

IMAGESAT INTERNATIONAL (I.S.I) LTD

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2024

UNAUDITED

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* This Financial Statements is a translation of the Hebrew Financial Statements reported on November 14, 2024. In the event of any conflicts between the English and the Hebrew version, the Hebrew version shall supersede.

Auditors' Review

To the Shareholders of

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

Introduction

We have reviewed the accompanying financial information of ImageSat International (I.S.I) Ltd. ("the Company"), which includes the condensed consolidated statement of financial position as of September 30, 2024 and the condensed consolidated statements of profit or loss and other comprehensive income, changes in equity, and cash flow for the nine and three month period then ended. The board of directors and management are responsible for the preparation and presentation of the financial information for these interim periods in accordance with International Accounting Standard IAS 34, Interim Financial Reporting, and are also responsible for the preparation of this interim financial information in accordance with Chapter D of the Israel Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of the review

We conducted our review in accordance with Israel Review Standard 2410 of the Institute of Certified Public Accountants in Israel, Review of Interim Financial Information by the Independent Auditor of the Entity. A review of interim financial information consists of making enquiries, primarily persons responsible for financial and accounting matters, and applying analytic and other review procedures. A review is substantially more limited in scope than an audit conducted in accordance with generally accepted auditing standards in Israel and consequently does not enable us to be certain that we are aware of all of the significant matters that could be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

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

Kost Forer Gabbay and Kasierer
Tel Aviv
November 14, 2024

KOST FORER GABBAY & KASIERER
Certified Public Accountants

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As of September 30,		As of
	2024	2023	December 31,
	Unaudited		Audited
	USD thousands		
<u>CURRENT ASSETS:</u>			
Cash and cash equivalents	12,724	13,592	37,107
Restricted cash	96	93	93
Short-term deposits	-	17,250	-
Trade receivables	21,109	10,319	11,654
Other account receivables	11,589	12,597	14,942
Income tax receivables	-	-	126
Inventories	1,091	1,306	1,098
	<u>46,609</u>	<u>55,157</u>	<u>65,020</u>
<u>NON-CURRENT ASSETS:</u>			
Property and equipment	180,377	184,649	180,300
Property and equipment under construction	-	13,276	13,519
Advances on account of property and equipment	2,741	2,164	2,261
Right-of-use assets	7,531	8,494	8,210
Intangible assets	505	611	583
Deferred taxes	50	-	-
	<u>191,204</u>	<u>209,194</u>	<u>204,873</u>
	<u><u>237,813</u></u>	<u><u>264,351</u></u>	<u><u>269,893</u></u>

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

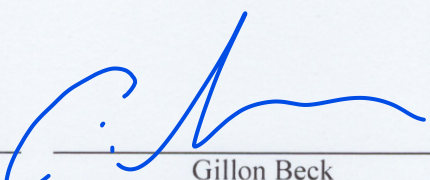
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As of September 30,		As of
	2024	2023	December 31,
	Unaudited		Audited
	USD thousands		
<u>CURRENT LIABILITIES:</u>			
Current maturities of lease liabilities	1,090	903	1,078
Current maturities of loan from a related party	10,764	10,400	20,977
Trade payables	479	3,137	2,906
Advances and deferred revenues	12,791	78	7,319
Income tax payables	306	89	-
Other account payables	5,240	38,369	40,303
	<u>30,670</u>	<u>52,976</u>	<u>72,583</u>
<u>NON-CURRENT LIABILITIES:</u>			
Lease liabilities	5,266	5,886	5,977
Other liabilities	193	166	166
Advances and deferred revenues	-	8,608	2,439
Employee benefit liabilities	62	72	72
Deferred taxes	-	205	753
Loans from banks	20,000	-	-
Loan from a related party	21,424	30,770	20,642
	<u>46,945</u>	<u>45,707</u>	<u>30,049</u>
<u>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:</u>			
Share capital	-	-	-
Share premium and capital reserves	206,040	206,040	206,040
Share-based payments reserve	3,345	2,808	2,898
Accumulated deficit	(49,187)	(43,180)	(41,677)
	<u>160,198</u>	<u>165,668</u>	<u>167,261</u>
	<u>237,813</u>	<u>264,351</u>	<u>269,893</u>

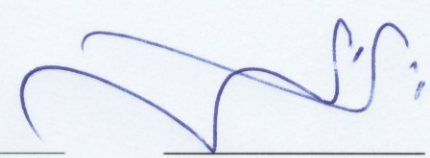
The accompanying notes are an integral part of the interim consolidated financial statements.

November 14, 2024

Date of approval of the
financial statements


Gillon Beck
Chairman of the Board of
Directors


Noam Segal
CEO


Yuval Sipper
CFO

IMAGESAT INTERNATIONAL (I.S.I.) LTD.
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the nine-month period ended September 30		For the three-month period ended September 30		For the year ended December 31
	2024	2023	2024	2023	2023
	Unaudited				Audited
	USD thousands				
	(except per share amounts)				
Revenues	36,056	27,980	15,024	12,392	43,913
Costs of revenues	19,050	7,388	6,268	4,230	12,637
Depreciation and amortization	14,738	6,417	5,885	4,613	11,042
Gross profit	2,268	14,175	2,871	3,549	20,234
Selling and marketing expenses	2,582	3,119	780	906	3,993
General and administrative expenses	3,526	3,862	1,229	1,040	5,154
Research and development expenses	2,960	2,771	1,027	1,179	3,806
Operating income (loss)	(6,800)	4,423	(165)	424	7,281
Finance incomes	585	1,735	79	549	1,568
Finance expenses	1,990	2,113	654	763	2,991
Income (loss) before taxes on income	(8,205)	4,045	(740)	210	5,858
Taxes on income (tax benefit)	(695)	849	204	163	1,185
Net income (loss)	(7,510)	3,196	(944)	47	4,673
Other comprehensive income (loss) (net of tax effect):					
Amounts that will not be reclassified subsequently to profit or loss:					
Remeasurement gain from defined benefit plans	-	-	-	-	26
Total other comprehensive income	-	-	-	-	26
Total comprehensive income (loss)	(7,510)	3,196	(944)	47	4,699
<u>Earnings per share</u>					
Earnings per share attributable to equity holders of the Company (USD)	(0.12)	0.05	(0.02)	0.00	0.08
Earnings per share (fully diluted) (USD)	(0.12)	0.05	(0.02)	0.00	0.08

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

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Share premium and capital reserves	Share- based payments reserve	Accumulated (deficit) Retained earnings	Total Equity
	Unaudited				
	USD thousands				
Balance as of January 1, 2024 (Audited)	-	206,040	2,898	(41,677)	167,261
Comprehensive loss	-	-	-	(7,510)	(7,510)
Share-based payment	-	-	447	-	447
Balance as of September 30, 2024	-	206,040	3,345	(49,187)	160,198

	Share capital	Share premium and capital reserves	Share- based payments reserve	Accumulated (deficit) Retained earnings	Total Equity
	Unaudited				
	USD thousands				
Balance as of January 1, 2023 (Audited)	-	205,905	2,266	(46,376)	161,795
Comprehensive income	-	-	-	3,196	3,196
Conversion of options	-	135	(135)	-	-
Share-based payment	-	-	677	-	677
Balance as of September 30, 2023	-	206,040	2,808	(43,180)	165,668

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Cont.)

	Share capital	Share premium and capital reserves	Share-based payments reserve	Accumulated (deficit) Retained earnings	Total Equity
	Unaudited				
	USD thousands				
<u>Balance as of July 1, 2024</u>	-	206,040	3,240	(48,243)	161,037
Comprehensive loss	-	-	-	(944)	(944)
Share-based payment	-	-	105	-	105
<u>Balance as of September 30, 2024</u>	-	206,040	3,345	(49,187)	160,198

	Share capital	Share premium and capital reserves	Share-based payments reserve	Accumulated (deficit) Retained earnings	Total Equity
	Unaudited				
	USD thousands				
<u>Balance as of July 1, 2023</u>	-	206,040	2,503	(43,227)	165,316
Comprehensive income	-	-	-	47	47
Share-based payment	-	-	305	-	305
<u>Balance as of September 30, 2023</u>	-	206,040	2,808	(43,180)	165,668

	Share capital	Share premium and capital reserves	Share-based payments reserve	Accumulated (deficit) Retained earnings	Total Equity
	Audited				
	USD thousands				
<u>Balance as of January 1, 2023</u>	-	205,905	2,266	(46,376)	161,795
Net income	-	-	-	4,673	4,673
Conversion of options	-	135	(135)	-	-
Share-based payment	-	-	767	-	767
Total comprehensive income	-	-	-	26	26
<u>Balance as of December 31, 2023</u>	-	206,040	2,898	(41,677)	167,261

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

IMAGESAT INTERNATIONAL (I.S.I.) LTD.
CONSOLIDATED STATEMENTS OF CASH FLOW

	For the nine-month period ended September 30		For the three-month period ended September 30		For the Year ended December 31
	2024	2023	2024	2023	2023
	Unaudited				Audited
	USD thousands				
<u>Cash flows from operating activities:</u>					
Net income (loss)	(7,510)	3,196	(944)	47	4,673
Adjustments to reconcile net income to net cash provided by operating activities:					
Adjustments to profit or loss:					
Depreciation and amortization	14,660	6,338	5,859	4,587	10,935
Depreciation of an intangible asset	78	79	26	26	107
Amortization of right-of-use asset	878	766	295	289	1,057
Share-based payment	447	677	105	305	767
Finance Expenses (income), net	1,493	(428)	1,003	411	750
Taxes on income (tax benefit)	(695)	849	204	163	1,185
Change in employees liabilities, net	(10)	(18)	-	(2)	(18)
	<u>16,851</u>	<u>8,263</u>	<u>7,492</u>	<u>5,779</u>	<u>14,783</u>
Changes in assets and liabilities:					
Decrease (increase) in trade receivables	(9,455)	(6,262)	(10,030)	(4,476)	(7,597)
Increase in other receivables	1,438	(1,369)	1,554	940	(4,940)
Decrease (increase) in inventories	*(27)	-	127	-	208
Increase (decrease) in trade payables	(568)	187	(3,857)	(458)	429
Increase (decrease) in advances and deferred revenues	3,033	(12,891)	4,199	(7,362)	(11,819)
Increase (decrease) in other account payables	(3,737)	880	(99)	1,354	2,816
	<u>(9,316)</u>	<u>(19,455)</u>	<u>(8,106)</u>	<u>(10,002)</u>	<u>(20,903)</u>
Cash paid or received in the period for:					
Interest received	525	1,667	131	189	2,283
Interest paid	(3,020)	*(546)	(675)	*(375)	*(751)
Tax paid	(31)	(658)	(11)	(10)	(740)
Tax received	355	-	-	-	73
	<u>(2,171)</u>	<u>463</u>	<u>(555)</u>	<u>(196)</u>	<u>865</u>
Net cash provided by (used for) operating activities	<u>(2,146)</u>	<u>(7,533)</u>	<u>(2,113)</u>	<u>(4,372)</u>	<u>(582)</u>

*) Reclassification in an immaterial amount

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

IMAGESAT INTERNATIONAL (I.S.I.) LTD.
CONSOLIDATED STATEMENTS OF CASH FLOW

	For the nine-month period ended September 30		For the three-month period ended September 30		For the Year ended December 31 2023
	2024	2023	2024	2023	2023
	Unaudited				Audited
	USD thousands				
<u>Cash flow from investing activities:</u>					
Purchase of property and equipment	*(32,484)	(26,925)	(31,583)	(789)	(27,173)
Advances on account of property and equipment under construction	*(475)	(3,064)	(177)	(225)	(3,307)
Advances on account of property and equipment	*-	(354)	-	(94)	(451)
Withdrawal of bank deposits	10,864	5,000	-	10,000	22,250
Investment in bank deposits	(10,864)	-	-	-	-
Deposit of restricted cash	-	20,000	-	-	20,000
Net cash used in investing activities	<u>(32,959)</u>	<u>(5,343)</u>	<u>(31,760)</u>	<u>8,892</u>	<u>11,319</u>
<u>Cash flow from financing activities:</u>					
Repayment of lease liabilities	(749)	*(705)	(301)	*(277)	*(803)
Repayment of a loan to a related party	(8,529)	-	-	-	-
Proceeds from bank loans	20,000	-	-	-	-
Net cash provided by (used in) financing activities	<u>10,722</u>	<u>(705)</u>	<u>(301)</u>	<u>(277)</u>	<u>(803)</u>
<u>Increase (decrease) in cash and cash equivalents</u>	<u>(24,383)</u>	<u>(13,581)</u>	<u>(34,174)</u>	<u>4,243</u>	<u>9,934</u>
<u>Cash and cash equivalents at the beginning of the period:</u>	<u>37,107</u>	<u>27,173</u>	<u>46,898</u>	<u>9,349</u>	<u>27,173</u>
<u>Cash and cash equivalents at the end of the period</u>	<u>12,724</u>	<u>13,592</u>	<u>12,724</u>	<u>13,592</u>	<u>37,107</u>
<u>Material non-cash transactions</u>					
Exercise of options	-	135	-	-	-
Recognition of a right-of-use asset vs. lease liability	-	1,286	-	-	1,286

*) Reclassification in an immaterial amount

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1:- GENERAL

A. General description of the Company and its activity

ImageSat International (I.S.I) Ltd. and its subsidiaries (“ImageSat” or “the Company”) specialize in providing space-based intelligence solutions, very-very high-resolution satellite imagery and data analytics specifically tailored for homeland defense markets and civilian markets, in Israel and worldwide. The Company was incorporated in Israel on January 26, 1999 as a limited private company. On September 7, 2000, the Company changed its name to ImageSat Israel Ltd. (previously West Indian Space Israel Ltd.) and on September 2, 2021 the Company changed its name to ImageSat International (I.S.I) Ltd. In February 2022, the Company made an initial public offering of its shares. For further details, see Note 1(d) on the 2023 annual financial statements.

B. These financial statements have been prepared in condensed format as of September 30, 2024 and for the nine and three months then ended (“the Interim Consolidated Financial Statements”). The financial statements should be read in the context of the Company’s annual financial statements as of December 31, 2023 for the year then ended, and their accompanying notes (“the Consolidated Annual Financial Statements”).

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

D. Financing

As of the date of this report, the Company has a current liability of approximately \$10.8 million owed to a substantial shareholder, Israel Aerospace Industries Ltd. ("IAI"), in relation to a loan. Further details regarding this loan are provided in Note 16b of the consolidated annual financial statements. This liability is scheduled to be repaid at the beginning of January 2025.

As described in Note 4A, the Company has entered into agreements with banking corporations to establish credit facilities. The total credit limit agreed upon with these banking corporations amounts to \$20 million. As of the end of June 2024, the Company had fully drawn this credit line.

The Company anticipates continued growth in its business activities, aligned with its strategic business plans and supported by an increase in cash flows from ongoing operations. Based on management's current plans and projections, the Company expects to meet its financial obligations in the foreseeable future.

E. The "swords of iron" war

As described in Note 1 of the Consolidated Annual Financial Statements concerning the consequences of the 'Iron Swords' war, the following outlines the effects of the war on the company's business activities during the reporting period:

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1:- GENERAL (cont.)

As of the report date, the Company has no indication of any material impact of the War on its business operations. However, it is not possible to predict the War's duration or the extent of its potential future effects, if any, on the Company's activities and business results.

Currently, the Company is closely monitoring the political developments in relation to the President of Chile's anti-Israel positions. In particular, Chile's appeal to the International Court of Justice at The Hague and the boycott imposed on the participation of Israeli companies in the aerospace conference hosted by Chile, in the context of the Iron Swords War. These days, the political climate in Chile is challenging for Israeli companies. Nevertheless, the work on the Chilean space project with the customer is maintained, and the Company is in communication with it daily, and is examining the situation on an ongoing basis.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

A. Basis of presentation of the financial statements:

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

B. Format of preparation of the Interim Consolidated Financial Statements

The Interim Consolidated Financial Statements have been prepared in accordance with International Accounting Standard IAS 34, Interim Financial Reporting, and in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports) 1970.

The accounting policy applied in the preparation of these Interim Consolidated Financial Statements is consistent with the policy applied in the preparation of the annual consolidated financial statements.

C. Functional currency and presentation currency

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

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

1. Amendment to IAS 1, "Presentation of Financial Statements":

In January 2020, the IASB issued an amendment to IAS 1, "Presentation of Financial Statements" regarding the criteria for determining the classification of liabilities as current or non-current ("the Original Amendment"). In October 2022, the IASB issued a subsequent amendment ("the Subsequent Amendment").

According to the Subsequent Amendment:

- Only financial covenants with which an entity must comply on or before the reporting date will affect a liability's classification as current or non-current.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (CONT.)

- In respect of a liability for which compliance with financial covenants is to be evaluated within twelve months from the reporting date, disclosure is required to enable users of the financial statements to assess the risks related to that liability. The Subsequent Amendment requires disclosure of the carrying amount of the liability, information about the financial covenants, and the facts and circumstances at the end of the reporting period that could result in the conclusion that the entity may have difficulty in complying with the financial covenants.

According to the Original Amendment, the conversion option of a liability affects the classification of the entire liability as current or non-current unless the conversion component is an equity instrument.

The Original Amendment and Subsequent Amendment are applied retrospectively for annual periods beginning on January 1, 2024.

The Amendments did not have a material impact on the Company's interim consolidated financial statements

NOTE 3:- DISCLOSURE OF NEW STANDARDS IN THE PERIOD PRIOR TO THEIR ADOPTION

IFRS 18, "Presentation and Disclosure in Financial Statements":

In April 2024, the International Accounting Standards Board ("the IASB") issued IFRS 18, "Presentation and Disclosure in Financial Statements" ("IFRS 18") which replaces IAS 1, "Presentation of Financial Statements".

IFRS 18 is aimed at improving comparability and transparency in financial statements.

IFRS 18 retains certain existing requirements of IAS 1 and introduces new requirements on presentation within the statement of profit or loss, including specified totals and subtotals. It also requires disclosure of management-defined performance measures and includes new requirements for aggregation and disaggregation of financial information.

IFRS 18 does not modify the recognition and measurement provisions of items in the financial statements. However, since items within the statement of profit or loss must be classified into one of five categories (operating, investing, financing, taxes on income and discontinued operations), it may change the entity's operating profit. Moreover, the publication of IFRS 18 resulted in consequential narrow scope amendments to other accounting standards, including IAS 7, "Statement of Cash Flows", and IAS 34, "Interim Financial Reporting".

IFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027, and is to be applied retrospectively. Early adoption is permitted but will need to be disclosed.

The Company is evaluating the effects of the new standard, including the effects of the consequential amendments to other accounting standards, on its consolidated financial statements.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

- A. On June 24, 2024, the company withdrew the full credit amount available, totaling \$20 million, from banking corporations, as part of the credit facility agreement detailed in Notes 4c and 4d of the consolidated interim financial statements for the first quarter of 2024. The main terms of the loans with the banking corporations are as follows:
1. The loan is in US dollars, with a term not to exceed two years and principal repayment due at the end of the period.
 2. Early repayment of all or part of the loan is permitted (subject to the terms of the loan agreement) on the quarterly interest payment dates.
 3. The loans will bear variable quarterly interest at a nominal annual rate not exceeding the term SOFR interest for the period plus between 2.5 and 3.5 percentage points, calculated annually.
 4. Security:
 - 4.1. To secure its obligations, the company will provide a permanent lien and a first-class pledge, including a check on the lien without amount limitations, as follows:
 - 4.1.1: The company's rights in the EROS C3 satellite and other related items.
 - 4.1.2: The company's rights to receive rewards or receipts related to the pledged assets, including:
 - 4.1.2.1: Insurance policies covering the satellite.
 - 4.1.2.2: Rights to all funds or revenues generated from or through the satellite.
 - 4.1.2.3: All funds, deposits, or cash in a designated account related to satellite sales, until the account is closed as per the agreement.
 - 4.1.2.4: All interest, profits, and other assets arising from the above rights and assets, as well as assets received from realizations.
 5. Financial Relations:
 - 5.1: Equity Ratio - The company's equity ratio of its total balance sheet will not be less than 35% at any time.
 - 5.2: Equity Amount - The company's equity capital will not be less than \$120,000 thousand at any time.
- As of the report date, the company meets all the financial ratios specified above.
- B. Further to Note 1A of the consolidated annual financial statements, as of July 1, 2024, the RUNNER satellite was reclassified from a fixed asset under construction to a fixed asset and commenced depreciation. The RUNNER satellite is part of the company's space-based intelligence infrastructure product line.
- C. At the beginning of July 2024, the company paid \$31.3 million to IAI to settle the final payment for the purchase of the EROS C3 satellite, in accordance with the contract terms detailed in Note 24(4) of the consolidated annual financial statements. Following this payment, the liens imposed by IAI on the company's assets, under the December. 2022 agreement to secure the EROS C3 satellite, were released.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4: - SIGNIFICANT EVENTS DURING AND AFTER THE REPORTING PERIOD (CONT.)

- D. On July 28, 2024, an agreement was signed between the company and a third party, unrelated to the company and/or its owner, for a period of three years to provide analytics services based on satellite information. The services will be rendered in accordance with the specifications detailed in the agreement, for the benefit of Customer A, at a total value of approximately 54.5 million dollars, most of which will be paid quarterly throughout the term of the agreement (hereinafter: 'the agreement'). The analytics will be delivered through a cloud-based platform designed for the processing and analysis of intelligence products from space, utilizing artificial intelligence-based analytics.
- E. On August 21, 2024, the company signed an agreement with a customer in Asia for the supply of two RUNNER-type remote sensing satellites, along with related products and services. The total contract value is approximately \$30 million, which will be paid to the company over the project period of approximately three years, according to the milestones agreed upon in the purchase agreement.
- F. On August 29, 2024, the company's board of directors decided to allocate a total of 60,000 non-tradable options to a Chief Officer, with mechanisms to exercise them for 60,000 ordinary shares of the company. The vesting period of the grant is staggered across three installments: 33% will mature on August 29, 2026, another 33% on August 29, 2027, and the final 33% on August 29, 2028. The exercise price for each option is set at NIS 19 per share. The fair value of each option, determined by using the Black-Scholes model, is NIS 6.5. The grants were made through the capital route (with a trustee) in accordance with Section 102 of the Income Tax Ordinance.
- G. During September 2024, the company experienced a momentary anomaly in the control system of its EROS-C3 satellite ("the satellite"). Following the identification of the anomaly, the satellite initiated autonomous stabilization processes. However, due to a rare combination of faults in the satellite's propulsion system, these processes led to abnormal fuel consumption and a lowering of the satellite's orbit altitude. In collaboration with the satellite's manufacturer, Israel Aerospace Industries ("IAI"), the company conducted a series of tests and corrective actions to restore the satellite to operational and commercial functionality. As a result of these actions, the satellite returned to regular commercial activity.

In November 2024, a second anomaly occurred in the satellite's control system. Thanks to the corrective measures implemented after the initial anomaly, the satellite consumed significantly less fuel during the stabilization process. The satellite autonomously stabilized in orbit. The company's operators and engineers, in collaboration with IAI's engineers, are evaluating additional measures to optimize fuel consumption in similar scenarios in the future. Upon completion of these measures, the satellite will resume regular commercial activity. As of the report date, based on lifetime analyses performed by the company, it is estimated that the satellite will achieve its full operational lifespan (at least 8 years, as defined by the manufacturer). However, further deviations in fuel consumption, due to additional faults or other reasons, could potentially shorten the satellite's operational lifespan.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4: - SIGNIFICANT EVENTS DURING AND AFTER THE REPORTING PERIOD (CONT.)

Following a review of the data currently available, the company has updated the satellite's accounting depreciation estimate from 12 years to 8 years. The impact of this change on the financial statements for the reporting period is an increase in depreciation expenses by approximately \$613K. The company continues to closely monitor the situation and its development.

NOTE 5: - REVENUES

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

	For the nine-month period ended September 30		For the three-month period ended September 30		For the Year ended December 31
	2024	2023	2024	2023	2023
	Unaudited				Audited
	USD thousands				
Asia	22,434	16,687	13,200	6,472	29,452
America	12,022	9,638	1,524	5,684	11,332
Africa	561	-	134	-	-
Europe	827	270	151	203	886
Israel	212	1,385	15	33	2,243
	<u>36,056</u>	<u>27,980</u>	<u>15,024</u>	<u>12,392</u>	<u>43,913</u>
