

IMAGESAT INTERNATIONAL (I.S.I) LTD

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2024

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\*These Financial Statements are a translation of the Hebrew Financial Statements reported on March 13, 2025.  
In the event of any conflicts between the English and the Hebrew version, the Hebrew version shall supersede.

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## AUDITORS' REPORT

### To the Shareholders of

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

We have audited the accompanying consolidated statements of financial position of Imagesat International (I.S.I) Ltd ("the Company") as of December 31, 2024 and 2023, and the related 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, 2024. These financial statements are the responsibility of the Company's board of directors and management. Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company and its subsidiaries as of December 31, 2024 and 2023, and the results of their operations, changes in their equity and cash flows for each of the three years in the period ended December 31, 2024, in conformity with International Financial Reporting Standards (IFRS) and with the provisions of the Israeli Securities Regulations (Annual Financial Statements), 2010.

#### Key matters in the audit

The following key matters in the audit represent the matters that were communicated, or required to be communicated, to the Company's board of directors, and which in our professional judgment, were the most important in the audit of the consolidated financial statements for the current period. These matters encompass, *inter alia*, any matter that (1) pertains, or may pertain, to material items or disclosures in the financial statements, and (2) our opinion in respect thereof was particularly challenging, subjective, or complex. These matters were addressed as part of our audit and in forming our opinion on the consolidated financial statements as a whole. It is important to note that the communication of these matters does not alter our opinion on the consolidated financial statements as a whole, nor do we provide therewith a separate opinion on these matters or on the corresponding items or disclosures they refer to.

Recognition of revenue from contracts with customers – identification of performance obligations while assigning a sales price

As indicated in Note 2d and 3b to the consolidated financial statements, the Company's revenues include revenues from satellite services, analytics and artificial intelligence, and space-based intelligence infrastructures. In most instances, contracts with the Company's customers include these

services and must be recognized as separate performance obligations. The Company examines the fair value for each identified performance obligation and subsequently allocates the consideration price across the components. This process necessitates the exercise of significant judgment by management.

To properly assess the allocation of consideration among the performance obligations, as well as changes in the fair value of the identified services over time, the auditor must exercise significant judgment, subjectivity, and diligence, as well as knowledge and experience in order to evaluate the reasonableness of the assumptions and data employed by management in determining the fair value of each component. Consequently, we have identified this matter as a key matter in the audit.

The audit procedures conducted in response to the key matter in the audit

The principal procedures performed in connection with this key matter as part of our audit for substantial contracts with the customers of the company include, inter alia: (1) We reviewed the basic contract agreement and other related documents; (2) We checked the identification of performance obligations and the examination of the cost of the transaction; (3) We evaluated the policy of recognizing revenue and whether such was properly implemented; (4) We evaluated the assumptions that were employed to determine the fair price for every performance obligation and the appropriateness of the methodology; (5) We examined the accuracy of the basic calculations and the appropriateness of the disclosures in the financial statements.

Tel-Aviv, Israel  
March 12, 2025

*Kost Forer Gabbay and Kasierer*  
KOST FORER GABBAY & KASIERER  
Auditors

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

		As of December 31,	
		2024	2023
	Note	USD in thousands	
<b><u>CURRENT ASSETS:</u></b>			
Cash and cash equivalents	5	14,481	37,107
Restricted cash	6	96	93
Trade receivables	7	24,365	11,654
Other account receivables	8	7,413	14,942
Income tax receivables		-	126
Inventories		1,069	1,098
		47,424	65,020
<b><u>NON-CURRENT ASSETS:</u></b>			
Property and equipment, net	12	173,946	180,300
Property and equipment under construction	11	-	13,519
Advances on account of property and equipment	11	3,245	2,261
Right-of-use assets	9c	7,226	8,210
Intangible assets	13	479	583
		184,896	204,873
		232,320	269,893

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

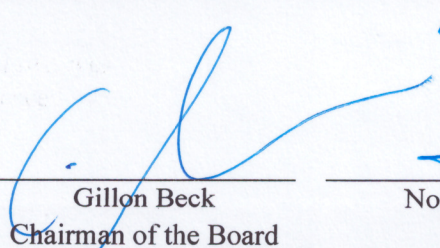


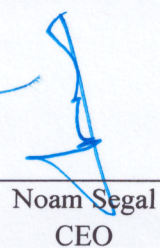
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

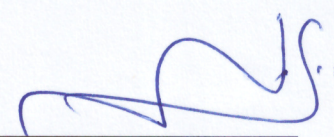
		December 31,	
		2024	2023
	Note	USD in thousands	
<b><u>CURRENT LIABILITIES:</u></b>			
Current maturities of lease liabilities	16b'5	1,105	1,078
Current maturities of loan from related party	16b'1	21,711	20,977
Trade payables		579	2,906
Advances and deferred revenues		6,189	7,319
Income tax payable	18	58	-
Other account payables	14	6,876	40,303
		36,518	72,583
<b><u>NON-CURRENT LIABILITIES:</u></b>			
Lease liabilities	9	5,186	5,977
Other liabilities	15	193	166
Advances and deferred revenues	15	-	2,439
Employee benefit liabilities	17b	68	72
Deferred taxes	18e	-	753
Loan from banking institutions	16b'2	20,000	-
Loan from a related party	16b'1	10,831	20,642
		36,278	30,049
<b><u>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:</u></b>			
	20		
Share capital		-	-
Share premium and capital reserves		206,067	206,040
Share-based payments reserve	21	3,462	2,898
Accumulated deficit		(50,005)	(41,677)
		159,524	167,261
		232,320	269,893

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

March 12, 2025  
Date of approval of the  
Financial statements

  
Gillon Beck  
Chairman of the Board

  
Noam Segal  
CEO

  
Yuval Sipper  
CFO

**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	Note	Year ended December 31,		
		2024	2023	2022
		USD in thousands (except per share data)		
Revenues	22a	58,003	43,913	33,692
Costs of revenues	22b	29,859	12,637	15,190
Depreciation and amortization	12, 13	21,764	11,042	3,229
Gross profit		6,380	20,234	15,273
Selling and marketing expenses	22c	3,477	3,993	3,869
General and administrative expenses	22d	5,017	5,154	4,777
Research and development expenses	22e	4,112	3,806	2,571
Operating income (loss)		(6,226)	7,281	4,056
Finance income	22f	538	1,568	2,300
Finance expenses	22f	3,499	2,991	2,656
Income (loss) before taxes on income		(9,187)	5,858	3,700
Taxes on income (tax benefit)	18f	(878)	1,185	881
Net income (loss)		(8,309)	4,673	2,819
Other comprehensive income (loss) (net of tax effect):				
Remeasurement gain from defined benefit plans		(19)	26	72
Total other comprehensive income (loss)		(19)	26	72
Total comprehensive income (loss)		(8,328)	4,699	2,891
<u>Earnings per share</u>				
Earnings per share attributable to equity holders of the Company (USD)		(0.14)	0.08	0.05
Earnings per share (fully diluted) (USD)	23	(0.14)	0.08	0.05

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

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	Share capital	Share premium and capital reserves	Share-based payments reserve	Retained earnings (deficit)	Total Equity
	USD in thousands				
<u>Balance as of January 1, 2022</u>	<u>-</u>	<u>144,485</u>	<u>924</u>	<u>(49,267)</u>	<u>96,142</u>
Net income	-	-	-	2,819	2,819
Net proceeds from share issuance	-	61,263	-	-	61,263
Exercise of options	-	157	(157)	-	-
Share-based compensation	-	-	1,499	-	1,499
Other comprehensive income for the year	-	-	-	72	72
<u>Balance as of December 31, 2022</u>	<u>-</u>	<u>205,905</u>	<u>2,266</u>	<u>(46,376)</u>	<u>161,795</u>
Net income	-	-	-	4,673	4,673
Exercise of options	-	135	(135)	-	-
Share-based compensation	-	-	767	-	767
Other comprehensive income for the year	-	-	-	26	26
<u>Balance as of December 31, 2023</u>	<u>-</u>	<u>206,040</u>	<u>2,898</u>	<u>(41,677)</u>	<u>167,261</u>
Net loss	-	-	-	(8,309)	(8,309)
Expiry of options	-	27	(27)	-	-
Share-based compensation	-	-	591	-	591
Other comprehensive loss for the year	-	-	-	(19)	(19)
<u>Balance as of December 31, 2024</u>	<u>-</u>	<u>206,067</u>	<u>3,462</u>	<u>(50,005)</u>	<u>159,524</u>

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

**CONSOLIDATED STATEMENTS OF CASH FLOW**

	Year ended December 31,		
	2024	2023	2022
	USD in thousands		
<u>Cash flows from operating activities:</u>			
Net income (loss)	(8,309)	4,673	2,819
Adjustments to reconcile net income to net cash provided by operating activities:			
Adjustments to the profit or loss items:			
Depreciation and amortization	21,660	10,935	3,080
Amortization of intangible asset	104	107	149
Amortization of right-of-use asset	1,177	1,057	519
Share-based payment	591	767	1,499
Finance expenses (income), net	2,484	750	(*1,037
Taxes on income (tax benefit)	(878)	1,185	881
Change in employee benefit liabilities, net	(4)	(18)	(7)
	<u>25,134</u>	<u>14,783</u>	<u>7,158</u>
Changes in assets and liabilities:			
Decrease (increase) in Trade receivables	(12,711)	(7,597)	2,928
Decrease (Increase) in other accounts receivables	5,620	(4,940)	(*(6,591)
Decrease (increase) in inventories	(27)	208	(226)
Increase (decrease) in trade payables	(468)	429	193
Increase (decrease) in advances and deferred revenues	(3,569)	(11,819)	(2,324)
Increase (decrease) in other account payables	(2,099)	2,816	1,564
	<u>(13,254)</u>	<u>(20,903)</u>	<u>(4,456)</u>
Cash paid or received during the year:			
Interest received	586	2,283	908
Interest paid	(3,640)	(*(751)	(*(648)
Taxes Paid	(43)	(740)	(1,892)
Taxes Received	355	73	-
	<u>(2,742)</u>	<u>865</u>	<u>(1,632)</u>
Net cash provided by (used in) operating activities	<u>829</u>	<u>(582)</u>	<u>3,889</u>

\*) Reclassification

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



**CONSOLIDATED STATEMENTS OF CASH FLOW**

	Year ended December 31,		
	2024	2023	2022
	USD in thousands		
<u>Cash flow from investing activities:</u>			
Purchase of property and equipment	(33,031)	(27,173)	(3,502)
Advances on account of property and equipment under construction	(982)	(3,307)	(39,888)
Advances on account of property and equipment	-	(451)	(4,794)
Withdrawal of bank deposits	10,864	22,250	2,500
Investment in bank deposits	(10,864)	-	-
Release of restricted cash	-	20,000	599
Net cash provided by (used in) investing activities	(34,013)	11,319	(45,085)
<u>Cash flow from financing activities:</u>			
Share capital investment, net	-	-	61,170
Repayment of lease liabilities	(913)	(803)*	(1,203)*
Repayment of a loan to a related party	(8,529)	-	-
Proceeds from bank loans	20,000	-	-
Net cash provided by (used in) financing activities	10,558	(803)	59,967
<u>Increase (decrease) in cash and cash equivalents</u>	(22,626)	9,934	18,771
<u>Cash and cash equivalents at the beginning of the period:</u>	37,107	27,173	8,402
<u>Cash and cash equivalents at the end of the period</u>	14,481	37,107	27,173
<u>Significant non-cash transactions:</u>			
Exercise of options	-	135	157
Purchase of property and equipment under construction in credit	-	-	56,086
Recognition of right-of-use assets vs. lease liability	-	1,286	2,243

\*) Reclassified

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 1:- GENERAL**a. General Description of the Group and its Activities

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 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 property and equipment under construction to property and equipment 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. Financing

As of the report date, the Company has current maturities totaling approximately \$21.7 million due to Israel Aerospace Industries ("IAI"), a material shareholder (see Note 16b for details of the related party relationship and the loan agreement). This current maturity is due to be repaid during 2025.

On March 31, 2024, the Company entered into agreements with various banking institutions for lines of credit totaling \$20 million. The Company withdrew the total amount under these lines of credit by the end of June 2024 (see Note 16b for further details, including terms and interest rates). During February 2025, the Company signed an additional line of credit totaling \$5 million with a banking institution (see Note 25b for further details).

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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 1:- GENERAL (Cont.)**c. The Company IPO

On February 11, 2022, the Company became 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 (the "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 Offerors (as defined in the Prospectus) by way of an offer for sale, amounting to 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 Israel Securities Regulations (Manner of Offering Securities to the Public). The gross proceeds for the sale of the shares offered pursuant to the Prospectus are divided between the Company and the Offerors (as set out in the Prospectus) in the amount of NIS 213 million and NIS 107 million, respectively, amounting to NIS 320 million in total. The total costs of the offering borne by the Company amount to USD 5 million.

d. Special report in accordance with Regulation 9C:

The Company has not appended separate financial information to the financial statements in accordance with Regulation 9C of the Israeli Securities Regulations (Periodic and Immediate Reports), 1970 given that separate financial statements will be of no effect since they will not add material information for the reasonable investor that is not included in the consolidated financial statements of the Company. In light of this and given 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 in the statements for the interim period ended on December 31, 2024.

e. The "Swords of Iron" War

During the period, the State of Israel was engaged in a military conflict in Gaza and other areas, following a terrorist attack launched by the Hamas terrorist organization against the State of Israel on October 7, 2023 (the "War"). Since the outbreak of the War, the Company has maintained its routine operational and business activities and regularly monitored developments. However, the War has presented several challenges, including the drafting of employees across various departments for military reserves, which has affected the progress of development activities and systems readiness; logistical difficulties in reaching customer sites; and negative geopolitical effects in some of the Company's target markets.

As of the reporting date, the Company had no indication of any material impact of the War on its business operations. However, as of the date of the publication of these financial statements, and considering the dynamic and uncertain nature of the situation it is impossible to predict the potential effects of various security-related scenarios, such as the war in Gaza or the northern front, and escalation with Iran, if occur, on the Company's activities and business results.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 1:- GENERAL (Cont.)**

The Company also continues to track and examine the political climate and the position of the Chile's government regarding Israel in the context of the War. In parallel, work on the Chile's space project with the customer has proceeded as routine, and the Company maintains daily communication, providing regular progress reports.

f. The effect of inflation and the increase in the interest rate

In 2024, the Consumer Price Index (CPI) increased by approximately 3.2% compared to the corresponding period in the previous year of approximately 3%.. In an effort to curb inflation and reduce consumption, the interest rate in Israel was raised to 4.75% in 2023. In 2024, the Bank of Israel decided to lower the interest rate to 4.5%. According to the Bank of Israel's forecast for January 2025, the inflation rate over the next four quarters (ending in Q4 2025) is expected to be 2.6%, and the inflation rate for the year 2026 is projected at 2.3%.

The impact of the increased interest rate was reflected in the financial statements in the section outlining the interest income received on bank deposits.

As of the date of approval of the report, the Company does not anticipate a material impact from changes in interest rates and inflation (including the Bank of Israel's forecasts for continued increases in interest and inflation rates) on the Group's financial position, results of operations, or cash flows.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**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. Functional currency and presentation currency:

The functional and presentation currency of the financial statements is the U.S. Dollar ("Dollar").

d. Cash and 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.

e. Revenue recognition:

Revenue from contracts with customers in the field of satellite services, intelligence as a service and satellite solutions and supporting infrastructure is recognized when the control over the goods or services is transferred to the customer. The transaction price is the amount of consideration that is expected to be received based on the contract terms, excluding amounts collected on behalf of third parties (such as taxes).

Revenue from rendering of Services:

Revenue from rendering of satellite services, and intelligence as a service 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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)**e. Revenue recognition (continued)Revenues from the sale of products – Satellite Solutions and Supporting Infrastructures

Revenues from the sale of satellite and supporting infrastructure solutions, such as satellites, hardware and software used to build ground stations and decoding centers are recognized in profit or loss at a point in time, upon the transfer of control over the goods sold to the customer. Control is usually transferred at the time the product is delivered to the customer.

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.

f. 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 a property and equipment item with a cost that is significant in relation to the total cost of the item is depreciated separately using the component method.



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

Depreciation is calculated on a straight-line basis over the useful life of the assets at annual rates as follows:

	<u>%</u>
EROS C3	8
EROS B	19
RUNNER	4
Ground stations	3 – 14
Other office equipment	3
Leasehold improvements	See below

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.

Costs that arise and are paid in advance for a future asset are first recorded as advances on account of a Property and equipment. After the asset is fully developed and moves to the stage of a series of tests, the asset is classified as a property and equipment under construction. When the asset completes the series of tests and is ready for use as defined in advance, the asset is classified as a property and equipment.

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. The Company conducted an examination of signs of impairment of assets. The examination included an examination of the satellite manufacturer's reports, internal performance reports, an examination of similar satellites, and expected signing of future contracts. After examining and weighing all the tests mentioned above, the Company does not identify signs of impairment.

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

Amendment to IAS 1, Presentation of Financial Statements

In January 2020, the IASB published an amendment to IAS 1 regarding the requirements to classify liabilities as current or non-current (hereinafter: “The Original Amendment”). In October 2022, the IASB published a subsequent amendment to the above stated amendment (Hereinafter: “The Subsequent Amendment”)

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

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.
- 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

Amendment to IFRS 16, Leases

In September 2022, the IASB issued an amendment to International Financial Reporting Standard 16, Leases (hereinafter: the "Amendment"), the purpose of which is to provide accounting handling in the financial statements of the seller-lessee in sale and leaseback transactions when the lease payments are variable lease payments that do not depend on an index or exchange rate. As part of the amendment, the seller-lessee is required to adopt one of two approaches to measuring the lease liability at the date of initial recognition of such transactions. The selected approach constitutes an accounting policy that must be applied consistently.

The amendment will be applied for annual periods beginning on or after January 1, 2024. The amendment will be applied retrospectively.

The above stated amendment did not have a material impact on the Company's consolidated financial statements.

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

In May 2023, the IASB issued amendments to IAS 7, Statement of Cash Flows, and IAS 7, Financial Instruments: Disclosures (hereinafter: the "Amendments"), to clarify the characteristics of supplier financing arrangements and to require additional disclosure for these arrangements. The disclosure requirements in the amendments are intended to assist

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

- g. Initial adoption of amendments to existing financial reporting and accounting standards (continued)

and enable users of financial statements to assess the effects of supplier financing arrangements on the entity's liabilities as well as on the entity's cash flows and exposure to liquidity risk.

The amendments were effective for annual reporting periods beginning on or after January 1, 2024.

The above stated amendments did not have a material impact on the Company's consolidated financial statements.

**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. Considerations:

- The timing for the fulfillment of performance obligations

In order to determine the timing of recognizing revenues from contracts with customers at a point in time or over time, the Company evaluates the date of transfer of control over the assets or services promised in the contracts. Among others, the Company evaluates whether the customer obtains control of the asset at a specific point in time or consumes the economic benefits associated with the contract simultaneously with the Company's performance. In determining the timing of revenue recognition, the Company also considers the provisions of applicable laws and regulations

- The discount rate for lease liabilities

When the Company is unable to readily determine the discount rate implicit in a lease in order to measure the lease liability, the Company uses an incremental borrowing rate. That rate represents the rate of interest that the Company would have to pay to borrow over a similar term and with similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment. When there are no financing transactions that can serve as a basis, the Company determines the incremental borrowing rate based on its credit risk, the lease term and other economic variables deriving from the lease contract's conditions and restrictions. In certain situations, the Company is assisted by an external valuation expert in determining the incremental borrowing rate.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 3:- SIGNIFICANT ACCOUNTING 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. In formulating the accounting estimates, the Company's management relies on past experience, various facts, external factors and reasonable assumptions, depending on the circumstances. 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 against which it will be possible to utilize carried losses, its source and the tax planning strategy. In accordance with the changes in these assumptions, the Company will create or derecognize a deferred tax asset.

- EROS C3 Satellite useful life:

See Note 12b.

- Identification of performance obligations in contracts with customers:

At the time of execution of the contract, the Company examines the products or services promised in the contract with the customer and recognizes as a performance obligation any promise to transfer to the customer a product or service that is differentiated, or a series of products or differentiated services that are identical and have the same transfer pattern to the customer. The Company examines the fair value of the identified products and services and accordingly allocates the consideration price between all components. The possible consequences on the financial statements are a change in the timing of the recognition of income throughout the contract period.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 4:- DISCLOSURE OF NEW STANDARDS IN THE PERIOD PRIOR TO THEIR ADOPTION**Amendments to IFRS 9 – Financial Instruments and IFRS 7 Financial Instruments: Disclosures

On May 30, 2024, the International Accounting Standards Board (IASB) issued amendments to International Financial Reporting Standard 9 Financial Instruments (hereinafter: "IFRS 9") and International Financial Reporting Standard 7 Financial Instruments: Disclosures (hereinafter: "IFRS 7") that correct certain aspects of the classification and measurement of financial instruments.

The amendments address the following issues:

- De-recognition of a financial liability that is settled through an electronic payment system - An entity is required to derecognize a financial liability (or part thereof) that is settled in cash through an electronic payment system before the settlement date if specified conditions are met. The above stated option constitutes an accounting policy and an entity that chooses to apply this policy is required to apply it to all liabilities that are settled in the same electronic payment system.
- Evaluating Contractual Cash Flow Characteristics for the Purpose of Classification of Financial Assets - The amendments clarify how to assess the contractual cash flow characteristics of financial assets that include environmental, social and governance (ESG) and other similar contingent characteristics. In addition, the amendments expand the definition of the term non-recourse and clarify the characteristics of contractually linked instruments (CLIs).
- Disclosures - New disclosure requirements have been added to IFRS 7 for financial assets and liabilities with contractual terms that refer to contingent events (including those related to ESG), and equity instruments measured at fair value through other comprehensive income (FVTOCI).

The amendments to the standards will be applied retrospectively for annual reporting periods beginning on or after January 1, 2026. Earlier adoption is permitted, subject to disclosure. In addition, an entity is permitted to implement early adoption only for the amendments related to the classification of financial assets and related disclosures, subject to disclosure. An entity will not present comparative information, but may do so if, and only if, it is practicable to do so without using hindsight.

The above amendments are not expected to have a material impact on the Company's consolidated financial statements.

IFRS 18 Standard, Presentation and Disclosure in Financial Statements

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

The purpose of the new standard is to improve the comparability and transparency of financial statements.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 4:- DISCLOSURE OF NEW STANDARDS IN THE PERIOD PRIOR TO THEIR ADOPTION (Cont.)**

The new standard will include existing requirements of IAS 1 and new requirements for presentation in the income statement, including the presentation of amounts and subtotals required under the new standard, disclosure of management-defined performance measures, and new requirements for grouping and disaggregating financial information.

The new standard does not change the recognition and measurement provisions for items in the financial statements. However, since items in the income statement will have to be classified into one of five categories (operating activities, investing activities, financing activities, income taxes and discontinued operations), it may change the entity's operating profit. In addition, the publication of the new standard resulted in limited amendments to additional accounting standards, including IAS 7, Statement of Cash Flows and IAS 34, Interim Financial Reporting.

The new standard will be applied retrospectively for annual periods beginning on or after January 1, 2027.

In accordance with the decision of the Securities Authority, early application is possible, with disclosure provided for the period beginning on January 1, 2025.

The Company is examining the impact of the new standard, including the impact of the amendments to additional accounting standards resulting from the new standard, on the consolidated financial statements.

**NOTE 5:- CASH AND CASH EQUIVALENTS**

	<b>As of December 31,</b>	
	<b>2024</b>	<b>2023</b>
	<b>USD in thousands</b>	
Cash for immediate withdrawal	5,412	16,236
Cash equivalent – short-term deposits	9,069	20,871
	<b>14,481</b>	<b>37,107</b>

**NOTE 6:- RESTRICTED CASH**

As of December 31, 2024 and 2023, the Company has Restricted cash deposits in the amount of \$ 96 thousand and \$ 93 thousand respectively.



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 7:- TRADE RECEIVABLES**

	<b>As of December 31,</b>	
	<b>2024</b>	<b>2023</b>
	<b>USD thousands</b>	
Billed	14,451	187
Unbilled	9,922	11,475
Net of – allowance for doubtful accounts	8	8
Trade and income receivables, net	24,365	11,654

As a rule, the Company grants its customers interest-free credit for periods of 30-90 days. Customer impairment is handled by recording an allowance for doubtful accounts.

The average scope of customer payment days in 2024 was approximately 102 days, compared to 65 days in 2023.

Information about the credit risk exposure of the Company's trade receivables – billed debts:

		Past due trade receivables					
	Not past due	< 30 days	31- 60 days	61 - 90 days	91 - 120 days	>120 days	Total
USD in thousands							
As of December 31, 2024							
Trade receivables amount prior to allowance for doubtful debts	6,293	5,725	1,878	-	-	555	14,451
Allowance for doubtful accounts	-	-	-	-	-	(8)	(8)
As of December 31, 2023							
Trade receivables amount prior to allowance for doubtful debts	31	-	-	4	69	83	187
Allowance for doubtful accounts	-	-	-	-	-	(8)	(8)

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 8:- OTHER ACCOUNTS RECEIVABLE**

	<b>As of December 31,</b>	
	<b>2024</b>	<b>2023</b>
	<b>USD in thousands</b>	
Deferred expenses and advances to suppliers	6,564	13,808
Prepaid insurance expenses	141	356
Governmental institutions	252	495
Accrued interest	3	51
Other	453	232
	<b>7,413</b>	<b>14,942</b>

**NOTE 9:- LEASES**

The Company has entered into buildings lease agreements which are used for the Company's operations. Leases of buildings generally have lease terms of five years. Some of the leases entered by the Company include extension options that has been taken into consideration in the accounting treatment.

a. Engagements

- On October 6, 2010, a lease agreement, as amended from time to time, was signed between the Company and an unrelated third party regarding space and parking in the Aviv 2000 Building at 6 Yonatan Netanyahu St. in Or Yehuda, which is used by the Company for offices and a ground station for satellites operation (the "Lease Agreement"). The lease period is five years (starting on April 1, 2023) for an area of approximately 527 square meters of office space, the roof of the building and 30 parking spaces, with the Company having the option to extend the lease period for another five years.

Subject to the provisions of the Lease Agreement, throughout the lease period the Company will pay the lessor a monthly amount of approximately NIS 42 thousand, NIS 10 thousand for the use of the roof floor as well as an immaterial monthly amount for each of the parking spaces. During the option period, the rent will increase at a rate of 10% compared to the rent for the leased area paid in the last month of the lease period. In addition, the Company provided the lessor with an autonomous bank guarantee and a promissory note to secure the Lease Agreement.

- In October 2021, the Company signed with an unrelated third party a new office lease agreement, as updated from time to time, at 4 Yonatan Netanyahu Street in Or Yehuda, for five years with an option to extend the lease for another five years. The area of the property is approximately 3,000 square meters. Subject to the provisions of the lease agreement, during the lease period the Company will pay the lessor, for each calendar month, a monthly amount of approximately NIS 143 thousand (approx. \$29 thousand), linked to the consumer price index. The Company has an option to leave the office space, for any reason and at any time, while giving 10 months' prior notice. During the option period, the rent will increase at a rate of 5% compared to the rent for the leased area paid in the last month of the lease period.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 9:- LEASES (Cont.)**b. Supplemental information related to leases:

	<b>Year ended December 31,</b>	
	<b>2024</b>	<b>2023</b>
	<b>USD thousands</b>	
Financing expense on lease liabilities	126	(38)
Total out cash flow for leases	913	1,066
	<b>1,039</b>	<b>1,028</b>

c. Disclosures in respect of right-of-use assets:2024

	<b>USD in thousands</b>
<u>Cost:</u>	
Balance as of January 1, 2024	11,433
Additions during the year:	193
Balance as of December 31, 2024	11,626
<u>Accumulated depreciation:</u>	
Balance as of January 1, 2024	3,223
Depreciation during the year:	1,177
Balance as of December 31, 2024	4,400
Depreciated cost as of December 31, 2024	7,226

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 9:- LEASES (Cont.)**c. Disclosures in respect of right-of-use assets: (continued)2023

	<b>USD in thousands</b>
<u>Cost:</u>	
Balance as of January 1, 2023	9,904
Additions during the year:	<u>1,529</u>
Balance as of December 31, 2023	<u>11,433</u>
<u>Accumulated depreciation:</u>	
Balance as of January 1, 2023	2,166
Depreciation during the year:	<u>1,057</u>
Balance as of December 31, 2023	<u>3,223</u>
Depreciated cost as of December 31, 2023	<u><u>8,210</u></u>

**NOTE 10:- INVESTMENTS IN SUBSIDIARIES**

	<b>As of December 31,</b>			
	<b>2024</b>		<b>2023</b>	
	<b>Shares conferring voting rights</b>	<b>Shares conferring rights to profits</b>	<b>Shares conferring voting rights</b>	<b>Shares conferring rights to profits</b>
ImageSat NV (*)	100%	100%	100%	100%
ISI USA LLC (**)	100%	100%	100%	100%

(\*) The Company holds 99.996% of ImageSat NV. See also Note 20c.

(\*\*) Inactive company.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 11:- PROPERTY AND EQUIPMENT UNDER CONSTRUCTION AND ADVANCES ON ACCOUNT OF PROPERTY AND EQUIPMENT**Composition:

	<b>As of December 31,</b>	
	<b>2024</b>	<b>2023</b>
	<b>USD in thousands</b>	
Property and equipment under construction	-	13,519

During 2024, the classification of the RUNNER satellite was changed from property and equipment under construction to property and equipment.

For further details see Note 1(a) and 12(c) of the financial statements.

Advances on account of property and equipment:

	<b>As of December 31,</b>	
	<b>2024</b>	<b>2023</b>
	<b>USD thousands</b>	
Satellites	3,238	2,256
Other	7	5
	<u>3,245</u>	<u>2,261</u>

The remaining amount for 2024 is for the KNIGHT satellite, an electro-optical satellite with very high resolution and color video photography capabilities. The Knight is a satellite from the New Space family and part of the Company's Global-Eye constellation, the satellite is in the development stage. As of December 31, 2024 and 2023, salary expenses of \$422 and \$277 thousand, respectively, have been capitalized to advances on account of property and equipment.

On February 15, 2024, the Company (on the one hand), entered into a strategic cooperation agreement with ST Engineering Satellite Systems Pte Ltd and ST Engineering Geo-Insights Pte Ltd of Singapore (on the other hand jointly and severally) (hereinafter collectively: "the Parties") for the development and production of a KNIGHT satellite that will be jointly owned by the Parties in equal shares (50/50). The Parties agreed on joint commercialization of the satellite(s) that will be manufactured and launched into space in accordance with the terms of the agreement. In the Company's estimation, the first satellite of this type is expected to be launched within approximately 3 years from the date of signing the agreement.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 12:- PROPERTY AND EQUIPMENT, NET**a. Composition and transactions:**2024:**

	<u>RUNNER</u>	<u>EROS C3</u>	<u>EROS B</u>	<u>Ground stations</u>	<u>Office furniture and equipment</u>	<u>Computers and peripheral equipment</u>	<u>Leasehold improvements</u>	<u>Total</u>
	<b>USD in thousands</b>							
<u>Cost:</u>								
Balance as of January 1, 2024	-	180,591	90,048	8,675	905	5,236	4,887	290,342
Additions during the year	14,119	468	-	137	6	393	183	15,306
Balance as of December 31, 2024	14,119	181,059	90,048	8,812	911	5,629	5,070	305,648
<u>Accumulated depreciation:</u>								
Balance as of January 1, 2024	-	7,752	89,278	6,495	249	4,693	1,575	110,042
Additions during the year	1,778	17,429	770	909	44	355	375	21,660
Balance as of December 31, 2024	1,778	25,181	90,048	7,404	293	5,048	1,950	131,702
Depreciated cost as of December 31, 2024	12,341	155,878	-	1,408	618	581	3,120	173,946

**2023:**

	<u>EROS C3</u>	<u>EROS B</u>	<u>Ground stations</u>	<u>Office furniture and equipment</u>	<u>Computers and peripheral equipment</u>	<u>Leasehold improvements</u>	<u>Total</u>
	<b>USD in thousands</b>						
<u>Cost:</u>							
Balance as of January 1, 2023	-	90,048	8,620	612	5,054	3,483	107,817
Additions during the year	180,591	-	55	293	182	1,404	182,522
Balance as of December 31, 2023	180,591	90,048	8,675	905	5,236	4,887	290,342
<u>Accumulated depreciation:</u>							
Balance as of January 1, 2023	-	88,431	4,986	185	4,250	1,255	99,107
Additions during the year	7,752	847	1,509	64	443	320	10,935
Balance as of December 31, 2023	7,752	89,278	6,495	249	4,693	1,575	110,042
Depreciated cost as of December 31, 2023	172,839	770	2,180	653	546	3,312	180,300



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 12:- PROPERTY AND EQUIPMENT, NET (Cont.)**b. The EROS C3 satellite:

On June 26, 2023, a series of space acceptance tests of the EROS C3 satellite was completed and it began integration into the Company's commercial activity. As of the date of completion of the acceptance tests in space, the satellite was classified from a property and equipment under construction to a property and equipment and began to be depreciated in the Company's books.

The depreciation rate set for the satellite is 8.33% and is based on the satellite manufacturer's report, internal performance reports, an examination of similar satellites in the industry and the signing of a future contract.

It should be noted that during September 2024 and November 2024, momentary anomalies occurred in the control system of the Company's EROS C3 satellite. the first anomaly caused abnormal fuel consumption. After addressing the anomaly, the Company restored the satellite to regular commercial operations in January 2025.

As of this date, and in accordance with the life span analysis performed by the Company, the Company estimates that the satellite will be able to complete its full life span (i.e. at least 8 years) according to the manufacturer's definitions. However, a further abnormality in the satellite's fuel consumption, following additional malfunctions or for any other reason, may result in the satellite not completing its full life span (as stated above). Following a review of existing data and analysis, including internal assessments, the Company has revised the estimated useful life of the accounting satellite in its financial statements from 12 years to 8 years. The Company continues to closely monitor relevant data and any developments that may affect this estimate.

## c. On July 1, 2024, the RUNNER satellite began to be integrated into the company's commercial operations and was reclassified from property and equipment under construction to property and equipment and began to be depreciated. The depreciation rate set for the satellite is 25% and is based on the satellite manufacturer's report, internal performance reports and the signing of future contracts.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 13:- INTANGIBLE ASSETS**

## a. Composition and movement:

2024:

	<u>KINGFISHER</u>	<u>SOFTWARE</u>	<u>Total</u>
	<u>USD in thousands</u>		
<u>Cost:</u>			
Balance as of January 1, 2024	1,602	892	2,494
Balance as of December 31, 2024	1,602	892	2,494
<u>Accumulated amortization:</u>			
Balance as of January 1, 2024	1,602	309	1,911
Amortization recognized in the year	-	104	104
Balance as of December 31, 2024	1,602	413	2,015
Net balance as of December 31, 2024	-	479	479

2023:

	<u>KINGFISHER</u>	<u>SOFTWARE</u>	<u>TOTAL</u>
	<u>USD in thousands</u>		
<u>Cost:</u>			
Balance as of January 1, 2023	1,602	892	2,494
Balance as of December 31, 2023	1,602	892	2,494
<u>Accumulated amortization:</u>			
Balance as of January 1, 2023	1,602	202	1,804
Amortization recognized in the year	-	107	107
Balance as of December 31, 2023	1,602	309	1,911
Net balance as of December 31, 2023	-	583	583

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 14:- OTHER ACCOUNT PAYABLES**

	As of December 31,	
	2024	2023
	USD in thousands	
Current liability for interested party (Note 24e (4))	-	31,300
Accrued expenses	4,767	7,665
Employees and payroll related accruals	1,413	758
Accrued vacation payment	679	547
Other	17	33
	<u>6,876</u>	<u>40,303</u>

**NOTE 15:- NON-CURRENT LIABILITIES**

	As of December 31,	
	2024	2023
	USD in thousands	
Other liabilities (1)	193	166
Advances and deferred revenues (2)	-	2,439
Non-current liabilities	<u>193</u>	<u>2,605</u>

- Government grant from the Innovation Authority – In the course of 2016-2018, the Company received a grant from the Innovation Authority to support the research and development project of a system for monitoring and tracking in the maritime space. In exchange for the Innovation Authority's support for the project, the Company is obligated to pay royalties at a rate of 3% - 3.5% of the future sales of the developed product, until the return of 100% of the grant amount received and with the addition of interest and linkage to the Consumer Price Index in Israel. The total grant received by December 31, 2024 and December 31, 2023 is \$ 193 and \$ 191 thousands respectively. As of the end of 2024, the Company is expected to repay the full grant it received.
- In May 2021, the Company signed a contract of approximately \$ 110 million under which the Company will supply Chile's national space program. The contract includes the sale of data from the satellites of the Company, the construction and launch of satellites for the customer and the creation of satellite and intelligence capabilities for the customer. In August 2021, an advance of \$ 24,630 thousands was received from the customer, which was recorded under current liabilities and non-current liabilities and is reduced in accordance with the rate of progress of the project. As of December 31, 2024, there is an advance payment balance with respect to the customer totaling \$6,000 thousand which is classified as part of current liabilities.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 16:- FINANCIAL INSTRUMENTS

a. Financial assets:

	As of December 31,	
	2024	2023
	USD in thousands	
Trade and income receivables	24,365	11,654

b. Financial liabilities:

	Effective interest rate	Maturity date	As of December 31,	
			2024	2023
			USD in thousands	
Current liabilities:				
Loan from related party (1)	4.53%	See details in Note b(1)	21,711	20,977
Non-current liabilities:				
Loan from related party (1)			10,831	20,642
Loans from Banking Corporations (2)		See details in Note b(2)	20,000	-
			52,542	41,619

As per the company management team's assessment, the financial assets and liabilities approximates their fair value.

- On April 4, 2006, the Group entered into a loan agreement with IAI and IAI Asia Pte Ltd, a wholly owned subsidiary of IAI, which was amended on November 2, 2017 (hereinafter: the "Amendment"). As of the date of the Amendment, the principal and interest of the loan (hereinafter: the "Loan") amounted to approximately \$68.8 million. As of December 31, 2024 and December 31, 2023, the balance of the loan amounted to approximately \$32.5 million and approximately \$41.6 million respectively. The loan bears interest at an annual rate of 3.5% as of the date of the Amendment. In accordance with the terms of the loan agreement, the first payment (out of four) was paid to IAI during January 2024, one year after the satellite launch date. The repayment dates for the remaining three payments are in December of each of the years 2024, 2025, and 2026. The remaining loan is repayable in three annual installments – (1) at a rate of 33.33% of the remaining loan on the same date, (2) at a rate of 50% on the same date, (3) at a rate of 100% on the same date. As of the date of the financial statements, the company has not yet paid the installment, which is dated to December 2024. The loan is not subject to financial covenants or collateral requirements.
- On June 24, 2024, the Company drew down the total credit facilities of \$20 million that were made available to it from banking corporations. The main terms of the loans with the banking corporations are detailed below:
  - A loan in US dollars, for a period not exceeding 2 years and a principal payment at the end of the period.
  - There is a possibility of early repayment of the principal in whole or in part (subject to the terms of the loan agreement) on the quarterly interest payment dates.
  - The loans will bear variable quarterly interest at a nominal annual rate that will not exceed the Term SOFR interest rate plus between 2.5 and 3.5

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 16:- FINANCIAL INSTRUMENTS (Cont.)**

percentage points, calculated annually.

4. Collateral:

- a. In order to secure the Company's obligations with respect to the banking corporations, the Company will pledge a permanent lien and a first-ranking mortgage and by way of a check on the lien, without limitation in amount, as follows:

- 1) The Company's rights in the EROS C3 satellite (hereinafter: the "Satellite") and additional items provided in connection with the satellite.
- 2) The Company's rights to receive remuneration or receipts in connection with the pledged assets, including by virtue of:
  - a) The insurance policies insuring the satellite.
  - b) The Company's rights in all monies or income generated in connection with or through the satellite
  - c) All monies and / or deposits and / or cash that will be deposited from time to time in a designated account in respect of a portion of the sales of the satellite or any alternative account thereto, until the closing of the designated account as stipulated above, in accordance with the provisions of the Agreement.
  - d) All interest, profits, fruits, yields, income, proceeds and other assets and rights that arise or that will arise from time to time from the rights and assets specified above, as well as all assets that will be received from realizations, as well as all assets that will come in their place.

5. Financial Relations:

- a. Equity ratio - The corporation's equity ratio of its total balance sheet shall not be less than 35% at any time
- b. Equity amount - The corporation's equity shall not be less than 120,000 thousand US dollars at any time.

As of the date of the report, the company complies with the financial ratios detailed above.

3. Market risk:

The 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.

4. Credit risk:

Credit risk is the risk that the counterparty will not meet its obligations as a customer or its obligations arising from a financial instrument, resulting in a loss for the Group. The Group is exposed to credit risk as a result of its operational activity (mainly customer balances and contract assets) and its financial activity, including deposits in banks and other financial institutions, foreign currency transactions and other financial instruments.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 16:- FINANCIAL INSTRUMENTS (Cont.)**5. Financial liabilities:

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments (including interest payments):

**As of December 31, 2024:**

	<u>Less than one year</u>	<u>1 to 2 years</u>	<u>2 to 3 years</u>	<u>3 to 4 years</u>	<u>4 to 5 years</u>	<u>&gt; 5 years</u>	<u>Total</u>
<b>USD in thousands</b>							
Trade payables	579	-	-	-	-	-	579
Payables	6,876	-	-	-	-	-	6,876
Other liabilities	193	-	-	-	-	-	193
Loan from related party	21,711	10,831	-	-	-	-	32,542
Loan from Banking corporations	33	20,000	-	-	-	-	20,033
Lease liabilities	1,105	1,104	1,131	927	859	1,512	6,638
	<u>30,497</u>	<u>31,935</u>	<u>1,131</u>	<u>927</u>	<u>859</u>	<u>1,512</u>	<u>66,861</u>

**As of December 31, 2023:**

	<u>Less than one year</u>	<u>1 to 2 years</u>	<u>2 to 3 years</u>	<u>3 to 4 years</u>	<u>4 to 5 years</u>	<u>&gt; 5 years</u>	<u>Total</u>
<b>USD in thousands</b>							
Trade payables	2,906	-	-	-	-	-	2,906
Payables	40,303	-	-	-	-	-	40,303
Other liabilities	166	-	-	-	-	-	166
Loan from related party	20,977	10,321	10,321	-	-	-	41,619
Lease liabilities	1,078	1,078	1,086	1,118	918	2,312	7,590
	<u>65,430</u>	<u>11,399</u>	<u>11,407</u>	<u>1,118</u>	<u>918</u>	<u>2,312</u>	<u>92,584</u>

**NOTE 17:- EMPLOYEE BENEFIT LIABILITIES ASSETS AND LIABILITIES**

Employee benefits consist of short-term benefits and post-employment benefits.

a. Post-employment benefits:

Labor laws and the Severance Pay Law in Israel require the Company to pay compensation to employees upon dismissal or retirement or to make regular deposits in defined deposit plans pursuant to Section 14 of the severance compensation law as described below.

Regarding most of the Company's employees, the terms of Section 14 of the Severance Pay Law, 1963, apply, according to which the Group's current deposits in pension funds and/or policies in insurance companies exempt it from any additional obligation to the employees, for whom the amounts were deposited as mentioned above, in connection with payment of severance pay upon termination of employment. These deposits as well as deposits for rewards constitute defined contribution plans



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****.NOTE 17:- EMPLOYEE BENEFIT ASSETS AND LIABILITIES (Cont.)**Post-employment benefits (continued)

The part of the severance payments that is not covered by deposits in defined contribution plans (that is, for the rest of the Company's employees to whom Section 14 of the Severance Pay Law, 1963 does not apply), as stated above, is handled by the Company as a defined benefit plan.

b. Composition:

	<b>As of December 31,</b>	
	<b>2024</b>	<b>2023</b>
	<b>USD in thousands</b>	
Defined benefit obligation	976	867
Fair value of plan assets	(908)	(795)
Net defined benefit liability	68	72

c. Actuarial assumptions:

	<b>2024</b>	<b>2023</b>	<b>2022</b>
Discount rate as of December 31,	5.71%	5.78%	5.41%
Rate of salary increase for existing employees	4.5%	5%	4.9%

**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 2024 fiscal year, ImageSat NV has never paid taxes in Curacao. As of December 31, 2024, 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).

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 18:- TAXES ON INCOME (Cont.)**

- b. 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).

Amendment to the Encouragement of Capital Investments Law, 1959 (Amendment No. 68)

In January 2011, the Economic Policy Law for 2011 and 2012 (Legislative Amendments), 2011 ("Amendment 68") was enacted. Among others, Amendment 68 prescribes changes to the Encouragement Law according to which the benefit tracks in the Encouragement Law were modified and a flat tax rate applies to the Company's entire preferred income under its status as a preferred company with a preferred enterprise. Commencing from the 2011 tax year, the Company can elect (without possibility of reversal) to apply Amendment 68 in a certain tax year and from that year and thereafter, it will be subject to the amended tax rates, as detailed below.

Amendment to the Encouragement of Capital Investments Law, 1959 (Amendment No. 71)

In August 2013, the Law for Changing National Priorities (Legislative Amendments for Achieving Budget Targets for 2013 and 2014), 2013, which includes Amendment 71 to the Encouragement Law ("Amendment 71") was enacted. According to Amendment 71, preferred income from a preferred enterprise will be subject to a tax rate of 16% in 2014 and thereafter (9% in development area A). As for changes in tax rates arising from Amendment 73 to the Encouragement Law, see below.

Also, according to Amendment 71, dividends distributed to individuals or foreign residents from the preferred enterprise's earnings as above will be subject to tax at a rate of 20%.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 18:- TAXES ON INCOME (Cont.)**Amendment to the Encouragement of Capital Investments Law, 1959 (Amendment No. 73)

In December 2016, the Economic Efficiency Law (Legislative Amendments for Applying the Economic Policy for the 2017 and 2018 Budget Years), 2016, which includes Amendment 73 to the Encouragement Law ("Amendment 73") was enacted. According to Amendment 73, a preferred enterprise located in development area A will be subject to a tax rate of 7.5% instead of 9% effective from January 1, 2017 and thereafter (the tax rate applicable to preferred enterprises located in other areas remains at 16%).

In addition, Amendment No. 73 to the Encouragement of Capital Investments Law established special tax tracks for technology enterprises, which entered into effect in 2017, as follows:

A preferred technology enterprise, as defined in the Encouragement of Capital Investments Law, whose group has total income in the tax year of less than NIS 10 billion, would be subject to corporate tax at a rate of 12% in respect of profits arising from intellectual property (in Development Area A, 7.5%).

A special preferred technology enterprise – whose group has income exceeding NIS 10 billion in the tax year – would be subject to a tax rate of 6% irrespective of the geographic location of the enterprise.

A distribution of dividends to a “foreign resident company,” as defined in the Law, originating from income from technology enterprises would be subject to tax at a rate of 4% subject to the conditions prescribed in Section 51 of the Encouragement of Capital Investments Law.

In light of the Restructuring described in Note 20d, the Company met the definition of preferred technology enterprise effective from 2021. Furthermore, the company submitted an application to obtain a classification authorization as a preferential technology company and is waiting for the issue of this authorization.

c. 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 2022 to 2024.

A company is taxable on its real capital gains at the corporate income tax rate in the year of sale.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 18:- TAXES ON INCOME (Cont.)**d. Tax assessments:

Final tax assessments in Israel have been issued to the Company and ImageSat N.V. through and including the 2018 tax year.

e. 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:

	<b>As of December 31,</b>	
	<b>2024</b>	<b>2023</b>
	<b>USD in thousands</b>	
Non-current liabilities	-	753

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 18:- TAXES ON INCOME (Cont.)**Composition and transactions:

	<b>Statements of Financial Position</b>		<b>Statements of Profit or Loss</b>		
	<b>As of December 31,</b>		<b>Year ended December 31,</b>		
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>
	<b>USD in thousands</b>				
Deferred tax liabilities:					
Lease asset	1,257	1,428	(171)	82	64
Property and equipment	7,541	2,758	4,783	2,563	(146)
Tax reserve on fair value of related party loan	4	58	(54)	(67)	(51)
	<u>8,802</u>	<u>4,244</u>	<u>4,558</u>	<u>2,578</u>	<u>(133)</u>
Deferred tax assets:					
R&D expenses	697	591	(106)	11	76
Employee benefits and other provisions	171	171	-	26	3
Lease Liability	1,094	1,227	133	(74)	193
Losses carried forward for tax purposes	6,819	1,356	(5,463)	(1,356)	-
Other expenses	21	146	-	-	-
	<u>8,802</u>	<u>3,491</u>	<u>(5,436)</u>	<u>(1,393)</u>	<u>272</u>
Deferred tax expenses (income)			<u>(878)</u>	<u>1,185</u>	<u>139</u>
Deferred tax assets (liabilities), net	<u>-</u>	<u>(753)</u>			

f. Taxes on income included in profit or loss:

	<b>Year ended December 31,</b>		
	<b>2024</b>	<b>2023</b>	<b>2022</b>
	<b>USD in thousands</b>		
Current taxes	-	-	742
Deferred taxes, see also Note e	<u>(878)</u>	<u>1,185</u>	<u>139</u>
	<u>(878)</u>	<u>1,185</u>	<u>881</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 18:- TAXES ON INCOME (Cont.)**g. Theoretical Tax:

	Year ended December 31,		
	2024	2023	2022
	USD in thousands		
Income (Loss) before taxes on income	(9,192)	5,858	3,700
Statutory tax rate	23%	23%	23%
Tax computed at the statutory tax rate	(2,113)	1,347	851
Increase (decrease) in taxes on income due to the following factors:			
Non-deductible expenses	137	220	348
Losses and other temporary provisions for which deferred tax assets are recognized and the effects of beneficiary tax under the power of Encouragement of Capital Investments	1,189	(382)	(331)
Other	(91)	-	13
Taxes on income	(878)	1,185	881

h. Tax Losses and Other Temporary Differences

The Company has tax losses carried forward to future years totaling approximately \$42,797 thousands as of December 31, 2024. Deferred tax assets of approximately \$6,819 thousands were recognized in the financial statements for these deductible losses.

Deferred tax assets were not recognized for tax losses carried forward of approximately \$3,596 thousands as they are not expected to be utilized in the foreseeable future.

**NOTE 19:- GUARANTEES**

The Company issued financial guarantees to several of its business partners to secure its liabilities:

	December 31,	
	2024	2023
	USD in thousands	
Secured Building lease related guarantee	96	93
Secured guarantees for a tender with a potential customer	1,000	-
Advance payment guarantee to customer	1,477	-
Performance, advance and technical guarantees to customer *	32,701	35,620
	35,274	35,713

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 19:- GUARANTEES (Cont.)**

- (\*) Further to the details provided in Note 15(2), the Company has placed an advance guarantee totaling \$24,630 thousands for the purpose of guaranteeing the advance payment which was partially reduced during 2024.

In addition, the Company, in favor of the same customer, provided performance guarantees totaling \$10,990 thousands which were partially reduced during 2024. Furthermore, the company put up, in favor of that same customer, technical guarantees of a total amount of \$1,675 thousands which will be reduced over the life span of the project. For the purpose of granting the guarantees, the Company was not required to pledge assets, but on the other hand, it undertook to maintain a financial ratio according to which the equity ratio of the total consolidated balance sheet would be no less than 35% at any time, as of the date of the report, the Company meets this condition.

As of the date of the report, the Company is working with the customer for the purpose of reducing guarantees in accordance with the project's progress.

**NOTE 20:- EQUITY**

- a. Composition of share capital:

	<b>As of December 31,</b>	
	<b>2024</b>	<b>2023</b>
	<b>Issued and outstanding</b>	<b>Issued and outstanding</b>
	<b>Number of shares</b>	
Ordinary shares with no par value	<u>61,165,687</u>	<u>61,165,687</u>

- b. Rights attached to shares:

Ordinary shares 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.

- c. Restructuring:

The Company was 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"), 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 (Special Purpose Vehicle) which was founded for raising funds for purchasing the EROS B, which discontinued its operation at the end of 2014 and was

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 20:- EQUITY (Cont.)**c. Restructuring: (continued)

voluntarily liquidated on January 5, 2020.

In 2017, ImageSat NV founded its U.S. subsidiary named ISI USA LLC, which as of the date of signing these financial statements, has not yet begun operating.

On May 13, 2021, the Company and ImageSat NV completed the Restructuring process which took place in three stages simultaneously, which applies retroactively as from January 1, 2021. In stage one, ImageSat NV assigned and transferred its assets and liabilities, including interests in the Company and excluding contracts with parties and/or customers that could not be assigned ("the transferred operation" and "the continuing operation", respectively), to a new sister company ("Newco"). In the second stage, the Newco merged with the Company and transferred the entire assets and liabilities to the Company and was then dissolved without liquidation. Immediately thereafter, in the third stage, 99.996% of ImageSat NV's shareholders transferred 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 also allocated employees stock options to ImageSat NV's stock options holders instead of the options held by such stock options holders in ImageSat NV ("the Restructuring").

**NOTE 21:- SHARE-BASED PAYMENTS RESERVE**a. Expenses recognized in the financial statements:

The expense recognized in the financial statements for employee services received is shown in the following table:

	<b>Year ended December 31,</b>		
	<b>2024</b>	<b>2023</b>	<b>2022</b>
	<b>USD in thousands</b>		
Equity-settled share-based payment plans	<u>591</u>	<u>767</u>	<u>1,499</u>

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.



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 21:- SHARE-BASED PAYMENTS RESERVE (Cont.)**b. Share-based payment plan (continued)

Upon completion of the IPO as described in Note 1(c), the amount of the aforementioned options was split so that each one option would be equivalent to ten options.

On January 26, 2022, the Company's Board increased the option pool under the plan by another 1,500,000 options with no other change in the plan terms and subject to the completion of the offer according to the company's prospectus and prior to the listing for trading of the company's shares on the Tel Aviv Stock Exchange.

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. 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.
2. 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.
3. On November 15, 2020, the Company's board of directors approved an aggregate grant of 103,820 options to purchase 103,820 ordinary 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 options 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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 21:- SHARE-BASED PAYMENTS RESERVE (Cont.)**c. Grants (continued)

4. 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).
5. On September 6, 2022, options were granted to the CFO for the purchase of 30,000 Ordinary Shares. The vesting period of each grant is staggered so that the options will vest in three groups as follows: 33% will vest on September 6, 2024, 33% will vest on September 6, 2025 and 33% will vest on September 6, 2026. The options will expire after six years from the date of the grant. The exercise price of each option was set at NIS 18.16 per share. The fair value set for each option was NIS 6.64 based on the Black and Scholes Model. The grants were made pursuant to the equity track (with a trustee) under Section 102 of the Income Tax Ordinance.
6. 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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 21:- SHARE-BASED PAYMENTS RESERVE (Cont.)**d. Transactions during the course of the year

The following table presents the changes in the number of share options and the weighted average exercise prices of share options:

	<b>2024</b>		<b>2023</b>	
	<b>Number of options</b>	<b>Weighted average exercise price</b>	<b>Number of options</b>	<b>Weighted average exercise price</b>
		<b>US \$</b>		<b>US \$</b>
Outstanding at beginning of year	2,635,543	2.46431	3,481,341	2.47558
Granted during the year	60,000	5.184717	-	-
Written-off during the year	(31,000)	5.89878	(471,000)	5.39215
Exercise of options	-	-	(374,798)	2.39697
Outstanding at the end of year	<u>2,664,543</u>	<u>2.48559</u>	<u>2,635,543</u>	<u>2.46431</u>
Exercisable at the end of year	<u>1,899,543</u>	<u>3.43902</u>	<u>1,327,493</u>	<u>2.71387</u>

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 Black & Scholes model used for the fair value measurement of equity-settled share options for the Company's plan:

	<b>Grants made on August 29, 2024</b>
Dividend yield per share(%)	-
Standard Deviation (%)	58%
Risk-free interest rate (%)	4.5%
Expected life of share options (years)	6
Calculated Ordinary share price (\$)	3.49
Calculated fair value per option (\$)	1.77

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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 22:- ADDITIONAL INFORMATION TO PROFIT OR LOSS ITEMS**a. Information on revenues according to customers:

	Year ended December 31,		
	2024	2023	2022
	USD in thousands		
Additional information regarding revenues			
Revenues from significant customers each accounting for 10% or more of total revenues reported in the financial statements:			
Customer A	14,088	8,000	8,917
Customer B	8,122	7,425	7,937
Customer C	-	-	1,015
Customer D	8,005	10,824	5,730
Customer E	-	3,202	1,248
Customer F	7,385	-	-
Chile Project	17,617	10,460	7,123
	<u>55,217</u>	<u>39,911</u>	<u>31,970</u>
Revenue reported in the financial statements per group of similar products and services			
Satellite Services	17,410	29,897	26,006
Intelligence as a Service	6,755	-	-
Satellite Solutions and Supporting Infrastructure	33,838	14,016	7,686
	<u>58,003</u>	<u>43,913</u>	<u>33,692</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 22:- ADDITIONAL INFORMATION TO PROFIT OR LOSS ITEMS (Cont.)**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:

	<b>Year ended December 31,</b>		
	<b>2024</b>	<b>2023</b>	<b>2022</b>
	<b>USD in thousands</b>		
Asia	37,606	29,452	23,833
America	18,012	11,332	7,565
Africa	716	-	1,014
Europe	827	886	463
Israel	842	2,243	817
	<b>58,003</b>	<b>43,913</b>	<b>33,692</b>

b. Operating costs:

	<b>Year ended December 31,</b>		
	<b>2024</b>	<b>2023</b>	<b>2022</b>
	<b>USD in thousands</b>		
Wages, salaries and related expenses	1,412	2,162	2,419
Satellite operating costs	1,382	1,314	1,140
Satellite insurance costs	3,808	530	991
Depreciation of right-of-use assets and related expenses	413	465	321
Equipment, procurement and labor delivered to customers	20,072	6,336	9,480
Sales promotion and customer liaison expenses	2,772	1,830	839
	<b>29,859</b>	<b>12,637</b>	<b>15,190</b>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 22:- ADDITIONAL INFORMATION TO PROFIT OR LOSS ITEMS (Cont.)**c. Sales and marketing:

	Year ended December 31,		
	2024	2023	2022
	USD in thousands		
Wages, salaries and related expenses	2,111	2,258	2,295
Travel and related expenses	334	344	452
Subcontractor costs	532	799	515
Business development and showcase expenses	223	332	470
Depreciation of right-of-use assets and related expenses	204	201	113
Other	73	59	24
	<u>3,477</u>	<u>3,993</u>	<u>3,869</u>

d. General and administrative:

	Year ended December 31,		
	2024	2023	2022
	USD in thousands		
Wages, salaries and related expenses	2,529	2,317	2,614
IT and data security	479	527	451
Professional services	566	585	482
Directors' fees	445	405	381
Depreciation of right-of-use assets and related expenses	390	385	174
Other	608	935	675
	<u>5,017</u>	<u>5,154</u>	<u>4,777</u>

e. Research and development:

	Year ended December 31,		
	2024	2023	2022
	USD in thousands		
Wages, salaries and related expenses	2,721	2,278	1,719
Subcontractor costs	358	426	105
Depreciation of right-of-use assets and related expenses	551	922	535
Other research and development expenses	482	180	212
	<u>4,112</u>	<u>3,806</u>	<u>2,571</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 22:- ADDITIONAL INFORMATION TO PROFIT OR LOSS ITEMS (Cont.)**f. Finance expenses:

	Year ended December 31,		
	2024	2023	2022
	USD in thousands		
Finance income:			
Interest income from bank deposits	538	1,530	1,619
Finance income in respect of lease	-	38	681
	<u>538</u>	<u>1,568</u>	<u>2,300</u>
Finance expenses:			
Interest expenses from loan from related party	1,410	1,804	1,726
Lease related finance expenses	126	-	-
Exchange rate fluctuations losses	455	699	446
Commissions on guarantees expenses	431	467	463
Commissions on loans from banking corporations	870	-	-
Other	207	21	21
	<u>3,449</u>	<u>2,991</u>	<u>2,656</u>
	<u>2,961</u>	<u>1,423</u>	<u>356</u>

**NOTE 23:- EARNINGS PER SHARE**

Details of the number of shares and income used in the computation of net earnings per share:

	Year ended December 31,					
	2024		2023		2022	
	Weighted number of shares	Loss ascribed to company shareholders	Weighted number of shares	Profit ascribed to company shareholders	Weighted number of shares	Net Profit ascribed to company shareholders
	In thousands	USD in thousands	In thousands	USD in thousands	In thousands	USD in thousands
Number of shares and income for calculating basic diluted profit	<u>61,161</u>	<u>(8,309)</u>	<u>61,161</u>	<u>4,673</u>	<u>59,328</u>	<u>2,819</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 24:- BALANCES AND TRANSACTIONS WITH CONTROLLING SHAREHOLDERS AND RELATED PARTIES**

- a. The parent company, controlling shareholders and subsidiaries:

The controlling shareholder in the Company is FIMI. As for subsidiaries, see Note 10.

- b. Balances with related parties:

	<b>As of December 31,</b>	
	<b>2024</b>	<b>2023</b>
	<b>USD in thousands</b>	
<u>Payables:</u>		
Loan from a related party (see Note 24e (3))	32,542	41,619
Related party trade payable (see Note 24e (7))	-	2,175
Expenses to related party (see Note 24e (1)(b))	208	271
Expenses to related party (see Note 24e (2))	-	46
Expenses to related party (see Note 24e (4))	-	31,300
Directors' fees	53	59

- c. Transactions with controlling shareholders and related parties:

	<b>Year ended December 31,</b>		
	<b>2024</b>	<b>2023</b>	<b>2022</b>
	<b>USD thousands</b>		
Revenues to a related party (see Note 24e (1)(a))	120	120	39
Purchase from a related party (see Note 24e (1)(b))	43	73	108
Purchase from a related party (see Note 24e (2))	47	46	289
Purchase from a related party (see Note 24e (6))	2	7	8
Purchase from a related party (see Note 24e (7))	-	6,392	-
Controlling shareholder management fees(see Note 24e (5))	180	181	180
Directors' fee	206	224	201
Finance expenses on loan from a related party (see Note 24e (3))	1,410	1,804	1,726



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 24:- BALANCES AND TRANSACTIONS WITH CONTROLLING SHAREHOLDERS AND RELATED PARTIES (Cont.)**d. Remuneration of key management personnel:

	Year ended December 31,		
	2024	2023	2022
	USD in thousands		
Short-term employee benefits	1,432	1,348	1,396
Grants	190	320	439
Share-based compensation	323	569	809
	<u>1,945</u>	<u>2,237</u>	<u>2,644</u>
No. of employees to whom the benefit relates	5	5	5

e. Details of transactions:1. Current operations with IAI:

- a) The Company recognized revenue from ongoing operations with IAI in exchange for providing development services. As of 2023 and 2024, no outstanding receivable balance was due from IAI as a customer.
- b) The Company receives IAI support services for its satellites and for third-party satellites and the ground station.

2. Current operations with a subsidiary of the controlling shareholder:

The Company purchases, from a subsidiary of the controlling shareholder, software and hardware which is used by the Company's ground station and by the ground stations set up on the Company's customer sites. The subsidiary is defined as a related party.

3. Loan from IAI:

See Note 16.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 24:- BALANCES AND TRANSACTIONS WITH CONTROLLING SHAREHOLDERS AND RELATED PARTIES (Cont.)****4. Purchase of EROS C3:**

On December 28 2017, the Company entered into an agreement with IAI for the purchase of the EROS C3 satellite (the "Satellite"). The Satellite is an advanced OptSat 3000 model satellite with very-very high resolution and multi spectral capabilities.

On December 30, 2022, the Company launched the Satellite and according to the original launch plan, the Satellite entered normal orbit around the Earth and began transmitting data. Furthermore, a comprehensive and planned series of tests has begun to verify its integrity and level of performance until the Satellite enters full commercial activity.

On June 26, 2023, a series of space acceptance tests of the Satellite was completed and it began to be integrated into the Company's commercial activity.

During 2024, the company completed all payments to IAI for the EROS C3 satellite, and accordingly, the liens that were subject to IAI in connection with the acquisition of the satellite were removed in accordance with the satellite lien agreement with IAI.

**5. Management fees to controlling shareholder:**

The Company is engaged with FIMI for management services for an annual fee of \$180.

**6. Current operations with a subsidiary of the controlling shareholder:**

The Company purchases software licenses and support services from a subsidiary of the controlling shareholder. The controlling shareholder's subsidiary is defined as a related party.

**7. Purchases from a subsidiary of the controlling shareholder:**

The Company purchases hardware and software infrastructure from a subsidiary of the controlling shareholder at market value. The controlling shareholder's subsidiary is defined as a related party.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 25:- SUBSEQUENT EVENTS**

- a. In February 2025, the Company entered into an agreement with a banking corporation for an additional credit facility and collateral arrangement (in addition to the bank loans detailed above), the principal terms of which are as follows:
  1. The credit facility amount is USD 5,000,000 (hereinafter: the "Additional Credit Facility").
  2. The term of the Additional Credit Facility is until February 20, 2026.
  3. The facility may be utilized as follows:
    - a. As loans in U.S. dollars for periods of up to six months, provided that the final repayment date shall be no later than the expiration date of the facility approval; and/or
    - b. As credit and performance guarantees for periods of up to one year.
  4. The credit facility will be secured by the following collateral:
    - a. A first-ranking fixed charge, and assignment by way of charge, without limitation in amount, on the EROS-C3 satellite, on all insurance rights related to the satellite, and on all revenues derived from the satellite, including proceeds from customers, on a *pari passu* basis with the banking corporations' loans established in connection with the bank loans as detailed in Note 16b(2)(4) above.
    - b. A commitment to financial covenants as detailed in Note 16b(2)(5) above.
  5. The provision of the Additional Credit Facility is subject to conditions, including but not limited to, signing the banking corporation's general terms and conditions, collateral documents, and various framework agreements as required by the banking corporation.
  
- b. On February 26, 2025, the Company signed a Minutes of Meeting with Customer A, which will serve as the basis for a future agreement between the parties for services to be provided by the EROS-C2 and EROS-C3 satellites, as well as related maintenance and ground services, for a period of two years. In consideration of these services, Customer A will pay the Company a total of \$42 million over the service period. The parties estimated that the approval and signing process of the agreement shall take several months. It was agreed that services shall commence in parallel to the agreement's signing process.

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