

IMAGESAT INTERNATIONAL (I.S.I) LTD

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF MARCH 31, 2025

UNAUDITED

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- These Financial Statements are a translation of the Hebrew Financial Statements reported on May 29, 2025. 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 March 31, 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.

Tel Aviv
May 29, 2025

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

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

	As of March 31,		As of
	2025	2024	December 31,
	Unaudited		Audited
	USD in thousands		
<u>CURRENT ASSETS:</u>			
Cash and cash equivalents	15,802	13,663	14,481
Restricted cash	96	93	96
Short-term deposits	-	10,864	-
Trade receivables	17,574	8,571	24,365
Other account receivables	10,720	12,470	7,413
Inventories	1,069	1,098	1,069
	<u>45,261</u>	<u>46,759</u>	<u>47,424</u>
<u>NON-CURRENT ASSETS:</u>			
Property and equipment	166,269	176,249	173,946
Property and equipment under construction	-	13,707	-
Advances on account of property and equipment	3,526	2,401	3,245
Right-of-use assets	6,927	7,939	7,226
Intangible assets	453	557	479
	<u>177,175</u>	<u>200,853</u>	<u>184,896</u>
	<u><u>222,436</u></u>	<u><u>247,612</u></u>	<u><u>232,320</u></u>

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

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As of March 31,		As of
	2025	2024	December 31,
	Unaudited		Audited
	USD in thousands		
CURRENT LIABILITIES:			
Current maturities of lease liabilities	1,087	1,066	1,105
Current maturities of loan from a related party	21,941	10,580	21,711
Trade payables	978	2,373	579
Advances and deferred revenues	4,802	4,689	6,189
Income tax payables	46	188	58
Other account payables	6,012	38,398	6,876
	34,866	57,294	36,518
NON-CURRENT LIABILITIES:			
Lease liabilities	4,793	5,614	5,186
Other liabilities	190	166	193
Employee benefit liabilities	67	64	68
Deferred taxes	-	78	-
Loans from banks	20,000	-	20,000
Loan from a related party	10,969	20,906	10,831
	36,019	26,828	36,278
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:			
Share capital	-	-	-
Share premium and capital reserves	206,067	206,040	206,067
Share-based payments reserve	3,549	3,086	3,462
Accumulated deficit	(58,065)	(45,636)	(50,005)
	151,551	163,490	159,524
	222,436	247,612	232,320

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

May 29, 2025
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 three-month period ended March 31		For the year ended December 31
	2025	2024	2024
	Unaudited		Audited
	USD in thousands		
Revenues	7,526	13,156	58,003
Costs of revenues	4,206	9,720	29,859
Depreciation and amortization	7,795	4,437	21,764
Gross profit	(4,475)	(1,001)	6,380
Selling and marketing expenses	988	975	3,477
General and administrative expenses	1,295	1,114	5,017
Research and development expenses	961	1,135	4,112
Operating income (loss)	(7,719)	(4,225)	(6,226)
Finance incomes	537	246	538
Finance expenses	878	687	3,499
Income (loss) before taxes on income	(8,060)	(4,666)	(9,187)
Taxes on income (tax benefit)	-	(707)	(878)
Net income (loss)	(8,060)	(3,959)	(8,309)
<u>Other comprehensive income (loss) (net of tax effect):</u>			
Remeasurement gain from defined benefit plans	-	-	(19)
Total other comprehensive income	-	-	(19)
Total comprehensive income (loss)	(8,060)	(3,959)	(8,328)
<u>Net earnings (loss) per share attributable to equity holders of the Company (in USD):</u>			
Diluted net loss	(0.13)	(0.06)	(0.14)

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 payments reserve	Accumulated (deficit) Retained earnings	Total Equity
	Unaudited				
	USD in thousands				
Balance as of December 31, 2024					
(Audited)	-	206,067	3,462	(50,005)	159,524
Loss	-	-	-	(8,060)	(8,060)
Share-based payment	-	-	87	-	87
Balance as of March 31, 2025	-	206,067	3,549	(58,065)	151,551

	Share capital	Share premium and capital reserves	Share-based payments reserve	Accumulated (deficit) Retained earnings	Total Equity
	Unaudited				
	USD in thousands				
Balance as of December 31, 2023					
(Audited)	-	206,040	2,898	(41,677)	167,261
Loss	-	-	-	(3,959)	(3,959)
Share-based payment	-	-	188	-	188
Balance as of March 31, 2024	-	206,040	3,086	(45,636)	163,490

	Share capital	Share premium and capital reserves	Share-based payments reserve	Accumulated (deficit) Retained earnings	Total Equity
	Audited				
	USD in thousands				
Balance as of December 31, 2023	-	206,040	2,898	(41,677)	167,261
Loss		-	-	(8,309)	(8,309)
Expiration of options		27	(27)	-	-
Share-based payment	-	-	591	-	591
Other comprehensive loss		-	-	(19)	(19)
Balance as of December 31, 2024	-	206,067	3,462	(50,005)	159,524

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 three-month period ended March 31		For the Year ended December 31
	2025	2024	2024
	Unaudited		Audited
	USD in thousands		
<u>Cash flows from operating activities:</u>			
Loss	(8,060)	(3,959)	(8,309)
Adjustments to reconcile loss to net cash used in operating activities:			
Adjustments to profit or loss:			
Depreciation and amortization	7,769	4,411	21,660
Depreciation of an intangible asset	26	26	104
Amortization of right-of-use asset	299	291	1,177
Share-based payment	87	188	591
Finance Expenses (income), net	341	244	2,484
Taxes on income (tax benefit)	-	(707)	(878)
Change in employees liabilities, net	(1)	(8)	(4)
	<u>8,521</u>	<u>4,445</u>	<u>25,134</u>
Changes in assets and liabilities:			
Decrease (increase) in trade receivables	6,791	3,083	(12,711)
Increase in other receivables	(3,294)	819	5,620
Increase in inventories	-	-	(27)
Increase (decrease) in trade payables	399	1,326	(468)
Decrease in advances and deferred revenues	(1,387)	(5,069)	(3,569)
Decrease in other account payables	(519)	(1,903)	(2,099)
	<u>1,990</u>	<u>(1,744)</u>	<u>(13,254)</u>
Cash paid or received in the period for:			
Interest received	115	139	586
Interest paid	(554)	(2,139)	(3,640)
Tax paid	(12)	-	(43)
Tax received	-	346	355
	<u>(451)</u>	<u>(1,654)</u>	<u>(2,742)</u>
Net cash provided by (used in) operating activities	<u>2,000</u>	<u>(2,912)</u>	<u>829</u>

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

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

CONSOLIDATED STATEMENTS OF CASH FLOW

	For the three-month period ended March 31		For the Year ended December 31
	2025	2024	2024
	Unaudited		Audited
	USD in thousands		
<u>Cash flow from investing activities:</u>			
Purchase of property equipment	(92)	(360)	(33,031)
Advances on account of assets under construction	-	(327)	(982)
Advances paid on account of property and equipment	(281)	(154)	-
Withdrawal of bank deposits	-	-	10,864
Investment in bank deposits	-	(10,864)	(10,864)
Net cash used in investing activities	(373)	(11,705)	(34,013)
<u>Cash flow from financing activities:</u>			
Repayment of lease liabilities	(306)	(298)	(913)
Repayment of a loan to a related party	-	(8,529)	(8,529)
Proceeds from bank loans	-	-	20,000
Net cash provided by (used in) financing activities	(306)	(8,827)	10,558
<u>Increase (decrease) in cash and cash equivalents</u>	1,321	(23,444)	(22,626)
<u>Cash and cash equivalents at the beginning of the period:</u>	14,481	37,107	37,107
<u>Cash and cash equivalents at the end of the period</u>	15,802	13,663	14,481

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 ("Imagesat" or "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 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(C) on the 2024 annual financial statements.

In 2020, the EROS C2 satellite, owned by a third party, was launched. This is a very very high-resolution electro-optical satellite with capabilities similar to those of EROS C3, except for the color imaging capabilities that are available only on the EROS C3 satellite. According to an agreement signed in September 2019 between the Company and the third party (hereinafter: "Mutual Use Agreement No. 1"), the Company was granted the exclusive right to use the EROS C2 satellite owned by the third party.

Under Mutual Use Agreement No. 1, the Company received the right to sell all products not used by the third party from the EROS C2 satellite (which constitute the majority of this satellite's overall capacity) in exchange for granting the third party the right to use the EROS C3 satellite in pre-agreed time slots throughout the satellite's lifespan.

On December 30, 2022, the company launched the EROS C3 satellite, which is an electro-optical satellite with very very high resolution and capable of color photography (Multi-Spectrali). On June 26, 2023, a series of in-orbit acceptance tests was completed and the EROS C3 satellite entered commercial activity and began operating as part of the Company's EROS NG constellation. For more details see Note 24e (4).

On June 13, 2023, the Company launched the RUNNER satellite ("Runner"), which is an electro-optical satellite with very high resolution and the ability of color video photography. On July 1, 2024, the Runner satellite was reclassified from fixed assets under construction to fixed assets and depreciation commenced. Runner is a satellite from the New Space family and is part of the Company's Global-Eye constellation and constitutes a part of the space based intelligence infrastructure product line of the company.

- B.** These financial statements have been prepared in condensed format as of March 31, 2025 and for the 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, 2024 for the year then ended, and their accompanying notes ("the Consolidated Annual Financial Statements").

C. Financing

As of the report date, the Company has current maturities totaling approximately \$21.9 million due to Israel Aerospace Industries ("IAI"), a material shareholder (see Note 16b for details of the related party relationship and the loan agreement).

On March 31, 2024, the Company entered into agreements with banking corporations for the establishment of credit lines. The total credit line amount signed with the banking

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1:- GENERAL (CONT.)

corporations is \$20 million. The Company drew down the full credit line at the end of June 2024, with repayment scheduled for June 2026. In February 2025, the Company signed an additional credit line agreement in the amount of \$5 million with a banking corporation, valid until February 2026. As of the reporting date, this additional credit line has not yet been utilized.

The company anticipates continued growth in its business activities in accordance with its business plans and, as a result, an increase in cash flow from its ongoing operations. In light of the aforementioned, according to the company's management assessment, based on its plans, the company will meet its obligations in the foreseeable future.

D. The "swords of iron" war

Further to the description in Note 1(e) to the annual consolidated financial statements regarding the implications of the "Iron Swords" war (hereinafter: "the war"), in October 2023, the "Iron Swords" war broke out in the State of Israel. The War, at a low level of intensity, has continued through the date of publication of this report.

As of the date of this report, the State of Israel has declared a ceasefire on its northern border. As noted above, the War and its continuation have widespread implications for the Israeli economy, the extent and future impact of which cannot yet be estimated.

The Company is closely monitoring the evolving security situation. As of the date of this report, the Company has not identified any material impact on its business. However, this could change if the war escalates or resumes with greater intensity.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

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.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Disclosure of new standards in the period prior to their adoption

In August 2023, the IASB issued an amendment to IAS 21, The Effects of Changes in Foreign Exchange Rates (hereinafter: "the Amendment") to clarify how an entity should assess whether a currency is exchangeable, and to specify the accounting requirements (measurement and disclosure) applicable when a currency is not exchangeable into another currency.

The Amendment establishes the method for determining the spot exchange rate when a currency is not exchangeable. The disclosure requirements under the Amendment are intended to assist users of the financial statements in understanding how the lack of exchangeability affects, or is expected to affect, the entity's financial performance, financial position, and cash flows.

The Amendment is to be applied for annual reporting periods beginning on or after January 1, 2025.

The Amendment had no impact on the Company's interim consolidated financial statements.

NOTE 3: - REVENUES

A. Revenue breakdown based on the geographic location of customers:

	For the three-month period ended March 31		For the Year ended December 31
	2025	2024	2024
	Unaudited		Audited
	USD in thousands		
Asia	5,806	4,397	37,606
America	1,719	8,096	18,012
Africa	-	6	716
Europe	1	498	827
Israel	-	159	842
	<u>7,526</u>	<u>13,156</u>	<u>58,003</u>

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**NOTE 3:- REVENUES (CONT.)**

- B. Revenues reported in the financial statements for each group of products and services:

	For the three-month period ended March 31		For the Year ended December 31
	2025	2024	2024
	Unaudited		Audited
	USD in thousands		
Satellite Services	3,449	6,011	*23,257
Intelligence as a Service	3,907	-	6,755
Satellite Solutions and Supporting Infrastructure	170	7,145	*27,991
	<u>7,526</u>	<u>13,156</u>	<u>58,003</u>

*Reclassified

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

Further to the Company's signing of Minutes of Meeting with Customer A on February 26, 2025 (see Note 25(b) to the consolidated annual financial statements), on May 24, 2025, the Company entered into an agreement with Customer A for providing services from the EROS satellite constellation, as well as related equipment and support services, for a period of two years, in consideration for a total amount of \$42 million over the entire service period, subject to the Company's commitment to provide services in accordance with the volumes specified in the agreement between the parties.
