning, which leads to constant improvement in technology and in the ability to adapt it to the customers' various needs.

4. The development of off-the-shelf products and user-friendly open source tools, which enable the development of complex AI capabilities in a rather simple way, lower the entry barriers for programmers in this field, and significantly shorten the development processes in the field.

5. The development of human capital in the fields of machine learning and deep learning, as a result of the opening of study and training programs for this field, which significantly increases the supply and raises the professional standards of available personnel.

6.17.1.6 The critical success factors in the area of activity and the changes taking place in them:

In the estimation of the Company, following are the critical success factors in the area of activity:

1. The existence of technology that provides high resolution and image quality along with a high revisit rate and enables intelligence collection at varying times (similarly to the Group's EROS NG Satellite Constellation).
2. Unique content of the satellite systems, the observation means, and the satellite control and guidance systems, along with their adaptation to the customers' needs, and especially tasks involving intelligence collection by military customers.
3. Extensive experience in the development and operation of satellite systems and ground command-and-control segments.
4. Direct access to VHR observation satellites and to products (the collection of a large quantity of products of satellites of this type is required for the purpose of developing AI-based capabilities).
5. A combination of technological expertise in AI system development and content expertise in the analysis of intelligence information.
6. A reputation and proven experience, which enable the Company to engage in especially long-term transactions with countries and government agencies.
7. A range of services and systems required for the performance of the complete task of operating a satellite and obtaining services from it.
8. High quality personnel with expertise and know-how in high-tech fields as a requirement for research and development of advanced satellite systems and ground systems.
9. Financial soundness, which enables the making of significant investments in research and development, which is required for the launching of additional satellites in the future.
10. A high level of customer service, which includes frequent updates of software and other services.

6.17.1.7 Changes in the array of suppliers and raw materials for the area of activity:

In the satellite services product line, the Group relies on advanced observation satellites made by IAI, which has supplied the observation satellites operated by the Group since the start of its activity.

In the space-based intelligence infrastructures product line, the ongoing growth that this market is experiencing has led to the perfection of the entire value chain with respect to the manufacturing and development of satellite systems. Whereas, in the distant past, the activity in this area was based on a limited number of suppliers, in recent years the number of suppliers of all of the various components of the satellite system has constantly and rapidly grown. This fact leads to competition in every segment of every subsystem, which is reflected in price drops, and which eliminates the dependency on a small number of traditional players. In addition, in analytics and AI services, which are based on the development of advanced software on COTS infrastructures, the competition among the various suppliers contributes to the decrease in the price of the hardware acquired by the Group.

6.17.1.8 Substitutes for products in the area of activity and the changes taking place in them:

Most of the demand for space-based intelligence solutions, whether as part of a procurement program and/or in the framework of high-resolution satellite services, comes from government customers, and especially intelligence agencies, which use satellites for intelligence collection over areas that are not accessible to them by other means – for example, areas protected by anti-aircraft defense systems, which prevent the operation of manned and/or unmanned aircraft, for the purpose of collecting intelligence above the ground. In light of the foregoing, traditional intelligence resources, such as reconnaissance aircraft and UAVs, can *prima facie* serve as a substitute product. However, to the best of the Company's knowledge, the trend identified in these markets favors expansion of the use of satellites, which constitute a source for the collection of high-quality intelligence, which is more efficient, less expensive, and easier to operate than traditional intelligence resources. In addition, satellites represent the only means that makes it possible to photograph images above countries without violating their sovereignty, and, therefore, there is no substitute for this product, which is the only means of generating such images.

In the civilian field, photography by manned aircraft and drones is used to a limited extent. These solutions provide coverage of a restricted area of ground

and are limited in their ability to monitor a number of sites that are remote from each other. This being so, the use of these solutions is limited and does not enable monitoring of remote sites. In addition, the use of these means requires licensing and coordination in order to remain in the relevant airspace, and their continuous operation for monitoring purposes is logistically complex and costly. Therefore, these substitute means do not provide a real response to most civilian needs.

The principal substitute for analytics and AI services is manual analysis of the information by content experts, or through the use of simple information processing operations by a team of employees in Third World countries.

6.17.1.9 The principal entry barriers of the area of activity and the changes taking place in them (*inter alia*, resulting from the existence of an oligopolistic market, as set forth in Section 6.17.8 below), are as follows:

(a) The costs and risks involved in launching a satellite into space.

(b) Experience in the development of satellite systems, and especially high-resolution remote-sensing satellites.

(c) Access to high-resolution satellite products, and especially to a representative data set for each operational reference outline.

(d) The technological challenge in analyzing satellite images, which requires detection, identification and classification of small objects in images that cover an extensive ground area.

(e) Significant investments in research, development and infrastructures supporting the acquisition of technological superiority.

(f) The need for experience and reputation in order to engage in transactions, and especially to penetrate new territories.

(g) Subjection to regulations in the area of defense/security supervision.

(h) The need for skilled, high quality personnel in the area of activity.

(i) The existence of an extensive system of connections, including with distributors.

6.17.1.10 The structure of competition in the area of activity and the changes taking place in it:

For details on the structure of competition and the changes taking place in it, see Section 6.17.8 below.

It is hereby clarified that the Company's estimations, as stated, with respect to the general information on the area of activity are forward-looking information, as this term is defined in the Securities Law, 5728-1968, and there is no certainty that they will come to pass; and, furthermore, are based on the Company's estimations according to its experience in and familiarity with the area of activity. The actual effects may be different, primarily as a result of changes in the field, and, in addition, as a result of the entry of additional competitors into the field, changes in the customers' preferences, changes in the defense/security and geopolitical situation, regulatory changes in the field, the realization of any of the risk factors set forth in Section 6.37 below, and so forth.

6.17.2 **Products and services**

Following is a summary table of satellites serving the Company (existing, under construction, and planned):

Product line	Name of the satellite	Rights of use	Date of commercialization of the satellite	Expected Lifespan	Thousands of km² available for commercialization per year[13]	Principal target market of the satellite	Swath/aperture width for ground camera	Resolution
Satellite services*	EROS B	Ownership	April 2006	~8 years according to manufacturer; in practice, up to ~20 years	25,000	Defense/civilian	7 km	0.5 m black/white (panchromatic)
	EROS C1	Use of third-party rights	February 2021		6,000	Defense/civilian	12.5 km	0.3 m black/white (panchromatic)
	EROS C2	Use of third-party rights	February 2021		71,000	Defense/civilian	12.5 km	
	EROS C3	Ownership	Forecast: second half of 2022		71,000	Defense/civilian	12.5 km	0.3 m black/white (panchromatic); 0.76 m color (multi-spectral)
	EROS C4	Joint ownership with a third party**	Forecast: 2026		71,000	Defense/civilian	12.5 km	
	EROSAR 1	Use of third-party rights ***	Forecast: 2022		1,642	Defense/civilian	10 km	SAR satellite, ~50 cm
	EROSAR 2	Use of third-party rights ***	Forecast: 2025-2026		3,285	Defense/civilian	10 km	
New Space	RUNNER	Ownership	Forecast: 2022	~5 years	17,000	Defense/civilian	5.5 km	0.7 m color (multi-spectral); video
New Space	KNIGHT	Ownership	Forecast: 2023-2024	~5 years	45,000	Defense/civilian	8 km	0.5 m color (multi-spectral); video

[13] The scope of km² available for commercialization in each of the satellites depends upon the physical, technical and commercial constraints of each satellite. The foregoing applies to satellites owned by the Company as well as to those regarding whose use the Company has a commercialization agreement with a third party. Except for the EROS B, all of the Company's existing and future satellites are/will be launched in an orbit in space that creates a revisit rate up to three times higher than that of the EROS B in the areas of world interest.

* The EROS NG constellation will create coverage for the Company in the areas of worldwide demand that is approximately 30 times higher than the scope of coverage that was available to the Company in 2020 (using the EROS B satellite).The annual revenues potential of the EROS NG array is $0.8 to $2.2 billion per year, based on the number of km² available for commercialization per year and public market rates. Taking into account the additional sales potential of the analytics and AI product line is explained in Section 6.17.2 (b) below, the annual revenues from these two product lines (satellite services and analytics and AI together) comes to $1 to $2.6 billion per year(under the assumption of an increase of 20% resulting from the sale of analytics and artificial intelligence related products starting from the date when all of the satellites in the EROS NG array are active (as of the date of this Prospectus, expected to be from 2026)). For additional details regarding manufacturing capacity, see Section 6.19 below.

** Has not yet been purchased, and no agreement with a third party has yet been signed with respect to it (for further details, see Section 6.32.3 below).

*** It should be clarified that the use of the rights is subject to third party decision on the commercialization of the satellite (for further details, see Section 6.32.3 below).

That stated above regarding the Company's expectations in connection with the forecast date of commercialization of the satellites, lifespan, manufacturing capacity, and forecast potential income is forward-looking information, as this term is defined in the Securities Law, 5728-1968, and is based on the Company's plans, agreements with third parties, the Company's assumptions, estimates by its management, internal forecasts and work programs in accordance with the data that exist at this time. This forward-looking information might not come to pass, or might come to pass in a different way from that which is expected, due to factors independent of the Company, including economic changes, regulatory variables, various market variables, and especially with respect to the risk factors set forth in Section 6.37 below.

In its area of activity, the Company has three principal product lines, as set forth below:

(a) <u>Satellite services</u>:

In this product line, the Group provides its customers with services from sensing satellites for defense and intelligence collection purposes, as well as for commercial-civilian purposes and/or intelligence products based on analysis and processing of information from those satellites. The satellite services that the Company provides are based on the advanced observation Satellite Constellation, EROS NG, which is based on advanced observation satellites made by IAI, which has provided the observation satellites operated by the Group from the first day of its activity.

The services provided by the Company to its customers principally include intelligence collection services, by means of the EROS NG Satellite Constellation, by photographing images from the satellites in various areas of the world according to the customers' requirements, through the use of a space telescope installed on them, which constitutes the principal sensing device of the satellites, which orbit the Earth every 90 minutes, so that a different area is covered on each pass.

The EROS NG constellation will include six advanced VVHR electro-optic observation satellites: four (4) electro-optic satellites of the EROS C series and two (2) radar satellites of the EROSAR series. As of the date of this Prospectus, EROS C1 and EROS C2 are commercially active. EROS C3 (for further details, see Section 6.17.4.1 below) and EROSAR 1 are expected to be launched in the second half of 2022. In addition, EROS C4 (which has not yet been purchased) and EROSAR 2 are expected to be launched by the end of 2026. Also, it should be noted that a third party decision with respect to the commercialization of the EROSAR satellites has not yet been made; for further details, see Sections 6.17.2 and 6.32.3 below). In addition, the Company operates the EROS B satellite; for further details, see Section 6.17.2 below.

Under an agreement for strategic cooperation with the Italian company e-GEOS, which commercializes five VHR SAR satellites (COSMO-SKYMED), the Company offers the service of the SAR satellites commercialized by e-GEOS as part of the range of solutions that the Company makes available to its customers (for details regarding the cooperation agreement with e-GEOS, see Section 6.32.5 below).

In addition, the Company, in the coming years, is slated to significantly expand its service provision capabilities by means of the GLOBAL EYE constellation, which will include advanced satellites based on the New Space technology that it is developing in its New Space product line (for further details, see Sections 6.17.1.5 above, 6.17.2(c) and 6.21 below).

The principal services that the Company provides as part of the satellite services are as follows:

(1) Direct Access or Satellite Operating Partner (SOP) services

In this service, the Group provides its customers exclusive and direct access to the satellite above a defined ground area and enables the independent and discreet performance of all of the mission stages – starting from the planning stage of the photography mission, through the uploading of the mission program to the satellite from a ground station on the customer's premises and/or from a remote communication segment, and up to the reception, processing and analysis of the satellite products, in a direct and discreet way, at a designated ground station that

the Company sells to the customer (Direct Access Ground Segment). The ground station is owned by the customer and includes software and hardware that are "ready to operate" (turnkey). Service of this type, generally speaking, is provided to customers in the military area, under multi-year agreements.

In the market in which the Company operates, it is customary that customers entering into an agreement with the Company for this service track may receive a volume discount of up to 50% of the market price for service from electro-optic satellites and up to 70% of the market price for service from SAR satellites and occasional customers, as set forth in subsection 3 below.

(2) Intelligence solutions and services

In this service, the Group provides its customers with a range of intelligence solutions and services customized to their needs, which include satellite products, and/or intelligence products processed on the basis of satellite imagery interpretation and intelligence analysis, performed by image interpreters and intelligence researchers, and/or by means of advanced, AI-based solutions for information analysis.

These solutions are provided to customers in the military and civilian areas and are individually adapted to each and every client's requirements and needs.

(3) Data Partners and occasional customers

At this level of service, the Company provides services for a wide range of customers, directly and/or through an international network of distributors, which includes companies specializing in the distribution of satellite products. Those companies operate, generally speaking, within a defined geographical market segment; they are characterized by access to many customers; and the marketing and sales activity is performed by them directly to the end customers. In addition, the Group provides similar services directly to customers through the Group's website and/or customer service center. This area is characterized by a large number of transactions, each of which is at a relatively small scope, compared to the other areas. Until the end of 2020, the Group provided services of this type by means of the EROS B satellite only; early in 2021, the Company already began to provide services of this kind through the EROS C1 and EROS C2 satellites as well, which, in the Company's estimation, are significantly more suitable for the requirements of this market than the EROS B satellite. The Company expects the demand for these services to increase, and to reach a peak following the entry of the EROS C3 satellite into service. In light of the foregoing, the Group is slated to significantly expand the network of distributors and to make those services

available to its customers, through the development of a cloud-based platform, which it is developing, and by means of which customers will be able to order and purchase satellite products.

In addition to the various services whose purpose is to generate raw information by satellite photography of an area of interest, the Group offers a range of complementary services in the field of analytics, whose purpose is to extract the information collected by the satellite and to generate insights of value to the Group's customers. These insights are generated through the performance of various types of analyses of the raw information collected from the satellite. The information processing, analysis, and extraction activities are performed both by analysts, who are content experts employed by the Group, and by means of AI-based systems developed by the Group (for further details, see Section 6.17.2 (b) below).

As part of the services discussed above, the Group provides its customers with a set of solutions and capabilities that provide a response to its customers' operational needs, while creating flexibility at the level of the service required in accordance with each customer and the scope of activity ordered by it.

The Company views the expected entry of the EROS C3 satellite into service as a significant development and a significant improvement in the satellite services with which the Company will be able to provide its customers. The entry of the satellite into service will give rise to a significant expansion of the satellite services provided by the Group, due to the ability to provide color imagery or products based on the processing and analysis of this type of imagery. This ability will make it possible for the Group, *inter alia*, to have an even more significant foothold in the civilian market, which has been growing in recent years.

It is hereby clarified that the Company's estimations, as stated, with respect to the satellite services in connection with the expansion of the services that the Company intends to provide in the future are forward-looking information, as this term is defined in the Securities Law, 5728-1968, and there is no certainty that they will come to pass; and, furthermore, are based on the Company's estimations according to its experience and it's activity. The actual effects may be different, primarily as a result of changes in the field, and, in addition, as a result of the entry of additional competitors into the field, changes in the customers' preferences, changes in the defense/security and geopolitical situation, regulatory changes in the field, the realization of any of the risk factors set forth in Section 6.37 below, and so forth.

(b) Analytics and AI:

In this product line, the Group develops AI-based solutions and services in the field of analytics, for the purpose of extracting the information collected from the various satellites. This product line complements and enriches the Group's activity in the other product lines of satellite services and satellite systems, and, in addition, itself constitutes a significant growth engine – given that, in light of the growth in the number of remote-sensing satellites available in space, a significant challenge is presented by the processing and analysis of, and the generation of insights from, the vast quantity of information generated and collected by these satellites via the traditional methods. Accordingly, systems that perform automatic analysis of the information collected, through the use of AI-based algorithms, meet a real need.

In this product line, the Group develops advanced technological infrastructures that are also "ready to operate" (turnkey) that support the rapid processing and analysis of the intelligence information collected by the satellites, through the use of a variety of AI techniques intended for studying the routine activity on the site and detecting objects, identifying changes and trends, forecasting behavior, planning, optimization and allocation of resources, including for the purposes of alerts with respect to deviations from familiar patterns of activity, and so forth. In developing these capabilities, the Group relies on the many satellite products that it accumulated over the last two decades. This rich and extensive archive serves the Group in the process of AI-based analysis and adapting the technological infrastructure to each and every client's individual needs.

The KingFisher™ system for supervising and monitoring ship movements on the basis of satellite information is a first product marketed by the Company on the basis of the capabilities set forth above.

In the framework of its activity in this field, the Group targets customers from the military and economic/civilian areas. In the military area, a considerable portion of the activity is ancillary to the satellite services that the Group provides from the variety of observation satellites that it operates. Among those services, the Group supplies intelligence products based on analysis and processing of information through the use of special-purpose applications adapted to each customer's unique needs. In the civilian/economic area, the Group converts capabilities that were developed for defense/security needs and adapts them to market requirements in the civilian/economic area.

It is important to emphasize that the technological infrastructures developed by the Group make use of external databases and sources of information (such as the Automatic Identification System, or AIS).

As of the date of publication of this Prospectus, the Company has entered into an agreement with two defense/security customers for the provision of services from the

KingFisher system. In addition, the Company is in advanced negotiations with an existing customer of the Company for the provision of such services at a significant scope for the Company.

As of the date of publication of this Prospectus, the Group is developing the GEOIMPACT platform, which is intended to give its customers access to a broad set of solutions and services in the field of analytics. The platform is being developed on Amazon Web Services' cloud infrastructures and supports the possibility of installation in an on-premises model.

The GEOIMPACT platform will enable rapid and simple access to the satellite products, including the ability to plan and order products from all satellites in the constellation, and will further enable advanced information processing and analysis capabilities for those products, and, in that way, in practical terms, will give the Company's customers access to a considerable portion of the capabilities that the Company presently provides by means of systems installed on the customer's premises. The combination of these capabilities in one cloud-based platform constitutes a holistic solution, and, in so doing, distinguishes the GEOIMPACT platform from the alternative products in the market.

To the best of the Company's knowledge, the customary income contribution in the defense market for the analytics and AI product line is approximately 20% of the income resulting from satellite photography services in the defense market, and even higher in the civilian market.

(c) <u>Space-based intelligence infrastructures</u>:

In this product line, the Group develops and supplies advanced satellite-based intelligence infrastructures, developed by it, which use New Space technology. These are based on satellite systems for observation and intelligence collection missions, including remote-sensing; advanced ground segments for real-time planning, command and control; constellations composed of a large number of satellites, systems and applications for processing and extracting the information coming from the satellite, up to and including the generation of processed final products.

These satellite-based intelligence infrastructures are stand-alone and enable customers who do not have the financial possibility of purchasing the advanced EROS NG observation satellites or acquiring their services, to purchase from the Company or to receive services from the Company with respect to the use of these satellite systems for various tasks at a lower cost. In addition, these satellite systems also constitute a complementary product for the advanced EROS NG observation satellites, in light of their ability to revisit an observation point more times in the course of the day.

In this product line, the Group markets the RUNNER satellite to its customers. This is a sensing satellite with the ability to perform color videography from space. This satellite is based on original content belonging to the Company, which combines an innovative observation system. The first RUNNER satellite is being built by the American company Tyvak Nano Satellite System Inc (hereinafter: **"Tyvak"**) (for the agreement with the American company Tyvak with respect to the RUNNER satellite, see Section 6.31.4below) and is scheduled to be launched during 2022.

The RUNNER satellite constitutes a key work point, which gives the Group's customers the possibility of acquiring an innovative satellite system, which constitutes a complementary solution – in light of the system's capabilities and performance – for the traditional satellite systems, which are characterized by high manufacturing, launch and operation costs, as well as by a long supply time (approximately three to five years), relative to the significantly shorter supply times for the RUNNER. All this is provided at an extremely attractive price, compared to the traditional satellite alternative.

This key work point opens new and extensive markets to the Company, in that it enables the Group to market the satellite systems that it develops to many countries that, in the past, could not have acquired satellite-based intelligence infrastructures, due to the high price tag on the traditional satellite systems, and, in that way, enables the Company to offer satellites to those customers at a lower cost, and to provide its customers with a complementary solution in addition to satellite services at the highest level of resolution from the EROS NG constellation.

In addition, the Company is developing an additional satellite, whose commercial name is KNIGHT, which is an advanced sensing satellite, with improved abilities relative to the RUNNER (for further details, see Section 6.17.4.4 below).

As part of this product line, the Group is simultaneously developing advanced ground segments for real-time planning, command and control of satellites, and systems and applications for processing and extracting the information coming from the satellite, up to and including the generation of processed final products. These ground segments constitute an integral part of the satellite system.

The Group recently won a major international tender, following which, in May 2021, the Group signed a contract, as a prime contractor, with Chile's Air Force for the construction of a national space program, including all of its components. The amount of the contract is approximately $109.9 million, which will be paid according to compliance with the milestones set forth in the contract over a period of approximately five years (subject to an option of increasing the services, against the additional payment of approximately $9.5 million). The contract includes the construction and launch of nine satellites (two satellites of the RUNNER type and seven smaller satellites) for the

customer, the sale of data from the Company's satellites (from the satellite services product line), the provision of services from the analytics and AI product line, and the creation of satellite and intelligence capabilities on the customer's premises. The contract is based on all of the Company's product lines, including the RUNNER satellite. In the framework of the contract, the Company will sell the customer service from the first satellite of this type; in addition, it will sell the customer two additional satellites of this type and seven additional smaller satellites, including all of the ground systems for controlling the satellites, planning the satellite missions, and receiving and processing the products generated from it by means of the ClearSky system (which is an additional new product developed by the Group – for further details on ClearSky, see Section 6.17.4.5 below). These systems include: 3 multi-satellite ground stations, 2 monitoring and control centers, 6 tactical ground stations and a geoportal system (based on a data center) for managing all of the satellite information produced by the satellites operated as part of the aforementioned contract. In addition, as part of the contract, the Company will supply the KingFisher system and will provide service from the EROS NG constellation, as part of the service content that it will provide to the customer. For additional details, see Section 6.17.4 below. The contract includes provisions customary in agreements of this type, including milestones for the fulfillment of the Group's undertakings pursuant to the agreement, a mechanism for compensation for unremedied lateness with respect to some of the milestones, and the possibility of canceling the agreement if the amount of the compensation comes to approximately 5% of the total consideration pursuant to the agreement. The contract governs exceptional circumstances, only upon the occurrence of which it is possible to cancel the agreement, subject to advance notice. In addition, according to the contract, the Company is required to provide an advance payment guarantee in the approximate amount of $24.5 million and a performance bond in the approximate amount of $11 million, whereby the amounts of those guarantees are reduced over a period of six years.

In January 2022, the Company engaged a third party, unrelated to the Company or to the controlling shareholder of the Company (the "Subcontractor") in a contract according to which the Subcontractor will provide satellite communications services for a period of 5 (five) years, including a ground segment that includes antennas, a ground station, and various communications systems for the final use of the Chilean Air Force. The scope of the contract, throughout the engagement period, is in the amount of approximately $ 5.7 million.

6.17.3 **Segmentation of income and profitability from products and services:**

	For year ended					
	Sept. 30, 2021		Dec. 31, 2020		Dec. 31, 2019	
	Amount ($ thousands)	%	Amount ($ thousands)	%	Amount ($ thousands)	%
Satellite services	22,476	97%	25,525	98%	28,891	96%

It should be noted that the income for 2019 and 2020 in the above table results exclusively from the EROS B satellite, which was the only satellite in the Company's commercial service during those years (the EROS C1 and EROS C2 satellites only came into commercial use at the beginning of 2021). The income for 2020 and the first nine months of 2021 reflects a scope of use of the EROS B satellite at the approximate rate of 30% of its total imagery capacity (as shown in the table in Section 6.17.2 above).

6.17.4 **New products**

In the framework of its activity, the Group is taking measures to expand its set of products, and expects, in the coming years, to launch new products in each of the three principal product lines that it supplies to its customers, as set forth below:

6.17.4.1 EROS C3 advanced observation satellite

As part of the satellite services, the Group is slated to significantly expand the ability to provide its services, by adding an advanced elite observation satellite, the EROS C3, to the EROS NG constellation. EROS C3 is an advanced observation satellite, Model OPSTAT-3000, made by IAI, which supplies high-resolution color products, and is expected to be launched into space in 2022. In the estimation of the Company, EROS C3 will be one of the three commercial satellites with the most advanced capabilities in the world.

The integration of the satellite into the EROS NG constellation will lead to a significant improvement in all matters related to intelligence collection capabilities, the quality of the products and the availability of the Group's service to its customers, and will position it in the global technological forefront of the field of commercial satellite services. In this way, to the best of the knowledge of the Company, the integration of the EROS C3 satellite is expected to significantly strengthen the Group's position even further as one of the three leading companies worldwide that have the ability to photograph at a resolution of 0.3 m, and especially in the field of Direct Access.

EROS C3 will enable the expansion of the Group's customer base, as well as the expansion of the set of services offered to the Group's customers, by

providing revisit capabilities above the areas of interest, at different times and under different lighting conditions, for the purpose of generating comprehensive intelligence at a very high level of accuracy.

Moreover, the satellite has an advanced observation system, which enables color photography. This ability constitutes a significant breakthrough for the Group, which expects that it will enable it to approach extensive markets, principally in the civilian area, which, to date, were blocked to the Group due to the inability to provide color satellite imagery.

As of the date of publication of the Prospectus, the satellite is in the advanced stages of integration by the manufacturer, and the Company estimates that it will be launched during the second half of 2022. For details regarding the Group's agreement with IAI for the purchase of the satellite, see Section 6.31.2 below; for the Company's agreement with the American company SpaceX regarding the launch of the satellite, see Section 6.31.3 below.

6.17.4.2 For details regarding the EROS C4 advanced observation satellite, and the EROSAR 1 and EROSAR 2 SAR satellites (the first of which has not yet been purchased and the last two of which have not yet been launched), which are owned by a third party, see Sections 6.17.2 and 6.17.3 in this chapter.

It is hereby clarified that the Company's estimations, as stated, with respect to the date of entry of the EROS C3 satellite into the Company's service, the strengthening of the Group's position and the increase in the Group's potential customer base, and the expansion of the set of products offered by it as a result, are forward-looking information, as this term is defined in the Securities Law, 5728-1968, and there is no certainty that they will come to pass; and, furthermore, are based on the Company's estimations according to its experience and its activity. The actual effects may be different, primarily as a result of changes in the field, and, in addition, as a result of the entry of additional competitors into the field, changes in the customers' preferences, changes in the defense/security and geopolitical situation, regulatory changes in the field, the realization of any of the risk factors set forth in Section 6.37 below, and so forth.

6.17.4.3 The RUNNER satellite system

As part of the space-based intelligence infrastructures product line, the Group is developing the RUNNER satellite, which is a sensing satellite, with the ability to perform HR videography from space (but inferior to that of the EROS NG satellites). The satellite is based on original content of the Group,

which combines an innovative observation system, jointly developed by the Company and the American company Tyvak (for the agreement with the American company Tyvak with respect to the RUNNER satellite, see Section 6.31.4 below).

The RUNNER satellite constitutes a key work point, which gives the Group's customers the possibility of acquiring an innovative satellite system, which constitutes a complementary solution for the traditional satellite systems, which are characterized by a high price tag, and makes it possible for the Group to offer its customers a holistic, multilayer solution, which includes satellite services at the highest resolution from the EROS NG constellation operated by the Group, along with the acquisition of an innovative satellite system, which constitutes a complementary solution.

The first RUNNER satellite is in the final stages of manufacturing and is scheduled for launch in 2022.

For additional information on the signing of a binding agreement pursuant to the award of an extensive international tender for the provision of Chile's national space program to the Group, see Section 6.17.2 (c) above.

It is hereby clarified that the Company's estimations, as stated, with respect to the launch date of the RUNNER satellite are forward-looking information, as this term is defined in the Securities Law, 5728-1968, and there is no certainty that they will come to pass; and, furthermore, are based on the Company's estimations according to its experience and its activity. The actual effects may be different, primarily as a result of delays in the manufacturing process, delays in the launch process, and so forth.

6.17.4.4 The KNIGHT satellite system

As part of the space-based intelligence infrastructures product line, the Group is developing the KNIGHT satellite, which is an advanced sensing satellite, with improved capability relative to the RUNNER, which includes, *inter alia*, an improved sensor adapted for photography at a resolution of 50 cm, including the ability to photograph color video from space and SWIR (shortwave infrared) ability. This satellite is based on an original design of the Group, which integrates an innovative observation system developed by the Company. The Company intends to present the KNIGHT satellites as part of the Company's offer of products that are "ready to operate" (turnkey).

6.17.4.5 The ClearSky advanced ground segment

As part of its satellite system products, the Group is developing ClearSky, a satellite command system, which includes an innovative, advanced command and control segment adapted to the management of a multi-satellite mission in real time. The development of this segment is based on the Group's rich experience and considerable know-how in the operation of remote sensing satellites for intelligence missions, which the Company acquired over the last two decades.

The increased quantity and availability of remote-sensing satellites creates a major challenge in the field of ground segments, which have traditionally been intended for the operation of a single satellite and required long planning, command and control processes. The launch of multi-satellite remote-sensing constellations created a demand by customers for support of a multi-satellite mission, which is not supported by the traditional command segments that are now in the customers' possession. In order to contend with these challenges, the Group is developing, within this area of activity, advanced ground segments for real-time planning, command and control, in constellations consisting of a large number of satellites, systems and applications for processing and extracting the information coming from the satellite. The ClearSky system includes a flexible, modular software infrastructure, which can easily be adapted to a wide range of remote-sensing satellites, and incorporates advanced AI-based applications, which enable command and control of multiple satellites in real time.

The Group is slated to supply the ClearSky system to its customers as part of a complete satellite system, as an upgrade for command and control segments supplied by the Group in the past, or as a stand-alone product that enables customers to command and control other satellites that they own. In this context, the Group also approaches startup companies, which intend to launch satellite constellations, and offers them the product in business-to-business (B2B) format.

As of the date of publication of the Prospectus, the system is in the integration and testing stage, and is intended, *inter alia*, to operate the RUNNER satellite made by the Group, once the latter is launched.

In addition, under a binding commercial agreement that was signed subsequently for the award of an extensive international tender for the supply of Chile's national space program to the Company, as set forth in Section 6.17.2 (c) above, the Group intends to supply an advanced ground segment (ClearSky) for command and control of RUNNER satellites and other satellites, which it plans to supply.

6.17.4.6 KingFisher naval intelligence system

As part of the variety of capabilities being developed by the Company among its analytics and AI products, the Group developed the KingFisher naval intelligence system, which constitutes an analytical solution for the analysis of naval information obtained from satellites. This solution is based on the combination of a variety of remote-sensing satellites and advanced AI Abilities.

The naval arena represents a difficult intelligence challenge, in light of the need to cover vast areas at a great distance from the shoreline and to enable identification and recognition of targets for the purpose of constructing an overview of the situation at sea. Traditionally, many navies have based their intelligence collection capabilities on an array of naval reconnaissance aircraft, which does not provide an adequate response to modern needs. Remote-sensing satellites are an ideal means of constructing an overview of the naval intelligence situation. Their operation, however, is complex and requires high levels of skill.

The KingFisher system combines the ability to process and cross-match information collected from several types of satellites with different sensors into a consolidated picture, in combination with advanced capabilities from the field of behavior prediction, which make it possible to track vessels in motion by directing satellites to the future location of maneuvering targets.

As of the date of publication of the Prospectus, the Group provides services, by means of the KingFisher system, to a defense customer, in the framework of an agreement for the provision of naval intelligence services, which it signed in 2021.

In addition, under a binding commercial agreement that was signed subsequently to the award of an extensive international tender for the supply of Chile's national space program to the Company, as set forth in Section 6.17.2(c) above, the Company will supply the KingFisher system as part of the service content that it provides in the framework of the agreement.

6.17.4.7 The Cloud-based GEOIMPACT platform

The Group is developing the GEOIMPACT system, a cloud-based platform that is intended to provide access to a large number of applications and analytics and AI capabilities on the basis of cloud infrastructures (as of today, those of Amazon Web Services). This is intended to make the Group's products and the advanced analytics capabilities that it developed available to

a broad range of customers by means of the Cloud infrastructures and to enable easy and simple access to the analytics and AI capabilities produced by the Group.

6.17.5 **Customers**

As of the date of this Prospectus, the absolute majority of the Group's customers are government customers (armies, intelligence agencies and ministries of defense throughout the world), as well as major integrators (an integrator is a contractor that takes a range of capabilities and puts them together into one system) and local industries (which may serve as contractors for defense/security projects), which sell overall solutions to the end customers. In addition, the Group has several customers that are cross-border international security organizations, and maintains activity with commercial customers, at a scope that, as of the date of publication of the Prospectus, is not substantial.

The Group's agreements are signed in various frameworks: as tenders, projects, follow-on sales, and occasional sales, which, by their very nature, may subsequently develop into long-term transactions. Generally speaking, the Group engages with its significant customers in agreements for periods ranging between one year and approximately four years. In the framework of such an agreement, the Group provides a variety of services, as a function of the customer's needs, which principally include the service of supplying imagery from the Group's photography satellites and the setup of a dedicated satellite ground station on the customer's premises. In addition, the Group provides its customers with intelligence solutions, including equipment, training, construction, maintenance for the satellite ground station, and development of satellite-based intelligence capabilities, simulation services and analysis of information generated by the satellite, uploading commands to the satellite and downloading the raw information directly to a local receiving station, and so forth. In most cases, the duration of a typical project for the Company is between one year and five years; at times, its agreements are for shorter periods. The financial scope of a typical project runs between a few million dollars and tens of millions of dollars; in the majority of cases, these agreements include the supply of ancillary services, including maintenance and support, on-the-job training (OJT), courses and training programs.

In accordance with customary practice in the sector, the agreements with customers include cancellation clauses subject to the occurrence of the appropriate circumstances, as defined in the agreement, including due to a breach of the provisions of the agreement by either of the parties. At the same time, cancellation scenarios are extremely rare, and the Company has no experience in the cancellation of agreements in recent years.

The Group's customers, income from which exceeds 10% of the Group's total income, are as follows:

Customers	Segmentation of services	For the year ended		
		Sept. 30, 2021	Dec. 31, 2020	Dec. 31, 2019
		% of total income		
Customer A	See Section 6.17.2 (a) (1)	29%	38%	33%
Customer B	See Section 6.17.2 (a) (1)	22%	30%	27%
Customer C	See Section 6.17.2 (a) (2)	7%	11%	10%
Customer D	See Section 6.17.2 (a) (2)	6%	10%	18%
Customer E	See Section 6.17.2 (a) (1)	26%	-	-

It should be noted that Customer A is a state and has a credit rating of BBB-, which was determined by Standard & Poor's (S&P); and it has been one of the Company's customers since 2000 (for approximately 21 years). Throughout the entire period described above, the Company has experienced no difficulty in collecting from that customer. As of the date of publication of this Prospectus, Customer A acquires satellite services from the Company, and, at the same time, ongoing negotiations are being conducted with it as to the expansion of those services to include the EROS NG satellites, services in the area of analytics and AI, and the acquisition of space-based intelligence infrastructures. The present agreement with Customer A is expected to end in November 2022. There is an option for two additional years (according to the customer's choice), and to the best of the Company's understanding, it intends to exercise this option. At the same time, the Company is taking measures toward expanding the agreement with Customer A. Customer B is also a state. Customer B has been one of the Company's customers since 2007 (for approximately 15 years). It has a credit rating of AA, and the Company has experienced no difficulty in collecting from that customer as well, throughout its years as a customer. The present agreement with Customer B is expected to end in June 2023. Customers C and D are states that have been customers of the Company for ten and four years, respectively. The present agreement with Customer C will end during February 2022, when the Customer already paid for all the contents of the agreement. As of this date, all the contents have not yet been delivered and the Company intends to supply them by the end of the second quarter of 2022. The Company is taking measures toward renewing the agreement and will update when it is signed (if it is signed). The present agreement with Customer D is expected to end in 2024. Customer E is a new commercial customer that provides services to a state that has a credit rating of A+. during January 2021 the Company signed one-year service contract with Customer E for satellite services (from the EROS C1 and EROS C2 satellites) for a consideration of US$9 million and also a contract for the sale of a ground station

appropriate for these satellites for a consideration of US$1.85 million. The above contract expired at the end of January 2022 and the Company is taking measures toward renewing the agreement, in addition, the Company's estimation is that the new contract is expected to be for a period of about two years, and will update when it is signed (if it is signed).

The Group is dependent upon Customers A and B. Nonetheless, in its estimation, if these customers choose to terminate the agreements with it, the Company will have the possibility of engaging in agreements with other customers for receipt of the service over that same area of interest, which constitutes an area with a high demand for the Group's services. The Company has obtained an exemption, pursuant to Section 19(a)(2) of the Securities Law, 5728-1968, from disclosing the names of Customers A B, and E.[14]

The absolute majority of the percentages of income from the referenced customers, as they appear in the above table, results from the satellite services product line, and a negligible fraction results from other services.

That stated above regarding the Company's expectations in connection with expected renewal of the engagements as stated, is forward-looking information, as this term is defined in the Securities Law, 5728-1968, and is based on the Company's plans, third parties, the Company's assumptions, estimates by its management, internal forecasts and work programs in accordance with the data that exist at this time. This forward-looking information might not come to pass, or might come to pass in a different way from that which is expected, due to factors independent of the Company, including economic changes, customer, third parties, entry of competitors, the terms of the agreements, regulatory variables, various market variables, and especially with respect to the risk factors set forth in Section 6.37 below.

6.17.6 **Marketing and Distribution**

The Group markets its products in a number of ways, as a function of the sales target group. Marketing outside Israel may be performed in the following ways:

(a) Response to international tenders.

(b) Sales through prime contractors.

(c) Direct marketing to the end user by the Company's marketing staff.

(d) Sales through other companies in the market in which the Company operates.

[14] [Note for the draft – this has not yet been received]

(e) An international network of distributors (for distribution of products generated from satellite service products).

The quality of the Group's products and reputation that it has acquired over the many years of its activity, as well as the quality of its operating teams and the high level of service-consciousness of its employees, attest to the Group's quality and reliability and constitute effective marketing resources for it.

As part of the marketing efforts, the Company participates in security-related exhibitions and conferences in Israel and abroad, publishes articles from time to time in local and international professional journals, and performs demonstrations outside Israel for potential customers.

In addition, the Company also hires the services of marketing promoters – representatives who assist it in its marketing and contracting efforts in various countries. Generally speaking, one marketing promoter is appointed for each territory. The marketing promoters undergo a stringent selection process led by the Group's Compliance Committee and are obligated to comply with the provisions of the law (both in the territory and in Israel).

The Company is not dependent upon any specific marketing resource, including the various representatives and the marketing promoters.

6.17.7 **Backlog and Opportunities Pipeline**

Backlog:[15]As of December 31, 2020 and as of September 30, 2021, the Company's backlog in the area of activity came to approximately $63.13 million and $164.42 million respectively.[16]

Opportunities Pipeline: is an index that is used by the Company based on actual and concrete business opportunities that have not yet matured into commercial undertakings and, based on the Company's estimates and experience, the Company estimates that there is a more than 50% probability that they will materialize (hereinafter: "Opportunities Pipeline").[17] It is clarified that the index is only calculated on the basis

15 For this purpose, "backlog" means binding orders that have not yet been recognized as income in the financial statements, as this term is defined under the Securities Regulations (Details of the Prospectus and Draft Prospectus – Structure and Form), 5729-1969.

16 Out of the backlog as of September 30, 2021 the backlog breakdown is: (a) Customer A $10.6 million; (b) Customer C$1.8 million; (c) Customer D $30.4 million; (d) Customer E $4.9 million; (e) Chile$109.9 million; and (f) other $6.8 million. In addition, as of 2019, the backlog stood at approximately $39 million.

17 In light of the Company's long-standing relationships with its existing strategic customers, the length of the existing contracts with them and the fact that contracts have been renewed with them a number of times in the past (whether by way of extensions to existing contracts or, in the case of Customers A and B, also a transition between satellites, i.e., from receiving services from the EROS A satellite to the EROS B satellite) (excluding Customer E, which is a new

of business opportunities in the defense industry. As of the date of this Prospectus, the Company's business teams are in various stages of interactions with existing and potential customers for potential future transactions in an aggregate amount of approximately $1.8 billion[18](it is clarified that there is no certainty that the interactions in connection with the said future transactions will mature into binding agreements and that these will be realized in practice in whole or in part).[19]As of the present date, of the opportunity pipeline, approximately $1.5 billion represent opportunities with an average length of supply is approximately three years and there is one transaction of approximately $0.3 billion with an average length of supply is approximately eight years. The total of the above index is calculated over a period of up to 10 years, i.e., up to 2032 (inclusive), whereby approximately $1.5 billion is spread across a period of up to 6 years (i.e., up to 2027 (inclusive)) and the balance up to the end of the period of the index (up to 10 years).

It should be clarified that the Opportunities Pipeline is expected to change in accordance with ongoing discussions that the Company holds with its existing customers and with new customers.

That stated above regarding the Company's expectations in connection with possible agreements with its customers, including the terms of the agreements as stated, is forward-looking information, as this term is defined in the Securities Law, 5728-1968, and is based on the Company's plans, agreements (if any) that will be signed with third parties, the Company's assumptions, estimates by its management, internal forecasts and work programs in accordance with the data that exist at this time. This forward-looking information might not come to pass, or might come to pass in a different way from that which is expected, due to factors independent of the Company, including economic changes, entry of competitors,

customer of the Company from 2021), the management of the Company considers that opportunities involving these customers as having greater prospects of materializing than those of new potential customers and, indeed, approximately $1.6 billion of the Opportunities Pipeline stems from potential transactions from existing customers of the Company. As for other opportunities, generally, said probability is based on the estimations and experience of the Company, including, the following factors: (a) the level of familiarity with the customer and the length of the commercial relationship with it; (b) an estimation of its security needs and the systemic alternatives available to it; (c) an estimation of its budgetary availability and its willingness to invest it in solutions of the type that the Company provides; (d) an estimation of the maturity of the customer's procurement process; (e) an estimation of the suitability of the solutions of the Company for the needs of the customer; (f) an estimation of the competitive position of the Company in relation to other suppliers; (g) an estimation of the desire of the customer to develop its space activity; (h) an estimation of the political climate in the customer's country.

18 The amount of approximately $1.8 billion in respect of the Opportunities Pipeline comprises a total of approximately $1.6 billion from existing customers and approximately $0.2 billion from new customers. The Opportunities Pipeline divided in accordance with product lines is as follows: (1) Satellite services – approximately 57%; (2) Analytics and artificial intelligence – approximately 5%; and (3) Space-based it urgent infrastructures – approximately 38%.

19 As of 2019, the Opportunities Pipeline was approximately $450 million.

the terms of the agreements, regulatory variables, various market variables, and especially with respect to the risk factors set forth in Section 6.37 below.

Recognition period for forecast income	Backlog as of December 31, 2020 ($ million)	Backlog as of September 30, 2021 ($ million)	Backlog as of December 31, 2021 ($ million)*
First nine months of 2021	19.2	-	-
Q4 2021	4.4	11	-
2022	22	36.6	36.6
2023	11.7	66.8	66.8
2024 and thereafter	5.8	50	50
Total	**63.1**	**164.4**	**153.4**

During January 2022, the Company signed a contract with Customer B in the total amount of approximately $20.7 million (under which the Company will supply services from the satellites EROS B, EROS C2 and EROS C3 (when it is launched and enters into commercial service) together with accompanying ground services) until June 2023. This contract has a retroactive effect (the revenue from Customer B in respect of such contract was already recognized in the financial statements for the third quarter of 2021 for services provided before the signing of contract (on the basis of the a separate undertaking that the customer gave for that quarter)). The said recognized revenue and the revenue that the Company estimates will be recognized for the fourth quarter of 2021 are in the total amount of approximately $3 million). The balance of the unrecognized revenue of this contract (approximately $17.7 million) is not included in the balance of the Backlog as of December 31, 2021, since it was signed after that balance sheet date.

The foregoing table is based on the Company's financial results for i) the nine months ended September 30, 2021; and ii) the Company's expected revenue for the three month period ended December 31, 2021, based on backlog as reflected in the table above, and in additional recognition of expected revenues for the three month period ended December 31, 2021 from a contract with an existing customer, Customer B, with which a contract was signed in January 2022 (and has retroactive effect, as explained above). The Company expects that its revenue for the fiscal year 2021 will be approximately $36.0 million, which constitutes year-on-year revenue growth of approximately 38%. Based on such estimated revenue for the fiscal year 2021, the Company's EBITDA is

expected to be between $13.0 million to $14.0 million, which constitutes year-on-year EBITDA growth, in relation to 2020, of between 18% to 29%, respectively.[20]

Taking into account the Company's backlog and only five opportunities (all in connection with Customers A, B and C), which, in the Company's estimation have the highest probability of coming to pass, out of dozens of opportunities that comprise the Company's Opportunities Pipeline as of the date hereof, the Company expects that by 2024 its revenue will be between $102 million to $134 million. Accordingly, the Company expects its annual EBITDA to be $48 to 76 million. The foregoing expectations are not intended to contradict Section 6.19 under the header "Production capacity," but rather are intended to illustrate the Company's expectations as to its ability to realize revenues from its business opportunities at relatively high levels of certainty and taking into account the fact that its EROS C4 and EROSAR 2 satellites are not expected to be in orbit before 2025.

The information regarding the backlog, Opportunities Pipeline and the likelihood of the realization of the Opportunities Pipeline, in addition to the forecast recognition of income from the backlog as well as the forecasts of the Company for 2021 and 2024, including in connection with the income of the Company, the income volume, the EBITDA and the EBITDA volume, is forward-looking information, as this term is defined in the Securities Law, 5728-1968, and there is no certainty that it will come to pass; and, furthermore, is based on the Company's estimations according to its experience and its activity. Those estimations are based on the Company's past experience and on the timetables planned according to the various orders, negotiations with various customers and so forth. Changes in these basic assumptions, and other events beyond the Company's control, such as progress in negotiations with customers, changes in customer preferences and the materialization of any of the risk factors that are set forth in Section 6.37 below may significantly change the Company's estimation regarding the information above and the actual results.

6.17.8 **Competition**

6.17.8.1 Competition for satellite services

To the best of the Company's knowledge, the Group constitutes a significant player in the satellite services market, and especially in the market segment of Direct Access services, which is the principal market segment for the Group. This market segment is characterized by a low level of competition,

[20] In the first nine months of 2020 and of 2021, the Company's EBITDA was approximately $8.3 million and $8.0 million, respectively. In 2020, 2019, and 2018, the Company's EBITDA was approximately $10.8 million, $13.2 million and $13.3 million, respectively.

and the Group is one of the only three players in this market segment, together with the American company Maxar Technologies Inc. ("**Maxar**") and the European company Airbus.

As of the date of this Prospectus, to the best of the Company's knowledge, Maxar is characterized by a moderate annual growth rate, relative to the Company; EBITDA margins lower than the Company's; and a positive cash flow.

As set forth in Section 6.17.1.3 above, most of the activity in this segment of the market takes place with defense/security customers over international demand areas. In light of the fact that every demand area constitutes an interest for a large number of potential customers, a situation of surplus demand arises, so that each of the competitors provides a different customer with monitoring service for the same area of interest.

In the other segments of the satellite services market, competition in the market focuses on two principal types of competitors. One of these consists of companies that commercialize government-owned satellites. Following are several examples of this. To the best of the Company's knowledge, the Italian E-GEOS (which commercializes satellites belonging to the Government of Italy), the Korean SI Imaging Services (which commercializes national satellites belonging to the Government of Korea), and the Canadian MDA (which commercializes a satellite belonging to the Government of Canada). The competition among these companies is sharply segmented, according to the principal parameters of the satellites' performance, and especially the type of sensors installed on the satellite and the maximum photography resolution.

The other type consists of companies that provide services from Satellite Constellations using New Space technology, such as the American companies Planet Labs Inc. ("**Planet**") and BlackSky Technology Inc("**BlackSky**"). In the Company's estimation, as of the date of this Prospectus, the quality of the products offered by those companies to their customers is significantly lower than the quality of the products of EROS C satellites.

As of the date of this Prospectus, to the best of the Company's knowledge, as a rule, Planet and BlackSky are characterized by a high annual growth rate similar to that of the Company; on the other hand, they have negative EBITDA and cash flow.

Also active in these market segments are Chinese players, which constitute, as of the date of this Prospectus, relatively weak competition, given that the

tension and the geopolitical connections between countries have a considerable effect on the decision regarding the entity with which to engage in a transaction.

The characteristics of competition in the satellite services market are exceptional, because, notwithstanding the direct competition among the various players in the market, in many cases, the leading players in the market, especially governments and ministries of defense in advanced countries, consider the total space assets of the various companies as an aggregate pool of assets, and, accordingly, they compose a set of requirements that forces competitors to create cooperative ventures between them, in order to meet that set of requirements. This fact gives rise to a situation in which a player that has a connection with a customer obtains a definitive advantage. As a result, most players in the market alternately compete and cooperate with each other. This unique market structure contributes to the growth of business opportunities for the Group.

Beyond the fact that the Group operates Satellite Constellations, the Company believes that the structure and relatively small and efficient size of the Group, relative to those of its principal competitors, enable rapid and efficient decision-making processes and the provision of a quick response to the customers' dynamic needs, which constitutes a competitive advantage for it. The employees' operational experience enables the Group to design and develop new services in accordance with the market's needs, and to adapt them to its customers' operational needs. In addition, the connection to Israel's defense/security industry contributes to the Group's international reputation and provides it with a kind of "quality certificate," enabling it to contend for individual business opportunities in the target markets.

In addition, the Company believes that the EROS NG Satellite Constellation is capable of becoming one of the leading elite Satellite Constellations in the market over the next few years, as a result of the high resolution provided by those satellites and the high revisit rate over areas of interest relative to the competitors. As of the date of the Prospectus, the principal disadvantage is the lack of a satellite that can generate color photographs in the service of the Company (this disadvantage will apparently be resolved upon the forecast entry of the EROS C3 satellite in service, in 2022).

6.17.8.2 Competition for analytics and AI products

In light of the relatively low entry barrier for the offer of analytics and AI products, there are multiple players in that area. In light of the foregoing, each

company chooses to focus on a defined niche (or on a few areas) and to develop capabilities in that area, so that, in practice, for each technological application that serves a specific need of an identified group of customers, there is competition among a limited number of companies.

Most of the players in the area do not focus on the development of capabilities in the field of VHR satellite product analysis, because this type of information is extremely expensive, thus leading the majority of competitors to base solutions on the analysis of low-resolution satellite products, which are available to anyone who wants them (such as the European Space Agency's Sentinel satellites or NASA's Landsat satellites).

In the estimation of the Company, in light of the fact that, in the process of developing analytics and AI for the analysis of high-resolution products, a high level of access to a very large quantity of satellite imagery is required, the satellite operator companies affect the market segment, and competition is focused on the companies that own the satellites, such as Maxar and Airbus. In order to contend with the competition, the Group, *inter alia*, is developing the GEOIMPACT platform, in order to make its products accessible to a large target group of customers by means of cloud infrastructures and to enable easy and simple access to the analytics and AI capabilities offered by it.

Furthermore, additional competing companies, such as Orbital Insight or Descartes Labs, which provide analytics services to defense/security and commercial customers, and companies such as URSA or Space Know, which specialize in solutions in the economic area, are examined according to the type and quality of satellite information that they analyze, the total cost of use, the ability to integrate the services into existing intelligence collection systems and processes, the accessibility and availability of the service, support and customer service, branding and reputation.

The Company estimates that its control of most parts of the value chain and its direct access to a very large archive of satellite imagery, which it acquired over the last two decades, enable the performance of research and development processes at relatively low costs and on an accelerated timetable – all of which constitutes a competitive advantage for it. Similarly to the satellite products, the Company competes in this market with long-standing industries that have acquired their reputation over decades in the field, and the fact that the Company is a relatively new player in the field could make it more difficult for it to penetrate new markets.

In the estimation of the Company, the Company is a world leader in extracting intelligence from photography satellites.

6.17.8.3 Competition for space-based intelligence infrastructure products

Customers for space-based intelligence infrastructure products are principally countries, government entities and/or national space agencies. There is considerable competition for these products, which principally manifests in the large number of competitors for international tenders for the purchase of satellite systems.

The principal competitors in this field are divided into two central categories: long- and well-established space companies, such as Thales Alenia or Surrey, and companies that develop satellites using New Space technology, such as York in the United States.

In the satellite systems product market as well, an increase in the activity of Chinese players has been noted, but the competition on those players' part is limited to specific markets and to countries that acquire intelligence systems from China.

The Company estimates that its having won the tender for Chile's space program, as set forth in Section 6.17.2(c) above, will position the Group as a significant player in this field. In addition, the fact that the Group has the ability to offer its customers a holistic, multilayer solution, which combines, *inter alia*, service from VHR observation satellites with the acquisition of an innovative satellite system as a complementary solution, and an advanced, AI-based ground segment, constitutes a factor that distinguishes the Group from most of the competitors in the market.

The Company views its ability to provide an integrative solution that combines all three of its product lines as a significant competitive advantage, and attributes the award of the tender for the Chilean space program to it, as described above, *inter alia*, to that advantage.

In addition, in this market, the Company at times competes with long-standing industries that have acquired their reputation over decades in the field, and the fact that the Company is a relatively new player in the field could make it more difficult for it to penetrate new markets. At the same time, in the estimation of the Company, the traditional industries that specialize in the manufacturing of traditional sensing satellites have difficulty competing in the market, due to the long and complex development processes, which entail extremely high costs.

On the limitations that apply to the sales and marketing of the Company's services, due to its identity as an Israeli company, see Section 6.30 below.

6.17.8.4 **Competitive environment** – The table below[21] shows a qualitative analysis of the Company compared to its principal competitors (for quality comparison, each index was measured according to five qualitative criteria, to the best of the Company's knowledge and estimations – (1) None, (2) Slight, (3) Moderate, (4) Good, (5) Complete).

The Company					
Core business	Space-based intelligence	Space-based solutions	Aircraft design and manufacturing	Satellite imaging services	Satellite imaging services
Focus on the customer	Focus on the security market and penetration of the commercial market	Focus on the security and commercial market	Focus on the security and commercial market	Focus on the security market and limited penetration of the commercial market	Focus on the security market and limited penetration of the commercial market
Economical, flexible	Complete	None	None	Complete	Complete
High quality image data	Complete	Complete	None	Slight	Moderate
Offers priority for access to VHR	Complete	Good	Good	None	Slight
Satellite Constellation revisit rate	Good	Good	Good	Good	Complete
Sensor group	Complete[22]	None	Complete	None	None[23]
Focus on the premium market	Complete	Complete	Complete	Good	Slight
Direct access by the customer	Complete	Complete	Complete	None	None
Space-based intelligence infrastructures[24]	Good	Good	Complete	None	None[25]
Intelligence specialization	Complete	Moderate	Slight	Slight	None

21 The information is from the CDD. See footnote [7]6above.
22 Including the Company's future SAR satellites.
23 Planet does not operate SAR satellites, but provides access to information from SAR satellites.
24 Sale of satellites including ground and service segments.
25 Capabilities exist but are not offered commercially.

6.18 Seasonality

The demand in the market is not seasonal in nature, and seasonality has no obvious effect on demand throughout the year. At the same time, because most customers are government customers, which rely on national budgets defined in advance, it is sometimes possible to see an increase in the backlog toward the end of the fiscal year in specific countries, based on considerations of exhausting the budget.

6.19 Production capacity

As of the date of the Prospectus, the Group has the ability to provide the available potential of satellite services from the EROS NG constellation to new customers. The total theoretical annual photography output of all of the EROS NG satellites (based on the satellite manufacturer's specifications, at a time when all of the EROS NG satellites are active simultaneously, and not including the EROS B) is approximately 224 million km² (approximately 10 times the theoretical photography output of the EROS B), which reflects an annual sales potential of approximately $0.8 billion to $2.2 billion (based on public market rates) or $1 billion to $2.6 billion (under the assumption of an increase of 20% resulting from the sale of analytics and artificial intelligence related products starting from the date when all of the satellites in the EROS NG array are active (as of the date of this Prospectus, expected to be from 2026)). The Company's results in 2020 and 2019 are based on the operation of a single EROS B satellite and do not reflect the complete EROS NG constellation, except for the EROS B, because the remaining satellites in the constellation (i.e. as of the date of this prospectus, the EROS C1 and the EROS C2) only began operating in 2021. The EROS C1 and EROS C2 satellites entered into use in the first nine months of 2021, such that, as of September 30, 2021, the total output of the commercially active satellites of the Company stood at an aggregate of approximately 102 million km^2, which embodies an annual sales potential of approximately $700 million. In addition, in 2022, the Group is slated to launch the EROS C3 satellite (as set forth in Section 6.17.4.1 above) and to introduce the EROSAR 1 satellite into service. The Company expects an additional expansion of its production capacity, with the entry of the EROSAR 2 into service in 2024, and the EROS C4 in 2025-2026. If necessary, in individual cases where a reinforcement of the service provided by the Group is required in order to fulfill a customer's individual requirements, the Group enters into an agreement with third-party satellite service providers, to the extent necessary, in order to respond to those requirements. Cooperative ventures of this type among satellite service provider companies are common and even frequent in this industry. Naturally, the more the array of satellites available for sale by the Group increases, the less need there will be to engage in agreements with third-party satellite service providers for the purpose of acquiring satellite data. This will give rise to a significant increase in gross profit rates, especially for the analytics and AI product line. It should, however, be noted that, the more satellites the Company sells from its existing array, the farther its production capacity will be reduced.

With respect to software-based analytics and AI products, for which the development process takes place in the Group itself, the Group has no limitation on production capacity and is capable of recruiting personnel in accordance with the existing projects, the demand forecast, and the active customers.

For details regarding the existing satellites that are already serving the Company, as well as the satellites that have not yet become active, and the number of km² available for commercialization with respect to each of the satellites, see Section 6.17.2 above.

6.20 Fixed assets, real estate and facilities

6.20.1 On October 6, 2010, Maslavi Construction Co. Ltd. and the Company entered into a leasing agreement with respect to an area and shops in the Aviv 2000 Building, at 6 Yoni Netanyahu Street, Or Yehuda, as that agreement was amended from time to time, which serves the Company as offices and a satellite ground station (hereinafter: the **"Lease"**). On May 25, 2015, Maslavi Construction Co. Ltd. assigned all of its rights vis-à-vis the Company in connection with the Lease, by way of absolute and irrevocable assignment, to Sela Capital Real Estate Ltd., so that, since May 25, 2015, the lessor pursuant to the Lease is Sela Capital Real Estate Ltd. (hereinafter: the **"Lessor"**).

As of today, and pursuant to the addenda to the Lease, the Company is leasing an area of approximately 1,832 m² in the building, as well as 66 parking spaces. The leasing period is four years, until December 31, 2022 (hereinafter: the **"Leasing Period"**), and the Company has an option to extend the Leasing Period for an additional period of 24 months (hereinafter in this section: the **"Option Period"**), provided that this is done subject and pursuant to the provisions of the Lease, including the amendments thereto.

Subject to the provisions of the Lease, during the Leasing Period, the Company will pay the Lessor, for every calendar month, average rent in the amount of approximately NIS 59 per m² (gross), and an insignificant monthly amount for each of the parking spaces. During the Option Period, the rent for the leased premises and the parking fees will be raised at the rate of 5%, relative to the rent for the leased premises paid in the last month of the Leasing Period. In addition, the Company provided the Lessor with an autonomous bank guarantee and a promissory note to secure the Lease.

6.20.2 On January 19, 2021, Shevach Engineering 1999 Ltd. and the Company signed a sublease agreement with respect to an area on the third floor of the Aviv 2000 Building, at 6 Yoni Netanyahu Street, Or Yehuda, as that agreement was amended from time to time (hereinafter: the **"Sublease"**). The period of the Sublease began on January 24, 2021 and will run until December 31, 2021, and the Company has an option to extend the period of the Sublease for an additional year, against an additional payment of 2% of the rent and subject to notice in advance and in writing. During the Leasing Period, the monthly rent is in an insubstantial amount, which is linked to the Consumer Price Index.

The agreement includes standard provisions for sublease agreements, including various payments that apply to a possessor of an asset, insurance, bank guarantee, and so forth.

6.20.3 In the month of October 2021, the Company and Elipeled Holdings Ltd. signed a new lease agreement for offices in Or Yehuda, for five years with an option to extend the lease by five additional years. The monthly rent is approximately $51,000 and the area of the property is approximately 2,000 m².

6.21 Research and development

The trend of growth in the field of space-based intelligence solutions constitutes fertile ground for the Group, for the utilization of its considerable experience and operational understanding in the field, expertise in the fields of optics and sensors, and its close relationship with international operational customers, in order to finalize concepts and develop breakthrough products in the space industry and especially in remote-sensing. All of these developments, along with platforms in more advanced stages of development, such as the RUNNER satellite and the KNIGHT satellite, constitute the building blocks for the GLOBAL-EYE constellation, which is the Company's future generation constellation and is slated for operationalization/commercialization after the completion of the EROS NG constellation (which is now mostly in the R&D stage).

As part of its research and development activity, the Group is developing a family of products in the field of remote-sensing satellites, based on conversion and adaptation of the technological building blocks developed by the Group for the RUNNER and KNIGHT satellites.

In addition, the Company is developing technological systems and building blocks that, in its estimation, have great technological and commercial potential and are expected to give the products of the Company a competitive advantage in the future. These activities include, *inter alia*:

(1) A space mission computer with a parallel processing configuration that is intended for the performance of advanced processing tasks in real time, while withstanding conditions in space, with emphasis on withstanding extreme radiation conditions.

Advanced remote-sensing systems, which are intended to improve the satellite capabilities that it is developing and to expand the range of sensing technologies and the spectrum that the Company's satellites are capable of covering.

As part of the R&D activity in the area of AI and analytics, the Group is working on the development of advanced capabilities, *inter alia*:

(1) Technological solutions in the area of deep neural networks, such as AI systems and algorithms that perform a variety of advanced information processing and analysis tasks in a way that enables increased efficiency over time. These systems, *inter alia*, enable the

automatic detection, cataloging and identification of objects in satellite images; the identification of anomalies and the location of patterns of behavior and predictions.

(2) Optimal planning of a multi-satellite collection mission by a constellation of various satellites with a range of different observation systems (multisat tasking optimization)that enables the planning of a satellite collection mission in real time and with no intervention by a human operator.

(3) An innovative technology in the area of natural language processing (NLP), which is intended to enable the operation of satellites by giving voice commands at a high mission level.

The Company is developing a solution intended to enable the operation of observation satellites by the Company's customers while providing optimal protection for the customers' sensitive information in a secure way, providing full protection for the ground systems, satellite systems and all of the information assets collected by the satellite. This subject is of great importance for defense and security customers.

The Group is developing the ability to distribute quantum encryption keys – a quantum development kit (QKD) – by means of satellites. In the Company's estimation, in the not-too-distant future, as quantum computers come into use, the encryption systems that are in use today will become unsafe, and, as a result, the need will arise for robust and safe encryption systems, such as quantum encryption, which, to the best of the Company's knowledge, solves the problem of encryption key distribution by exchanging a cryptographic key between two remote parties, with complete security through the basic laws of physics.[26]

The Group is working toward the development of a solution for quantum key distribution by satellites, and has even applied for the registration of a patent on them.

The Group is cooperating with a Swiss company named I.D. Quantique for the joint development of a technological sampler (for further details, see Section 6.32.6 below).

The Company has identified the area of space situational awareness as one of the main growth areas in the space systems market, and is working toward the development of strong capabilities in this area. *Inter alia*, the Company is developing a system that enables the location, identification and tracking of satellites by means of an optics-based ground telescope network and algorithms for closing an optic loop in real time.

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[26] See for example, C. H. Bennett and G. Brassard. "Quantum cryptography: Public key distribution and coin tossing". In *Proceedings of IEEE International Conference on Computers, Systems and Signal Processing*, volume 175, page 8. New York, 1984. https://marketing.idquantique.com/acton/attachment/11868/f-020d/1/-/-/-/-/Understanding%20Quantum%20Cryptography_White%20Paper.pdf

Additional activities in the field of research and development:

During 2016, the Group joined an incentive program run by Israel's Innovation Authority, in which it received a grant for support of the research and development efforts toward an integrated naval monitoring system (hereinafter, in this Section: the **"Program"**). In exchange for its participation in the Program, the Company is required to pay royalties to the Israel Innovation Authority at a rate of up to 5% of future sales of the products to be developed, up to the repayment of 100% of the grant received, plus interest at the LIBOR rate. As of December 31, 2020, the Company has received a grant in the total amount of $185K (which constitutes approximately 40% of the budget that was submitted to the Innovation Authority for approval) and, as of September 30, 2021, the Company has received a grant in the total amount of $187K (which constitutes approximately 40% of the budget that was submitted to the Innovation Authority for approval). As of today, no royalties as stated have been paid by the Company. The activity of the Company in the framework of the Program, with respect to the integrated naval monitoring system, like any product developed under a grant from the Innovation Authority, is subject to the provisions of the Encouragement of Technological Research, Development and Innovation in Industry Law, 5741-1984 (hereinafter: the **"R&D Law"**), the regulations thereunder and the rules of the Innovation Authority. In addition, approval for the Program was given subject to the following main conditions:

1. Approval for the Program was given subject to an undertaking by the Company not to transfer the know-how, the rights therein, and the manufacturing rights that will derive from the research and development to another party without the approval of the Research Committee.

2. The payment of royalties and the submission of reports pursuant to the provisions of the Law and the track, procedures and rules prescribed thereunder.

3. The Company undertook to comply with the intellectual property laws prevailing in the State of Israel from time to time. If the Company and/or a party on its behalf is convicted of an intellectual property offense of the State of Israel in a final and conclusive judgment, the Innovation Authority and the committee will be entitled to cancel any benefit, grant, loan, tax benefits or other financial advantage or part of such benefit retroactively and to demand their refund from the Company plus interest and linkage differentials, as provided by law.

On January 30, 2022, the Company received the confirmation of the Innovation Authority that the notice of its intention to perform an issue has been recorded and also its approval with respect to the publication of the prospectus of the Company, the offer of its securities and its listing on TASE.

During 2018, the Group received a grant from the BIRD (Israel-U.S. Binational Industrial Research and Development) Foundation, in support of research and development for Project Close-up, which pertains to sharing information by means of satellite imagery. In exchange for the receipt of the grant, the Company is required to pay royalties to the BIRD Foundation at a rate of up to 5% of future sales of the project to be developed. The amount to be returned will be between 100% and 150% of the amount of the grant received, according to the number of payments until the completion of the project. The amount of the grant that was approved is up to $425K. As of December 31, 2020, the Company has received a grant in the total amount of $340K and, as of September 30, 2021, it has received a grant in the total amount of $410K. As of today, no royalties as stated have been paid by the Company.

In the first nine months of 2021, the Group recognized expenses for research and development in the amount of $3,864K and an intangible asset in the amount of $103K. In 2020, the Group recognized expenses for research and development in the amount of $1,939K, and an intangible asset in the amount of $791K. In 2019, the Group recognized expenses for research and development in the amount of $3,033K, and an intangible asset in the amount of $10K.

For additional details regarding the application of the R&D Law, see Section 6.30 below.

The information regarding research and development expenses that the Company will expand is forward-looking information, as this term is defined in the Securities Law, 5728-1968, and there is no certainty that it will come to pass; and, furthermore, is based on the Company's estimations according to its experience and its activity. The actual effects may be different, primarily as a result of changes in the market, changes in the customers' preferences, the progress of the R&D activity, and the realization of any of the risk factors set forth in Section 6.37 below.

6.22 Intangible assets

The Group has a trademark registered in Israel under the name of "ISI," and a trademark registered in Israel, the United States, China, United Kingdom and the European Union under the name of "ISI KINGFISHER." In addition, the Group has a trademark registered in Israel and the United States under the name "IMAGESAT." KINGFISHER is a product in the Group's AI and analytics product line and constitutes a solution for ongoing naval monitoring, which enables monitoring of a target and provides identification capabilities for that target in broad areas that are beyond the reach of other traditional monitoring platforms and solutions. With respect to the foregoing, the Group recognized, as of December 31, 2020 and as of September 30, 2021, an intangible asset at a depreciated cost of $578K and $179K, respectively. In addition, the Company has an additional intangible asset at the depreciated cost of $791K as of December 31, 2020 and $822K as of September 30, 2021, as a result of the capitalization of work by engineers that was performed in 2020 and 2021 for the development of software programs that will serve the Company in the operation of the satellites pursuant to the Company's cooperation agreements

with a third party, as set forth in Section 6.17.4.5 above, which will be depreciated over the period of use of the assets.

In addition, the Group has filed applications for the registration of patents in Israel, the United States and Europe, in connection with certain aspects, developed by it, of technologies related to monitoring (multi satellite detection and tracking of moving objects) and imaging (combined imaging and quantum cryptography apparatus), which are in various stages of registration and some of which have already been registered. In the estimation of the Company, the time that may be required for the actual registration of a patent in territories in which registration has not yet been completed is expected to be approximately two years from the date of this Prospectus. At the same time, there is no certainty that all the applications filed by the Group will be recognized or registered within those time frames.

It is hereby clarified that the Company's estimations, as stated, with respect to the date of registration of the patent are forward-looking information, as this term is defined in the Securities Law, 5728-1968, and there is no certainty that they will come to pass; and, furthermore, are based on the Company's estimations according to its experience in and familiarity with the area of activity. The actual effects may be different, primarily as a result of factors beyond the control of the Company.

Following is a table describing the patents and trademarks held by the Company:

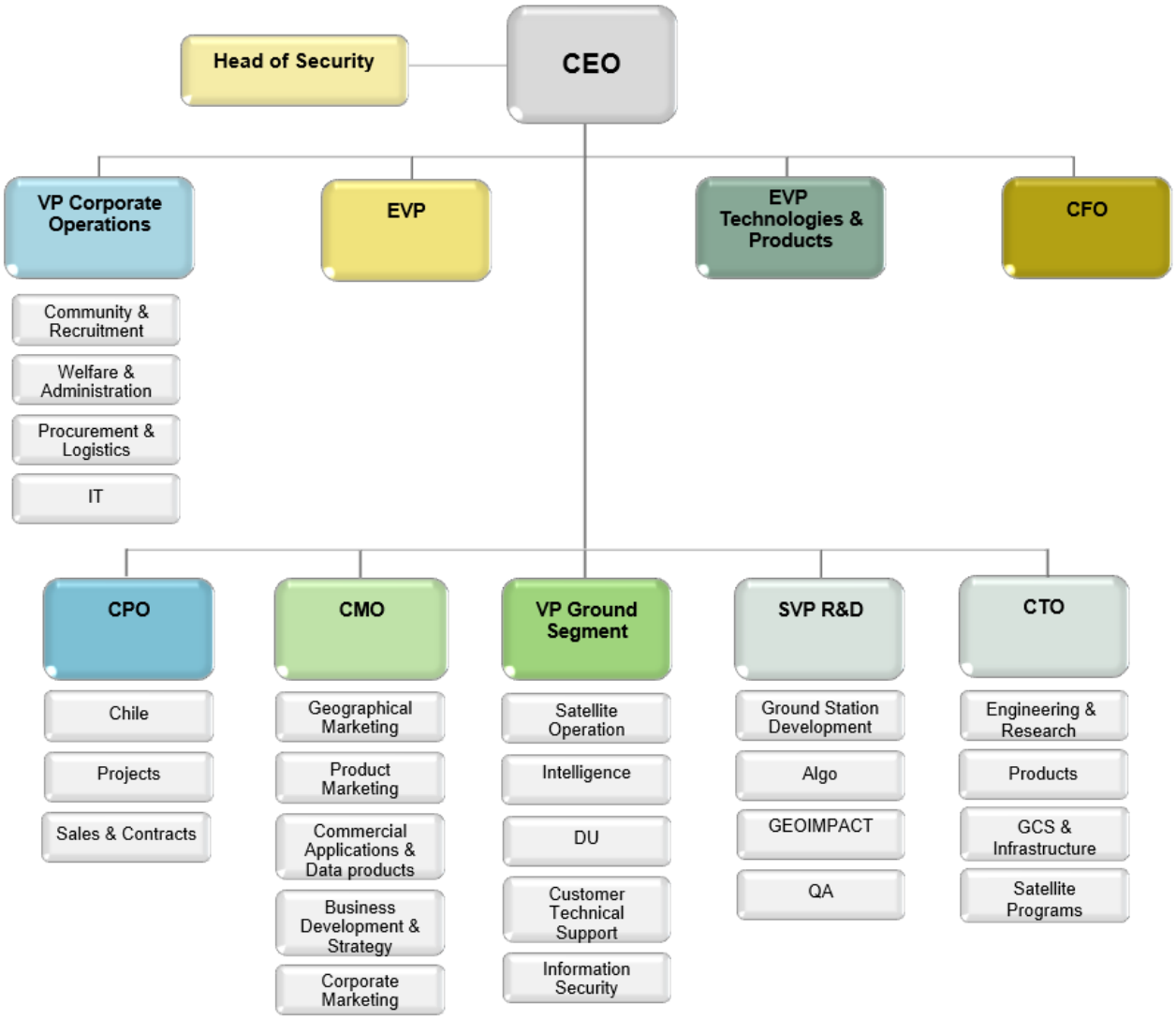
Patent/trademark name and number	Patent description	Nature of rights	Estimated expiry date	Countries in which approval given	Countries in which it is waiting for approval
Multi-satellite detection and tracking of moving objects: 248913	Photography of dynamic objects with electro-optic satellites, along with prediction of the object's behavior and choice of the best satellite, while maximizing the probability that the object will be perceived in satellite photography	Patent	N/A	N/A	Israel, USA, Europe
Combined imaging and quantum cryptography apparatus: 265075	System for optic quantum communications combined with high-resolution observation capacity	Patent	February 2025	Israel	USA, Europe
ISI (logo) in Israel: 289195	N/A	Trademark (logo)	November 2026	Israel	N/A
ISI KINGFISHER Israel: 289196 Int'l: 1358638 USA: 5450637	N/A	Trademark	Israel: Nov. 2026 USA: April 2024 WIPO: April 2027 United States, Europe, China and	Israel, USA, WIPO, EU, China and United Kingdom	N/A

Patent/trademark name and number	Patent description	Nature of rights	Estimated expiry date	Countries in which approval given	Countries in which it is waiting for approval
United Kingdom: UK00801358638			United Kingdom: April 2027		
IMAGESAT In Israel: 148482 In the United States: 2753580	N/A	Trademark	Israel: April 2022 United States: August 2023	Israel United States	

6.23 Human capital

6.23.1 Description of the organizational structure

6.23.2 Following is a diagram of the Company's organizational structure:



6.23.3 **Employees in the Group:**

	Dec. 31, 2019	Dec. 31, 2020	Sept. 30, 2021*
Marketing	4	6	5
G&A	8	8	11
Operations	19	23	19
Engineering and technology	27	36	43
Part-time	11	13	14
Total	**69**	**86**	**92**

* There is no significant change in the numbers of employees between September 30, 2021 and the date of publication of the Prospectus.

6.23.4 Dependency on employees:

In the estimation of the Company, it is not dependent upon any specific employee in the area of activity.

6.23.5 Training:

The Group invests considerable resources in qualifying its employees for their various positions, including the conducting of training programs. In addition, the Group's employees undergo professional qualification according to their area of expertise (especially in engineering, project management and satellite operation), both by its employees who are competent to do so and by external entities – all in insignificant amounts.

6.23.6 Remuneration programs for employees:

On August 12, 2018, the Company's board of directors approved an options program for employees, consultants and directors in the Group. For further details with respect to those options, see Section 3.5 of Chapter 3 of the Prospectus.

The Group may remunerate certain managers and employees for compliance with goals and special performance by means of monetary bonuses. For remuneration programs for the officers (including their employment agreements), see Section 8.1 of Chapter 8 of the Prospectus.

6.23.7 Employment agreements:

The Group's employees are employed according to personal employment agreements, which are determined for each employee according to his qualifications, his education

and his position, and are subject to ordinary labor law. The employees are entitled to a salary, working conditions, vacation pay, annual leave, and social benefits that are customary and/or prescribed under law and/or set forth in the individual agreements.

Some of the Group's employees are employed under hourly employment agreements, under employment agreements based on wage and commissions, and some are employed under employment agreements based on monthly salary. The majority of the Group's employees have signed Section 14 of the Severance Pay Law. Regarding some of the Company's employees, the Group provides them with ancillary conditions, such as a cellphone, travel expenses or a company car. The employees perform their work in the Company's offices and/or outside the office, according to the terms of the agreement.

At times, the Group engages in agreements with service providers, who serve as subcontractors with specific expertise in relevant areas, and principally in the field of technical support for the Group's customers. In most cases, these agreements set forth the independent contractor status of the service provider and specify the absence of an employer-employee relationship, and include a duty of confidentiality vis-à-vis the Group.

6.24 Raw materials and suppliers

In the framework of its ongoing activity, the Group makes purchase orders from various suppliers, on standard terms and as is customary in similar commercial agreements. In addition, from time to time, the Group engages in service agreements with providers, *inter alia*, for the provision of services to ground stations that serve the Company's satellites and the performance of operation and maintenance activities on its customers' premises.

The majority of the value chain and the technologies involved in developing and providing the services to customers in this field are owned by the Group, as is the relevant intellectual property.

As for the satellites themselves, the Group has engaged, as stated, in an agreement with IAI for the purchase of the Company's EROS C3 satellite, which it is slated to launch into space in 2022, as it did for the remaining satellites in the EROS NG constellation operated by the Group.

The Group is not dependent upon suppliers or raw materials in the area of activity, other than certain technical support services, which may be required, in exceptional cases other than in ongoing use, from IAI, in connection with the active satellites that it manufactured for the Company and that are in active service. It is hereby clarified that the ongoing technical support work is performed by the Company.

The total liabilities to suppliers (Trade payables) as at December 31, 2019, December 31, 2020 and September 30, 2021 came to approximately $313K, $314K and $227K, respectively.

6.25 Working capital

The Group's operating capital, as at December 31, 2019, December 31, 2020 and September 30, 2021 was in the amount of approximately $26,858K, $44,843K and $49,321K, respectively.

6.26 Investments

The Group has joint ventures with a third party. The commercial agreements between the parties include cooperation and the provision to each of the parties of a right of use of the other party's satellites, all as set forth in Sections 6.32.2 and 6.32.3 below.

The Group has engaged, as stated, in an agreement with an American manufacturer, Tyvak, in connection with satellite systems products. For additional details, see Section 6.31.4 below.

6.27 Financing

6.27.1 On April 4, 2006, the Group engaged with IAI and IAI Asia Pte Ltd, a wholly-owned subsidiary of IAI, in a loan agreement, which was amended on November 2, 2017. As of the date of the amendment, the principal and interest of the loan (hereinafter: the **"Loan"**) amounted to approximately $68.8 million. As at December 31, 2020 and as of September 30, 2021, the balance of the Loan at fair value amounts to approximately $36.4 million and approximately $37.7 million, respectively. The Loan bears interest at an annual rate of 3.5%, starting from the date of the amendment. The balance of the Loan will be due in four annual installments (starting on the date of the first installment) – the first, at the rate of 25% of the balance of the Loan at that time; the second, at the rate of 33.33% of the balance of the Loan at that time; the third, at the rate of 50% of the balance of the Loan at that time; on the fourth, at the rate of 100% of the balance of the Loan at that time.

The first installment will be paid on the later of the following: (a) at the end of one year from the launch date of the EROS C3 satellite; or (b) on the earlier of the following: (1) an initial public offering by the Company; or (2) the date on which the FIMI partnership will receive, for the shares that it purchased in the framework of the FIMI partnership's investment transaction in the Company, a total amount of $40 million (hereinafter: the **"Amount of the Investment"**) for its shares in the Company, all subject to the terms set forth in the loan agreement.

Notwithstanding the foregoing, in any case of (a) total loss or constructive total loss, or absolute loss of function, of the EROS C3 satellite, or (b) termination of the EROS C3 agreement according to its terms, the first annual installment, as stated, will fall on the earlier of the following: (a) one year after the Company's IPO, or (b) the date on which the FIMI partnership will receive consideration in the Amount of the Investment for its shares in the Company as set forth above.

The Loan does not include financial criteria or guarantees.

It should be noted that, in 2019 and 2020 and the first nine months of 2021, no installments were paid on account of the Loan.

6.27.2 Bank guarantees – As per to the tender awarded to the Group in Chile, and later, the signed commercial contract which followed, the Company issued a series of advance payment guarantees in an approximate amount of $24.5 million in aggregate and a series of performance bonds in an approximate amount of $11 million in aggregate. The amounts of those guarantees are reduced over a period of six years. The Group was not required for any collaterals against the said bank guarantees but committed to maintain a Share Holders Equity to Total Balance Sheet ratio which shall be not lower than 35% at any time (as of the last balance sheet date, on September 30, 2021, such ratio was approximately 56%).

In addition, the Group issued several other immaterial bank guarantees as per to its' commercial agreements with some customer and suppliers.

6.28 Taxation

For details on taxation, see Note 18 to the 2020 annual Financial Statements.

6.29 Environmental risks and ways of managing them

In the framework of the Group's activity, a number of environmental risks exist, which are managed according to law and relevant regulations. The handled risks primarily result from the need to operate transmitting antennas that communicate with the Group's satellites. The operation of antennas of this type requires radiation testing and the obtaining of approval from the Ministry of Environmental Affairs (for further details, see that set forth in Section 6.30 below). The Group holds such an approval, which is valid, and renews it as required from time to time.

6.30 Limitations on and supervision of the corporation's activity

Pursuant to the provisions of the Wireless Telegraph Ordinance [New Version], 5732-1972, the Group is required to obtain a license for the operation of the satellite ground station. The license enables the Group to transmit and receive on given frequency bands in a way that enables the ongoing operation of its satellites. The Group holds such a license, as required by law, until the end of 2021 – in the estimation of the Group, there is no impediment to the renewal of the referenced license.

Pursuant to the Non-Ionizing Radiation Law, 5766-2006, a permit from the Ministry of Environmental Affairs is required. The permit allows transmission from the Group's antennas for the purposes of the ongoing operation of its satellites. The permit is issued after the performance of an examination by the Ministry of Environmental Affairs or an entity on its behalf, upon the installation of a new antenna. One year thereafter, an additional examination is performed by the

Ministry of Environmental Affairs or an entity on its behalf, and once every five years thereafter. The Group has been issued a permit until April 4, 2021, and, in its estimation, there is no impediment to the renewal of the referenced permit. During the third quarter of 2020 an additional antenna is installed on the roof of the building in which the Group operates. As part of the installation process, a radiation survey was performed in accordance with the requirements set forth in the Law. As of today, the Company is working toward the renewal of the permit and expects to receive a new permit in the coming months.

Starting on January 10, 2019, the Group is included in the list of plants belonging to Israel's defense and security establishment and plants that manufacture products for Israel's defense and security establishment, which are set forth in the Order issued under the Law Regulating Security in Public Entities Ordinance, 5758-1998.

The Group is required, pursuant to the Supervision of Security Exports Law, 5767-2007, and the regulations enacted thereunder, to obtain marketing permits and export licenses. The regulatory authority appointed for the implementation of that law is the Defense Export Control Agency of the Ministry of Defense (hereinafter: the **"DECA"**), which is the entity competent to issue marketing and export licenses, to determine conditions for the licenses, and so forth. The Imports and Exports Ordinance (Supervision of the Export of Goods, Services and Technology for Dual Use), 5766-2006, which pertains to the export of certain equipment, know-how and services, which are primarily intended for civilian use but are also appropriate for defense and security use, also applies to the Group. The Group cannot make use of the satellites for defense/security purposes outside Israel without having obtained a license from the DECA.

As part of the launching process for a commercial satellite, the Group is required to provide approval from the International Telecommunication Union (hereinafter: the **"ITU"**) for the use of communications (transmission and reception) frequencies of the satellite and the ground station. In addition, it is necessary to register the satellite with the United Nations, including a description of the expected use of the satellite, the owner of the satellite, the operator of the satellite, and the parameters of the planned orbit. The Group has registered the EROS B, EROS C3, and RUNNER satellites with the ITU and has transferred the relevant information to the Israel Space Agency, so that the latter will perform the required registration with the United Nations according to the appropriate convention.

The Group holds a permit in connection with employment on the weekly day of rest, pursuant to the Work and Rest Hours Law, 5711-1951.

It should be noted that, to the best of the Group's knowledge, there is no limitation on photography above a height of 100 km, which is the upper limit of the airspace belonging to each country.

The R&D Law

As of the date of the Prospectus, restrictions under legislation and standards apply to the Company by virtue of the R&D Law and the regulations thereunder (including the rules, provisions, approvals and circulars published by the Innovation Authority or the Ministry of Economy pursuant to the R&D Law), which establish various conditions and restrictions relating to supported activity in whose development the State of Israel was involved through the provision of various grants and incentives. The Innovation Authority grants financial support to companies who have received approval pursuant to the R&D Law to execute an R&D program of a particular percentage of the research and development expenses of the R&D programs approved by it. As a rule, companies who receive support from the Innovation Authority are required to pay royalties from their revenue at percentages prescribed under the R&D Law and the regulations thereunder and in accordance with the approval given to them until the full amount of the support grant that they received from the Innovation Authority has been paid plus interest, or more than this in certain cases (for example, due to the transfer of manufacturing overseas). Pursuant to the R&D Law, supported companies whose activity is funded, *inter alia*, by grants from the Innovation Authority are required to comply with various requirements and conditions and to also undertake to assume various undertakings, including, *inter alia*, undertakings regarding manufacturing, such that it will only be performed in Israel, if it is based on know-how that is connected with the support from the Innovation Authority, unless the Innovation Authority gives prior written approval otherwise.

As a rule, the transfer of manufacturing overseas or a grant of rights to undertake manufacturing outside of Israel require payment of increased royalties (up to 3 times of the amount of the support from the Innovation Authority plus interest) and an increased percentage of royalties.

In addition, the R&D Law prescribes restrictions as to the know-how (in the broad sense) that is developed with the support from the Innovation Authority or in connection with such support and as to any right connected with such support, including that know-how (in the broad sense) may not be transferred in any way or shared with others, whether Israelis or non-Israelis, unless prior written approval has been given for this by the Innovation Authority. The R&D Law empowers the Innovation Authority to only approve certain categories of transfers of know-how and it cannot be guaranteed that such an approval will be given. In addition, such a transfer of know-how or a right therein may be subject to payment of certain amounts to the Innovation Authority in accordance with formulae and rules prescribed under the R&D Law or other provisions and conditions. For example, a transfer of know-how outside of Israel requires, in addition to prior receipt [of approval] from the Innovation Authority, payment of up to 6 times the funding that was received (plus interest) and, in any event, not less than the amount of funding received (plus interest) less royalties paid to the Authority.

A party that violates provisions of the R&D Law with respect to the transfer of know-how outside of Israel or who enables such a violation bears criminal liability punishable by imprisonment of

three years. In addition, in such a case, the Innovation Authority may impose financial penalties and claim payment of money and fines, including the amount that would have been paid had the Company transferred the know-how overseas after receiving the approval of the Innovation Authority.

A transfer of know-how (in its broad sense) that is connected with the support from the Innovation Authority or any right therein to another Israeli entity is subject to receipt of approval from the Innovation Authority and an undertaking from the recipient of the know-how that it will be subject to the provisions of the R&D Law, including the restrictions on the rights in, and use of, the know-how and the obligation to pay royalties. In contrast, the approval of the Innovation Authority is not required for the export (marketing and sale) of products developed based on know-how connected with support from the Innovation Authority.

In the framework of the restrictions on the use of know-how, there are also provisions and conditions, *inter alia*, with respect to pledging know-how connected with support from the Innovation Authority and with respect to depositing it in trust and the approval of the Innovation Authority is also required for these.

Non-compliance with the above-mentioned requirements and conditions will lead to the imposition of economic sanctions and the removal of commercialization and other economic rights and, *inter alia*, a requirement to refund all of the support given by the Innovation Authority plus interest, linkage and fines. As stated above, the Company is required to comply with the requirements of the R&D Law in light of the grant that was received (or additional grants that will be received in the future) from the Innovation Authority.

6.31 Significant agreements

6.31.1 The total cost of introducing the EROS C3 satellite into commercial use comes to $186 million, which includes the costs of manufacturing, launch, insurance, and additional expenses. For further details, see Sections 6.31.2, 6.31.3, and 6.31.5.3 below.

6.31.2 Agreement in connection with the purchase of the EROS C3 satellite from IAI

6.31.2.1 In December 2017, a purchase agreement was signed by the Group and IAI in connection with the purchase of the EROS C3 satellite from IAI, including related products and services (in this section: the **"Agreement")**. Pursuant to the Agreement, after the conclusion of the relevant testing, IAI will transfer the EROS C3 to the Company. As of the date of this Prospectus, the payment balance, in the amount of $73 million, will be paid according to milestones determined in the Agreement, as follows: (1) the amount of $20 million will be paid by the Company on the earlier of the following: (a) six months before the launch of the satellite; (b) December 31, 2019 (it was not actually paid, due to the amendment to the Agreement, as explained below); (2) an

additional amount of $20 million will be paid on the earlier of the following (a) review and approval of the results of the acceptance testing in the satellite's orbit after its launch (hereinafter: the **"Completion of Acceptance Testing in Orbit"**); (b) an event of dissolution of the Company; and (3) the payment balance, in the amount of $33 million, will be paid by the Company on the earlier of the following: (a) 12 months after the Completion of Acceptance Testing in Orbit; (b) an event of dissolution of the Company.

6.31.2.2 The supply and launch of the satellite are expected to take place in 2022. Pursuant to an amendment to the Agreement dated September 24, 2019 (hereinafter: the **"Amendment to the Agreement"**), if IAI does not supply the EROS C3 due to circumstances related to it, after a period of six months from the date set forth in the Agreement, IAI will pay the Company compensation in the amount of $500K for each month of delay, for a total not to exceed $1.7 million. In the Amendment to the Agreement, the terms of payment were also updated, so that the payment set forth above in the amount of $20 million was postponed to the date of completion of ground testing for the satellite before its delivery (ex-works IAI).

6.31.2.3 Pursuant to the Amendment to the Agreement, in any case of delay in the possibility of supply of the satellite under circumstances related to IAI, for a period of more than 270 days, starting on April 30, 2021, the Company will be able to terminate the Agreement, subject to notice in advance and in writing.

6.31.2.4 Notwithstanding the foregoing, in accordance with the circumstances set forth in the Agreement, in the event of a delay in the possibility of supply of the satellite until October 31, 2021 (or another date as a result of force majeure or by common consent of the parties), under circumstances related to IAI, whereby, as a result of the delay, the cost of activating the insurance policy with respect to the EROS C3 satellite increases by more than $2 million, the Group will be entitled to terminate the Agreement, subject to the delivery of advance notice to IAI.

6.31.2.5 It should be noted that the Agreement includes provisions regarding the possibility of cancellation of the Agreement under circumstances related to a breach of the provisions of the Agreement by either of the parties, as is customary in similar agreements.

It is hereby clarified that the Company's estimations, as stated, with respect to the date of supply of the satellite and the dates of payment for it (including the penalties) are forward-looking information, as this term

is defined in the Securities Law, 5728-1968, and there is no certainty that they will come to pass; and, furthermore, are based on the Company's estimations according to its experience and its activity. The actual effects may be different, primarily as a result of factors beyond the control of the Company, such as delays in the completion and launch of the satellite.

6.31.3 **Agreements in connection with the launch of the EROS C3 satellite**

6.31.3.1 On November 18, 2019, the Group and SpaceX engaged in an agreement for the provision of launch services for EROS C3, which is planned to be launched in 2022, by means of a Falcon-9 launcher belonging to SpaceX (hereinafter: the "Launch Agreement").

6.31.3.2 As of the date of this Prospectus, the payment balance for the launch services to SpaceX is in the amount of $2.1 million (hereinafter in this section: the "Balance of the Consideration"), which will be paid according to the date set forth in the Launch Agreement – no later than five days after the date of the launch. The Launch Agreement includes provisions regarding compensation in case of delay of the launch for an unjustified reason for a period of 30 days, starting on February 28, 2022 (hereinafter: the "Date of the Delay"). Pursuant to the provisions of the Agreement, a mechanism was established, according to which each party is required to pay the other party agreed compensation of up to approximately $850K, for a delay of up to 180 days from the Date of the Delay that was caused with respect to either of the parties. As of the date of this Prospectus, an increase in costs for the Company of approximately $800K is expected with respect to the foregoing. In addition, the Company will compensate SpaceX for expenses resulting from a delay of 24 hours from the intended time of the launch, which will not exceed the amount of $300K per delay.

6.31.3.3 Pursuant to the provisions of the Launch Agreement, the Company will bear all of the taxes that will apply to EROS C3 and SpaceX in connection with the launch services. In addition, pursuant to the provisions of the Launch Agreement, each party will take measures in order to obtain the licenses and approvals required for the fulfillment of its undertakings pursuant to the Launch Agreement.

6.31.3.4 It should be noted that, for the purpose of launching the EROS C3 satellite through SpaceX, the Company engaged in an agreement for the purchase of a satellite separation system, the Spacecraft Interface Ring (SIR), which is used to tie the satellite to the launcher during the launch and to separate the satellite from the launcher after it reaches its orbit, and for the provision of ancillary

services, with a company by the name of Airbus Defense and Space S.A.U. (hereinafter: **"Airbus"**). Pursuant to the provisions of the agreement, Airbus will provide the Company with an SIR and ancillary services, against consideration in the amount of approximately €1 million, which will be paid by the Company according to milestones.

It is hereby clarified that the Company's estimations, as stated, with respect to the expected launching date of the EROS C3 satellite and the additional cost with respect to delay in the launch are forward-looking information, as this term is defined in the Securities Law, 5728-1968, and there is no certainty that they will come to pass; and, furthermore, are based on the Company's estimations according to its experience and its activity. The actual effects may be different, primarily as a result of changes in the field, as a result of the entry of additional competitors into the field, changes in the customers' preferences, changes in the defense/security and geopolitical situation, regulatory changes in the field, the realization of any of the risk factors set forth in Section 6.37 below, and so forth.

6.31.4 **Agreement for the purchase of RUNNER-1 from Tyvak Nano-Satellite System Inc.**

6.31.4.1 On November 14, 2017, the Group engaged in a supply agreement with Tyvak in connection with the development of the RUNNER-1 microsatellite, including related products and services, as amended from time to time (hereinafter in this section: the "Agreement").

6.31.4.2 Pursuant to the provisions of the Agreement, after the conclusion of the necessary testing, Tyvak will transfer RUNNER-1 to the Company.

6.31.4.3 The supply of the satellite is expected to take place during 2022. Pursuant to the provisions of the Agreement, if Tyvak does not supply RUNNER-1 or any of the ancillary items pursuant to the provisions of the Agreement, after a period of two months from April 30, 2021 (hereinafter: the **"Date of Delivery"**), Tyvak will pay the Company the amount of $20K for each month of delay. In addition, if Tyvak completes its obligations before the timetable set forth in the Agreement, the Company will pay Tyvak an additional amount equivalent to $20K for each month of early delivery of the satellite prior to the Date of Delivery. As of today, no monetary penalties for delays have yet been imposed.

6.31.4.4 As of the date of the Prospectus, 8 of the 13 milestones have been completed, and the Company, by virtue of those milestones, has paid Tyvak the amount

of approximately $3 million (besides the additional amount of approximately $2.7 million that was paid, with respect to that satellite, to other entities). The payment balance is supposed to be paid, as stated, subject to the fulfillment of the remaining milestones by the launch date of the satellite.

6.31.4.5 The balance of the total cost for the completion of the satellite for commercial use comes to approximately $5 million, which is composed of the costs of manufacturing, launch, insurance, and additional expenses.

It is hereby clarified that the Company's estimations, as stated, with respect to the supply of the satellite and the additional cost with respect to delay in the launch are forward-looking information, as this term is defined in the Securities Law, 5728-1968, and there is no certainty that they will come to pass; and, furthermore, are based on the Company's estimations according to its experience and its activity. The actual effects may be different, primarily as a result of changes in the field, as a result of the entry of additional competitors into the field, changes in the customers' preferences, changes in the defense/security and geopolitical situation, regulatory changes in the field, the realization of any of the risk factors set forth in Section 6.37 below, and so forth.

6.31.5 **Insurance for the satellites**

As of the date of the Prospectus, the Group's satellites are insured by a number of insurance companies, through the broker Marsh, as set forth below:

6.31.5.1 The EROS B satellite is insured with coverage in the amount of $20.4 million, throughout the time spent in its orbit in space, for complete damage or partial damage, as these terms are defined in the insurance policy for that satellite, at a cost of $665K for a period of insurance of one year.

6.31.5.2 The EROS C2 satellite is insured with coverage in the amount of approximately $40 million throughout the time spent in its orbit in space, at a premium of approximately $477K for a period of insurance of one year.

6.31.5.3 The EROS C3 satellite is insured, for the launch of the satellite and for the time spent in its orbit, for a period of eight years from the date of its launch, in the amounts set forth below: (a) from the launch and for the first year in orbit – $175 million; (b) from the end of the first year and up to the end of the fourth year after the launch – approximately $77 million; (c) from the end of the fourth year and up to the end of the seventh year after the launch – approximately $69 million; (d) for the eighth year after the launch – $42.5 million. All at a cumulative premium of approximately $16.4 million.

In accordance with the actual launch date of the EROS C3 satellite, the final date for which has not yet been set, there may be an additional changes in the insurance in the period's policy, in the covered amounts and the premium for this insurance; at this stage, this is not yet known to the Company.

6.32 Cooperation agreements

6.32.1 Deleted.

6.32.2 During September 2019, the Company engaged in a contract with a third party (hereinafter: **"Reciprocal Use Agreement #1"**), pursuant to which, inter alia, the Company will have the exclusive right of use of an electro-optic satellite owned by the above-referenced third party, with capabilities similar to those of EROS C1 and EROS C3, except for the color photography capabilities of the EROS C3 satellite. The commercial name of that satellite is EROS C2 (which is in its orbit in space, as of the date of this Prospectus). All this, in accordance with the conditions determined between the parties to Reciprocal Use Agreement #1. The Company received the right to sell all of the products that are not in use by a third party from the EROS C2 satellite (which constitute the majority of that satellite's capacity in general), in exchange for the granting of a right to the third party to use the EROS C3 satellite in segments agreed upon in advance throughout the lifespan of the satellite. The parties do not have the possibility of canceling their undertakings pursuant to the agreement, unless a party maliciously and significantly breaches a fundamental provision and the breach is not remedied within 60 days after receipt of notice of the breach from the other party, or in a case of delay, pursuant to which, if the launch of the satellite belonging to one of the parties is delayed by more than four years from the date agreed upon between the parties, and after notice in writing, up to 60 days before the expiry of those four years – the other party will be entitled to notify the delaying party of the cancellation of the agreement. In addition, the third party is entitled to terminate the agreement in the event of change of control in the Company that was conducted without its consent. Instead of doing so, in a case of delay, the parties will be able, according to a decision by the non-delaying party, to continue to uphold the agreement, subject to balancing payments, which will be paid up to the earlier of the following: (a) the end of the period of the agreement, and (b) the date on which the satellite in delay is activated. In the case of delay of the Company's satellite, the Company will pay the third party an amount equivalent to 50% of the (net) receipts that it will actually receive from the commercialization of the third party's satellite. In the case of delay of the third party's satellite – the third party will pay the Company an amount equivalent to the annual sale price that the Company will receive from its largest customer at any time.

6.32.3 In September 2019, the Company signed a strategic cooperation agreement with a third party (hereinafter: the **"Strategic Cooperation Agreement"**), in which, *inter alia*, the following was determined:

(a) If the third party decides to commercialize the satellites owned by it, the Company will be the exclusive satellite commercialization entity for the third party's existing and future satellites, for 10 years from the signing date of the agreement. The Company and the third party intend to enter into negotiations in the near future for the purpose of governing the terms for the commercialization of the SAR satellites that the third party intends to launch. The commercial name of this series of SAR satellites is EROSAR.

(b) If the Company commercializes a satellite wholly owned by the above-referenced third party – the division of profits between the Company and the third party will be 30% and 70%, respectively (except for the EROS C2 satellite, with respect to which it was specifically agreed that 100% of the consideration that will be received from customers for the sale of its products will belong to the Company).

(c) If the third party establishes a connection between the Company and the customer, the parties will discuss the receipts that the third party will receive with respect to the referenced agreement.

(d) The Company and the third party will act jointly in order to purchase and to launch an additional electro-optic satellite (in all likelihood, the EROS C4 satellite), which will be jointly financed (by way of 50%/50% financing; the Company estimates that the total cost is expected to be approximately $200 million), and the distribution of use thereof will be as determined in Reciprocal Use Agreement #1, or in another way as will be agreed upon between the parties in the framework of that cooperation.

(e) Subject to the conditions determined in the Strategic Cooperation Agreement, if any failures are found in the EROS B satellite (which is owned by the Company), the third party will make every effort to enable the Company to provide its clients with service from the third party's existing satellites, instead of EROS B, free of charge.

6.32.4 In December 29, 2020, the Company engaged in an additional agreement with the same third party (hereinafter: **"Reciprocal Use Agreement #2"**), which will remain in effect as long as the Strategic Cooperation Agreement is in effect, pursuant to which the agreement regulates the engagement between the parties (including granting an exclusive right to the commercialize use of the satellite), for each satellite that the third party allows commercialization of its contents. As of the date of this prospectus, the Company has the rightto the commercialize use of an electro-optic satellite owned by the above-referenced third party, with capabilities similar to those of EROS C2 and Eros

C3, other than the color photography capabilities of the EROS C3 satellite. The commercial name of that satellite is EROS C1 (which is in its orbit in space, as of the date of this Prospectus). All this, pursuant to the conditions as determined between the parties to the contract and in accordance with an agreement in principle, as determined between the parties to the Strategic Cooperation Agreement. The division of profits between the Company and the third party in connection with sales resulting from the use of satellite under the Reciprocal Use Agreement #2 will be 30% and 70%, respectively. The third party is entitled to terminate this agreement in the event of a breach of a fundamental provision that was not remedied, immediately or within 60 days after the giving of notice (as a function of the type of breach), and in the event of change of control in the Company that was conducted without its consent of the third party.

6.32.5 On June 17, 2021, the Group engaged in a strategic cooperation agreement with the Italian company e-GEOS, which, to the best of the Company's knowledge, is a company under the joint ownership of the Telespazio Group and the Italian space agency, which has the exclusive rights for the commercialization of the COSMO-SKYMED Satellite Constellation, which includes five SAR satellites owned by the Government of Italy. The parties to the agreement believe that their shared capabilities will offer attractive value for a large number of opportunities. Accordingly, as part of this agreement, the companies will offer satellite services from a constellation that incorporates the satellites available to the two companies – that is, EROS NG and COSMO-SKYMED. As of today, the parties are working toward marketing their shared activity and reciprocal integration of the companies' capabilities into proposals to customers, and are promoting joint products based on the capabilities of both companies.

6.32.6 On December 6, 2021, the Group engaged in a cooperation agreement with the Swiss company I.D. Quantique for the development of a technological sampler for quantum encryption key distribution in free space (free-space QKD). This technological sampler is the result of a joint research study performed by the two companies over approximately two years, for the analysis of the technological and commercial aspects pertaining to this area.

6.33 Legal proceedings

No significant legal proceedings are pending against the Group.

6.34 Goals and business strategy

The Company's business vision is to be the leading company worldwide in the field of space-based intelligence solutions.

For the purpose of accomplishing the business vision, the Company is performing an ongoing strategic process, in which it is formulating a business strategy and continuously carrying out a

process that includes evaluation of the situation and examination and updating of the strategy. In the framework of the strategic process, the Group analyzes the existing situation and the business environment in which it operates and decides on goals and objectives at various levels.

For the purpose of realizing the strategy, the Group focuses on intensifying and establishing its activity in the three principal product lines in which it is active, and synergistically combining the capabilities and assets related to each of the different product lines, so that it will be able to offer an all-around comprehensive and extensive solution to its customers. Following are the details of the highlights of the strategy:

6.34.1 Satellite services

In the satellite services, the Group's strategic program is based on improving and expanding the capabilities of EROS NG, through the integration of additional satellites into the constellation, and, at the same time, the launch of the GLOBAL-EYE constellation in order to supplement the services that the Company provides to its customers.

The Group views the expected entry of the EROS C3 satellite into service as a significant improvement, which will give rise to a significant expansion of the satellite services provided by the Group, due to the ability to provide color imagery or products based on processing and analysis of this type of imagery. This capability will enable the Group to enter the civilian market, which has been growing in recent years. The expected entry of the EROSAR 1 and EROSAR 2 satellites in the service will also constitute an additional significant improvement in the Company's capabilities, in such a way as to position the Company as one of the leading players in the field of high-resolution SAR satellites.

In addition, the Group is acting toward expanding the constellation through the integration of new satellites, which include a variety of advanced observation systems, including SAR radars. For this purpose, the Group is examining a variety of possibilities, including, *inter alia*, the purchase of new satellites and/or the commercialization of satellites owned by a third party.

The Group is taking measures toward the exhaustion and expansion of its activity with its existing customers, and views them as natural customers for the future satellites that it will integrate into the EROS NG constellation. At the same time, the Group is taking measures toward exploiting the market penetration for vertical expansion and provision of additional services to the existing customers. In so doing, the Company has identified the American market as a strategic market for it, and is examining the expansion of its activity in the United States in the defense/security sector and the civilian/commercial sector, *inter alia*, through the establishment of a local company and/or a merger and

acquisition process with an existing company with active marketing channels to potential clients for the Group.

6.34.2 Analytics and AI

The Group views the field of analytics and AI as a central component in its business strategy and one of the factors that distinguishes it from the other competitors active in the field of space-based intelligence solutions.

The Group intends to make a considerable portion of its capabilities available, through the use of cloud-based services, in the coming years, by means of the GEOIMPACT platform that it is developing. By means of this platform, the Group intends to provide its customers with easy and rapid access to satellite products, from the level of raw imagery and up to advanced intelligence products generated through a combination of analytics and AI capabilities. In the estimation of the Company, the foregoing constitutes a means for significantly increasing access to new customers and markets.

The Group plans to significantly expand its activity in the civilian/economic market by developing advanced capabilities and joining forces with business companies that provide services of this type in the field, and that operate an extensive international distribution array.

As part of the research and development activity in the field of AI, the Group is developing advanced analytics capabilities in various fields, which will constitute a basis for advanced products and services for its customers.

6.34.3 Space-based intelligence infrastructures

In this product line, the Group is taking measures toward achieving the potential of its assets, and especially the RUNNER and KNIGHT satellites. The Group is slated to expand its activity in this area and to improve its positioning in the market, *inter alia*, by leveraging a binding agreement that it signed, subsequently to the award of a major international tender to it, according to which the Group will provide Chile with its national space program (for further details, see Section 6.16.2 (c) above.

At the same time, the Group is promoting various research and development activities in this field, for the finalization of new work points in the field of satellite systems based on advanced, innovative technologies ("disruptive technologies") in the field of space and especially in remote-sensing, and by means of commercial cooperative ventures with leading players in the market. The activity in this field is based on the Company's estimations regarding the future requirements and needs in the field of space and in the satellite market, in combination with innovation and technological entrepreneurship,

access to the market and to the Group's existing customer base, as well as to a wide variety of industrial partners.

It is hereby clarified that the Company's estimations, as stated, are forward-looking information, as this term is defined in the Securities Law, 5728-1968, and there is no certainty that they will come to pass; and, furthermore, are based on the Company's estimations according to its experience. The actual effects may be different, primarily as a result of the entry of additional competitors into the field, regulatory changes in the field, or the risk factors set forth in Section 6.37 below.

6.35 Forecast for developments in the next year

On the basis of the business vision and the strategic program formulated by the Group for its accomplishment, the Company expects that, in the coming year, the Group plans, *inter alia*, to succeed in accomplishing the following activities:

- The Group will take measures toward the continued introduction of the new EROS C1 and EROS C2 satellites into the Group's existing set of customers and toward the continued marketing efforts for the purpose of exhausting the potential of the services provided through those satellites.
- The Group expects the completion of the integration process of the EROS C3 satellite by the manufacturer, in preparation for the launch of the satellite, as part of the activities leading up to the launch of the satellite in the second half of 2022.
- The Group will continue the development and infrastructure work in preparation for the receipt and complete integration of the EROS C1, EROS C2 and EROS C3 satellites into the Company's constellation.
- Completion of the development of the ground segment for the RUNNER satellite, in preparation for the expected launch of the first RUNNER satellite in 2022.
- Continuation of the development of the KNIGHT satellite in combination with a marketing effort focused on promoting the GLOBAL-EYE constellation to the Company's existing customers and selected potential customers.
- Acceleration of the research and development activity in the field of satellite systems, analytics, and a platform based on cloud services.
- Progress in the implementation of the project for Chile, including the hiring and training of employees, management areas, and the signing of contracts with subcontractors and suppliers.
- Development of a technological sampler for reducing risks in the field of QKD, in the framework of a joint venture of the Group.

The Company expects to implement the strategy as described in Section 6.35 above, in the coming year, in accordance with the business opportunities that it encounters.

It is hereby clarified that the Company's estimations, as stated, are forward-looking information, as this term is defined in the Securities Law, 5728-1968, and there is no certainty that they will come to pass; and, furthermore, are based on the Company's estimations according to its experience. The actual effects may be different, primarily as a result of the entry of additional competitors into the field, regulatory changes in the field, or the risk factors set forth in Section 6.36 below.

6.36 Financial information regarding geographical areas

For details regarding geographical areas, see Note 22 to the 2020 annual financial statements.

6.37 Discussion of risk factors

6.37.1 Macro factors:

a. Information security and cyber risks: The Group's satellites and the area of its activity in general are characterized by advanced technological systems. Like any group active in technology, the Group is also exposed to information security and cyber risks in general, both at the level of possible penetration of the Group's systems and obtaining access to sensitive material, and potentially compromise on the reliability of the information and/ or in its availability. If either of the referenced risks comes to pass, this could cause harm to the Group, both at the level of halting its activity and at the level of its reputation (it should be clarified that the Group is required by its customers to comply with high standards of information security and cyber protection, and invests considerable efforts and takes constant measures in order to contend with such risks and to increase its employees' awareness of them).

b. Currency exchange rates: The Group is exposed to risks resulting from changes in rates of exchange – primarily the rate of exchange of the dollar. The majority of the Company's income is in dollars, whereas the Group has considerable expenditures (primarily related to personnel) in New Israeli Shekels. Therefore, the Group's business results might be affected by fluctuations in the exchange rates of the New Israeli Shekels. From time to time, the Group examines the possibility of covering currency risks by means of protection transactions for the reduction of financial exposure, and usually performs its' significant transactions in dollars (such as satellites purchasing). For details, see Note 16 to the 2020 annual Financial Statements. In addition, changes in the exchange rate of the dollar, relative to the local currencies in the target countries, may significantly affect military procurement budgets of the Company's clients, and, as a result, the Company's business results might be harmed.

c. Political and diplomatic risks: Political changes in the countries in which the Group operates, as well as changes in the diplomatic relations between Israel and those countries, might reduce or even cause the elimination of the Group's activity in those countries. In this framework, instability in Middle Eastern countries and their attitude toward Israel may affect the state of the economy in Israel (where the Company's headquarters are located). In addition, the security situation in Israel may affect the manner of the Company's activity, including as a result of a call-up of military reserves, either during periods of belligerency or protracted periods of terrorist activity.

6.37.2 Sectorial risk factors:

a. Failures in a satellite: Significant failures in a satellite might affect its performance and thereby lead to its loss. Satellites are subject to various failures in their systems and to abnormal functioning (hereinafter: **"Failures"**) during launch and thereafter, while in orbit. The Group contends with the various technical risks by means of backup systems for some of the satellite systems, and by taking out insurance policies throughout the lifespan of the satellite, for predetermined periods, as is customary in the satellite insurance market, and making sure to renew them when they expire. Various malfunctions may affect the performance capacity of units or systems in the satellites, or may reduce the scope of the backup provided by the satellite's backup systems. Such malfunctions might also cause the satellite's insurers to impose limitations and exclusions, or to exclude certain cases from the future content of the insurance in the relevant policies, or to raise the premium abruptly, or even to refuse to continue to insure the satellite. Any partial or complete Failure of a satellite might cause a decrease in the Company's income and reserves, and might have an adverse effect on the Company's ability to provide capacity and to create income in the future.

In addition, some of the possible malfunctions of a satellite might affect responders or key components or units that are critical to the continued activity of the satellite, and, as a result, might cause recurrent disruptions in the services provided and dissatisfaction among customers. When service cannot be restored, the Failure might cause a situation in which there is less capacity available for leasing on the satellite; it might cause a reduction in the scope of insurance coverage when the policy is renewed; and it might detract from the satellite's performance or cause the satellite, in whole or in part, to stop functioning prematurely.

Additional factors that might harm the satellite or the communications with and from it are acts of war or deliberate disturbance, magnetic, electrostatic or solar storms, space debris, meteorites or micro-meteorites, and other satellites. These

factors can cause a drop in the satellite's performance, which might lead to total loss of contact with the satellite, or a drop in the quality of the satellite products.

b. Space environment: Space is a difficult and unpredictable environment, in which satellites are exposed to a wide and unique range of environmental risks, including, but not limited to, solar flares, ambient conditions in space, and potential collisions with space debris or other satellites and spaceships, which may adversely affect the performance of our products. In addition, an enhanced load as a result of the expansion of low-lying constellations of stars in the Earth's orbit may considerably increase the risks of potential collisions with space debris or other satellites and spaceships, and may limit and/or detract from the Company's ongoing activity, including access to the channels of its activity.

c. Insurance risks: The insurance taken out by the Group for its satellites will not protect the Group against all losses. If a failure occurs, throughout the period of activity of the satellites, that causes the total loss of the satellite (as this term is defined in the general terms of the insurance policies), the insurance policy does not necessarily include, at any given time, complete insurance coverage for the loss of income and indirect damage, and even contains certain exclusions, as is customary in insurance policies in the field.

   In addition, the costs of the insurance might increase, or it might not even be possible to purchase insurance coverage, or it might only be possible to obtain insurance with limitations on the scope of coverage (exclusions), or only from insurers with a low rating.

d. Loss of customers: Like other companies in the defense/security industry, the Group has several significant customers that comprise a substantial segment of its income. The loss of several customers at the same time and/or a decrease in the scope of their activity might be harmful to the Company's results. Customers' economic difficulties can make it harder to collect the consideration for the Company's services, and might cause the loss of customers, thereby detracting from the Company's income. In addition, income might be harmed by agreements with customers whose financial soundness is poor.

e. Risks involved in satellite launch: A significant delay in the launch of satellites under construction, or a failure in a launch, could detract from the Group's ability to supply the demand for its services, its ability to generate income, and, in certain cases, its ability to safeguard its legal rights vis-à-vis its customers. Delays in the launch of satellites are common and can result from various factors. A delay in the operational activation of the satellite in space after the launch can also happen.

Delays of this type may have direct and indirect effects on the Company, including financial expenditures and cancellation of agreements.

f. Regulatory and legal risks: Changes in legislation in Israel and throughout the world, including changes in regulatory policy, and especially in the Group's areas of activity, might have an effect on the Group's ability to meet the schedules for the supply of its products to its various customers.

Limitations imposed upon the Group by the Government of Israel as a result of connections and strategic conventions with foreign countries limit its activity and its access to certain international markets. This, in turn, could limit or even preclude the Group's activity and worsen its results.

The Group's defense/security activity depends upon obtaining various approvals and licenses that pertain to defense/security exports. These licenses, as stated, are limited in time and are required for each product. The Group does not have any possibility of ensuring that those export approvals will be issued, will be renewed, or will not be revoked in the future. Changes in the export policy of the Israel Government and/or foreign governments in the countries where the Company is active, and regulatory changes pertaining to export, might detract from the Group's ability to provide certain services in the future. The Group might be subject to licensing requirements and regulatory requirements in countries where it provides services. The Group's business is sensitive to regulatory changes in those countries.

Additionally, the Company also hires the services of marketing promoters, who assist it in its marketing and contracting efforts in various countries. The Company could be exposed to the activity of a marketing promoter in cases where the promoter does not act in accordance with the provisions of the law or exceeds his authority pursuant to the agreement, including by making promises to customers without authorization. The marketing promoters are obligated to comply with the provisions of the law, including a prohibition against paying bribes to public servants, in accordance with the compliance program adopted by the Company, and are not authorized to undertake on behalf of the Company without having obtained its consent in advance. In addition, they undergo a selection process by the Company. Nevertheless, the Company may be exposed to a risk of harm to its reputation and to monetary risk, which could arise as a consequence of misconduct of third parties that provide services to the Company.

In managing legal procedures, complex legal questions might arise, which extend over several areas of the law and even involve several national and international legal systems, in light of the areas of the Company's business and activity. As a

result, the Company might be involved in legal proceedings that are expected to continue for a long time, the cost of which might be high.

Furthermore, a large number of the Company's agreements include clauses with respect to jurisdiction outside Israel and the applicability of a foreign law to the agreement. Such clauses can considerably increase the Company's expenses and the managerial time that will be invested in possible legal proceedings in connection with those agreements.

g. Technical failure and damage to infrastructures: The Company's activity and the services and products offered to the Company's customers are based on advanced electronic and technological systems. This being so, the Company, its customers and its customers' consumers may be exposed to risks related to the stability of the Company's information systems and servers and their compliance with the scope of activity, including technical failures, load on the system servers, and cyber-attacks that may give rise to failures and even shutdowns of the Company's computer systems and servers. A technical failure or an attack on the Company's computing infrastructures and the Company's inability to restore its systems to proper activity within a reasonable time may cause harm to the Company's reputation and detract from its business results.

6.37.3 Risk factors specific to the Company:

a. Termination of agreements with a third party: Termination of the Company's agreements with a third party would lead to the Company's inability to commercialize the third party's satellites. This, in turn, would reduce the Company's supply of satellites and its capabilities, and, accordingly, might harm the results of its activity, all as set forth in Sections 6.31.2 through 6.31.4 above.

b. Reduction of the ability to provide continuous service from the Company's EROS C satellites to the Company's customers: Due to the inclined orbit into which the Company's EROS C satellites are launched, activity with a single satellite gives rise to periods during which the satellite does not cover the area of interest to the customer throughout all hours of the day. This risk does not exist when the Company has more than one satellite at its disposal.

6.37.4 Risk factors and the Company's estimation regarding the degree of effect of the risk factors on the Company's activity as a whole:

	Major effect	Moderate effect	Minor effect
Macro risks			
Information security and cyber risks		✓	
Currency exchange rates			✓
Political and diplomatic risks		✓	
Sectorial risks			
Failures in a satellite	✓		
Space environment			✓
Insurance risks		✓	
Loss of customers		✓	
Risks involved in satellite launch	✓		
Regulatory and legal risks			✓
Technical failure and harm to infrastructures			✓
Risks specific to the Company			
Termination of agreements with a third party as set forth in Sections 6.32.2 through 6.32.4 above	✓		
Reduction of the ability to provide continuous service from the Company's EROS C satellites to its customers			✓

It should be noted that the Company's estimates are based on reasonable projections and not on the occurrence of events that are exceptional in scope, magnitude or time. It should be further noted that the Company's estimate regarding the above risk factors, including the extent of the risk factors' effect on the Company, is forward looking information under its meaning in the Securities Law, which is based on information, evaluations, and estimates of the Company as of the Prospectus date. The effect of materialization of a certain risk factor may be materially different than the Company's estimates, inter alia due to factors that are not necessarily under the Company's control. Although we have categorized the risks there can be no assurance that the category might not change or that the effect won't be greater than we anticipate. Similarly, the Company may in the future be exposed to additional risk factors.

Appendix A

Board of Directors Report on the State of the Company's Affairs as at December 31, 2020 and September 30, 2021

ImageSat International (I.S.I.) Ltd.
Board of Directors Report on the State of the Company
as at December 31, 2020 and as at September 30, 2021

ImageSat International (I.S.I.) Ltd. (hereinafter: the **"Company"**) respectfully submits herewith the Board of Directors Report, which reviews the substantial changes that took place in the Company's business for the year ended on December 31, 2020, the first nine months of 2021 and up to the date of this Report. The preparation of this Report took into account the fact that its readers are also in possession of the chapter constituting a description of the corporation's business, as was included in Chapter 6of the Registration for Trading Prospectus and Shelf Prospectus of the Company (hereinafter: the **"Prospectus"**) and the Financial Statements (as defined below) included therein.

1. Introduction

The Company was incorporated in Israel on January 26, 1999 as a private limited liability company. On September 2, 2000, the Company changed its name to ImageSat Israel Ltd. (formerly West Indian Space Israel Ltd.) and, on September 2, 2021, it changed its name to ImageSat International (I.S.I.) Ltd. (hereinafter: **"ImageSat"** or the **"Company"**). The offering of securities pursuant to this Prospectus is the initial public offering of securities by the Company. Following the completion of registration of the securities offered pursuant to this Prospectus at the Tel Aviv Stock Exchange Ltd., the Company will become a public company, as this term is defined in the Companies Law, 5759-1999.

In addition, the *pro forma* consolidated financial statements of the Company, as at December 31, 2020 and as at September 30, 2021 (hereinafter: the **"Financial Statements"**), are appended in Chapter 9 of this Report.

The Company and the companies under its control (hereinafter jointly: the **"Group"**) are active in the provision of advanced intelligence satellite-based space intelligence solutions that combine remote sensing and control by an advanced ground system based on artificial intelligence capabilities for the purposes of defense/security and intelligence collection, as well as for commercial and civilian purposes. For additional details, see Section 6.17 of Chapter 6 of the Prospectus.

In June 2021, the Company and ImageSat International N.V., a foreign company, which is incorporated in Curaçao and is registered with the Registrar of Companies in Israel as an offshore company (hereinafter: **"ImageSat NV"**) completed a restructuring (as this term is defined in Section 6.9 of Chapter 6 of the Prospectus). The description in this Board of Directors Report, including with respect to the periods that preceded the date of completion of the restructuring, has been provided, with respect to the Company, as if the restructuring were already complete, including the transfer of ImageSat NV's activity, during the periods that are included and described in this Report, notwithstanding the fact that the transfer of the activity, as stated, was

only performed on the date of completion of the restructuring. The comparative financial data are based on the *pro forma* consolidated financial statements for the years 2019 and 2020 and for the first nine months of 2021, which were drawn up for the purpose of reflecting the results of the Company's activity for the periods stated therein.

It is hereby emphasized that the description in this Report includes forward-looking information, as this term is defined in the Securities Law, 5728-1968. Forward-looking information is information that is not certain with respect to the future, including a forecast, an evaluation, an estimate, or other information that refers to a future matter or event, the occurrence of which is not certain and/or which is beyond the Company's control. The forward-looking information included in this Report is based on information or evaluations that exist within the Company as of the date of publication of the Prospectus, to which this Report constitutes an appendix.

2. The Company's financial position

The sections of the Report relating to the financial position of the Company are presented below, in accordance with the Financial Statements and the explanations of the principal changes that took place in them, in thousands of dollars:

Section	Dec. 31, 2020	Dec. 31, 2019	Explanations by the board of directors
Current assets	53,108	34,935	The increase results from the increase in cash balances, principally due to the raising of capital from Discount Capital Ltd. in 2020 and due to the current activity, which, as of December 31, 2020, includes a cash balance of approximately $45 million. This increase was partially offset due to various payments that were recorded as advances on account of fixed assets and intangible assets, primarily for the EROS C1, EROS C2, EROS C3 and RUNNER satellites.
Non-current assets	81,357	61,499	The increase results from various payments that were made in 2020 and were recorded as advanced payments on account of fixed assets, in the amount of approximately $70 million, and intangible assets, primarily for the EROS C1, EROS C2, EROS C3 and RUNNER satellites.
Total assets	134,465	96,434	
Current liabilities	8,265	8,077	Increase in the balance of accounts payable and balance of income tax payable set off against a decrease in customer advances and deferred revenues.
Non-current liabilities	37,836	37,090	Increase in the balance of loan from Israel Aerospace Industries Ltd. ("IAI") and IAI Asia Pte Ltd, a wholly-owned subsidiary of IAI ("Shareholders' Loan")in the amount of approximately $36 million, which was partially offset by a decrease in the balance

			of liabilities with respect to long-term leasing. For additional details about the Shareholders' Loan, see Section 6.27.1 of Chapter 6 of the Prospectus.
Total equity	88,364	51,267	The increase results from an investment round for the Company in 2020 and an increase resulting from the profit and loss results for the reporting period.
Total liabilities and equity	134,465	96,434	

Section	September 30, 2021	Dec. 31, 2020	Explanations by the board of directors
Current assets	63,110	53,108	The increase principally results from an increase in the treasury balances of the Company recorded against customer advances and deferred revenues.
Non-current assets	100,797	81,357	The increase principally results from investments in the future satellites of the Company.
Total assets	163,907	134,465	
Current liabilities	13,789	8,265	The increase principally results from an increase in customer advances and deferred revenues balances (principally from the Chilean customer).
Non-current liabilities	57,825	37,836	The increase principally results from an increase in customer advances and deferred revenues balances (principally from the Chilean customer).
Total equity	92,293	88,364	The increase results from the profit and loss results for the reporting period.
Total liabilities and equity	163,907	134,465	

3. Results of activity

Following is an analysis of the results of activity in accordance with the Financial Statements, in thousands of dollars:

Section	For the period of 12 months ended on December 31		Explanations by the board of directors
	2020	2019	
Revenues	25,917	30,046	Decrease principally due to postponements in supplies as a result of COVID-19 for two customers. For additional details, see Section 6.16.7 of Chapter 6 of the Prospectus.
Operating costs	8,036	9,051	The decrease in cost of sales is mostly parallel to the decrease in income.
Depreciation	2,143	6,190	Decrease in depreciation expenses for the EROS B satellite due to a change in the estimate made at the end of 2019.
Gross profit	15,738	14,805	

Selling and marketing expenses	2,280	2,241	
General and administrative expenses	2,814	2,495	
Research and development expenses	1,939	3,033	The decrease results from an increase in capitalization of certain salary expenses for the engineering projects in the Company (EROS C3, RUNNER, and an intangible asset with respect to the activity related to the EROS C1 and EROS C2 satellites), a decrease in the scope of contracts with subcontractors in engineering fields, and in updating in light of the calculation of the fair value of certain undertakings (deduction).
Operating income	8,705	7,036	
Finance expenses, net	878	730	Increase principally in interest expenses and fair-value adjustments for a Shareholders' Loan, in expenses resulting from exchange rates and from various banking costs.
Income before taxes on income	7,827	6,306	
Taxes on income	693	12	In 2020, the Company used up its carryforward losses from prior years.
Net Income	7,134	6,294	
EBITDA[1]	10,848	13,226	

Section	For the period of 9 months ended on September 30		Explanations by the board of directors
	2021	2020	
Revenues	23,219	19,139	The increase in income principally results from the recognition of income from Customer E, which is a new customer with which a service contract was signed in January 2021 with the period of service commencing the following month.
Operating costs	6,749	5,882	The increase principally results from an increase in the cost of sales, an increase in insurance for satellites in orbit and an increase in the operating expenses for the Company's ground station.
Depreciation	2,327	1,665	Increase in depreciation expenses as a result of the purchase of fixed assets that were purchased during 2020 and the beginning of 2021.
Gross profit	14,143	11,592	
Selling and marketing	1,866	1,536	The increase principally results from an increase in the

[1] "**EBITDA"** - Net income plus depreciation, plus finance expenses (net), plus taxes on income.

expenses			relevant salary expenses.
General and administrative expenses	2,719	1,929	The increase principally results from an increase in legal, IT and communications expenses.
Research and development expenses	3,864	1,514	The increase results from an increase in the relevant manpower roster.
Operating income	5,694	6,613	
Finance expenses, net	1,235	890	The increase principally results from a decrease in the banks' interest rates on deposits and from an increase in banking costs in respect of guarantees.
Income before taxes on income	4,459	5,723	
Taxes on income	849	(54)	During the second half of 2020, the Company used up its losses transferred from prior years.
Net Income	3,610	5,777	
EBITDA	8,021	8,278	

Following is a detailed adjustment between the EBITDA (for the relevant periods) and operating profit (for the relevant periods) according to the Financial Statements of the Company in thousands of dollars:

	For the period of 9 months ended on September 30		**For the period of 12 months ended on December 31**	
	2021	**2020**	**2020**	**2019**
Net income	3,610	5,777	7,134	6,294
Plus depreciation	2,327	1,665	2,143	6,190
plus finance expenses (net)	1,235	890	878	730
plus taxes on income	849	(54)	693	12
EBITDA	8,021	8,278	10,848	13,226

4. Liquidity and cash flows

Following is an analysis of the Company's cash flow in accordance with the Financial Statements, in thousands of dollars:

Section	For the period of 12 months ended on December 31		Explanations by the board of directors
	2020	2019	
Cash flow from operating activities	9,917	16,772	The difference results primarily from timing differences in balance sheet items. Mainly due to decrease in deferred revenues.
Cash flow from investment activity	(43,704)	(9,799)	The difference results from an increase in cash balances, which led to an increase in investments in bank deposits, from an increase in investments in fixed assets and advanced payments on account of fixed assets (EROS C3, RUNNER).
Cash flow from financing activity	28,972	(310)	The increase results from an increase in cash balances, principally due to the raising of capital from Discount Capital Ltd. in 2020.

Section	For the period of 9 months ended on September 30		Explanations by the board of directors
	2021	2020	
Cash flow from operating activities	33,535	9,802	The increase principally results from the increase in customer receipts.
Cash flow from investment activity	(36,596)	(45,356)	The decrease results from a decrease in the net amount of bank deposits partially offset by investments in fixed assets and advances on account of fixed assets.
Cash flow from financing activity	(537)	28,972	The decrease results from an issuance of shares during the third quarter of 2020

The Group's operating capital, as at December 31, 2019, December 31, 2020 and September 30, 2021, was approximately $26,858K, $44,843K and $49,321K, respectively.

For revenue and EBITDA forecasts for 2021 and 2024, see Section 6.17.7 of Chapter 6 of the Prospectus.

5. Sources of funds

The Company has no loans, except for a Shareholders' Loan, as set forth in Section 6.27.1 of Chapter 6 and in Note 16.b. to the Financial Statements.

The average suppliers' credit in 2020 was $313,000 and, in the first nine months of 2021, it was $227,000.

For further details regarding sources of funds, see Section 6.27 of Chapter 6 of the Prospectus.

6. Significant events during the period of the Report and after the date of the balance sheet

6.1 For details regarding Reciprocal Use Agreement #1 with a third party, which was signed in September 2019, see Section 6.32.2 of Chapter 6 of the Prospectus.

6.2 For details regarding Reciprocal Use Agreement #2 with a third party, which was signed in January 2021, see Section 6.32.4 of Chapter 6 of the Prospectus.

6.3 For details regarding the Strategic Cooperation Agreement with a third party, which was signed in September 2019, see Section 6.32.3 of Chapter 6 of the Prospectus.

6.4 In January 2021, the Company signed two contracts, a service contract and a sales contract, with a new strategic customer for the provision of services for the first time from the EROS C1 and EROS C2 satellites. The aggregate payment for both contracts is $10.85 million. For additional information, see Section 6.17.5 of Chapter 6 of the Prospectus.

6.5 Following the award of an international tender to the Company, in May 2021, the Company signed a contract with Chile's national space agency for the construction of a national space program, including all of its components. The contract is in the amount of approximately $109.9 million, over a period of approximately five years (with the possibility of increasing the services, against an additional payment of approximately $9.5 million), and includes the sale of data from the Company's satellites, the construction and launch of RUNNER satellites for the customer, and the creation of satellite and intelligence capabilities on the customer's premises. For additional details, see Section 6.17.2(c) of Chapter 6 of the Prospectus. During August 2021, the company received a down payment at the amount of $26.6 million. In order to secure the down payment, the Company provided a series of bank guarantees which shall be reduced in accordance with agreed schedule during the next five years. In addition, the Company also issued the customer with performance guarantees at a total amount of $11 million which shall also be reduced upon an agreed schedule during the next five years.

The Company is not required to pledge any assets to secure such bank guarantees but it committed (for the benefit of the bank which issued the guarantees) to maintain a covenant ratio of at least 35% of Shareholders Equity from the total Balance Sheet amount as long as the bank guarantees are valid. For additional information, see Section 6.27.2 of Chapter 6 of the Prospectus.

6.6 During October 2021, the Company signed an additional office lease agreement (approximately 2,000 m^2) for 5 years with an option to extend the lease for an additional 5 years in the framework of the Group's estimations of a forecast increase in manpower .

6.7 For details regarding the increase in the Company's registered capital and the splitting of the share capital and the cancellation of their nominal value, see Section 3.1 of Chapter 3 of the Prospectus.

6.8 For details regarding the approval of the Company's Articles of Association subject to the completion of the IPO, see Chapter 4 of the Prospectus.

6.9 For details regarding allocation of options subject to completion of the offering, an undertaking by the holders of preferred shares to convert the preferred shares into ordinary shares, the completion of the increase in registered capital, the splitting of the share capital and the cancellation of their nominal value in the framework of the IPO, see Chapter 3 of the Prospectus.

6.10 For details regarding transactions with interested parties, exemption documents, indemnification and insurance for officers, see Sections 8.4 and 8.6 of Chapter 8 of the Prospectus.

6.11 In January 2022, a shareholder meeting of the Company approved, *inter alia*, the following matters: (a) approval of the issue to the public, the execution of the sale mechanism in the framework of the Prospectus and the allocation of the expenses between the Company and the Offerors pursuant to the Prospectus (including an amendment to the current articles of association for this purpose); (b) approval of the replacement of the articles of association of the Company and an amendment to the memorandum of the Company (subject to the completion of the issue); (c) approval of the term of the Company's management agreement with FIMI Fund as being a term of five years (subject to the completion of the offer pursuant to the Prospectus; (d) approval of the compensation policy of the Company (subject to the completion of the offer pursuant to the Prospectus); (e) approval of the lock-up period for the shares in relation to the Company, the interested parties in the Company, the shareholders who will join the sale (if any), the chief executive officer and the chief financial officer pursuant to the requirement of the underwriters (in addition to the regulatory lock-up); (f) ratification of the appointment of Dr. Estery Gilroy-Ran as director of the Company as from March 17, 2021 (nominee to serve as independent director after the Company converts into a public company), including approval of her compensation; (g) ratification of the appointment of Mr. Amir Widman as director of the Company (on behalf of FIMI Fund) as from January 16, 2022.

6.12 During January 2022, the Company signed a contract with Customer B in the total amount of approximately $20.7 million (under which the Company will supply services from the satellites EROS B, EROS C2 and EROS C3 (when it is launched and enters into commercial service) together with accompanying ground services) until June 2023. This

contract is of retroactive effect and includes the fourth quarter of 2021. see Sections 6.17.7 of Chapter 6 of the Prospectus.

7. The Company's policy regarding donations

As of the date of this Report, the Company has no policy regarding donations.

8. Directors with accounting and financial expertise

The Company has determined that the appropriate minimum number of directors with accounting and financial expertise will be two. This was determined in light of the scope of the Company's activity, the nature and characteristics of its activity, and the number of members of its board of directors.

For details regarding the directors with accounting and financial expertise, see Sections 7.1 and 7.2 of Chapter 7 of the Prospectus.

9. Independent directors

As of the date of this Report, the Company has not yet adopted into its Articles of Association provisions regarding the percentage of independent directors, as this term is defined in Section 1 of the First Addendum to the Companies Law, 5759-1999.

10. Disclosure regarding the Company's internal comptroller

As of the date of this Report, no internal comptroller has yet been appointed for the Company. The Company will take measures toward appointing an internal comptroller after the transformation of the Company into a reporting corporation and in accordance with the deadlines set forth under law.

11. Disclosure regarding the Company's auditor

The Company's auditor is Kost, Forer, Gabbay & Kasierer (EY), Certified Public Accountants (hereinafter: the **"Auditor"**).

The fee was determined in negotiations between the Company's management and the Auditor, in accordance with the scope of the work, the nature of the work, past experience and market conditions. The entity approving the Auditor's fee is the Company's board of directors.

In 2019 and 2020, the fees of the Auditor in respect of auditing services, audit-related services and tax services were approximately $72 thousand and approximately $146 thousand, respectively.[2]

[2] [Composed of: (a) approximately $106 thousand of audit, audit-related services and tax services; and (b) approximately $40 thousand in respect of audit services and audit-related services connected with the Prospectus.

12. Critical accounting estimates

For details regarding critical accounting estimates, see Note 3 to the Financial Statements.

Gillon Beck Chair of the Board of Directors	Noam Segal CEO

This day, January 16, 2022.

Chapter 7: Management of the Company : Directors and Senior Officers

7.1 Board of Directors of the Company

7.1.1 Below are personal and professional details about the directors of the Company as of the date of the Prospectus:

Name of Director	Gillon Beck	Amos Malka	Eyal Nachum	Shlomi Sudari	HanochPapouchado	EsteryGiloz-Ran	Amir Widmann
Identity No.	057382780	051760007	057154304	027990308	031875081	02562154	023834351
Date of Birth	February 16, 1962	January 24, 1953	August 3, 1961	Dec. 25, 1970	October 7, 1974	March 7, 1974	July 28, 1968
Address	94 Yigal Alon Street, Tel Aviv	1 Shaul Hamelech Boulevard, Tel Aviv	2 HaIrit Street, Rehovot	38 Yordei Hasira Street, Petach Tikva	22 Rothschild Boulevard, Tel Aviv	1/803 Yafeh Nof Street, Givatayim	Ein Carmel
Citizenship	Israeli	Israeli	Israeli	Israeli	Israeli	Israeli	Israeli
Membership in Board of Directors' Committees	No	No	No	No	No	Not yet	No
External director or independent director	No	No	No	No	No	Candidate to serve as independent director	No
Whether s/he is an employee of the Company, a subsidiary, a related company or an interested party	Senior partner of FIMI Fund, of the controlling shareholder of the Company	Chairman of the Board of Directors of companies controlled by the FIMI Fund	Treasurer of the Israel Aerospace Industries	Manager of a space plant of the Israel Aerospace Industries	Vice President of Investments at Discount Capital Ltd.	No	No
Date on which s/he began to serve as a director	May 21, 2021 Served as director of ImageSat NV from December 27, 2017 until the date of the restructuring	May 21, 2021 Served as director of ImageSat NV from December 27, 2017 until the date of the restructuring	May 21, 2021 Served as director of ImageSat NV from May 19, 2019 until the date of the restructuring	May 21, 2021 Served as director of ImageSat NV from October 8, 2020 until the date of the restructuring	May 21, 2021 Served as director of ImageSat NV from July 15, 2020 until the date of the restructuring	March 17, 2021	January 16, 2022

Name of Director	Gillon Beck	Amos Malka	Eyal Nachum	Shlomi Sudari	HanochPapouchado	EsteryGiloz-Ran	Amir Widmann
Education	Academic, B.Sc. in Industrial Engineering and Management from the Technion – The Israel Institute of Technology, Haifa; MBA from Bar Ilan University	B.A. in Humanities from Tel Aviv University	B.A. in Economics from Tel Aviv University, MBA from the Open University	BSc in Space and Aeronautical Engineering from the Technion – The Israel Institute of Technology, Haifa; MESE in System Engineering from the Technion – The Israel Institute of Technology, Haifa	B.A. in Law and Economics from Tel Aviv University MBA from Wharton	Graduate of Postdoctoral Studies, School of Business, Department of Accounting, of NYU, New York Ph.D. in Accounting and Taxes from the Department of Finance at the School of Business of Ben Gurion University Licensed by the Israel CPA Council (2007)	BSc in engineering from the Technion – The Israel Institute of Technology, Haifa; MBA from the Technion – The Israel Institute of Technology, Haifa;
Business experience in the last five years	Senior partner of FIMI Fund	Chairman of TAT Technologies, Chairman of Aitech Systems, Chairman and shareholder of Spire Security Solutions and Chairman and controlling shareholder of Am-Dasc Ltd.	Deputy VP of Finance and Treasurer of Israel Aerospace Industries	2019 and onwards – Israel Aerospace Industries, manager of space plant 2015-2019 – Israel Aerospace Industries, Head of Missile Defense Administration	Partner in the Economic Department of the consulting firm Giza, Singer, Even Ltd. Partner in the field of mergers and acquisitions, TASC Consulting & Capital Vice President of Investments at Discount Capital Ltd.	Lecturer at Bar Ilan University, external director with financial expertise at several public companies in Israel and provides consulting services and gives expert opinions for court.	UCT Fluid Solutions division president; CEO at Ham-let (Israel- Canada) Ltd.
Corporations in which he serves as a director	Inrom (and subsidiaries), Sunstar Technologies, Unitronics, U-tron Orbit Technologies, Bird Aerosystems, Simplivia, Aitech Systems Ltd., Beit Shemesh Engines (and	TAT Technologies Ltd., Aitech Systems Ltd., Delek Motors Ltd., Spire Security Solutions Ltd. and Am-Dasc Ltd.	None	None	Ginegar Polythene and Plastic Sheeting Supplier Ltd., Gad Dairies Co. (Marketing – 1992) Ltd., Green Lantern Management (Decapital) Ltd., Marina Galil Group Ltd., Tomatech seeds	External director in Mizrahi Tefahot Bank, Yohananoff Ltd., Overseas Ltd., Nethanel Group Ltd., Aran R&D Ltd. and Orda Print Ltd. and independent director	None

Name of Director	Gillon Beck	Amos Malka	Eyal Nachum	Shlomi Sudari	HanochPapouchado	EsteryGiloz-Ran	Amir Widmann
	subsidiaries), Stern Engineering, RAFA Laboratories, Gal-Shvav, EMET Computing Ltd. and FIMI Funds				Ltd.	at Aminach (a private company).	
Is s/he a relative of another stakeholder in the Company?	No	No	No	No	No	No	No
A director with accounting and financial expertise	Yes	No	Yes	No	Yes	Yes	Yes
A director with professional qualifications	Yes	Yes	Yes	Yes	Yes	Yes	Yes
A director deemed by the Company to have accounting and financial expertise for the purpose of compliance with the minimum number as determined by the Board of Directors pursuant to Section 92(a)(12) of the Companies Law	Yes	No	Yes	No	No	Yes	Yes

7.2 Directors with accounting and financial expertise

As part of the approval of this Prospectus, the Company's Board has determined that the minimum number of directors who have accounting and financial expertise will be two (2) directors. In this determination, the Board of Directors of the Company has taken into consideration the nature of the accounting issues and the auditing issues that arise in the preparation of the Company's financial statements in light of the Company's area of activities and the nature of the Company, and it also took into account the composition

of the Company's Board of Directors, in its entirety, which includes people with professional, managerial and business experience, which allows them to deal with the tasks entailed in managing the Company, including the reporting tasks.

7.3 Senior officers of the Company

7.3.1 Below are personal and professional details about senior officers of the Group, who do not also serve as directors of the Company:

Name of the Senior Officer	Noam Segel	Noam Zafrir	Kfir Aviv	Doron Shterman	Shahar Itamar	Tal Yavin Lustiger	Barak Solomin	Niv Agiv	Orit Akler	Natalie Fridman	Gershon Melnik
Identity No.	023657554	052928728	032825291	029978186	023851793	021776000	031166168	301733200	023513328	307497578	027752518
Date of Office	Dec. 16, 2014	May 1, 2001	Feb. 15, 2013	Jan. 1, 2018	June 1, 2018	June 21, 2018	June 1, 2018	Aug. 11, 2019	July 1, 2016	Sept. 1, 2015	Jan 9, 2022
Date of Birth	July 2, 1968	Nov. 11, 1954	Nov. 6, 1978	Mar. 30, 1986	Aug. 18, 1968	June 27, 1983	Feb. 12, 1980	Oct. 27, 1988	Dec. 3, 1967	May 10, 1980	April 17, 1970
His/her position at the Company, at the Company's subsidiary or at a stakeholder	CEO, Director of ImageSat NV1	EVP	CFO, Director of ImageSat NV1	CTO	CPO	VP Corporate Operations	CMO	Comptroller	VP Ground Segment	SVP R&D	Deputy CO
Is s/he a stakeholder in the Company or is s/he a relative of another stakeholder in the Company or a senior officer?	No	No	No	No	No	No	No	No	No	No	No

[1] Note for the Draft, only commencing from the date of the completion of the restructuring.

Name of the Senior Officer	Noam Segel	Noam Zafrir	Kfir Aviv	Doron Shterman	Shahar Itamar	Tal Yavin Lustiger	Barak Solomin	Niv Agiv	Orit Akler	Natalie Fridman	Gershon Melnik
Education	BA in History, BA in General Studies, MA in Public Policy from Tel Aviv University	BA in Economics from Beer Sheva University	BA in Accounting and Economics from the Open University MBA (Majored in Finance) from the Open University Licensed CPA (from 2010)	B.Sc in Electrical Engineering from the Technion – Israel Institute of Technology, Haifa;. B.Sc in Physics, from the Technion– Israel Institute of Technology, Haifa;. M.Sc. in Electrical Engineering from the Technion– Israel Institute of Technology, Haifa;;Majored in Space, International Space University (ISU); Doctorant in Electrical Engineering, Technion– Israel Institute of Technology, Haifa	BA in Political Science and National Security, from the University of Haifa and MCMPA from Kennedy School Harvard University USA	BA in Business Administ-ration LLB from the Herzliya Interdiscip-linary Center Licensed Attorney (from 2010)	BA in Business Administ-ration from the Ruppin Academic Center	BA in Business Administ-ration from the Ono Academic College Licensed CPA	B.Sc in Geodetic Engineering (Remote Sensing Track), Technion – Israel Institute of Technology, Haifa; Systems Engineering, Combined Track, Administration for the Development of Weapons and Technological Infrastructure. Technion. Licensed Surveyor.	Ph.D. student in Computer Science at Bar Ilan University	Aeronautical engineer from the Technion – Israel Institute of Technology, Haifa; BA in Physics from the Open University
Business experience in the last five years	CEO	VP of Marketing from May 2001 In the last five years, also served as Deputy CEO	CFO External director of Proteologics until November 2016 (after two years in the position).	Chief Systems Engineer, VP of Engineering	COO CEO of startup company, MOBILEX (2017-2018) Head of Division at Prime Minister's	ISI	ISI	Assistant Comptroller and Comptroller at Allot Ltd.	CPO Senior Advisor at the Administration for the Development of Weapons and Technol-ogical	Manager of the development team	Engineering Director at Elbit Systems

Name of the Senior Officer	Noam Segel	Noam Zafrir	Kfir Aviv	Doron Shterman	Shahar Itamar	Tal Yavin Lustiger	Barak Solomin	Niv Agiv	Orit Akler	Natalie Fridman	Gershon Melnik
					Office (2016)				Infrastructure (Commencing from 2003)		
Is s/he an independent authorized signatory[2]	No	No	No	No	No	No	No	No	No	No	No

[2] A person who is authorized to incur liabilities for the corporation or to incur liabilities for a corporation that is controlled by the corporation, and also a person who is authorized at a controlled corporation to incur liabilities for the controlled corporation, in respect of an amount that exceeds five percent of the total assets in the corporation's balance sheet, pursuant to its most recent audited financial statements (two or more authorized signatories who are relatives will be deemed to be one authorized signatory).

7.4 It should be noted that once the Company has become a public company, and shortly after the offering, the Board of Directors will appoint an internal auditor, in accordance with the Fourth Chapter of the Fourth Part of the Companies Law.

7.5 **Provisions from the Company's Articles that pertain to directors**

Below is a concise description of the provisions of the Articles that pertain to directors. It includes, *inter alia*, the provisions with respect to the minimum and maximum number of directors, the methods of appointing or electing them, the length of their term in office, their deputies, the termination of their office, their fees and the appointment of Board of Directors' committees and the powers that can be vested therein. After the Company has become a public company, it will be possible to examine the full text of the provisions of the articles on the Magna website of the Israel Securities Authority (http://www.magna.isa.gov.il).[3] The concise description, as set forth above, does not constitute a substitute for examining the full text of the Articles.

It is clarified that the provisions set forth below from the Articles are subject to the provisions of the Sixth Part of the Companies Law, and to any other law.

7.6 **Below are provisions from the Company's Articles with respect to the number of directors, the method of appointing the directors, their term in office and their fee:**

7.6.1 The number of members of the Company's Board of Directors, which is duly elected in accordance with the provisions of the Articles (hereinafter: the "**Board of Directors**"), will be determined from time to time by the general meeting, by a majority of the votes of the shareholders participating in the vote, but no less than five (5), of whom at least two (2) will be outside directors, as stated in the Companies Law, 5759-1999, as amended or as will be amended from time to time, and also in the Regulations that were enacted or will be enacted by virtue thereof (hereinafter, in this section: the "**Companies Law**"), and it will not exceed twelve (12).

7.6.2 Except in the event as set forth in Section 7.6.6 below, directors of the Company will be elected by way of a resolution passed by the general meeting, the annual meeting or a special meeting, by a majority of the votes of the shareholders participating in the vote, in person or by proxy or, subject to the provisions of the Companies Law, through a voting form.

7.6.3 A director's term in office will commence on the date of his appointment by the meeting, as aforesaid; however, the meeting can determine a date of appointment that is later than the date of the said meeting. The duration of each director's term in office, with the exception of the external directors, will be until the end of the first annual meeting that will be held after the date of the election, or until he ceases to serve in his

[3] The provisions of the Articles are the provisions that will come into effect immediately upon the completion of the offering pursuant to this Prospectus.

position, pursuant to the provisions of the Articles, whichever is the earlier of the said dates. Notwithstanding the foregoing, should directors not be elected at the general meeting, as aforesaid, in the minimum number as stated in Section 7.6.1 above, the directors who were elected at the previous general meeting will continue to serve in office.

7.6.4 A director who has ceased to serve in his position can be re-appointed.

7.6.5 In addition to the provisions of any law, the office of a director will be automatically vacated in any of the following cases:

7.6.5.1 If he resigned from his office by way of a letter, signed by him, that was submitted to the Company, as set forth in Section 229 of the Companies Law, or if he was dismissed, as set forth in Sections 230-231 of the Companies Law;

7.6.5.2 If he went bankrupt or reached an arrangement with his creditors, in the course of bankruptcy proceedings;

7.6.5.3 Upon his death and, in the event of a corporation – upon the liquidation thereof;

7.6.5.4 Pursuant to a court's decision, as set forth in Section 233 of the Companies Law;

7.6.5.5 If he was convicted of an offense, as set forth in Section 232 of the Companies Law;

7.6.5.6 If another competent legal authority prohibited him from serving as a director and pursuant to the determination of the said authority;

7.6.5.7 If he became legally incapacitated.

7.6.6 The Board of Directors is entitled, from time to time, to appoint an additional director or additional directors to the Company, whether in order to fill the position of a director that has been vacated or for any other reason whatsoever, provided that the total number of the directors does not exceed the maximum number that is stated in Section 7.6.1 above. A director so appointed will serve until the end of the first general meeting after the date of the said election. The Board of Directors or the general meeting will be entitled to terminate the term in office of a director so appointed.

7.6.7 In the event that the number of directors drops below that stated in Section 7.6.1 above, the remaining directors will act in order to convene a general meeting of the Company or a meeting of the Board of Directors for the purpose of appointing an additional director or additional directors up to the minimum that is required, or to perform urgent actions that are required to protect the Company's interests.

7.6.8 The terms and conditions of the office and the fees of the directors will be approved by the appropriate organs and in accordance with the required proceedings, all as set forth in the Companies Law and including, in the relevant cases, in accordance with the Companies Regulations (Rules Regarding Compensation and Expenses for External Directors) 5760-2000, or any regulations that will replace them.

7.7 Below are provisions from the Company's Articles with respect to alternate directors:

7.7.1 A director is entitled, at any time, to appoint a person to serve as his deputy director on the Board of Directors, provided that the identity of the deputy was approved, in advance, by the Chairman of the Board of Directors (hereinafter: the **"Alternate Director"**). As long as the appointment of the Alternate Director remains in effect, he will be entitled to receive invitations to any meeting of the Board of Directors (without the appointing director's right to receive invitations being negated) and to participate in and to vote at any meeting of the Board of Directors from which the appointing director is absent.

7.7.2 The Alternate Director will have, subject to the provisions of the instrument of appointment pursuant to which he was appointed, all of the powers that are vested in the director for whom he serves as a deputy, and he will be deemed to be a director.

7.7.3 For the avoidance of doubt, it is hereby clarified that the appointment of an Alternate Director will not negate the liability of the director for whom he is an Alternate Director, and said liability will apply while taking into consideration the circumstances of the matter, including the circumstances of the appointment of the Alternate Director and the length of his term in office.

7.7.4 A director who has appointed an Alternate Director (hereinafter: the **"Appointing Director"**) will be entitled, at any time, to cancel the appointment. The office of an Alternate Director will be terminated if the Appointing Director gave notice to the Company, in writing, including by fax, by email or in any other manner as will be determined by the chairman of the Board of Directors (hereinafter: **"In Writing"**), of the resignation of the Appointing Director or if the term in office of the Appointing Director has been terminated in any other manner.

7.7.5 Any appointment of an Alternate Director and cancellation of his appointment will be performed by giving notice, In Writing, to the Company.

7.8 Below are provisions from the Company's Articles with respect to the acts of the Board of Directors, the chairman of the Board of Directors and the meetings of the Board of Directors:

7.8.1 The Board of Directors will convene a meeting from time to time for the purpose of managing the Company's business, at least once every three months.

7.8.2 In addition to the foregoing in Section 7.8.1 above, any director can call a meeting of the Board of Directors at any time, and a meeting of the Board of Directors can also be convened pursuant to the CEO's notice, as stated in Section 122 of the Companies Law or an auditor's notice, as stated in Section 169 of the Companies Law.

7.8.3 Any notice of a meeting of the Board of Directors can be given orally, by phone, In Writing (including by fax or by email), or by telegram, provided that the notice is given a reasonable period of time prior to the time scheduled for the meeting, unless all of the members of the Board of Directors or their deputies (if any) had agreed on a shorter period of time or on the convening of a meeting without notice. The notice will be delivered to a director and/or to the Alternate Director, as the case may be, pursuant to the details that were provided by any of them, in advance, to the Company.

7.8.4 Until otherwise decided by the Board of Directors, and subject to what is stated in the Companies Law, a majority of the members of the Board of Directors who are serving in office at that time and who are not subject to any impediment pursuant to any law to their participation in and voting at the meeting of the Board of Directors will constitute a quorum at the meetings of the Board of Directors.

7.8.5 The resolutions of the Board of Directors will be passed by a majority of the votes of the directors who are participating in the vote.

7.8.6 The Board of Directors is entitled to pass resolutions, even without actually convening, provided that all of the directors who are entitled to participate in the discussion and to vote on the matter that was put to the vote had agreed, In Writing, not to convene for a discussion of the said matter, and the provisions of Section 103 of the Companies Law will apply.

7.8.7 The Board of Directors of the Company will elect one of its members to serve as the chairman of the Board of Directors, and he will serve in this position until otherwise decided by the Board of Directors. The chairman of the Board of Directors will preside over every meeting of the Board of Directors. Should the chairman of the Board of Directors not be present after fifteen (15) minutes have elapsed from the time scheduled for the meeting, or should he not wish to preside over the meeting, and should no other director have been appointed by him to serve as the chairman of that meeting, the members of the Board of Directors who are present at the meeting will elect one of their number to serve as the chairman, to conduct the meeting and to sign the minutes of the meeting.

7.8.8 A resolution signed by all of the directors (or their Alternate Directors) who are entitled to participate in the discussion and to vote on the matter that was put to the vote, or a resolution that has been agreed upon, In Writing, by the directors (or their Alternate Directors) who are entitled to participate in the discussion and to vote on the

matter that was put to the vote, will have the same validity, for all intents and purposes, as if it had been passed at a meeting of the Board of Directors that was duly convened.

7.9 Below are provisions from the Company's Articles with respect to the powers of the Board of Directors and its duties:

7.9.1 The Board of Directors will outline the Company's policy and/or supervise the performance of the general manager's duties and his actions and, *inter alia*, it will perform the duties that are imposed upon it in the Companies Law.

7.9.2 The powers of the Board of Directors are as set forth in the Companies Law. The Board of Directors is entitled to take the powers that are conferred on the general manager pursuant to a resolution of the Board of Directors, for a particular matter or for a particular period of time.

7.9.3 The signatory rights on behalf of the Company will be determined by the Board of Directors.

7.10 Below are provisions from the Company's Articles with respect to the appointment of the Board of Directors' committees and the powers that can be vested therein:

7.10.1 The Board of Directors is entitled to set up committees and to appoint members thereto from among the members of the Board of Directors. Subject to the provisions of the Companies Law, the Board of Directors is entitled to delegate its powers or part thereof to such committees, and it can from time to time cancel such powers.

7.10.2 The duties of any committee, its powers and its working methods will be as set forth in the Companies Law, and in addition, any committee will be able to perform any additional duty that will be set forth in the Companies Law or in the Regulations.

7.10.3 A Board of Directors committee will report its decisions or its recommendations to the Board of Directors, on a regular basis, in accordance with the Board of Directors' determination.

7.11 Below are provisions from the Company's Articles with respect to the release, indemnity and liability of officers and directors:

7.11.1 The Company is entitled, by way of a resolution passed in such a manner as set forth in the Companies Law, to release, in advance, an officer of the Company from his liability, in whole or in part, in respect of any damage following a breach of his duty of care to the Company. Notwithstanding the foregoing, the Company is not entitled to release, in advance, a director from his liability following a breach of his duty of care in a distribution.

7.11.2 Subject to the provisions of the Companies Law, the Company is entitled to engage in a contract to insure the liability of an officer of the Company in respect of liability that will be imposed on him following an act that he performed in his capacity as an officer

of the Company, in any event or action in respect of which it is permitted to insure his liability pursuant to the Companies Law and pursuant to any law, and, *inter alia*, in the following events:

7.11.2.1 A breach of the duty of care to the Company or to any other person;

7.11.2.2 A breach of the fiduciary duty to the Company, provided that the officer acted in good faith, and that he had reasonable grounds to assume that the act would not be detrimental to the Company's best interests;

7.11.2.3 A financial liability that will be imposed upon him in favor of another person;

7.11.2.4 Payment to a party injured by a breach as stated in Section 52bbb(a)(1)(a) of the Securities Law, 5728-1968, as amended or as will be amended from time to time, and also in the Regulations that were enacted or will be enacted by virtue thereof (hereinafter, in this section: the **"Securities Law"**);

7.11.2.5 Expenses that were incurred by an officer or with which an officer was charged in connection with an administrative enforcement proceeding that was conducted in his regard, including reasonable litigation expenses, and including attorneys' fees;

7.11.2.6 Any liability or other expense in respect of which it is permitted and/or it will be permitted to insure the liability of an officer pursuant to any law, as will be amended from time to time.

For the purpose of Section 7.11.2.5 above, an **"Administrative Enforcement Proceeding"** means a proceeding pursuant to Chapters H3 (imposition of a financial sanction by the Israel Securities Authority), H4 (imposition of administrative means of enforcement by the Administrative Enforcement Committee) and/or I1 (an arrangement to prevent initiation of proceedings or for the termination of proceedings, which is contingent upon terms and conditions) of the Securities Law, and/or a proceeding pursuant to Article D of the Fourth Chapter of the Ninth Part of the Companies Law, as will be amended from time to time and/or any other proceeding that is similar to the aforesaid proceedings, subject to the law.

7.11.3 Subject to the provisions of the Companies Law, the Company is entitled, by way of a resolution passed in such a manner as set forth in the Companies Law, to indemnify an officer of the Company in respect of any liability or expense as set forth below, which was imposed upon him or which he incurred following an action that he carried out in his capacity as an officer of the Company, in respect of any event or action in respect of which it is permitted to insure his liability pursuant to the Companies Law and pursuant to any law, and, *inter alia*, in the following cases:

7.11.3.1 A financial liability that was imposed on him in favor of another person/entity pursuant to a judgment, including a judgment rendered in a settlement or an arbitral award that was certified by a court;

7.11.3.2 Reasonable litigation expenses, including attorneys' fees paid by an officer following an investigation or proceeding conducted against him by an authority authorized to conduct such investigation or proceeding, and which ended without the filing of an indictment against him and without any financial liability being imposed on him in lieu of criminal proceedings, or which ended without the filing of an indictment against him but with the imposition of a financial liability in lieu of criminal proceedings for an offense which does not require proof of *mens rea* or in connection with a financial sanction;

In this paragraph –

(1) "the end of a proceeding without the filing of an indictment in a matter in which a criminal investigation was opened" – means the closing of the file pursuant to Section 62 of the Criminal Procedure Law [Consolidated Version] 5742-1982, in this subsection – the "Criminal Procedure Law," or a stay of proceedings by the attorney general pursuant to Section 231 of the Criminal Procedure Law.

(2) "financial liability in lieu of criminal proceedings" – a financial liability that is imposed by law in lieu of criminal proceedings, including an administrative penalty pursuant to the Administrative Offenses Law, 5746-1985, a penalty for an offense determined as a penalty offense pursuant to the provisions of the Criminal Procedure Law, a financial sanction or a fine.

7.11.3.3 Reasonable litigation expenses, including attorneys' fees paid by the officer or which he was required to pay by a court, in a proceeding that was filed against him by the Company or on its behalf or by another person, or in criminal charges from which he was acquitted, or in criminal charges in which he was convicted of an offense which does not require proof of *mens rea*.

7.11.3.4 Payment to a party injured by a breach as stated in Section 52bbb(a)(1)(a) of the Securities Law.

7.11.3.5 Expenses that were incurred by an officer or with which an officer was charged in connection with an administrative enforcement proceeding that was conducted in his regard, including reasonable litigation expenses, and including attorneys' fees.

7.11.3.6 Any liability or other expense in respect of which it is permitted and/or it will be permitted to indemnify the liability of an officer pursuant to any law, as will be amended from time to time.

7.11.4 The Company is entitled to make an undertaking in advance to indemnify an officer of the Company, provided that the advance indemnity undertaking, as aforesaid, will be limited to such amount or criterion as the Board of Directors determined to be reasonable under the circumstances of the matter, and when the indemnity undertaking will specify the events which, in the opinion of the Board of Directors, are foreseeable in light of the Company's actual operations at the time of the making of the undertaking, and also the amount or criterion as the Board of Directors determined to be reasonable under the circumstances of the matter.

7.11.5 The Company is also entitled to indemnify an officer of the Company retroactively.

7.11.6 This Section 7.11 will not apply in respect of one or more of the following events:

7.11.6.1 A breach of the fiduciary duty, except in the matter of indemnity and insurance in respect of a breach of the fiduciary duty under the circumstances as set forth in Section 7.11.2.2 above;

7.11.6.2 A breach of the duty of care that was committed deliberately or rashly, unless it was committed by way of negligence only;

7.11.6.3 An act with the intention of producing a personal profit, unlawfully;

7.11.6.4 A penalty, a civil penalty, a financial sanction or a fine that was imposed upon it;

7.11.6.5 An administrative enforcement proceeding, except with respect to expenses, as described in Sections 7.11.2.4 and 7.11.2.5 and in Sections 7.11.3.4 and 7.11.3.5.

7.11.7 It should be clarified that in this Chapter, an undertaking with respect to indemnity and insurance, as aforesaid, to an officer can remain in effect even after the officer has ceased to serve at the Company.

7.11.8 The Company is entitled to engage in a contract with respect to the release, indemnity and insurance of officers of companies under its control, related companies or other companies in which it has any interest whatsoever, to the maximum extent as permitted by any law, and in this regard, the aforesaid provisions with respect to the release, indemnity and insurance of officers of the Company will apply, *mutatis mutandis*.

7.11.9 The aforesaid provisions with respect to release, indemnity and insurance are not intended to restrict the Company in any manner whatsoever in its engagement in a contract with respect to the release, insurance or indemnity of officers of other companies, including related companies, and of any people who are not officers of the

Company, including employees, contractors or consultants, and all subject to the provisions of any law.

7.12 Additional Details

7.12.1 The attorneys of the offering

Naschitz, Brandes, Amir & Co., Law Offices – of 5 Tuval Street, Tel Aviv, 6789717.

7.12.2 The Company's auditors

Kost Forer Gabbay & Kasierer (EY) – of 144A Menachem Begin Street, Tel Aviv 6492102.

7.12.3 The Company's registered address

6 Yehonatan Netanyahu Street, Or Yehuda, 6037604.

Chapter 8: Related Parties and Senior Officers of the Company

8.1 Compensation for Related Parties and senior officers of the Company

8.1.1 Below are the details of all of the compensation that ImageSat International (I.S.I.) Ltd. (hereinafter: the "Company") paid and/or undertook to pay to each of the five recipients of the highest compensation among the senior officers of the Company, in thousands of dollars, for the two years that preceded the date of the Prospectus.

8.1.2 For the nine months ended on September 30, 2021 (in thousands of dollars[1]):

Details of recipients of compensation				Payment for services								Other payments		Total
Name	Position	Scope of position	% of holdings in the Company's capital	Salary	Bonus	Share-based payment	Management fees	Consulting fees	Commission	Other	Interest	Rent	Other (*)	
Noam Segal	CEO	100%	0%	267	-	179	-	-	-	-	-	-	19	465
Noam Zafrir	Deputy CEO and Marketing Director	100%	0%	216	-	1	-	-	-	-	-	-	14	231
Doron Shterman	CTO	100%	0%	167	-	23	-	-	-	-	-	-	11	201
Natalie Fridman	VP R&D	100%	0%	163	-	23	-	-	-	-	-	-	11	197
Kfir Aviv	CFO	100%	0%	196	-	40	-	-	-	-	-	-	30	266

8.1.3 For the financial year ended December 31, 2020 (in thousands of dollars[2]):

Details of recipients of compensation				Payment for services								Other payments		Total
Name	Position	Scope of position	% of holdings in the Company's capital	Salary	Bonus	Share-based payment	Management fees	Consulting fees	Commission	Other	Interest	Rent	Other (*)	
Noam Segal	CEO	100%	0%	343	109(1)	138	-	-	-	-	-	-	24	614
Noam Zafrir	Deputy CEO and Marketing Director	100%	0%	258	-	3	-	-	-	-	-	-	17	278
Doron Shterman	CTO	100%	0%	202	36	22	-	-	-	-	-	-	14	274
Natalie Fridman	VP R&D	100%	0%	207	37	22	-	-	-	-	-	-	14	280
Kfir Aviv	CFO	100%	0%	220	138(2)	43	-	-	-	-	-	-	39	440

[1] The exchange rate (shekel to dollar) was calculated in accordance with the exchange rate that was prevailing on the date of payment.
[2] See footnote 1 above.

8.1.4 For the year ended December 31, 2019 (in thousands of dollars[3]):

Details of recipients of compensation				Payment for services								Other payments		Total
Name	Position	Scope of position	% of holdings in the Company's capital	Salary	Bonus	Share-based payment	Management fees	Consulting fees	Commission	Other	Interest	Rent	Other (*)	
Noam Segal	CEO	100%	0%	281	166	93	-	-	-	-	-	-	23	563
Noam Zafrir	Deputy CEO and Marketing Director	100%	0%	267	44	7	-	-	-	-	-	-	18	336
Doron Shterman	CTO	100%	0%	197	27	19	-	-	-	-	-	-	14	257
Natalie Fridman	VP R&D	100%	0%	189	27	19	-	-	-	-	-	-	13	248
Kfir Aviv	CFO	100%	0%	179	90(2)	46	-	-	-	-	-	-	37	352

Additional details regarding the above tables:

(*) This payment includes expenses for vehicle maintenance or reimbursement of travel costs, as is relevant.

(1) The bonus includes a Special Bonus (as this term is defined below) in 2019, in the amount of $43,000.

(2) The bonus includes a Special Bonus in 2020 and 2019, in the amount of $83,000 and $52,000, respectively.

8.1.5 Principal details of the agreements with officers and principals of the Company, as set forth in the tables above:

8.1.5.1 Mr. Noam Segal serves as the CEO of the Company and the subsidiaries in the Group, and serves as a director of the Company's subsidiaries. In accordance with his employment agreement, Mr. Segal is entitled to a gross monthly salary in the amount of NIS 80,000. Mr. Segal is entitled to vacation pay and 30 days of sick leave, 24 days of annual leave which can be accumulated (as is customary in the Company). In addition, the agreement includes social benefits as is customary, including an allocation of 7.5% to an in-service training fund, entitlement to a car, or, alternatively, the receipt of the car expenses, as stated, according to the employee's choice. The agreement further includes additional benefits, as is customary for members of the Group's management, including:(a) reimbursement of expenses that will be expended by him in the framework of and in connection with his

[3] See footnote 1 above.

position, and (b) a non-substantial payment for clothing and professional literature, including the grossing-up of those expenses, all in accordance with that which is customary to the Company's ordinary course of business. In his employment agreement, Mr. Segal assumed undertakings with respect to confidentiality, non-competition and a prohibition against soliciting. Mr. Segal's employment is for a period of one year, which is automatically renewed each year, unless either of the parties gives the other party advance notice, 6 months before the end of the period, subject to the terms of the employment agreement. In addition, pursuant to the Company's executive compensation program, Mr. Segal is entitled to an annual bonus that will be determined (if a bonus is determined each year) by the Company's board of directors, on the basis of compliance with measurable objectives (objectives with respect to compliance with the budget at a rate of up to 70% of the bonus, and with personal objectives at a rate of up to 30%), whereby the amount of the annual bonus will be between four and seven monthly salaries. According to that program, as of today, the objectives with respect to compliance with the budget are defined as profitability objectives and sales objectives, which are measured relative to the Company's compliance with the budget that was approved for that year by the Company's board of directors. According to the Company's position, the use of these objectives was decided on, *inter alia*, with a view to challenging the Company's performance and, in this way, creating an appropriate incentive for the attainment of the objectives. In addition, without derogating from the annual bonus, the Company's board of directors will have the discretion to determine a special bonus, if and as it sees fit, on the basis of objectives to be determined in advance at the beginning of the year and/or at its discretion (hereinafter: **"Special Bonus"**) and/or the addition of a component, at its discretion, to the annual bonus, whereby, if the Company's board of directors decides to grant such bonuses, then the amount of the Special Bonus and the discretionary component of the annual bonus, taken together, will not exceed the maximum possible bonus according to the provisions of law (which, as of the date of the Prospectus, is three monthly salaries in terms of cost).[4] In an options program issued by the Company in 2018, Mr. Segal was given options for the purchase of 138,681 ordinary shares in the Company, at exercise prices of $37.49 and $18.28 per share (without taking into account the changes in capital and the adjustments required for the exercise prices, as set forth in Section 3.2 of Chapter 3 of the Prospectus). For additional details, see Section 3.5 of Chapter 3 of the Prospectus. For details regarding an additional allocation of options subject to the

[4] Other than with the approval of a general meeting, pursuant to Section 272 (c1) of the Companies Law, 5759-1999.

completion of the offering, see Section 8.1.5.8 below. Proximate to the completion of the offer pursuant to this Prospectus, 350,000 options to purchase 350,000 ordinary shares of the Company at an exercise price of [-] per share will be allotted to Mr. Segal. For additional details, see Section 3.5 of Chapter 3 of the Prospectus.

8.1.5.2 Mr. Noam Zafrir served as the Deputy CEO and Marketing Director of the Company and as of the date of this Prospectus serves as the Deputy CEO. In accordance with his employment agreement, Mr. Zafrir is entitled to a gross monthly salary in the amount of NIS 60,000. Mr. Zafrir is entitled to vacation pay and sick leave as is customary for members of the Group's, 22 days of annual leave, which can be accumulated (as is customary in the Company), social benefits, including an allocation of 7.5% to an in-service training fund, a company car, additional benefits as is customary for members of the Group's management, including reimbursement of expenses that will be expended by him in the framework of and in connection with his position – all in accordance with that which is customary in the Company's ordinary course of business. In his employment agreement, Mr. Zafrir assumed undertakings with respect to confidentiality, non-competition and a prohibition against soliciting. Mr. Zafrir's employment is for an indeterminate period; each of the parties is entitled to terminate the employment, in accordance with an advance notice period of 60 days. In addition, pursuant to the Company's executive compensation program, Mr. Zafrir is entitled to an annual bonus that will be determined (if a bonus is determined each year) by the Company's board of directors, on the basis of compliance with objectives, which will vary between one and three monthly salaries. In an options program issued by the Company in 2018, Mr. Zafrir was given options for the purchase of 5,966 ordinary shares in the Company, at an exercise price of $18.28 per share (without taking into account the changes in capital and the adjustments required for the exercise prices, as set forth in Section 3.2 of Chapter 3 of the Prospectus). For additional details, see Section 3.5 of Chapter 3 of the Prospectus. Proximate to the completion of the offer pursuant to this Prospectus, 70,000 options to purchase 70,000 ordinary shares of the Company at an exercise price of [-] per share will be allotted to Mr. Zafrir. For additional details, see Section 3.5 of Chapter 3 of the Prospectus.

8.1.5.3 Mr. Doron Shterman serves as the CTO of the Company. In accordance with his employment agreement, Mr. Shterman is entitled to a gross monthly salary in the amount of NIS 44,000. Mr. Shterman is entitled to vacation pay and sick leave as is customary for members of the Group's, 18 days of

annual leave, which can be accumulated (as is customary in the Company), social benefits, including an allocation of 7.5% to an in-service training fund, travel expenses and additional benefits as is customary for members of the Group's management, including reimbursement of expenses that will be expended by him in the framework of and in connection with his position – all in accordance with that which is customary in the Company's ordinary course of business. In his employment agreement, Mr. Shterman assumed undertakings with respect to confidentiality, non-competition and a prohibition against soliciting. Mr. Shterman's employment is for an indeterminate period; each of the parties is entitled to terminate the employment, in accordance with an advance notice period of 30 days. In addition, pursuant to the Company's executive compensation program, Mr. Shterman is entitled to an annual bonus that will be determined (if a bonus is determined each year) by the Company's board of directors, on the basis of compliance with objectives, which will vary between one and three monthly salaries. In an options program issued by the Company in 2018, Mr. Shterman was given options for the purchase of 24,793 ordinary shares in the Company, at exercise prices of $37.49 and $18.28 per share (without taking into account the changes in capital and the adjustments required for the exercise prices, as set forth in Section 3.2 of Chapter 3 of the Prospectus). For additional details, see Section 3.5 of Chapter 3 of the Prospectus. Proximate to the completion of the offer pursuant to this Prospectus, 70,000 options to purchase 70,000 ordinary shares of the Company at an exercise price of [-] per share will be allotted to Mr. Shterman. For additional details, see Section 3.5 of Chapter 3 of the Prospectus.

8.1.5.4 Ms. Natalie Fridman serves as the VP R&D of the Company. In accordance with her employment agreement, Ms. Fridman is entitled to a gross monthly salary in the amount of NIS 44,000. Ms. Fridman is entitled to vacation pay and sick leave as is customary for members of the Group's management, 22 days of annual leave, which can be accumulated (as is customary in the Company), social benefits, including an allocation of 7.5% to an in-service training fund, travel expenses, additional benefits as is customary for members of the Group's management, including reimbursement of expenses that will be expended by her in the framework of and in connection with her position – all in accordance with that which is customary in the Company's ordinary course of business. In her employment agreement, Ms. Fridman assumed undertakings with respect to confidentiality, non-competition and a prohibition against soliciting. Ms. Fridman's employment is for an indeterminate period; each of the parties is entitled to terminate the

employment, in accordance with an advance notice period of 60 days. In addition, pursuant to the Company's executive compensation program, Ms. Fridman is entitled to an annual bonus that will be determined (if a bonus is determined each year) by the Company's board of directors, on the basis of compliance with objectives, which will vary between one and three monthly salaries. In an options program issued by the Company in 2018, Ms. Fridman was given options for the purchase of 24,793 ordinary shares in the Company, at exercise prices of $37.49 and $18.28 per share (without taking into account the changes in capital and the adjustments required for the exercise prices, as set forth in Section 3.2 of Chapter 3 of the Prospectus). For additional details, see Section 3.5 of Chapter 3 of the Prospectus. Proximate to the completion of the offer pursuant to this Prospectus, 70,000 options to purchase 70,000 ordinary shares of the Company at an exercise price of [-] per share will be allotted to Ms. Fridman. For additional details, see Section 3.5 of Chapter 3 of the Prospectus.

8.1.5.5 Mr. Kfir Aviv serves as the CFO of the Company and as a director of a subsidiary of the Company. In accordance with his employment agreement, Mr. Aviv is entitled to a gross monthly salary in the amount of NIS 49,000. Mr. Aviv is entitled to vacation pay and sick leave as is customary for members of the Group's, 22 days of annual leave, which can be accumulated (as is customary in the Company), social benefits, including an allocation of 7.5% to an in-service training fund, reimbursement of car expenses in the amount of NIS 5,500 (fully grossed-up), and additional benefits as is customary for members of the Group's management, including reimbursement of expenses that will be expended by him in the framework of and in connection with his position – all in accordance with that which is customary in the Company's ordinary course of business. In his employment agreement, Mr. Aviv assumed undertakings with respect to confidentiality, non-competition and a prohibition against soliciting. Mr. Aviv's employment is for an indeterminate period; each of the parties is entitled to terminate the employment, in accordance with an advance notice period of 60 days. In addition, pursuant to the Company's executive compensation program, Mr. Aviv is entitled to an annual bonus that will be determined (if a bonus is determined each year) by the Company's board of directors, on the basis of compliance with objectives, which will vary between two to four monthly salaries. In an options program issued by the Company in 2018, Mr. Aviv was given options for the purchase of 54,082 ordinary shares in the Company, at exercise prices of $37.49 and $18.28 per share (without taking into account the changes in capital and the adjustments required for the exercise prices, as set forth in Section 3.2 of Chapter 3 of the Prospectus).

For additional details, see Section 3.5 of Chapter 3 of the Prospectus. Proximate to the completion of the offer pursuant to this Prospectus, 70,000 options to purchase 70,000 ordinary shares of the Company at an exercise price of [-] per share will be allotted to , Mr. Aviv. For additional details, see Section 3.5 of Chapter 3 of the Prospectus.

8.1.5.6 It should be noted that the five officers are entitled to officers' liability insurance, an indemnification document and exemption, at uniform terms for the Company's officers. For additional details, see Section 8.4 below.

8.1.5.7 Subject to the completion of the offering pursuant to this Prospectus, the Company intends to grant one-time bonuses to employees and officers in connection with the offering, in a cumulative amount of approximately $ 1.274 million Of this amount, Mr. Segal (CEO) will be entitled to an amount of approximately $150 thousand; Mr. Zafrir (Deputy CEO and Marketing Director) will be entitled to an amount of approximately $18.75 thousand, Mr. Shterman (CTO) will be entitled to an amount of approximately $13.75 thousand, Ms. Fridman (VP R&D) will be entitled to an amount of approximately $13.75 thousand, Mr. Aviv (CFO) will be entitled to an amount of approximately $187.5 thousand, the officers under the CEO will be entitled to one-time bonuses of up to two salaries, in a total amount of approximately $ 101.5 thousand[5] and the balance of one-time bonuses will be granted to non-office employees.

8.1.5.8 In the month of January 2022, the Company confirmed that, subject to the completion of the offering, an allocation of 1,500,000 options will be performed, in accordance with the Company's options program, according to the following distribution: (a) 350,000 Options to the Chief Executive Officer of the Company; (b) 510,000 Options to 8 officers (subjected to the Chief Executive Officer of the Company); and (c) 640,000 Options to 27 employees which are not officers of the Company. For additional details, see Section 3.5 of Chapter 3 of the Prospectus.

8.2 Compensation that the Company paid and/or undertook to pay to related parties of the Company and that is not described above:

8.2.1 Starting on January 1, 2018, the Company pays management fees to the FIMI Partnership[6] in the amount of $180,000 per year, for services of the Chair of the board of directors. The Company's agreement with the FIMI Partnership for the receipt of active Chair services is for a period of five years from the date of completion of the

[5].The one-time bonuses in connection with the offer pursuant to this Prospectus were excluded from the Company's compensation policy

[6] For details, see Chapter 3 of this Prospectus.

offering pursuant to this Prospectus and the registration for trading of securities pursuant to this Prospectus. As of the date of the Prospectus, the active Chair services are being provided by Mr. Gallon Beck, who will devote his time in accordance with the Company's needs, as they will be from time to time, whereby the scope of his position is estimated to be between 20 and 30 hours per month, instead of the compensation set forth in Section 8.2.2 below.

8.2.2 Aside from the above, starting on the date of completion of the offering pursuant to this Prospectus, the compensation that will be paid to all of the other directors is according to the compensation determined pursuant to the Companies Regulations (Rules for Compensation and Expenses for an External Director), 5760-2000 (hereinafter: the **"Compensation for External Directors Regulations"**).

8.2.3 It should be noted that all of the directors (including directors on behalf of the controlling shareholder) are entitled to officers' liability insurance, an indemnification document and exemption, at uniform terms for the Company's officers. For additional details, see Section 8.4 below.

8.3 Controlling shareholders of the Company

As of the date of this Prospectus, the controlling shareholder of the Company is FIMI Opportunity 6, Limited Partnership and FIMI Israel Opportunity 6, Limited Partnership (hereinafter jointly: the **"FIMI Partnership"**). For additional details, see Chapter 3 of this Prospectus.

8.4 Agreements between the Company and the shareholders

8.4.1 On July 15, 2020, an agreement (in this Section: the **"Agreement"**) took effect among the following shareholders in the Company: (1) IAI and IAI Asia Pte Ltd. (hereinafter jointly: **"IAI"**); (2) the FIMI Partnership; (3) Discount Capital Ltd. (hereinafter: **"Discount Capital"**); and (4) ImageSat NV.[7] The Agreement includes provisions, some of which have expired and others of which have been canceled as of the date of completion of the offering. The provisions that are in effect on the date of the Prospectus are listed below in this section.

8.4.1.1 Agreement includes an obligation to indemnify the Company's directors, at the maximum scope permitted under law, and, furthermore, sets forth an obligation to insure directors and officers in the minimal amount of $5 million, or in another amount as will be approved by the board of directors.

8.4.1.2 Pursuant to the provisions of the agreement, if, after the offering and until July 15, 2026, the FIMI Partnership and/or IAI jointly sell more than 45% of the

[7] Upon the completion of the restructuring, ImageSat NV assigned to the Company all of the rights and duties pursuant to the shareholders' agreement.

issued and paid-up share capital of the Company, Discount Capital will have the right to join the sale, subject to advance notice.

8.4.1.3 The Agreement includes a limitation on the distribution of dividends, pursuant to which the Company will not distribute a dividend until IAI receives at least 80% of the total amount for payment for the EROS C3 pursuant to the agreement for its purchase and as set forth in Section 6.31.2 of Chapter 6 of the Prospectus.

8.4.1.4 In addition, the Agreement includes a non-competition clause, according to which, up to a year after the launch date of the EROS C3 satellite, IAI will not provide remote sensing satellite imaging services (hereinafter: **"SOP"**) to a customer of the Company designated as "Customer A." It is hereby clarified that the sale of a satellite to Customer A will not be considered as SOP services. This clause is in effect up to a year after the earlier of the following: (a) the loss or absolute malfunctioning of the EROS C3 satellite; (b) the later of the following: (1) the termination of the purchase agreement for the EROS C3 satellite, or (2) June 30, 2021.

8.4.1.5 The Agreement includes a provision, according to which, if the Board finds it advisable and in the best interests of the Company (or the subsidiary) as long as IAI has not voluntarily sold at least 50% of the Company's share capital held by it on the date of the Agreement, and holds no less than 10% of the shares in the Company, the Company (including subsidiaries) will purchase, as necessary, new satellites from IAI, provided that these are transactions that is advisable and in the best interests of the Company (including with respect to IAI's competitive advantages) and at terms consistent with transactions in the past taking into account a certain increase of the purchase price over past transactions, and at terms that, at the very least, are as beneficial for the Company as those that IAI gives to a third party (not including the Ministry of Defense). In addition, pursuant to the provisions of the Agreement, IAI and the FIMI Partnership will vote in favor of approving the purchase of similar satellites from IAI at a meeting of the Company's shareholders, if the above conditions are fulfilled.

8.4.1.6 IAI's upside bonus – pursuant to the provisions of the Agreement, following the date on which the FIMI Partnership receives, in consideration of FIMI Partnership's Shares (as defined below), a cumulative amount in cash that is greater than $80 million, the FIMI Partnership will pay IAI an amount equivalent to 50% of the amount in excess of $80 million, provided that this payment will not exceed $10 million.

8.4.1.7 In the event of a final sale of all of the shares in the Company held by FIMI Partnership that are held by it prior to the offering in this Prospectus(the "**Final Sale**" and "**FIMI Partnership's Shares**", respectively),FIMI Partnership shall receive, cumulatively, on account of the FIMI Partnership's Shares (taking into account, all previous distributions made to the FIMI Partnership on account of the FIMI Partnership's Shares and all sales of FIMI Partnership's Shares made by the FIMI Partnership until the Final Sale), an amount that is lower than US$40 million (such difference, the "**Down-Side Protection Amount**"), then IAI shall sell within 30 days from the Final Sale date such number of Company shares held by it, as may be required, to enable it to pay to the FIMI Partnership the Down-Side Protection Amount and, upon such sale, shall deliver the proceeds from such sales to the FIMI Partnership, provided that IAI shall not be required to deliver to the FIMI Partnership more than the Down-Side Protection Amount. In the event that the proceeds from the sales of all of IAI's shares is less than the Down-Side Protection Amount, then IAI shall (a) sell all of its shares and deliver to the FIMI Partnership all proceeds from such sales; (b) pay the FIMI Partnership an amount that is equal to the gross amount actually received by IAI for any shares it had previously sold; and (c) pay the FIMI Partnership the amounts IAI received under the Loan Agreement following the IPO (and for the avoidance of doubt, such amounts shall not include any amounts received by IAI as payments for EROC-C3), *provided* that the aggregate amount paid to the Fund pursuant to (a), (b) and (c) above shall not exceed the Down-Side Protection Amount; *provided further* that under the Agreement, IAI shall have the option not to sell any Company shares in the circumstances of a Final sale in accordance with an alternative mechanism that will allow payment of the Down-Side Protection Amount to FIMI Partnership.

8.4.2 In January 2022[8], each of IAI and FIMI Partnership agreed, separately, to undertake to Discount Capital, as auxiliary banking corporation, an unilateral undertaking that as long as Discount Capital holds more than 10% of the Company's issued and outstanding share capital, it will vote for appointment of one director on behalf of Discount Capital for the Company's board of directors.

8.4.3 In January 2022,[9] the FIMI Partnership agreed at the request of IAI to enter into an irrevocable unilateral undertaking to IAI, that, as long as the FIMI Partnership is the controlling shareholder of the Company, the FIMI Partnership will vote at shareholder meetings of the Company in favor of: (a) the appointment of two (2) directors that IAI

[8] [Note for the Draft: No such undertaking has yet been given]
[9][Note for the Draft: No such undertaking has yet been given]

will propose to serve on the board of directors of the Company as long as IAI holds more than 23% of the issued and paid-up capital of the Company; or (b) the appointment of one (1) director that IAI will propose to serve on the board of directors of the Company if IAI holds less than 23% but more than 10% of the issued and paid-up capital of the Company, on condition that IAI proposes to appoint no more than two directors or one director on its behalf, as the case may be.

8.5 Transactions with the controlling shareholders

8.5.1 For details regarding the Company's management fee engagement with the general partner of the FIMI Partnership, the controlling shareholder of the Company, see Section 8.2.1 above.

8.5.2 For details regarding the division of the offering expenses between the Company and the offerors, including the controlling shareholder of the Company, see Section 5.2 of Chapter 5 of the Prospectus.

8.5.3 In its ordinary course of business, the Group performs or may perform negligible transactions with the controlling shareholder, or transaction in which the controlling shareholder has a personal interest. Accordingly, in May 2021, the Company's board of directors decided to adopt a procedure for classifying transactions as negligible transactions, non-exceptional transactions, or exceptional transactions. The highlights of the procedure are attached as **Appendix A** to this chapter (hereinafter: **"Negligible Transactions Procedure"**).

8.5.4 In 2019,2020 and the first nine months of 2021, the Company purchased from a company by the name of Orbit Technologies Ltd.,[10] a company under the control of the FIMI Partnership, which is the controlling shareholder of the Company, hardware and maintenance equipment for certain components of ground stations of the Company and its customers. The Company's total purchases in the context of those transactions were in the amount of approximately $109,000 and $102,000, respectively.

8.5.5 In March 2020, the Company ordered satellite ground equipment at a price of $747,000 from Orbit Technologies Ltd. In March 2021, the equipment was received and installed on the Company's site. As of the date of this Prospectus, the balance due for the above purchase is in the amount of approximately $189,000.

8.6 Exemption, indemnification and insurance documents for officers and directors in the Company

8.6.1 **Insurance of officers** – The Company has taken out an insurance policy for all of the Company's directors and officers, including the CEO and directors that are also

[10] It should be noted that Mr. Gillon Beck, the Chair of the Company's board of directors, serves as a director of Orbit Technologies Ltd.

controlling shareholders of the Company, with a limited liability of up to US$ 10 million per event and for the period of the insurance, and, in addition, reasonable expenses for legal counsel. The total annual cost of the insurance and the deductible thereunder are at market terms and in amounts that are not substantial for the Company, unless otherwise approved by the Company's relevant organs.

8.6.2 In addition to insurance pursuant to Section 8.6.1 above, in the context of the offering pursuant to this Prospectus, the Company took out a special insurance policy for the offering (Public Offering of Securities Insurance – "POSI") for a period of insurance of seven years, for all of the Company's directors and officers, including the CEO and directors that are also controlling shareholders of the Company, with a limited liability of up to US$ [-] million per event and for the period of the insurance, and, in addition, reasonable expenses for legal counsel. The total annual cost of the insurance and the deductible are at market terms and in amounts that are not substantial for the Company.

8.6.3 The Company will be entitled to purchase insurance coverage for the Company's directors and officers that will also include run-off arrangements for periods up to seven years from the ending date of their term in office as directors and officers of the Company. The cost of that insurance and the deductible thereunder will be at market terms and in amounts that are not substantial for the Company.

8.6.4 Undertaking for indemnification – The giving of an undertaking to indemnify all of the Company's officers from liability, in accordance with the indemnification document attached hereto as Appendix B to this chapter. According to the indemnification documents, the Company undertakes to indemnify the officer for any liability or expenditure as set forth in the indemnification document, in the broadest possible way pursuant to the provisions of the Companies Law and the Company's Articles of Association, all as a result of the cases set forth in the indemnification document.

The total amount of the indemnifications that will be given to all of the officers, cumulatively, pursuant to the indemnification documents, other than indemnification for legal costs and expenses as set forth in the indemnification document, will not exceed 25% of the Company's equity capital, less a provision that was made for indemnification as stated, pursuant to its previously approved consolidated financial statements, around the date on which the indemnification is given. This amount will be added to the amount of all of the insurance benefits for the types of events of record that the Company will receive from time to time in the framework of any officers' liability insurance.

8.6.5 The issuance of an exemption document, identically worded for all of the Company's officers. Subject to the provisions of the exemption document, the Company undertakes to exempt the officers in advance, in the broadest possible way pursuant to

the provisions of any law that applies to the Company, from liability vis-à-vis the Company that results from damage that was or will be caused to it, directly or indirectly, by a breach of an officer's duty of care vis-à-vis the Company, when he was acting in good faith in an official capacity, and provided that the duty of care was not breached deliberately or recklessly, other than by way of mere negligence, all as set forth in the wording of the exemption document attached as **Appendix C** to this chapter.

The exemption, indemnification and insurance documents for the officers on behalf of the controlling shareholder were approved by the Company's institutions for a period of five years from the date of completion of the offering pursuant to this Prospectus and the registration for trading of securities pursuant to this Prospectus.

8.7 Compensation policy regarding terms of service and employment for officers

In the month of January, 2022, the Company adopted a compensation policy for the Company's officers, which will take effect subject to the completion of the offer pursuant to this Prospectus and upon the registration of the Company's shares for trading on the Exchange. Pursuant to the Companies Regulations (Concessions Regarding the Obligation to Determine a Compensation Policy), 5773-2013, the compensation policy described in a prospectus of a reporting corporation that is offering its securities to the public for the first time, will be deemed to constitute the policy determined pursuant to Section 267a of the Companies Law, 5759-1999, and will only require approval upon the expiry of five years from the date on which the corporation became a reporting corporation. Accordingly, the Company's compensation policy will remain in effect for a period of five years after the completion of the registration of the Company's shares for trading on the Exchange.

The compensation policy is attached to this Chapter as **Appendix D.**

8.8 Holdings by principals

For holdings by principals of the Company, see Section 3.5 of Chapter 3 of the Prospectus.

Appendix B

Indemnification Document

Date: _____

To:

_____

Re: **Indemnification Document**

Gentlemen:

Whereas the Articles of Association of ImageSat International (I.S.I.) Ltd., Company No. 512737560 (hereinafter: the **"Company"**) allow the Company to indemnify the officers of the Company and of its related subsidiaries; and

Whereas the competent organs of the Company have decided to approve the issuance of an undertaking in advance to indemnify the Company's officers in accordance with the terms of the indemnification set forth in this document; and

Whereas you served and/or used to serve and/or are to serve in the future as an officer of the Company and/or of subsidiaries of the Company:

Now therefore the Company confirms and undertakes to you, subject to the provisions of the law and the Company's Articles of Association, as follows:

In this Indemnification Document, each of the following terms will have the meaning that appears next to it:

The "Law" or the "Companies Law"	The Companies Law, 5759-1999, as it has been or will be amended from time to time, and the regulations that have been or will be enacted by virtue thereof.
The "Securities Law"	The Securities Law, 5728-1968, as it has been or will be amended from time to time, and the regulations that have been or will be enacted by virtue thereof.
"Officer"	As this term is defined in the Companies Law, and as the term "Senior Officer" is defined in the Securities Law, and including an Officer of the Subsidiaries, and/or, at the Company's request, an Officer of another company and/or any employee, contractor or consultant to whom the Company decides to give an Indemnification Document.
The "Subsidiaries"	The companies under the control of the Company, and their first- or second-generation subsidiaries, as they will be from time to time.

Everything stated herein in the masculine will also imply the feminine.

1. **Undertaking to indemnification**

Because you are a Senior Officer of the Company, as you will be from time to time, the Company hereby undertakes, irrevocably and to the extent permitted under law, to indemnify you for any liability or expense, as set forth in Section 2 below, which will be imposed upon you and/or which you will expend as a result of actions and/or omissions that you performed and/or will perform by virtue of your position as an Officer, with respect to any case or act regarding which it is permitted to insure liability according to the Law and under any law.

2. **Reason for indemnification**

2.1 A monetary liability that will be imposed upon you in favor of another person/entity according to a court judgment, including a judgment that will be issued in a settlement or an arbitral award that will be affirmed by a court, and provided that the monetary liability as stated is directly or indirectly related to one or more of the events or any part thereof or anything related thereto, which are set forth in Addendum A to this document, which constitutes an integral part hereof (hereinafter: the **"Addendum"**), and provided that the amount of the indemnification will not exceed that set forth in Section 3 below.

2.2 Reasonable litigation expenses, including attorneys' fees, that you will expend as a result of an investigation or a proceeding that was conducted against you by an authority competent to conduct an investigation or proceeding, and that ended without the filing of an indictment against you and without the imposition of a monetary liability upon you as an alternative to a criminal proceeding, or that ended without the filing of an indictment against you but with the imposition of a monetary liability upon you as an alternative to a criminal proceeding, in an offense that does not require proof of *mens rea*, or in connection with a monetary penalty.

In this paragraph – the ending of a proceeding without the filing of an indictment, in a matter in which a criminal investigation was launched, means the closing of the case pursuant to Section 62 of the Criminal Procedure Law [Combined Version], 5742-1982 (in this subsection: the **"Criminal Procedure Law"**), or a stay of proceedings by the Attorney General pursuant to Section 231 of the Criminal Procedure Law.

"A monetary liability as an alternative to a criminal proceeding" – a monetary liability that was imposed according to law as an alternative to a criminal proceeding, including an administrative fine pursuant to the Administrative Offenses Law, 5746-1985, a fine for an offense that was designated as an offense subject to a fine pursuant to the provisions of the Criminal Procedure Law, a monetary penalty, or a tax penalty.

2.3 Reasonable litigation expenses, including attorneys' fees and the cost of a deductible, that you will expend or will be charged to pay by a court, in a proceeding that will be filed against you by the Company or on its behalf or by another person, or in a criminal indictment of which you will be acquitted, or in a criminal indictment of which you will be convicted in an offense that does not require proof of *mens rea*.

In this paragraph – "another person" – including in the case of an action that was filed against you by way of a derivative action.

2.4 Payment to the victim of a violation as set forth in Section 52BB(A)(1)(a) of the Securities Law.

2.5 Expenses that you will expend or that you will be charged to pay in connection with an administrative enforcement proceeding that was conducted in a matter pertaining to it, including reasonable litigation expenses, including attorneys' fees.

2.6 Another liability or expense for which indemnification is permitted by law, as it will be amended from time to time.

In this paragraph – "administrative enforcement proceeding" – a proceeding pursuant to Chapters H3 (Imposition of a Monetary Penalty by the Israel Securities Authority), H4 (Imposition of Administrative Means of Enforcement by the Administrative Enforcement Committee) and/or I1 (Arrangement for Refraining from Initiating Proceedings or Conditional Termination of Proceedings) of the Securities Law, and/or a proceeding pursuant to Mark D of Chapter 4 of Part IX of the Companies Law as it will be amended from time to time, and/or any similar proceeding subject to law.

3. **Amount of the indemnification**

3.1 The total amount of the indemnification that the Company will pay to all of the officers, cumulatively, according to all of the Indemnification Documents that were and will be issued to them by the Company from time to time (hereinafter: the **"Indemnification Documents"**), with respect to one or more of the types of events set forth in the Addendum, will not exceed 25% of the Company's equity capital, less a provision that was made for indemnification as stated, pursuant to its previously approved consolidated financial statements, around the date on which the indemnification is given (hereinafter: the **"Amount of the Indemnification"**).

3.2 It is hereby clarified that the payment of the Amount of the Indemnification as set forth above does not prejudice your right to receive insurance benefits for the types of events set forth in the Indemnification Document that are insured by an insurance company, which the Company will receive for you from time to time, if it receives them, in the framework of any liability insurance for the Company's directors and officers.

3.3 It is expressly emphasized that the Company's payments will constitute an "additional layer" beyond the amount of all of the insurance benefits that will be paid by the insurer, if any such benefits are paid. It is further emphasized that this undertaking to indemnification is not a contract in favor of any third party whatsoever, including any insurer, and it cannot be assigned, and no insurer will have a right to demand participation by the Company in a payment that an insurer is obligated to make in accordance with an

insurance agreement that was drawn up with it, other than the deductible set forth in the agreement as stated.

3.4 If the total of all of the amounts of the indemnification that the Company is required to pay with respect to the reasons that constitute the object of Section 2 above exceeds the Amount of the Indemnification, the Amount of the Indemnification, or the balance thereof, as is relevant, will be divided among the Officers who will be entitled to indemnification, in such a way that the amount of the indemnification that each of the Officers will actually receive will be calculated according to the ratio between the amount of the indemnification that will be due to each of the Officers and the amount of the indemnification that will be due to all of the referenced Officers cumulatively.

3.5 If the Company paid amounts of indemnification to Officers that total the Amount of the Indemnification, the Company will not bear additional amounts of indemnification unless the payment of the additional amounts of indemnification is approved by those organs of the Company that will be competent to approve that increase under law on the date of payment of the additional amounts of indemnification and subject to the Company's Articles of Association.

4. **Interim payments**

4.1 Upon the occurrence of an event for which you may be entitled to indemnification as stated above, the Company will make available to you, from time to time, the funds required for coverage of the expenses and the various other payments involved in the handling of that legal proceeding, including investigation, mediation or arbitration proceedings, in such a way that you will not be required to pay them or to finance them yourself, all subject to the conditions and provisions set forth in this Indemnification Document.

4.2 If the Company pays you, or pays in your stead, any amounts in the framework of this Indemnification Document in connection with a legal proceeding as stated, and it subsequently transpires that you are not entitled to indemnification from the Company for those amounts, the provisions of Section 5.9 below will apply.

5. Conditions of the indemnification

Without derogating from the foregoing, the undertaking to indemnification pursuant to this Document is subject to the following conditions:

5.1 Notice of indemnification

a. You will inform the Company of any legal and/or administrative proceeding and/or investigation by an authority that is competent to conduct an investigation, or other proceeding that will be initiated against you, or of any warning in writing or any suspicion or threat that such a proceeding will be initiated against you, in connection with any event regarding which the indemnification may apply (hereinafter jointly

and severally: **"Legal Proceeding"**), with the appropriate speed after this first becomes known, and you will provide the Company, or anyone regarding whom it will inform you, with any document that will be delivered to you in connection with that Legal Proceeding (hereinafter: the **"Notice of Indemnification"**), all according and subject to the provisions of law.

b. Failure to provide the Notice of Indemnification as stated above will not release the Company from its undertakings pursuant to this Indemnification Document, other than in a case where the failure to provide the Notice of Indemnification as stated will significantly harm the Company's rights and its possibility of defending itself, in its own name (if that proceeding is also initiated against it) and/or in your name, against the claim, and to the extent of that harm.

5.2 Handling the defense

a. The Company will be entitled to take upon itself the handling of your defense in that Legal Proceeding and/or to assign that handling to any attorney that the Company will choose for this purpose, provided that the Company has given notice, within 30 days of the date of receipt of the notice set forth in Section 5.1 above (or a shorter period of time, if this is required for the purpose of filing your Statement of Defense or your response to the proceeding), that it has taken the legal handling upon itself, and that it will indemnify the holder of the Indemnification Document pursuant to that set forth in this Document. The Company and/or an attorney as stated will be entitled to act, within the framework of that handling, at their exclusive discretion, and to bring that proceeding to an end; the attorney who will be appointed as stated will act under, and will owe, a duty of trust to the Company and to you. In any case where, in your opinion or in the opinion of the Company's attorney, a conflict of interest will arise between you and the Company, the attorney will give notice to that effect, and you will be entitled to take your own attorney to represent you, provided that the amount of the fee that is to be paid to him will be approved by the competent organs of the Company, which will examine its reasonableness, and the provisions of this Indemnification Document will apply to expenses that you will have with respect to such an appointment. If the entire amount of the fee requested was not approved and you decided not to waive the services of the attorney that you selected, you will be entitled to receive from the Company the amount of the fee that was approved for him, and the balance will be paid by you and at your expense.

b. If the Company chooses to bring the Legal Proceeding to an end by way of a settlement and/or an agreement, it will be entitled to do so, provided that all of the following conditions are fulfilled: (a) the action against you and/or the threat of an action against you as set forth in Section 5.1 above will be entirely eliminated; (b) the final monetary charge will not be higher than the amount of the indemnification that is due to you, unless your consent to this was given in writing; (c) consent to the

settlement and/or to the agreement will not constitute an admission of the Officer's liability.

c. The Company will not be entitled to bring the dispute that constitutes the object of the referenced Legal Proceeding to a decision by way of arbitration, conciliation or mediation, without having obtained your consent in advance and in writing, and provided that you will not refuse to give your consent other than on reasonable grounds, which will be given to the Company in writing. For the avoidance of doubt, even if the dispute in the Legal Proceeding is transferred to resolution by way of arbitration or in any other way, the Company will bear all of the expenses related thereto.

d. Notwithstanding the foregoing, in cases of criminal indictments against you, the Company will not be entitled to bring the referenced Legal Proceeding to an end by way of a settlement and/or an agreement and/or to bring the dispute that constitutes the object of the referenced Legal Proceeding to a decision by way of arbitration, conciliation or mediation, unless you give your consent to this in advance and in writing. You will be able to refuse to give your consent as stated in this paragraph at your exclusive discretion and without being required to state the grounds for your lack of consent.

5.3 Cooperation with the Company

a. At the Company's request, you will sign any document that will empower it and/or any attorney as stated to handle your defense in that proceeding in your name and to represent you, with all that this implies, in accordance with the foregoing.

b. You will cooperate with the Company and/or with any attorney as stated, and he will uphold all of the instructions by the insurers pursuant to any liability insurance policy for directors and officers in which the Company and/or you have engaged in connection with the defense in the Legal Proceeding, in any reasonable way that will be required of you by any thereof in the framework of their handling of that Legal Proceeding, and provided that the Company or the insurance company, as is relevant, makes sure to cover all of your expenses that will be involved in this, in such a way that you will not be required to pay them or to finance them yourself, all subject to that set forth in this Indemnification Document.

5.4 Coverage of liabilities: Whether or not the Company acts in accordance with that set forth in Section 5.2 above, it will make sure to cover all of the expenses and the other payments, of whatever kind, as set forth in this Indemnification Document, in such a way that you will not be required to pay them or to finance them yourself, and this will not derogate from the indemnification that is promised to you according to that set forth in this Document and/or in the insurance policy that the Company will take out from time to time, if any, all subject to that set forth in this Indemnification Document.

5.5 Non-applicability of the indemnification in cases of settlement or admission without the consent of the Company: Your indemnification in connection with any Legal Proceeding against you, as set forth in this Document, will not apply to any amount that will be due to you as a result of a settlement or arbitration, unless the Company consents, in advance and in writing, to that settlement or to the holding of that arbitration, as is relevant. The Company will not refuse that settlement or the holding of that arbitration, as is relevant, on grounds that are not reasonable.

5.6 Non-applicability of the indemnification in cases of indemnification or insurance by a third party:

The Company will not be required to pay, pursuant to this Document, monies that were actually paid to you or for you or in your stead, in any way whatsoever, in the framework of insurance (taken out by the Company) or an undertaking to indemnification by any third party other than the Company. For the avoidance of doubt, it is hereby clarified that the Amount of the Indemnification pursuant to this Document will apply beyond (and in addition to) an amount that will be paid (if any such amount will be paid) in the framework of insurance and/or indemnification as stated.

Payment of the indemnification: Upon your request for a payment in connection with any case pursuant to this Document, the Company will take all of the measures required under law in order to pay it, and will take measures toward arranging for any approval that will be required in connection therewith, if any, including the approval of the court, if and to the extent that it is required. If any approval is required for such a payment, and that payment is not approved for any reason whatsoever, that payment, or any part thereof that is not approved as stated, will be subject to the approval of the court, and the Company will take measures toward obtaining it.

5.7 Period of the indemnification: The Company's undertakings pursuant to this Document will remain available to you, including to your estate, for an unlimited time, even after the end of your employment with the Company and/or of your term in office as an Officer of the Company and of the Subsidiaries and/or of companies related to the Company, as is relevant, and provided that the acts regarding which the undertaking to indemnification was given were and/or will be performed during the period of your employment with the Company and/or your term in office as an Officer, irrespective of the date of discovery of the event regarding which you are entitled to indemnification pursuant to this Indemnification Document.

5.8 Refunding amounts of indemnification that were paid: In any case in which the Company pays you, or pays in your stead, any amounts in the framework of this Indemnification Document in connection with a Legal Proceeding as stated, and it is subsequently determined that you are not entitled to indemnification from the Company for those amounts, those amounts will be considered as a loan that was given to you by the Company, which will be linked to the Consumer Price Appendix, and you will be required

to repay those amounts to the Company once it has demanded, in writing, that you do so, and in accordance with the payment arrangement that the Company will determine.

5.9 Non-applicability: The undertaking to indemnification as set forth in this Indemnification Document is subject to the provisions of law (as they will be from time to time), and, accordingly, it will not apply in any of the following cases:

a. Breach of a duty of trust, unless you acted in good faith and you had reasonable grounds for assuming that the act would not be harmful to the Company.

b. Breach of a duty of care that was committed deliberately or recklessly, other than by way of mere negligence.

c. An act with the intention of deriving personal gains unlawfully.

d. A fine, a civil fine, a monetary penalty or a tax penalty that was imposed upon you other than in connection with your activity as an Officer of the Company, to whatever extent possible under law.

e. An Administrative Enforcement Proceeding, other than in the matters set forth in Sections 2.4 and 2.5 above.

6. **Miscellaneous**

6.1 The Company's undertakings pursuant to this Indemnification Document will be interpreted broadly and in a way that is meant to uphold them, to whatever extent permitted by law, for the purpose for which they were intended. In any case of contradiction between any provision of this Indemnification Document and a provision of law that cannot be rendered conditional, modified, or added to, that provision of law will prevail, but this will not detract or derogate from the validity of the remaining provisions in this Indemnification Document.

6.2 This Indemnification Document will take effect upon your signing a copy hereof in the appropriate place and the delivery of the signed copy to the Company, but not before the date of approval of the Indemnification Document by the competent organs of the Company, as required pursuant to the provisions of law as they will be from time to time. If you have received a letter of undertaking and/or a previous undertaking to indemnification from the Company, this Indemnification Document replaces and supplants them.

6.3 It is hereby emphasized that this undertaking for indemnification and exemption is not a contract in favor of any third party whatsoever, including any insurer, and it cannot be assigned, and no insurer will have a right to demand participation by the Company in a payment that an insurer is obligated to make in accordance with an insurance agreement that was drawn up with it, other than the deductible set forth in the agreement as stated.

For the avoidance of doubt, in any case of demise, this Indemnification Document will apply to your successor pursuant to the provisions of any law, including to your estate.

6.4 This Indemnification and Exemption Document does not limit the Company or prevent it from increasing the Amount of the Indemnification for events that constitute the object of the indemnification, whether because the amounts insured under the officers' liability insurance policy are reduced, because the Company will not be able to obtain officers' insurance that covers the events that constitute the object of the indemnification and reasonable terms, or for any other reason, provided that the decision as stated will be made in the ways set forth under law.

6.5 This Indemnification Document does not derogate from the Company's right to decide on retroactive indemnification, pursuant to the provisions of any law.

6.6 The Addendum to this Indemnification Document constitutes an integral part hereof.

6.7 This Indemnification Document cannot be modified unless it is signed by the Company and by you.

6.8 The law that applies to this Indemnification Document is Israeli law, and the competent court in Tel Aviv has exclusive jurisdiction to hear disputes that arise from the implementation of this Agreement.

6.9 Everything stated in the masculine in this Indemnification Document will also imply the feminine.

In witness whereof, the Company has affixed its signature, through its legally empowered signatories.

_____

ImageSat International (I.S.I) Ltd.

I hereby confirm receipt of this document and confirm my consent to its terms.

_____ Date: _____

Appendix C

Letter of Exemption

Date: _____

To

Dear Sir

Letter of Exemption

Whereas The Articles of Association of ImageSat International (I.S.I.) Ltd., Company No. 512737560 (hereinafter: the **"Company"**) allow the Company to exempt an officer of it and of its subsidiaries and related companies of all or some of his liability in respect of damage as a result of a breach of the duty of care; and

Whereas The competent organs of the Company have resolved to approve the undertaking of the Company to issue this Letter of Exemption pursuant to the provisions of the Companies Law, 5759-1999 (hereinafter: the **"Companies Law"**) and the terms of the exemption set forth in this Letter; and

Whereas You serve as an officer of the Company and/or a senior officer of the Company.

For the sake of convenience, this Letter of Exemption is written in the male gender but relates to males and females alike.

The terms in this Letter of Exemption will be construed in accordance with the Companies Law, as amended from time to time, and, where there is no definition under the Companies Law, in accordance with the Securities Law, 5728-1968, as amended from time to time. The Company confirms and undertakes to you, subject to any limitation by law, as follows:

1. **Subject to the provisions of this Letter of Exemption and the provisions of all laws that apply to the Company, the Company hereby exempts you in advance from any liability to it that stems solely from damage that is or will be caused to it directly or indirectly by a breach of your duty of care to it in your good-faith activity in your capacity as an officer of the Company and/or one of its subsidiaries and/or any related company, whatever they may be from time to time (for the sake of convenience, each of them will be referred to hereinafter as an "Officer"), or as a result of any other breach in respect of which the law allows the Company to exempt an Officer.**

2. The undertakings of the Company that are based on this Letter of Exemption will be construed broadly and in a manner that is intended to satisfy them to the scope permitted by any law for the objective for which they are intended. In the event of any conflict between a provision of this Letter of Exemption and a provision of the law that applies to the Company that cannot be waived, amended or supplemented, the provision of the applicable law will prevail over that stated in this Letter of Exemption. However, this will not undermine or derogate from the rest of that stated in this Letter of Exemption.

3. Nothing stated in this Letter of Exemption derogates from the undertaking of the Company to indemnify you pursuant to the provisions of any letter of indemnification that the Company may issue to you if it resolves to do so.

4. The Company does not exempt you in advance in respect of any of the following: (a) A breach of the duty of care for a distribution; (b) a breach of the duty of loyalty; (c) a breach of the duty of care that has been committed intentionally or recklessly, excluding where it has only been committed negligently; (d) an intentional act with the intention of unlawfully making a profit; (e) a fine, civil fine, financial penalty or bail that has been imposed on you; (f) an administrative enforcement proceeding, excluding a payment to a party injured by a breach, as provided under Section 52BBB(a)(1)(a) of the Securities Law or due to an expense incurred by an Officer in connection with an administrative enforcement proceeding, including reasonable litigation expenses, including attorneys' fees; (g) in relation to a breach of the duty of care in making a decision or approving a transaction in which the controlling shareholder(s) or any Officer of the Company (including an Officer other than the one to whom this Letter of Exemption has been issued) has a personal interest.

5. If the law applicable to the Company changes in the future such as makes it possible for the Company to extend the scope of this Letter of Exemption that the Company may issue to you, the change of law will be deemed to also apply to you and this Letter of Exemption will automatically be deemed (without requirement for an additional step or resolution) to be amended as if it contains any such change to the maximum extent permitted by law.

6. The Company may, at its sole discretion, revoke this Letter of Exemption provided that you are given at least seven days' notice prior to the date on which its resolution enters into effect. It is hereby clarified that any such revocation will not apply retroactively.

ImageSat International (I.S.I.) Ltd.

I confirm receipt of this Letter of Exemption and confirm my agreement to its terms.

_____ Date:

Appendix D

Compensation Policy

Officers' Compensation Policy

ImageSat International (I.C.I) Ltd.

1. Introduction and Purpose of the Compensation Policy

1.1 This document is intended to define and determine the compensation policy of ImageSat International (I.C.I) Ltd. (hereinafter: the **"Company"**) with the objective of setting out and delineating the principles of compensation of the Officers of the Company and the manner for approving their Salary and compensation (hereinafter: the **"Compensation Policy"**). This Compensation Policy does not apply to senior officers (who are not Officers, as defined below) and/or Officers of subsidiaries of the Company.

1.2 The Compensation Policy is intended to ensure that the compensation mechanism of the Company is aligned with the furtherance of the needs of the Company from a long-term perspective, and to ensure that Officers are compensated appropriately, fairly and reasonably, and on the basis of their performance and contribution to the Company, with an emphasis on the connection between actual performance and compensation. This is with the objective of increasing Officers' incentives and furthering identity between the interests of the shareholders of the Company and those of its Officers.

1.3 The establishment and publication of the Compensation Policy are intended to increase the transparency and fairness of the Company's activity vis-à-vis its investors in relation to Officers' compensation, *inter alia*, so that informed decisions can be made in relation to the approval of Officers' terms of office and compensation.

1.4 In order to implement these objectives, the Compensation Policy will specify below and will include the considerations and criteria that the Competent Organs of the Company will be required to weigh when approving the terms of office and compensation of the directors and Officers of the Company, *inter alia*, in accordance with the relevant legislative amendments and regulations, including Amendment No. 20 to the Companies Law, 5759-1999 (hereinafter: the **"Companies Law"**).

1.5 For the avoidance of doubt, it is clarified that the following Compensation Policy establishes the principles and maximum framework for Officers' compensation and does not constitute an undertaking to the Officers as to the receipt of all of some of the components of compensation that are set forth in the Policy. The inclusion of a component in the Compensation Policy is a precondition to its inclusion in the individual salary agreements of each of the Officers. The individual salary agreements are those that give the Officer rights in connection with his compensation, and (unless expressly stated otherwise) the provisions of this Compensation Policy should not be taken to indicate that

any rights have been granted individually by virtue of them. The components of each Officer's compensation will be approved for him separately, taking into account the criteria established below and their application in the relevant case and subject to the requisite approvals. Thus, if a particular component of compensation is not awarded to a specific Officer, this will not constitute a "deviation" from the Compensation Policy and the approval of such Terms of Office and Employment will not require the approval of a general meeting.

1.6 It is clarified that the Compensation Policy is drafted in the male gender for purposes of convenience only and is intended for both women and men alike.

1.7 Any change or update to, or extension of the validity of, the Compensation Policy from time to time and as needed will require the approval of the Competent Organs of the Company, whatever they may be on the relevant date, in every case pursuant to the provisions of the Companies Law.

2. Definitions

2.1 **"Competent Organs"** – The organs prescribed by law.

2.2 **"Bonus"** – A variable component of compensation that is derived from the performance of the Officer, whether it is an annual bonus or a one-time bonus or a special bonus.

2.3 **"Wage"** – A fixed component of Terms of Office and Employment in terms of Cost of Salary and its equivalent in the context of the payment of management fees.

2.4 **"Base Salary"** – A fixed component, excluding contributions and fringe benefits, of Terms of Office and Employment in terms of Cost of Salary.

2.5 **"Officer"** – As defined under the Companies Law.

2.6 **"Contractor Employees that are Employed at the Company"** – Employees of a manpower contractor whose actual employer is the Company and employees of a services contractor who are employed to provide services at the Company; in this regard "manpower contractor," "services contractor" and "actual employer" are as defined under the Employment of Employees by Manpower Contractors Law, 5756-1996.

2.7 **"Cost of Salary"** – As defined under Addendum 1A to the Companies Law: Any payment for employment, including an employer's contribution, a retirement payment, a vehicle and the expenses of the use thereof and any other benefit or payment.

2.8 **"Salary" –** Income on which national insurance payments are made under Chapter O of the National Insurance Law [Consolidated Version], 5755-1995.

2.9 **"Terms of Office and Employment"** – As defined under the Companies Law.

3. Guiding Objectives and Considerations in the Determination of the Compensation Policy

3.1 The objective of the Compensation Policy of the Company is to set out and delineate principles and guidelines for the structure and manner of the compensation of its Officers (as defined by law, as stated above), underlying which is the importance and tight connection that the Company attributes to [the relationship] between the quality and motivation of its Officers and the compensation that they are paid and their contribution to the furtherance of the objectives, work programs and policy of the Company from a long-term perspective taking into account the business environment and the markets in which the Company operates, the size and character of activity of the Company and including the following objectives:

3.1.1 The creation of a set of fair, reasonable and appropriate incentives for the Officers of the Company, as defined by law, taking into account, *inter alia*, the characteristics, business activity and environment of the Company, the risk management policy of the Company and labor relations at the Company.

3.1.2 The provision of the tools necessary for the recruitment, incentivization and retention of qualified and skilled senior managers at the company with the abilities to lead, develop and further the activities, results and state of the business of the Company from a long-term perspective.

3.1.3 The placement of emphasis on performance-based compensation and tying the Officers to the Company, its state and performance by aligning Officers' compensation with their contributions to the achievement of the targets of the Company and the increase in its profits from a long-term perspective and as commensurate with their positions in it.

3.1.4 The preservation of a high level of sense of responsibility and motivation on the part of the Officers and identification on their part with the Company, its activity and business targets.

3.1.5 The creation of an appropriate balance between the various compensation components of the compensation, including with respect to the ratio between the fixed and variable components of the compensation and the ratio between the

weight of the targets in connection with the variable component of the compensation.

3.2 Taking into account the above objectives, the Compensation Policy of the Company has also been formulated in order to provide a response to the following factors:

3.2.1 The alignment of the Compensation Policy with the Company itself, the characteristics of its activity, its organizational structure, its business environment and its markets of activity. In this context, the appropriate expression that should be given to these characteristics in determining Officers' compensation has been assessed, including the scope of the activity of the Company and its assets, its business results, the areas of activity in which the Company operates and its position in the market. In addition, emphasis has also been placed on qualitative characteristics, such as the composition of the activity of the Company, the roster of its Officers and its organizational structure.

3.2.2 The alignment of the Compensation Policy with the regulatory environment in which the Company operates, *inter alia*, as a company that operates in the space-based intelligence solutions field, in which the group provides its military and civilian customers with a range of system-based solutions, technological systems and services based on remote sensing satellites, including the processing and analysis of the products collected by these satellites into products and insights that are of value for the group's customers, as well as with the standards prevailing at public companies of its sort and generally.

4. **Criteria for the Assessment of Terms of Compensation**

Officers' compensation will be determined in accordance with the outline set forth in this Policy below and in accordance with the following guiding rules:

4.1 An assessment of the characteristics of the position relevant to the Officer with an emphasis on the characteristics that are unique to the particular position at issue and on general characteristics of all of the positions of the Officers of the Company. In light of this, the following will be assessed:

4.1.1 The education, qualifications, expertise, professional experience and achievements of the Officer.

4.1.2 The level of responsibility, investment, and level of the qualifications and abilities required in connection with the relevant position.

4.1.3 The position, areas of responsibility and previous salary agreements of the Company that have been entered with the Officer and/or other relevant Officers.

4.1.4 The contribution of the Officer to the achievement of the targets, performance, profitability and state of the Company.

4.1.5 The need of the Company to retain the Officer in light of his qualifications, know-how and/or unique expertise.

4.1.6 Any other characteristic that is deemed to be appropriate by the relevant parties.

4.2 In order to align Officers' targets with the objectives of the Company, both in the short and long terms, the targets that will be set for the purpose of the variable components of Officers' compensation will be derived based on its program of work and policy, as determined by the management of the Company from time to time.

4.3 The Company will aspire to create appropriate incentives, *inter alia*, by defining the appropriate ratio between fixed and variable components, as set forth below.

4.4 In addition, in determining the terms of compensation of the Officers of the Company, the ratios between the Cost of Salary of each of Officer and the mean and median Cost of Salary of the other employees of the Company, including Contractor Employees that are Employed thereat, will also be assessed, taking into account the nature of the Officer's position, his seniority, the level of responsibility placed on him, the scope of his position, the expected effect of this gap on labor relations at the Company, and the existence of a sufficient number of employees at the Company to assess and address these ratios.

5. **Terms of Compensation – General**

5.1 The compensation of the Officers of the Company will comprise fixed and variable components (all or some of them) in accordance with the principles and guiding rules of the Compensation Policy.

5.2 Accordingly, the Company will be entitled to award Officers with a compensation plan that will include fixed compensation components and/or variable compensation based on cash bonuses (annual and/or one-time) and/or variable compensation based on equity bonuses (share-based), as set forth below.

5.3 In addition, the Company will establish arrangements for the termination of the Officer's employment relationship/office at the Company, as set forth in Section 6.8 below.

5.4 As needed, the Competent Organs may utilize comparative data surveys, including salary and benefit surveys, that may help them assess the reasonableness and fairness of the compensation, by, *inter alia*, comparing standard salaries in the industry and the compensation that is paid to Officers in similar positions at similar companies, and the like.

5.5 In awarding compensation to Officers, the gap between the cost of the Terms of Office and Employment of the Officer and the mean annual Cost of Salary and the median annual Cost of Salary of the Company, including for Contractor Employees that are Employed at the Company, the expected effect of this gap on labor relations as a whole, will be taken into account.

As of the date of the approval of this Policy, the maximum ratio between the cost of the Terms of Office and Employment of the Officer and the median and mean Cost of Salary of the other employees of the Company and the Contractor Employees that are employed at the Company is as follows:

Grade	Average Ratio	Median Ratio
CEO	3.03	3.17
Other Officers reporting to the CEO	2.35	2.46

The Competent Organs believe that these ratios are reasonable, taking into account the size of the Company and nature of its the activity, the expertise and skills required of its Officers and the nature of its business, *inter alia*, in light of the fact that it is a technology company in the area and scope of activity of the Company, and they have also determined that these ratios will not adversely affect labor relations at the Company.

6. **Terms of Compensation – Fixed Component**

6.1 The fixed component will include a Base Salary and fringe benefits, including social rights provided by law. The Base Salary may be paid as a Wage or as management fees (for additional details regarding management fees, see Section 6.7 below).

6.2 The fixed Base Salary expresses the combination of two key factors: the characteristics of the Officer and the characteristics of his position. In other words, the Base Salary must reflect the qualifications of the Officer (such as, his experience, formal education and know-how, his specific expertise that is relevant to his area of occupation and/or his status as an Officer of the Company) and the requirements of the position that he fills at the Company, including the areas of responsibility and powers that it involves.

6.3 The Base Salary of the Officer will be determined during the course of the negotiations for his initial employment at the Company and will be updated from time to time during his tenure at the discretion of the relevant organ of the Company in accordance with the provisions of the law, addressing and assessing the criteria determined in this Compensation Policy.

6.4 The Cost of Salary will be determined in accordance with the following caps:

6.4.1 The Cost of Salary of Officers (in terms of full-time positions except in relation to the executive chairman of the board of directors) at the Company is subject to the following caps:

Officer	Annual Cost of Salary Cap – Fixed Component Only (NIS Thousands)
Executive chairman of the board of directors	700
CEO	1,500
Other Officers reporting to the CEO	1,250

It is noted that a deviation of 10% per year from the ranges set forth in the table above will not deemed to be a deviation from the provisions of this Compensation Policy. Any other deviation from a table will be submitted for the approval of the parties required pursuant to the provisions of law.

6.4.2 The Cost of Salary cap, as set forth above, is with respect to an Officer who holds a full-time position or who provides services to the Company on a full-time basis (except with respect to an executive director). If an Officer is employed/provides services on a part-time basis, the necessary adjustments will be made to the cap.

6.4.3 An immaterial change in the Terms of Office and Employment of an Officer who reports to the CEO of the Company that falls within the boundaries established under this Compensation Policy will require the approval of the CEO alone.

6.5 **Fringe benefits** – The terms of Office and Employment of the Officers of the Company who do not only serve as members of its board of directors will include additional benefits to which the Officers will be entitled by virtue of the various labor laws and benefits that the Company wishes to award to those officers, as customary in its locations and at comparable companies, as stated above, including the following benefits (all or some of them):

6.5.1 Social contributions (to senior employees' insurance policies/pension funds, continuing education funds) and loss of working capacity insurance, in accordance with the guidelines prescribed by law and as customary at the Company.

6.5.2 Fringe benefits including, *inter alia*, annual leave, convalescence leave, sick leave, and so forth (in any case not less than that prescribed by law and up to 25 days above that prescribed by law).

6.5.3 The Company may, for the purpose of the discharge of the Officer's function, provide him with a company car, payment in respect of the maintenance expenses for the car or travel expenses, a mobile telephone, a laptop computer, including usage fees and Internet packages and so forth, as determined by the relevant organ in accordance with the law. The Company may determine that it will bear all or some of the expenses involved in these fringe benefits, including a full tax gross-up.

6.5.4 The Company may, from time to time, award the Officer additional reasonable fringe and other benefits provided that the total cost of the benefits does not exceed NIS 20,000 per year.

6.5.5 The Company may refund the Officer reasonable expenses that are incurred by him in the framework and in connection with his position, such as subsistence payments, accommodation, travel expenses (including overseas), parking expenses and the like, in every case as customary at the Company and in accordance with its procedures in these respects, as determined from time to time.

6.6 It is emphasized that nothing stated above constitutes an undertaking to award all or some of the fringe benefits to any of the Officers, and the list is a general list only, which will be assessed on the merits with respect to each Officer separately, taking into account the compensation package of that Officer, his position, years of work, and the like. Some of the fringe benefits may be grossed-up by the Company for tax purposes.

6.7 If the Company chooses to enter into a contract with an Officer, as described below, such that his compensation will not be determined as a Wage but as management fees against an invoice from a company owned and controlled by the Officer, this invoice will include, in addition to the amount of the aforementioned monthly Wage, all of the amounts in respect of the fringe benefits (from and in accordance with the list set forth in Section 6.5 above) that will be approved for him by the Company and that are not directly paid/credited/given to him such that his monthly Cost of Salary for the Company in the invoice (including the fringe benefits included in it, as set forth above) will not in any case

exceed what the Cost of Salary for the Company would be if he were employed by it directly as an employee, in every case pursuant to and in accordance with this Compensation Policy. Payment will only be made against such an invoice subject to the signature of a detailed agreement with the Officer and the company owned and controlled by him under which it will be expressly provided that there is no employer/employee relationship between the Company and the Officer, in every case after the approval of the relevant Competent Organs.

6.8 **Notice, Adaptation Period and Retirement Terms**

6.8.1 Officers will be entitled to notice on termination of employment, as provided under the employment agreement and subject to the provisions of law. The notice period will not, in any event, exceed 6months for the CEO and 3months for Officers who report to the CEO.

6.8.2 During such notice period, the Officer will be required to continue discharging his function unless decided otherwise by the direct manager of that Officer (and, in the event of the termination of the employment of the CEO, by the board of directors of the Company) and, during this period, the Officer will be entitled to all of the terms of his employment and office, including the various components of his compensation and the fringe benefits that have been approved for him, in every case in accordance with his employment agreement.

6.8.3 Adaptation period– The Company may determine an adaptation period for an Officer, which will be determined individually (if at all) with respect to each Officer, *inter alia*, addressing the parameters set forth in Section 4.1 above, during which the Officer will be entitled to continue with his terms of employment and office, as set forth above, without being required to continue actually discharging his function at the Company, such period not to exceed 6 months in addition to the notice period.

6.8.4 Officers of the Company will not be entitled to retirement bonuses in connection with the termination of their employment at the Company in addition to the variable component of compensation in accordance with this Compensation Policy.

6.8.5 It is clarified that, if it is decided that an Officer is not required to continue discharging his function for a particular time during all or some of his notice

period, as set forth in Section 6.8.2 above, this period will be set off from the adaption period (if he is entitled to one).

6.8.6 Upon termination of the employment of the Officer at the Company (for any reason), other than in cases that deprive him of entitlement to severance pay in accordance with the law and/or an agreement with him, all of the money that has accrued in the pension fund and or senior managers' insurance policy in the Officers' name will be released to him.

6.8.7 It is clarified that any notice period and adaptation period that is provided under employment agreements that were signed before the listing of the Company on the Tel Aviv Stock Exchange will entitle the Officers to the terms that were determined for them under their employment agreements and they will not be required to obtain the approval of any of the organs of the Company before receiving them.

7. Compensation Terms – Variable Component – General

7.1 The Company may award Officers the following variable components (all or some of them): (a) a cash bonus (annual and/or one-time) – for additional details, see Section 8 below; (b) an equity bonus – for additional details, see Section 9 below. The award of any of the variable components is conditional upon the maintenance of the ratio between the cash bonus and equity compensation and the fixed component set forth in Section 7.4 below.

7.2 This component of compensation is dependent upon the actual performance of the Officer and is not awarded on a fixed or automatic basis. This form of compensation is intended to constitute an incentive for the Officer to increase the profit of the Company and maximize the activity of the Company through a component that conditions the actual receipt of the compensation or, alternatively, increases the amount of the compensation the greater the actual contribution of the Officer to the Company and his positive effect on the Company. Thus, the more that the Officer increases the profit of the Company, the more value of this component of the compensation will increase.

7.3 Variable equity compensation, such as the grant of options, can be awarded, the purpose of which is to create identity between the interests of the Officer and the investors of the Company in terms of the desire to increase the profit of the Company and to increase its share value.

7.4 **The ratio between the fixed and variable components:**

7.4.1 The mix of the various components of the compensation is intended to create a balance and an appropriate ratio between the fixed and variable compensation with the objective of creating a performance-based compensation system that furthers the targets of the Company and that is aligned with its risk policy.

7.4.2 The desired range for the ratio between the compensation components (in terms of the cost to the Company) in the framework of the total mix of Officers' compensation must be the range established in the following table:[1]

Grade	Fixed Compensation Including Fringe Benefits[2]	Variable Cash Compensation	Variable Equity Compensation
Executive chairman of the board of directors	100%	0	0
CEO	100%	100%	60%
Other Officers reporting to the CEO	100%	60%	33.3%

*For the purpose of the calculation of the variable equity component, as stated in the above table, the aggregate annual fair value of the equity compensation that is awarded to the Officers of the Company on the date of the award as assessed in accordance with its total economic value on the date of the award divided equally by the number of years until full maturity [will be used].

7.4.3 It is noted that a deviation of up to 10% in the weight of a particular component that is awarded to an Officer in the framework of his compensation from the weight stated in the table will not be deemed to be a deviation from the Compensation Policy.

7.4.4 It is noted that the cap for the variable cash component is on the assumption of full compliance with targets and may change in practice in accordance with the level of compliance with targets. Accordingly, the amount of the variable component may actually be materially different, such that, in the event of non-compliance with some or all of the targets set, some or all (as the case may be) of the compensation for the variable component will not be paid and only the fixed component will be paid (such that the fixed component may actually come to

[1] It is clarified that the bonus caps will be calculated in accordance with the amount of the last Wage (in Cost of Salary terms) that was paid to the Officer.
[2] The 100% includes the annual Cost of Salary cap referred to in Section 6.4.1 above

100% of the compensation in the event of non-compliance with the variable component targets). In addition, it is noted that the amount of the variable cash component includes both annual and one-time bonuses.

7.4.5 For the sake of good order, it is noted that nothing stated in the table constitutes an undertaking to a particular Officer position or to award any particular component of compensation to a particular Officer, and the award of compensation is subject to that stated in this Policy and the approval of the Competent Organs.

8. Variable Compensation – Cash Bonus

8.1 General

The Company may award an Officer with an annual bonus, as set forth in Sections 8.2 to 8.6 below. The annual bonus cap (during a given calendar year) will not exceed the Cost of Salary cap that is set forth in the table in Section 8.2.4 below. In addition, the Company may award a one-time bonus to an Officer, as set forth in Section 8.6 below. The one-time bonus cap will not exceed the cap set forth in Section 8.6.2 below.

It is clarified that the annual bonus together with the one-time bonus will not exceed the ratios prescribed in Section 7.4 above.

8.2 Annual bonus

8.2.1 The Company may award an Officer with an annual bonus based on the annual bonus plan, which will be submitted for the approval of the Competent Organs before it is awarded.

8.2.2 Bonus for Officers who report to the CEO: the CEO of the Company with the approval of the Competent Organs of the Company may determine the payment of an annual bonus to the Officers who report to the CEO, which will be awarded at his discretion in accordance with the contribution to the Company of each of the Officers who report to the CEO of the Company instead of, or in addition to, the bonus calculated in accordance with the bonus calculated based on pre-determined (non-discretionary) measurable or qualitative criteria for Officers, provided that the amount of the Bonus for each of the Officers does not exceed the annual bonus.

8.2.3 **Bonus for the CEO:** one or more (non-discretionary) measurable criteria that are based on a predetermined formula will be determined for the CEO of the Company. Example criteria: compliance with the budget of the Company, shareholder return, pre-tax profit of the Company, operating profit, net profit,

sales/revenue, orders, EBITDA, contribution, personal targets, EBITDA or another measurable target as set forth in the bonus plan that is determined from time to time.

Notwithstanding the foregoing, the Competent Organs of the Company may, at their discretion, approve payment of part of the annual bonus to the CEO in an amount that does not exceed three (3) monthly salaries (in Cost of Salary terms) in accordance with qualitative, non-measurable criteria taking into account the contribution of the CEO to the Company that year, instead of or in addition to the bonus that is calculated in accordance with the above formula, provided that the total discretionary bonus (annual and one-time) does not exceed three (3) monthly salaries (in Cost of Salary terms) and does not exceed the annual bonus cap.[3]

8.2.4 The annual bonus (during a given calendar year) for Officers of the Company will be:

Officer	Maximum Salaries in Cost of Salary Terms
CEO	Up to 9 salaries
Other Officers reporting to the CEO	Up to 5.2 salaries

8.2.5 **Threshold conditions**

(a) Without derogating from the foregoing, the annual bonus may be conditional on financial or other threshold conditions in accordance with a list of measurable targets that will be determined by the board of directors of the Company from time to time, such as sales turnover, gross profit, operating profit, pre-tax profit, net profit and relevant operating targets, as determined for the Officer, such as compliance with budgetary targets, level of inventory, collections and profitability targets, and so forth. If such threshold condition is determined, failure to meet the lower threshold for the distribution of an annual bonus will mean that an annual bonus will not be distributed to the Officers (in respect of any component). It is clarified that, if a bonus is awarded to a CEO or Officers who are controlling shareholders in accordance with a clear mechanism that is prescribed under their employment agreement, as stated in Section 8.2.4 above, the threshold

[3] As of the date of the approval of this Policy, the CEO of the Company is the controlling shareholder of the Company and a discretionary bonus therefore cannot be approved without the approval of the general meeting.

condition that will apply to them will be the threshold condition as prescribed under their employment agreement.

(b) Notwithstanding the foregoing, the board of directors may, in exceptional cases, following the recommendation of the CEO of the Company, approve the grant of a partial bonus, notwithstanding that the lower threshold has not been met in an amount of up to 3salariesin Cost of Salary terms. This will be under special circumstances in which, in light of the efforts of the Officer and his great investment in his position in the previous year, it is decided that it is appropriate to award the Officer with the bonus in the framework of the Officer's compensation, notwithstanding the failure to meet the lower threshold so as to incentivize him and compensate him in respect of his investment in the Company.

8.3 **Process of approval for the actual grant of the Bonus**

8.3.1 At the end of each year, the level of compliance with the targets of each Officer will be calculated. The annual bonus in the event of partial compliance with targets will be calculated linearly.

8.3.2 The board of directors may reduce the annual bonus for a specific Officer at its discretion by up to 20%, even after compliance with the lower threshold, *inter alia*, taking into account the following factors:

(a) The financial results of the Company.

(b) The conduct and contribution of the Officer in the relevant year.

(c) Exceptional and unexpected events.

8.4 **Possibility of refunds of amounts of Bonuses that have been paid**

In accordance with the law, if it transpires in the future that all or part of a Bonus awarded to an Officer was calculated on the basis of data that transpires be erroneous and that is re-presented in the financial statements of the Company, the Officer will be required to refund amounts paid to him by virtue of such error. This undertaking will be included in a letter of undertaking that will be signed by the Officer upon receipt of the Bonus and will be valid for a period of two successive annual financial statements following the payment of the Bonus.

8.5 **New Officer joining/Officer leaving during the year**

8.5.1 Part of the annual bonus may be awarded to an Officer who joined the Company during the year (*pro rata* to the period of his employment that year or in some other way) with the approval of the Competent Organs of the Company and in accordance with his actual performance.

8.5.2 The annual bonus may be awarded to an Officer who left the Company during the year (*pro rata* to the period of his employment that year or in some other way) and in accordance with his actual performance.

8.5.3 Nevertheless, the compensation committee and the board of directors may increase the Bonus (up to the cap in Section 8.2.4 above) or decrease it (up to the whole amount) for substantive and reasonable considerations due to the circumstances of his joining or leaving the Company, including in cases where the Officer is not entitled to severance pay in accordance with the law.

8.6 **One-time bonus**

8.6.1 Pursuant to the provisions of law, the compensation committee, the board of directors of the Company and, in certain cases, also the general meeting (as the case may be) may decide to award a one-time bonus, whether as a signing bonus or a bonus in respect of significant efforts by an officer of the Company in the framework of the performance of a transaction and/or another operation that was not expected and included in the work program of the Company, and that may increase the value of the Company and/or boost the state of its business, such as the acquisition of a business and/or assets, the sale of a business, the sale/establishment of a product line, a merger, the sale of the Company or a significant part of its assets, the acquisition of a company, operations connected with the implementation of and/or adjustments following special regulatory changes, the entry into a strategic alliance agreement, the entry into a significant agreement with a customer/supplier, the entry into a new area of activity, a significant saving of expenses for the Company, and the like (hereinafter: **"One-Time Bonus"**).

8.6.2 For the Officers who report to the CEO, the amount of the One-Time Bonus will not exceed 2 monthly salaries in Cost of Salary terms for the Officer to which such bonus is awarded in respect of the given calendar year. For the CEO of the Company, the amount of the One-Time Bonus in respect of a specific year together with the discretionary bonus will not exceed 3 monthly salaries in Cost of Salary terms in respect of the given calendar year.

8.6.3 The provisions of this Section 8.6 will also apply to signing bonuses for the recruitment of new Officers or awards of retention bonuses under special circumstances where this is justified in respect of the undertaking of the Officer to continue to be employed at the Company for the period determined.

8.6.4 The restrictions set forth above with respect to the date of the payment of the Bonus and the refund of excess payments in the case of an error will apply to the payment of the One-Time Bonus.

8.7 **Agreements excluded from the Compensation Policy**[4]

Subject to the completion of the issue, the Compensation Policy will not apply to issue bonuses for the employees and Officers (in the amount of up to $1.3 million.

Subject to the completion of the issue, the Compensation Policy will not apply to options that were granted before the issue of the Company, and, in addition, the allotment of the options, in the total quantity of 1,500,000 options to employees and to Officers of the Company, which will be performed shortly after the completion of the offer pursuant to the Prospectus pursuant to the options plan of the Company.

9. Variable Compensation – Equity Compensation

9.1 The Company reserves the possibility of awarding an equity compensation component to Officers (who do not only serve as members of its board of directors) based on stock options, shares, restricted stock and/or units of restricted stock (hereinafter in this Section: **"Securities"**) that are intended to incentivize such Officers to maximize the results of the activity of the Company and the position of the Company and to increase the value of its shares on the stock exchange. By virtue of the long-term nature of the equity compensation, it actually supports the ability of the Company to retain its senior officers in their positions for long periods.

9.2 In this framework, the Competent Organs of the Company may award an equity compensation component to such Officers in the framework of an equity compensation plan such as an option plan (hereinafter, in this Section: the **"Plan"**).

9.3 The requirements of the relevant law will apply to the Plan.

[4] [Note for the Draft: To be updated in due course]

9.4 The award of equity compensation in the framework of the Plan will be subject both to the terms of the Plan and the following conditions:

9.4.1 Cap on value on the date of the award. The value of the Securities that will be awarded in the framework of the annual equity compensation (at the time of allotment) in respect of a given calendar year will be restricted such that the value of Securities that will be awarded to the chairman of the board of directors and the CEO in a particular calendar year will not exceed an amount equal to 7.2 monthly salaries in Cost of Salary terms and the value of the Securities that will be awarded to each of the other Officers of the Company (not including the CEO) in a particular calendar year will not exceed an amount equal to 4 monthly salaries in Cost of Salary terms (each). For the purposes of this cap, the aggregate annual fair value of the equity compensation that is awarded to the Officers of the Company on the date of the award as assessed in accordance with its total economic value on the date of the award divided equally by the number of years until full vesting [will be used]. For details about the ratio between the equity compensation and the fixed component, see Section 7.4 above.

9.4.2 Exercise price. Unless otherwise determined by the board of directors of the Company, the exercise price of the Securities will not be less than the higher of (a) the share value on the date of the resolution of the board of directors to make the allotment; and (b) the average share price of the Company on the Tel Aviv Stock Exchange Ltd. during the 30 trading days preceding the date of the resolution of the board of directions to make the allotment, such as will constitute an appropriate incentive to increase the value of the Company over the long term.

Without derogating from the generality of the foregoing, it is clarified that, subject to the resolution of the board of directors of the Company, under circumstances in which the allotment of Securities to a particular Officer requires the approval of the general meeting, the exercise price may be calculated in accordance with the principles above in relation to the date of the approval of the general meeting. In addition, under circumstances in which a specific date of an award is determined under the specific plan of a particular Officer that is later than the date of the approval of the board of directors or the general meeting (as the case may be), the exercise price will be calculated in accordance with the above principles in relation to the date of the award determined in the Plan.

9.4.3 Vesting period. No less than three years, when it will be possible for tranches to vest (with or without a cliff, with the rest of the shares vesting linearly or

otherwise) provided that, on termination of the employment of an Officer by the Company for any reason, the Securities that would have vested by that date, had vesting been on a quarterly basis, will vest. The board of directors of the Company may determine that, on the occurrence of an acceleration event, as defined by the board of directors, or as the result of the termination of a contract due to death or disability, the vesting of all or some of the Securities that have been awarded to the Officer will be accelerated.

9.4.4 The maximum dilution in respect of the Securities that will be awarded, as from the date of the completion of the issue of the Company, in the framework of the Plan, as aforesaid, in the three years prior to the date of allotment, will not exceed 10% of the issued capital of the Company (on a fully diluted basis) at the time of the award of the Securities and taking them into account.

9.4.5 The option term. The expiry date of the Securities will not be earlier than one year following the vesting of each tranche but no more than 6 years from the date of the relevant allotment.

9.4.6 Termination of the employment relationship. At the time of the adoption of the Plan to award Securities, the Plan will address, *inter alia*, the terms that will apply in the event of termination of the employment relationship between the Officer and the Company, including in the event of termination of the employment relationship as a result of dismissal (including in cases that deprive the Officer of the right to severance pay) or as a result of the death or disability of the Officer.

9.4.7 Any change to the terms of the Securities under the Plan will be following approval of the Competent Organs of the Company and subject to the principles established in this Policy.

9.4.8 The Competent Organs of the Company will approve each Officer's allotment in the framework of approving his terms of office and, in this context, they may award the Securities in accordance with the provisions of Section 102 of the Income Tax Ordinance on the capital gains path. The Securities will be deposited with the trustee, who will report to the offerees the quantity of the Securities that are held by him that are available to them, their exercise and expiry dates and any other detail in accordance with the Plan. The Securities will be exercised in accordance with the provisions of the Plan.

9.4.9 In addition, the Company may establish a mechanism whereby, on the date of the exercise, the owner of the Securities will receive the benefit to which he is entitled

in the amount of the difference between the share price of the Company on the exercise date and the exercise price determined for the Securities without requiring actual payment of the exercise price (a cashless mechanism).

10. Compensation of the Company – Specific Provisions

10.1 Directors' compensation

10.1.1 An executive director – The scope of the position of the executive chairman will be in accordance with the needs of the Company and he will dedicate the time reasonably required for this for consideration that will not exceed the maximum monthly cost in Section 6.4 above. Apart from the executive chairman of the board of directors, an executive director who receives a Salary in accordance with this Section will not be paid a directors' Salary as stated in Section 10.1.2 below. It is noted that the scope of the position of an executive director is not fixed. The scope of services of an executive director will be in accordance with the needs of the Company and he will dedicate the time reasonably required for this as an executive director.

10.1.2 The compensation of the members of the board of director for their service as directors on the board of directors of the Company (with the exception of an executive director, as described under Section 10.1.1 above) will be in accordance with compensation pursuant to the Companies Regulations (Rules Regarding Compensation and Expenses for External Directors), 5760-2000 only, with the supplements and amounts prescribed thereunder, as amended from time to time.

10.1.3 It is noted that all of the directors (including directors who are controlling shareholders or who are acting on their behalf) are entitled to officer's liability insurance and letters of indemnification and exemption on terms that are uniform for the Officers of the Company.

10.2 Insurance, indemnification and exemption for directors and Officers

10.2.1 In addition to the above compensation and subject to the approval of the Competent Organs of the Company, the directors and Officers of the Company may be entitled to officers' liability insurance, letters of indemnification (in advance and/or *post facto*) and exemption on terms that are uniform for the Officers, in every case subject to the provisions of the articles of association of the Company and any law. The amount of indemnification under the Company's standard letter of indemnification will not exceed 25% of the equity of the Company disregarding the provision made in respect of such indemnification in

accordance with its latest consolidated financial statements that were approved before the date of the grant of the indemnity, and will be subject to events that, in the view of the board of directors, are expected in light of the actual activity of the Company at the time of the grant of the undertaking and to such amount or criterion as the board of directors determined to be reasonable under the circumstances, as set forth in the letter of indemnification.

10.2.2 The Company has decided to enter into a directors and officers liability insurance policy during the period when this Policy is in effect for the directors and officers of the Company, including for the CEO, directors and Officers who are controlling shareholders of the Company, such policy to be approved by the compensation committee alone, and not to be submitted for the approval of a meeting of the shareholders, provided that the contract is on market terms and is not liable to materially affect the profitability, assets or liabilities of the Company. The main terms of the Company's contract with the insurer under the insurance policy are that insurance coverage will be provided up to a limit of US$15 million per event for the term of the insurance in consideration of a premium and a deductible that are on market terms in the relevant year and that are not liable to materially affect the profitability, assets or liabilities of the Company unless approved otherwise by the relevant organs of the Company.

10.2.3 It is hereby clarified that the terms of the insurance policy are in accordance with the maximum terms permitted under the articles of association of the Company, as amended from time to time, since the terms of the insurance are identical for all of the directors and Officers of the Company, including the directors who are controlling shareholders of the Company and/or who are acting on their behalf and/or the CEO of the Company, and in light of the fact that the relevant organs of the Company believe that the terms of the insurance are on market terms and are not liable to materially affect the profitability, assets and liabilities of the Company and there is therefore no need to submit the terms of the insurance for the Officers, including directors who are controlling shareholders and/or who are acting on their behalf and/or the CEO of the Company, for the approval of the general meeting, which is pursuant to Sections 1A1 1B(5) and 1B1 of the Companies Regulations (Relief for Interested Party Transactions), 5760-2000.

10.2.4 The Company may purchase insurance cover for directors and Officers of the Company which will also include POSI and/or run-off arrangements for a period of up to 7 years from the date of the termination of their tenure as directors and Officers of the Company.

11. Miscellaneous

11.1 The board of directors has the power to interpret the provisions of the Compensation Policy in any case of doubt about its implementation.

11.2 The compensation committee and board of directors of the Company are authorized to make insubstantial changes to the overall terms of employment of the CEO of the Company, provided that any such changes do not, in aggregate, exceed 10% of total compensation per year.

11.3 In the nature of things, the Compensation Policy must be assessed from time to time, *inter alia*, in light of material changes in the Company and or the business environment in which it operates with respect to Officers' compensation. Accordingly, the Competent Organs of the Company will assess the Compensation Policy from time to time and as needed and will update it where necessary in accordance with the law.

11.4 This Compensation Policy will only require re-approval after 5 years have elapsed from the date on which the shares of the Company are first listed on the Tel Aviv Stock Exchange Ltd. Thereafter, the Compensation Policy will be updated as needed and will be approved once every 3 years, as required by the law in this regard.

Chapter 9: Financial Statements

Kost Forer Gabbay & Kasierer
144A Menachem Begin Road
Tel Aviv 6492102

Tel +972-3-6232525
Fax +972-3-5622555
ey.com

Date: January 16, 2022

The Board of Directors of
ImageSat International (I.S.I.) Ltd.
6 Yoni Netanyahu Street, Or Yehuda

Dear Sirs:

Re: Letter of consent to the inclusion of the auditor's report and review report in the draft prospectus of Image Sat International (I.S.I.) Ltd.(hereinafter: the "Company" and the "Draft Prospectus") of February 2021 and November 2021, respectively

We hereby notify you that we consent to the inclusion (including by way of reference) of our following reports in the above-referenced Draft Prospectus:

(1) The auditor's report dated February 24, 2021 on the pro forma consolidated financial statements of the Company as of December 31 2019 and 2020 and in each of the three years during the period ended on December 31, 2020.

(2) The auditor's report dated February 24, 2021 on the separate financial information of the Company pursuant to Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 5730-1970 as of December 31, 2019 and 2020 and in each of the three years during the period ended on December 31, 2020.

(3) The auditor's review report dated November 4, 2021 on the concise pro forma consolidated financial statements of the Company as of September 30, 2021 and the periods of nine and three months that ended on the same date.

Kost Forer Gabbay & Kasierer
Certified Public Accountants

IMAGESAT ISRAEL LTD.

PROFORMA CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2020

IN U.S. DOLLARS IN THOUSANDS

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Kost Forer Gabbay & Kasierer
144 Menachem Begin Road, Building A,
Tel-Aviv 6492102, Israel

Tel: +972-3-6232525
Fax: +972-3-5622555
ey.com

Building a better working world

AUDITORS' REPORT

To the Shareholders of

IMAGESAT ISRAEL LTD.

We have audited the accompanying proforma consolidated statements of financial position of ImageSat Israel Ltd. ("the Company") as of December 31, 2020 and 2019, and the related proforma consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2020. These proforma financial statements are the responsibility of the Company's board of directors and management. Our responsibility is to express an opinion on these proforma financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in Israel, including those prescribed by the Auditors' Regulations (Auditor's Mode of Performance), 1973. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the proforma financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the proforma financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the board of directors and management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits, the proforma consolidated financial statements referred to above present fairly, in all material respects, the proforma financial position of the Company and its subsidiaries as of December 31, 2020 and 2019, and the proforma results of their operations, changes in their equity and cash flows for each of the three years in the period ended December 31, 2020, in conformity with International Financial Reporting Standards (IFRS) and with the provisions of the Israeli Securities Regulations (Annual Financial Statements), 2010.

Kost Forer Gabbay and Kasierer

Tel-Aviv, Israel
February 24, 2021

KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	December 31, 2020	December 31, 2019
		U.S. dollars in thousands	
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	5	10,734	15,549
Restricted cash	6b	3,200	185
Short-term deposits	6a	31,000	12,000
Trade receivables	7	5,696	5,793
Other accounts receivable	8a	1,597	922
Inventories	2g	881	486
		53,108	34,935
NON-CURRENT ASSETS:			
Property and equipment, net	12	7,854	6,812
Advances on account of property and equipment	11	69,602	51,275
Right-of-use assets	9b	1,038	1,556
Intangible assets	13	1,369	1,112
Deferred taxes	18g	750	-
Long-term receivables	8b	744	744
		81,357	61,499
		134,465	96,434

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	December 31, 2020	December 31, 2019
		U.S. dollars in thousands	
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Current maturities of lease liabilities	9	607	562
Trade payables		314	313
Deferred revenues		2,894	5,449
Income tax payable	18	1,112	-
Other accounts payables	14	3,338	1,753
		8,265	8,077
NON-CURRENT LIABILITIES:			
Lease liabilities	9	587	1,073
Other liabilities	15	326	438
Deferred taxes	18	391	313
Employee benefit liabilities	17	90	61
Loan from related party	24	36,442	35,205
		37,836	37,090
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:	20		
Share capital		-	-
Share premium and capital reserves		144,485	114,782
Share-based payment transactions reserve	21	496	233
Accumulated deficit		(56,617)	(63,748)
		88,364	51,267
		134,465	96,434

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

February 24, 2021			
Date of approval of the Financial statements	Gillon Beck Chairman of the Board	Noam Segal CEO	Kfir Aviv CFO

PROFORMA CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Year ended December 31, 2020	2019	2018
		U.S. dollars in thousands (except per share data)		
Revenues	22a	25,917	30,046	27,253
Operating costs	22b	8,036	9,051	8,330
Depreciation	12, 13	2,143	6,190	6,914
Gross profit		15,738	14,805	12,009
Selling and marketing	22c	2,280	2,241	2,306
General and administrative	22d	2,814	2,495	2,018
Research and development	22e	1,939	3,033	1,312
Operating income		8,705	7,036	6,373
Finance expenses, net	22f	878	730	1,090
Income before taxes on income		7,827	6,306	5,283
Taxes on income	18	693	12	257
Net income		7,134	6,294	5,026
Other comprehensive loss (net of taxes):				
Loss from remeasurement of defined benefit plans	17	(3)	(36)	(10)
Total other comprehensive loss		(3)	(36)	(10)
Total comprehensive income		7,131	6,258	5,016
Net earnings per share:				
Net earnings per share attributable to equity holders of the Company		1.45	1.54	1.23
Net earnings per share on a fully diluted basis		1.43	1.54	1.23

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

PROFORMA CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Share premium and capital reserves	Share-based payment transactions reserve	Accumulated deficit	Total
	U.S. dollars in thousands				
Balance as of January 1, 2018	-	114,782	-	(75,022)	39,760
Net income	-	-	-	5,026	5,026
Cost of share-based payment	-	-	51	-	51
Other comprehensive loss for the year	-	-	-	(10)	(10)
Balance as of December 31, 2018	-	114,782	51	(70,006)	44,827
Net income	-	-	-	6,294	6,294
Cost of share-based payment	-	-	182	-	182
Other comprehensive loss for the year	-	-	-	(36)	(36)
Balance as of December 31, 2019	-	114,782	233	(63,748)	51,267
Net income	-	-	-	7,134	7,134
Net proceeds from share issue	-	29,703	-	-	29,703
Cost of share-based payment	-	-	263	-	263
Other comprehensive loss for the year	-	-	-	(3)	(3)
Balance as of December 31, 2020	-	144,485	496	(56,617)	88,364

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

PROFORMA CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2020	2019	2018
	U.S. dollars in thousands		
Cash flows from operating activities:			
Net income	7,134	6,294	5,026
Adjustments to reconcile net income to net cash provided by operating activities:			
Adjustments to the profit or loss items:			
Depreciation of property and equipment	1,609	5,700	6,914
Depreciation of intangible asset	534	490	-
Amortization of right-of-use asset	518	485	-
Share-based payment	263	182	51
Finance expenses, net	1,014	760	980
Loss from sale of property and equipment	-	-	5
Taxes on income	693	12	257
Change in employee benefit liabilities, net	26	(16)	(18)
	4,657	7,613	8,189
Changes in asset and liability items:			
Decrease (increase) in trade receivables	97	(1,280)	(334)
Decrease (increase) in other accounts payables	(655)	(275)	617
Decrease (increase) in inventories	(395)	(18)	250
Increase (decrease) in trade payables	(79)	(275)	31
Increase (decrease) in deferred revenues	(2,555)	3,938	(2,091)
Increase (decrease) in other accounts payables	1,388	287	(295)
	(2,199)	2,377	(1,822)
Cash paid or received during the year for:			
Interest received	346	498	494
Taxes paid	(21)	(10)	(15)
	325	488	479
Net cash provided by operating activities	9,917	16,772	11,872

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

PROFORMA CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2020	2019	2018
	U.S. dollars in thousands		
Cash flows from investing activities:			
Purchase of property and equipment	(2,571)	(843)	(246)
Investment in intangible assets	(791)	(10)	(459)
Advances on account of property and equipment	(18,327)	(8,761)	(15,772)
Change in bank deposits, net	(19,000)	-	7,000
Change in restricted bank deposits, net	(3,015)	(185)	-
Net cash used in investing activities	(43,704)	(9,799)	(9,477)
Cash flows from financing activities:			
Share capital investment, net	29,451	-	-
Repayment of lease liabilities	(564)	(480)	-
Grants received	85	170	103
Net cash provided by (used in) financing activities	28,972	(310)	103
Increase (decrease) in cash and cash equivalents	(4,815)	6,663	2,498
Cash and cash equivalents at the beginning of the year	15,549	8,886	6,388
Cash and cash equivalents at the end of the year	10,734	15,549	8,886
Significant non-cash transactions:			
Purchase of property and equipment vs. trade payables	80	6	99
Recognition of right-of-use assets vs. lease liability	-	1,074	-
Share capital investment related tax	252	-	-

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

NOTE 1:- GENERAL

a. ImageSat Israel Ltd. ("the Company") and its subsidiaries ("the Group") specialize in providing space-based intelligence solutions, very-very high resolution satellite imagery and data analytics specifically tailored for homeland defense markets worldwide. The Company was incorporated in Israel on January 26, 1999 as a limited private company by the name of West Indian Space Israel Ltd. On September 7, 2000, the Company changed its name to its current name.

The Company launched its first Earth Remote Observation Satellite ("EROS"), EROS A, on December 5, 2000 (ceased to operate effectively on May 2016) and its second satellite, EROS B, on April 25, 2006.

On December 28, 2017, the Company signed a contract for purchasing EROS C3, a very-very high-resolution multispectral satellite. See also Notes 11 and 24e(11) below.

On November 14, 2017 the Company entered into the Runner satellite ("Runner") purchasing agreement. The contractual date for receiving the Runner is in the second quarter of 2021. See also Note 11.

b. Proforma consolidated financial statements:

These proforma consolidated financial statements have been prepared to reflect the Company's business structure as of January 1, 2021, following a business Restructuring process in the Company which has not yet been completed as of the financial statement approval date and is expected to be completed by May 31, 2021 and shall apply retroactively from January 1, 2021, ("the Restructuring"). Unless otherwise stated, all data in these proforma consolidated financial statements, including for previous periods prior to the Restructuring, relate to the Company as if the Restructuring had already completed.

c. Company’s structure and Restructuring:

The Company has founded as a wholly-owned subsidiary of ImageSat International N.V. ("ImageSat NV"), a foreign company incorporated in Curacao and registered in the Israeli Registrar of Companies as a foreign company. ImageSat NV was co-founded in 1997 by Israel Aerospace Industries Ltd. ("IAI"), El-Op Electro-Optic Industries Ltd., and other investors in order to commercialize the Israeli aerospace industry's technology and operational experience.

Prior to the Restructuring, ImageSat NV had two wholly-owned subsidiaries: the Company, through which most of ImageSat NV's operations were performed, and ImageSat Israel Securities Ltd., an SPV which was founded for raising funds for purchasing the EROS B, discontinued its operation at the end of 2014 and was voluntarily liquidated on January 5, 2020.

In 2017, ImageSat NV founded it’s U.S. subsidiary named ISI USA LLC, which as of the date of signing these financial statements has not yet begun operating.

Following the Restructuring, as detailed in Note 18 below, the holding structure in the Company shall be inverted whereby the Company will become the parent company of the entire Group companies and ImageSat NV will become a wholly-owned subsidiary of the Company.

NOTE 1:- GENERAL (Cont.)

d. Former investment agreements:

ImageSat NV was founded as a joint venture initiated by IAI, an Israeli State-owned company which, among others, develops space and satellite imagery technologies as well as high-resolution observation satellites. On November 2, 2017, the Company and IAI entered into an investment agreement with FIMI Opportunity VI ("FIMI"), an Israeli investment fund. The investment agreement Closing took place on December 27, 2017, and consisted of the following: (1) in exchange for an investment of $ 40 million, the Company allocated to FIMI Preferred A shares, representing 53.6% of the issued and outstanding share capital of the Company, as a result of which FIMI became the controlling shareholder in the Company; (2) the Company and IAI signed an amended and restated loan agreement ("the Amended Loan Agreement") according to which on the Closing date, the Company repaid $ 35 million of the loan amount and all former Amended Loan Agreement s and related rights with IAI became null and void (see also Notes 16b, 24e(2) and (4)) and; (3) The Company and IAI entered into the EROS C3 satellite purchasing agreement (see also Notes 11 and 24e(4)).

On July 15, 2020, DCM purchased Preferred B shares of the Company, representing 17.17% of the Company's issued and outstanding share capital for a gross investment of $ 31,725 thousand (see also Note 20).

e. Strategic collaboration agreements:

During September 2019, the Company signed a contract with a third party satellite operator according to which, inter alia, the Company shall have an exclusive right to commercialize the EROS C2 electro-optic satellite owned by the third party, which has similar capabilities to those of EROS C3, under the terms defined in the contract.

During January 2021, the Company signed an additional contract with the third party satellite operator according to which the Company will have an exclusive right to commercialize the EROS C1, another electro-optic satellite owned by the third party, which has similar capabilities to those of EROS C3, under the terms defined in the contract.

f. The effects of the Covid-19 pandemic:

After more than a year from the outbreak and global spread of the Covid-19 pandemic, it may be concluded that its effects on the demand for Homeland Security ("HLS") intelligence systems and solutions, and specifically the satellite market, are minor. According to a report published by the Deloitte firm analyzing HLS and aerospace market forecasts for 2021 and onwards, no country has made any extreme changes to its HLS budget, this in an aim to maintain its military and intelligence competencies. Simultaneously with budget cuts and the general procurement slowdown derived from the global economic crisis directly resulting from the pandemic, most government intelligence gathering expenditures around the world have not been affected. Moreover, the global aviation industry crisis and risk of repeated outbreaks of the pandemic in recovering countries have led to increased demand for border control solutions and enhanced expenses in this area or avoiding any budgetary cuts in this area.

NOTE 1:- GENERAL (Cont.)

In addition, the civilian-commercial market and demand for commercial aerospace intelligence applications have not only been retained but are also expecting to rise as part of the general demand in the market. The Group has made the necessary adjustments to continue its marketing efforts vis-à-vis prospective customers and provide support and maintenance services to existing customers.

From the perspective of sales and marketing, the traditional frontal meeting work process has been naturally minimized in favor of accelerating online meeting processes in the context of virtual events and conventions as well as direct communication with prospective customers. Nevertheless, it should be noted that the restriction of traditional marketing activities has impacted pre-pandemic processes initiated by the Group due to the time and efforts needed to complete the necessary adaptations and the inability to hold face-to-face meetings with customers. These processes, such as setting up onsite platforms for specific customers, have been experiencing delays compared to the original deadlines, causing the Company timing differences relating to order backlog and revenue during this time.

In contrast, based on the nature of the Group's support and maintenance services granted to the end customers, the representatives of the customers or third parties are trained by the Group to perform the support and maintenance activities and, when needed, online remote support is also available in addition to delivery of hardware and spare parts. The use of customer or third party representatives has allowed the uninterrupted execution of these processes but has also expectedly resulted in a certain slowdown compared with pre-pandemic times. Accordingly, the effects of the pandemic on the Group are mainly reflected in the timing of revenue recognition arising from the deferral of a project due to the Group's inability to physically access the customer and the temporary incapacitation of a customer whose effect on the Group's financial results is immaterial. As a result, the Company incurred timing differences in respect of order backlog and revenues in the period.

From the perspective of competition in the market, the same effects of the pandemic have been felt collectively with other market players in all matters relating to launching new satellites which sustained deferrals in relation to official deadlines made public. The Company is unable to pinpoint the connection between these deferrals and the pandemic with certainty but to the best of its knowledge, based on industry experts and media publications regarding the pandemic with its ensuing quarantines and lockdowns in Israel and worldwide, the Company estimates that these deferrals are directly connected to the pandemic.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently in the financial statements for all periods presented, unless otherwise stated.

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.

The Company's financial statements have been prepared on a cost basis.

The Company has elected to present profit or loss items using the function of expense method.

b. The operating cycle:

The Group's operating cycle is one year.

c. Consolidated financial statements:

The consolidated financial statements comprise the financial statements of companies and partnerships that are controlled by the Company (subsidiaries). Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Potential voting rights are considered when assessing whether an entity has control. The consolidation of the financial statements commences on the date on which control is obtained and ends when such control ceases.

The financial statements of the Company and of the subsidiaries are prepared as of the same dates and periods. The consolidated financial statements are prepared using uniform accounting policies by all companies in the Group. Significant intragroup balances and transactions and gains or losses resulting from intragroup transactions are eliminated in full in the consolidated financial statements.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as a change in equity by adjusting the carrying amount of the non-controlling interests with a corresponding adjustment of the equity attributable to equity holders of the Company less / plus the consideration paid or received.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

d. Functional currency, presentation currency and foreign currency:

1. Functional currency and presentation currency:

The presentation currency of the financial statements is the U.S. Dollar ("dollar").

The Group determines the functional currency of each Group entity. The functional currency of all the Group companies is the dollar.

2. Transactions, assets and liabilities in foreign currency:

Transactions denominated in foreign currency are recorded upon initial recognition at the exchange rate at the date of the transaction. After initial recognition, monetary assets and liabilities denominated in foreign currency are translated at each reporting date into the functional currency at the exchange rate at that date. Exchange rate differences, other than those capitalized to qualifying assets or recorded in equity in hedges, are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currency and measured at cost are translated at the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currency and measured at fair value are translated into the functional currency using the exchange rate prevailing at the date when the fair value was determined.

3. Index-linked monetary items:

Monetary assets and liabilities linked to the changes in the Israeli Consumer Price Index ("Israeli CPI") are adjusted at the relevant index at the end of each reporting period according to the terms of the agreement.

e. Cash equivalents:

Cash equivalents are considered as highly liquid investments, including unrestricted short-term bank deposits with an original maturity of three months or less from the date of investment or with a maturity of more than three months, but which are redeemable on demand without penalty and which form part of the Group's cash management.

f. Short-term deposits:

Short-term bank deposits are deposits with an original maturity of more than three months from the date of investment and which do not meet the definition of cash equivalents. The deposits are presented according to their terms of deposit.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

g. Inventories:

Inventories are measured at the lower of cost and net realizable value. The cost of inventories comprises costs of purchase and costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs of completion and estimated costs necessary to make the sale. The Company periodically evaluates the condition and age of inventories and makes provisions for slow moving inventories accordingly.

Composition of inventories:

	December 31,	
	2020	2019
	U.S. dollars in thousands	
Purchased products based on specific costs	881	486

h. Revenue recognition:

Revenue from contracts with customers is recognized when the control over the goods or services is transferred to the customer. The transaction price is the amount of the consideration that is expected to be received based on the contract terms, excluding amounts collected on behalf of third parties (such as taxes).

In determining the amount of revenue from contracts with customers, the Company evaluates whether it is a principal or an agent in the arrangement. The Company is a principal when the Company controls the promised goods or services before transferring them to the customer. In these circumstances, the Company recognizes revenue for the gross amount of the consideration.

Revenue from the sale of goods:

Revenue from sale of goods is recognized in profit or loss at the point in time when the control of the goods is transferred to the customer, generally upon delivery of the goods to the customer.

Revenue from rendering of services:

Revenue from rendering of services is recognized over time, during the period the customer simultaneously receives and consumes the benefits provided by the Company's performance. The Company charges its customers based on payment terms agreed upon in specific agreements. When payments are made before or after the service is performed, the Company recognizes the resulting contract asset or liability.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Costs of obtaining a contract:

In order to obtain certain contracts with customers, the Company incurs incremental costs in obtaining the contract (such as sales commissions which are contingent on making binding sales). Costs incurred in obtaining the contract with the customer which would not have been incurred if the contract had not been obtained and which the Company expects to recover are recognized as an asset and amortized on a systematic basis that is consistent with the provision of the services under the specific contract. An impairment loss in respect of capitalized costs of obtaining a contract is recognized in profit or loss when the carrying amount of the asset exceeds the remaining amount of consideration that the Company expects to receive for the goods or services to which the asset relates less the costs that relate directly to providing those goods or services and that have not been recognized as expenses.

The Company has elected to apply the practical expedient allowed by the Standard according to which incremental costs of obtaining a contract are recognized as an expense when incurred if the amortization period of the asset is one year or less.

Allocating the transaction price:

For contracts that consist of more than one performance obligation, at contract inception the Company allocates the contract transaction price to each performance obligation identified in the contract on a relative stand-alone selling price basis. The stand-alone selling price is the price at which the Company would sell the promised goods or services separately to a customer. When the stand-alone selling price is not directly observable by reference to similar transactions with similar customers, the Company applies suitable methods for estimating the stand-alone selling price including: the adjusted market assessment approach, the expected cost plus a margin approach and the residual approach. The Company may also use a combination of these approaches to allocate the transaction price in the contract.

i. Government grants:

Government grants are recognized when there is reasonable assurance that the grants will be received and the Company will comply with the attached conditions.

Government grants received from the Israel Innovation Authority (formerly: the Office of the Chief Scientist in Israel, "the IIA") are recognized upon receipt as a liability if future economic benefits are expected from the research project that will result in royalty-bearing sales.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

A liability for grants received is first measured at fair value using a discount rate that reflects a market rate of interest. The difference between the amount of the grant received and the fair value of the liability is accounted for as a Government grant and recognized as a reduction of research and development expenses. After initial recognition, the liability is measured at amortized cost using the effective interest method. Royalty payments are treated as a reduction of the liability. If no economic benefits are expected from the research activity, the grant receipts are recognized as a reduction of the related research and development expenses. In that event, the royalty obligation is treated as a contingent liability in accordance with IAS 37.

At each reporting date, the Company evaluates whether there is reasonable assurance that the liability recognized, in whole or in part, will not be repaid (since the Company will not be required to pay royalties) based on the best estimate of future sales and using the original effective interest method, and if so, the appropriate amount of the liability is derecognized against a corresponding reduction in research and development expenses.

Amounts paid as royalties are recognized as settlement of the liability.

j. Taxes on income:

The tax results of current or deferred taxes are recognized in profit or loss, except to the extent that they relate to items which are recognized in other comprehensive income or equity.

1. Current taxes:

The current tax liability is measured using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date as well as adjustments required in connection with the tax liability in respect of previous years.

2. Deferred taxes:

Deferred taxes are computed in respect of temporary differences between the carrying amounts in the financial statements and the amounts attributed for tax purposes.

Deferred tax balances are measured at the tax rates that are expected to apply when the asset is realized or the liability is settled, based on tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are reviewed at each reporting date based on the probability of their utilization. Deductible carryforward losses and temporary differences for which deferred tax assets had not been recognized are reviewed at each reporting date and a respective deferred tax asset is recognized to the extent that its utilization is probable.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Taxes that would apply in the event of the disposal of investments in investees have not been taken into account in computing deferred taxes, as long as the disposal of the investments in investees is not probable in the foreseeable future. Also, deferred taxes that would apply in the event of distribution of earnings by investees as dividends have not been taken into account in computing deferred taxes, since the distribution of dividends does not involve an additional tax liability or since it is the Company's policy not to initiate distribution of dividends from a subsidiary that would trigger an additional tax liability.

Taxes on income that relate to distributions of an equity instrument and to transaction costs of an equity transaction are accounted for pursuant to IAS 12.

Deferred taxes are offset if there is a legally enforceable right to offset a current tax asset against a current tax liability and the deferred taxes relate to the same taxpayer and the same taxation authority.

k. Leases:

On January 1, 2019, the Company first applied IFRS 16, "Leases" ("the Standard"). The Company elected to apply the provisions of the Standard using the modified retrospective method (without restatement of comparative data).

In view of the global Covid-19 crisis, in May 2020, the IASB issued "Covid-19-Related Rent Concessions - Amendment to IFRS 16, Leases" ("the Amendment"). The objective of the Amendment is to allow a lessee to apply a practical expedient according to which Covid-19 related rent concessions will not be accounted for as lease modifications but as variable lease payments. The relief applies solely to lessees.

The Amendment did not have any effect on the Company's financial statements.

<u>The accounting policy for leases applied effective from January 1, 2019, is as follows:</u>

The Company accounts for a contract as a lease when the contract terms convey the right to control the use of an identified asset for a period of time in exchange for consideration.

1. The Group as a lessee:

For leases in which the Company is the lessee, the Company recognizes on the commencement date of the lease a right-of-use asset and a lease liability, excluding leases whose term is up to 12 months and leases for which the underlying asset is of low value. For these excluded leases, the Company has elected to recognize the lease payments as an expense in profit or loss on a straight-line basis over the lease term.

Leases which entitle employees to a company car as part of their employment terms are accounted for as employee benefits in accordance with the provisions of IAS 19 and not as subleases.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

On the commencement date, the lease liability includes all unpaid lease payments discounted at the interest rate implicit in the lease, if that rate can be readily determined, or otherwise using the Company's incremental borrowing rate. After the commencement date, the Company measures the lease liability using the effective interest rate method.

On the commencement date, the right-of-use asset is recognized in an amount equal to the lease liability plus lease payments already made on or before the commencement date and initial direct costs incurred. The right-of-use asset is measured applying the cost model and depreciated over the shorter of its useful life and the lease term.

The Company tests for impairment of the right-of-use asset whenever there are indications of impairment pursuant to the provisions of IAS 36.

2. Lease payments that depend on an index:

On the commencement date, the Company uses the index rate prevailing on the commencement date to calculate the future lease payments.

For leases in which the Company is the lessee, the aggregate changes in future lease payments resulting from a change in the index are discounted (without a change in the discount rate applicable to the lease liability) and recorded as an adjustment of the lease liability and the right-of-use asset, only when there is a change in the cash flows resulting from the change in the index (that is, when the adjustment to the lease payments takes effect).

The accounting policy for leases applied until December 31, 2018, is as follows:

The criteria for classifying leases as finance or operating leases depend on the substance of the agreements and are made at the inception of the lease in accordance with the following principles as set out in IAS 17.

The Group as lessee:

Operating leases:

Leases in which substantially all the risks and rewards of ownership of the leased asset are not transferred are classified as operating leases. Lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

l. Property and equipment:

Items of property and equipment are measured at cost, including direct acquisition costs, less accumulated depreciation, accumulated impairment losses and any related investment grants and excluding day-to-day servicing expenses. Cost includes spare parts and auxiliary equipment that are used in connection with plant and equipment.

A part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately using the component method.

The cost of an item of property, plant and equipment comprises the initial estimate of the costs of dismantling and removing the item and restoring the site on which the item is located.

Depreciation is calculated on a straight-line basis over the useful life of the assets at annual rates as follows:

	%	**Mainly %**
EROS B (*)	19	5
Ground stations	3 – 14	33
Other office equipment	3	33
Leasehold improvements	See below	10

Leasehold improvements are depreciated on a straight-line basis over the shorter of the lease term (including the extension option held by the Group and intended to be exercised) and the useful life of the improvement.

The useful life, depreciation method and residual value of an asset are reviewed at least each year-end and any changes are accounted for prospectively as a change in accounting estimate. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognized.

(*) In 2019, a change in accounting estimate was applied to the depreciation rate of this asset. See also Note 12b.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

m. Intangible assets:

Separately acquired intangible assets are measured on initial recognition at cost including direct acquisition costs. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. Expenditures relating to internally generated intangible assets, excluding capitalized development costs, are recognized in the statement of profit or loss when incurred.

Intangible assets with a finite useful life are amortized over their useful life and reviewed for impairment whenever there is an indication that the asset may be impaired. The amortization period and the amortization method for an intangible asset are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are not systematically amortized and are tested for impairment annually or whenever there is an indication that the intangible asset may be impaired. The useful life of these assets is reviewed annually to determine whether their indefinite life assessment continues to be supportable. If the events and circumstances do not continue to support the assessment, the change in the useful life assessment from indefinite to finite is accounted for prospectively as a change in accounting estimate and on that date the asset is tested for impairment. Commencing from that date, the asset is amortized systematically over its useful life.

1. Research and development expenditures:

Research expenditures are recognized in profit or loss when incurred. Costs incurred in an internal development project are recognized as an intangible asset only if the Company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale; the Company's intention to complete the intangible asset and use or sell it; the ability to use or sell the intangible asset; how the intangible asset will generate future economic benefits; the availability of adequate technical, financial and other resources to complete the intangible asset; and the ability to measure reliably the expenditures attributable to the intangible asset during its development.

The asset is measured at cost less any accumulated amortization and any accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. The asset is amortized over its useful life. Testing of impairment is performed annually over the period of the development project.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

2. Software:

The Group's assets include computer systems comprising hardware and software. Software forming an integral part of the hardware to the extent that the hardware cannot function without the programs installed on it is classified as fixed assets. In contrast, stand-alone software that adds functionality to the hardware is classified as an intangible asset.

The useful life of intangible assets is as follows:

	Software	Development expenditures
Useful life	As per the license period	Definite (3 years)
Amortization method	Straight-line	Straight-line over the expected period of sales from the project
In-house development or purchase	Purchase	In-house development

n. Impairment of non-financial assets:

The Company evaluates the need to record an impairment of non-financial assets whenever events or changes in circumstances indicate that the carrying amount is not recoverable. If the carrying amount of non-financial assets exceeds their recoverable amount, the assets are reduced to their recoverable amount. The recoverable amount is the higher of fair value less costs of sale and value in use. In measuring value in use, the expected future cash flows are discounted using a pre-tax discount rate that reflects the risks specific to the asset. The recoverable amount of an asset that does not generate independent cash flows is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss.

An impairment loss of an asset, other than goodwill, is reversed only if there have been changes in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. Reversal of an impairment loss, as above, shall not be increased above the lower of the carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognized for the asset in prior years and its recoverable amount. The reversal of impairment loss of an asset presented at cost is recognized in profit or loss.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

o. Financial instruments:

1. Impairment of financial assets:

The Company evaluates at the end of each reporting period the loss allowance for financial debt instruments which are not measured at fair value through profit or loss. The Company distinguishes between two types of loss allowances:

a) Debt instruments whose credit risk has not increased significantly since initial recognition, or whose credit risk is low - the loss allowance recognized in respect of this debt instrument is measured at an amount equal to the expected credit losses within 12 months from the reporting date (12-month ECLs); or

b) Debt instruments whose credit risk has increased significantly since initial recognition, and whose credit risk is not low - the loss allowance recognized is measured at an amount equal to the expected credit losses over the instrument's remaining term (lifetime ECLs).

The Company has short-term financial assets such as trade receivables in respect of which the Company applies a simplified approach and measures the loss allowance in an amount equal to the lifetime expected credit losses.

2. Derecognition of financial assets:

A financial asset is derecognized only when:

- The contractual rights to the cash flows from the financial asset has expired; or;

- The Company has transferred substantially all the risks and rewards deriving from the contractual rights to receive cash flows from the financial asset or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset; or;

- The Company has retained its contractual rights to receive cash flows from the financial asset but has assumed a contractual obligation to pay the cash flows in full without material delay to a third party.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

3. Financial liabilities:

   a) Financial liabilities measured at amortized cost:

      Financial liabilities are initially recognized at fair value less transaction costs that are directly attributable to the issue of the financial liability.

      After initial recognition, the Company measures all financial liabilities at amortized cost using the effective interest rate method, except for financial liabilities at fair value through profit or loss such as derivatives.

   b) Financial liabilities measured at fair value through profit or loss:

      At initial recognition, the Company measures financial liabilities that are not measured at amortized cost at fair value. Transaction costs are recognized in profit or loss.

      After initial recognition, changes in fair value are recognized in profit or loss.

4. Derecognition of financial liabilities:

   A financial liability is derecognized only when it is extinguished, that is when the obligation specified in the contract is discharged or cancelled or expires. A financial liability is extinguished when the debtor discharges the liability by paying in cash, other financial assets, goods or services; or is legally released from the liability.

   When there is a modification in the terms of an existing financial liability, the Company evaluates whether the modification is substantial, taking into account qualitative and quantitative information.

   If the terms of an existing financial liability are substantially modified or a liability is exchanged for another liability from the same lender with substantially different terms, the modification or exchange is accounted for as an extinguishment of the original liability and the recognition of a new liability. The difference between the carrying amounts of the above liabilities is recognized in profit or loss.

   If the modification in the terms of an existing liability is not substantial, the Company recalculates the carrying amount of the liability by discounting the revised cash flows at the original effective interest rate and any resulting difference is recognized in profit or loss.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

5. Offsetting financial instruments:

   Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position if there is a legally enforceable right to set off the recognized amounts and there is an intention either to settle on a net basis or to realize the asset and settle the liability simultaneously. The right of set-off must be legally enforceable not only during the ordinary course of business of the parties to the contract but also in the event of bankruptcy or insolvency of one of the parties. In order for the right of set-off to be currently available, it must not be contingent on a future event, there may not be periods during which the right is not available, or there may not be any events that will cause the right to expire.

p. Fair value measurement:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value measurement is based on the assumption that the transaction will take place in the asset's or the liability's principal market, or in the absence of a principal market, in the most advantageous market.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities measured at fair value or for which fair value is disclosed are categorized into levels within the fair value hierarchy based on the lowest level input that is significant to the entire fair value measurement:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - inputs other than quoted prices included within Level 1 that are observable directly or indirectly.

Level 3 - inputs that are not based on observable market data (valuation techniques which use inputs that are not based on observable market data).

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

q. Provisions:

A provision in accordance with IAS 37 is recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects part or all of the expense to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense is recognized in the statement of profit or loss net of any reimbursement.

Legal claims:

A provision for claims is recognized when the Group has a present legal or constructive obligation as a result of a past event, it is more likely than not that an outflow of resources embodying economic benefits will be required by the Group to settle the obligation and a reliable estimate can be made of the amount of the obligation.

r. Employee benefit liabilities:

The Group has several employee benefit plans:

1. Short-term employee benefits:

Short-term employee benefits are benefits that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services. These benefits include salaries, paid annual leave, paid sick leave, recreation and social security contributions and are recognized as expenses as the services are rendered. A liability in respect of a cash bonus or a profit-sharing plan is recognized when the Group has a legal or constructive obligation to make such payment as a result of past service rendered by an employee and a reliable estimate of the amount can be made.

2. Post-employment benefits:

The plans are normally financed by contributions to insurance companies and classified as defined contribution plans or as defined benefit plans.

The Group has defined contribution plans pursuant to section 14 to the Severance Pay Law under which the Group pays fixed contributions and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient amounts to pay all employee benefits relating to employee service in the current and prior periods. Contributions to the defined contribution plan in respect of severance or retirement pay are recognized as an expense when contributed concurrently with performance of the employee's services.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The Group also operates a defined benefit plan in respect of severance pay pursuant to the Severance Pay Law. According to the Law, employees are entitled to severance pay upon dismissal or retirement. The liability for termination of employment is measured using the projected unit credit method. The actuarial assumptions include expected salary increases and rates of employee turnover based on the estimated timing of payment. The amounts are presented based on discounted expected future cash flows using a discount rate determined by reference to market yields at the reporting date on high quality corporate bonds that are linked to the Israeli CPI with a term that is consistent with the estimated term of the severance pay obligation.

In respect of its severance pay obligation to certain of its employees, the Company makes current deposits in pension funds and insurance companies ("the plan assets"). Plan assets comprise assets held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the Group's own creditors and cannot be returned directly to the Group.

The liability for employee benefits shown in the statement of financial position reflects the present value of the defined benefit obligation less the fair value of the plan assets. Actuarial gains and losses are carried to the statement of profit or loss and other comprehensive income as incurred.

s. Share-based payment transactions:

The Company's employees are entitled to remuneration in the form of equity-settled share-based payment transactions.

Equity-settled transactions:

The cost of equity-settled transactions with employees is measured at the fair value of the equity instruments granted at grant date. The fair value is determined using an acceptable option pricing model.

The cost of equity-settled transactions is recognized in profit or loss together with a corresponding increase in equity during the period which the performance and/or service conditions are to be satisfied ending on the date on which the relevant employees become entitled to the award ("the vesting period"). The cumulative expense recognized for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether the market condition is satisfied, provided that all other vesting conditions (service and/or performance) are satisfied.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

If the Company modifies the conditions on which equity-instruments were granted, an additional expense is recognized for any modification that increases the total fair value of the share-based payment arrangement or is otherwise beneficial to the employee/other service provider at the modification date.

If a grant of an equity instrument is canceled, it is accounted for as if it had vested on the cancelation date and any expense not yet recognized for the grant is recognized immediately. However, if a new grant replaces the canceled grant and is identified as a replacement grant on the grant date, the canceled and new grants are accounted for as a modification of the original grant, as described above.

t. Earnings per share:

Earnings per share are calculated by dividing the net income attributable to equity holders of the Company by the weighted number of Ordinary shares outstanding during the period.

Potential Ordinary shares are included in the computation of diluted earnings per share when their conversion decreases earnings per share from continuing operations. Potential Ordinary shares that are converted during the period are included in diluted earnings per share only until the conversion date and from that date in basic earnings per share. The Company's share of earnings of investees is included based on its share of earnings per share of the investees multiplied by the number of shares held by the Company.

NOTE 3:- SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS USED IN THE PREPARATION OF THE FINANCIAL STATEMENTS

In the process of applying the significant accounting policies, the Group has made the following judgments which have the most significant effect on the amounts recognized in the financial statements:

a. Judgments:

- Determining the fair value of share-based payment transactions:

  The fair value of share-based payment transactions is determined upon initial recognition by an acceptable option pricing model. The inputs to the model include share price, exercise price and assumptions regarding expected volatility, expected life of share option and expected dividend yield.

- Determining whether a contractual arrangement meets the lease definition:

  On the lease engagement date, the Company assesses whether the contract is or includes a lease. A contract is or includes a lease if it transfers the right to control the use of an identifiable asset for a period of time for a consideration.

NOTE 3:- SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS USED IN THE PREPARATION OF THE FINANCIAL STATEMENTS (Cont.)

b. Estimates and assumptions:

The preparation of the financial statements requires management to make estimates and assumptions that have an effect on the application of the accounting policies and on the reported amounts of assets, liabilities, revenues and expenses. Changes in accounting estimates are reported in the period of the change in estimate.

The key assumptions made in the financial statements concerning uncertainties at the reporting date and the critical estimates computed by the Group that may result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

- Deferred tax assets:

  Deferred tax assets are recognized for unused carryforward tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the timing and level of future taxable profits, its source and the tax planning strategy.

- Capitalized development costs:

  In testing impairment, management makes assumptions regarding the expected cash flows to be generated from the property being developed, discount rate to be applied to the cash flows and the expected period of benefits.

- Satellite useful life:

  See Note 12b.

NOTE 4:- DISCLOSURE OF NEW STANDARDS IN THE PERIOD PRIOR TO THEIR ADOPTION

a. Amendment to IAS 1, "Presentation of Financial Statements":

In January 2020, the IASB issued an amendment to IAS 1, "Presentation of Financial Statements" ("the Amendment") regarding the criteria for determining the classification of liabilities as current or non-current.

The Amendment includes the following clarifications:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The Amendment is effective for annual periods beginning on or after January 1, 2023 and must be applied retrospectively.

The Company believes the Amendment is not expected to have an effect on the financial statements.

b. Amendment to IAS 37, "Provisions, Contingent Liabilities and Contingent Assets":

In May 2020, the IASB issued an amendment to IAS 37, regarding which costs a company should include when assessing whether a contract is onerous ("the Amendment"). According to the Amendment, costs of fulfilling a contract include both the incremental costs (for example, raw materials and direct labor) and an allocation of other costs that relate directly to fulfilling a contract (for example, depreciation of an item of property, plant and equipment used in fulfilling the contract).

The Amendment is effective for annual periods beginning on or after January 1, 2022 and applies to contracts for which all obligations in respect thereof have not yet been fulfilled as of January 1, 2022. Early application is permitted.

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

NOTE 5:- CASH AND CASH EQUIVALENTS

	December 31,	
	2020	2019
	U.S. dollars in thousands	
Cash in NIS	1,077	963
Cash in the functional currency	9,645	4,571
Cash in other currencies	12	515
Cash in the functional currency placed in short-term deposits	-	9,500
	10,734	15,549

NOTE 6:- SHORT-TERM DEPOSITS AND RESTRICTED CASH

a. Short-term deposits:

	December 31,	
	2020	2019
	U.S. dollars in thousands	
Bank deposits (*)	31,000	12,000

(*) The annual interest rates range between 0.5% and 2.5%.

b. Restricted cash:

As of December 31, 2020 and 2019, the Company has restricted deposits in the amount of $ 3,200 thousand and $ 185 thousand, respectively, to secure guarantees granted by the Company to several parties as described in Note 19.

NOTE 7:- TRADE RECEIVABLES AND CONTRAT BALANCES

Trade receivables, net:

	December 31,	
	2020	2019
	U.S. dollars in thousands	
Open debts	4,153	4,114
Accrued Income	1,551	1,687
allowance for doubtful accounts	(8)	(8)
Trade receivables, net	5,696	5,793

The Company grants its customers interest-free credit for periods of 30-90 days. An allowance for doubtful accounts receivable is maintained for potential credit losses based on management's assessment of the expected collectability of all accounts receivable.

Information about the credit risk exposure of the Company's trade receivables:

December 31, 2020:

		Past due trade receivables					
	Not past due	< 30 days	31- 60 days	61 - 90 days	91 - 120 days	>120 days	Total
	U.S. dollars in thousands						
Gross carrying amount	95	2,048	-	-	2,000	10	4,153
Allowance for doubtful accounts	-	-	-	-	-	(8)	(8)

December 31, 2019:

		Past due trade receivables					
	Not past due	< 30 days	31- 60 days	61 - 90 days	91 - 120 days	>120 days	Total
	U.S. dollars in thousands						
Gross carrying amount	83	2,012	-	2,000	-	19	4,114
Allowance for doubtful accounts	-	-	-	-	-	(8)	(8)

NOTE 8:- OTHER ACCOUNTS RECEIVABLE

a. Current receivables:

	December 31,	
	2020	2019
	U.S. dollars in thousands	
Deferred expenses and advances to suppliers	796	429
Prepaid insurance expenses	324	54
Governmental institutions	245	278
Accrued interest	143	27
Other	89	134
	1,597	922

b. Non-current receivables:

	December 31,	
	2020	2019
	U.S. dollars in thousands	
Prepaid insurance for EROS C3	744	744

NOTE 9:- LEASES

The Company has entered into leases of buildings and motor vehicles (mainly of buildings) which are used for the Company's operations. Leases of buildings have lease terms of four years whereas leases of motor vehicles have lease terms of three years. Some of the leases entered into by the Company include extension options.

a. Information on leases:

	Year ended December 31,	
	2020	2019
	U.S. dollars in thousands	
Interest expense on lease liabilities	43	41

NOTE 9:- LEASES (Cont.)

b. Disclosures in respect of right-of-use assets:

2020

	U.S. dollars in thousands
Cost:	
Balance as of January 1, 2020	2,041
Balance as of December 31, 2020	2,041
Accumulated depreciation:	
Balance as of January 1, 2020	485
Additions during the year:	
Depreciation and amortization	518
Balance as of December 31, 2020	1,003
Depreciated cost as of December 31, 2020	1,038

2019

	U.S. dollars in thousands
Cost:	
Balance as of January 1, 2019	-
Additions during the year:	
New lease	967
Adjustments for lease modifications	1,074
Balance as of December 31, 2019	2,041
Accumulated depreciation:	
Balance as of January 1, 2019	
Additions during the year:	
Depreciation and amortization	485
Balance as of December 31, 2019	485
Depreciated cost as of December 31, 2019	1,556

NOTE 10:- INVESTMENTS IN SUBSIDIARIES

	December 31,			
	2020		2019	
	Shares conferring voting rights	Shares conferring rights to profits	Shares conferring voting rights	Shares conferring rights to profits
ImageSat NV (*)	100%	100%	100%	100%
ImageSat Israel Securities Ltd. (**)	-	-	100%	100%
ISI USA LLC (***)	100%	100%	100%	100%

(*) The Company holds 99.996% of ImageSat NV.

(**) Inactive company liquidated in 2020.

(***) Inactive company.

NOTE 11:- ADVANCES ON ACCOUNT OF PROPERTY AND EQUIPMENT

Composition:

	December 31,	
	2020	2019
	U.S. dollars in thousands	
EROS C3 (*) (**)	63,499	47,249
Other satellites (**)	5,545	4,026
Other	558	-
	69,602	51,275

(*) Of which an amount of approximately $ 40 million relates to IAI, see also Notes 16b and 24e(4). An additional amount of approximately $ 21 million is in respect of the satellite's launch.

(**) As of December 31, 2020, salary expenses of $ 2,585 thousand have been capitalized to advances on account of property and equipment.

NOTE 12:- PROPERTY AND EQUIPMENT

a. Composition and movement:

2020

	EROS B	Ground stations	Office furniture and equipment	Computers and peripheral equipment	Leasehold improvements	Total
	U.S. dollars in thousands					
Cost:						
Balance at January 1, 2020	90,048	3,605	298	3,679	1,008	98,638
Additions during the year	-	2,067	21	441	122	2,651
Balance at December 31, 2020	90,048	5,672	319	4,120	1,130	101,289
Accumulated depreciation:						
Balance at January 1, 2020	85,893	1,923	138	3,386	486	91,826
Additions during the year	846	444	13	209	97	1,609
Balance at December 31, 2020	86,739	2,367	151	3,595	583	93,435
Depreciated cost at December 31, 2020	3,309	3,305	168	524	548	7,854

2019

	EROS B	Ground stations	Office furniture and equipment	Computers and peripheral equipment	Leasehold improvements	Total
	U.S. dollars in thousands					
Cost:						
Balance at January 1, 2019	90,048	2,147	211	3,609	619	96,634
Additions during the year	-	1,458	87	227	392	2,164
Disposals during the year	-	-		(156)	(2)	(158)
Balance at December 31, 2019	90,048	3,605	298	3,680	1,009	98,640
Accumulated depreciation:						
Balance at January 1, 2019	80,858	1,556	129	3,330	413	86,286
Additions during the year	5,035	367	9	213	76	5,700
Disposals during the year	-	-	-	(156)	(2)	(158)
Balance at December 31, 2019	85,893	1,923	138	3,387	487	91,828
Depreciated cost at December 31, 2019	4,155	1,682	160	293	522	6,812

NOTE 12:- PROPERTYAND EQUIPMENT (Cont.)

b. Change in accounting estimate:

Effective October 1, 2019, the Company changed the depreciation rate of the EROS B satellite from 7.14% to 5.26%. The change relied on an updated extended life report from the satellite's manufacturer, internal performance reports, observation of similar satellites currently operating and new contracts signed. The satellite was originally supposed to be fully depreciated in the reporting year, but since according to the above report the satellite is expected to continue operating for another 4.5 years, the Company extended the useful life of the satellite accordingly. The effect of the change in the reporting period and subsequent periods on depreciation expenses carried to depreciation and amortization is as follows:

	2019	2020	2021	2022	2023	2024 onwards
	U.S. dollars in thousands					
Increase (decrease) in expenses	(1,394)	(1,914)	846	846	846	770

NOTE 13:- INTANGIBLE ASSETS

a. Description:

During 2016-2019, the Company developed an analytical maritime solution for satellite data ("the Kingfisher"). Starting from February 2019, the system is being amortized since it reached a development stage whereby it's available for sale. The asset is amortized over its useful life that is estimated at three years.

During the second half of 2020, the Company developed custom software ("Special Purpose Software") for operating the EROS C1 and EROS C2 satellites. The company capitalized costs of $ 791 thousand in respect of the Special Purpose Software.

NOTE 13:- INTANGIBLE ASSETS (Cont.)

b. Composition and movement:

2020:

	Kingfisher	Special Purpose Software	Total
	U.S. dollars in thousands		
Cost:			
Balance at January 1, 2020	1,602	-	1,602
Capitalization of development costs	-	622	622
Purchases	-	169	169
Balance at December 31, 2020	1,602	791	2,393
Accumulated amortization:			
Balance at January 1, 2020	490	-	490
Amortization recognized in the year	534	-	534
Balance at December 31, 2020	1,024	-	1,024
Amortized cost at December 31, 2020	578	791	1,369

2019:

	Kingfisher	Special Purpose Software	Total
	U.S. dollars in thousands		
Cost:			
Balance at January 1, 2019	1,592	-	1,592
Capitalization of development costs	10	-	10
Purchases	-	-	-
Balance at December 31, 2019	1,602	-	1,602
Accumulated amortization:		-	
Balance at January 1, 2019	-	-	-
Amortization recognized in the year	490	-	490
Balance at December 31, 2019	490	-	490
Amortized cost at December 31, 2019	1,112	-	1,112

NOTE 14:- OTHER ACCOUNTS PAYABLE

	December 31,	
	2020	2019
	U.S. dollars in thousands	
Accrued expenses	1,859	831
Employees and payroll accruals	974	633
Accrued vacation pay	505	286
Other	-	3
	3,338	1,753

NOTE 15:- OTHER LIABILITIES

	December 31,	
	2020	2019
	U.S. dollars in thousands	
	326	438

1. Israeli Innovation Authority:
During 2016, the Company joined an Israeli Innovation Authority incentive plan, according to which it received a grant for the support of the research and development efforts of the Kingfisher project.

In exchange for the Israeli Innovation Authority participation in the Kingfisher project, the Company is required to pay royalties up to a rate of 3.5% from future sales of the developed products, until repayment of 100% of the granted amount linked to the annual dollar LIBOR interest. As of December 31, 2020 and 2019 the Company has received grants in the revaluated total amount of $183, classified as part of its long term liabilities. As of December 31, 2020, the Company has not paid any royalties.

2. BIRD Foundation grant:
During 2018-2020, the Company received a grant from BIRD Foundation for the support of the research and development efforts of the Close-Up project.

The Company is required to pay royalties at a rate of 5% from future gross sales of developed product. The repayment amount might vary between 100%-150% of the grant as a result of the number of repayment years following the termination of the project, all as per to the Cooperation and Project Funding Agreement dated July 2018. As of December 31, 2020 and 2019, the Company has received grants in the total amount of $340 and $255 respectively, classified as part of its long term liabilities. As of December 31, 2020, the Company has not paid any royalties.

NOTE 16:- FINANCIAL INSTRUMENTS

a. Financial assets:

	December 31,	
	2020	2019
	U.S. dollars in thousands	
Financial assets at amortized cost:		
Trade receivables	5,696	5,793
Short-term deposits	31,000	12,000
	36,696	17,793

b. Financial liabilities and lease liabilities:

	Effective interest rate	Maturity date	December 31, 2020	December 31, 2019
			U.S. dollars in thousands	
Non-current liabilities:				
Loan from related party (*)	4.53%	See below	36,442	35,205

As per management's assessment, the carrying amount of financial instruments approximates their fair value.

(*) On November 2, 2017, the Company and IAI signed an Amended Loan Agreement according to which on the date of Closing the investment agreement with FIMI, the Company will repay $ 35 million on account of the loan. The remaining loan bears annual interest of 3.5% which may vary under certain conditions as detailed in the Amended Loan Agreement.

The remaining loan is repayable in four annual installments – the first at a rate of 25% of the remaining loan on the same date, the second at a rate of 33.33% on the same date, the third at a rate of 50% on the same date and the fourth at a rate of 100% on the same date. The first installment shall be payable on the later of: (i) one year from the date of launch of the EROS C3 satellite; or (ii) the earlier of: (a) an IPO of the Company; or (b) the date FIMI receives an aggregate of $ 40 million for the Preferred A shares purchased in the investment agreement between the Company and FIMI, subject to the terms stipulated in the Amended Loan Agreement. In the event of: (a) the total loss, constructive total loss or complete malfunction of the EROS-C satellite; or (b) termination of the EROS-C3 Agreement pursuant to its terms, the first installment shall be payable upon the earlier of (A) one year following an IPO, and (B) such time as FIMI receives an aggregate of $ 40 million as provided in Section (ii)(a) above. Also, according to the Amended Loan Agreement, all previous agreements regarding loans and related rights that had been signed between the Company and IAI before the Amended Loan Agreement became effective - are null and void.

The Company used an external valuation expert for estimating the fair value of the loan as of the date of signing the Amended Loan Agreement. Consequently, the Company recognized a capital reserve attributable to equity holders of the Company in the amount of $ 1,221 thousand which was carried to share premium and capital reserves. The first loan repayment date was updated in accordance with the expected changes in the EROS C3 delivery date and the finance expenses arising from the fair value of the loan were adjusted accordingly.

NOTE 16:- FINANCIAL INSTRUMENTS (Cont.)

1. Market risk:

   Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risks, such as share price risk and commodity risk. Financial instruments affected by market risk include, among others, loans and deposits.

2. Foreign currency risk:

   Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign currency exchange rates.

3. Customer credit risk:

   The management of credit risk in respect of customers is performed by the Group in keeping with its credit risk management policies, procedures and controls. The evaluation of customer credit quality relies on an analysis of each customer's credit rating which serves for determining the credit terms of each specific customer.

4. Financial liabilities:

   The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments (including interest payments):

   December 31, 2020:

	Less than one year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	> 5 years	Total
	NIS in thousands						
Trade payables	314	-	-	-	-	-	314
Payables	3,338	-	-	-	-	-	3,338
Other liabilities	12	57	127	130	-	-	326
Loan from controlling shareholder	-	-	10,252	10,611	10,982	4,597	36,442
Lease liabilities	613	582	-	-	-	-	1,195
	4,300	693	10,379	10,741	10,982	4,597	41,692

   December 31, 2019:

	Less than one year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	> 5 years	Total
	NIS in thousands						
Trade payables	313	-	-	-	-	-	313
Payables	1,753	-	-	-	-	-	1,753
Other liabilities	-	12	57	127	130	112	438
Loan from controlling shareholder	-	-	-	10,252	10,611	14,342	35,205
Lease liabilities	564	613	458	-	-	-	1,635
	2,702	648	693	10,379	10,741	14,454	39,617

NOTE 17:- EMPLOYEE BENEFIT ASSETS AND LIABILITIES

Employee benefits consist of short-term benefits and post-employment benefits.

a. Post-employment benefits:

Labor laws and agreements require the Company to pay severance pay and/or pensions to employees dismissed or retiring from their employ in certain other circumstances. The amounts of benefits those employees are entitled to upon retirement are based on the number of years of service and the last monthly salary. Also, under labor laws and labor agreements in effect, including the Expansion Order (Combined Version) for Obligatory Pension under the Collective Agreements Law of 1957 (the "Expansion Order"), the Company is liable to make deposits with provident funds, pension funds or other such funds, to cover its employees' pension insurance as well as some of its severance pay liabilities. Under the terms of the Expansion Order, the Company deposits for severance pay as required under the Expansion Order as well as other deposits made by those companies "in lieu of severance pay" and which were announced as such as required under the Expansion Order, replace all payment of severance pay under Section 14 of the Israeli Severance Pay Law.

The Company's severance pay liability to Israeli employees for which the said liability is covered under section 14 of the Severance Pay Law is covered by regular deposits with defined contribution plans.

The Group accounts for that part of the payment of compensation that is not covered by contributions in defined contribution plans, as above, as a defined benefit plan for which an employee benefit liability is recognized and for which the Group deposits amounts in central severance pay funds and in qualifying insurance policies.

b. Composition:

	December 31,	
	2020	2019
	U.S. dollars in thousands	
Defined benefit obligation	794	606
Fair value of plan assets	(704)	(545)
Net defined benefit liability	90	61

c. Actuarial assumptions:

	2020	2019	2018
Discount rate as of December 31,	0.85%	0.85%	0.85%
Rate of salary increase for existing employees	2%	2%	2%

NOTE 18:- TAXES ON INCOME

a. Tax jurisdictions applicable to the Company:

The Company has only been assessed for tax purposes in Israel since inception.

ImageSat NV has been assessed for tax purposes as an Israeli resident company since 2013 is concurrently also subject to tax laws in its country of incorporation – Curacao. From its inception through the end of the 2020 tax year, ImageSat NV has never paid taxes in Curacao. As of December 31, 2020, ImageSat NV is tax exempt in Curacao.

The U.S. subsidiary, ISI USA LLC, has not yet begun operating and is therefore exempt from reporting to the IRS (other than a technical declaration of inactivity and fee payment).

b. The Restructuring:

By May 31, 2021, the Company and ImageSat NV are expected to complete the Restructuring process which is planned to take place in three stages simultaneously. In stage one, ImageSat NV will assign and transfer its assets and liabilities, including interests in the Company and excluding contracts with parties and/or customers that cannot be assigned ("the transferred operation" and "the continuing operation", respectively), to a new sister company (“Newco”). In the second stage, the Newco will merge with the Company and transfer the entire assets and liabilities to the Company and then be dissolved without liquidation. In the third stage, 99.996% of ImageSat NV's shareholders will transfer their interests in ImageSat NV to the Company for allocation of shares in the Company (the remaining 0.004% of the Company's share capital will be held by a trustee in trust until and subject to the transfer of rights to the shareholders). The Company will also allocate employees stock options to ImageSat NV's stock options holders instead of the options held by such stock options holders in ImageSat NV.

c. Tax laws applicable to the Group companies:

Income Tax (Inflationary Adjustments) Law, 1985:

According to the law, until 2007, the results for tax purposes were adjusted for the changes in the Israeli CPI.

In February 2008, the Israeli parliament passed an amendment to the Income Tax (Inflationary Adjustments) Law, 1985, which limits the scope of the law starting 2008 and thereafter. Since 2008, the results for tax purposes are measured in nominal values, excluding certain adjustments for changes in the Israeli CPI carried out in the period up to December 31, 2007. Adjustments relating to capital gains such as for sale of property (betterment) and securities continue to apply until disposal. Since 2008, the amendment to the law includes, among others, the cancelation of the inflationary additions and deductions and the additional deduction for depreciation (in respect of depreciable assets purchased after the 2007 tax year).

NOTE 18:- TAXES ON INCOME (Cont.)

d. Tax rates applicable to the Group:

In December 2016, the Israeli Parliament approved the Economic Efficiency Law (Legislative Amendments for Applying the Economic Policy for the 2017 and 2018 Budget Years), 2017 which reduces the corporate income tax rate to 24% (instead of 25%) effective from January 1, 2017 and to 23% effective from January 1, 2018.

The Israeli corporate tax rate was 23% in 2020, 2019 and 2018.

A company is taxable on its real capital gains at the corporate income tax rate in the year of sale.

In August 2013, the Law for Changing National Priorities (Legislative Amendments for Achieving Budget Targets for 2013 and 2014), 2013 ("the Budget Law") was enacted. The Law includes, among others, provisions for the taxation of revaluation gains effective from August 1, 2013. The provisions regarding revaluation gains will become effective only after the publication of regulations defining what should be considered as "retained earnings not subject to corporate tax" and regulations that set forth provisions for avoiding double taxation of foreign assets. As of the date of approval of these financial statements, these regulations have not been published.

e. Tax assessments:

Tax assessments filed by the Company and ImageSat NV by 2015 are considered final.

f. Carryforward losses for tax purposes and other temporary differences:

As of December 31, 2020, the Company has carryforward business losses for tax purposes totaling $ 1,513 thousand.

NOTE 18:- TAXES ON INCOME (Cont.)

g. Deferred taxes:

The Company recognizes deferred taxes due to timing differences arising from the gap between recognizing income or expenses in conformity with IFRS and in conformity with Israeli tax laws.

Deferred taxes are presented in the statements of financial position as follows:

	December 31,	
	2020	2019
	U.S. dollars in thousands	
Non-current assets	750	-
Non-current liabilities	(391)	(313)

Composition and movement:

	Statements of financial position		Statements of profit or loss		
	December 31,		Year ended December 31,		
	2020	2019	2020	2019	2018
	U.S. dollars in thousands				
Deferred tax liabilities:					
Property, plant and equipment	787	-	787	-	-
Tax reserve on fair value of interested party loan	322	313	9	12	(64)
	1,109	313	796	12	(64)
Deferred tax assets:					
Future R&D expenses	750	-	(750)	-	-
Carryforward losses	348	-	(348)	-	310
Employee benefits and other accruals	242	-	(242)	-	-
Lease liability	36	-	(36)	-	-
Offsetting prepayments for surplus expenses	92	-	(92)	-	-
	1,468	-	(1,468)	-	310
Deferred tax expenses (income)			(672)	12	246
Deferred tax assets (liabilities), net	359	(313)			

NOTE 18:- TAXES ON INCOME (Cont.)

h. Taxes on income included in profit or loss:

	Year ended December 31,		
	2020	2019	2018
	U.S. dollars in thousands		
Current taxes	1,365	-	11
Deferred taxes, see also g above	(672)	12	246
	693	12	257

i. Theoretical tax:

	Year ended December 31,		
	2020	2019	2018
	U.S. dollars in thousands		
Income before taxes on income	7,827	6,306	5,283
Statutory tax rate	23%	23%	23%
Tax computed at the statutory tax rate	1,800	1,450	1,215
Increase (decrease) in taxes on income due to the following factors:			
First time recognition of deferred taxes	(447)	-	310
Non-deductible expenses	60	-	-
Temporary differences for which no deferred taxes were carried	347	-	-
Utilization of tax losses from previous years for which deferred taxes were not recognized in the past	(975)	(1,450)	(1,215)
Utilization of prepayments on surplus expenses	(92)	-	-
Other	-	12	(53)
Taxes on income	693	12	257

NOTE 19:- GUARANTEES

The Company issued financial guarantees to several of its business partners to secure its liabilities:

	December 31,	
	2020	2019
	U.S. dollars in thousands	
Building lease secured guarantee	166	155
Potential customer tender guarantee	2,910	-
Performance guarantee for customer	191	191
	3,267	346

NOTE 20:- EQUITY

a. Composition of share capital:

	December 31,	
	2020	2019
	Issued and outstanding	Issued and outstanding
	Number of shares	
Ordinary shares with no par value	1,893,044	1,893,044
Preferred A shares with no par value	2,188,111	2,188,111
Preferred B shares with no par value	846,235	-
	4,927,390	4,081,155

b. Investment in the Company's shares:

On June 23, 2020, ImageSat NV entered into an investment agreement with DCM. According to the agreement, which was entered into effect on July 15, 2020, ImageSat NV allocated to DCM Preferred B shares representing on the allocation date about 17.17% of ImageSat NV's issued and outstanding share capital in return for an investment of $ 31,725 thousand. The Company recorded related expenses (net from tax) in the amount of $ 2,022 thousand as a reduction of premium on the allocated shares.

NOTE 20:- EQUITY (Cont.)

c. Rights attached to shares:

1. General:

Ordinary shares, Preferred A shares and Preferred B shares all confer their holders a right to vote in shareholders' meetings, a right to appoint directors, a right to receive dividends and a right to a share of the Company's assets upon liquidation or sale. The above rights are stipulated in the shareholder rights agreement ("the SRA") signed with ImageSat NV on November 2, 2017 and updated on July 15, 2020.

2. Dividend and distribution order and preference:

In any type of distribution, holders of Preferred B shares are entitled to a share of the distribution pro rata to their interests in the Company.

Concurrently, according to the internal distribution mechanism established between FIMI and IAI, the following applies:

First, holders of Preferred A shares are entitled to receive the "Preferred A Preference Amount" (if the distribution is in the form of a dividend, the distribution will be made simultaneously with a partial repayment of the loan to IAI (see Note 16b)), all as defined in the SRA.

Second, holders of Ordinary shares are entitled to receive their pro rata share based on the ratio of their interests to the interests of holders of Preferred A shares multiplied by the "Preferred A Preference Amount", all as defined in the SRA.

Third, the Company shall pay all outstanding amounts due to the loan to IAI as prescribed in the Amended Loan Agreement subject to the loan's maturity dates.

Lastly, any remaining amount shall be distributed among the Company's Ordinary and Preferred A shareholders on a pro rata basis.

Nevertheless, the Company shall not distribute any dividends or other distributions until IAI has received at least 80% of payment in respect of the EROS C3.

Following the sale of all Preferred A shares or an IPO of the Company and subject to the provisions mentioned in the SRA, the Preferred A shares shall not have any preferences and shall be automatically converted into Ordinary shares.

3. Adjustment to shares due to IPO:

In the event of an IPO of the Company and subject to the provisions of the SRA, Preferred A and B shares shall not confer any surplus rights.

NOTE 20:- EQUITY (Cont.)

d. Restructuring:

As described in Note 18b above, these proforma consolidated financial statements disclose the Company's financial position for all periods presented as if the Restructuring had been completed. The structure of the Company's share capital described above is identical before and after the Restructuring (other than shares accounting for about 0.004% of the Company's share capital, as explained in Note 18b, and other than the cross-ownership of the parent and subsidiary which was switched in the context of the Restructuring).

NOTE 21:- SHARE-BASED PAYMENT TRANSACTIONS

a. Expenses recognized in the financial statements:

The expense recognized in the financial statements for employee services received is shown in the following table:

	Year ended December 31,		
	2020	2019	2018
	U.S. dollars in thousands		
Equity-settled share-based payment plans	263	182	51

b. Share-based payment plan:

On August 12, 2018, the Company's Board approved the 2018 option plan. According to the plan, 178,973 options for the purchase of ordinary shares can be granted to employees, consultants and directors of the Company. According to the Plan, the options vest over a period of up to four years, and their term period is ten years. Each option granted under the plan can be exercised into one ordinary share (with no par value) and will expire as stated in the letter of grant. Each forfeited or unexercised option will be available for future grants.

On November 15, 2020, the Company's Board increased the option pool under the plan by another 108,820 options with no other change in the plan terms.

NOTE 21:- SHARE-BASED PAYMENT TRANSACTIONS (Cont.)

c. Grants:

Following is a description of the share-based payment transactions entered into between the Company and employees in the context of the 2018 option plan:

1. On August 12, 2018 the Company's Board of Directors approved the 2018 Equity Incentive Plan ("the Plan"). Under the Plan, 178,973 options may be granted to employees, consultants and directors of the Company. Each option granted under the Plan is convertible to the Company's Ordinary shares on a one-to-one basis and should be expired as specified in the option agreements. Provided, however that the term can be no more than the earlier of ten years from the date of grant and August 12, 2028. Any options which are forfeited or not exercised before expiration become available for future grants.

2. Subject to the Plan terms and condition, the Company issued 159,798 stock options to few management members on September 20, 2018. The vesting period is graded so that the options shall be vested in three equal portions, each at the end of 2019, 2020 and 2021. The options shall be expired six years from the grant date. The exercise price is $ 18.28061 per share. The fair value of each option is $ 2.25, calculated based on the Black & Scholes model. The grants are in accordance with section 102 to Israel's Income Tax Ordinance.

3. On September 8, 2020, the Company's CEO was granted options for the purchase of 7,717 Ordinary shares. The vesting period is two years from the grant date. The options expire six years from the grant date. The exercise price is $ 18.28061 per share. The fair value of each option is $ 15.56, calculated based on the Black & Scholes model. The grants are in accordance with section 102 to Israel's Income Tax Ordinance.

4. On November 15, 2020, the Company’s board of directors approved an aggregate grant of 103,820 options to purchase 103,820ordinary shares, to several key management personnel. The vesting period is graded and the options will vest in three equal annual portions as follows: 50% vest on July 15, 2022 (in case of IPO an acceleration will be made on half of this portion), 25% vest on July 15, 2023 and 25% vest on July 15, 2024. The opinions will expire 6 years from the grant date. The exercise price of the options granted is $ 37.490135 per share. The fair value of each option is $ 8.9, calculated based on the Black & Scholes model The grants are in accordance with section 102 to Israel's Income Tax Ordinance.

NOTE 21:- SHARE-BASED PAYMENT TRANSACTIONS (Cont.)

d. Movement in the number of share options and their related weighted average exercise prices are as follows:

The following table presents the changes in the number of share options and the weighted average exercise prices of share options:

	2020		2019	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		$		$
outstanding at beginning of year	159,798	18.28061	159,798	18.28061
granted during the year	111,537	36.16107	-	-
outstanding at end of year	271,335	25.63069	159,798	18.28061
exercisable at end of year	106,532	18.28061	53,266	18.28061

e. Measurement of the fair value of equity-settled share options:

The Company uses the Black & Scholes model when estimating the grant date fair value of equity-settled share options. The measurement was made at the grant date of equity-settled share options since the options were granted to employees.

The following table lists the inputs to the binomial model and Black & Scholes model used for the fair value measurement of equity-settled share options for the Company's plan:

	Grant made on		
	November 15, 2020	September 8, 2020	September 20, 2018
Dividend yield (%)	-	-	-
Expected volatility of the share prices (%)	46.13%	46.13%	49.06%
Risk-free interest rate (%)	0.21%	0.16%	3%
Expected life of share options (years)	4.21	4	6
Calculated Ordinary share price ($)	29.96	29.96	7.99
Calculated fair value of option ($)	8.9	15.56	2.25

The expected life of share options is based on their contractual life and on various evaluations which do not necessarily reflect the future exercise patterns of the share options.

NOTE 22:- ADDITIONAL INFORMATION TO PROFIT OR LOSS ITEMS

a. Information on revenues according to customers:

	Year ended December 31,		
	2020	2019	2018
	U.S. dollars in thousands		
Revenues from significant customers each accounting for 10% or more of total revenues reported in the financial statements:			
Customer A	9,917	10,000	11,606
Customer B	7,847	8,000	8,000
Customer C	2,776	2,955	4,387
Customer D	2,698	5,364	-
	23,238	26,319	23,993

Information on revenues according to geographical location:

The revenues reported in the financial statements were produced in the Company's country of residence (Israel) and overseas based on the location of customers, as follows:

	Year ended December 31,		
	2020	2019	2018
	U.S. dollars in thousands		
Israel	392	1,161	1,679
Overseas	25,525	28,885	25,574
	25,917	30,046	27,253

	Year ended December 31,		
	2020	2019	2018
	U.S. dollars in thousands		
Asia	21,015	23,370	19,606
America	1,432	2,101	1,262
Africa	2,790	3,063	4,519
Europe	288	351	187
Israel	392	1,161	1,679
	25,917	30,046	27,253

NOTE 22:- ADDITIONAL INFORMATION TO PROFIT OR LOSS ITEMS (Cont.)

b. Operating costs:

	Year ended December 31,		
	2020	2019	2018
	U.S. dollars in thousands		
Wages, salaries and related expenses	1,675	1,585	1,275
Satellite operating costs	351	312	398
Satellite insurance costs	970	562	845
Depreciation of right-of-use assets and related expenses	284	509	269
Equipment, procurement and labor delivered to customers	1,463	2,789	3,194
Sales promotion and customer liaison expenses	3,293	3,294	2,349
	8,036	9,051	8,330

c. Selling and marketing expenses:

Wages, salaries and related expenses	1,695	1,469	1,425
Travel and related expenses	113	226	270
Subcontractor costs	160	214	207
Business development and showcase expenses	188	132	160
Depreciation of right-of-use assets and related expenses	72	53	51
Other	52	147	193
	2,280	2,241	2,306

d. General and administrative expenses:

Wages, salaries and related expenses	1,424	1,197	1,148
IT and data security	342	364	351
Professional services	434	389	95
Directors' fees	180	180	180
Depreciation of right-of-use assets and related expenses	133	115	113
Other	301	250	131
	2,814	2,495	2,018

NOTE 22:- ADDITIONAL INFORMATION TO PROFIT OR LOSS ITEMS (Cont.)

e. Research and development expenses:

	Year ended December 31,		
	2020	2019	2018
	U.S. dollars in thousands		
Wages, salaries and related expenses	1,377	1,949	914
Subcontractor costs	377	831	189
Other research and development expenses	185	253	209
	1,939	3,033	1,312

f. Finance expenses:

Finance income:			
Interest income from bank deposits	463	483	379
Finance expenses:			
Interest expenses from loan from related party	1,236	1,184	1,474
Lease related finance expenses	43	41	-
Exchange rate valuation losses (gains)	12	(33)	(13)
Other	50	21	8
	1,341	1,213	1,469
	878	730	1,090

NOTE 23:- NET EARNINGS PER SHARE

Details of the number of shares and income used in the computation of net earnings per share:

	Year ended December 31,					
	2020		2019		2018	
	Weighted number of shares	Net income	Weighted number of shares	Net income	Weighted number of shares	Net income
	In thousands	U.S. dollars in thousands	In thousands	U.S. dollars in thousands	In thousands	U.S. dollars in thousands
Number of shares and net income	4,927	7,134	4,081	6,294	4,081	5,026

NOTE 24:- BALANCES AND TRANSACTIONS WITH RELATED PARTIES

a. The parent company, controlling shareholder and subsidiaries:

The controlling shareholder in the Company is FIMI. As for subsidiaries, see Note 10.

b. Balances with related parties:

	December 31,	
	2020	2019
	U.S. dollars in thousands	
Receivables:		
Trade receivable (see e(1)(a))	95	83
Trade payable (see e(1)(b))	44	-
Inventory purchased (see e(2))	52	40
Prepaid expenses (see e(1)(b))	12	-
Advances on account of property and equipment (see e(4))	40,232	40,000
Advances on account of property and equipment to (see e(2))	564	-
Payables:		
Loan (see e(3))	36,442	35,205
Accrued expenses (see e(5))	45	-

c. Transactions with interested and related parties:

	Year ended December 31,		
	2020	2019	2018
	U.S. dollars in thousands		
Revenues (see e(1)(a))	283	274	173
Purchase (see e(1)(b))	69	41	72
Purchase (see e(2))	98	91	150
Management fees (see e(5))	180	180	180
Finance expenses on loan (see e(3))	1,236	1,184	1,474

NOTE 24:- BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Cont.)

d. Remuneration of key management personnel:

	Year ended December 31,		
	2020	2019	2018
	U.S. dollars in thousands		
Short-term employee benefits	1,354	1,218	1,131
Grants	304	354	129
Share-based payments	228	184	51
	1,886	1,756	1,311
No. of people to whom the benefit relates	5	5	5

e. Details of transactions:

1. Current operations with IAI:

   a) The Company recognizes revenues from current operations with IAI consisting of the grant of operating services for the Venus research satellite owned by a third party. In 2020 and 2019, IAI's maximum debt amounted to $ 162 thousand and $ 165 thousand, respectively.

   b) The Company receives from IAI support services for its satellites and ground station.

2. Current operations with Orbit Technologies Ltd. ("Orbit"):

   The Company purchases from Orbit hardware which is used by the Company's ground station and by the ground stations set up on the Company's customer sites. Orbit is defined as a related party.

3. Loan from IAI:

   See Note 16.

NOTE 24:- BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Cont.)

4. Purchase of EROS C3:

   On December 27 2017, the Company and IAI entered into the EROS C3 satellite purchasing agreement. The satellite delivery and launch are expected to be completed in the course of 2022. The EROS C3 is an OptSat 3000 model satellite with very-very high resolution and multi spectral capabilities.

   As of December 31, 2020, the outstanding payment for the EROS C3 is $ 73 million to be paid as follows: (1) $ 20 million at the satellite delivery date; (ii) $ 20 million at the End of the In Orbit Acceptance Test (or earlier in case of a " Dissolution Event" as defined in the EROS C3 Satellite Supply Contract) and; (iii) $ 33 million - 12 months after the In Orbit Acceptance Test (or earlier in case of a " Dissolution Event" as defined in the EROS C3 Satellite Supply Contract).

5. Management fees to controlling shareholder:

   The Company is engaged with FIMI for management services for an annual fee of $180.

NOTE 25:- SUBSEQUENT EVENTS

a. EROS C1 satellite:

   See Note 1e.

b. Contract with new strategic customer:

   On January 15, 2021, the Company signed a contract with a new customer for the delivery of high-resolution imaging services using the EROS C1 and EROS C2 satellites and ground services for a period of one year for an overall amount of $ 10.85 million.

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IMAGESAT INTERNATIONAL (I.S.I) LTD

PROFORMA CONSOLIDATED INTERIM FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2021

UNAUDITED

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Kost Forer Gabbay & Kasierer
144 Menachem Begin Road, Building A,
Tel-Aviv 6492102, Israel

Tel: +972-3-6232525
Fax: +972-3-5622555
ey.com

Report on review of consolidated Interim financial statement to the Shareholders of ImageSat International (I.S.I) Ltd.

We have reviewed the accompanying proforma financial information of ImageSat International (I.S.I) Ltd and it's subsidiary ("the Company") which comprises the condensed consolidated statement of financial position as of September 30, 2020 and the related proforma condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the nine and three months period then ended. The Company's board of directors and management are responsible for the preparation and presentation of interim proforma financial information for these interim periods in accordance with IAS 34, "Interim Financial Reporting" and are responsible for the preparation of this interim financial information in accordance with Chapter D to the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion on this interim proforma financial information based on our review.

We conducted our review in accordance with Review Standard (Israel) 2410 of the Institute of Certified Public Accountants in Israel, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim proforma financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim proforma financial information is not prepared, in all material respects, in accordance with IAS 34.

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

Kost Forer Gabbay and Kasierer

Tel-Aviv, Israel
November 4, 2021

KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(USD thousands)

	Note	September 30 2021 Unaudited	September 30 2020 Unaudited	December 31 2020 Audited
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents		7,136	8,967	10,734
Restricted cash		3,202	3,200	3,200
Short-term bank deposits		45,000	48,000	31,000
Trade receivables		3,582	3,653	5,696
Other accounts receivable		3,307	1,776	1,597
Inventories		883	670	881
		63,110	66,266	53,108
NON-CURRENT ASSETS				
Property and equipment, net		8,092	6,605	7,854
Advances on account of property and equipment		90,001	56,185	69,602
Right-of-use assets		649	1,168	1,038
Intangible assets		1,001	1,128	1,369
Deferred taxes		310	252	750
Long-term receivables		744	744	744
		100,797	66,082	81,357
Total assets		163,907	132,348	134,465

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

PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(U.S. dollars in thousands)

	Note	September 30 2021 Unaudited	September 30 2020 Unaudited	December 31 2020 Audited
LIABILITIES				
CURRENT LIABILITIES:				
Current maturities of lease liabilities		600	567	607
Trade payables		227	345	314
Customer advances and deferred revenues		8,121	4,315	2,894
Income tax payable		1,053	-	1,112
Other accounts payable		3,788	2,520	3,338
		13,789	7,747	8,265
NON-CURRENT LIABILITIES:				
Lease liabilities		-	540	587
Other liabilities		325	523	326
Customer advances and deferred revenues		19,704	-	-
Deferred taxes		-	258	391
Employee benefit liabilities		117	62	90
Loan from related party		37,679	36,402	36,442
		57,825	37,785	37,836
ISSUED CAPITAL & RESERVES ATTRIBUTABLE TO THE OWNERS:				
Share capital		-	-	-
Share premium and capital reserves		144,485	144,485	144,485
Share-based payment transactions reserve		815	302	496
Accumulated deficit		(53,007)	(57,971)	(56,617)
		92,293	86,816	88,364
Total liabilities and Shareholders' equity		163,907	132,348	134,465

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

November 4, 2021			
Date of approval of the financial statements	Kfir Aviv CFO	Gillon Beck Chairman of the Board	Noam Segal CEO

PROFORMA CONSOLIDATED STATEMENTS OF INCOME AND OTHER COMPREHENSIVE INCOME

(USD thousands)

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2021	2020	2021	2020	2020
	Unaudited		Unaudited		Audited
Revenues	23,219	19,139	7,459	6,829	25,917
Operating costs	6,749	5,882	2,400	2,576	8,036
Amortization and depreciation	2,327	1,665	922	559	2,143
Gross profit	14,143	11,592	4,137	3,694	15,738
Selling and marketing	1,866	1,536	558	543	2,280
General and administrative	2,719	1,929	708	803	2,814
Research and development	3,864	1,514	1,363	467	1,939
Operating income	5,694	6,613	1,508	1,881	8,705
Financing expenses, net	1,235	890	482	257	878
Income before taxes on income	4,459	5,723	1,026	1,624	7,827
Taxes on income	849	(54)	193	(18)	693
Net profit	3,610	5,777	833	1,642	7,134
Other comprehensive income (loss) (net of taxes):					
Loss from remeasurement of defined benefit plans	-	-	-	-	(3)
Total other comprehensive loss	-	-	-	-	(3)
Total comprehensive income	3,610	5,777	833	1,642	7,131
Earnings per share (USD):					
Net earnings per share attributable to shareholders of the Company	0.73	1.17	0.17	0.33	1.45
Net earnings per share on a fully diluted basis	0.72	1.16	0.17	0.33	1.43

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

PROFORMA CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(USD thousands)

	Share capital	Share premium and capital reserves	Reserve for share-based payments	Retained loss	Total equity
	Unaudited				
	USD thousands				
Balance as of January 1, 2021	-	144,485	496	(56,617)	88,364
Net profit	-	-	-	3,610	3,610
Cost of share-based payment	-	-	319	-	319
Balance as of September 30, 2021	-	144,485	815	(53,007)	92,293

	Share capital	Share premium and capital reserves	Reserve for share-based payments	Retained loss	Total equity
	Unaudited				
	USD thousands				
Balance as of January 1, 2020	-	114,782	233	(63,748)	51,267
Net profit	-	-	-	5,777	5,777
Net proceeds from issue of shares		29,703			29,703
Cost of share-based payment	-	-	69	-	69
Balance as of September 30, 2020	-	144,485	302	(57,971)	86,816

	Share capital	Share premium and capital reserves	Reserve for share-based payments	Retained loss	Total equity
	Unaudited				
	USD thousands				
Balance as of June 30, 2021	-	144,485	708	(53,840)	91,353
Net profit	-	-	-	833	833
Cost of share-based payment	-	-	107	-	107
Balance as of September 30, 2021	-	144,485	815	(53,007)	92,293

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

Proforma Consolidated Statements of Changes in Equity

(USD thousands)

	Capital Shares	Share premium and capital reserves	Capital reserve for share-based payments	Retained loss	Total equity
	Unaudited				
	USD thousands				
Balance as of June 30, 2020	-	114,782	279	(59,613)	55,448
Net profit	-	-	-	1,642	1,642
Net proceeds from issue of shares		29,703			29,703
Cost of share-based payment	-	-	23	-	23
Balance as of September 30, 2020	-	144,485	302	(57,971)	86,816

	Capital Shares	Share premium and capital reserves	Capital reserve for share-based payments	Retained loss	Total equity
	Audited				
	USD thousands				
Balance as of January 1, 2020	-	114,782	233	(63,748)	51,267
Net profit	-	-	-	7,134	7,134
Net proceeds from issue of shares	-	29,703	-	-	29,703
Cost of share-based payment	-	-	263	-	263
Other comprehensive loss for the year	-	-	-	(3)	(3)
Balance as of December 31, 2020	-	144,485	496	(56,617)	88,364

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

Proforma Consolidated Statements of Cash Flows

(USD thousands)

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2021	2020	2021	2020	2020
	Unaudited		Unaudited		Audited
Cash flows from operating activities:					
Net income	3,610	5,777	833	1,642	7,134
Adjustments to reconcile net income to net cash provided by operating activities:					
Adjustments to the profit or loss items:					
Depreciation and amortization	1,856	1,264	762	425	1,609
Depreciation and amortization of intangible asset	471	401	160	133	534
Amortization of right-of-use asset	389	388	129	129	518
Share-based payment	319	69	107	23	263
Finance expenses, net	969	952	273	343	1,014
Taxes on income, net	849	(49)	193	(16)	693
Change in employee benefit liabilities, net	27	1	(3)	4	26
	4,880	3,026	1,621	1,041	4,657
Changes in asset and liability items:					
Decrease in trade receivables	2,114	2,140	2,526	2,587	97
Decrease (increase) in other accounts receivable	(1,710)	(854)	(1,702)	35	(655)
Decrease (increase) in inventories	(2)	(184)	(2)	22	(395)
Decrease in trade payables	(87)	(11)	(301)	(101)	(79)
Increase (decrease) in advances and accrued income	24,931	(1,134)	25,437	(898)	(2,555)
Increase (decrease)in other accounts payable	379	803	(260)	239	1,388
	25,625	760	25,698	1,884	(2,199)
Cash paid and received in the period for:					
Interest received	266	245	138	50	346
Taxes paid	(846)	(6)	(2)	(2)	(21)
	(580)	239	136	48	325
Net cash from operating activities	33,535	9,802	28,288	4,615	9,917

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

Proforma Consolidated Statements of Cash Flows

(USD thousands)

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2021	2020	2021	2020	2020
	Unaudited		Unaudited		Audited
Cash flows from investing activities:					
Purchase of property and equipment	(1,537)	(1,014)	(257)	(482)	(2,571)
Investment in intangible assets	(103)	(417)	-	(240)	(791)
Advances on account of property and equipment	(20,956)	(4,910)	(842)	(1,310)	(18,327)
Net change in bank deposits	(14,000)	(36,000)	(25,000)	(34,000)	(19,000)
Investment in restricted deposits	-	(3,015)	-	-	(3,015)
Net cash used in investing activities	(36,596)	(45,356)	(26,099)	(36,032)	(43,704)
Cash flows from financing activities:					
Issuance of shares, net	-	29,451	-	29,451	29,451
Repayment of lease liabilities	(607)	(564)	(303)	(280)	(564)
Receipt of R&D grants	70	85	-	-	85
Net cash from (used in) financing activities	(537)	28,972	(303)	29,171	28,972
Decrease in cash and cash equivalents	(3,598)	(6,582)	1,886	(2,246)	(4,815)
Cash and cash equivalents at beginning of the period	10,734	15,549	5,250	11,213	15,549
Cash and cash equivalents at end of the period	7,136	8,967	7,136	8,967	10,734
Material non-cash transactions:					
Purchase of property and equipment on supplier credit	-	43	-	43	80
Tax component of share issue expenses	-	252	-	252	252
Classification from advance on fixed assets to fixed assets	557	-	-	-	-

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

Notes to the Proforma Consolidated Interim Financial Statements

NOTE 1:- GENERAL

a. ImageSat International (I.S.I) Ltd. ("the Company") and its subsidiaries ("the Group") specialize in providing space-based intelligence solutions, ultrahigh resolution satellite imagery and data analytics. The Company was incorporated in Israel on January 26, 1999 as a limited private company by the name of West Indian Space Israel Ltd.. On September 7, 2000, the Company changed its name to ImageSat Israel Ltd and on September 2, 2021 the Company changed its name to ImageSat International (I.S.I) Ltd.

b. Further to Note 1f to the annual proforma consolidated financial statements, in December 2019, Covid-19 broke out in China and in the first quarter of 2020 spread to other countries, including Israel, With far-reaching macroeconomic implications.

   Since the outbreak of Covid-19, the Company has continued its day-to-day operations, subject to all government restrictions and guidelines. Notwithstanding the economic crisis resulting from Covid-19, demand for the Company's products increased during the reporting period.

   The Company regularly assesses the effects of Covid-19 on its business activities, and adjusts its operations to the directives of the Ministry of Health.

c. Further to Note 1b to the annual proforma consolidated financial statements, the Company's restructuring process was completed on May 13, 2021, and is effective retroactively as from January 1, 2021.

   Given the above, all comparative figures refer to proforma information, and they were prepared for the Company, as if the restructuring process had already been completed.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

a. Basis of presentation

   The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

   In addition, the financial statements have been prepared in accordance with the provisions of the Israeli Securities Regulations (Annual Financial Statements), 2010.

b. Preparation format of the consolidated interim financial statements

   These interim proforma consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting and do not include all disclosures that would otherwise be required in a complete set of financial statements and therefore should be read in conjunction with the 2020 annual report. The main accounting policy and calculation methods applied in the preparation of these Consolidated Interim Financial Statements are consistent with those applied in the preparation of the Annual Financial Statements.

c. Functional and presentation currency

   The presentation currency for the financial statements is the US dollar. These financial statements have been prepared in U.S. dollars ("dollar"), since the currency of the primary economic environment is dollar. The Company management believes that the dollar is the primary currency of the economic environment in which the Company operates. Thus, the functional and reporting currency is the dollar.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

d. Special report according to Regulation 38D (separate financial statements)

The Company did not attach separate financial information to its financial statements, in accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 1970, since it does not affect the financial statements and do not contain any material information for the reasonable investor that is not included in the Company's consolidated financial statements. Given the above and due to the negligible additional information provided to the investor in the separate financial statement in relation to the information to be included in the Group's consolidated financial statements, the Company elected not to present separate financial information in the interim report for the period ended September 30, 2021.

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 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:- SIGNIFICANT EVENTS IN THE REPORTING PERIOD

a. In January 2021, the Company signed another contract with a third party satellite operator ("Mutual Use Agreement No. 2"), according to which the Company will have an exclusive right to commercialize the EROS C1 satellite. The EROS C1 is an electro-optic satellite owned by the third party after signing this agreement. The trade name of this satellite is EROS C1 (which is in orbit as of the date of this report). All this under the terms defined in the agreement in principle as stipulated between the parties to the agreement for strategic cooperation, distribution of profits between the Company and the third party in connection with sales arising from the use of the EROS C1 satellite will be 30% and 70% respectively.

b. In January 2021, the Company signed a contract with a new customer for supplying services from EROS C1 and EROS C2 satellites, along with related ground equipment in the amount of USD 11 million and for a period of one year commencing February 2021.

c. On May 13, 2021, the Company and ImageSat International N.V. completed the restructuring process as defined in Note 18b and 20d to the Company's proforma consolidated financial statements as of December 31, 2020. The restructuring approved as part of the taxation decision does not create a tax liability on the Company. Following the restructuring process, the Company believes it is within the scope of a preferred technological enterprise as defined in Amendment 73 to the Law for the Encouragement of Capital Investments, 1959, and amended the tax balances and expenses in the Company accordingly.

d. In May 2021, the Company signed a new contract with the Chilean Air Force for building the Chilean national space program amounting to USD 110 million for a period of five years, under which the Company will supply the Chilean Space Agency program. The contract includes the sale of data from the Company's satellites, construction and launch of satellites for the customer, and the creation of satellite and intelligence capabilities on the customer’s premises. In August 2021, the Company received a down payment in the amount of USD 24,630 thousand, which was classified as a current liability and non-current liability and will be reduced in accordance with the progress of the project. On the other hand, the Company provided a guarantee to secure the down payment, which will be gradually reduced over the next five years.

   In addition, the Company also issued the customer with performance guarantees in the total amount of USD 10,990 thousand, which shall also be reduced over the project progress. The Company is not required to pledge any assets to secure such bank guarantees, but it committed to maintain a covenant ratio according to which the equity ratio of the total consolidated balance sheet is at least 35% at any given time.

Notes to the Proforma Consolidated Interim Financial Statements

NOTE 5:- REVENUE

Geographic information

The revenues reported in the financial statements were produced in the Company's country (Israel) and other countries, based on the location of customers, as follows:

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2021	2020	2021	2020	2020
	USD thousands				
APAC	19,618	15,112	6,176	5,914	21,015
America	860	949	220	395	1,432
Africa	1,573	2,507	536	385	2,790
Europe	425	259	136	66	288
Israel	743	312	391	69	392
	23,219	19,139	7,459	6,829	25,917

NOTE 6:- SUBSEQUENT EVENTS

In October, 2021, the Company entered into a new office lease agreement for five years, with an option to extend it for another five years. The monthly rent is USD 51 thousand and the property covers 2,000 square meters.

Events Report

As defined under Regulation 56A of the Securities Regulations (Details of Prospectuses and Draft Prospectuses – Structure and Form), 5729-1969 regarding material events (as defined in such regulation) that occurred during the period following the date of the signature of the financial statements of ImageSat International (I.S.I.) Ltd. (the "Company) as of December 31, 2020
(hereinafter: "Annual Statements") that were signed on February 24, 2021 and following the signature of the financial statements of the Company as of September 30, 2021 (hereinafter: the "2021 Q3 Statements") that was signed on November 4, 2021 up to the date of the submission of the draft prospectus for the issue and offer for sale of the Company and the shelf prospectus of the Company of January 2022 (the "Draft Prospectus")

1. In January 2022, a shareholder meeting of the Company approved, *inter alia*, the following matters: (a) approval of the issue to the public, the execution of the sale mechanism in the framework of the Prospectus and the allocation of the expenses between the Company and the Offerors pursuant to the Prospectus (including an amendment to the current articles of association for this purpose); (b) approval of the replacement of the articles of association of the Company and an amendment to the memorandum of the Company (subject to the completion of the issue); (c) approval of the term of the Company's management agreement with FIMI Fund as being a term of five years (subject to the completion of the offer pursuant to the Prospectus; (d) approval of the compensation policy of the Company (subject to the completion of the offer pursuant to the Prospectus); (e) approval of the lock-up period for the shares in relation to the Company, the interested parties in the Company, the shareholders who will join the sale (if any), the chief executive officer and the chief financial officer pursuant to the requirement of the underwriters (in addition to the regulatory lock-up); (f) ratification of the appointment of Dr. Estery Gilroy-Ran as director of the Company as from March 17, 2021 (nominee to serve as independent director after the Company converts into a public company), including approval of her compensation; (g) ratification of the appointment of Mr. Amir Widman as director of the Company (on behalf of FIMI Fund) as from January 16, 2022.

2. In January 2022, the board of directors of the Company approved the 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 Chief Executive Officer of the Company; (b) 495,000 Options to 7 officers (subjected to the Chief Executive Officer of the Company); and (c) 655,000 Options to 28 employees which are not officers of the Company (hereinafter: the **"New Offerees"**). The New Options will be granted subject to the completion of the offer pursuant to this Prospectus and before the listing of the shares of the Company.

3. In January 2022, the Company signed a contract with Customer B in the total amount of approximately $20.7 million (under which the Company will supply services from the satellites EROS B, EROS C2 and EROS C3 (when it is launched and enters into commercial service)

together with accompanying ground services) until June 2023. This contract is of retroactive effect and includes the fourth quarter of 2021.

4. In January 2022, the Company engaged a third party, unrelated to the Company or to the controlling shareholder of the Company (the “Subcontractor") in a contract according to which the Subcontractor will provide satellite communications services for a period of 5 (five) years, including a ground segment that includes antennas, a ground station, and various communications systems for the final use of the Chilean Air Force. The scope of the contract, throughout the engagement period, is in the amount of approximately $ 5.7 million.

Gillon Beck	Noam Segal	Kfir Aviv
Chairman of the Board of Directors	Chief Executive Officer	Chief Financial Officer

Date: January 31, 2022

Chapter 10: Legal Opinion

NASCHITZ BRANDES AMIR

Naschitz Brandes Amir & Co., Law Office
5 Tuval Street, Tel Aviv 6789717
Tel. 03-623-5000; Fax. 03-623-5005
Haifa Office: Pal-Yam Avenue, Haifa 3309523
Tel. 04-864-4433; Fax. 04-864-4833
WWW.NBLAW.COM

January 31, 2022

ImageSat International (I.S.I.) Ltd. (hereinafter: the **"Company"**)
FIMI Opportunity 6, Limited Partnership
FIMI Israel Opportunity 6, Limited Partnership
Discount Capital Ltd.
Noam Segal, CEO
Kfir Aviv, CFO
(hereinafter: the "**Offerors**")

Dear Sirs,

Re: Draft Prospectus for Initial Public Offering, Offer for Sale and Shelf Prospectus of January 2022 (hereinafter: the "Prospectus") of ImageSat International (I.S.I.) Ltd.

We hereby refer to the Prospectus and confirm as follows:

1. The directors of the Company were duly appointed and their names are included in the Prospectus.

2. The rights that are ancillary to the Offered Securities, as defined in the Prospectus, pursuant to the Prospectus and the rights that are ancillary to the Offered Securities, have been described correctly in the Prospectus.

3. The Company have the power to offer the Shares for Issue and the Offerors have the power to offer the Shares for Sale, as defined in the Prospectus, pursuant to the Prospectus in the manner described in the Prospectus.

4. We hereby confirm our consent to the inclusion of this opinion in the Prospectus.

Sincerely yours,

Adv. Roi Turgheman. Adv. Shachar Hananel Adv. Ilan Abadi

Chapter 11: Additional Details

11.1 Expenses and commissions

For details about the expenses involved in the offer pursuant to this Prospectus, see Section 5.2 of Chapter 5 of the Prospectus.

11.2 Allotments of securities without full consideration in cash

In the two years preceding the date of this Prospectus, the Company did not allot securities without full consideration in cash.

11.3 Inspection of documents

Copies of this Prospectus, the permission to publish it and also a copy of every report, certificate or expert opinion included in this Prospectus are available for inspection at the registered office of the Company during ordinary working hours by prior appointment. In addition, a copy of the Prospectus is published on the website of the Israel Securities Authority at www.magna.isa.gov.il and on the website of the Tel Aviv Stock Exchange Ltd. at www.maya.co.il.

Chapter 12: Signatures

The Company

ImageSatInternational (I.S.I.) Ltd.

Directors

Gillon Beck

Amos Malka

Eyal Nachum

Shlomi Sudari

Hanoch Papouchado

Estery Giloz-Ran

Amir Widmann

Offerors

FIMI Opportunity 6, Limited Partnership

FIMI Israel Opportunity 6, Limited Partnership

Discount Capital Ltd.

Noam Segal, CEO

Kfir Aviv, CFO

Pricing Underwriter

[-]