

IMAGESAT INTERNATIONAL (I.S.I) LTD

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS AT MARCH 31, 2022

UNAUDITED

TABLE OF CONTENTS

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

AUDITORS' REVIEW

To the Shareholders of

IMAGESAT INTERNATIONAL (I.S.I) LTD

Introduction

We have reviewed the accompanying financial information of ImageSat International (I.S.I) Ltd. ("the Company"), which includes the condensed consolidated statement of financial position as of March 31, 2022 and the condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three-month period ended on the same date. The board of directors and management are responsible for the preparation and presentation of the financial information for these interim periods in accordance with International Accounting Standard, IAS 34 "Interim Financial Reporting" and they are also responsible for the preparation of the financial information for these interim periods in accordance with Chapter D of the Israeli Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion on the financial information for these interim periods based on our review.

Scope of the 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 by the Auditor of the Entity." A review of interim financial information comprises enquiries, primarily of financial and accounting personnel, and the implementation of analytic and other review procedures. A review is significantly more limited in scope than an audit that is conducted in accordance with generally accepted auditing standards in Israel and therefore does not enable us to be certain that we are aware of all of the significant matters that could be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

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

Tel Aviv, Israel
May 15, 2022

Kost Forer Gabbay and Kasierer
KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	March 31,		December 31,
	2022	2021	2021
	Unaudited		Audited
	U.S. dollars in thousands		
CURRENT ASSETS:			
Cash and cash equivalents	16,933	13,649	8,402
Cash from offering held in trust account*	61,283	-	-
Restricted cash	185	3,201	691
Short-term deposits	35,000	20,500	44,750
Trade receivables	10,833	4,798	6,985
Other account receivables	3,088	1,436	3,016
Inventories	1,184	881	1,184
	<u>128,506</u>	<u>44,465</u>	<u>65,028</u>
NON-CURRENT ASSETS:			
Property and equipment	7,361	7,979	7,918
Advances on account of property and equipment	93,289	80,437	90,900
Right-of-use assets	5,884	908	6,014
Intangible assets	770	1,319	839
Deferred taxes	908	681	524
Long-term receivables	744	744	744
	<u>108,956</u>	<u>92,068</u>	<u>106,939</u>
	<u>237,462</u>	<u>136,533</u>	<u>171,967</u>


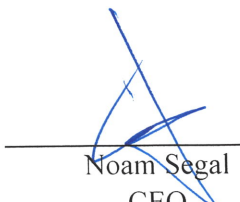

* The offering proceeds were transferred from the trust account to the bank account of the Company in April 2022.

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	March 31,		December 31,
	2022	2021	2021
	Unaudited		Audited
	U.S. dollars in thousands		
CURRENT LIABILITIES:			
Current maturities of lease liabilities	1,087	586	1,255
Trade payables	3,328	586	612
Deferred revenues	3,422	3,692	4,197
Income tax payable	2,419	661	2,024
Other account payables	5,091	3,943	4,426
	<u>15,347</u>	<u>9,468</u>	<u>12,514</u>
NON-CURRENT LIABILITIES:			
Lease liabilities	5,066	280	5,181
Other liabilities	166	326	165
Advances and deferred revenues	18,634	-	19,704
Deferred taxes	-	189	-
Employee benefit liabilities	166	116	169
Loan from related party	38,523	36,854	38,092
	<u>62,555</u>	<u>37,765</u>	<u>63,311</u>
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:			
Share capital	-	-	-
Share premium and capital reserves	205,889	144,485	144,485
Share-based payment transactions reserve	1,066	602	924
Accumulated deficit	(47,395)	(55,787)	(49,267)
	<u>159,560</u>	<u>89,300</u>	<u>96,142</u>
	<u>237,462</u>	<u>136,533</u>	<u>171,967</u>

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

May 15, 2022 Date of approval of the Financial statements	 Gillon Beck Chairman of the Board	 Noam Segal CEO	 Kfir Aviv CFO
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CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Three months ended March 31		Year ended December 31,
	2022	2021	2021
	Unaudited		Audited
Revenues	11,144	6,588	36,268
Operating costs	4,777	1,929	10,881
Depreciation	790	660	3,223
Gross profit	5,577	3,999	22,164
Selling and marketing	954	640	2,568
General and administrative	1,463	771	3,771
Research and development	687	1,162	4,890
Operating income	2,473	1,426	10,935
Finance expenses, net	188	321	1,898
Income before taxes on income	2,285	1,105	9,037
Taxes on income	413	275	1,604
Net income	1,872	830	7,433
Other comprehensive loss (net of taxes):			
Loss from remeasurement of defined benefit plans	-	-	(83)
Total other comprehensive loss	-	-	(83)
Total comprehensive income	1,872	830	7,350
Net earnings per share:			
Net earnings per share attributable to equity holders of the Company (dollars)	0.03	0.02*	0.15*
Net earnings per share on a fully diluted basis (dollars)	0.03	0.02*	0.15*

* Retroactively adjusted due to share split.

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Share premium and capital reserves	Share-based payment transactions reserve	Accumulated deficit	Total
			Unaudited		
			U.S. dollars in thousands		
Balance as of January 1, 2022	-	144,485	924	(49,267)	96,142
Comprehensive income	-	-	-	1,872	1,872
IPO proceeds, net	-	61,263	-	-	61,263
Conversion of options	-	141	(141)	-	-
Share-based compensation	-	-	283	-	283
Balance as of March 31, 2022	-	205,889	1,066	(47,395)	159,560

	Share capital	Share premium and capital reserves	Share-based payment transactions reserve	Accumulated deficit	Total
			Unaudited		
			U.S. dollars in thousands		
Balance as of January 1, 2021	-	144,485	496	(56,617)	88,364
Comprehensive income	-	-	-	830	830
Share-based compensation	-	-	106	-	106
Balance as of March 31, 2021	-	144,485	602	(55,787)	89,300

	Share capital	Share premium and capital reserves	Share-based payment transactions reserve	Accumulated deficit	Total
			Audited		
			U.S. dollars in thousands		
Balance as of January 1, 2021	-	144,485	496	(56,617)	88,364
Comprehensive income	-	-	-	7,350	7,350
Share-based compensation	-	-	428	-	428
Balance as of December 31, 2021	-	144,485	924	(49,267)	96,142

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended March 31		Year ended December 31,
	2022	2021	2021
	Unaudited		Audited
<u>Cash flows from operating activities:</u>			
Net income	1,872	830	7,433
Adjustments to reconcile net income to net cash provided by operating activities:			
Adjustments to the profit or loss items:			
Depreciation of property and equipment	720	508	2,592
Depreciation of intangible asset	70	151	631
Amortization of right-of-use asset	130	130	644
Share-based compensation	283	106	428
Finance expenses, net	407	295	1,379
Taxes on income	413	222	1,604
Change in employee benefit liabilities, net	(3)	26	(4)
	<u>2,020</u>	<u>1,438</u>	<u>7,274</u>
Changes in asset and liability items:			
Decrease (increase) in trade receivables	(3,848)	898	(1,289)
Decrease (increase) in other accounts receivables	(414)	161	(1,419)
Increase in inventories	-	-	(303)
Increase in trade payables	5,036	253	146
Increase (decrease) in deferred revenues	(1,845)	798	21,007
Increase in other account payables	<u>701</u>	<u>547</u>	<u>923</u>
	<u>(370)</u>	<u>2,657</u>	<u>19,065</u>
Cash paid or received during the year for:			
Interest received	24	116	271
Taxes paid	<u>-</u>	<u>(841)</u>	<u>(846)</u>
	<u>24</u>	<u>(725)</u>	<u>(575)</u>
Net cash provided by operating activities	<u>3,546</u>	<u>4,200</u>	<u>33,197</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Three months ended March 31		Year ended December 31,
	2022	2021	2021
	Unaudited		Audited
<u>Cash flows from investing activities:</u>			
Purchase of property and equipment	(163)	(57)	(1,760)
Investment in intangible assets	-	(101)	(102)
Advances on account of property and equipment	(1,410)	(11,392)	(21,854)
Change in bank deposits, net	9,750	10,500	(13,750)
Release of restricted cash	506	-	2,509
Net cash provided by (used in) investing activities	8,683	(1,050)	(34,957)
<u>Cash flows from financing activities:</u>			
IPO proceeds, net	(3,378)	-	-
Repayment of lease liabilities	(320)	(305)	(657)
Grants received	-	70	85
Net cash used in financing activities	(3,698)	(235)	(572)
Increase (decrease) in cash and cash equivalents	8,531	2,915	(2,332)
Cash and cash equivalents at the beginning of the period	8,402	10,734	10,734
Cash and cash equivalents at the end of the period	16,933	13,649	8,402
<u>Significant non-cash transactions:</u>			
Purchase of property and equipment vs. trade payables	-	19	339
Exercise of options	141	-	-
Recognition of right-of-use assets vs. lease liability	-	-	5,620
Classification of advances on account of property and equipment for property and equipment	-	-	557

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1:- GENERALa. General description of the Company and its activity

ImageSat International (I.S.I) Ltd and its subsidiaries (“ImageSat” or “the Company”) specialize in providing advanced satellite-based space intelligence solutions, that combine remote sensing capabilities and control by an advanced ground system based on artificial intelligence capabilities. The Company was incorporated in Israel on January 26, 1999 as a limited private company. On September 7, 2000, the Company changed its name to ImageSat Israel Ltd. (previously West Indian Space Israel Ltd.) and, on September 2, 2021, the Company changed its name to ImageSat International (I.S.I) Ltd. In February 2022, the Company made an initial public offering of its shares. For additional details, see Note 3(a).

b. Further to Note 1f to the annual consolidated financial statements, in December 2019, the COVID-19 pandemic broke out in China (“COVID-19” or “the Event”) and, in the second quarter of 2020, it spread in other countries around the world, including Israel. The Event has had extensive macro-economic implications.

Since the outbreak of COVID-19, the Company has continued with its ordinary activity subject to the governmental restrictions and guidelines. Despite the global crisis caused by COVID-19, demand for the Company’s products increased during the reporting period.

The Company regularly assesses the implications of the pandemic on its business activity and adjusts its mode of operating to the rules of the Israeli Ministry of Health.

c. Special report in accordance with Regulation 38D

Due to the negligible amount of additional information that will be given to the investor in separate financial statements over the information included in the consolidated financial statements of the Group, the Company has chosen not to present separate financial information pursuant to Regulation 38D of the Israeli Securities Regulations (Periodic and Immediate Reports), 1970 in the statements for the interim period ended on March 31, 2022.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIESa. Basis of presentation of the financial statements:

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

b. Format of preparation of the interim consolidated financial statements

The interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. The accounting policy that has been implemented in the preparation of the interim consolidated financial statements is consistent with that implemented in the preparation of the annual consolidated financial statements.

c. Functional currency and presentation currency:

The presentation currency of the financial statements is the U.S. Dollar

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**NOTE 3:- SIGNIFICANT EVENTS DURING AND AFTER THE REPORTING PERIOD**

- a. On February 11, 2022, the Company converted into a public company and its shares were listed on the Tel Aviv Stock Exchange.

Pursuant to the Prospectus, 11,228,070 ordinary shares with no par value of the Company ("Ordinary Shares") were offered by the Company by way of an initial public offering and 5,614,035 Ordinary Shares of the Company were offered by the Offerees (as defined in the Prospectus) by way of an offer for sale, being 16,842,105 Ordinary Shares of the Company in total, at a price of NIS 19 per share by way of a non-uniform offer, as that term is defined under the Israeli Securities Regulations (method of offer of securities to the public).

The gross proceeds in respect of the sale of the shares that were offered pursuant to the Prospectus are being divided between the Company and the Offerees (as set forth in the Prospectus) in the amount of NIS 213 million and NIS 107 million, respectively, being NIS 320 million in total. The total costs of the offering that were borne by the Company were approximately US\$5 million.

At the beginning of April, the Company received approximately NIS 197 million, which constitutes most of the proceeds of the Offering, which were being held by a trustee until that date.

- b. In January 2022, the board of directors of the Company approved an allotment of 1,500,000 (non-negotiable) options convertible into up to 1,500,000 Ordinary Shares of the Company to 36 employees of the Company, as follows: (a) 350,000 options to the CEO; (b) 495,000 options to 7 officers who report to the CEO and (c) 655,000 options to 28 employees who are not officers. The options were granted subject to the completion of the offering (which was indeed completed, as described above) and subject to a 1-for-10 split of the shares of the Company (such that each share would be split into 10 shares). As of the date of the actual allotment, the fair value of the options that were granted was approximately \$3.8 million.

NOTE 4:- REVENUES

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

	Three months ended		Year ended
	March 31		December 31,
	2022	2021	2021
	U.S. dollars in thousands		
Asia	8,927	5,751	28,931
America	1,305	416	3,033
Africa	718	267	2,463
Europe	151	19	510
Israel	43	136	1,331
	<u>11,144</u>	<u>6,589</u>	<u>36,268</u>

ImageSat International (I.S.I.) Ltd.
Board of Directors Report on the State of the Company
as at March 31, 2022

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 during the three-month period ended on March 31, 2022 (hereinafter: the **“Quarter”**) pursuant to the Securities Regulations (Periodic and Immediate Reports), 5730-1970, as set forth below. The preparation of this Report took into account the fact that its readers are also in possession of the last periodic report for 2021, including the Board of Directors Report, the chapter constituting a description of the corporation’s business and the financial statements that were included therewith (Immediate Report dated March 31, 2022, Ref: 2022-01-033354) (hereinafter: the **“2021 Periodic Report”**).

In addition, consolidated financial statements as of March 31, 2022 for the three-month period ended on that date are appended hereto (hereinafter: the **“Financial Statements”**).

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 Periodic Report is based on information or evaluations that exist within the Company as of the date of publication of this Periodic Report.

1. Introduction

- 1.1 The Company was incorporated in Israel on January 26, 1999 as a private limited liability company. On September 7, 2000, it 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”**).
- 1.2 In February 2022, the Company published an offer-for-sale prospectus and a shelf prospectus dated February 11, 2022 (Report dated February 10, 2022; Ref: 2022-01-017467) (hereinafter: the **“Prospectus”**). On the same date, the offering pursuant to the Prospectus was completed (for additional details, see the Immediate Report dated February 10, 2022; Ref: 2022-01-017494) (hereinafter: the **“Offering”**) and the Company thereby became a public company, as this term is defined in the Companies Law, 5759-1999.
- 1.3 The Company and the companies under its control (hereinafter jointly: the **“Group”**) provide advanced satellite-based space intelligence solutions that combine remote sensing capabilities 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 1.17 of Chapter A of the 2021 Periodic Report.

- 1.4 In May 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 1.9 of Chapter A of the 2021 Periodic Report).

2. The financial position

Sections of the Statement of Financial Position in accordance with the Financial Statements and the explanations of the principal changes that took place in them are presented below, in thousands of dollars:

	As of March 31		As of Dec. 31, 2021	Explanations by the board of directors (for the differences between March 31, 2022 and December 31, 2021)
	2022	2021		
Current assets	128,506	44,465	65,028	The increase principally results from the proceeds of the Offering (held as of March 31, 2022 by a trustee) All of the proceeds of the Offering were received by the Company after the balance sheet date. See Note 5 to the financial statements for the first quarter of 2022.
Non-current assets	108,956	92,068	106,939	The increase principally results from investments in the future satellites of the Company.
Total assets	237,462	136,533	171,967	
Current liabilities	15,347	9,468	12,514	The increase principally results from an increase in customer advances in particular those relating to the Offering.
Non-current liabilities	62,555	37,765	63,311	The decrease principally results from a decrease in customer advances and deferred revenues (primarily from the Chilean customer; For additional details, see Section 8.2(c) of the 2021 Periodic Report) due to the recognition of income.
Total equity	159,560	89,300	96,142	The increase principally results from the Offering and the raising of funds thereunder.
Total liabilities and equity	237,462	136,533	171,967	

3. Results of activity

Following is an analysis of the results of activity in accordance with the Financial Statements, in thousands of dollars:

	For the three-month period ended March 31		Increase (Decrease)	
Section	2022	2021		Explanations by the board of directors
Revenues	11,144	6,588	4,556	The increase is as a result of an increase of revenues from Customer D and the Chilean Customer. This increase was partially set off due to a decrease in revenues from Customer E due to the termination of the contract during the Quarter.
Gross profit	5,577	3,999	1,578	The increase mostly results from an increase in revenues with a partial set off in the increase due to the recognition of revenue from items with lower levels of gross profit.
Gross margin	50%	61%		
Operating income	2,473	1,426	1,047	The increase mostly results from an increase in revenues, from the capitalization of research and development expenses for satellite projects. Conversely, the offering bonus (\$1.3 million) that was recorded as an expense in the first quarter of 2022 partially sets off this growth.
Operating margin	22%	22%		
Net income	1,872	830	1,042	In addition to the explanations set forth in the “operating income” row above, net finance expenses decreased due to an increase in finance profits and, conversely, tax expenses increased by a similar amount.
EBITDA¹	4,569	2,086		

¹“EBITDA” – Net earnings plus depreciation and amortization plus net finance expenses plus income taxes disregarding a one-time offering bonus that was paid and recognized as an expense in the first quarter of 2022 in the total amount of \$1,306 thousand.

Following is a detailed adjustment between the EBITDA (for the relevant periods) and operating income (for the relevant periods) according to the Financial Statements of the Company in thousands of dollars:

	For the period of 12 months ended on March 31	
	2022	2021
Net income	1,872	830
Plus depreciation and amortization	790	660
Plus finance expenses (net)	188	321
Plus taxes on income	413	275
One-time offering bonus	1,306	—
EBITDA (disregarding one-time offering bonus)	4,569	2,086

4. Liquidity and cash flow

4.1 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 3 months ended on March 31		Increase (Decrease)	Explanations by the board of directors
	2021	2020		
Cash flow provided by operating activities	3,546	4,200	(654)	The decrease results primarily from ordinary timing differences in receipt and payments of money.
Net cash provided by (used in) investing activities	8,683	(1,050)	9,733	The increase primarily results from a decrease in the rate of payments on account of property and equipment.
Net cash used for financing activities	(3,698)	(235)	(3,462)	The decrease primarily results from the costs of the Offering (most of the proceeds of the Offering was received after the balance sheet date. See Section 7.2 below).

4.2 The Group's working capital, as of March 31, 2022 was approximately \$113,159 thousand compared to \$34,997 thousand as of March 31, 2021.

4.3 For revenue and EBITDA forecasts for 2024, see Section 8.7 of Chapter A of the 2021 Periodic Report.

5. **Backlog**²

As of March 31, 2021, December 31, 2021 and March 31, 2022, the Company's backlog came to approximately \$67.5 million, approximately \$153.0 million and approximately \$159.9 million, respectively.

During the first quarter of 2022, the backlog decreased by approximately \$11.1 million (against the income that was recognized in this quarter) and, conversely, the backlog increased by approximately \$18 million as a result of the entry into new agreements (of which 17.5 is in respect of the entry into an agreement with Customer B).

6. **Sources of finance**

- 6.1 The Company has no loans, except for a shareholders' loan, as set forth in Section 18.1 of Chapter A of the 2021 Periodic Report and in Note 16.b. to the financial statements for that year.
- 6.2 The average suppliers' credit as of March 31, 2022 was \$1,174 thousand and, as of March 31, 2021, it was \$412 thousand.
- 6.3 For further details regarding sources of finance, see Section 18 of Chapter A of the 2021 Periodic Report.

7. **Significant events during the reporting period and after the balance sheet date**

- 7.1 For events that occurred from January 1, 2022 until the date of the 2021 Periodic Report, see Section 6 of the Board of Directors Report of the Company that was appended to the 2021 Periodic Report and which is incorporated by reference.
- 7.2 On February 10, 2022, the offering pursuant to the Prospectus was completed (hereinafter: the "**Completion Date**"), under which an initial public offering was made of ordinary shares of the Company and an offer for sale was made by the offerors under the Prospectus. For details about the actions that were performed upon completion of the Offering, see the Immediate Report dated February 10, 2022 (Ref: 2022-01-017494), the details of which are incorporated by reference.
- 7.3 For details about the receipt of a court decision granting an exemption from disclosure of certain details whose disclosure may harm state security and the receipt of approval for the release of the consideration (net) from a designated trust account, see the Immediate Report dated March 29, 2022 (Ref: 2022-01-037897), the details of which are hereby incorporated by reference. The proceeds of the Offering that were held in the trust account were received by the Company in April 2022.

² 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.

- 7.4 In April 2022, the Company and Elipeled Holdings Ltd. entered into an update to a lease agreement (dating from October 2021) for offices in Or Yehuda. Pursuant to the original agreement, the lease agreement is for five years with an option to extend the lease for five additional years. In the aforementioned update, the Company increased the area of its offices by approximately 900m² in consideration of monthly rent of approximately \$20,000. The Company has an option to vacate the additional office area for any reason and at any time on prior notice of 10 months.
- 7.5 On May 8, 2022, a special general meeting of the Company (hereinafter in this section: the “**Meeting**”) approved the appointment of Ms. Hannah Eldan and Mr. Moshe Yaalon as external directors of the Company and approved their compensation, including insurance and an indemnification exemption arrangement pursuant to the terms set forth in Regulation 29A of the 2021 Periodic Report. For additional details, see the Immediate Report dated April 3, 2022 (Ref: 2022-01-041626) and the Immediate Report on the results of the Meeting of May 8, 2022 (Report dated May 9, 2022, Ref: 2022-01-055426), the details of which are hereby incorporated by reference.
- 7.6 On May 10, 2022, Mr. Shlomi Drori, CPA of S. Drori Consulting Ltd. began serving as the internal auditor of the Company. For additional details, see Section 11 below.
- 7.7 In April 2022, the Company received a letter of intent from the commander of the navy of a country in Asia according to which it intends to collaborate with the Company with a view to providing a response to its intelligence needs based on the satellites of the Company for an as yet undetermined amount of money.

It is emphasized that it is not certain that the parties will enter into a binding commercial agreement. In addition, at this stage, the Company is unable to estimate when the parties will enter into such an agreement (if at all) and what the financial scope of that agreement will be. The Company will provide additional reports if any material changes occur to the format of the transaction and as required by law.

8. The Company’s donations policy

As of the date of this Periodic Report, the Company has no donations policy.

9. Directors with accounting and financial expertise

There have been no changes in the determination of the board of directors regarding the minimum required number of directors with accounting and financial expertise, as set forth in the Board of Directors Report that was attached to the 2021 Periodic Report. For details regarding the directors with accounting and financial expertise, see Regulation 26 of the additional details chapter of the 2021 Periodic Report.

10. **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.

11. **Disclosure regarding the Company's internal auditor**

11.1 **Name of auditor:** Mr. Shlomi Drori, CPA of S. Drori Consulting Ltd.

11.2 **Start date of tenure:** May 10, 2022.

11.3 To the best of the Company's knowledge, the internal auditor complies with the provisions of Section 146(b) of the Companies Law and the provisions of Sections 3(a) and 8 of the Internal Audit Law, 5752-1999 (hereinafter: the "**Internal Audit Law**"). In addition, to the best of the Company's knowledge, the internal auditor does not hold securities of the Company or an entity related to it and he has no business relationship with the Company or an entity related to it.

11.4 **Method of appointment:** In May 2022, the board of directors of the Company approved the appointment of the internal auditor in accordance with the recommendation of the audit committee. The reasons for approving the appointment were, primarily, the experience and professionalism of the internal auditor and also the reasonableness of the terms of his offer, taking into consideration, *inter alia*, the type of company that the Company is, its size and the scope and complexity of its activity.

11.5 **The party in the organization to whom the auditor reports:** The chairman of the board of directors of the Company was determined to be the party in the organization to whom the auditor reports.

11.6 As of the date of this Report, the work program of the auditor for 2022 had not yet been finalized.

12. **Critical accounting estimates**

For details regarding critical accounting estimates, see Note 3 to the financial statements that were appended to the 2021 Periodic Report.

Gillon Beck
Chairman of the Board of Directors

Noam Segal
CEO

Date: May 15 2022.