

This English translation of the Report on the Description of the Corporation's Business, which is part of the periodic report of the Company, is for convenience purposes only. This is not an official translation, is not binding and does not replace the need to review the Periodic Report in its entirety. Whilst reasonable care and skill have been exercised in the preparation hereof, no translation can ever perfectly reflect the original Hebrew version. In the event of any discrepancy between the Hebrew version and this translation, the Hebrew version shall prevail.



**Glassbox Ltd.**

**(the "Company")**

**2022 Periodic Report**

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The Company draws the reader's attention to the fact that the Company is an "Elite Tech Corporation" as the term defined in the Securities (Reports of a Corporation Whose Shares are Included in the Tel Aviv Tech-Elite Index) Regulations, 5776-2016 ("Tech-Elite Regulations"), and that in accordance with the easement enumerated in the Tech-Elite Regulations which are implemented by the Company, the Company's financial statements as of 31 December 2022 include comparison details compared to the previous fiscal year only.

# Glassbox Ltd.

## (the "Company")

### Chapter A - Report on the Description of the Corporation's Business

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## Part I - Description of the general development of the Group's business

For the sake of convenience, the key terms appearing in this chapter are defined below:

- “Glassbox”** or the **“Company”** - Glassbox Ltd.;
- “Glassbox UK”** - Glassbox Digital UK Ltd. - A private company incorporated in England and Wales, which is fully owned by the Company;
- “Glassbox US”** - Glassbox US Inc. - A private company incorporated in the US, which is fully owned by the Company;
- “Board Report”** - The board of directors report on the state of the Company's affairs that is attached in Chapter B of this Periodic Report below;
- “Dollar”** - US Dollar;
- “TASE”** - The Tel Aviv Stock Exchange Ltd.;
- “Consolidated Financial Statements”** - The Company's consolidated financial statements as of 31 December 2022, attached in Chapter C of this Periodic Report below;
- “Second-tier Subsidiary”** or **“SessionCam”** - SessionCam Ltd. - A private company incorporated in England and Wales, which is fully owned by Glassbox UK;
- “Subsidiaries”** - Glassbox US and Glassbox UK;
- “Group”** - The Company, its subsidiaries and the Second-tier Subsidiary;
- “Prospectus”** - The initial public offering prospectus, secondary offering prospectus and shelf prospectus of the Company dated 4 June 2021 (reference no: 2021-01-035284), as amended on 8 June 2021 (reference no: 2021-01-098037), the information

whereunder is presented by way of reference;

- “Companies Law”** - The Companies Law, 5759-1999;
- “Securities Law”** - The Securities Law, 5728-1968;
- “Pound”** - Pound Sterling;
- “Customer”** or - Customer of the Group who uses its products;
- “Group Customer”**
- “User”** or **“End User”** - Users of the websites and mobile applications operated by the Group Customers;
- “Digital Channels”** - Websites and mobile applications;
- “Brighton Group”** - Brighton Park Capital Fund I, L.P. and Brighton Part Capital Fund I-A, L.P., of which Brighton Park Capital Fund I, GP LP is the ultimate controlling shareholder, and which as of the Report Date holds approximately 10.35% of the Company’s capital and its voting rights;
- “Ibex Group”** - Ibex Israel Fund LLLP, Ibex SPC (Offshore) Ltd. on behalf of Glassbox SP, Ibex SPC (Offshore) Ltd. on behalf of Glassbox 2020 SP, Ibex Partners (Glassbox) LP, which are (indirectly) controlled by the general partners of Ibex - Ibex GP LLC and Ibex Investors LLC, of which Mr. Justin B. Borus is the ultimate controlling shareholder, and who as of the Report Date holds approximately 32.49% of the Company’s capital and its voting rights;
- “Report Date”** - The date on which the periodic report was signed (i.e. 15 March 2023);
- “Periodic and Immediate Reports”** - Securities (Periodic and Immediate Reports) Regulations, 5730-1970;

**Regulations”**

- “Updata” - Updata Partners V, L.P., of which UPGP V, LLC is the ultimate controlling shareholder, and which as of the Report Date holds approximately 10.26% of the Company’s capital and its voting rights;

**1.1. The Company’s activity and description of its business development****1.1.1. The Company’s incorporation**

The Company was incorporated and registered in Israel on 25 November 2010, under the name Clarisite Ltd., in accordance with the provisions of the Companies Law, as a private company. On 14 April 2016, the Company changed its name to Glassbox Digital Ltd., and on 8 May 2016, the Company changed its name to its current one. On 6 June 2021, the Company completed an initial public offering of ordinary shares of the Company par value ILS 0.01 each, and on 10 June 2021 the Company’s shares were listed on TASE by virtue of the Prospectus and the Company turned into a public company. On 5 August 2021, the Company’s shares were added to the TA Tech-Elite Index.

The Company was founded by Messrs. Yoav Schreiber (currently the COO), Yaron Guetta (currently the CTO) and Hanan Blumstein (currently the Chief Business Officer) (jointly: the “**Founders**”). Subsequently, investors joined the Company in several financing rounds (as described in Section 3.2 of the Prospectus).

**1.1.2. The area of activity**

As of 31 December 2022 and the Report Date, the Company, including through its Subsidiaries and Second-tier Subsidiary operates in one area of activity - provision of software-based services (SaaS<sup>1</sup>) for the purpose of analyzing browsing data in digital channels (“**Area of Activity**”).

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<sup>1</sup> Software as a Service.

For the sake of its activity in the Area of Activity, the Company has developed a unique platform that analyzes browsing data of the digital channel for the following principal purposes:

- a. Maximizing customer experience;
- b. Facilitating and improving service;
- c. Increasing sales;
- d. Improving the level of security and compliance.

As of 31 December 2022 and the Report Date, the Group is providing the services through its flagship product - the Glassbox Enterprise system "**Enterprise System**"), as well as through the Glassbox Optimize system that is a product based on the Enterprise System but with more limited capabilities ("**Optimize System**"), the Glassbox CX Essentials system that in its base configuration is similar in essence to the Optimize system, to which modules and different features can be added (as defined below) for additional pay (hereinafter "**CX System**", and together with the Enterprise System and Optimize System, the "**Systems**") and through the SC system (as defined in section 1.16 below). The right to use the Systems and the SC system is mostly provided by purchase of a license to use from the Group, generally for a 12-month period, which can be extended periodically. As of the end of 2022, about 91% of the total financial volume of the contracts entered into by the Group, and about 96% of the total financial volume entered into with large customers,<sup>2</sup> were extended in 2022 by the customers for one year or more (Gross Retention)<sup>3</sup>. The license to use grants the customer access to the Systems,<sup>4</sup> for internet environment and/or for mobile applications, according to the specific license purchased by the customer, and includes relevant modules selected by the customer. The customer can easily and quickly increase the scope of the license, to include additional modules.

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<sup>2</sup> Large customers are customers from whom the scope of recurring annual revenues (ARR) of the Group as a result of engaging with them in is over USD 250,000 ("**Large Customers**").

<sup>3</sup> For additional details, see section 9 to the Board Report.

<sup>4</sup> To exclude customers who engage in a license agreement for the SC System (as defined in section 1.16 below). In this respect, see more details in sections 1.16 and 1.19.4 below.

In this regard, "**module**" - a component of the product that incorporates a number of related characteristics, for the benefit of certain uses or uses in the Systems.

The license is usually limited to a pre-agreed amount of sessions (digital visits) per month, and if the use of the internet and/or mobile applications increases by the customer, as applicable, the customer has the option of extending the license.

For most of the Group's customers, the Group's products are integrated in cloud, in an environment managed by the Group ("**Glassbox Environment**"), but there is also the option of installation in the customer's data center (on-premises), or in a private cloud environment managed by the customer. There is also a hybrid option for integrating the Group's products in cloud in a Glassbox managed environment, with a specific component installed in the customer's environment. Implementation of the Group's products in cloud can be done in a single tenancy<sup>5</sup> cloud environment or in environment of various tenants operating on a common cloud environment of the operating system and product ("multi-tenancy").<sup>6</sup>

Selling the license is made in direct sales by Group sales personnel combined with partners, some of whom only provide leads to the Group, and some also provide sales services, professional services and technical support to Group Customers. As of 31 December 2022 and as of the Report Date, most of the sales are made directly, but the Group is continuing to increase the volume of activity with the business partners (for more information about how the Group's products are marketed and distributed, see section 1.20 below).

As of the Report Date, the Company believes that the Group is one of the world leaders in the digital customer experience market, which in 2023 is estimated to have a potential turnover of USD 12.5 billion annually, which until 2023 is expected to grow to a total of around USD 36.2 billion<sup>7</sup> (for further details about the market and the Company's estimates see section 1.8 below; for details

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<sup>5</sup> Meaning, a unique cloud environment for each customer.

<sup>6</sup> Meaning, a joint cloud environment for a few customers.

<sup>7</sup> The foregoing is based on the market survey at: <https://www.globenewswire.com/en/news-release/2022/09/29/2525383/0/en/Customer-Experience-Analytics-Market-Projected-to-Hit-USD-36-21-Billion-at-a-16-4-CAGR-by-2030-Report-by-Market-Research-Future-MRFR.html>.

regarding the Group's competitive status see section 1.21 below). As of 31 December 2022 and the Report Date, among the Group's customers are international heavy weights, including six of the ten largest banks in the United States and some of the largest enterprises globally in the fields of insurance, telecom, retail, technology, health and aviation, and even various government ministries.

The technology developed by the Group enables its customers to maximize the customer experience in the digital channels and, among others, facilitate and improve the service, increase sales while reducing costs and improve the level of security and compliance in the Digital Channels. This among others, is done through monitoring user actions, analyzing large amounts of information using big data technologies and machine learning and also simple algorithms.

The Systems are capable of generating automated insights in connection with the activity in the Digital Channels using simple and advanced algorithms (including AI – artificial intelligence technology, machine learning), providing pre-structured reports in connection with what is occurring in the Digital Channels and gathering information in connection with the activity in the Digital Channels and cataloguing it automatically (without the need for specific setting (or configurations) by the customer). The Systems also contain a flexible platform allowing for the productions of reports that are tailored to the customer's needs, and even immediate ad hoc reports based on the information gathered and catalogued by the Systems, as aforesaid. **The Systems also enable viewing digital visit for end users, which provides a close approximation of the user's actions and enables customers to retroactively examine (phase by phase) what their end users experienced during their visit on the Digital Channel ("Session Replay").** By default, collection of End User information in the Digital Channels omits all private information and End User identifying information, but if necessary, such information can be saved in accordance with the strict standards of compliance by the Company of privacy protection and data security requirements, as described in Section 1.30 below. For further details regarding Session Replay, see section 1.16.1 below.

To the best of the Company's knowledge, products that are similar to the Group's products do exist on the market, but they require many settings that must be predefined for producing a new report, while some even require "tagging" the customer's website or mobile application, namely modification and adding code within the website's code or the mobile application's code (for more information on the subject of competition see section 1.21 below). The necessity for prior settings or tagging limits the system's flexibility and makes its real time adaptation to the customer's needs difficult. The Group's products have a unique ability to analyze information and produce reports without prior tagging, thus greater **flexibility** is possible in mapping a wider range of data and adapting the systems more easily and quickly to **the needs of each customer**. The Group's products also enable post-incident analysis and examination through the ad hoc immediate production of reports that are not planned in advance, thus enabling rapid understanding of a root of a problem or of a past incident.

In contrast to many similar products in the market, the Group's products provide a solution to its customers' needs both on the business side (analysis of end user activity and their experience in the Digital Channels) and on the inner, technical side - the back office (the customer's information technology system) for identification of the cause of failures in the end user activity. This enables the Group Customers to understand not only **what** end users do on the Digital Channels, but also **why**, they do so. Meaning, what are the factors for which there are failures on the Digital Channel or for which certain actions are taken. Another unique capability of the Group's products is an elaborate mapping of "journeys" of end users on websites and applications through Session Replay.

Considering the extensive use that can be made of the Group's products, the Group's potential customer base includes companies from a variety of markets that use websites and mobile applications as part of their array of offered services.

**The Group's products may serve a few functionalities of the Customers:**

- a. Production support team ("manufacturing environment") – using the Group's products, it is possible in many cases to quickly that there is a malfunction or problem in the Digital Channel and the source thereof, and thus provide a rapid response.
- b. Website or application developers - the Systems allow the developers to understand what the occurrences in the "manufacturing environment" of the Digital Channels are, considering the End User experience, including what the current malfunctions or problems are, and to make adjustments, updates and repairs as needed.
- c. Product managers (website and application) - the Systems enable us to understand what the uses of the Digital Channels are and what the End User experience thereof is, and to understand what changes are desirable to be made in order to improve and expand the use thereof and to increase revenues.
- d. Technical support call center - the Systems allow us to track the End User experience and to grant them quick and efficient real time support.
- e. Marketing department - the Systems allow us to analyze the success factors of online campaigns and the effect of such campaigns on using Digital Channels, as well as an analysis of the success factors of all Digital Channels and conversion ratios (for example, the ratio between the number of website visitors and the amount of buyers).
- f. Business administrators of the website - the Systems allow us to analyze the scopes of business activity in the Digital Channels, and to examine the conversion ratios.
- g. Data security managers - the Systems allow us to investigate and analyze intrusion attempts or fraud on the Digital Channel.
- h. Compliance officers and legal personnel - the Systems enable monitoring the activity in the production environment and ensure compliance with regulation, and also provide response to users' complaints on representations made on the website.

It should be noted that as of the Report Date, the uses listed above are possible uses of the Systems, whether the Systems are marketed specifically for these needs or whether they are for additional uses. For more information regarding the uses of the Systems, see section 1.16.1 below.

The Company assesses that the estimated growth in the use of websites and mobile applications since 2000 stands at approximately 1,355% and the average annual growth rate (CAGR) of the mobile market is expected to stand at a rate of approximately 21% between the years 2018–2028 and since that in the past year growth rate of using websites and downloading mobile applications was approximately 5.2% and 10.9%<sup>8</sup>, respectively since the Company further estimates the Group's market in 2023 at approximately USD 12.5 billion, and which until 2030 is expected to grow to around USD 36.2 billion (for further details in this regard see section 1.8 below) and in view of the fact that the Group accumulated specialized knowhow and experience in its area of activity, there is an opportunity for significant growth in the coming years through the following, inter alia:

- a. Expanding operations with current customers due to the organic increase in digital channel use;
- b. Expanding operations with current customers due to customers adding web or mobile applications, which will be monitored too by the Group products;
- c. Expanding activities with current customers by implementing additional capabilities of the Group's products to enhance value to other customer specialists including improving work efficiency of customer's employees, cyber security and campaign management in real time;
- d. Extending activity to new customers in countries where the Group is already active;

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<sup>8</sup>

The foregoing is based on the following market surveys: <https://www.broadbandsearch.net/blog/>, <https://www.ericsson.com/en/reports-and-papers/mobility-report/dataforecasts/mobile-traffic-forecast>, <https://www.statista.com/forecasts/1146844/internet-users-in-the-world><sup>1</sup> <https://www.statista.com/statistics/271644/worldwide-free-and-paid-mobile-app-store-downloads/>.

- e. Extending activity to countries where the Group is not yet active in significant scope and to other sectors not yet exploited.

For further details regarding possible growth engines see section 1.16.3 below.

To new customers, the Group sells almost always periodic licenses (generally, annual subscriptions). As of 31 December 2022 and the Report Date, the vast majority of the Group's agreements with customers, and a very substantial significant rate of recurring revenue are annually renewed. New transactions and expansion of activities with existing customers increase the Group's revenues and recurring revenues (Annual Recurring Revenues – ARR)<sup>9</sup>.

**The Company's assessments of the Group's growth potential, expansion of its operations and expected revenue and the average annual anticipated growth rate of the mobile market as set forth above constitute forward-looking information, as defined in the Securities Law. These estimates are based, inter alia, on estimates made by the Company's management, based on its past experience, as well as on an analysis of the Group's markets. These estimates may not materialize, or materialize in a manner differing from what was estimated, even materially so, as a result of factors beyond the Company's control, including changes to future demand for the Systems and market competition, technological developments in the Group's markets etc., and the realization of any of the risk factors listed in section 1.36 below.**

1.1.3. **Description of the development of the Company's business and asset acquisition outside the Company's ordinary course of business**

The Company was founded in 2010. In 2015, the Company founded Glassbox UK, and in 2016 – Glassbox US.

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<sup>9</sup>

For details regarding the Group's ARR data, see section 1.1.3 below and section 7 of the Board Report.

As of the Report Date, the Group employs 298 employees. Most of the development, finance, human resources, legal department, marketing, sales and support personnel work at and from the center in Israel. The CEO and marketing, sales and support personnel, as well as development personnel work in the UK. In the US mainly marketing, sales and support personnel are employed.

The scope of the Group's business activity has been increasing since the date the Company was incorporated, its activity expanded to various countries in the Americas, Europe, Asia, Africa and Oceania, while as of the Report Date, the Group is active in over 20 countries spread out over 5 continents (including Sweden and Thailand). In the last three years of its activity, the Group has presented growth in the ARR<sup>10</sup> metric at a rate of 150% including SessionCam or 103% when neutralizing SessionCam.<sup>11</sup>

#### Developments in the Group's business during the report period

During the report period, the following developments, among others, were recorded in the Company's business: The Company's contractual engagement<sup>12</sup> with a customer of the Group, one of the ten largest banking corporations in the US (the "Customer"), in an amendment to a license agreement that was executed between the Company and the Customer for renewing and expanding the license as foregoing, for a period of three (3) years, in scope of approximately USD 9.7 billion;<sup>13</sup> an ARR balance of approximately USD 49 million as of the Report Date, which reflects an increase of around 11.3% compared to the ARR balance as of 31 December 2021 (for more information, including the manner of its calculation and the factors comprising the change to the net ARR increase, see section 7 of the Board Report); the net ARR increase in the Report Period compared to the corresponding period last years is around 55% lower; a 91% rate in gross customer retention (for more information see section 7 of the Board Report); the average ARR scope of the contracts the Group engages in with large customers (annual

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<sup>10</sup> The ARR metric reflects the value of the annual recurring revenues for a license to use a product maintenance.

<sup>11</sup> For more information about the SessionCam acquisition, see below.

<sup>12</sup> Through Glassbox USA.

<sup>13</sup> For more details see section 1.32.5 below.

revenues of over USD 250,000) increased/decreased to over USD 780,000 (compared to some USD 700,000 as of 31 December 2021); a strong momentum among medium sized customers (annual revenues of under USD 250,000), raising over 55 new customers from various industries, and in different geographical regions (particularly in Asia-Pacific region, APAC), and continued momentum in mobile applications with the growth in number of new customers (for more information see section 7 of the Board Report); continued focus on increasing the scope of cloud customers and taking initiatives to lower the costs of the cloud, among other things through marketing systems of the Group in multi-tenancy environment, which allows improving the efficiency and cost structure for medium sized and small customers (for more information about the multi-tenancy environment see section 1.1.2 above); product transportation - further investment in creating value for the Company's customers while reducing costs, first by modular marketing of Voice of the Silent/Customer (VoS/VoC) (for more information about said module, see section 1.18 below) and launching a User Timelines module;<sup>14</sup> commencement of marketing the Group's systems on the app store and AWS Marketplace; creation of a pipeline in 2022 which is double in scope compared to 2021, including growing opportunities in the Asia-Pacific (APAC) region, which in 2022 tripled compared to 2021; further investment in creating infrastructure that the Company estimates will enable a transition to a positive and profitable cash flow; winning over two hundred (200) G2 Awards, in the report period and as of the Report Date, and being recognized as a leader in all Digital Customer Experience categories<sup>15</sup> (13 categories), the inclusion in the lists of Highest Satisfaction, Marketing & Digital Advertising, Development and Content Management Products, as part of G2's Fall 2022 Report<sup>16</sup>, winning three TrustRadius prices in the field of Digital Experience Intelligences as part of the

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<sup>14</sup> A module that enables the presentation and analysis of uses of certain end-users on a digital channel over a period.

<sup>15</sup> Which include the following categories: Session Replay, Digital Analytics, Mobile App Optimization, Heatmap Tools, Digital Experience Monitors, Digital Experience Platforms, Mobile Analytics, Customer Journey Analytics, Customer Journey Mapping, Product Analytics, Enterprise Feedback Management, Feedback Analytics and E-Commerce Analytics.

<sup>16</sup> A list of marketing products and digital publication, content development and management, with the highest satisfaction among 100 products, on the basis of verified feedbacks received from customers.

Winter TrustRadius Best of Awards<sup>17</sup> and a ranking in first place in the number of reviews and in the reviews score and the formal recognition as Product Analytics Vendor on the Gartner Peer Insights website<sup>18</sup>; a physical global customer conference in Boston (“Digital World”) in early June 2022 attended by experts among customer, potential customers and partners (such as: iHeart Media, Western Union, Danone, NetApp, AWS, Blue Shield, Digital Monk and more), the first since the outbreak of Covid-19; the establishment of an advisory board, with members such as Kipp Bodnar (CMO of HubSpot), Dan Yalon (formerly CBO of SimilarWeb), Harsh Acharya (VP of E-Commerce Technology and Product at Dell) and Crystal Boysen (Chief People Officer at Vimeo).

#### Acquisition of SessionCam

On October 15, 2020 (for this purpose – “**Transaction Completion Date**”) the Company acquired, through Glassbox UK, the full share capital of SessionCam, and as a result SessionCam became a wholly owned company (indirectly) of the Company (the “**Acquisition**”). the Acquisition consideration was paid and shall be paid as follows (the “**Consideration**”):(1) a total of approximately USD 15.8 million that was paid in cash on the date the transaction is completed; (2) a total of USD 3.3 million paid in cash two years after consummation of the transaction (the “**Deferred Consideration**”)<sup>19</sup>; and (3) another payment of around USD 5.3 million, which was dependent on annual recurring revenues (ARR) as in effect two years after the date the transaction was consummated, according to targets specified in the agreement (the “**Conditional Consideration**”). For further details regarding the consideration and the consideration mechanism for the acquisition of SessionCam, see Note 5 to the Consolidated Financial Statements and the Company’s immediate report dated 22 February 2023 (reference no: 2023-01-

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<sup>17</sup> List of digital marketing and advertising products, content development and management, with the highest satisfaction out of 100 products, based on verified reviews received from customers.

<sup>18</sup> The abovementioned is based on the survey at: <https://www.gartner.com/reviews/market/web-product-and-digital-experience-analytics/compare/product/contentsquare-digital-experience-analytics-platform-vs-glassbox-vs-quantum-metric>.

<sup>19</sup> It is noted that notwithstanding section 6.1.3 of the Prospectus, the total Deferred Consideration was approximately USD 3.3 million (instead of around USD 3.9 million) due to changes to the USD-GBP exchange rate.

016864), where the information included therein is presented in this Report by way of reference.

Prior to its acquisition, SessionCam operated in the Group's area of activity, was a competitor of it, and sold licenses to use the software as a service (SaaS) for improvement of the user experience through the SC System on websites only (not mobile applications). Like a large portion of other Glassbox competitors, SessionCam did not offer a solution for mobile, and its product (SC System) had low flexibility. Furthermore, prior to the SessionCam acquisition, the Group's target market was large enterprise customers, and only a few of which were from the retail sector, while SessionCam's target market were smaller customers, and it was considered a leader in the retail sector. Therefore, prior to the acquisition, the two companies did not compete directly for the same market segment. Prior to the acquisition and before its completion, the Company and SessionCam acted under a cooperation agreement, in which SessionCam offered the Glassbox mobile solution to its customers. As of 31 December 2022 and as of the Report Date, SessionCam sells licenses for using the systems, while the SC System will be discontinued (as stated below).

The purchase of SessionCam has impacted the Group's operations in a variety of ways, including expanding its operations in Europe, the middle east and Africa and adding over 200 customers of SessionCam to the Group's customer base improving the Group's remote selling capability, diversifying the Group's customer segment (mainly adding retail customers) and granting the ability to service customers with lower Internet activity.

SessionCam's customers included entities with traffic on their websites which is low compared to the traffic of the Digital Channels of the customers with whom the Group regularly contracted with, and they hold a lower market volume. The SC System constitutes a most basic software compared to the Optimize System (and in any event it is also basic compared to the Enterprise System), and its use will be discontinued, while until the end of March 2023 the SC System will cease recording new sessions (digital visits). As of 31 December 2022 only a negligible

number of customers remain that use the SC System, who are expected to until the end of March 2023 transition to using the CX System. For more information in connection with the Group's products and new products, see sections 1.16 and 1.18 below.

**The Company's assessments as aforesaid, including with regard to the Company's intention in connection with the continued use of the SC system and the Systems, constitute forward-looking information, as defined in the Securities Law. These assessments are among others based on the assessments of the Company's management, on the Company's plans and on the state of the Group's area of activity and the markets in which it operates. These estimates may not materialize, or materialize in a manner differing from what was estimated, even materially so, as a result of factors beyond the Company's control, including changes to future demand for each of the Systems and market competition, technological developments in the Group's markets etc., and the realization of any of the risk factors listed in section 1.36 below.**

Asset purchase agreement with Convertize Ltd.

On 13 September 2021, the Company contractually engaged in an asset purchase agreement with Convertize Ltd., a UK company that specializes among others in the development of a technology in the field of smart A/B testing<sup>20</sup> (the "**Seller**"), for the purchase of the Seller's assets in such field of activity (the "**Assets**"), in consideration for a non-material amount for the Company (the "**Agreement**" and "**Transaction**", as applicable).

The transaction consideration (the "**Consideration**") was paid to the Seller by the Company, in part on the completion date of the transaction, and in part on two milestones and subject to the fulfillment of conditions set forth between the parties in agreements related to the continued employment of a key employee by the Company or a Subsidiary thereof, twelve (12) months and eighteen (18) months after the completion date of the transaction. The agreement includes

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<sup>20</sup> Generally, the A/B testing model is used for examining the users' response to various changes, mostly by comparing two versions and examining the responses to changes between the versions.

standard representations and undertakings, including an undertaking to not compete or solicit on the part of the Seller, and an undertaking of the Seller to indemnify the Subsidiary in connection with the Assets, all as accepted in agreements of this kind.

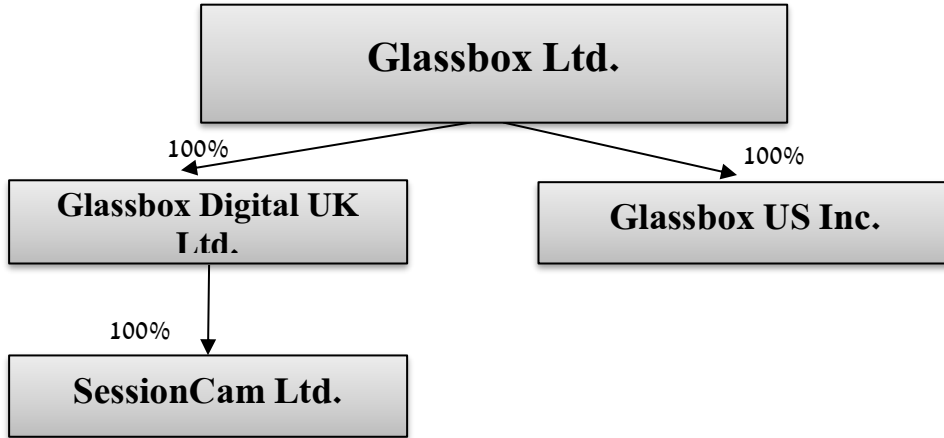
Similarly, the Transaction completion was subject to conditions precedent as accepted in agreements of this kind. Further to the foregoing, the Transaction was completed close to such date, while the first installment of the Consideration was paid to the Seller on the Transaction completion date, and the second installment was paid in September 2022.

In the Company's estimate, the purchase of the Assets strengthens the Company's commitment to provide its customers with a complete solution in the area of user experience in the Digital Channels. The Company's further estimates that purchasing the Assets may expand the Company's ability to assist the customers in improving the speed and quality of the development processes of digital products and identifying central challenges that the customers experience, which are related to the digital user experience.

**The Company's assessments as aforesaid, including with regard to strengthening the Group's commitment to provide its customers with a complete solution in the area of user experience and to expand the Group's ability to assist its customers, constitute forward-looking information, as defined in the Securities Law. These assessments are among others based on the assessments of the Company's management, and on the state of the Group's area of activity and the markets in which it operates. These estimates may not materialize, or materialize in a manner differing from what was estimated, even materially so, as a result of factors beyond the Company's control, including technological developments in the Group's markets etc., and the realization of any of the risk factors listed in section 1.36 below.**

#### 1.1.4. The Company's holdings structure

Presented below is a diagram of the Company's holdings structure as of 31 December 2022 and as of the Report Date:



#### 1.2. Investments in the Company's capital and transactions in its shares

For details regarding investments in the Company's capital and regarding transactions executed by interested parties of the Company with the Company's shares in the period starting 1 January 2021 until the Prospectus date (i.e. 4 June 2021), see sections 3.2.1 and 3.2.2 in Chapter 3 of the Prospectus, respectively, the information whereunder was included in this Report by way of reference.

To the best of the Company's knowledge, starting from the Prospectus date until the Report Date, there were no investments in the Company's capital, and to the best of the Company's knowledge there was no other material transaction by an interested party of the Company in the Company's shares outside TASE, except as set forth below:

| <u>Date</u> | <u>Action</u>  |
|-------------|--|
| 6 June 2021 | Initial public offering and secondary offering of the Company's shares to institutional investors, at a price of ILS 95.04 per share, pursuant to the Prospectus. For the results of the initial public offering and secondary offering, including the acquisition of 684,720 shares by the Ibex Group in its framework, see the Company's immediate report dated 6 June 2021 (reference no: 2021-01-096684), the information of which is included in this Report by way of reference. |

|                  |  |
|------------------|--|
| 17 June 2021     | Secondary offering of the Company's shares to institutional investors, at a price of ILS 95.04 per share, pursuant to the shelf offering report dated 16 June 2021 (reference no: 2021-01-103158), the information of which is included in this Report by way of reference. For the results of the secondary offering, see the Company's immediate report dated 17 June 2021 (reference no: 2021-01-102093), the information of which is included in this Report by way of reference.  |
| 9 February 2022  | A non-material private placement to two offerees that are consultants and service providers of the Company and of Glassbox UK (in this section jointly: the " <b>Offerees</b> ") in consideration for consulting and other services granted by the Offerees to the Group in various areas, of 30,625 non-marketable warrants, which are convertible into up to 30,625 ordinary shares of the Company par value ILS 0.01 each,. For more information, see the immediate report prepared pursuant to the Securities (Private Placement of Securities in a Registered Company) Regulations, 5760-2000, dated 16 November 2021 (reference no: 2021-01-167121) and the Company's immediate report dated 9 February 2022 (reference no: 2021-01-014772), the information of which is presented in this report by way of reference. |
| 21 November 2022 | A non-material private placement to three offerees that are consultants and service providers of the Company and of SessionCam (jointly: the " <b>Offerees</b> ") in consideration for consulting and other services granted by the Offerees to the Group in various areas, in total of 16,160 non-marketable warrants, exercisable into up to 16,160 ordinary shares of the Company par value ILS 0.01 each. For more information, see the immediate report prepared pursuant to the Securities (Private Placement of Securities in a Registered Company) Regulations, 5760-2000, dated 8 February 2022 (reference no: 2022-01-014325) and the Company's immediate report dated 21 November 2022 (reference no: 2022-01-111585), the information of which is presented in this Report by way of reference.                  |
| 21 November      | A non-material private placement to two offerees that are  |

|      |   |
|------|---|
| 2022 | consultants and service providers of the Company (jointly: the “Offerees”) in consideration for consulting and other services granted by the Offerees to the Group in various areas, in total of 35,134 non-marketable warrants, exercisable into up to 35,134 ordinary shares of the Company par value ILS 0.01 each. For more information, see the immediate report prepared pursuant to the Securities (Private Placement of Securities in a Registered Company) Regulations, 5760-2000, dated 16 August 2022 (reference no: 2022-01-103744) and the Company’s immediate report dated 21 November 2022 (reference no: 2022-01-111585), the information of which is presented in this Report by way of reference. |
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### 1.3. Dividend distribution

- 1.3.1. In the two years prior to the Report Date and until the Report Date, the Company did not distribute or announce dividends to its shareholders.
- 1.3.2. As of the Report Date, apart from the restrictions prescribed in law, the Company has no restrictions on dividend distribution.
- 1.3.3. As of the Report Date, the Company has no distributable profit balance (as defined in section 302 of the Companies Law).

The Company shall distribute dividends pursuant to resolutions of the Company’s Board of Directors as they will be from time to time according to its financial position and subject to compliance with legal provisions. As of the Report Date, the Company has not made a decision on a dividend distribution policy.

## Part II: Other information

### **1.4. Financial information about the Area of Activity**

For more information in connection with the financial information with respect to the Group's Area of Activity, see the Company's consolidated financial statements as of 31 December 2022, attached in Chapter C of this Periodic Report below. For the board of directors' explanations with respect to Company's financial data as they appear in the Consolidated Financial Statement, see the board of directors report on the state of the Company's affairs that is attached in Chapter B of this Periodic Report below;

### **1.5. The general environment and the effect of external factors on the Group's activities**

Below is a description of trends, events, and developments in the Group's macroeconomic environment, which have or are expected to have a material effect on the Company's business results and on its development, or on its Area of Activity.

1.5.1. **Increase in the use of websites and mobile applications – the Company's products are used by companies that operate in digital channels - websites and mobile applications.** Accordingly, the Company's activity is affected by the volume of activity and use of digital channels, which are growing and making the Internet and mobile platforms an everyday tool for interpersonal and social communication, commerce, services and advertising in both the business and private sectors. This is a part of an overall trend of digitization, globalization and technological progress. This trend was accelerated due to the spread of the coronavirus (Covid-19) pandemic in 2020-2021, which has accelerated the rate of growth in the use of online platforms.

The Company is one among the pioneers in its area of activity in developing a strong solution for mobile applications as well, and in the Company's opinion, there is currently a gap between the Company's mobile solution and the competitors' solutions. Specifically, mobile and use of mobile applications for online trade and service provision is growing at an even faster rate than the overall growth rate of digital.

The growth rate in the number of website users in the past decade (until

December 2022) is estimated at 220%, to a total of some 5.54 billion users, while of the number of users in the mobile market thereof is estimate in 2023 at approximately 7.3 billion users. In addition, as of Q4 2022, the share of mobile users of total internet traffic was around 59%, compared to some 31% in 2015.<sup>21</sup>

Accordingly, websites and mobile applications have become a significant factor and an area for economic and cultural development, among other things, as a central activity platform and dominant trading arena in a variety of consumer areas, including aviation, tourism, fashion and retail, and have become major platforms for banking, insurance and other financial services, government services, medical services and cultural and entertainment services.

With the increase in digital channels use, there is a growing demand for solutions that help companies that operate websites and mobile applications to optimize user experience in these channels, and growing demand for tools that enable businesses to comply with legal requirements, fraud detection, IT system malfunctions, and more – such as the Company’s products. Accordingly, the increase in the use of digital channels may favorably affect the demand for the Company’s products and significantly increase the Company’s target market.

#### 1.5.2. **Regulation**

The Company assesses that trends and directions of regulatory development may affect it in two major ways:

- a. On the Company side – the Company’s obligation to comply with pertinent regulation which may restrict certain activities. With the increase in digital channels use by the public, particularly websites and mobile applications, there is a growing awareness of the consequences of such use, including possible exposures to information leaks and invasion of user privacy. Consequently, there is a growing need for oversight, especially as it pertains to retention of digital information and protection of privacy. The Company

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<sup>21</sup> The foregoing is based on the following market surveys: <https://www.internetworldstats.com/emarketing.htm>, <https://www.statista.com/statistics/218984/number-of-global-mobile-users-since-2010/> and <https://www.statista.com/statistics/277125/share-of-website-traffic-coming-from-mobile-devices/>.

assesses that the influential regulation in its area of activity is in privacy protection, as described in section 1.31 below.

- b. On the Company customers side – in recent years, a strong demand has developed in global markets for products that respond to evolving regulations, especially in regard to provision of fair service and consumer protection. Meanwhile, significant growth is observed of companies which address quality control and compliance by means of audio (for example, by recording calls for monitoring and improvement of service and compliance), such as Verint Systems and NICE. In England, and similarly in Australia, regulation is developing in the financial sector, regarding the duty of conduct towards customers as well as the duty of care towards vulnerable customers. This regulation also explicitly deals with digital means, and the Company expects that in the next few years, similar growth in products for improving service and compliance by digital means, such as the Company's products. The Company's products may help companies improve their compliance with regulatory requirements. The increasing regulation of protection of information transmitted through digital channels, documentation of information, assuring its integrity and protection of users' rights require companies that operate websites and mobile applications to use additional tools, including technologies that monitor user actions, document information presented to users and ensuring compliance to the standards required by law. Many resources are invested by companies that operate on the Internet and in the mobile space to find such technologies.

Also, a substantial portion of the Group's products are integrated into applications offered through the app stores of the major mobile platforms (App Store, Google Play). Therefore, the Group's products are required to meet the terms of use dictated by these platforms, which change from time to time.

### 1.5.3. Competition

Increased competition in the Company's operations and accelerated development of products that replace the Company's products, or products that are based on more advanced technology, may affect the Company's operations and results. For details regarding the competitive environment in which the Company is active, see section 1.21 herein.

Conversely, competition greatly helps to integrate products into the market and increases awareness of them, and consequently expands the circle of customers who use such solutions. The Company estimates that only a few percent of the Company's global potential customers use a solution similar to the Company's.

### 1.5.4. Recession and Economic Uncertainty

Changes in the global economy may affect capital markets in general, and the Company's ability to raise capital in the future, in particular, in a way that will harm its growth potential.

As of the Report Date, recession and economic uncertainty in the global market may have a two-way effect on the Group's business.

On the one hand, experience shows that in times of crisis and recession, budgets are shifted to the Internet and mobile, due to their relative resilience to economic crises, and which are mostly cheaper, more efficient and more effective. Furthermore, especially in the economic crisis following the Covid-19 pandemic, many businesses and consumers avoid many activities in the physical world for fear of contracting the virus, thus digital channels, for many businesses, remain the major channels of activity and at times, almost the only possible channels for further activity. This trend supports the diversion of large budgets to digital activity.

On the other hand, in times of recession, there is a general decrease in business expenses, which may affect the budgets corporations allocate for the use of technologies and services such as those offered by the Group. In such a situation, the size of the market in which the Group operates may be reduced.

For more information about the effect of recession and economic uncertainty on the Group, see section 1.36 below on the Group's risk factors.

1.5.5. Effects of inflation and rising interest rates on the Group's activity

As of 31 December 2022 and as of the Report Date, the growing inflation and increasing interest rates in Israel and around the world had no material effect on the Group's activity, and in the estimation of the Company's management, such increase is not expected to have a material impact on the Group's activity and results. The Company continues at all times to monitor the rate of increase in inflation and interest rates in Israel and around the world, and it will provide an update should there be changes to the impact of the growing inflation and increasing interest rates on the Group's activity and results.

1.5.6. The Covid-19 pandemic

During 2020, a pandemic caused by the Covid-19 virus, widely known as the coronavirus, was declared a "global pandemic" by the World Health Organization. The global effects of the pandemic were still evident in 2021 and even in early 2022. In order to curb the spread of the virus, governments have taken steps and various restrictions were imposed with the objective of curbing the spread of the virus, which had an impact on the world economy in general, and on the Israeli economy in particular. As of this date, and following widespread vaccination drives in Israel and around the world, the vast majority of restrictions as foregoing were removed, and the economy has returned to full capacity.

### 1.5.7. Exchange Rates

The prices of the Company's products and services are generally quoted in United States dollars, British pounds and euros. On the other hand, a significant portion of the Company's expenses as of the Report Date are incurred in Israel in Israeli Shekels, mainly for wages, rent, etc.. Therefore, there is an exposure to exchange rate volatility, which may affect the Company's level of profitability, including due to changes in the exchange rate of the shekel against the United States dollar and of the shekel against the British pound and against the euro (for more information see section 1.36.1 below).

**The assumptions, assessments and data stated in section 1.5 above, about factors that affect the general environment in which the Company operates, constitute Forward-Looking Information, as defined in the Securities Law, based, among other sources, on the Company's assessments and estimates as of the Report Date, which are based on market trends, publications in Israel and worldwide, and on the directives of pertinent authorities, which may change from time to time. This information may not be realized, or will be realized differently than expected, even materially, as a result of factors not in the Company's control, including the realization of any of the risk factors described in section 1.36 below.**

## Part III: Description of the Group's business

### **1.6. Structure of the Area of Activity and Changes to It**

The Group provides solutions in the field of browsing data analytics in digital channels (websites and mobile applications). The market in which the Group operates is the Digital Customer Experience market, analysis and management of user experience in the digital world.

The Digital Customer Experience market is the interfacing point between four different markets: Mobile Analytics, Customer Analytics, Application Performance Management and Customer Experience Management.

The Group's customers are commercial companies in various (vertical) fields that use the Group's products for, among other things, maximizing the user experience in the digital channels, facilitating and improve the service, increasing the scope of sales and improving the level of data security and compliance. For further details regarding possible uses of the Group's products see section 1.16.1 below.

### **1.7. Legislative, regulatory and special constraints applicable to the Area of Activity**

For information about restrictions, legislation, standards and special constraints applicable to the Group's Area of Activity, see section 1.31 below.

### **1.8. Changes in the scope of activity in the area and in its profitability**

The Company estimates that, as of the Report Date, the scope of the Digital Customer Experience market in 2023 is approximately USD 12.5 billion, which until 2030 is expected to grow to approximately USD 36.2 billion. The Company's assessments as aforesaid are based, inter alia, on market surveys.<sup>22</sup> In addition, the growth rate of submarkets, the Group's area of activity of which constitutes the interfacing point, is expected to be as follows: until 2029 and 2028, the submarkets, Application Performance Management and Customer Experience management are expected to grow to around USD 32.53 and 15 billion (respectively), at a rate of approximately 16.2% and 11.31

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<sup>22</sup>

See Footnote 7 above.

% on average per year, respectively,<sup>23</sup> while the Mobile Analytics sub-market whose volume is expected to increase until 2031 to a total of around USD 27.6 billion, at a rate of around 19.4%<sup>24</sup>, and the Customer Analytics sub-market whose volume is expected to grow until 2030 to some USD 30.69 by a rate of around 19.34%<sup>25</sup>; the Company estimates that it may impact the increase in its area of activity. In the Company's assessment and in accordance with such market surveys, the accelerated growth in the scope of activity in which the Group operates can be explained, among other things, by the organic growth in activity in the Digital Channels of many entities in the economy and in particular by the increased transition to mobile applications. In addition, in the Company's estimation, the Coronavirus (Covid-19) crisis also had an effect on said growth trend, since it forced entities to increase their activity in the Digital Channels in light of restrictions implemented for purpose of preventing its spread. The increase in activity in the Digital Channels has led to an increase in the need and demand for solutions provided by the Group and other companies operating in its area of activity. In view of the significant increase in the demand mentioned above and due to the increase that may still be expected in view of the foregoing, the Company estimates that additional players are expected to enter the market with the objective of providing such solutions. These players can be companies that have been established recently or will be established in the future, or suppliers that operate in markets that are interfacing with Customer Experience that will acquire a different player (in most cases small) that operates in this field. Recently, there have been a number of capital raisings by companies operating in the field and there have been consolidations between companies operating in the area, such as the acquisition of SessionCam by the Company.

**The Company's assessments regarding the changes in the Group's activity, including with respect to the utilized market share and the expected growth in the Digital Customer Experience market as set forth above, constitute forward-looking**

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<sup>23</sup> The foregoing is based on the following market surveys: <https://www.globenewswire.com/en/news-release/2023/01/16/2588937/0/en/Customer-Experience-Management-Market-Worth-USD-32-53-Billion-by-2029-Report-by-Fortune-Business-Insights.html> and <https://www.databridgemarketresearch.com/reports/global-application-performance-monitoring-market>.

<sup>24</sup> The foregoing is based on the following market survey: <https://www.alliedmarketresearch.com/mobile-analytics-market>.

<sup>25</sup> The foregoing is based on the following market survey: <https://www.verifiedmarketresearch.com/product/customer-analytics-market/>.

information, as defined in the Securities Law. These assessments are based, inter alia, on estimates and assessments of the Company as of the date of this prospectus, which are based on market trends and publications in Israel and around the world, which may change from time to time. These estimates may not materialize, or materialize in a manner differing from what was estimated, even materially so, as a result of factors independent of the Company, including changes to demand for solutions in the area of digital consumer experience and market competition etc., and the realization of any of the risk factors described in section 1.36 below.

**1.9. Developments in the markets of the Area of Activity, or changes in customer characteristics**

Technological development and changes in the consumer environment that have occurred in recent years and are expected to continue in the next few years are expected to increase the need for the Group's technology and products, but to also encourage competitors to enter the area and support the continued growth of the current major competitors.

**The expected changes include the following factors and trends:**

- The significant increase in the commercial use of the internet, including mobile applications – the increase in digital activity (in particular, against the background of the spread of the Corona pandemic) positioned the Internet as a major commercial tool for information and commercial and marketing activities, and even for provision of essential services such as health, banking and government services.
- Improving the user experience – the increase in the use of online platforms and their availability has led to the entry of new players into the online field, thus intensifying the competition for end users, among companies that provide online services. The availability and abundance offered to the end user requires companies to maintain a high standard of user experience and increases the need for a system that will enable them to optimize the user experience on their online platform.

- Regulation and compliance – technological developments and the shift to the use of online services and their consumption have also led to tightening regulations on companies providing such services, thus increasing the companies' need for a tool that will enable them to ensure compliance with applicable laws.
- Content development – the improvement in computers and mobile devices, including tablets and smartphones, enable users to access a wide range of uses, including on websites and mobile applications. This increased sophistication has led to development of content products directed at these devices, which significantly increases the scope of web browsing on computers and mobile devices. The trend of increased browsing on mobile platforms is evident in recent years and is expected to continue into the near future.
- More diverse types of customers – as noted above, due to the pandemic, among other factors, many entities have transitioned and are transitioning to provide services online, including entities for which these services were not natural in the past. Accordingly, the characteristics of the customers to which the Group provides and may provide services may now also include government offices, health services, online education, and more.

1.10. Technological changes that have a significant effect on the area of activity

The field of technologies for the development of websites and mobile applications is dynamic, and to some extent may affect the ability to monitor and analyze the information, as well as the ability of session replay of the information collected by the Systems (as set forth in section 1.16 below). This requires, among others, a high level of expertise for purpose of providing optimal response to the Group's customers who wish to analyze the information.

1.11. The main critical success factors in the area of activity and changes that apply to them

The Company believes that the main success factors in the area of activity are as follows:

- 1.11.1. Experience – the Group’s area of activity is new and developing. The Company is one of the pioneering companies that began being active in this field, including the session replay solution (as set forth in section 1.16.1 below). Accordingly, the Company was a pioneer in the field and its activities, and the research conducted by it greatly helped in the design of the entire field. As a result, the Company has gained a great deal of experience, and the Group’s research and development engineers are among the most experienced in this field in the world.
- 1.11.2. Tested Group’s products in diverse technological environments – thanks to the fact that the Group has a large number of customers that are active in the various areas (of retail), including large and leading customers in their field, the Group’s products have been tested in the market in many diverse technological environments and the Group’s products have been elaborated and streamlined accordingly.
- 1.11.3. Investment in research and development – technological superiority has a significant advantage for successful results in the Group’s area of activity. In its first years, thanks to the background of the Company’s three founders in research and development and in the product, the Company has allocated most of its resources and efforts to research and development (and not necessarily in marketing and sales). This alongside jointly working with “beta customers” who tested the product and provided feedback. All of these led to significant technological advantage of the Group’s products over the products of its competitors. Also, due to their business experience and the founders’ connections, the Group was able to recruit the highest quality personnel for the development group already at the early stages of its activity.
- 1.11.4. Advanced technology and adaptability to the needs of its customers - in light of the fact that the solutions offered by the Group and by the players active in the Group’s market are also intended for the world’s largest enterprises, there is an advantage for players who can quickly and expertly update and develop their

technology in a manner that responds to their customers' needs, and this is a critical success factor in the market. The fact that the largest entities in the world, including many of the largest financial entities, use the Group's solutions has forced the Group to facilitate and improve the performance of its offered product in processing the very large volumes of data and digital users, as well as many users who use the Group's product simultaneously. In this way, the Group learned about diverse requirements and capabilities that contribute to the advancement of the products. It also required the Company to meet the most stringent requirements of compliance and information security from day one.

- 1.11.5. Product flexibility and technological advantage – further to the above, there is a market advantage and a clear preference for “flexible” products that can be easily and quickly adapted to customer needs. The Systems enable customers maximum flexibility as well as the on-demand issuance of reports without prior settings (prior configuration) or tagging (ad-hoc reports), and this is also due to the Systems' technological advantage relative to the market.
- 1.11.6. High-precision session replay – viewing capability in end user's digital visit with high level accuracy and quality gives the Systems an advantage over its competitors in the market. For further details regarding Session Replay, see section 1.16.1 below.
- 1.11.7. One-stop shop – the capability to meet various customer needs, including those of different teams and departments of the same customer is a significant advantage in the market where the Group operates. The Systems provide its customers with a solution for both the internet (web) and mobile applications, and also provide a solution for various function holders (and departments) of the same customer under the roof of one product, and that, unlike with some of the products of the Group's competitors.
- 1.11.8. Flexibility in assimilation – flexibility in the way of integrating the Group's products, through cloud or in the customer's environment (or a combined approach) provides a significant advantage in the market and allows the Group to reach a wider customer base. The method of may constitute a threshold

condition for very large customers with sensitive information (especially for customers active in the financial and medical field). While most of the Group's customers opt for cloud assimilation in the Glassbox environment, the Group, unlike most vendors in the market, offers and supports other assimilation methods: in the customer's data center<sup>26</sup> and integrated assimilation that is mostly in the cloud with a specific component in the customer's data center (Hybrid). Also, unlike competing products that usually allow assimilation in the multi-tenancy environment, the Group's products enable single-tenancy assimilation in both the cloud environment and the environment of multiple tenants, a feature which enables a balance between data security considerations and cost considerations. The Group also has not tied itself to any one specific cloud provider, and supports a number of cloud environments.

- 1.11.9. Compliance with strict data security standards, experience in information security and adherence to privacy and other compliance rule – as the target customers handles sensitive information end user information, and the entire area of activity is characterized by sensitive information, there is a significant advantage to providers with experience in data security, privacy protection etc., and comply with the strict standards in the market. While engaged inter alia in the financial sector, and many of its customers are banks, the Group has specialized in protection of privacy and data security and has been certified in the most stringent standards in the market, such as SOC 2 (type 2), ISO 27001, ISO 27701, ISO 27017 and PCI (self-assessment), and has accumulated the extensive experience required to comply with various regulatory provisions, including PCI, HIPAA, GDPR and CPRA<sup>27</sup>.

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<sup>26</sup> On-premises.

<sup>27</sup> For further details, see section 1.31 below.

1.12. Changes in the provider system and raw materials in the area of activity

The Group's products are usually embedded in cloud. The Group enters into contracts with various vendors for leasing cloud servers. To preserve non-dependence on particular vendors, the Group operates with various cloud providers, such as Amazon AWS and Microsoft Azure.

1.13. Main entry and exit barriers in the area of activity and changes to them

The Company believes that the main barriers to entry into its area of activity are as follows:

1.13.1. Human capital – the development of the Group's software requires investment of much work time and is performed by various specialists (programmers, information security experts, communication experts, IT people, software engineers, DevOps, marketing and sales experts and more).

1.13.2. Technological advantage and development capability – development of innovative technology with significant advantages over competing technologies, and its ongoing update for purpose of adjusting it to the market's varying needs.

1.13.3. Integration, or connection of software, to solutions in the environment – In order to perform browsing data analysis in digital channels, the ability to integrate the system with solutions in the work environment is required, among other things. Thanks to the dominance of the Group's products in the market, many integrations have already been made with various products in the work environment.

1.13.4. The Group's products provide solution for various departments in an organization - In order to perform browsing data analysis in digital channels, capabilities are required, among other things, which will provide a solution for various departments of the organization. The dominance of the Group's products and the fact that the Group's products meet the needs of different departments of the Group's customers constitutes an entry barrier into the Group's area of activity.

1.13.5. Contracts with suppliers for a project – generally, customers who adopt software tools do not tend to replace them during the project, as replacing or abandoning software incur costs and takes much time, including for adapting to a new product and training team members to use the new technology.

1.13.6. Reputation and broad customer base – the more customers and business partners the Group, together with a proven ability, the easier it is for the Group to offer its services to additional potential customers, based on its customer satisfaction and reputation.

The Company believes that the main barriers to exit out of its area of activity are as follows

1.13.7. Collecting payment prior to providing the service – in most cases, the terms of payment to the Group in agreements of selling access rights to the software are prepayment for defined periods, generally one year. Accordingly, the Group is obligated to provide the customer with access to the software for the specified period.

1.14. Substitutes for products in the area of activity and changes to them

1.14.1. Software for analyzing user behavior on websites and mobile applications – possible alternatives for the Group's area of activity products are software programs that analyze the behavior of users on websites and mobile applications, including Google Analytics and Adobe Experience Platform, which allow their customers to collect information about the use made by the End Users, also with the objective of optimizing the user experience on the websites and mobile applications.

1.14.2. Software for analyzing performance and availability of digital channels (Application Performance Management (APM)) – these programs can replace a particular set of capabilities of the Group's products in the Area of Activity, mainly in terms of performance and availability analysis of websites and mobile applications.

It is noted that given the many capabilities of the Group's products, the products described above do not entirely replace the Group's products.

1.15. The structure of competition in the Area of Activity and changes to it

For more information about competition in the Group's Area of Activity, see section 1.21 below.

1.16. Products and services

Glassbox is a SaaS (software as a service) Company that provides solutions in the area of browsing data analysis in the Digital Channels. The Group has developed a unique platform to maximize the user experience in the digital channels, including for purpose of facilitating and improving the service, increasing the scope of sales and improving the level of security and compliance in the Digital Channels.

As of 31 December 2022 and the Report Date, the main products and services provided by the Group are:

- a. License for using the Enterprise System and Optimize System - the Group markets to its customers and engages with them mainly in license agreements for use of one of said Systems that the Company developed (for more information in connection with the Enterprise System and the Optimize System, see sections 1.16.1 and 1.16.2 below, respectively). As of the year ending 31 December 2022, this is the main component in the Group's sales.

The right to use the Systems is granted on purchase of a license to use from the Group, generally for a period of twelve (12) months, which can be extended periodically.

The license is usually limited to a pre-agreed amount of sessions (digital visits) per month, and if the use of the internet and/or mobile applications increases by the customer, the customer has the option of extending the license. In addition, the license is also limited to relevant modules selected by the customer, while the customer has the option of easily and quickly increasing the scope of the license, to include additional modules.

- b. License for use of the CX System – in January 2023 the Group began marketing license agreements for the CX System to its customers, which is a system developed by the Company, which in its base configuration is similar in essence to the Optimize System, and to which various modules and features may be added for extra pay, as

“upgrade packages”. It is noted that starting from such date, the Company intends to market the CX System exclusively, while customers who as of the Report Date use the Enterprise System and Optimize System and/or are in the process of acquiring them, will to the extent possible be transferred to the CX System, all as needed and while examining each case on the merits. For more information in connection with the CX System, see section 1.18 below.

- c. License for use of the SessionCam system - as of 31 December 2022 and as of the report date, the Group’s customers hold few licenses, according to the specific requests of certain customers, for using a system developed by SessionCam that was (indirectly) purchased by the Company (“**SC System**”). As of the Report Date, the Group owns and operates the SC System alongside the Systems developed by the Company, but it does make any updates to it. In the Company’s estimate the SC System will cease recording new sessions (digital visits), and thus be discontinued until the end of March 2023, and the CX System will replace it (for more information, see section 1.18 below).

**The Company’s assessments and intentions set forth above regarding the CX System and the SC System, including with respect to the Company’s intention in connection with marketing the CX System, moving users to the CX System and continued use of the SC system and its replacement with the CX System, constitute forward-looking information, as defined in the Securities Law. These assessments and intentions are among others based on the assessments of the Company’s management, and on the state of the Group’s Area of Activity and the requirements of the markets in which it operates. These estimates and intentions may not materialize, or materialize in a manner differing from what was estimated, even materially so, as a result of factors beyond the Company’s control, including receiving demands from certain customers, and the realization of any of the risk factors listed in section 1.36 below.**

d. Ancillary services – assimilation services, system support and consulting.

#### 1.16.1. Enterprise System

The Enterprise System is a unique platform that provides great value and diverse capabilities to various entities that use digital channels for their ongoing activities. The platform enables such entities, among other things, to maximize the user experience in the digital channels they operate, increase the scope of their sales and streamline the service they provide.

**The Enterprise System converts large amounts of data into insights leading to action and allows, inter alia:**

- Production of high resolution report (Dashboard) and other reports that could be customized to the needs of the customer including the needs of the specific party by the customer using the Enterprise System for understanding the action in the Digital Channels operated by the customer, including identifying the areas on the website operating optimally and areas that do not achieve their target properly including the issuance of the “digital path report” described below.
- Generation of automated insights based on the extensive database that the Enterprise System collects by using, among others, smart algorithms.
- Ability to flexibly, speedily and qualitatively investigate the action in the Digital Channels through instant queries on the basis of the vast amount of information collected and catalogued by the Enterprise System.
- Smart alerts that are configurable with dynamic machine learning based threshold.
- Session Replay - the Enterprise System enables viewing of an end user's digital visit with a very high level of accuracy, which allows to reproduce the end user's operations with great approximation and allows Group Customers to see what the end users have experienced. The default in collecting customer information on activity of the End Users in the Digital Channels omits all private and customer ID information of the End Users,<sup>28</sup> but if necessary, such

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<sup>28</sup>

Omitting.

as for fraud detection purposes and for compliance purposes, the customers have the option of selecting information collection while concealing the identifying information of the End User and to save it for purpose of documentation or to allow access thereto pursuant to the permissions set forth by the customer.<sup>29</sup> The private information is usually stored for short periods and then deleted, except in special cases where there is a specific need to store the information for a long time, all subject and pursuant to the customer's demands and strict standards the Company meets in connection with privacy and information security requirements, as specified in section 1.31 below. The Enterprise System allows viewing of 100% of the digital visits in internet websites and mobile applications.

- Gathering 100% of the information about digital visits in internet websites and mobile applications (Session Data).

#### Augmented Journeys Map (Digital Paths Report)

One of the unique and main reports produced by the Enterprise System is a report on the digital paths of all end users in the digital channels ("Augmented Journeys Map"). This Report provides the operator of the digital channel with a clear and convenient picture of the action in the digital channels, including the number of end users using the digital channels; The "paths" or "journeys" that end users walk through in these channels, including with respect to the transitions between the various pages of the Digital Channel and the points the end users exit the digital channel. As of the Report Date, over 1 trillion channels in digital channels are supported annually by the Group.

In addition, this Report produces automated insights that indicate digital channel paths that are working better compared to other paths, and potential difficulties experienced by end users when visiting the Digital Channel, which may indicate reasons for "abandoning" the digital visit, which could greatly facilitate the investigation process of the problem by the customer and accelerate it, improves

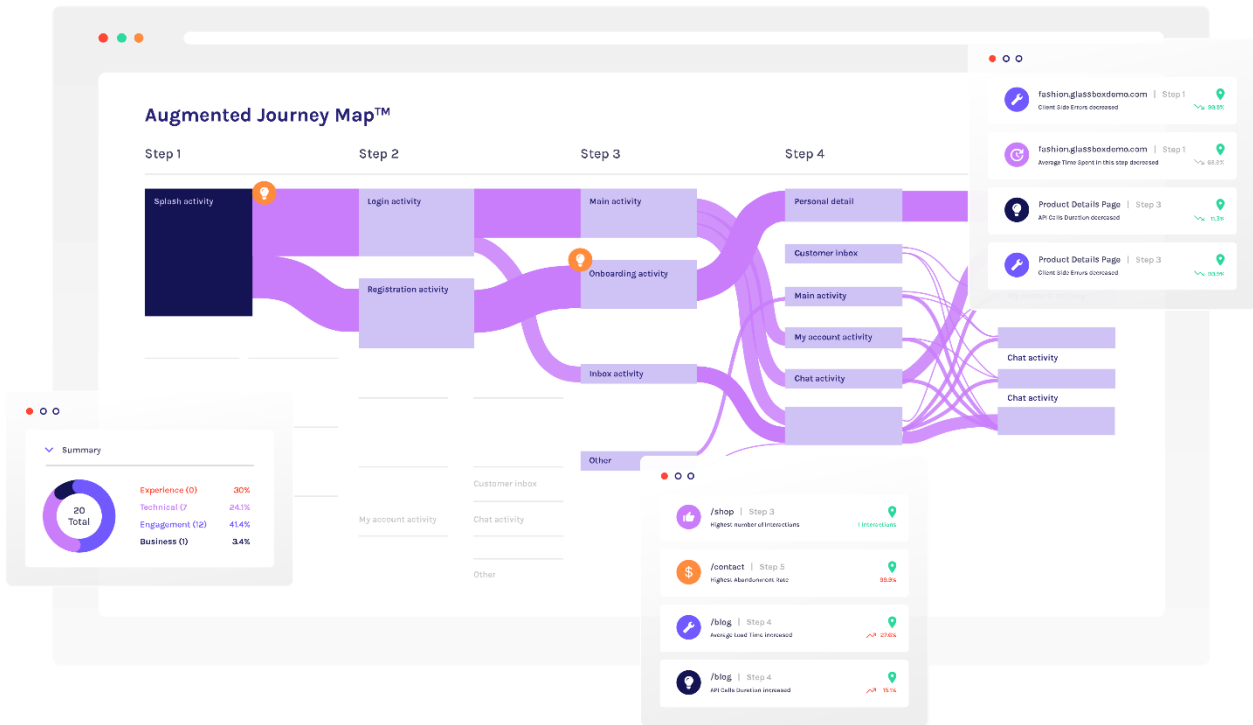
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<sup>29</sup>

Masking.

conversion rates and leads to the success of the purpose of the site or app (such as increasing scope of sales), and naturally, maximize the user experience.

**Below is an image that illustrates the products digital path report:**



### A non-tagging based system

A notable advantage of the Enterprise System is that it does not require "tagging" of the website or mobile application for the purpose of monitoring such application or website. Namely it is not necessary to modify the website by adding a script to the website or adding lines of code to the web application in order to retrieve additional data to those originally programmed by the Enterprise System to retrieve. Also, in most cases re-configuration or additional configuration is not required by the customer to produce a new report.

### Mobile application monitoring

Another notable advantage of the Enterprise System is the monitoring of mobile applications. The Enterprise System allows to view an overall picture of the end customers' activity in these applications. This includes:

- As of the Report Date, it is estimated that the Enterprise System and the Optimize System<sup>30</sup> operate on over 900 million mobile phones.
- The Enterprise System enables Session Replay in 100% of digital visits in mobile applications.
- In Session Replay, data about the CPU status and decline of the mobile device's battery during digital visit are displayed;
- SDK (Software Development Kit) which has been developed and is in production environments for over 5 years, and is implemented on hundreds of millions of mobile end devices. This indicates the reliability, maturity and durability of the system for mobile applications;
- To the best of the Company's knowledge, the Enterprise System **did not** cause the "crashes" of the mobile applications over which it operates in a period exceeding two years.
- There is a complete integration between the activity of the Enterprise System for mobile applications and the activity of the Enterprise System for the customer's websites (including the Augmented Journeys Map report that exists for websites and for mobile applications).
- As per the Company's estimate, the Enterprise System has the lowest impact on the performance of monitored mobile applications, relative to competitors.

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<sup>30</sup>

The Optimize System is based on the technology of the Enterprise System. For further details about the Optimize System, see section 1.18 to this Report below.

## Uses

As of the Report Date, the Enterprise System is marketed and designated for uses as described below:

- a. Improving the end user experience – the Enterprise System allows identifying the difficulties experienced by end users in digital channels operated by the Group's customers thus enabling the Group's customers to deal with these difficulties more quickly and efficiently, and it allows the Enterprise System to use A/B Testing technology,<sup>31</sup> which allows the Group's customers to reach the optimal state of the digital channel by testing the results of several world situations.
- b. Improving “conversion rates” and increasing sales – understanding the barriers and difficulties experienced by end users in digital channels through the Enterprise System makes it easier to identify problems that exist in the Digital Channel and resolving them, and it helps improve conversion rates and increase sales.
- c. Optimizing production support – often, reconstruction of faults experienced by end users is hard to impossible. The Enterprise System enables the immediate reconstruction of the malfunction, and thus the fast identification of the cause for the malfunction, which usually allows for a faster treatment of the malfunction. In addition, the system often enables early detection of faults even before an end-user complaint has been received and no significant damage has been caused.

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<sup>31</sup> For details about the Company's engagement in an asset purchase agreement with Convertize Ltd., a UK company that specializes among others in the development of a technology in the area of smart A/B testing, see section 1.1.3 above.

- d. Documentation of transactions for legal and compliance purposes – in certain areas of activity (in certain aspects of financial activities, for example) there are regulatory requirements to document what is presented to end users in digital channels for their protection and for fairness in transactions. As of the Report Date, immaterial parts of the Group's customers use the system for this purpose, but it is evident that the need for this feature is growing.

In addition, the Enterprise System has other uses which service today the Group's customers although the Enterprise System is not sold or marketed exclusively for such uses, as described below:

- a. Facilitating service at the support center – shortening and streamlining service times at the customer's technical support center by obtaining the information on the fault (such as error message, the action made before the fault, the browser used by the end user, etc.) using the Enterprise System.
- b. Improving the work of the customer's agents – using the Enterprise System to analyze the work of the agents employed by customers and End Users in the Digital Channels during their work. The Enterprise System platform enables analyzing the agents' work, understanding where they encounter difficulties and understand what needs to be done to make their work more efficient.
- c. Fraud prevention – through the comprehensive investigatory capabilities enabled by the Enterprise System, suspicious actions in the digital channel can be detected.
- d. Information security – the Enterprise System enables investigations and also help in sending “triggers: to stop suspicious activity.
- e. Help manage real-time campaigns – by analyzing results of receiving End User messages.

### Assimilation method

Implementation of a flexible Enterprise System. The Enterprise System can be integrated into a public cloud environment (such as that of AWS or Amazon or Azure of Microsoft), which is managed by Glassbox (while this is done in most cases), or into the customer's data center, or into the customer's private cloud managed by the customer (on-premises). There is also the option of a hybrid/integrated installation, where most of the system components are integrated into a public cloud managed by Glassbox and some components are integrated into the customer's data center for data collection that are saved/appear in the customer's servers so as to obtain full picture of the activity in the digital channel.

### Modules

In 2021 the Company began marketing the RUX Module (which in the past was referred to as DEM Module), which was developed both for technical users (such as product support personnel and the website or app developers) and for business users (such as product managers, marketing department and the business managers of the digital channel) and was designed to examine the performance of the digital channel (such as the loading time of the page and its content) and the effect of said performance on the revenues deriving therefrom).

### General

1.16.2. Among the services offered, the Group provides support, assimilation and training services according to the customer's needs and requirements. It is noted that the Company's Systems, in particular the Enterprise System, received many praises, and it also won over two hundred (200) G2 Awards in the report period and until the Report Date, and it was recognized as a leader in all Digital Customer Experience categories<sup>32</sup> (13 categories), the inclusion in the list of Highest Satisfaction, Marketing & Digital Advertising, Development and Content

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<sup>32</sup>

Which include the following categories: Session Replay, Digital Analytics, Mobile App Optimization, Heatmap Tools, Digital Experience Monitories, Digital Experience Platforms, Mobile Analytics, Customer Journey Analytics, Customer Journey Mapping, Product Analytics, Enterprise Feedback Management, Feedback Analytics and E-Commerce Analytics.

Management Products, as part of G2's Fall 2022 Report,<sup>33</sup> it won the three TrustRadius prizes in the Digital Experience Intelligence area, as part of the Winter Trust Radius Best of Awards,<sup>34</sup> and a ranking in first place in the number of reviews and in the reviews score and formal recognition as a Product Analytics Vendor on the Gartner Peer Insights website<sup>35</sup>.

#### 1.16.3. Optimize System

In Q2 of 2021, the Company completed the development of the Optimize System, which is based on the Enterprise System. The Optimize System constitutes a more basic system compared to the Enterprise System, and has a more limited number of capabilities or partial capabilities, intended for improving the user experience. As foregoing, the Optimize System is based on the technology of the Enterprise System, but is intended, in general, for customers with smaller market volume and lower traffic in the Digital Channel. Accordingly, the price of the Optimize System is lower and in terms of technology it is less complex than the Enterprise System (and thus can be more rapidly implemented in the customers' Digital Channels).

The Group took steps to transition most of its customers using the SC System to using the Optimize System (and some of them to the Enterprise System, as set forth in section 1.16.3 below), and similar to it, the Optimize System also supports the multi-tenancy cloud environment implementation.

#### 1.16.4. SC System

The SC system was developed by SessionCam for improving the user experience (similar to the Enterprise System and the Optimize System of the Company) and was intended (mainly) for customers with lower traffic than those for which the Systems are intended that the Company developed. As stated above, as of 31

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<sup>33</sup> A list of marketing products and digital publication, content development and management, with the highest satisfaction among 100 products, on the basis of verified feedbacks received from customers.

<sup>34</sup> In the Best Feature Set, Best Relationship and Best Value for Price categories.

<sup>35</sup> [The](https://www.gartner.com/reviews/market/web-product-and-digital-experience-analytics/compare/product/contentsquare-digital-experience-analytics-platform-vs-glassbox-vs-quantum-metric) abovementioned is based on the survey at: <https://www.gartner.com/reviews/market/web-product-and-digital-experience-analytics/compare/product/contentsquare-digital-experience-analytics-platform-vs-glassbox-vs-quantum-metric>.

December 2022 and the Report Date, the Group's customers hold a number of SC System licenses, according to specific requests of certain customers.

The SC system may be assimilated in cloud only in Multi tenancy environment (various tenants operating in one phase of operating system and product). As foregoing, the Group owns and operates the SC System alongside the Systems developed by the Company, but it does make any updates to it. As foregoing in the Company's estimate the SC System will cease recording new sessions (digital visits), and thus be discontinued until the end of March 2023, and the CX System will replace it (for more information, see section 1.18 below).

**The Company's assessments and intentions set forth above regarding the CX System and the SC System, including with respect to the Company's intention in connection with transitioning users to the CX System and the continued use of the SC system and its replacement with the CX System, constitute forward-looking information, as defined in the Securities Law. These assessments and intentions are among others based on the assessments of the Company's management, and on the state of the Group's Area of Activity and the requirements of the markets in which it operates. These estimates and intentions may not materialize, or materialize in a manner differing from what was estimated, even materially so, as a result of factors beyond the Company's control, including receiving demands from certain customers, and the realization of any of the risk factors listed in section 1.36 below.**

1.16.5. Trends and Changes in Demand and Supply for the Group's products and Possible Growth Engines

The Company identifies several potential growth engines that may increase the Group's sales:

- a. The increase over time in use of digital channels, both by end users and by businesses, enabling more operations being performed in the Digital Channels. An increase in such use is expected to increase the demand for the Group's products.

- b. Move to mobile applications - generally increases demand for products in the Area of Activity. In the Company's estimate, the move to mobile applications is uniquely in favor of the Company due to the advantage of the Group's product in End User solutions for mobile.
- c. Impact of Corona - the increased growth in the use of the Digital Channels (which were mentioned in the two previous sections) due to the coronavirus pandemic, which broke out in early 2020 was an additional growth engine. Despite the various solutions offered by the world's health systems to deal with the coronavirus pandemic, including vaccines against the virus, the ability of many businesses to physically meet with their customers was limited and forced them to provide more digital services on an ongoing matter. From the End Users' point of view, in order to stay away from infection, many users preferred (and were even required) to use digital services over physically receiving the requested service.
- d. Growth within existing customer by more extensive coverage of the customer's digital channels - Many of the Group's customers are assisted by the Group's systems for monitoring and improving certain digital channels that they operate. In many cases the customer has digital channels that are not assisted by the Group's systems, *inter alia*, due to a lack of an initial budget, or due to the fact that these digital channels did not exist when purchasing the service. Similarly, some customers purchased the system only for the website or only for the mobile application. In the Company's estimate, on the basis of its past experience, there may be an increase in the consumption of the Group's services by expanding the use of the Group's systems, so that they shall operate also in other digital channels of such customer that they had not used prior thereto.

- e. An increase within an existing customer due to an organic increase in the use of digital channels - A significant factor affecting the price of the license to use the Group's services is the volume of activity of the End Users in the Digital Channels (the scope of the monthly sessions). Due to the increase in the volume of activity (as noted in the previous sections), there may be an increase in light of the need of the Group Customers to increase the volume of activity under the license.
- f. Sales to new customers within existing regions/countries - The Company estimates that there is a possibility of expansion of operations to new customers in countries where the Group is active, in light of the fact that the market is still relatively new.
- g. Entry into countries where the Group is not yet active - A significant share of the Group's revenue is made in the United States, Canada and the UK, where the Group based a large team of employees. The Company intends to increase operations in many other countries, especially in the Americas, Europe, Asia and Australia, by both establishing representations and direct sales and by collaborations with distributors and working with other distributors in other countries.
- h. Sale of additional modules to current and new customers - As of the Report Date, most of the Group's revenue is from the sale of the Customer Experience module. The Company intends to continue developing additional modules that will meet additional needs of the Group's target market. The Company estimates that developing additional modules with additional capabilities could be a significant source of revenue whether from sales to existing customers who currently use the main module (Customer Experience) to improve user experience or sales to new customers. For details regarding new modules and modules under development, see section 1.18 below.

The Company's foregoing assessments regarding the potential for expansion of the Area of Activity and the increase in demand for the Group's products and services based on the described growth engines, including revenue from development of new modules, constitute forward-looking information, as defined in the Securities Law. These assessments are among others based on the assessments of the Company's management, based on the knowledge it accumulated, its part experience, and on the state of the Group's area of activity and the markets in which it operates. These estimates may not materialize, or materialize in a manner differing from what was estimated, even materially so, as a result of factors beyond the Company's control, including the realization of any of the risk factors listed in section 1.36 below.

1.17. Breakdown of revenue and profitability of products and services

As detailed in section 1.1.2 above, as of 31 December 2022 and the Report Date, the Company's products include the Enterprise System, the Optimize System, the CX System and the SC System (as defined above). During the reporting period, the Company considers its products as a single product group with similar characteristics, and therefore, does not perform a breakdown of the revenue from the various systems or in relation to the various services provided for them.

1.18. New products and developments

Further to the products set forth in section 1.16 above, as of the Report Date, the Group is investing resources in product development that will enable it to appeal to a wider target audience, as described below:

- CX System – as stated above, in January 2023 the Group began marketing license agreements for the CX System to its customers, which is a system developed by the Company, which in its base configuration is similar in essence to the Optimize System, and it has only basic user experience analysis capabilities.

The right to use the CX System, similar to the other systems developed by the Company, is granted on the basis of purchasing a license from the Group, usually for a twelve (12) month period, which can be extended from time to time. The CX

System may be assimilated at the customer's discretion in the environment of multiple tenants who operate on a joint cloud environment of the operating system and of the product (multi-tenancy)<sup>36</sup> or on a cloud environment of a single tenant (single-tenancy)<sup>37</sup>, pursuant to the pricing.

The license is usually limited to a prearranged number of sessions (digital visits) per month and a defined number of users ("positions"), and should the use on the internet and/or mobile apps have increased with the customers, the customers have the option to expand the license. In addition, the customers may purchase the CX System together with add-ons that grant the customers additional capabilities (among others through various modules and features) for additional pay ("**Add-ons**"), as per their unique needs, as "upgrade packages". The Add-ons may be purchased when acquiring a license for the first time or they may easily and swiftly be added during the license period.

It is noted that starting from such date, the Company intends to market the CX System exclusively, while customers that as of the Report Date use the Enterprise System and Optimize System and/or customers in the process of acquiring them, will be transferred at the end of the current license period (as applicable) to the CX System or will continue using them, all as required on the basis of each case on the merits.

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<sup>36</sup> Meaning a joint cloud environment for a few customers.

<sup>37</sup> Meaning, a unique cloud environment for each customer.

The Company's estimates and intentions set forth above regarding the CX System, including with respect to the Company's intention in connection with transitioning users to the CX System, constitute forward-looking information, as defined in the Securities Law. These assessments are among others based on the assessments of the Company's management, on the assessment of the Company's management and on the state of the Group's area of activity and the markets in which it operates. These estimates and intentions may not materialize, or materialize in a manner differing from what was estimated, even materially so, as a result of factors beyond the Company's control, including requests from certain customers, and the materialization of any of the risk factors listed in section 1.36 below.

- Development of additional modules – as of the Report Date, and in light of the uses of some of the Group Customers of its Systems for specific needs, the Company is also investing effort in immaterial scope to advance additional modules on the existing technological basis in the Systems, and is even considering expanding its efforts in this aspect for developing, among others, the following modules:
  - a. VOS/VOC (Voice of the Silent/Customer) module designed to enable product managers to receive feedbacks from end customers and understand the user experience. It is noted that as of the Report Date, an initial beta version has been released for examining the use of such module;
  - b. A/B module designed to enable product and marketing managers to maximize the user experience by creating a number of possible digital journeys of end users in the Digital Channels and understanding the optimal journey;
  - c. Module for regulation and documentation of digital transactions;
  - d. Module for customer service and technical support;
  - e. Fraud detection module;
  - f. Module for streamlining the work of agents.
  - g. User Timeline Module, which enables the presentation and analysis of uses of certain end users on a digital channel over a period.

## 1.19. Customers

### 1.19.1. Customer characteristics

The Group Customers in the Area of Activity are companies that operate websites and mobile applications that provide services in digital channels to the End Users in a variety of subjects.

For example, the Group's customers include six of the ten largest banks in the United States; three of the five largest banks in Israel; some of the world's largest hotel and tourism chains; some of the world's largest airlines; some of the world's largest retail, insurance and telecom companies; and various government agencies. Similarly, during the report period that Group expanded its Areas of Activity to additional (vertical) customer industries, such as technology companies, government services, health institutions and digital education.

Upon the completion of the SessionCam acquisition and the completion of the development of the Optimize System, the Group accelerated the expansion of its customer based to also include smaller entities with low traffic on their websites compared to the traffic of the Digital Channels of the customers with whom the Group regularly contracts with, and they hold a lower market volume. In addition, upon commencement of marketing the CX System, the Company will have the option to accelerate the contracting process with customers, of different types and characteristics, while the customers, should they so wish, will be able to expand to capabilities of said system and receive a more comprehensive solution in accordance with their needs ("Land and Expand").

The Group's customers generally purchase a license to use the relevant product for a year, renewable every year. In the Company's early years alone (i.e. until 2014), most of the customers bought the right to use the product permanently and many of them now pay for annual maintenance.

As of 31 December 2022, the average annual volume of contracts into which the Group enters into agreement with large customers is over USD 780 thousand per contract, and the average annual volume of contracts into which the Group has entered into agreement with its five major clients is over USD three (3) million.

Most of the Group's revenues are from customers based in the United States, Canada and the United Kingdom, but in recent years, the Group has begun selling its products to customers from other countries in the Americas, Europe, Asia, Africa and Oceania.

It is noted that the key metric according to which the Group measures its revenues from its customers (including the Group's performance - KPI<sup>38</sup>) is the Annual Recurrent Revenues (ARR) and not just the Company's total revenues.<sup>39</sup> The ARR metric reflects the value of recurring annual revenue for a license to use the product and/or maintenance. For more information about the Group's performance on the basis of the ARR metric, see section 7 in the Board Report.

1.19.2. The following table describe the distribution of the Group's revenues based on the consolidated financial statements by customer types (USD thousands):

| Customer type                | For the year ended 31 December 2022                 |                               | For the year ended 31 December 2021                 |                               |
|------------------------------|---|-------------------------------|---|-------------------------------|
|                              | Percentage of the Company's revenues (consolidated) | Total revenues (consolidated) | Percentage of the Company's revenues (consolidated) | Total revenues (consolidated) |
| Large customers*             | 72%   | 33,091                        | 68%   | 25,154                        |
| Medium and small customers** | 28%   | 12,961                        | 32%   | 11,836                        |
| <b>Total</b>                 | <b>100%</b>   | <b>46,052</b>                 | <b>100%</b>   | <b>36,990</b>                 |

\*Customers whose annual revenues from each of them exceeds USD 250,000.

\*\*Customers whose annual revenues from each of them is lower than USD 250,000.

<sup>38</sup> Key Performance Indicator

<sup>39</sup> It is noted that the Company has additional revenues that it is paid by its customers, whether as a non-recurring payment or as returning revenues that are not included in the ARR, such as revenues for professional services, assimilation services of the product and more.

### 1.19.3. Geographical Distribution and socio economic characteristics

The following is a breakdown of revenue from the Group's customers by geographical area (in USD thousands):

| Region              | For the year ended 31 December 2022                 |                               | For the year ended 31 December 2021                 |                               |
|---------------------|---|-------------------------------|---|-------------------------------|
|                     | Percentage of the Company's revenues (consolidated) | Total revenues (consolidated) | Percentage of the Company's revenues (consolidated) | Total revenues (consolidated) |
| Americas and Canada | 77%   | 35,534                        | 76%   | 28,259                        |
| Europe              | 18%   | 8,389                         | 21%   | 7,831                         |
| Rest of the world   | 5%  | 2,129                         | 3%  | 900                           |
| <b>Total</b>        | <b>100%</b>   | <b>46,052</b>                 | <b>100%</b>   | <b>36,990</b>                 |

### 1.19.4. The Group's method of Contracting with its Customers

As of 31 December 2022 and as of the Report Date, the Group enters into subscription agreements with its customers, in which the Group provides its customers license to use the Group's products.

The engagement in the subscription agreements are binding one-year or multi-year subscriptions (depending on the specific contract with the customer) where mostly, the payment terms for the subscription is prepaid payment for defined periods and usually one year. Sometimes the Group grants the customer a trial period after engaging in a binding agreement (try and buy) and alternatively a trial period prior to engaging in a binding agreement (pilot).

As part of the subscription terms, the customer is also entitled to technical support from the Group (either by the Group or by a third party on its behalf), to receive ongoing updates for the relevant product, and the Group's customers are given the opportunity to buy professional services and professional close support to assist them in getting the most value out of the relevant product.

In all contract types of the Group, the Group owns the products. Nevertheless, it should be noted that a limited number of customers of the Group reserve the right to request the deposit of the Systems' source code, which is a trade secret, in trust with a third party. This deposit may in some cases pass/be released to the customer if the Group does not meet certain conditions.

#### 1.19.5. Material Customers

The following is a list of the (consolidated) Company's customers in the area of activity, from which revenues constitute 10% or more of the total revenues of the Company (consolidated) for each of the years ending on 31 December 2021 and 31 December 2022, in USD thousands:

| Customers                 | For the year ended 31 December 2022                 |                               | For the year ended 31 December 2021                 |                               |
|---------------------------|---|-------------------------------|---|-------------------------------|
|                           | Percentage of the Company's revenues (consolidated) | Total revenues (consolidated) | Percentage of the Company's revenues (consolidated) | Total revenues (consolidated) |
| Customer A <sup>(1)</sup> | 12%   | 5,732                         | 12%   | 4,612                         |

<sup>(1)</sup> Customer A is a multinational American financial services Company, operating through branches around the world. In December 2018, the Company entered into a framework agreement with Customer A for the purchase of the Company's products and ancillary services, according to which Customer A and the Company will enter into agreements from time to time in for the purchase of such products and services.

In addition to engaging in the framework agreement as foregoing, Customer A and the Company entered into an agreement to purchase the right to use the Enterprise System for a one year period. As of 31 December 2022 and the Report Date, the agreement was extended for an additional year period, which began in September 2022. In addition, in December 2021, Customer A and the Company entered into an additional agreement to

purchase the right to use the Enterprise System for a period of one year for additional activity of Customer A, which since has been extended for an additional one year period until December 2023.

#### 1.19.6. **Dependence on Customers**

During the year 2022, over 55 new customers were added to the Company (Gross). As of 31 December 2022 and the Report Date, the Company estimates that the Group is not dependent on any specific customer.

#### 1.20. **Marketing and distribution**

The Group markets and sells its products to potential customers in various countries worldwide, but most of its marketing and business activities are concentrated in the North American market. Notwithstanding the foregoing, the Group is acting towards extend its marketing and distribution network to other countries, especially in the Americas, Europe, Asia, and Australia.

As described below, the Group operates in a number of corresponding marketing and distribution channels. Therefore, the Company estimates that it has no dependence on marketing channels of which loss will materially and adversely affect the Group's operations or cause it to incur a material cost increase for their replacement. The Group's marketing operation constantly monitors the changes that are taking place in the world in the field of the Group's activity and the various technologies and platforms for marketing the Company's products, to address any scenario of change.

As a result of the coronavirus pandemic, since 2020 the Group's marketing and distribution system underwent a significant change, which included shifting the resources to digital marketing, expanding the activity of webinars and virtual lectures, and participating in virtual conferences, in addition to conducting physical conferences. In addition, the Group worked to transfer the marketing materials to digital format.

**The Group's marketing and distribution operation operates in several parallel channels, as follows:**

1.20.1. Direct Marketing

Much of the marketing effort is done through direct contact of the Company to prospective customers, through targeted identification of the relevant position holders among the customers and meeting them personally. The Company's management and the marketing and sales teams hold a series of meetings with each potential customer to understand its challenges, needs and objectives, in order to formulate for him the most appropriate and accurate proposal. All the meetings are backed by marketing material at different levels of technical detail, such as presentations, leaflets etc., and some of the sale process is supported by a technical person.

1.20.2. Industry and technology conferences

The Company participates in the major conferences in its area of activity as well as in a number of small and focused conferences and even organizes conferences itself, in accordance with the business and marketing strategy outlined by the Company's management. The Company's participation in conferences is part of the annual marketing program and includes a mix of different activities, such as lectures by the Company's experts, participation in professional workshops and lectures by customers at the conference and social events for customers. In this respect it is noted that following the spread of the Coronavirus (Covid-19), some of the conferences are currently held virtually. In addition, the Company invests in advertising activities, such as branded signage and banners at conferences.

In the Company's view, the conferences are an opportunity for a face-to-face meeting with its existing and potential customers and constitute a platform for creating new sales opportunities and promoting existing transactions. In addition, the Company's presence at conferences strengthens the bond with the industry and customers, and as a result, the Company brand.

Further to the foregoing, in 2021 the Company organized a global virtual customers conference (“Digital World”) that was attended by leading brands, which led to a significant contribution to the Group’s pipeline. In early June 2022, the Company held a physical customers conference in Boston (“Digital World”), attended by experts among the customers, potential customers and partners (such as: iHeart Media, Western Union, Danone, NetApp, AWS, Blue Shield, Digital Monk and others), for the first time since the outbreak of Covid-19. In addition, in July 2022 the Company held an additional physical customers conference in London, UK.

### 1.20.3. Digital Marketing

As noted above, due to the coronavirus pandemic, the Company began putting great emphasis on digital marketing. The Group’s marketing activities in this channel include:

- Website - The Company has a website that is constantly updated. The URL is: <https://www.glassbox.com>. The Company posts high quality and marketing content on the website, which includes information about the Group’s products with informational videos, publications in the field of technology, press releases, news, webinars and more. The website enables existing and prospective customers to initiate contact with the Group’s staff, using forms located throughout the website. In addition, the website is a platform for advertising various events that the Company holds and for initial contact with potential customers.
- Virtual lectures – the Company holds from time to time live webinars, which in recent years have become an effective marketing tool. The purpose of the webinars is to explain to the Group’s prospective customers the technology of its products, to present the benefits and solutions of the Group’s products, to present the Group’s projects and more. The webinars are delivered by the Group’s employees who have specific expertise in the field of lectures, or by invited speakers from among the Group’s customers and partners. The webinars allow the audience to ask questions and develop a dialogue with the

speaker. Some of the lectures and webinars are recorded and the Company uses them as marketing and explanatory material.

- Digital magazine and portal platforms – from time to time, the Company uses industry-leading digital magazine and portal platforms to advertise its products, hold events, distribute quality and marketing content, strengthen the Company brand and familiarity with it, and more.

#### 1.20.4. Affiliate Marketing

As part of the Group's marketing system, the Group also communicates with the following parties:

- Authorized Resellers – the Group enters into contracts with expert entities, in Israel and worldwide that market the Group's products, selling them and providing a preliminary technical solution in connection with the Group's products they sold. Such entities are responsible for marketing and sale of the Group's products in a number of countries worldwide, including the South America, Italy and Israel. The contract with such entity is for a period of one year with renewal option and the payment is mostly based on a percentage of gross margin of the transaction (sale price net of cloud costs). The Group has no exclusivity agreements with any of these entities, except with Ness Technologies Ltd., with which the Company entered into an exclusivity agreement for marketing, sales and provision of technical support of the Group's products in Israel. The Company estimates that as of 31 December 2022 and the Report Date, the Group is not dependent on Ness.
- Referral Agreements – the Group enters into contracts with consultants and opinion leaders in its area of activity, who are renowned experts in the industry. The consultants and opinion leaders with whom the Group engages use their extensive network of contacts to introduce new potential customers to the Group, and in many cases, closely support the process of contract with the customer by providing advice and information about the benefits of the Group's products. In general, the engagement in the consulting agreements is for one year (renewable) and consultants are rewarded for success.

It is noted that in 2021, the Group engaged in agreements with Qualtrics and Microsoft, and in 2022 the Company began marketing its products on the AWS Marketplace app store, all for the creation of additional sale channels for the Group.

## 1.21. Competition

### 1.21.1. Number of Competitors and Names of Prominent Competitors

The Group operates in a competitive environment. The main players in the Digital Customer Experience market, which offers services aimed at improving the end user experience, which constitute and may constitute competition to the Group with large customers (Enterprise) are: ContentSquare, FullStory, Quantum Metric, Dynatrace and Acoustic Tealeaf.

The Company also has many other competitors who sell to small and medium businesses (SMB), such as LogRocket, Crazyegg and others.

It is noted that on 15 October 2020, the Company completed (indirectly, through Glassbox UK) the SessionCam acquisition, which was a competitor of the Company. For more information in connection with the acquisition, see section 1.1.3 above.

To the best of the Company's knowledge, the Company's technology is one of the leaders in the field; the Company's ongoing investment in the field of research and development helps it to retain its place at the forefront of technology. Similarly, the Group's products are characterized by a high degree of flexibility and functionality in comparison to competing products, which is, in the Company's opinion, the reason the Group's products are preferred by the large entities in the market.

With respect to its competitors, in general, the Systems - (1) operate at a higher level of accuracy in terms of displaying session replay; (2) allow the production of more reports without prior configuration, in different sections, also with respect to past situations (i.e. when the requested section was determined after performing the operation) (as set forth in this section below); (3) provide a

response to various factors with the customer, such as call center, a shift to the competitors' products (as set forth in this section below); and (4) hold more certifications on meeting the information security and privacy standards than its competitors.

#### Factors affecting competition

In the Company's assessment, as of the Report Date, positive factors that affect the Company's competitive position are as follows:

- Technology that is not based on tagging and does not require prior configuration - on the customer's part- the Group's products are based on no-tagging technology thereby allowing the customer to produce many and more diverse reports without any prior configuration on the customer's part (namely, produce a report on past events when cut off setting occurs after the relevant event). Thus, the software activity can be adapted to the customer's needs in real time and quickly.
- Operations on several levels / one stop shop - the Group's products provide a solution for its customers' needs on a few lever and for the various officers within the organization (as set forth in section 1.1.2 above). Meaning, in contrast to many competing products in the market, the Group's products provide a solution to its customers' needs both on the business side (analysis of end user activity in digital channels) and on the inner, technical inner side, the back office (such as the customer's information technology system) for identification of the cause of failures in the end user activity.
- More accurate Session Replay capability - The Session Replay features of the Systems are more accurate in relation to various technologies on which websites and mobile applications are based, compared to the Company's competitors. **For details regarding this capability, see section 1.16.1 above.**

- Professionalization in action on mobile applications - as detailed in section 1.16.1 above, the Systems enable monitoring of mobile applications and in the Company's opinion, have the lowest impact on application performance compared to competitors, do not cause the application to crash (as examined over a period exceeding two years) and operate with full integration with the customer's website.

In the Company's estimate, as of the Report Date, the negative factors that may impact the Company's competitive standing are:

- Delay in entry into additional countries – delay in the Group's entry into activity in other countries may result in competitors establishing their operation in countries where the Group does not yet operate, in a manner that will make it difficult for the Group to enter domestic markets. The Group works to collaborate with local marketers in different countries worldwide to create a foothold in their local markets.
- Lack of marketing and sales resources – lack of marketing and sales resources or lack of investment in them may harm the Company's brand and its position in the competitive market, in a way that although its products are technologically superior to competing products, the Group's name will not be known in the market.
- Shortage in development staff - a shortage in the development staff may prejudice the Company's ability to update its products and to adjust them to the varying market needs, and following such to its standing in the competitive market.

**The Company's assessments set forth above, including regarding a comparison between the Company and its direct competitors and the positive and negative factors that affect the competitive standing of the Group, constitute forward-looking information, as defined in the Securities Law. These assessments are among others based on the assessments of the Company's management and the information available to the Company as of the Report Date. These estimates may not materialize, or materialize in a manner differing from what was**

**estimated, even materially so, as a result of factors beyond the Company's control, including the realization of any of the risk factors listed in section 1.36 below.**

1.22. Seasonality

To the best of the Company's knowledge, as of 31 December 2022 and the Report Date, seasonality has no, and is not expected to have, a material effect on the demand for the Group's products and on its business results.

1.23. Fixed assets and facilities, equipment and major means of production

As of 31 December 2022 and the Report Date, the Group does not have any material fixed property.

1.24. Research and development

1.24.1. Overview of R&D Activity in the Area of Activity and Its Results

The Company's research and development activities focus on developing and expanding the Group's capabilities to address the needs of its customers and potential customers in the field of Digital Customer Experience, including also on the development of additional modules for purpose of regulation and documentation of digital transactions, customer service and technical support, identification of attempted fraud and streamlining of the agents' work.<sup>40</sup> In general, the activity deals with the development and research of additional functions for the Group's products, improving product performance, improving the product's user interface, including information storage capabilities, and developing adaptation of the product to different target segments.

The Group's products are the result of many years of development and are constantly improving, while expanding their capabilities, based on accumulated experience – from customer feedback, environmental developments that affect customer needs, developments and innovations in the Internet environment or the technological environment in which the Group's customers operate, cumulative experience with flaws, changes in law and regulatory requirements

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For more information see section 1.18 above.

applicable to the Group's customers and changes in the preferences of end customers.

As of 31 December 2022 and the Report Date, most of the research and development in connection with the Group's existing products was completed, the products have been marketed and are used by many customers and produce great value for them; the Group is constantly and continuously engaged in research and development for including and adding capabilities to existing products, as well as the development of new products and modules (in this regard, see section 1.18 above). The Company intends to continue making future investments in the research and development of new products or added functions for the Group's existing products, which will support the Group's growth, as well as the developments required to refine the product according to feedback received from customers.

#### 1.24.2. The Company's research and development expenses

In 2021 and 2022, the amounts recognized as (net) research and development costs amounted to approximately USD 18,395 thousand and approximately USD 20,778 thousand, respectively.

In the past two years, most of the Company's research and development investments were invested for streamlining and improving the Enterprise System, in favor of developing, streamlining and improving the Optimize System and in favor of developing the CX System. As described in section 1.16.1 above, as of 31 December 2022 and as of the Report Date, the Enterprise System is the Company's flagship system.

As of 31 December 2022 and the Report Date, the Company is investing in research and development of new functions and capabilities for the Enterprise System, in the development new functions and capabilities for the Optimize System, in the development of the CX System as well as in the development of new modules, which will enable customers and potential customers of the Group to have additional uses in the Systems, including compliance, fraud, information security, teamwork efficiency, customer service, integration with various

products, and additional areas based on existing and potential customer needs. The Company also invests in research and development to streamline and upgrade the existing systems, including compliance with information security standards (even though the Company already now meets the most stringent data security standards, as described in section 1.31), using advanced information storage and interfacing technologies.

The increase in net research and development expenses was due to an increase in the number of development employees and an increase in their salary, as well as due to an increase in costs for employee options, with the purpose among others to maintain the Group's position and its technology as a leader in the field.

#### 1.24.3. Expected investments in research and development

The Company estimates that the anticipated research and development expenses during the twelve (12) months following 31 December 2022 will amount to USD20,000 – 22,000 thousand.

**The Company's estimates set forth above regarding the anticipated expenses in research and development constitute Forward-Looking Information, as defined in the Securities Law. These estimates are based, inter alia, on the estimates of the management and the Company's past experience. These estimates may not materialize, or materialize in a manner differing from what was estimated, even materially so, as a result of factors beyond the Company's control, including the market condition and its needs, the success of the development and the demand in the markets for the Group's products, and including the realization of any of the risk factors listed in section 1.36 below.**

1.24.4. Government grants

The Company received government support for research and development and for marketing programs, as set forth below:

| Type of grant  | The activity for which the grant was given and description of aid                                    | File/grant no.                             | Annual grant amounts    |                                 | Total grant received as of 31 December 2022 (in ILS thousands) | Repayment terms  | Covenants for granting or repayment | Undertaking recognized in the financial statements as of December 31, 2022 (in USD thousands) |
|--|--|--|-------------------------|---------------------------------|--|--|-------------------------------------|---|
|  |  |  | Year grant was approved | Amount approved (USD thousands) |  |  |                                     |   |
| Support from the Innovation Authority for the implementation of R&D programs in the Grants Track | Recording online sales processes, optimizing customer support and web analysis 1                     | 53608                                      | 2014                    | 233                             | 233  | Payment of 3% of the Company's sales                                   | See section 1.24.4.1 below          | -   |
|  | Recording sales processes on the Internet and mobile, optimizing customer support and web analysis 1 | 60042                                      | 2017                    | 348                             | 348  |  |                                     | -   |
| Support from the Innovation Authority for the implementation of R&D programs in the Grants Track | Second generation of a system for recording business processes on the Internet and on mobile         | 62932                                      | 2018                    | 457                             | 457  | Payment of 3% of the Company's sales                                   | -                                   | -   |
| Support from the Ministry of Economy to carry out "smart money" marketing plans                  | Expansion of activity to the British market  | Approval number per Application 1000977375 | 2017                    | 108                             | 97   | Payment of 3% of the growth in export volume compared to the base year | See section 1.24.4.2 below          | -   |
| <b>Total</b>   | -  | -  | -                       | <b>1,146</b>                    | <b>1,135</b>   | -  | -                                   | -   |

Additional details about the grants stated in the table above:

1.24.4.1. Support from the National Authority for Technological Innovation (for this purpose: the “Authority” or the “Innovation Authority”) for the implementation of R&D programs - All the cases in which the Company received the support of the Authority were classified by the Innovation Authority as a single program, number 53608.

The approved program and the support approved by the Innovation Authority is subject to the Law for the Encouragement of Research, Development and Technological Innovation in Industry, 5744-1984 and the regulations enacted under it, to rules, directives and circulars published by the Authority and to the program rules, to the terms set forth in the Authority’s approval and in the Company’s letters of undertaking (jointly: the “R&D Law”). According to the R&D Law, the Company must pay royalties to the Authority on all its revenues in accordance with the provisions of the law, including in respect of products developed as part of the approved programs and products to be developed in the future using the knowledge developed and tools built in connection with the approved programs stated in this section, and all the revenues deriving from commercializing, until the full amount of the grants provided under the approved programs plus Libor interest<sup>41</sup> has been paid (the amount of the royalties and their rate will increase in some cases, such as due to production abroad). The Company is also subject to special provisions under the R&D Law regarding the rights and use of knowledge related to the Authority’s support, directly or indirectly (“**Authority-Supported Knowledge**”), as well as various reporting obligations (as in the case of investment by a foreign resident or change of control not through an offering). In this regard, the Company is prohibited from transferring in any

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<sup>41</sup> In accordance with the directives of the Innovation Authority, which are in effect as of 31 December 2022 and the report date, the annual interest rate is a variable rate at the level of the annual Libor interest rate for deposits in dollars. To the best of the Company’s knowledge, at the end of 2021 the use of the Libor interest rate for new loans ended, but it will continue being published until the end of June 2023, and accordingly, after such date the interest rate to which the support amounts are linked may change.

way (including licenses or granting access) or give a right to Authority-Supported Knowledge to any other entity without prior approval of the Authority and subject to payment to the Authority as required; transferring knowledge to overseas or granting knowledge to a foreign resident may lead to a charge of up to six times the total support and interest, and performing them without Authority approval is a criminal offense; transferring production abroad based on Authority-Supported Knowledge requires Authority approval and may result in increased royalties to the Authority (up to three times the total support and interest rate) and a higher royalty rate. These provisions apply even after the full royalties have been paid to the Authority. Similarly, the initial public offering of the Company's shares under the Prospectus requires obtaining the Authority's approval.

As of 31 December 2022, the Company has paid all the royalties to which it was liable under the program and the interest incurred for up to the date of payment, in the cumulative amount of USD 1,068,684. In accordance with the Authority's approval dated 26 January 2021, the Company has reached the royalty payment ceiling, and therefore is currently not required to pay any additional royalties to the Authority. Accordingly, the status of the program has been updated by the Authority and the program is considered a "closed" program. However, the Company continues to be subject to the R&D Law, and it may be required to obtain the approval of the Authority or to report to the Authority in various cases, as well as to pay additional royalties or other amounts to the Authority, such as in cases of production abroad or transfer of knowledge abroad.

- 1.24.4.2. Ministry of the Economy, the "Smart Money" program – the Company received grants from the Ministry of Economy and Industry for increasing sales in the UK (the "**Target Market**"). Under the program and according to its terms, the Company was entitled to assistance at a rate of up to 50% of the Company's recognized expenses under the program that were incurred as part of the Company's marketing activities in the target market, and subject to approved budgets. The duration of the support plan is 24

months from the date of receipt of the certificate of approval with an option to extend it for another twelve months. The support plan is subject to the conditions set forth in the letter of approval and the Company's letter of undertaking, as well as to the directives of the Director General of the Ministry of Economy and related procedures. As of 31 December 2022 and the Report Date, the Company received approval for one marketing program. For this program, the Company was approved a grant of ILS 382,000 (out of an approved budget of ILS 764,000) starting 30 April 2017. In the terms for receiving the assistance, the Company must pay to the program 3% royalties of the increase in the volume of exports in the target market for which the Company received grants. The royalties will be paid annually from the first calendar year in which the Company is eligible for the grant under the program and will be spread over five years or until the grant amount is repaid, the earlier of which. The Company utilized 92% of the budget and received the full support. As of 31 December 2022 and the Report Date, the Company is not in compliance with the terms for starting the grant repayment. For more information, see Note 15 to the Consolidated Financial Statements.

During 2017-2019, the Company received a grant of a total of USD 97 thousand for the "Smart Money" program to increase sales in the UK. As part of the conditions for receiving the assistance, the Company is obligated to pay to a royalty program of 3% of the increase in the volume of exports in the target market for which the Company received grants. The Company has created an obligation in the amount it estimates to pay as of the Report Date of the Financial Position (31 December 2022).

## 1.25. Intangible assets

### 1.25.1. Patents

As of the Report Date, most of the protection of the Company's intellectual property is through patents. As of the Report Date, the Company has filed 17 patent applications in the United States, of which 8 have been registered as patents and one that was abandoned.

Below are details about the Company's registered patents, as well as about the Company's patent applications in the United States which are pending as of the Report Date (collectively: the "Patents"):

| Number | Patent number | Patent Title  | Application date/ priority date | Country |
|--------|---------------|---|---------------------------------|---------|
| 1      | 10,701,150    | Method and apparatus for storing network data   | 18/05/2012                      | USA     |
| 2      | 10,341,205    | System and method for recording web sessions  | 09/02/2016                      |         |
| 3      | 10,909,205    | System and method for web-session recording   | 04/02/2018                      |         |
| 4      | 11,252,244    | A system and method for web-session recording   | 02/11/2020                      |         |
| 5      | 11,373,001    | A screen capturing and masking system and method  | 09/10/2018                      |         |
| 6      | 11,467,943    | A system and method for struggle identification   | 22/12/2019                      |         |
| 7      | 11,317,005    | System and method for determining compression rates for images comprising text            | 1/12/2018                       |         |
| 8      | 10/331,221    | Methods for analyzing user interactions with a user interface                             | 29/03/2016                      |         |
| 9      | 17/088,655    | A system and method for journey recording   | 04/11/2020                      |         |
| 10     | 17/073,356    | A system and method for detecting potential information fabrication attempts on a webpage | 05/11/2019                      |         |
| 11     | 17/073,357    | A system and method for detecting potential information fabrication attempts on a webpage | 05/11/2019                      |         |
| 12     | 17/086,417    | A system and method for automatically masking confidential                                | 08/12/2019                      |         |

| Number | Patent number | Patent Title  | Application date/ priority date | Country |
|--------|---------------|---|---------------------------------|---------|
|        |               | information that is input on a webpage  |                                 |         |
| 13     | 63/317,092    | A retention policy determination system and method  | 07/03/2022                      |         |
| 14     | 17/683,380    | System and method for determining compression rates for images comprising text            | 11/12/2018                      |         |
| 15     | 18/150,215    | A system and method for detecting potential information fabrication attempts on a webpage | 05/11/2019                      |         |
| 16     | 17/683,380    | System and method for determining compression rates for images comprising text            | 11/12/2018                      |         |

The filing of the patents was supported by professional advice from experts in order to provide the Company with adequate and maximum proprietary protection in the patent applications.

The Group's expenses in connection with the patents in 2022 amounted to a total of approximately USD 46 thousand.

#### 1.25.2. Trademarks

As of the Report Date, the Company has submitted applications for the registration of two trademarks in Israel for the marks Glassbox and Augmented Journey Map (collectively: the “**Basic Applications**”), as well as two International Requests (IR)<sup>42</sup> applications based on the underlying applications designating Europe, the United Kingdom and the United States. It is noted that following the applications as foregoing, the Glassbox trademark was registered in Israel and the European Union.

<sup>42</sup>

An international request is submitted through an agreement or the Madrid protocol that allows the signatory countries to submit applications for registration of trademarks in the other member states centrally by a single application.

The basic applications were submitted in Types 9 (computer software and devices and devices for use in science) and 42 (design and development of computer software).<sup>43</sup>

## 1.26. Human capital

### 1.26.1. Below is a chart of the Group's organizational structure, as of the Report Date:



### 1.26.2. Employees

As of the Report Date and 31 December of each of 2022 and 2021, the Group employed 298, 305 and 297 employees, respectively. The following is the workforce in the Company, in the Subsidiaries and in the Second-tier subsidiary for these dates:

| Position                 | As of the Report Date | As of 31 December 2022 | As of 31 December 2021 |
|--------------------------|-----------------------|------------------------|------------------------|
| Research and development | 92                    | 92                     | 88                     |
| Sales and Marketing      | 86                    | 92                     | 99                     |

<sup>43</sup> The description in parentheses is general. The goods submitted in Type 9 are: "Computer software for collecting, keying, monitoring, tracking, storing, retrieving, analyzing, searching, organizing, simulating, optimizing, predicting and securing data, for use in customer relationship management, customer service, customer experience, fraud prevention, compliance and involvement analysis, in the websites and computer applications of others; computer software for monitoring the activity of websites and mobile applications and managing their performance and efficiency; computer software for optimizing the websites and computer applications of others for marketing purposes." The services submitted in Type 42 are: "Software as a Service (SaaS) and the provision of non-downloadable online software for collection, keying, monitoring, tracking, storage, retrieval, analysis, search, organization, imaging, optimization, forecasting and data security, for use in customer relationship management, service Customer experience, fraud prevention, compliance and involvement analysis; SaaS software and non-downloadable online software, for use in monitoring website activity and computer applications and managing their performance and efficiency; SaaS software and non-downloadable online software for the optimization of other websites and computer applications for marketing and advertising purposes; design, development, installation and maintenance of computer software in the areas of customer relationship management, customer service, customer experience and engagement analysis; scientific research, advanced product research and software development services for optimization of websites, computer applications and original mobile applications."

| <b>Position</b>                  | <b>As of the Report Date</b> | <b>As of 31 December 2022</b> | <b>As of 31 December 2021</b> |
|----------------------------------|------------------------------|-------------------------------|-------------------------------|
| Customer Success Management (CS) | 80                           | 81                            | 72                            |
| Administration (G&A)             | 40                           | 40                            | 38                            |
| <b>Total</b>                     | <b>298</b>                   | <b>305</b>                    | <b>297</b>                    |

In addition, the Group enters into agreement with consultants who provide the Group with business development services as part-time independent contractors, in Israel and around the world, as well as service providers who provide it with research and development services through a third party.

### 1.26.3. Benefits and Nature of Employment Contracts

The Company Employees – as of the Report Date, the Company enters into personal employment agreements with its employees following personal negotiations with each employee, according to his position, skills, professional abilities, etc. Most of the Company employees are employed full time and receive comprehensive wages. The employment terms include guidelines on working hours, position scope, wage terms, contributions to provident funds and pension plans, paid leave days, recuperation, paid sick days and related terms. Employees undertake to maintain confidentiality and to assign intellectual property rights, and undertake to not solicit and not compete in the Company during the employment period and for some time after it, as well as provisions about termination of employment. In this context, except for the three founding employees, the employment agreements with all the employees apply the permanent arrangement in accordance with the General Approval under Section 14 of the Severance Pay Law, 5733-1963. There are Company employees who are entitled to an annual bonus that is conditional on the employee's performance and/or the Company's performance in accordance with the personal employment agreements signed with them. The Company's performance is determined according to the Company's compliance with the annual order targets and/or

annual recurring revenues in relation to the annual budget. In addition, from time to time, the Company grants a discretionary bonus to the Company's employees in accordance with performance. In addition, there are employees in sales positions who are entitled to sale bonuses.

Glassbox USA employees – as of the Report Date, Glassbox USA employs 68 employees in the United States in accordance with personal employment agreements. The terms of employment include, among other things, a monthly salary and participation in the cost of health insurance. In addition, most employees in the United States are eligible to an annual bonus (including sales bonus), similar to employees in Israel. The personal employment agreements include an employee undertaking to maintain confidentiality and to assign intellectual property rights, and the employees undertake to not solicit and not compete in the Company during the employment period and for some time after it.

Glassbox UK and SessionCam employees – as of the Report Date, the Group employs 83 people in the United Kingdom, including 15 in London through Glassbox UK, and 68 in Norwich through SessionCam. The Group's employees are employed in accordance with personal employment agreements that include monthly wages, sick leave vacation and pension deposits. In addition, if entitled, the employees in Glassbox UK are entitled to an annual bonus (including sales bonus), or commission plan similar to employees in Israel. In addition, the personal employment agreement governs the terms of termination of employment and includes an employee undertaking to maintain confidentiality and to assign intellectual property rights, and the employees undertake to not solicit and not compete in the Company during the employment period and for some time after it.

#### 1.26.4. The Company's Investment in Training and Studies

The Company periodically conducts trainings and studies for the Group's employees, for professional enrichment and development, including courses on a variety of professional topics such as different programming languages, English

language courses and courses to advance the level of service. The Company also provides Company managers with a personal coaching program for training and nurturing them. In addition, the Group encourages employees to express in which subjects they need to enhance their professional knowledge as part of an annual evaluation process conducted at the Group twice a year.

1.26.5. Senior officers and managers

The Company's officers are employed through a personal employment agreement. For information about the terms of some of the senior officers' service and employment at the Company, see Regulation 21 of the Additional Information Report on the corporation that is attached as Chapter D to this Periodic Report below.

1.26.6. Substantial dependance on any specific employee

As of 31 December 2022 and the Report Date, the Group does not have any substantial dependance on any specific employee.

1.26.7. Employee reward plans

1.26.7.1. The Group has an incentive program that entitles all sales employees and sales support staff in the Group to commissions for the sale of the Group's products (the "**Incentive Program**"). As of the Report Date, the compensation to sales employees under the Incentive Program is based on meeting personal targets and/or group targets, order targets and other targets. The compensation to sales supports staff is based on meeting targets related to sales support. The incentives paid to employees as part of The Incentive Program do not form part of the employees' effective wages for the purpose of calculating their benefits.

1.26.7.2. For details about the officers remuneration policy that was adopted by the Company, see section 8.4 in Chapter 8 of the Prospectus.

## 1.27. Suppliers

The principal vendors with which the Group have contracts for carrying out its activities are cloud service providers. In the Company's opinion, although the Group can find alternative suppliers for such services within a reasonable time, as a result thereof the Group may incur a very substantial cost since the Group has committed under the EDP and AMC Agreements (as such terms are defined below) to a fixed minimum annual expense amount for the periods of the agreement, on an annual basis and on the basis of the period of the agreement, it will have to repay if the contract is terminated with the suppliers prior the end of the period stipulated in the agreements, as set forth below. As of the Report Date, and in relation to some of the existing customers, the Company depends on these suppliers (Amazon and Microsoft) since the Group undertook under the contract with such customers to use the cloud services of a particular provider, and therefore their consent is required to replace the cloud service provider. In general, in relation to new customers and some existing customers, the Group is not dependent on these suppliers, due to the Group's ability to terminate contracts with suppliers at any time and enter into agreement with alternative providers to provide cloud services and thanks to Systems' ability to interface with any existing cloud server in the market as of the Report Date.

**The following is a description of the characteristics of the Group's contracts with major suppliers on which the Group is dependent:**

1.27.1. Cloud service providers – as of the Report Date, the Group (through subcontractors) bases its services on Amazon's and Microsoft's cloud computing environment, which are leading Companies with a significant market share in the field. As of the Report Date, the Group relies on the availability and pricing offered by Amazon and Microsoft.

The Company's contract with a subcontractor (cloud computing) – the Company has entered into an agreement with a cloud computing provider for provision of Amazon's cloud services at discount rates (EDP – enterprise discount program) for a period of three years ending in August 2023 in exchange for a monthly payment determined according to consumption. Under the EDP agreement, a

minimum annual expense of \$ 2,535 thousand was determined the Company is obligated to meet. The parties are entitled to terminate the agreement for cause, provided the breaching party failed to remedy such breach within 30 days from the date it received the demand to remedy any remediable breaches. For the avoidance of doubt, the monthly payment to the secondary supplier was collected pursuant to the Company's consumption of its services. In the framework of the agreement, the Company is not bound to any minimum expense to the secondary supplier beyond what is set forth in the agreement. Therefore, insofar as the Company complied with the requirements of minimum service consumption as foregoing, it shall not be required to continue use the secondary supplier's services. Similarly, the Company is not required to spend amounts beyond such minimum annual obligation.

In addition, the Company contractually engaged with a cloud computing provider in an agreement for the provision of the cloud services of Microsoft Azure at discounted rates (AMC Agreement – Azure Monetary Commitment) for a three-year period ending in June 2025, in consideration for a monthly payment set pursuant to actual use. As part of the AMC Agreement, a minimum expense was set for the entire agreement period of USD 3,000, which the Company must meet. The parties are permitted to terminate the agreement for cause, provided the party in breach failed to rectify the breach within 30 days from the day the demand to rectify all the rectifiable breaches was received. For the avoidance of doubt, the monthly payment to the secondary supplier is collected in accordance with the use of its services by the Company. In the framework of the Agreement the Company is not bound by a minimum expense to the secondary supplier beyond that set forth in the agreement. Therefore, insofar as the Company met the minimum service use requirement as stated, it will not be required to continue using the services of the secondary supplier. In addition, the Company is not required to expend amounts beyond such minimum commitment.

For further details regarding the Company's agreements with cloud services providers see Note 17 to the Consolidated Financial Statements.

1.27.2. The following are details about the Group's expenses in connection with its primary providers (USD thousands):

| Vendor                      | 2022         |   | 2021         |   |
|-----------------------------|--------------|---|--------------|---|
|                             | Expenses     | % of total expenses from vendors (consolidated) | Expenses     | % of total expenses from vendors (consolidated) |
| Amazon (Cloud computing)    | 9,378        | 42%   | 7,244        | 34%   |
| Microsoft (Cloud computing) | 563          | 3%  | 198          | 1%  |
| <b>Total</b>                | <b>9,941</b> | <b>45%</b>                                      | <b>7,442</b> | <b>35%</b>                                      |

### 1.28. Working capital

The working capital of the Company as of 31 December 2022 consists mainly of short-term deposits, cash and cash equivalents, customers, accounts receivable, undertakings to suppliers and service providers, deferred revenue, account payable, and deferred and contingent consideration for acquisition of investment in a consolidated subsidiary. For more details see Notes 6, 7, 8, and 12 to the Consolidated Financial Statements.

### 1.29. Financing

As of the Report Date, the Company is financing its activity mainly through raising capital and through receiving a line of credit. For more information, see section 1.2 above and section 1.29.2 below, respectively.

1.29.1. R&D Grants – For information on research and development grants through which the Company funds its activities, see section 1.24 above.

### 1.29.2. Engagements in agreements for providing a line of credit

On 8 March 2021 (in this section: the “**Engagement Date**”), the Company and Glassbox US (jointly: the “**Borrowers**”) entered into a credit line agreement with Silicon Valley Bank (the “**Lender**”) for external financing in the amount of up to USD 8 million (“**Credit Amount**”) for a period of two years from the Engagement Date, in several installments, at the request of the Borrowers (“**Credit Line Agreement**”).

- Interest rate – according to the Credit Line Agreement, the loan will bear interest, which will be paid in monthly installments, at the highest annual rate of the following rates:(1) prime interest plus 0.75%; or (2) 4.00%, on the credit drawn by the Borrowers. In addition, the Borrowers will pay interest in quarterly payments at an annual rate of 0.25% of the average line of credit that is not drawn by them. The Credit Line Agreement further stipulates that the Borrowers may repay the credit line at any time before the credit line repayment due date under the agreement.
- Financial Covenants – (1) maintaining a ratio of 1.25 between the scope of the Borrowers' current assets and the scope of its current liabilities net of deferred income (“**Current Assets Ratio**”); or (2) maintaining a minimum level of the Group’s recurring revenues, which are examined on a quarterly basis<sup>44</sup> in accordance with the minimal amounts set forth in the credit line agreement (the “**Revenue Threshold**”). In accordance with the terms of the Credit Line Agreement, the Revenue Threshold was updated from time to time in the period beginning on the Engagement Date and ending on 31 December 2021, after which it will be updated to the amount to be determined by the parties. As of 31 December 2021, the Revenue Threshold was USD 34,500 thousand, while the parties have not set the Revenue Threshold for the period after 31 December 2021.

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<sup>44</sup>

Monthly recurring revenues of the Group, normalized to full year terms.

On 10 May 2022, the Company's board of directors approved the Borrowers' contractual engagement in the amendment to the Credit Line Agreement, in a manner that the Company's undertaking to maintain the Revenue Threshold was cancelled. It is clarified that the Borrowers will be required to continue to maintain the Current Assets Ratio alone.

As of 31 December 2022 and close to the Report Date, the Borrowers meet the said financial covenant.

- Guarantees – the main guarantees provided in connection with the Credit Line Agreement are:(1) a floating charge on all current and future assets of the Company, whether they exist or will be created in the future (including intellectual property); and (2) a fixed lien on all the accounts payable, and any existing account of the Company, any copyright and application for copyrights, patents and patent applications, trademarks and trademark applications, in any design and planning right, in any trade secret or trade secret rights and all other licenses and use rights, equipment and the shares capital of the UK subsidiary.

It is noted on March 8, 2023, the Credit Line Agreement has expired while the Credit Line was not utilized by the Borrowers. The Company is examining alternatives to entering into a new credit line agreement with other financial institutions, in a way that will allow it to increase its financial flexibility.

### 1.29.3. Guarantees and charges

On 15 October 2020, the Company's Board of Directors approved the provision of a guarantee to secure the full liabilities of Glassbox UK under the SessionCam Acquisition agreement, under which Glassbox UK acquired the full issued and paid-up capital of SessionCam.

For further details regarding the Company's provision of charges in favor of a third party, for purpose of securing undertakings of the Company, see Note 18 to the Consolidated Financial Statements.

#### 1.29.4. The Company's assessment of the need to raise more resources

As of the Report Date, the Company estimates that in the coming year it will not be required to raise sources of financing over the proceeds of the proceeds of the initial public offering which was performed under the Prospectus and for purpose of fulfilling its objectives and to cover the operation of its ordinary business.

The Company estimates that it has high accessibility to financing sources. Among others in light of its financial resilience, the stability of its core activity and the extensive ties that it built up with investment funds around the world, as well as access to the Israeli capital market, all considering the potential implications of the renewed spread of the Coronavirus, growing inflation and increasing interest rates on the availability of the credit sources in Israel and around the world.

**The Company's assessments regarding the need for raising additional financing sources and regarding its access to financing sources as set forth above, constitute forward-looking information, as defined in the Securities Law. These estimates are based, *inter alia*, on estimates made by the Company's management, based on its past experience, as well as on an estimate of the markets in which the Group operates, on the existence of available financing channels for the Company and changes in the credit market and in the interest rate environment. These estimates may not materialize, or materialize in a manner differing from what was estimated, even materially so, as a result of factors beyond the Company's control, including changes to future demand for the Systems and market competition, technological developments in the Group's markets etc., and the realization of any of the risk factors listed in section 1.36 below.**

### 1.30. Taxation

1.30.1. For details about the principal tax laws that apply to the Group, see Note 19 to the Consolidated Financial Statements.

1.30.2. For details about the Group's tax assessments, see Note 19 to the Consolidated Financial Statements.

1.30.3. For details about losses for purpose of transfer tax, see Note 19 to the Consolidated Financial Statements.

1.30.4. The Subsidiaries and Second-tier Subsidiary are taxable in the country of residence and all transactions between the Company and them are governed by inter-company agreements.

1.31. Restrictions and supervision of the corporation

1.31.1. The Group's activities are governed by the provisions of General Law, including laws relating to the protection of privacy, copyright and intellectual property.

The Group's activity, as of the Report Date, is subject to the laws of the State of Israel and the laws of the other countries in which the Group operates, as described below.

The Group's activities are subject, among other laws, to general laws relating to the protection of privacy and information security. In recent years, there has been a trend of expanding regulation that has applied to the areas of privacy, including in case law and legislation concerning the protection of users on the internet, the use of means of surveillance, and storage of files on end users' computers.

In regard to the Group's compliance obligation, and taking into account the nature of the Group's activities, the Group is subject, among other obligations, to privacy protection regulations (including the EU privacy protection regulation known as the General Data Protection Regulation ("GDPR")), intellectual property and laws relating to Internet activity and to the changes that occur in them from time to time.

**In light of the Group's activity also in Europe, the UK, the US, Asia and Oceania, the Group is exposed in the area of privacy protection, *inter alia*, to the following regulation:**

- General Data Protection Regulation (GDPR) – European regulation dealing with the protection of the privacy of data subjects in the European Union. The regulation addresses issues of collection, processing, storage and transfer of personal and sensitive information (such as medical information) of data subjects, to which the Group may be exposed as part of providing its services to its customers.
- ePrivacy Directive – a European directive concerned with information security and privacy protection of data subjects in electronic media in the European Union. In our case, the directive affects the Group in the contexts of using and implementing means of surveillance in the computers of end users (for example: cookies, device fingerprinting, etc.).
- Data Protection Act 2018 – the British Privacy Protection Act that implements the requirements of the GDPR in British legislation, and even adds to them in some cases. The law was amended in 2019 ahead of the UK's planned exit from the EU, so it enshrines the GDPR requirements in state legislation and applies them even after the United Kingdom leaves the European Union under a domestic version known as: "UK GDPR".
- PECR – a British regulation that implements the requirements of the ePrivacy Directive in the UK, which deals with information security in electronic communications and in particular the use and implementation of tracking devices in computers of end users.
- CCPA/CPRA – California Privacy Protection Act (including subsequent amendments) that deals with the protection of the privacy of California residents. The regulation addresses issues of collecting, processing and storing users' personal information. **The Group is exposed to this regulation due to the large number of customers and end users that the Group serves in the United States.**

- HIPAA - a federal US law that was designed to regulate the data security requirements in the framework of processing and transferring digital medical information and records between entities in the US healthcare and insurance sectors. The Group, which processes and transfers such information for entities in the US healthcare and insurance sectors, may be required to undertake in commercial agreement to comply with the HIPAA requirements.
- PPDA - a Singaporean law that defines a basic standard for protecting personal information. This law includes various provisions that apply to the collection, use, disclosure and maintaining of personal information in Singapore.
- PDPO - the main legislation in Hong Kong with the purpose of protecting the privacy of individuals in connection with personal information, which sets forth regulation regarding the collection, maintenance, processing or use of personal information and is based on the principles of data protection.
- Australian Privacy Act 1988 - Australian legislation that sets forth a few principles (referred to as Australian Privacy Principles) that must be applied in the framework of working with personal information.
- POPIA – South African legislation that defines the minimum standard for obtaining access and for processing personal information of the end users.
- Privacy Protection Law, 5741-1981 – the Israeli law (including supplementary regulations), which deals with, among other things, the protection of the privacy of citizens and residents, information security obligations, transfer of information outside Israel and the obligation to register databases.

In addition to the above, the Group is also indirectly subject to the terms of use and restrictions of use of browsers (Chrome, Firefox, etc.) and app stores (Google Play, App Store, etc.) as the solutions proposed by the Group are intended for assimilation in its customers' websites and applications. Recently, there has been a trend of strengthening the user's control over his privacy, while restricting the use of means of tracking and storing files on computers and devices of end users, including by the browser manufacturers and the operators of the app stores.

1.31.2. The Company is also subject to the provisions of the Law for the Encouragement of Research, Development and Technological Innovation in Industry, 5744-1984, and its regulations, to rules, provisions and circulars published by the Innovation Authority and programs' rules, to terms set forth in the Innovation Authority approvals and in the letters of undertaking signed by the Company, and in agreements that the Company entered into by virtue of these programs (the "R&D Law"), owing to support received by the Company from the Innovation Authority in accordance with the R&D Law. For more information, see section 1.24 above.

1.31.3. The Company is also subject to the provisions and terms of the "Smart Money" program of the Ministry of Economy, due to the approval it received under the program. **For further details, see section 1.24 above.**

Except as stated above, to the best of the Company's knowledge, as of the Report Date, the Group's activities are not subject to any special restrictions, legislation, regulations or constraints, and there are no binding standards enshrined in law pertaining to the Company's activities.

1.31.4. It is noted that the Group's customers maintain databases of various types. These customers use the software and reports produced by it to draw information and use it for their own unique uses. In this activity, the Group has no physical interface or holdings in these databases and the full responsibility for complying with the provisions of the law and the relevant regulations in connection with privacy protection applies in this context only to the customer.

## **1.32. Material agreements**

1.32.1. For information about the Group's contracts with material customers, see section 1.19.5 above.

1.32.2. For information about the Group's engagements with material customers, see section 1.27 above.

1.32.3. For details about an agreement that the Company engaged in for acquiring SessionCam, see section 1.1.3 above and Note 5 to the Consolidated Financial Statements.

1.32.4. For details regarding the Company's engagement in an asset acquisition agreement with Convertize Ltd., see Section 1.1.3 above.

1.32.5. On 31 March 2022 the Company<sup>45</sup> contractually engaged with a customer of the Group, one of the ten largest banking corporations in the US (the "**Customer**") in an amendment to a license agreement that was executed between the Company and the Customer on 1 August 2019, as amended from time to time (the "**Amendment**"). As part of the Amendment, the license period granted to the Customer to use the Enterprise System<sup>46</sup> was extended, which is installed at the Customer's data center (on-premise) (the "**System**"), and the uses in the System were expanded.

For more information about the Amendment and its main provisions, including the validity of the license and the payment terms, see the Company's immediate report dated 31 March 2022 (reference no: 2022-01-033477), the information of which is presented in this Report by way of reference.

### **1.33. Legal proceedings**

For details in connection with legal proceedings that the Group is party to, see Note 17 to the Consolidated Financial Statements.

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<sup>45</sup> Through Glassbox USA.

<sup>46</sup> For more information about the Enterprise System, see section 1.16.1 of the Description of the Company's Business Report.

### 1.34. Objectives and business strategy

The Company's vision is to position itself as a global leader in the field of solutions for analysis of customers using digital channels. While today the Company focuses on managing customer experience in digital channels, the Company is moving towards managing various and additional aspects of the customers in digital channels - such as customer support, identifying and preventing fraud attempts, documenting transactions for compliance and legal needs, etc.

In addition, the Group's goal is to reach an ARR of approximately USD 100 million in 2-4 years from the publication date of the Prospectus (i.e. June 2021), based on organic growth assumptions based, among other things, on the Group's pipeline, the Group's historical conversion rate and its expectations for increase of its sales as a result of creating new business opportunities in the future. In addition, the Company intends to take steps to maintain the aforementioned growth trend, alongside adopting streamlining measures that will contribute to improving the gross profit and the transition to a positive cash flow and profitability.<sup>47</sup>

**The Company strives to achieve these goals by implementing its growth and streamlining strategy, as described below:**

- a. Retaining and increasing the volume of transactions with existing customers – as the Group's ability to enter markets with very large customers has been proven, the Company aims to continue to retain and even expand the volume of transactions with existing customers, among others, through: broader assimilation in the customer's organization of the Group's products regarding additional web/mobile applications of the organization; increasing transaction volume according to use volume in digital channels by customers; marketing additional products or modules of existing customers.

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For more information see section 7 of the Board Report.

- b. Increasing the number and type of customers – the Company intends to continue working to add new customers that operate in the domain of the Internet and mobile, based on the knowledge, experience and reputation it accumulated. As per the Company's estimate, many entities operating in digital channels today do not have a solution similar to that offered by Glassbox or offered by direct competitors of the Group. The Company estimates that almost all entities operating in digital channels and conducting digital transactions may have value in solving the type of solutions offered by the Group or in similar solutions, and therefore, the Company estimates, there is much room for growth by entities similar to existing customers today. In addition, upon the acquisition of SessionCam, and through the Optimize System and implementation of the CX System, the Group offers a solution and products that are suitable for customers with low traffic, and for smaller transactions (due to cost reduction for each customer). In addition, with the development of additional dedicated uses for the Group's Systems, additional value will be created in the Systems for various customers, which may contribute to increasing the number and type of customers.
- c. Expanding activity in new industries and the marketing and distribution system – as of the Report Date, most of the Group's revenues derive from its activities with companies in the financial sector and the retail sector. Notwithstanding the foregoing, the Company intends to continue selling to customers from additional sectors among them the tourism and hospitality sector (hotels), insurance sector, telecom sector, healthcare sector, technology and government agencies and more. The Company intends to expand its activity in the additional sectors as foregoing, which constitute very significant target markets.
- d. Expanding activity in new target markets and other countries - as of the Report Date, the Group has many customers, mainly in the US, Canada and the UK (and also, in different countries around the world). The Group intends to expand its marketing and distribution system in the world, and the work with additional partners in various countries, in order for it to reach a wider target audience. Similarly, the Group has already started sales in other countries in the Americas, Europe, Africa, Asia and Oceania, and the Group intends to expand these activities.

- e. New developments – in accordance with the statements of sections 1.16, 1.18 and 1.24 above, the Company intends to continue developing additional designated uses for the Systems, based on its existing technology, in accordance with customer needs and market trends, and among this the development of Digital Experience Intelligence and Digital Customer Management in a time frame of up to two years.
- f. Implementation of a multi-product approach – as of the Report Date, it is marketing license agreement to its customers for the CX System, as one system enabling the customers to purchase it together with Add-ons and pursuant to their unique requirement. The Company intends to continue taking steps towards implementing said approach through assimilating the CX System in a manner enabling the growth of the revenues on the basis for such system, by accelerating the process of engagement with customers and subsequently acquiring additional capabilities according to customer needs (“Land and Expand”).
- g. Creating new collaborations including strategic collaborations - the Company intends to continue working on expanding its activities with various partners that will become a significant source of revenue, including partners who refer the Group to new potential customers (and the potential customers to the Group), partners who assimilate the Company's products and provide support for the Group's products and who provide assistance with selling the Group's products or renew agreements with partners who have products in areas related to the area of the Group's activity, and which assimilation of the partner's products alongside the Group's products, provide higher value to customers
- h. Streamlining measures – the Company intends to take streamlining measures that will contribute to an improvement in the gross profit and the transition to a positive cash flow and profitability, alongside maintaining the growth trend, among others through transferring most of the Group's customers to a multi-tenancy environment, which focuses on reducing cloud expenses and system automation.
- i. M&A transactions – the Group shall continue examining potential acquisitions of companies in its Area of Activity and in related fields, in order to increase the existing product range for its customers, as well as expand its activity in the area of activity.

In this way, the Group may leverage the business relationships with its customers and the customers of the acquired group, as well as offer its customers more complete and more comprehensive solutions. In addition, the Company, being a technology company that operates on the global market, from time to time receives third party offers for merger transactions, which are examined and considered on their merits, in light of the market developments where the Group operates, its targets and objectives, the state of competition in the business environment and from a viewpoint of the Company's and its shareholder's benefit.

**The Company's intentions and estimates regarding the Company's strategy and its goals, including with respect to the ability to expand the scope of transactions and the number of Group Customers, expanding operations in new industries, a marketing and distribution system and activity in target markets, completing new developments, implementation of a multi-product approach, creating cooperation, performing streamlining measures and making acquisition and merger transactions, constitute forward-looking information, as defined in the Securities Law. This information is based on estimates of the Company's management, based on its past experience and on its business strategy. These intentions and estimates may not materialize, or materialize in a manner differing from what was estimated, even materially so, as a result of factors beyond the Company's control, including developments in markets where the Group is active, in its area of activity and demand for its products, in the existence of available financing channels for the Company, as well as the materialization of any of the risk factors described in section 1.36 below.**

1.35. Forecast of developments in the coming year

During the coming year, the Company intends to concentrate on the following activities:

- a. Positioning the Company as a market leader in the areas of activity assistance in improving the user experience in digital channels and creating a solution for purposes of compliance in the Digital Channels, while continuing to develop features and capabilities unique to the Company's Systems and the CX System in particular.

- b. To explore the option of mergers and acquisitions with companies with supplementary/competing solution to the Group's solution.
- c. Increasing the market penetration of the Company's Systems, led by the CX System, and their marketing to current and new customers (as applicable). The Group shall also work to establish new collaborations in the market and examine additional models of collaboration for selling the products.
- d. Continued focus on implementation of the multi-product approach and steps to implement the CX System in a manner enabling an increase in revenues on the basis of such system by streamlining the process of contacting customers and expanding uses ("Land and Expand").
- e. Expansion of the Group's business development, sales and marketing. In addition, the Group shall consider opening additional representations and recruitment of designated personnel to accelerate the Group's business growth.
- f. Expanding collaborations for combined response to market needs while collaborating with companies having a tangent or supplementary solution.
- g. Completing to transfer the customers of SessionCam from the SC System to the CX System.
- h. Maintaining the scope of investment in the Company's research and development teams for maintaining the technological advantage of the Group's products and even increasing it, and to add additional capabilities and characteristics to the Group's products.

**The Company's intentions and estimates regarding its development over the next year, including with respect to its position as a market leader and the creation of solutions for purpose of compliance, examining the possibility of mergers and acquisitions, increasing market penetration of the Company's Systems, focusing on implementing the multi-product approach, expanding business development, expanding collaborations, transferring SessionCam customers from the SC System and increase the scope of the investment in the research and development teams, constitute forward-looking information, as defined in the Securities Law. This information is**

based on estimates of the Company's management, based on its past experience and on its business objective. These intentions and estimates may not materialize, or materialize in a manner differing from what was estimated, even materially so, as a result of factors beyond the Company's control, including developments in markets where the Group is active, in its area of activity and demand for its products, in the existence of available resources for the Company, as well as the materialization of any of the risk factors described in section 1.36 below.

### 1.36. Discussion of risk factors

#### Macro risks

1.36.1. Changes in exchange rates – as a result of the Group's operations in many countries, the Group is exposed to risks arising from fluctuations in the exchange rates of the currencies in the regions of its activity. Most of the Group's revenues are in United States dollars and British pounds, while most of its expenses are in Israeli shekels and United States dollar. Thus, the Group is exposed to changes in exchange rates in a manner that may affect its business results. In view of the foregoing, the Company periodically executes currency protection transactions.

1.36.2. Dependence on the economic, security and political situation in Israel and worldwide – the economic, security and political situation in Israel and the world (with an emphasis on the United States, Canada and the United Kingdom), may affect the volume of investments in the Group's areas of activity, and the Group's ability to operate freely in various parts of the world. Although the Group's products and services are used in the online space, and therefore provide it with an advantage, in certain situations, over companies of which products and/or services are used in the physical space, an economic slowdown, a security crisis or a political crisis and the implementation of economic sanctions on states in a manner which might prevent trading with them, may have a substantial effect the Group's activities, lead to lower demand for its products and harm its business results.

- 1.36.3. Significant economic slowdown in the European economy – an economic crisis in Europe, including financial crises existing and/or that may exist due to growing inflation and/or increasing interest rates and/or a renewed outbreak of Covid-19 (even in geographical places where there is currently no spread of the virus) and the reinstatement of the various restrictions, or due to the effects of the ongoing war between Russia and Ukraine and its possible effects on economic activity in Europe, can affect the volume of economic activity of many companies in Europe in general, and of Glassbox UK and SessionCam in particular. The effect of such economic slowdown may adversely affect Glassbox UK and SessionCam also as a result of: (a) slowdown in closing new transactions, or (b) departure of existing customers. As of the Report Date, the Company is unable to estimate the duration and extent of the impact of the growing inflation and/or increasing interest rates and/or renewed spread of the pandemic on the business results of the Glassbox UK and SessionCam, and accordingly, on the Company's business results. For more information, see section 1.5 above.
- 1.36.4. Significant economic slowdown in the United States and Canadian economy – an economic crisis in the United States and Canada, including financial crises existing and/or that may exist caused by growing inflation and/or increasing interest rates and/or a renewed outbreak of Covid-19 (even in geographical places where there is currently now spread of the virus) and the reinstatement of the various restrictions, or due to the effects of the ongoing war between Russia and Ukraine and its possible effects on economic activity in the United States and Canada, can affect the volume of economic activity of many companies in the United States and Canada in general, and of Glassbox USA in particular. The effect of such economic slowdown may adversely affect Glassbox USA also as a result of: (a) slowdown in closing new transactions, or (b) departure of existing customers. As of the Report Date, the Company is unable to estimate the duration and extent of the impact of the growing inflation and/or increasing interest rates and/or renewed outbreak of Covid-19 on the business results of the Glassbox US and SessionCam, and accordingly, on the Group's business results. For more information, see section 1.5 above.

1.36.5. Renewed outbreak of Covid-19 – the renewed spread of Covid-19 in Israel and worldwide, and the steps that will be taken to stop the spread of the virus, may affect the activities of the Group, its customers and providers/suppliers (for more information on the possibility of an economic slowdown in Europe, the United States and Canada on the Group's results, see sections 1.36.3 and 1.36.4). The Coronavirus pandemic effects may lead to impairment of the Group's regular operations, marketing capabilities and the economic ability of its customers and their willingness to invest in the Company's products. These trends may affect the Group's business results. For more information on the effects of Coronavirus pandemic, see section 1.5.6 above.

### **Industry risks**

1.36.6. Regulation – recently, there has been a trend of expanding regulation on the field of the Internet in general, worldwide, including rulings and legislation concerning the protection of surfers' privacy and consumer protection, in addition to various restrictions that may indirectly affect the Group's area of activity. A change in the regulatory environment, including by way of adding future regulatory requirements, may affect the specifications of the products and services offered by the Group, the manner the Company is managed and its business results. At the same time, as of the Report Date, the Company meets the most stringent standards required among others by the GDPR regulations. Failure to comply with the terms of the regulation may expose the Company to significant economic sanctions, some of which are derived from the Group's revenues. For more information about the regulation applicable to the Group, see section 1.31 above, and for information about the changes in regulation in the Group's general environment, see section 1.5.2 above.

1.36.7. Competition – the Company is exposed to competition (as stated in section 1.21 above), both by actors operating in the market on the date of this Report and by parties who are in various stages of research and development or such that may compete in the Company in the future. Increased competition in the field, among other things, due to the entry of new players and the expansion of existing

players, including by acquiring other competitors and/or creating various collaborations between existing competitors, may cause employees to leave, make it harder for the Group to sell its products and harm the Group's profitability. Increased competition may even force the Group to increase its investments in technology, personnel, marketing and research and development. For more information about the competition and the competitors, see section 1.21 above.

- 1.36.8. Ability to raise capital and sources of funding – as of 31 December 2022, the Group's activities do not yield profits, the Company uses various sources of financing to finance its activities, including capital raising. The Group's continued operations depend on its ability to move to a positive cash flow and profitable operations and alternatively its ability to raise funds in the future in order to continue to develop its operations.
- 1.36.9. Terms of use and restrictions of browsers and app stores – as stated in section 1.31.1 above, the Group is also indirectly subject to the terms of use and restrictions of use of Internet browsers (Chrome, Firefox, etc.) and app stores (Google Play, App Store, etc.) as the Group's products are intended for implementation on websites and its customers' applications, which are sold and are accessible from such browsers and app stores. The Group's non-compliance with such standards or change in terms by the app stores such that the Group will fail to comply with the standards may lead to the removal of the Group customer's applications from the browsers or app stores, which may lead to a material decrease in the Group's number of customers and its revenues.
- 1.36.10. Product Liability – The Group's products and services include elements with high technological complexity, which may be subjects to flaws and various deficiencies, some of which have not yet been identified or diagnosed. As a result of such or other failures, the Group may be sued by customers, business partners, or other parties. Product liability claims may result in costs to the Group as well as damage to its reputation, in a manner that may affect the Group's results.

- 1.36.11. Dependence on suppliers – the Group’s products and services, as described in section 1.16 above, are based on cloud servers, provided to the Group by providers of cloud services. Except in connection with the Group’s engagements with specific customers, the Group does not depend on a particular supplier, however technical failures of these servers or their dependent systems, of the Group and of relevant third parties, may affect the Group’s operations, use of the Group’s services and products and other operations. Technical failures or injuries, attack and intrusion into the Group’s systems, as stated in section 1.36.12 below, or imposition of restrictions by very large companies such as Amazon and others, may affect the Group’s ability to communicate with these parties or to affect the speed of services provided by the Group.
- 1.36.12. Cyber risks – in recent years, an increased scope of cyber-attacks have been recorded and they have become more sophisticated and destructive. Such attacks can be targeted at the Group’s systems or its customers’ databases, causing various damages, including loss or theft of information. Events of this type may damage the intellectual property of the Group or its customers and have significant consequences for the Group’s reputation and activity. The Group’s products operate, among other things, through cloud services provided to the Group by various suppliers, which are protected by advanced and stringent technological means, designed to prevent cyber threats. At the same time, the Group has adopted and implemented technological means and processes that enable it to monitor, prevent and control cyber threats, in addition to conducting regular security surveys and information security and cyber event drills and using a dedicated set of external consultants. In addition, the Group companies have applied strict standards of data security, including: The Company meets the international SOC 2 (type 2), ISO 27001, ISO 27701, ISCO 27017 and PCI (self-assessment) standard requirements. In this respect it is noted that in light of the nature of the Group’s global activity, the Company implements and enforces the requirements of the standards set forth above even on the Subsidiaries.

**Risks unique to the corporation**

- 1.36.13. **Protection of trade secrets and intellectual property** – the Company develops complex and knowledge-intensive technological products, and owns much intellectual property, including patents and trademarks, and there is no certainty that it can successfully protect its intellectual property. As is customary in the industry, a significant part of the Company's intellectual property is not protected by patents, in order to prevent the leakage of knowledge and its copying by competitors. Should the Company fail to protect its trade secrets and intellectual property, including in cases of patent infringement by third parties, may have negative consequences for the Group, its reputation and its activities. In this respect, a limited number of the Group's customers reserve the right to request the deposit of the Company's source code, which is a trade secret, in trust with a third party. This deposit may in some cases pass/be released to the customer if the Group does not meet certain conditions.
- 1.36.14. **Dependence on unique technology** – the Group bases most of its activities on technology developed by the Group. Failures in the Company's technology, or material technological changes in the field, as stated in section 1.36.10 above, may impair the Group's ability to derive economic benefits from its technology and impair its business results.
- 1.36.15. **Management and professional personnel** – the success of the Group is largely based on human capital who hold much knowledge and experience. There is no certainty that the Group will be able to maintain and/or hire the quality human capital required for its activities. Failure of the Group to place quality personnel in management positions and various technological positions in the Group may harm the Group's activities, including the success in the development of new products, sales, execution of existing projects and consequently, the Group's business results in general and the Company in particular.

- 1.36.16. Uncertainty in the development of new products – the Company’s investment in new products and/or modules involves uncertainty about the Company’s success in dealing with the technological challenges in the development of these products, the development costs or the business success of these products.
- 1.36.17. Services for customers – some of the services that the Group provides to its customers are of an ongoing nature, or have the potential to expand operations, including annual and multi-year transactions of access rights to the software. Failure of the Group in providing such services to the satisfaction of its customers may lower the likelihood that those customers will continue or expand their activities with the Group. Furthermore, failure of the Group to successfully perform the services it provides may damage its reputation and its ability to sell its products to new customers.
- 1.36.18. Operations risk – the Group is exposed to damage to its day-to-day operations as a result of failure of internal work processes, actions performed by employees (accidentally or maliciously), failures in the various information and/or communication systems (computer and communication systems), or as a result of various external events. Such failures, if they occur, could expose the Group to risks and may affect its results.
- 1.36.19. Marketing and sales – the Group’s future revenues depend, among other things, on the Group’s ability to sell new products and services, and to increase sales of existing products and services.
- 1.36.20. Mergers and acquisitions between the Group Customers – mergers or acquisitions between two of the Group Customers, or between a Group Customer and a third party using solutions other than those offered by the Group, may lead to the loss of a customer in a way that may affect the Group’s operations and business results.

The following is a breakdown and rating of the risk factors described above, which were rated according to the Group’s assessments of their effect on the Group’s business:

| Risk   |  | Estimate of the effect of the risk on the Group |        |     |
|--|--|---|--------|-----|
|  |  | High  | Medium | Low |
| <b>Macro risks</b>                                     | Changes in exchange rates  |   |        | X   |
|  | Dependence on the economic, security and political situation in Israel and the world |   |        | X   |
|  | Significant economic slowdown in the European economy                                |   |        | X   |
|  | Significant economic slowdown in the US or Canadian economy                          |   | X      |     |
|  | Impact of the Coronavirus pandemic   |   |        | X   |
| <b>Industry risks</b>                                  | Regulation   |   | X      |     |
|  | Competition  |   | X      |     |
|  | Ability to raise capital and sources of funding                                      |   | X      |     |
|  | Terms of use and restrictions on browsers and app stores                             | X   |        |     |
|  | Product liability  |   |        | X   |
|  | Dependence on suppliers  |   | X      |     |
| <b>Risks unique to the corporation</b>                 | Cyber risks  |   | X      |     |
|  | Protection of trade secrets and intellectual property                                |   |        | X   |
|  | Dependence on unique technology  |   |        | X   |
|  | Management and professional personnel  |   | X      |     |
|  | Uncertainty in development of new products   |   |        | X   |
|  | Services for customers   |   |        | X   |
|  | Operational risk   |   |        | X   |
|  | Marketing and sales  |   | X      |     |
| Mergers and acquisitions between the Group's customers |  |   | X      |     |

This English translation of the report of the board of directors on the state of the Company's business for the year ended December 31, 2022, which is part of the periodic report of the Company, is for convenience purposes only. This is not an official translation, is not binding and does not replace the need to review the Periodic Report in its entirety. Whilst reasonable care and skill have been exercised in the preparation hereof, no translation can ever perfectly reflect the original Hebrew version. In the event of any discrepancy between the Hebrew version and this translation, the Hebrew version shall prevail.



**Glassbox Ltd.**

**(the "Company")**

**Chapter B - report of the board of directors on the state of the company's  
business for the year ended December 31, 2022**

The Board of Directors of Glassbox Ltd is hereby pleased to present the report of the Board of Directors on the State of the Company's Business for the year ended December 31, 2022 (the "Report Period") and the financial results of the Company for the year ended December 31, 2022 in accordance with the Securities Regulations (Periodic and Immediate Reports) – 1970 (the Reporting Regulations).

In this report below:

"Report Date" – December 31, 2022.

"Report Signature Date", "Report Date" or "Report Signature day" – March 14, 2022.

"Corporation Business Description Report" – report of the description of the corporation's business is attached as Chapter A to this periodic report.

"Consolidated Financial Statements" – consolidated financial statements as of December 31, 2022, which are attached as Part III to this periodic report.

## **A EXPLANATIONS OF THE BOARD OF DIRECTORS TO THE STATE OF THE COMPANY'S BUSINESS, OPERATING RESULTS, EQUITY AND CASH FLOWS**

### **1. The Company's Activity and Its Business Environment**

1.1 The Company was incorporated on November 25, 2010, as a private company limited by shares incorporated in the State of Israel under the name "Clarisite Ltd."; On April 14, 2016, the Company changed its name to "Glassbox Digital Ltd.", and on May 8, 2016, the Company changed its name to its current name. On June 10, 2021, the Company's shares were listed for trade on the Tel Aviv Stock Exchange Ltd. ("the TASE") by virtue of the prospectus (IPO), sale offer prospectus and shelf prospectus of the Company dated June 4, 2021 (reference number: 2021-01-035284) as amended on June 8, 2021 (reference number: 2021-01-098037), (the "**Prospectus**" and "**the Issuance**", as the case may be) and the Company became a public company. On August 5, 2021, the Company's shares were added to the Tel Aviv - Elite Index.

As of the report date, the Company operates, through its subsidiaries and its sub-subsidiary (the "**Group**") in one area of activity – providing software-based services (SaaS, Software as a Service) for analysis of browsing on Internet websites and mobile apps ("**Digital Services**" and the "**Area of Activity**", respectively).

1.2 As of the date of the report, the Company has two subsidiaries (wholly owned) - Glassbox US INC, a private company incorporated in the United States, and Glassbox Digital UK Ltd., a private company incorporated in England and Wales, and a sub-subsidiary - SessionCam Limited. - a private company incorporated in England and Wales, wholly owned by Glassbox Digital UK Ltd.

For details about (1) the impact of inflation and the rise in interest, (2) the impact of Covid-19, (3) the possible impact of the crisis in Eastern Europe and (4) the possible effect of changes in exchange rates, see Chapter A to the Corporation Business Description Report and Note 18 to the Consolidated Financial Statements.

For further details regarding the Company's area of activity and the development of the Company's business, see the Corporation Business Description Report.

## 2. The Financial Position

Below is a summary of the financial position (USD thousands):

| Item                          | December 31 |        | Explanations of the Board of Directors  |
|-------------------------------|-------------|--------|---|
|                               | 2022        | 2021   |   |
| <b>Current assets</b>         | 36,141      | 62,895 | The decrease in current assets as of December 31, 2022 compared to current assets as of December 31, 2021 was due to negative cashflow from current activity and payment of contingent and deferred consideration that resulted in a decrease in cash and cash equivalents and deposits for the short term. |
| <b>Noncurrent assets</b>      | 28,448      | 32,788 | The decrease in noncurrent assets as of December 31, 2022 compared to noncurrent assets as of December 31, 2021 was due to a reduction in intangible assets and a change in intangible assets and goodwill deriving from a weakening of the pound (£) against the dollar (\$).                              |
| <b>Current liabilities</b>    | 25,510      | 30,513 | The decrease in current liabilities as of December 31, 2022 compared to current liabilities as of December 31, 2021 derived from decreasing contingent and deferred consideration due to the payment date with a large offset in deferred income for the short term.  |
| <b>Noncurrent liabilities</b> | 5,037       | 5,185  | The decrease in noncurrent liabilities as of December 31, 2022 compared to noncurrent liabilities as of December 31, 2021 is immaterial.  |
| <b>Share-holders' equity</b>  | 34,042      | 59,985 | The decrease in shareholders' equity as of December 31, 2022 compared to December 31, 2021 was mainly due to the net loss in the reported period and the offset of expenses in respect of options for employees.  |

### 3. Results of the Activity

Below are data of the results of the activity (USD thousands):

| Item                                | Year ended December 31 |        | Explanations of the Board of Directors  |
|-------------------------------------|------------------------|--------|---|
|                                     | 2022                   | 2021   |   |
| Revenues                            | 46,052                 | 36,990 | The increase in revenues in 2022 compared to 2021 was due to an increase in licensing sales in the amount of 25%. In addition, the rate of non-recurring revenues in 2022 was approximately 5% in the reporting period of total revenues compared to the corresponding 6% in 2021;  |
| Cost of sales                       | 16,458                 | 12,465 | The increase in the cost of sales in 2022 compared to 2021 was mainly due to an increase in servers and cloud services deriving from an increase in sales and an increase in wage and related expenses and expenses for employee options;   |
| Gross profit                        | 29,594                 | 24,525 | The gross profit margin during the presented years was: in 2022 – 64.3%; 2021 – 66.3%. The decrease in gross profit rate compared to the corresponding period last year derived from an increase in cloud expenses at a larger rate than the increase in income.  |
| Research and development expenses   | 20,778                 | 18,395 | The increase in research and development expenses in 2022 compared to 2021 was mainly due to an increase in wages and related expenses stemming from an increase in the number of development workers as well as an increase in employee options expenses;  |
| Selling and marketing expenses      | 31,213                 | 25,460 | The increase in selling and marketing expenses in 2022 compared to 2021 was mainly due to an increase in salaries and related expenses stemming from an increase in the number of sales and marketing employees and an increase in the marketing expenses of the company with a small offset for employee options expenses; |
| Administrative and general expenses | 10,834                 | 9,800  | The increase in administrative and general expenses in 2022 compared to 2021 was mainly due to an increase in wages and related expenses, due to an increase in the number of administrative and general employees with a small offset for employee options expenses and a decrease in professional services;               |
| Other (income) expenses             | (876)                  | 3,055  | Other expenses (income) deriving from updating contingent consideration for the purchase of SessionCam  |

|                            |        |        |   |
|----------------------------|--------|--------|---|
| Operating loss             | 32,355 | 32,185 | The increase in operating loss in 2022 compared to 2021 is immaterial;  |
| Financing expenses         | 2,475  | 1,314  | The increase in financing expenses in 2022 compared to 2021 was due to exchange rate differences for revaluation of balance sheet balances due to a weakening of the pound against the dollar and a weakening of the dollar against the shekel and from financing expenses for revaluation of deferred and contingent consideration in respect of the purchase of SessionCam; |
| Financing income           | 1,104  | (196)  | The increase in financing income in 2022 compared to 2021 was due to an increase in interest income deriving from a sharp incline in interests;   |
| Financing expenses, net    | 1,371  | 1,118  |   |
| Loss before income taxes   | 33,726 | 33,303 | The increase in pretax loss in 2022 compared to 2021 is immaterial;   |
| Income taxes               | (337)  | (269)  | The increase in income from taxes in 2022 compared to 2021 is immaterial;   |
| loss                       | 33,389 | 33,034 | The increase in loss in 2022 compared to 2021 is immaterial;  |
| Other comprehensive income | 1,047  | 103    | Other comprehensive loss (profit) is due to currency translation differences in SessionCam reports and Glassbox UK, which are denominated in pounds; the increase in other comprehensive loss derives from a weakening of the pound against the dollar;   |
| Comprehensive loss         | 34,436 | 32,931 | The increase in comprehensive loss in 2022 compared to 2021 was due to an increase in other comprehensive loss;   |

#### 4. Liquidity

Below are data about liquidity (USD thousands)

| Item  | Year ended December 31 |          | Explanations of the Board of Directors   |
|---|------------------------|----------|--|
|   | 2022                   | 2021     |  |
| Cash flow from operating activities   | (16,286)               | (17,803) | The decrease in the negative cash flow from current activity in 2022 compared to 2021 derived from an increase in deferred income with a large offset for accounts payable and credit balances and from a reduction of the estimate for contingent consideration.  |
| Cash flow from investing activities   | 21,371                 | (42,538) | The change in cash flow from investing activities in 2022 compared to 2021 was mainly due to a change in the deposit balance for short term and payment of contingent and deferred payment;  |
| Cash flow from financing activities   | (270)                  | 53,391   | The change in cash flow from financing activities in 2022 compared to 2021 derived from a decrease in receipts from share issuance and warrants;   |
| Increase (decrease) in cash and cash equivalents                              | 4,815                  | (6,950)  | The change in total cash flow in 2022 compared to 2021 was mainly due to an increase in cash flow from investing activities, offset by a decrease in cash flow from financing activities;  |
| Exchange rate differences in respect of balances of cash and cash equivalents | (727)                  | (14)     | Exchange rate differences in respect of balances of cash and cash equivalents deriving from currency translation differences of the statements of SessionCam and Glassbox UK which are denominated in pound and exchange rate differences on balances of banks in Israel that are not listed in the Company's currency. The change in exchange rate differences for cash and cash equivalent balances in the reporting period compared to the corresponding period last year derived mainly from exchange rate differences on balances of banks in Israel that are not listed in the Company's currency; |
| Balance of cash and cash equivalents at the beginning of the period           | 12,123                 | 19,087   |  |
| Balance of cash and cash equivalents at the end of the period                 | 16,211                 | 12,123   | Cash balances as of December 31, 2022 and 2021 do not include short-term deposits in the amount of \$ 14, 085 and \$ 43,690thousand respectively;  |

## 5. Financing sources

As of the date of the report, the Company is financing its activities mainly through capital raising as well as through the obtaining a line of credit. For further details, see sections 1.2 and 1.29 of the corporation's business description report, respectively.

As of the date of the report, the Company estimates that in the coming year it will not be required to raise additional financing sources in addition to the initial public offering of the Company's shares to institutional investors that was carried out under the prospectus for the purpose of meeting its current business objectives.

The Company estimates it has high access to financing sources. Among other things, in view of its financial strength, the stability of its core business and the extensive relationships it has established with investment funds around the world, as well as the accessibility to the Israeli capital market, all considering the possible implications of the retransmission of Corona virus and the rise of inflation and interest rates on the availability of credit sources in Israel and around the world.

**The Company's estimates regarding the need to raise additional financing sources and regarding its access to financing sources of as detailed above constitute forward-looking information, as defined in the Securities Law, -1968 (the "Securities Law"). These estimates are based, among others, on estimates of the Company's management, based on its past experience, the valuation of the markets in which the Company operates, the existence of available financing channels for the Company and changes in the credit market and the interest rate environment. These estimates may not materialize, or materialize differently than estimated, even materially as a result of factors that are not controlled by the Company including changes in future demand for systems (as defined in the report describing the corporation's business) and competition in the market, technological developments in the Company's operating markets, etc., as well as the realization of some of the risk factors listed in section 1.36 of the corporation's business description report.**

## 6. Adjusted profit or loss Statement

6.1 For the purpose of comparing the Company's financial results and presenting the Company's operating and financial performance, the following is a breakdown of profit (loss) before income taxes for each year ended December 31, 2021 and 2022 excluding the effects of several items as follows:

| Item                                | Year ended December 31, 2022<br>(US dollars in thousands)                                 |                                  |   |  |   |                                   |
|-------------------------------------|---|----------------------------------|---|--|---|-----------------------------------|
|                                     | Pro forma profit and loss statement according to generally accepted accounting principles | Adjustments for employee options | Exclusion of expenses for turning the Company into a public company | Exclusion of companies' acquisition expenses | Exclusion of excess cost amortizations from the purchase of companies | Adjusted profit or loss statement |
| Revenues                            | 46,052  | -                                | -   | -  | -   | 46,052                            |
| Cost of revenues                    | 16,458  | (648)                            | -   | -  | -   | 15,810                            |
| Gross profit                        | 29,594  | 648                              | -   | -  | -   | 30,242                            |
| Research and development expenses   | 20,778  | (3,048)                          | -   | -  | (526)   | 17,204                            |
| Sale and marketing expenses         | 31,213  | (2,650)                          | -   | -  | (1,111)   | 27,452                            |
| Administrative and general expenses | 10,834  | (1,805)                          | -   | -  | -   | 9,029                             |
| Other expenses                      | (876)   | -                                | -   | -  | 876   | -                                 |

|   |         |         |   |   |         |         |
|---|---------|---------|---|---|---------|---------|
| <b>Total operating expenses</b>         | 61,949  | (7,503) | - | - | (761)   | 53,685  |
| <b>Operating loss (profit)</b>          | 32,355  | (8,151) | - | - | (761)   | 23,443  |
| <b>Financing expenses</b>               | 2,475   | -       | - | - | (1,033) | 1,442   |
| <b>Financing income</b>                 | (1,104) | -       | - | - | -       | (1,104) |
| <b>Financing expenses (income), net</b> | 1,371   | -       | - | - | (1,033) | 338     |
| <b>Loss before taxes on income</b>      | 33,726  | (8,151) | - | - | (1,794) | 23,781  |

| <b>Item</b>             | <b>Year ended December 31, 2021<br/>(US dollars in thousands)</b>                                |   |  |   |  |  |
|-------------------------|--|---|--|---|--|--|
|                         | <b>Pro forma profit and loss statement according to generally accepted accounting principles</b> | <b>Adjustments for employee options</b> | <b>Exclusion of expenses for turning the Company into a public company</b> | <b>Exclusion of companies' acquisition expenses</b> | <b>Exclusion of excess cost amortizations from the purchase of companies</b> | <b>Adjusted profit or loss Statement</b> |
| <b>Revenues</b>         | 36,990   | -                                       | -  | -   | 1,428  | 38,418                                   |
| <b>Cost of revenues</b> | 12,465   | (130)                                   | -  | -   | -  | 12,335                                   |

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|  |        |         |         |       |         |        |
|--|--------|---------|---------|-------|---------|--------|
| <b>Gross profit</b>                        | 24,525 | 130     | -       | -     | 1,428   | 26,083 |
| <b>Research and development expenses</b>   | 18,395 | (2,581) | -       | -     | (478)   | 15,336 |
| <b>Selling and marketing expenses</b>      | 25,460 | (3,625) | -       | -     | (1,178) | 20,657 |
| <b>Administrative and general expenses</b> | 9,800  | (2,271) | (1,128) | (109) | -       | 6,292  |
| <b>Other expenses</b>                      | 3,055  | -       | -       | -     | (3,055) | -      |
| <b>Total operating expenses</b>            | 56,710 | (8,477) | (1,128) | (109) | (4,711) | 42,285 |
| <b>Operating loss</b>                      | 32,185 | (8,607) | (1,128) | (109) | (6,139) | 16,202 |
| <b>Financing expenses</b>                  | 1,314  | -       | -       | -     | (685)   | 629    |
| <b>Financing income</b>                    | (196)  | -       | -       | -     | -       | (196)  |
| <b>Financing expenses (income), net</b>    | 1,118  | -       | -       | -     | (685)   | 433    |
| <b>Loss before taxes on income</b>         | 33,303 | (8,607) | (1,128) | (109) | (6,824) | 16,635 |

6.2 Below is a comparison of adjusted income (loss) before taxes on income as specified in section 6.1 above, for each year ended December 31, 2021 and 2022, excluding the effects of several items as follows:

| Item                            | Year ended December 31 |        | Explanations of the Board of Directors  |  |  |  |
|---------------------------------|------------------------|--------|---|--|--|--|
|                                 | 2022                   | 2021   |   |  |  |  |
| <b>Revenues</b>                 | 46,052                 | 38,418 | The increase in revenues in 2022 compared to 2021 was due to an increase in license sales totaling 21%. Also, the rate of non-recurring revenues in 2022 was about 5% during the reporting period of total revenues compared to the corresponding 6% in 2021; |  |  |  |
| <b>Cost of revenues</b>         | 15,810                 | 12,335 | The increase in the cost of sales in 2022 compared to 2021 was mainly due to an increase in servers and cloud services resulting from an increase in sales;   |  |  |  |
| <b>Gross profit</b>             | 30,242                 | 26,083 | The gross profit rate during the years presented was: 2022 - 65.7%. 2021 - 67.9%. The decrease in gross profit rate compared to the corresponding period last year is due to an increase in cloud expenses at a greater rate than the increase in revenues;   |  |  |  |
| <b>Research and development</b> | 17,204                 | 15,336 | The increase in research and development expenses   |  |  |  |

|  |        |        |  |  |  |  |
|--|--------|--------|--|--|--|--|
| <b>expenses</b>                            |        |        | in 2022 compared to 2021 was mainly due to an increase in wages and related expenses due to an increase in the number of development workers;  |  |  |  |
| <b>Selling and marketing expenses</b>      | 27,452 | 20,657 | The increase in sales and marketing expenses in 2022 compared to 2021 was mainly due to an increase in wages and related expenses due to an increase in the number of sales and marketing employees and an increase in the company's marketing expenses; |  |  |  |
| <b>Administrative and general expenses</b> | 9,029  | 6,292  | The increase in administrative and general expenses in 2022 compared to 2021 was mainly due to an increase in wages and related expenses due to an increase in the amount of administrative and general employees;                                       |  |  |  |
| <b>Operating loss</b>                      | 23,443 | 16,202 | The increase in operating loss in 2022 compared to 2021 was mainly due to an increase in research and development expenses, an increase in sales and marketing expenses and an increase in administrative and general expenses;                          |  |  |  |
| <b>Financing</b>                           | 1,442  | 629    | The increase in financing expenses in  |  |  |  |

|                                    |         |        |  |  |  |  |
|------------------------------------|---------|--------|--|--|--|--|
| <b>expenses</b>                    |         |        | 2022 compared to 2021 was due to exchange rate differences in order to revalue balance sheet balances due to the weakening of the pound against the dollar and the weakening of the dollar against the shekel; |  |  |  |
| <b>Financing income</b>            | (1,104) | (196)  | The increase in financing income in 2022 compared to 2021 was due to an increase in interest income due to a sharp increase in interest rates;   |  |  |  |
| <b>Financing expenses , net</b>    | 338     | 433    |  |  |  |  |
| <b>Loss before taxes on income</b> | 23,781  | 16,635 | The increase in the loss before income taxes in 2022 compared to 2021 was due to an increase in the operating loss;  |  |  |  |

## 7. **Key Performance and Financial Indicators (KPIs)**

The following is a breakdown of financial and operating metrics (KPIs) that the company uses to measure its performance as is customary in SaaS companies (SaaS):

### **Annual Recurring Revenues trend**

As a SAAS company, the Company measures its growth in terms of the increase in annual recurring revenues (ARR):

ARR calculation method: The ARR index reflects the Company's annual recurring revenues from licensing and/or maintenance services, in annual terms and does not include one-off revenues, such as professional services. The ARR index is calculated on the basis of all the Company's customers, which at the time of calculating the ARR the contract with them is valid; and the expiration date of the license/maintenance services occurs after the ARR calculation date. The ARR index is calculated as follows: (1) the Company monitors all customers with valid contracts as of the ARR calculation date, (2) out of such contracts, the total revenues from professional services and/or other one-off revenues is deducted so that the resulting ARR amount is from subscription fees, (3) the amount of ARR from normalized subscription fees to annual terms if the contract period is other than a year; Contracts that are not denominated in dollars are translated into dollars based on the exchange rate at the time the contract is signed.

Below is the Group's ARR breakdown, by year and by quarter, as of the report date, in – 2020-2022<sup>1</sup>

The ARR calculation includes both customers who have assimilated the product in the customer's data base (on-premises) and cloud customers only (i.e., customers who assimilate the Company's products by cloud).

As of the report date, the ARR balance increased to \$ 49 million compared to \$ 46.7 million and around \$ 44 million as of the end of the third quarter of 2022 and the end of the fourth quarter of 2021, respectively. In addition, the ARR at of the end of 2022 has increased by 11.3% and the ARR balance from cloud customers at the end of 2022 increased by 18.4% compared to ARR balances as of the end of 2021. The net addition to ARR in 2022 is 55.5%

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<sup>1</sup> It should be indicated that the data presented above for the fourth quarter of 2020 and thereafter gross up the data of SessionCam.

smaller than the net addition to ARR in 2021. In addition, the average volume of ARR of the contracts in which the Group engaged with large customers (annual income of over 250 thousand dollars) increased to over 780 thousand dollars (compared to about 700 thousand dollars as of December 31, 2021) and in the reported period 55 new customers joined the Company.

Below is the Group's ARR breakdown, by year, as of December 31 of each of the years 2017 – 2022<sup>2</sup>

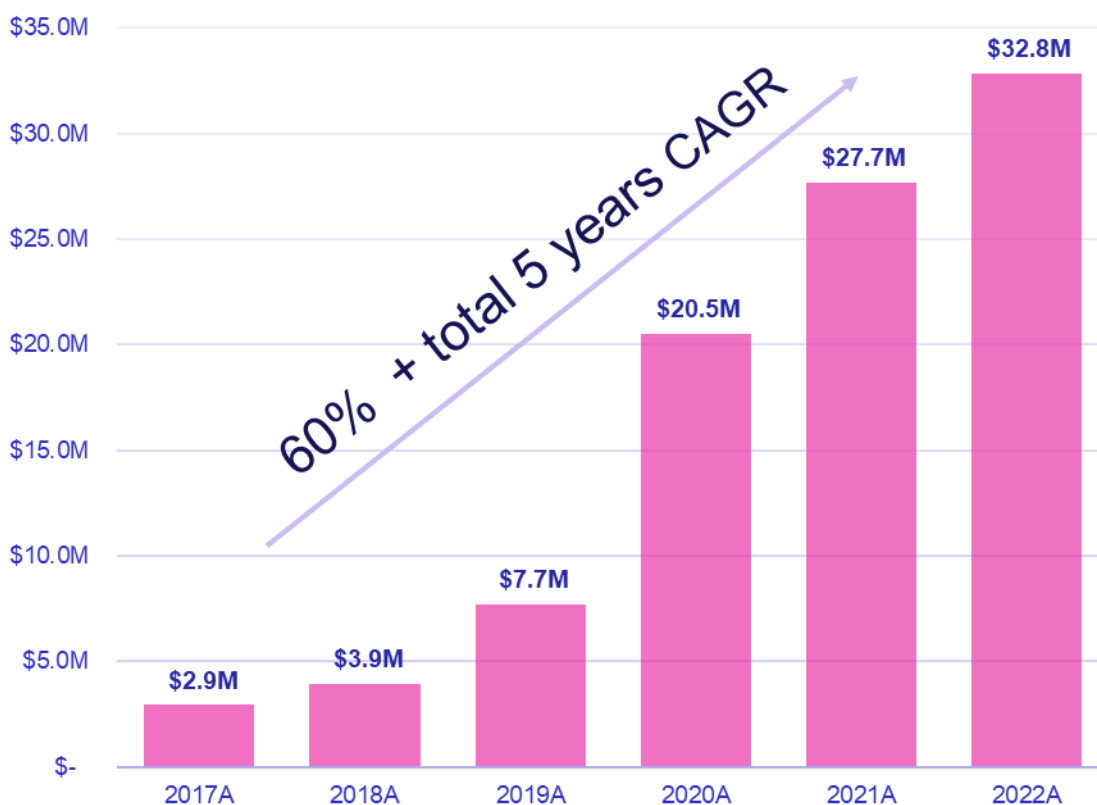


In addition, the Company's total CAGR (Compound Rate Growth Annual) for the years 2017-2022 is presented above. The purpose of using this index is to present the Company's growth, based on ARR data, and accordingly the CAGR is calculated based on the ratio between the ARR in the last year of the calculated period and the ARR data in the first year of the calculated period.

<sup>2</sup> It should be indicated that the data presented above for the fourth quarter of 2020 and thereafter gross up the data of SessionCam.

In the three years prior to December 31, 2022 (2022-2020), the CAGR rate from cloud customers was about 36% and the organic CAGR rate (i.e., excluding SessionCam data) was about 27%.

Below is the ARR breakdown from the Group's cloud customers, by year, as of December 31 of each of the years 2017-2022 <sup>3</sup>



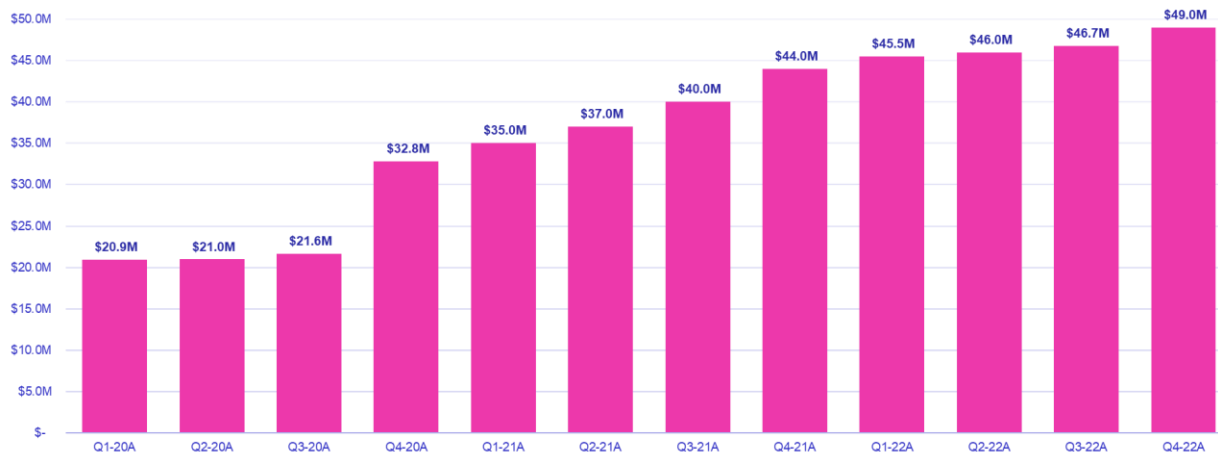
In addition, the Company's CAGR (Compound Rate Growth Annual) from cloud customers for the years 2017-2022 is presented above. For details regarding the CAGR calculation method, see above.

In the three years prior to December 31, 2022 (2022-2020), the CAGR rate from cloud customers was about 62% and the organic CAGR rate (i.e., excluding SessionCam data) was about 45%.

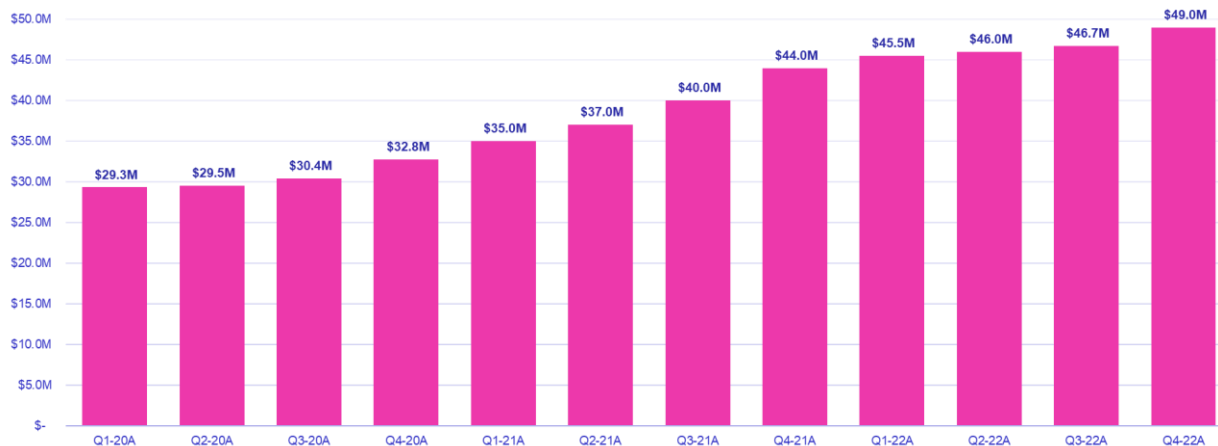
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<sup>3</sup> It should be indicated that the data presented above for the fourth quarter of 2020 and thereafter gross up the data of SessionCam.

Below is the ARR breakdown of the Group, by quarter, as of the end of each quarter in the years 2020-2022 <sup>4</sup>



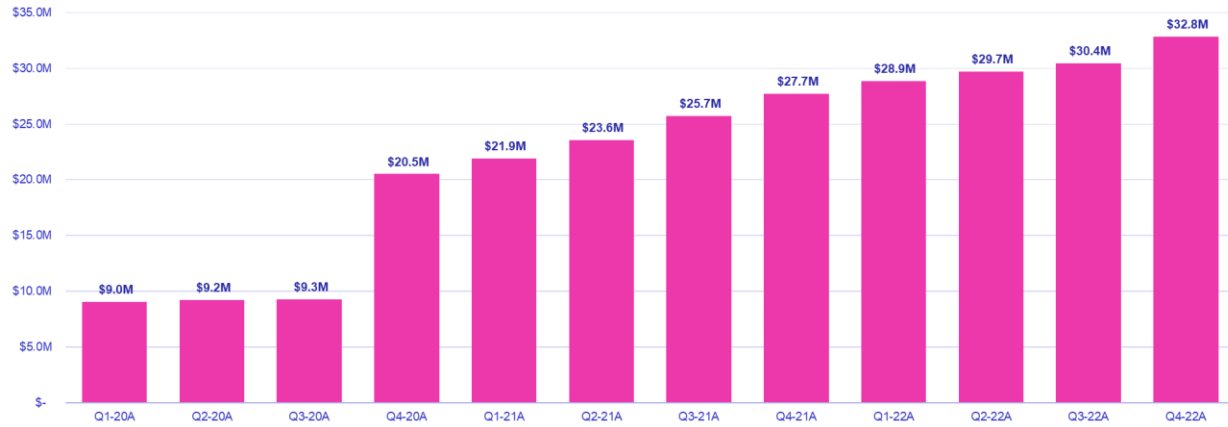
Below is the ARR breakdown of the Group, by quarter, based proforma data as of the end of each quarter in the years 2020-2022 <sup>5</sup>



<sup>4</sup> It should be indicated that the data presented above for the fourth quarter of 2020 and thereafter gross up the data of SessionCam.

<sup>5</sup> It should be indicated that the data presented above for 2020-2021 and thereafter gross up the data of SessionCam assuming that its purchase was completed on January 1, 2020.

The following is a breakdown of the ARR from the Group's cloud customers by quarter, as of the end of each quarter, in the years 2020-2022<sup>6</sup>:



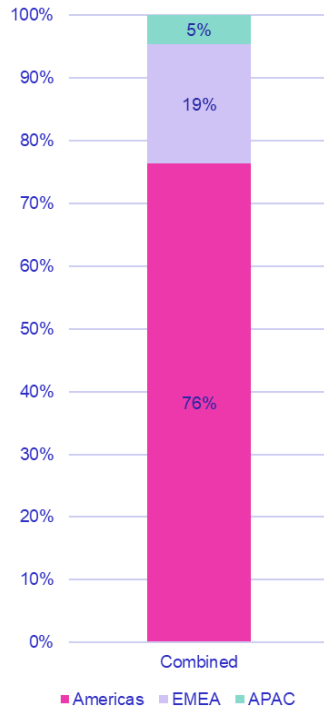

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<sup>6</sup> It should be indicated that the data presented above for the fourth quarter of 2020 and thereafter gross up the data of SessionCam.

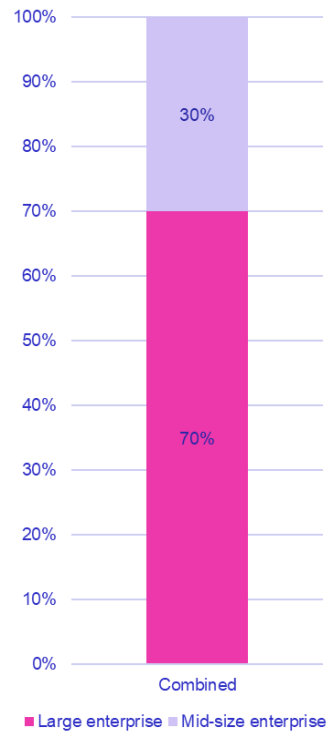
ARR Breakdown

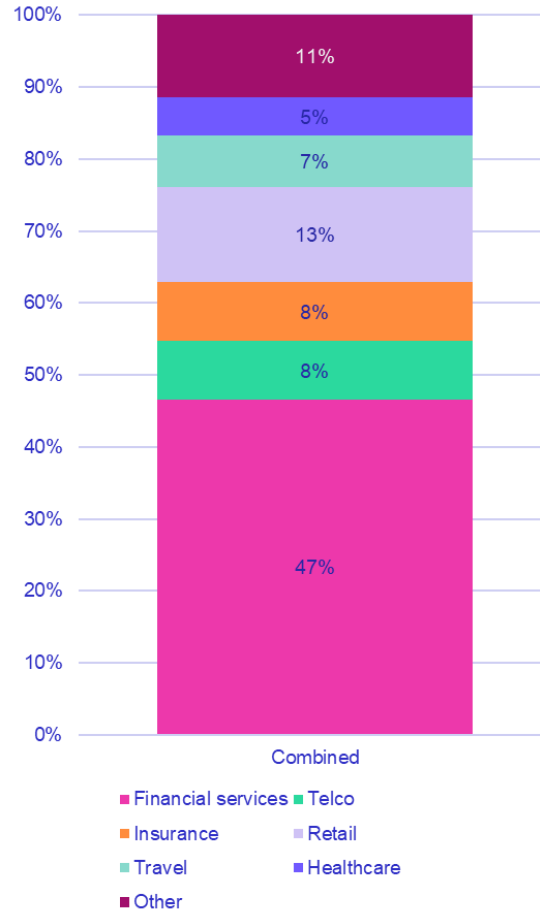
The following chart describes the ARR balance of the Group as of December 31, 2022 with the segmentations relevant to the Company's activity:

**ARR by Region**



**ARR by customer size**



**ARR by vertical****The Company's estimation manner of its annual growth in terms of ARR**

The Company examines its annual growth forecasts in ARR terms based on the top-down approach (as derived from the Pipeline) to estimate the amount of new transactions to be closed in the coming years and also on the basis of expected customer retention rate in dollars (Gross Retention). The top-down approach takes into account a number of parameters: (1) the Company's current sales (pipeline); (2) the expected growth in the Company's sales backlog based on historical data of the rate of opportunity creation for sales opportunities and the expected size of such opportunities; And (3) opportunities closing rate of historical sales of the Company (Conversion Rate).

**Balance of ARR versus cumulative negative cash flow from operating activities and investment (Total ARR vs. Accumulated Cash Burn)**

In the past the Company measured its annual performance in terms of Burn Multiple, which was calculated by dividing the total cumulative negative cash flow of the Company by deducting capital inflows, proceeds from exercise of options and payments for acquisitions, by the ARR balance of the Company. However, after it examined the importance of the index, the Company discontinued measuring its annual performance through this index and thus does not present this index in its statements.

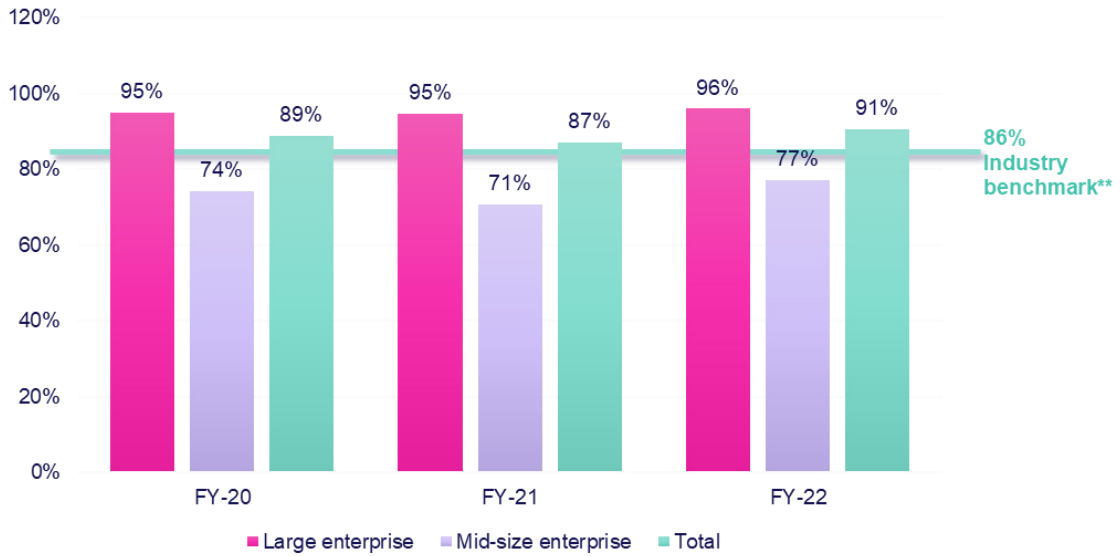
For details about the results of the aforementioned index until the end of 2021, see section 7 of the Board of Directors Report on the state of the Company's affairs as of December 31, 2021, which was attached in Chapter B to the Company's periodic report for 2021 (reference number: 2022-01-026031), which the information based on it is included in this report by way of reference.

**Customer Retention Rates**

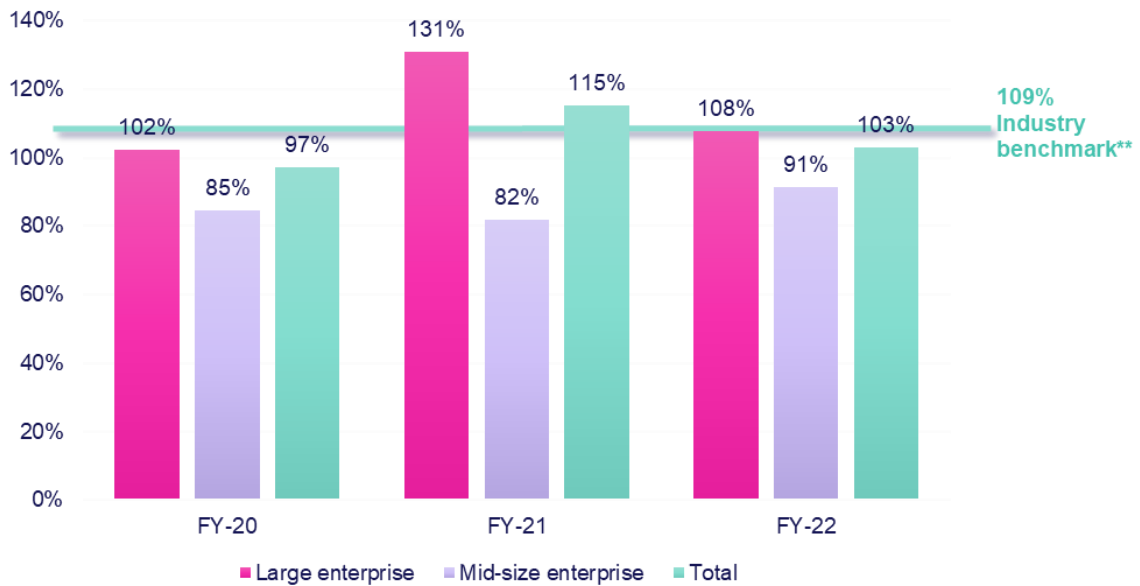
Another operations metric is the retention rate of existing customers (USD\$ Retention Rate) based on ARR which is calculated separately with consideration of customers who have left and/or reduced the gross retention of revenues (Gross retention) or of customers who have left and/or reduced or increased net retention of revenues (Net retention) in a definite time period. The difference between Gross Retention and Net retention reflects the increase in ARR from customers from increased use of the Company's products.

The following is a breakdown of annual customer retention rates, divided into large customers (annual revenues over \$ 250,000) and medium-sized customers (annual revenues below \$ 250,000), as of December 31, 2020, 2021 and 2022, respectively:

### GROSS RETENTION PER CUSTOMER SIZE



### NET RETENTION PER CUSTOMER SIZE



**8. Events in the reported period and thereafter**

8.1 On January 13, 2022, Mr. Hanan Blumstein, one of the founders of the Company who has been employed by it since January 1, 2011, was appointed Chief Business Manager. For more details, see the Company's immediate report dated January 16, 2022 (reference number: 2022-01-006861), where the information based on it is presented in this periodic report by way of reference.

8.2 On February 7, 2022, the Company's Board of Directors approved a non-material private offering to three offerees who are consultants and service providers of the Company and SessionCam (collectively: the "Offerees") in return for consulting and other services provided by the Offerees to the Company in various fields, totaling 16,160 warrants, non-marketable, exercisable up to 16,160 ordinary shares of ILS 0.01 per each of the Company. For further details, see the Company's immediate report dated February 8, 2022 (reference number: 2022-01-014325), the information therein is presented in this periodic report by way of reference.

8.3 On February 27, 2022, the Company issued an offering outline for securities to employees, by virtue of which the Company may offer to employees and officers of the Company and related companies<sup>13</sup> up to 440,000 non-marketable warrants, and up to 200,000 Restricted Share Units (RSUs), not listed for trading exercisable to 640,000 ordinary shares of ILS 0.01 par with each of the Company (the "Outline"). For further details regarding the outline see the Company's immediate report dated February 27, 2022 (Reference number 2022-01-019527) the information is presented in this periodic report by way of reference.

8.4 On March 15, 2022, the Company's Board of Directors approved a non-material private offer to an offeree who is a consultant and service provider of Glassbox UK (the "Offeree") in exchange for consulting services and other services provided by the Offeree to Glassbox UK in various fields, of a total of 5,000 non-marketable warrants, exercisable up to 5,000 ordinary shares of ILS 0.01 per value each of the Company. For further details, see Immediate Report prepared according to the Securities Regulations (Private Offer of Securities in a Listed Company), 5760-2000, published

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<sup>13</sup> Subsidiaries or sub-subsidiaries of the Company that are controlled by the Company.

in parallel to this periodic report and the information according to which is presented in this periodic report by way of reference.

8.5 On March 31, 2022, the Company<sup>1</sup> entered into an agreement with a customer of the Group, which is one of the ten largest banking corporations in the US (the “**Customer**”), in an amendment to the user license agreement executed between the Company and the Customer on August 1, 2019, as amended from time to time (the “**Amendment**”) As part of the Amendment, the license period granted to the Customer to use the Enterprise system,<sup>2</sup> which is installed in the customer’s data center (on-premise) (the “**System**”), was extended, and the uses of the system were expanded.

For more details about the Amendment and its main provisions, including the validity of the use license and the terms of payment, see the Company’s immediate report dated March 31, 2022 (reference number: 2022-01-033477), where the information based on it is presented in this report by way of reference.

8.6 On May 10, 2022, the Company’s Board of Directors approved the engagement of the Company and Glassbox USA (collectively the “**Borrowers**”) in the amendment to the credit line agreement with Silicon Valley Bank dated March 8, 2021 for the provision of external financing in the amount of up to 8 million dollars (the “**Amendment**”). Pursuant to the Amendment, the financial benchmark for maintaining a minimum level of recurring income for the Group was canceled (as specified in section 1.29.2.1 of the Corporation Business Description Report), and the Borrowers will be required to maintain a ratio of 1.25 between the volume of the Borrowers’ current assets and the volume of their current liabilities less deferred income only.

For more details, see section 1.29.2 of the Corporation Business Description Report.

8.7 On May 2 and 10, 2022, the remuneration committee and the Company’s Board of Directors approved, respectively, and on June 29, 2022, the general meeting of the Company’s shareholders approved an update to the terms of office of Mr. Yaron Morgenstern (CEO of the Company) and Mr. Yaron Gueta (Director and VP of

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<sup>1</sup> Through Glassbox US.

<sup>2</sup> For further details about the Enterprise system, see section 1.16.1 of the Corporation Business Description Report.

Company Technology), including a substantial private offer of a total of 93,334 non-tradable warrants, exercisable for up to 93,334 ordinary shares, and of 46,666 restricted share units that can be converted into up to 46,666 ordinary shares. For more details, see the report convening a general meeting of the Company's shareholders and an immediate report regarding its results from June 12 and 29, 2022, and the Company's immediate report from August 24, 2022 (reference numbers: 2022-01-059412, 2022-01-067971 and 2022-01-086970, respectively), where the information based thereon is provided in this report by way of reference.

8.8 On August 15, 2022, the Company's Board of Directors approved a non-material private offer to two offerees who are consultants to the Company (the "**Offerees**") in exchange for consulting services provided by the Offerees to the Company in various fields, of a total of 35,134 non-tradable warrants, exercisable for up to 35,134 ordinary shares. For more details, see the company's immediate report dated August 16, 2022 (reference number: 2022-01-103744), where the information based thereon is included in this report by way of reference.

8.9 On September 1, 2022, the Company published a securities offering outline for employees, by virtue of which the Company may offer employees and officers of the Company and related companies<sup>3</sup> up to 370,000 non-tradable warrants, which will be exercisable for up to 370,000 ordinary shares (in this section the "**Outline**"). For more details about the Outline, see the Company's immediate report from September 1, 2022 (reference number: 2022-01-091377), where the information based thereon is included in this report by way of reference.

8.10 On February 21, 2023, the Company completed the full payment of the contingent consideration under the agreement for the purchase of the entire share capital of SessionCam and became an (indirect) wholly owned company of the Company (the "**Purchase Agreement**"), for a total amount of approximately 4.3 million pounds. Pursuant to the provisions of the Purchase Agreement, the Company committed to pay a sum of money which depended on SessionCam's ARR as in effect at the end of two years from the date of closing of the transaction, and all in accordance with the purposes set forth in the agreement. For more details, see section 1.1.3 of the

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<sup>3</sup> Subsidiaries or third-tier companies of the Company that are controlled by the Company

Corporation Business Description Report, Note 5 of the Consolidated Financial Statements and immediate report of the Company dated February 22, 2023 (reference number: 2023-01-016864), where the information based thereon is presented in this report by way of reference.

8.11 For further details regarding material events in the reported period and thereafter, see Note 29 to the consolidated financial statements.

**B. Corporate Governance Aspects**

**9. Donations**

During the reported period, donations were made in a total amount of \$ 50 thousand. In addition, as of December 31, 2022 and the report date, the Company does not have a donation policy. Accordingly, donation requests received by the Company are considered on their merits, and as of the report date, there is no material commitment for donations in future periods.

**10. Directors with accounting and financial expertise**

Pursuant to the decision of the Company's board of directors, the minimum number of directors with accounting and financial expertise that is proper for the Company, in accordance with section 92(a)(12) of the Companies Law, 1999, is two (2) directors, considering the nature of the accounting issues and accounting control issues arising in preparing the Company's financial statements, the Company's areas of activity, the size of the Company and the scope and complexity of its activities.

As of the report date, the Company's board of directors has seven (7) directors with accounting and financial expertise, as follows: Mr. Brian Abrahams (Director), Mr. James L. Liang (Director), Ms. Lisa Hamit (Director), Mr. Zachary Gat (Director), Mr. Gal Gitter (Director), Mr. Benjamin Weiss (Independent Director) and Ms. Neta Benari (External Director).

For further details regarding the directors with accounting and financial expertise listed above, including their skills, education, experience and knowledge, on the basis of which the Company considers them to have accounting and financial expertise, see Regulation 26 of additional details chapter attached as Chapter D to this periodic report below.

**11. Independent directors**

The Company's articles of association do not include a provision regarding the proportion of independent directors.

**12. Internal auditor of the Company**

Below are details regarding the corporation's internal auditor (Regulation 10 (b) (11) and the Fourth Addendum to the Reporting Regulations):

|   |   |
|---|---|
| <b>The auditor's name</b>   | Alon Amit   |
| <b>Tenure commencement date:</b>  | <b>November 15, 2021</b>  |
| <b>Compliance with the provisions of the law:</b>                         | The internal auditor meets the conditions set forth in section 3 (a) of the Internal Audit Law, -1992 ("the Internal Audit Law"). To the best knowledge of the Company and as was informed by the internal auditor, the internal auditor meets the provisions of Section 146(b) of the Companies' Law the provisions of section 8 of the Internal Audit Law.  |
| <b>Holding the corporation's securities:</b>                              | The internal auditor, according to his statement, does not hold securities of the company or of an entity related to the company, as defined in the Fourth Addendum of the Reporting Regulations.   |
| <b>Material / other material business relations with the corporation:</b> | The internal auditor does not have material business relations or other material relations with the Company or with an entity related to the Company, as defined the Fourth Addendum to the Reporting Regulations. The internal auditor will provide internal audit services as an external service provider. The internal auditor is not an interested party in the company, does not hold an office in the company and is not a relative of any of these. The internal auditor does not perform a position outside the company that creates or may create a conflict of interests with his position as the internal auditor of the company and his only position in the company is internal auditor of the company. To the best of the Company's knowledge, the internal auditor is a partner in an independent office for providing internal audit services. |

|  |   |
|--|---|
| <b>Manner of appointment of internal auditor:</b>    | On November 15, 2021, upon the recommendation of the Company's audit committee, the Company's board of directors approved the appointment of Mr. Alon Amit as the Company's internal auditor. The appointment of the internal auditor was carried out after a meeting and interview held by the audit committee and with other potential candidates. The company's organs determined, after examining his many years of education and experience and after examining the skills of Mr. Alon Amit, taking into account, among other things, the type of company, its size, scope of activity and complexity that Mr. Alon Amit is a suitable candidate for the company's internal auditor. |
| <b>The organizational supervisor of the auditor:</b> | According to the Company's articles of association, the person in charge of the internal auditor will be the chairman of the board of directors or the general manager, as determined by the board of directors. Unless otherwise determined by the Board of Directors, the Chairman of the Board of Directors shall be the organizational supervisor of the internal auditor.  |
| <b>The work plan:</b>                                | On May 2, 2022, the members of the Company's audit committee discussed a risk survey conducted by the Company's internal auditor, and on the basis of which an annual audit plan for 2022 was determined (the "2022 Audit Plan"), which includes the following topics: (a) procurement and contracting with suppliers, consultants and service providers; (b) cyber and data security; and (c) customer support/success. An audit plan has not yet been determined by the Company for 2023.   |
| <b>References to investee corporations</b>           | The internal auditor will conduct an audit of the Group companies, including corporations held abroad by the Company, in accordance with the subject matter of the audit.   |
| <b>Scope of transaction</b>                          | The internal auditor and/or anyone on his behalf were employed in 2022 for 600 hours of auditing for the 2022 Audit Plan (the audit is performed at the Group level, and was not performed individually in relation to the Company's holding companies abroad). The scope of the internal auditor's employment was determined in part considering the nature and volume of the Group's activity; an audit plan has not yet been determined in the Company for 2023.   |

|  |   |
|--|---|
| <b>Professional standards</b>                                      | The internal auditor, according to his statement, conducts the audit in accordance with the international professional standards of the IIA and ISACA, including in accordance with professional guidelines of the Association of Internal Auditors in Israel and IIA. In the opinion of the Company's Board of Directors, based on the statements of the internal auditor and his extensive experience, the internal audit work is conducted in accordance with generally accepted professional standards for internal audit.                          |
| <b>Access to information</b>                                       | The internal auditor will be given free access to documents, information and information systems of the Group companies, including corporations held abroad by the company, including financial data and everything for the purpose of his position and in accordance with section 9 of the Internal Audit Law. For this purpose, the internal auditor will conduct an audit of the group companies, including corporations held abroad by the company.   |
| <b>Report of the internal auditor</b>                              | <p>In September 2022, the Company's internal auditor submitted an audit report on procurement and contracting with suppliers, consultants and service providers in accordance with the 2022 Audit Plan, and on November 10, 2022, the members of the Company's audit committee discussed said report.</p> <p>In March 2023, the Company's internal auditor submitted an audit report on cyber and data security in accordance with the annual audit plan, and on March 8, 2023, the members of the Company's audit committee discussed said report.</p> |
| <b>Board of Directors' assessment of internal auditor activity</b> | In the opinion of the Company's Board of Directors, the scope, nature, and continuity of the internal auditor's activities and his annual work plan are reasonable and serve to fulfill the goals of the Company's internal audit.  |
| <b>Remuneration:</b>   | The internal auditor's remuneration will be calculated according to the audit hours actually invested by him, in accordance with a pre-agreed rate, which does not change according to the audit results up to a maximum determined by the company's board of directors in accordance with the audit plan. The Company's Audit Committee and the Company's Board of Directors believe that the internal auditor's remuneration is reasonable and does not affect the exercise of the internal auditor's professional judgment in conducting the audit.  |

**13. Details regarding the auditor**

The auditor of the Company and of the other companies in the group is Kesselman & Kesselman - CPAs, PwC Israel ("the auditor").

The following are data regarding fees paid to the auditor for audit services, audit-related services, including audit related tax services and other services for the years 2022 and 2021 (in thousands of dollars):

|             | <b>Audit services and audit related services (including audit related tax services)</b> | <b>other services</b> |
|-------------|---|-----------------------|
| <b>2202</b> | 124   | 30                    |
| <b>1202</b> | 106   | -                     |

The auditor's fee is determined in negotiations between the auditor and the Company's management, in accordance with the estimated rate for the provision of services, which is based on the amount of hours invested by the auditor. The auditor's fee is approved by the Company's board of directors.

## C. Disclosure Provisions in Regard to the Corporation's Financial Reporting

### 14. Differences in material assumptions, estimates and forecasts underlying the valuation in accordance with regulation 10(b)(8) of the reporting regulations

As part of the prospectus, the Company included a very material temporary valuation dated May 9, 2021 in connection with intangible assets arising from the acquisition of SessionCam<sup>15</sup>, the information of which is included in this report by way of reference ("**Valuation**"). Significant differences between the material assumptions, estimates and forecasts made on the basis of the valuation and their actual realization are detailed below, detailing the reasons for these differences and their effect on the value determined, in accordance with the disclosure required by Regulation 10(b)(8) of the Reporting Regulations.

On December 31, 2021, the Company made another estimate of the fair value of the obligation to pay a contingent consideration component as part of the valuation (the "**Fair Value**" and the "**Fair Value Estimate**", as applicable). The fair value is determined according to the use of the models that were used in the valuation at the date of purchase and according to the parameters listed in the table in section 15.1 in the Board of Directors' report on the state of the Company's affairs for the year ended December 31, 2021, as published on March 16, 2022<sup>4</sup> ("**Section 15.1 of the 2021 BOD Report**"), where the main changes in them as part of the Fair Value Estimate in relation to the Valuation are as specified in Section 15.1 of the 2021 BOD Report.

In February 2023, the Company completed the payment of the contingent consideration subject of the valuation which depended on SessionCam's Annual Recurring Revenue (ARR) data as it stood two years after the completion of the transaction (the "**Review Date**").<sup>5</sup> The main changes in the payment of the

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<sup>15</sup> For further details regarding the transaction for the purchase of SessionCam (the "**Transaction**") see section 1.1.3 of the corporation business description report.

<sup>4</sup> Reference number: 2022-01-026031, where the information based thereon is presented in this report by way of reference.

<sup>5</sup> For more details, see section 1.1.3 of the Corporation Business Description Report, Note 5 to the Consolidated Financial Statements and the Company's immediate report of February 22, 2023 (reference number: 2023-01-016864), where the information based thereon is included in this report by way of reference.

aforementioned contingent consideration in relation to the valuation and in relation to the fair value estimate arise from the fact that within the framework of the valuation and the fair value estimate, the forecast figures for the annual recurring revenues (ARR) at the time of the inspection amounted to approximately £10.6 and £9.2 million, respectively, while the actual annual recurring revenues (ARR) at the time of the inspection amounted to a total of approximately £8.4 million.

**15. The Company's liabilities by maturity dates**

Report on the Company's liabilities by maturity dates as of December 31, 2022 is published in a separate reporting form concurrently with the publication of this report and the information therein is included by way of reference.

March 14, 2023

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Mr. Brian Abrams

**Chairman of the Board**

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Mr. Yaron Morgenstern

**The Company CEO**

## **Chapter C – Financial Statements**

**The Consolidated Financial Statements of the Company as of December 31, 2022**

This English translation of the Company's consolidated financial statements as of December 31, 2022, which is part of the periodic report of the Company, is for convenience purposes only. This is not an official translation, is not binding and does not replace the need to review the Periodic Report in its entirety. Whilst reasonable care and skill have been exercised in the preparation hereof, no translation can ever perfectly reflect the original Hebrew version. In the event of any discrepancy between the Hebrew version and this translation, the Hebrew version shall prevail.

**GLASSBOX LTD.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF DECEMBER 31, 2022**

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**AUDITORS' REPORT**

To the Shareholders of  
**GLASSBOX Ltd.**

We have audited the accompanying consolidated statements of financial position of Glassbox Ltd. ("the Company") as of December 31, 2022 and 2021 and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for each of the years in the period ended December 31, 2021. 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 Auditor's 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, 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, 2022 and 2021, and the results of their operations, changes in their equity and cash flows for each of the years in the period ended December 31, 2021, in conformity with International Financial Reporting Standards ("IFRS") and with the provisions of the Israeli Securities Regulations (Annual Financial Statements), 2010.

Tel-Aviv, Israel  
March 14, 2023

Kesselman & Kesselman  
Certified Public Accountants (Isr.)  
A member firm of PricewaterhouseCoopers International Limited

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

|                                       | Note | December 31,              |               |
|---------------------------------------|------|---------------------------|---------------|
|                                       |      | 2022                      | 2021          |
|                                       |      | U.S. Dollars in thousands |               |
| <b>ASSETS</b>                         |      |                           |               |
| <b>CURRENT ASSETS:</b>                |      |                           |               |
| Cash and cash equivalents             | 6    | 16,211                    | 12,123        |
| Short term deposits                   |      | 14,085                    | 43,690        |
| Short term restricted deposits        |      | -                         | 467           |
| Trade receivables                     | 7    | 2,030                     | 2,922         |
| Other receivable and prepaid expenses | 8    | 3,815                     | 3,693         |
|                                       |      | <u>36,141</u>             | <u>62,895</u> |
| <b>NON-CURRENT ASSETS:</b>            |      |                           |               |
| Long term restricted deposits         |      | 441                       | 477           |
| Prepaid expenses                      |      | 683                       | 880           |
| Property and equipment, net           | 9    | 1,030                     | 1,188         |
| Right of use assets, net              | 10   | 1,946                     | 2,472         |
| Intangible assets                     | 11   | 8,161                     | 10,761        |
| Goodwill                              | 11   | 13,782                    | 15,471        |
| Deferred taxes                        |      | 1,689                     | 765           |
| Customer acquisition costs            |      | 716                       | 774           |
|                                       |      | <u>28,448</u>             | <u>32,788</u> |
|                                       |      | <u>64,589</u>             | <u>95,683</u> |

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

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

|   | Note  | December 31,              |                 |
|---|-------|---------------------------|-----------------|
|   |       | 2022                      | 2021            |
|   |       | U.S. Dollars in thousands |                 |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>                         |       |                           |                 |
| <b>CURRENT LIABILITIES:</b>   |       |                           |                 |
| Trade payables  |       | 2,373                     | 2,663           |
| Deferred revenues   | 7     | 12,349                    | 8,026           |
| Other accounts payable  | 12    | 9,998                     | 9,518           |
| Contingent consideration for purchase of investment in a subsidiary | 5     | 228                       | 5,799           |
| Deferred consideration for purchase of investment in a subsidiary   | 5     | 86                        | 3,915           |
| Lease liabilities   | 13,10 | 476                       | 592             |
|   |       | <u>25,510</u>             | <u>30,513</u>   |
| <b>NON CURRENT LIABILITIES:</b>                                     |       |                           |                 |
| Deferred revenues   | 7     | 1,520                     | 943             |
| Deferred tax liability  | 19    | 1,971                     | 1,955           |
| Lease liabilities   | 13,10 | 1,546                     | 2,287           |
|   |       | <u>5,037</u>              | <u>5,185</u>    |
| <b>TOTAL LIABILITIES</b>  |       | <u>30,547</u>             | <u>35,698</u>   |
| <b>COMMITMENTS AND CONTINGENT LIABILITIES</b>                       | 17    |                           |                 |
| <b>SHAREHOLDERS' EQUITY:</b>  |       |                           |                 |
| Ordinary share capital  | 16    | 32                        | 32              |
| Additional paid-in capital  |       | 121,383                   | 120,929         |
| Capital reserve for share based payment                             |       | 18,311                    | 10,272          |
| Translation adjustments of foreign operations                       |       | (116)                     | 931             |
| Accumulated deficit   |       | <u>(105,568)</u>          | <u>(72,179)</u> |
| <b>TOTAL SHAREHOLDERS' EQUITY</b>                                   |       | <u>34,042</u>             | <u>59,985</u>   |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>                   |       | <u>64,589</u>             | <u>95,683</u>   |

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

March 14, 2023  
Approval date of the  
financial statements

**Brian Abrams**  
**Chairman of the Board of  
Directors**

**Yaron Morgenstern**  
**Chief Executive  
Officer**

**Kobi Carlebach**  
**Chief Financial  
Officer**

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

|   | <u>Note</u> | <u>Year ended December 31,</u>   |               |
|---|-------------|----------------------------------|---------------|
|   |             | <u>2022</u>                      | <u>2021</u>   |
|   |             | <u>U.S. Dollars in thousands</u> |               |
| Revenues  | 20,28       | 46,052                           | 36,990        |
| Cost of revenues  | 21          | <u>16,458</u>                    | <u>12,465</u> |
| Gross profit  |             | 29,594                           | 24,525        |
| Research and development expenses   | 22          | 20,778                           | 18,395        |
| Sales and marketing expenses  | 23          | 31,213                           | 25,460        |
| General and administrative expenses   | 24          | 10,834                           | 9,800         |
| Other expenses (income)   | 5           | <u>(876)</u>                     | <u>3,055</u>  |
|   |             | <u>61,949</u>                    | <u>56,710</u> |
| Operating loss  |             | 32,355                           | 32,185        |
| Finance expense   | 25a         | 2,475                            | 1,314         |
| Finance income  | 25b         | <u>(1,104)</u>                   | <u>(196)</u>  |
| Finance expenses, net   |             | 1,371                            | 1,118         |
| Loss before taxes on income   |             | 33,726                           | 33,303        |
| Taxes income  | 19          | <u>(337)</u>                     | <u>(269)</u>  |
| Loss  |             | 33,389                           | 33,034        |
| Other comprehensive income:   |             |                                  |               |
| Amounts that will be reclassified or reclassified to profit or loss subject to specific conditions: |             |                                  |               |
| Translation adjustments of foreign operations   |             | <u>1,047</u>                     | <u>(103)</u>  |
| Total other comprehensive loss (income)   |             | <u>1,047</u>                     | <u>(103)</u>  |
| Total comprehensive loss for the year   |             | <u>34,436</u>                    | <u>32,931</u> |
| Basic and diluted loss per share  | 26          | <u>2.85</u>                      | <u>4.40</u>   |

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

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

|  | Ordinary<br>share<br>capital | Preferred<br>share<br>capital | Additional<br>paid in<br>capital | Capital<br>reserve for<br>share<br>based<br>payment | Translation<br>adjustments<br>of foreign<br>operations | Accumulated<br>deficit | Total    |
|--|------------------------------|-------------------------------|----------------------------------|---|--|------------------------|----------|
| U.S Dollars in thousands                                 |                              |                               |                                  |   |  |                        |          |
| <u>Balance as of January 1, 2021</u>                     | 5                            | 20                            | 66,632                           | 1,891   | 828  | (39,145)               | 30,231   |
| Loss   |                              |                               |                                  |   |  | (33,034)               | (33,034) |
| Other comprehensive income                               |                              |                               |                                  |   | 103  |                        | 103      |
| Comprehensive loss for the year                          |                              |                               |                                  |   | 103  | (33,034)               | (32,931) |
| Issuance of preferred shares net of<br>issuance expenses | 26                           | (20)                          | 53,388                           |   |  |                        | 53,394   |
| Exercise of employee options                             | 1                            |                               | 909                              | (226)   |  |                        | 684      |
| Cost of share based payment                              |                              |                               |                                  | 8,607   |  |                        | 8,607    |
| <u>Balance as of December 31, 2021</u>                   | 32                           | -                             | 120,929                          | 10,272  | 931  | (72,179)               | 59,985   |
| Loss   |                              |                               |                                  |   |  | (33,389)               | (33,389) |
| Total other comprehensive loss                           |                              |                               |                                  |   | (1,047)  |                        | (1,047)  |
| Total comprehensive loss for the year                    |                              |                               |                                  |   | (1,047)  | (33,389)               | (34,436) |
| Exercise of employee options                             |                              |                               | 454                              | (112)   |  |                        | 342      |
| Cost of share based payment                              |                              |                               |                                  | 8,151   |  |                        | 8,151    |
| <u>Balance as of December 31, 2022</u>                   | 32                           | -                             | 121,383                          | 18,311  | (116)  | (105,568)              | 34,042   |

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

|   | <b>Year ended December 31,</b>   |                 |
|---|----------------------------------|-----------------|
|   | <b>2022</b>                      | <b>2021</b>     |
|   | <b>U.S. Dollars in thousands</b> |                 |
| Cash flows from operating activities:                                       |                                  |                 |
| Net loss for the year   | (33,389)                         | (33,034)        |
| Adjustments to reconcile net loss to net cash used in operating activities: |                                  |                 |
| Depreciation and amortizations  | 1,912                            | 1,927           |
| Changes in deferred taxes   | (702)                            | (1,331)         |
| Finance expenses, net   | 491                              | 161             |
| Amortization of right of use assets   | 517                              | 577             |
| Advancement of interest on contingent liability and deferred consideration  | 1,069                            | 733             |
| Increase in short term deposits   | -                                | (7)             |
| Change of estimated contingent consideration                                | (876)                            | 3,055           |
| Cost of share based payment   | 8,151                            | 8,607           |
|   | <u>10,562</u>                    | <u>13,722</u>   |
| Changes in operating assets and liabilities:                                |                                  |                 |
| Decrease (increase) in trade receivables, net                               | 640                              | (1,102)         |
| Increase in other receivable and prepaid expenses                           | (20)                             | (1,576)         |
| Decrease (increase) in customer acquisition costs                           | 58                               | (311)           |
| Increase (decrease) in trade payables                                       | (237)                            | 1,660           |
| Increase in other accounts payable  | 1,401                            | 4,212           |
| Increase (decrease) in deferred revenues                                    | 5,194                            | (837)           |
|   | <u>7,036</u>                     | <u>2,046</u>    |
| Taxes paid  | (495)                            | (537)           |
|   | <u>(495)</u>                     | <u>(537)</u>    |
| Net cash used in operating activities                                       | <u>(16,286)</u>                  | <u>(17,803)</u> |

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

|   | <b>Year ended December 31,</b>   |                      |
|---|----------------------------------|----------------------|
|   | <b>2022</b>                      | <b>2021</b>          |
|   | <b>U.S. Dollars in thousands</b> |                      |
| Cash flows from investing activities:   |                                  |                      |
| Drawing down from deposits  | 30,072                           | -                    |
| Depositing amounts in deposits  | -                                | (41,675)             |
| Payment of contingent and deferred consideration  | (8,412)                          | -                    |
| Purchase of intangible assets   | -                                | (500)                |
| Sale of property and equipment  | 6                                | -                    |
| Purchase of property and equipment  | (295)                            | (363)                |
| Net cash provided by (used in) investing activities   | <u>21,371</u>                    | <u>(42,538)</u>      |
| Cash flows from financing activities:   |                                  |                      |
| Consideration from issuance of shares and stock options                                       | -                                | 53,394               |
| Proceeds from exercise of options, net  | 342                              | 684                  |
| Interest payments for liabilities   | (57)                             | (74)                 |
| Repayment of lease liabilities  | (555)                            | (613)                |
| Net cash provided by (used in) financing activities   | <u>(270)</u>                     | <u>53,391</u>        |
| Increase (decrease) in cash and cash equivalents  | 4,815                            | (6,950)              |
| Exchange rate differences for cash and cash equivalents                                       | (727)                            | (14)                 |
| Balance of cash and cash equivalents at the beginning of the year                             | <u>12,123</u>                    | <u>19,087</u>        |
| Balance of cash and cash equivalents at year's end  | <u><u>16,211</u></u>             | <u><u>12,123</u></u> |
| (a) Information regarding non cash investing and financing activities:                        |                                  |                      |
| Recognizing right of use asset for leasing offices against lease liability                    | <u>-</u>                         | <u>105</u>           |
| Proceeds for exercise of options that have not yet been received as of the balance sheet date | <u>1</u>                         | <u>-</u>             |

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. Glassbox Ltd. (the Company) was incorporated and commenced its operations in November 2010. The Company has wholly owned subsidiaries in the United Kingdom named Glassbox Digital UK Ltd which commenced its operations in November 2015 and Glassbox US Inc. in the United States which commenced its operations in January 2016. In October 2020, the Company completed the purchase of Sessioncam in the United Kingdom which became a wholly owned subsidiary effective from this date (for further details see Note 5). (The Group)
- b. The Group develops and markets software products in the field of customer experience. The Company sells its products mainly to large and medium sized customers in order to help them improve their customer experience on websites and applications on smartphones.
- c. The Group sells to large and medium-sized customers and organizations, mainly in North America, Europe and Asia Pacific. The main areas of activity of the Company's customers are banking, insurance, retail, telecom and tourism.

d. Definitions

In these financial statements -

|                    |   |   |
|--------------------|---|---|
| The Company        | - | Glassbox Ltd.   |
| The Group          | - | Glassbox Ltd. and its subsidiaries  |
| Subsidiaries       | - | Glassbox US Inc. (USA), Glassbox Digital UK Ltd.) (UK)<br>Sessioncam Ltd. (UK)        |
| Interested parties | - | As defined in the Israeli Securities Regulations (Annual Financial Statements), 2010. |
| Related parties    | - | As defined in IAS 24 (revised)  |
| Dollar             | - | US Dollar   |

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES**a. Basis of presentation of the financial statements1. Basis of measurement

The Company's financial statements have been compiled based on cost, with the exception of contingent consideration in business combinations, derivative instruments at fair value against profit or loss and share based transactions.

The Company has elected to present its statement of comprehensive income or loss according to the operations attribute method.

b. Preparation format of the financial statements

These financial statements have been compiled in accordance with International Financial Reporting Standards ("IFRS") and include the additional disclosure required in accordance with the Securities Regulations (Periodic and Immediate Reports) – 2010.

- 1) The accounting policies applied in the financial statements have been consistently applied in all periods presented unless stated otherwise
- 2) The preparation of the financial statements in accordance with IFRS standards requires the use of certain material accounting estimates. It also requires the Group's management to exercise discretion in the process of implementing the Group's accounting policies. Note 3 discloses areas in which discretion or complexity is involved, or areas in which assumptions and estimates have a material effect on the financial statements. The actual results may differ materially from the estimates and assumptions used by the Group's management.
- 3) The Group's operating cycle is 12 months.
- 4) The group analyzes the expenses recognized in profit or loss statement according to the operating cost method.

c. Consolidated financial statementsSubsidiaries and business combinations

Subsidiaries are entities (including structured entities) controlled by the Company. The Company controls the entity when the Company has an influence over the investee, it has exposure or rights to variable returns from its involvement in the entity and it has the ability to use its power of influence over the investee to influence the amount of returns from that entity. Subsidiaries are fully included in the consolidation from the date on which control is achieved by the Company. Their consolidation is terminated at the time when control ceases.

Potential voting rights are considered when assessing whether an entity has control including potential voting rights held by other parties. Potential voting rights are rights to achieve voting rights in investee such as rights deriving from convertible instruments or options including forward contracts. Potential voting rights are considered only if the rights are substantial.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

Business combinations are accounted for by applying the acquisition method. The cost of the acquisition is measured at the fair value of the consideration transferred on the acquisition date with the addition of non-controlling interests in the acquiree. In each business combination, the Company chooses whether to measure the non-controlling interests in the acquiree based on their fair value on the acquisition date or at their proportionate share in the fair value of the acquiree's net identifiable assets.

Goodwill is initially measured at cost which represents the excess of the acquisition consideration and the amount of non-controlling interests over the net identifiable assets acquired and liabilities assumed including contingent liabilities assumed.

Contingent consideration and deferred consideration are recognized at fair value on the acquisition date and classified as a financial asset or liability in accordance with IFRS 9. Subsequent changes in the fair value of the contingent consideration are recognized in profit or loss. Deferred consideration is measured in subsequent periods at amortized cost on the basis of the effective interest method.

Intra-group balances and transactions, including revenues, expenses and dividends in respect of transactions among the Group companies, were eliminated. Gains and losses arising from intra-group transactions, which were recognized as assets (such as inventory and property and equipment) were also eliminated.

The accounting policies applied in the subsidiaries have been updated as necessary, in order to assure consistency with the accounting policies adopted by the Group.

d. Functional currency presentation currency and foreign currency:

1. Functional currency and presentation currency

The functional currency and presentation currency of the financial statements is the US dollar (dollar).

The Group determines the functional currency of each Group company. The functional currency of the Company and Glassbox US Inc. is the dollar. The functional currency of Glassbox Digital UK Ltd. and Sessioncam Ltd. is a pound. The functional currency of each entity is the currency of the main economic environment in which the entity operates and in which it is expected to continue operating in the foreseeable future.

Assets and liabilities of subsidiaries that constitute foreign operations (Glassbox Digital UK Ltd. and Sessioncam Ltd. whose functional currency is the pound) are translated at the closing rate on each reporting date. Profit or loss statement items are translated at average exchange rates in all periods presented. (Unless this average is not a reasonable approximation of the cumulative effect of exchange rates on transaction dates. In this case, income and expenses are translated at the exchange rate on transaction dates). The resulted translation differences are carried to other comprehensive income (loss).

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

Goodwill and fair value adjustments arising from the acquisition of foreign operations are treated as assets and liabilities of foreign operations and translated at the closing rate. Exchange rate differences in respect of such translation are charged to other comprehensive income.

2. Transactions, assets and liabilities in foreign currency:

Transactions denominated in foreign currency are recorded upon initial recognition at the exchange rate at the date of the transaction. After initial recognition, monetary assets and liabilities denominated in foreign currency are translated at each reporting date into the functional currency at the exchange rate at that date. Exchange rate differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currency and measured at cost are translated at the exchange rate at the date of the transaction.

e. Cash equivalents:

Cash equivalents are considered as highly liquid investments, including unrestricted short-term bank deposits with an original maturity of three months or less from the date of acquisition.

f. Short-term deposits:

Short-term bank deposits are deposits with an original maturity of more than three months from the date of acquisition which do not comply with the definition of cash equivalents. The deposits are presented according to their terms of deposit.

g. Trade receivables

The balance of trade receivables refers to the amounts receivable from customers of the Company for goods sold or services rendered in the ordinary course of business. When collection of these amounts is expected to occur in one year or less, they are classified as current assets, otherwise, they are classified as noncurrent assets.

The Group recognizes the provision for loss in respect of projected credit losses on financial assets that are debt instruments measured at reduced cost of assets in respect of contracts with customers under IFRS 15.

The Group examines at each date of statement of financial position whether credit loss of the financial asset has significantly increased from the date of its initial recognition, on an individual or group basis. To this end, the Group compares the risk of a financial instrument failure occurring at the reporting date with the risk of failure of the financial instrument at the date of initial recognition, taking into account all reasonable and verifiable information, including forward-looking information.

The Group measures the provision for loss in an amount equal to projected credit losses over the life of the instrument for customers or assets in respect of contracts with customers arising from transactions under IFRS 15. As of the cut-off date, the Company has no provision for anticipated credit losses.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

## h. Property and equipment

Property and equipment are measured at cost, including directly attributable costs, less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on a straight-line basis over the useful life of the assets at annual rates as follows:

|  | %         |
|--|-----------|
| Computers, software and peripheral equipment | 33        |
| Office furniture and equipment               | 6-15      |
| Leasehold Improvement                        | 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 Company which it intends and anticipates to exercise) 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. As to the impairment of property and equipment see section o below.

## i. Intangible assets:

Separately acquired intangible assets are measured on initial recognition at cost including directly attributable costs. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. Expenditures relating to internally generated intangible assets, excluding capitalized development costs, are recognized in profit or loss when incurred.

Intangible assets with a finite useful life are amortized on a straight-line basis over their useful life and reviewed for impairment whenever there is an indication that the asset may be impaired. The amortization period and the amortization method for an intangible asset are reviewed at least at each year end.

Intangible assets with indefinite useful lives are not systematically amortized and are tested for impairment annually or whenever there is an indication that the intangible asset may be impaired. The useful life of these assets is reviewed annually to determine whether their indefinite life assessment continues to be supportable.

## 1) Research and development expenditures:

Research expenditures are recognized in profit or loss when incurred. Costs incurred in an internal development project are recognized as an intangible asset only if the Company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale; the Company's intention to complete the intangible asset and use or sell it; the ability to use or sell the intangible asset; how the intangible asset will generate future economic benefits; the availability of adequate technical, financial and other resources to complete the intangible asset; and the ability to measure reliably the expenditures attributable to the intangible asset during its development.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

Other development expenses, which do not meet these conditions, are recognized as an expense when incurred. Development costs previously recognized as an expense are not recognized as an asset in a later period. Development expenses up to the reporting date did not meet the aforementioned conditions and were therefore recognized in the statement of comprehensive loss when incurred.

**2) Customer relations**

Customer relations acquired as part of a business combination are recognized at fair value on the acquisition date, customer relations acquired separately are measured with cost recognition with direct acquisition costs. Customer relations have a defined useful life (10 years) and are presented net of accumulation amortization based on the straight-line method.

**3) Technology**

Technology acquired as part of a business combination is recognized at fair value on the acquisition date, technology has a defined useful life (2-4 years) and is presented net of accumulation amortization based on the straight-line method.

**4) Domain**

Domain purchased separately is measured at historical cost. A domain that is purchased as part of a business combination is recognized at its fair value at the date of purchase. A domain has a defined useful life and is presented at cost less accumulated depreciation. The amortization is calculated using the straight-line method over the expected useful life.

**5) Goodwill**

Goodwill created upon the acquisition of a subsidiary represents the total excess amount of the consideration transferred, the amount of any non-controlling interests in the acquiree and in business combination achieved in stages - also the fair value at the acquisition date of the capital right previously held by the Company over the net amount on the acquisition date of the identifiable assets being acquired and liabilities and contingent liabilities of the acquiree being assumed.

An examination of impairment of a cash-generating unit, to which goodwill has been allocated, is performed annually and whenever there is any indicator of impairment of the unit, by comparing its book value including goodwill, to its recoverable amount, which is higher of the realizable value and the fair value net of selling costs, for 2021 and 2022 the recoverable amount is larger than the book balance. Impairment loss, if any, is allocated first to impairment of any goodwill in the books allocated to the unit and then to the other assets of the unit, proportionately on the basis of the book value of each asset in the unit.

Any impairment loss is recognized immediately in profit or loss. Such loss recognized in respect of goodwill will not be canceled in a later period.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

## j. Impairment of non-financial assets:

The Company evaluates the need to record an impairment of non-financial assets whenever events or changes in circumstances indicate that the carrying amount is not recoverable. If the carrying amount of non-financial assets exceeds their recoverable amount, the assets are reduced to their recoverable amount. The recoverable amount is the higher of fair value less costs of sale and value in use and its realizable value. In measuring value in use, the expected future cash flows are discounted using a pre-tax discount rate that reflects the risks specific to the asset. The recoverable amount of an asset that does not generate independent cash flows is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss.

An impairment loss of an asset, other than goodwill, is reversed only if there have been changes in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. Reversal of an impairment loss, as above, shall not be increased above the lower of the carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognized for the asset in prior years and its recoverable amount. The reversal of impairment loss of an asset presented at cost is recognized in profit or loss.

## k. Impairment of financial assets

The Company has short-term financial assets such as trade receivables in respect of which the Company applies a simplified approach and measures the loss allowance in an amount equal to the lifetime expected credit losses.

## l. Leases

The Company accounts for a contract as a lease when the contract terms convey the right to control the use of an identified asset for a period of time in exchange for consideration.

## 1. The Group as a lessee

For leases in which the Company is the lessee, the Company recognizes on the commencement date of the lease a right-of-use asset and a lease liability, excluding leases whose term is up to 12 months and leases for which the underlying asset is of low value. For these excluded leases, the Company has elected to recognize the lease payments as an expense in profit or loss on a straight-line basis over the lease term. In measuring the lease liability, the Company has elected to apply the practical expedient in the Standard and does not separate the lease components from the non-lease components such as management and maintenance services, etc. included in a single contract.

On the commencement date, the lease liability includes all unpaid lease payments discounted at the interest rate implicit in the lease, if that rate can be readily determined, or otherwise using the Company's incremental borrowing rate. After the commencement date, the Company measures the lease liability using the effective interest rate method.

On the commencement date, the right-of-use asset is recognized in an amount equal to the lease liability plus lease payments already made on or before the commencement date and initial direct costs incurred. The right-of-use asset is measured applying the cost model and depreciated over the shorter of its useful life and the lease term.

The amortization period of right-of-use asset for the offices is 2.5-8 years.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

## 2. Lease extension and termination options

A non-cancelable lease term includes both the periods covered by an option to extend the lease when it is reasonably certain that the extension option will be exercised and the periods covered by a lease termination option when it is reasonably certain that the termination option will not be exercised.

In the event of any change in the expected exercise of the lease extension option or in the expected non-exercise of the lease termination option, the Company remeasures the lease liability based on the revised lease term using a revised discount rate as of the date of the change in expectations. The total change is recognized in the carrying amount of the right-of-use asset until it is reduced to zero, and any further reductions are recognized in profit or loss.

## m. Government grants

Government grants are recognized when it is reasonably assured that the grants will be received and the Company will meet all the conditions for receiving the grant.

Government grants received from the Israel Innovation Authority at the Ministry of Industry and Economy – formerly Chief Scientist) are recognized when received as a commitment if there is reasonable assurance as a result of the research activities that will lead to sales entitling the state to royalties.

A liability for grants received is first measured at fair value using a discount rate that reflects a market rate of interest. The difference between the amount of the grant received and the fair value of the liability is accounted for as a Government grant and recognized as a reduction of research and development expenses. After initial recognition, the liability is measured at amortized cost using the effective interest method. Royalty payments are treated as a reduction of the liability.

At each reporting date, the Company evaluates whether there is reasonable assurance that the liability recognized, in whole or in part, will not be repaid (since the Company will not be required to pay royalties) based on the best estimate of future sales and using the original effective interest method, and if so, the appropriate amount of the liability is derecognized against a corresponding reduction in research and development expenses. Amounts paid as royalties are recognized as settlement of the liability.

## n. Financial instruments

## 1. Financial assets:

Financial assets are measured upon initial recognition at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets, except for financial assets measured at fair value through profit or loss in respect of which transaction costs are recorded in profit or loss.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

The Company classifies and measures debt instruments in the financial statements based on the following criteria:

- The Company's business model for managing financial assets; and
- The contractual cash flow terms of the financial asset.

2. Debt instruments are measured at amortized cost when:

The Company's business model is to hold the financial assets in order to collect their contractual cash flows, and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. After initial recognition, the instruments in this category are measured according to their terms at amortized cost using the effective interest rate method, less any provision for impairment.

These assets are classified as current assets, except for maturities for a period of more than 12 months after the date of the statement of financial position, which are classified as non-current assets. The financial assets at amortized cost of the Company are included in sections: "cash and cash equivalents" "trade receivables" "other accounts receivable" "short term deposits" and "restricted deposits" in the statement of financial position.

3. Recognition and measurement:

Investments are initially recognized at fair value plus transaction costs for all financial assets that are not measured at fair value through profit or loss, except trade receivables. Financial assets at reduced cost are measured in subsequent periods at a reduced cost, based on the effective interest method.

Purchases and sales in the ordinary way of financial assets are recorded in the Company's books at the date of the transaction, which is the date on which the Company undertakes to purchase or sell the asset.

4. Derecognition of financial assets:

A financial asset is derecognized only when:

- The contractual rights to the cash flows from the financial asset has expired; or
- The Company has transferred substantially all the risks and rewards deriving from the contractual rights to receive cash flows from the financial asset or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset; or
- The Company has retained its contractual rights to receive cash flows from the financial asset but has assumed a contractual obligation to pay the cash flows in full without material delay to a third party.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

## 5. Financial liabilities

## a) Financial liabilities measured at amortized cost:

At initial recognition, the Company measures financial liabilities at fair value net of transaction costs directly attributable to the issue of financial liability.

After initial recognition, the Company measures all financial liabilities at amortized cost using the effective interest method.

## b) Financial liabilities at fair value through profit or loss:

At initial recognition, the Company measures financial liabilities that are not measured at amortized cost at fair value, when transaction costs are recognized in profit or loss. Such financial liabilities include convertible loan at fair value in profit or loss and contingent liability in business combinations.

After initial recognition, changes in fair value are carried to profit or loss.

## c) Derivative financial instruments that are not used as hedges:

The Company enters into contracts for derivative financial instruments such as forward currency contracts associated with foreign exchange rate to hedge risks associated with fluctuations in foreign currency.

Any gains or losses arising from changes in the fair values of derivatives that do not qualify for hedge accounting are recorded immediately in profit or loss.

## o. Fair value measurement:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

All assets and liabilities measured at fair value or for which fair value is disclosed are categorized into levels within the fair value hierarchy based on the lowest level input that is significant to the entire fair value measurement:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - inputs other than quoted prices included within Level 1 that are observable directly or indirectly.
- Level 3 - inputs that are not based on observable market data

p. Legal claims:

A provision for claims is recognized when the Group has a present legal or constructive obligation as a result of a past event, it is more likely than not that an outflow of resources embodying economic benefits will be required by the Group to settle the obligation and a reliable estimate can be made of the amount of the obligation.

q. Employee benefit liabilities

1. Short-term employee benefits:

Short-term employee benefits are benefits that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services. These benefits include salaries, paid annual leave, paid sick leave, recreation and social security contributions and are recognized as expenses as the services are rendered. A liability in respect of a cash bonus or a profit-sharing plan is recognized when the Group has a legal or constructive obligation to make such payment as a result of past service rendered by an employee and a reliable estimate of the amount can be made.

Under Israeli law, every employee is entitled to vacation days and recreation pay, both of which are calculated on an annual basis. Eligibility is based on the length of the employment period. The Company recognizes a liability and expense in respect of vacation and recreation pay, based on the benefit accrued for each employee.

To the extent that the Group anticipates that the vacation pay will be fully settled during 12 months following the end of the annual reporting period in which employees provide the related services, the liability for this benefit is measured by additional amount the Group anticipates to pay for the unused entitlement accrued at the end of the reporting period. If the Group does not anticipate that the benefit in respect of vacation pay will be paid in full during said period, the liability in respect of that benefit is measured in the same manner as the liability in respect of defined benefit plans is measured.

2. Post-employment benefits

The plans are normally financed by contributions to insurance companies and classified as defined contribution plans.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

The Company has defined contribution plans pursuant to section 14 to the Severance Pay Law under which the Group pays fixed contributions and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient amounts to pay all employee benefits relating to employee service in the current and prior periods.

Contributions to the defined contribution plan in respect of severance or retirement pay are recognized as an expense when contributed concurrently with performance of the employee's services.

The Company deposited for its employees under section 14 \$ 1,224 and \$ 928 thousand for 2022 and 2021, respectively.

r. Share-based payment transactions

The Company's employees and other service providers are entitled to remuneration in the form of equity-settled share-based payment plans.

The cost of equity-settled transactions with employees is measured at the fair value of the equity instruments granted at grant date. The fair value is determined using B&S pricing model.

As for other service providers, the cost of the transactions is measured at the fair value of the goods or services received as consideration for equity instruments granted.

The cost of equity-settled transactions is recognized in profit or loss together with a corresponding increase in equity during the period which the performance and/or service conditions are to be satisfied ending on the date on which the relevant employees become entitled to the award ("the vesting period"). Vesting conditions that are not market conditions are included in the assumptions used to measure the number of options expected to vest.

No expense is recognized for awards that do not ultimately vest, provided that all other vesting conditions (service and/or performance) are satisfied. Upon exercising the options, the Company issues new shares. The proceeds less transaction costs which can be attributed directly are attributed to share capital (par value) and share premium.

s. Taxes on income:

Current or deferred taxes are recognized in the statement of profit or loss except to the extent that the tax arises from items which are recognized directly in other comprehensive income or in equity.

1. Current taxes:

The current tax liability is measured using the tax rates and tax laws that have been enacted or substantively enacted by the end of reporting period as well as adjustments required in connection with the tax liability in respect of previous years.

2. Deferred taxes:

Deferred taxes are computed in respect of temporary differences between the carrying amounts in the financial statements and the amounts attributed for tax purposes other than a limited number of exceptions.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

Deferred taxes are measured at the tax rates that are expected to apply when the asset is disposed or the liability is extinguished, based on tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is not probable that they will be utilized. Also, temporary differences for which deferred tax assets have not been recognized are reassessed and deferred tax assets are recognized to the extent that their recoverability has become probable.

Deferred taxes are offset in the statement of financial position if there is a legally enforceable right to offset a current tax asset against a current tax liability and the deferred taxes relate to the same taxpayer and the same taxation authority. In the absence of an expectation of taxable income in the foreseeable future, no deferred tax asset was recognized in the Company's books.

t. Revenue recognition:

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

In determining the amount of revenue from contracts with customers, the Company examines whether it is acting as a main supplier or as an agent in a contract. The Company is a main supplier when it controls goods or service promised prior to delivery to the customer. In these cases, the Company recognizes revenue in the gross amount of the consideration. In cases where the Company acts as an agent, the Company recognizes the income in a net amount, after deducting the amounts due to the main supplier.

Revenue from software licensing arrangements and rendering similar services:

The Company recognizes revenue from software licensing transactions at a point in time when the Company provides the customer a right to use the Company's intellectual property as it exists at the point in time at which the license is granted to the customer.

Revenue from the provision of similar services is recognized over time, over the period in which the customer receives and consumes the benefits generated by the company's performance.

Right of access to software in cloud:

The Company recognizes revenue from granting access to software in cloud over time, over the relevant service period.

Revenue from rendering of services:

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

The Company provides implementation services of support services, business consulting as well as training. Revenue from rendering of services is recognized over time, during the period the customer simultaneously receives and consumes the benefits provided by the Company's performance. The Company charges its customers based on payment terms agreed upon in specific agreements. When payments are made before or after the service is performed, the Company recognizes the resulting contract asset or liability. Most service transactions are utilized by customers as part of the first year of purchase.

**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.

**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 to the customer of the services that the asset refers to.

**u. Loss per share**

A loss per share is calculated by dividing the loss attributed to the Company's shareholders by the weighted number of ordinary shares outstanding during the period. The calculation of basic loss per share is generally based on the loss distributable to ordinary shareholders, divided by the weighted average number of ordinary shares in circulation during the period.

Potential ordinary shares are included in the calculation of diluted loss per share if their effect dilutes loss per share. Potential ordinary shares converted during the period are included in diluted earnings per share only up to the date of conversion and from that date are included in basic loss per share.

**v. Segment reporting**

Operating segments are reported on the same basis used for internal reporting purposes submitted to the Group's chief operating decision maker, who is responsible for allocating resources to the Group's operating segments and evaluating their performance.

Since its inception, the Company has been operating in one segment of activity, which is the development and marketing of software products in the field of customer experience.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 3: - SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS USED IN THE PREPARATION OF THE FINANCIAL STATEMENTS**

As part of the financial reporting process, the Company's management is required to make certain assumptions and estimates that may affect the value of the assets, liabilities, income, expenses and some of the disclosures provided in the Group's consolidated financial statements. By their very nature these estimates may be subjective and complex and as a result, may be other than actual results.

The accounting estimates and assumptions used in the preparation of the financial statements are reviewed on an ongoing basis and are based on past experience and other factors, including future events whose occurrence is reasonably expected in light of the existing circumstances.

The following is a description of the material accounting estimates used in the preparation of the financial statements at the time of their preparation the Company was required to make assumptions as to the circumstances and events involving significant uncertainty. In exercising its discretion for the purpose of determining the accounting estimates, the Company takes into account, as the case may be, the relevant facts, past experience, influence of external factors and reasonable assumptions depending on the circumstances:

a. Judgments:

- Determining the timing of satisfaction 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.

- Impairment of goodwill

The Company examines impairment of goodwill at least annually. The examination requires management to make an estimate of future cash flows that are expected to result from the continued use of the cash-generating unit to which the goodwill has been allocated.

- Deferred taxes

Based on management's discretion, the Company has not created deferred tax assets in respect of accumulated losses for tax purposes, as it is not expected that the Company will be able to utilize these losses in the foreseeable future against taxable income.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 3: - SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS USED IN THE PREPARATION OF THE FINANCIAL STATEMENTS (Cont.)**

- Development costs:

The Company's management assesses whether the criteria for recognizing development project costs as intangible assets are met.

The Company estimates that in all the reported years the conditions for recognizing costs in respect of development projects as intangible assets were not met in view of the fact that in the manner the Company conducts the development it is unable to prove on the development date a technical feasibility to complete the intangible asset and it intends to complete the intangible asset and use it. Therefore, all development costs are recognized in profit or loss.

- Customer relations and technology

The balance of intangible assets recognized as a result of business combinations carried out by the Group is continuously reduced using the straight-line method in accordance with the expected useful life at the date of recognition. The Company is examining annually the need to change the useful life of intangible assets (see also Note 2i2 and 2i3).

b. Estimates and assumptions:

The preparation of the financial statements requires management to make estimates and assumptions that have an effect on the application of the accounting policies and on the reported amounts of assets, liabilities, revenues and expenses. Changes in accounting estimates are reported in the period of the change in estimate.

The key assumptions made in the financial statements concerning uncertainties at the reporting date and the critical estimates computed by the Company that may result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

- Legal claims:

In estimating the likelihood of outcome of legal claims filed against the Company and its investees, the companies rely on the opinion of their legal counsel. These estimates are based on the legal counsel's best professional judgment, taking into account the stage of proceedings and legal precedents in respect of the different issues. Since the outcome of the claims will be determined in courts, the results could differ from these estimates.

- Estimating intangible assets and goodwill

The Company is required to allocate the cost of acquisition of investee companies to assets acquired and liabilities assumed based on their fair value estimate. The Company has entered into agreement with an independent external appraiser to assist in determining the fair value of these assets and liabilities. These valuations require the use of significant estimates and assumptions by management. The intangible assets recognized in 2020 (see Note 5) include customer relations and technology.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 3: - SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS USED IN THE PREPARATION OF THE FINANCIAL STATEMENTS (Cont.)**

Critical estimates used in assessing useful life of such intangible assets include, among others, the period of customer relations, the period of using the technology and expected developments in the market. Critical estimates used in the valuation of certain intangible assets include, but are not limited to, expected cash flows from contracts with customers. Management's estimates regarding fair value and useful life are based on assumptions that have been found reasonable by management, but are inherently uncertain and as a result actual results may differ.

**NOTE 4: - DISCLOSURE OF NEW STANDARDS IN THE PERIOD PRIOR TO THEIR ADOPTION**

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

In January 2020, the IASB issued an amendment to IAS 1, "Presentation of Financial Statements" ("the Amendment") regarding the instructions with respect to the classification of liabilities as current or non-current in the statement of financial position.

The Amendments include the following clarifications:

- Liability will be classified as a non-current liability if the entity has a substantive right, at the end of the reporting period, to defer the settlement of the liability for at least 12 months after the end of the reporting period.
- The right to defer the settlement of the liability for the loan agreement for at least 12 months after the end of the reporting period is sometimes subject to the entity meeting the conditions set forth in the loan agreement (hereinafter "Financial Criteria"). The aforesaid classification of liabilities for the loan agreement as current or non-current liabilities is to be determined only on the bases of the Financial Criteria, which the entity must meet on or before the date the reporting period ends. Financial Criteria that the entity is required to meet following the end of the reporting period is not to be taken into account in this determination.
- Insofar as liability for a loan agreement with respect to which the entity is required to meet Financial Criteria during the 12 months following the end of the reporting period was classified as non-current liability, the notes shall include a disclosure that will allow users of the financial statements to understand the risk that the liability may be payable during the 12 months after the end of the reporting period. Among other things, disclosure is to be made with respect to the nature of the conditions that the entity must meet, their examination date, the book value of the related liabilities and facts and circumstances pointing to the fact that the entity may have difficulty meeting said conditions. Such disclosure may refer to certain actions that the entity took in order to prevent a potential breach of the conditions, and the fact that the entity is not compliant with the conditions, based on the current circumstances at the end of the reporting period.
- The entity's intention regarding the exercise of an existing right to defer the settlement of the liability for at least 12 months after the end of the reporting period is not relevant for the purpose of classifying the liability.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

- Extinguishment of the liability may be done by way of cash transfer, other financial resources or equity instruments of the entity. Classification of a liability as a current or non-current liability is not to be influenced by the existing right on the part of the other party to demand the liability to be settled by transferring equity instruments of the entity, if such right was classified by the entity as part of the equity.

The amendments to IAS 1 will be applied retrospectively with respect to annual periods commencing January 1, 2024 or thereafter. Pursuant to the provisions of the amendments, early adoption is permitted.

The first adoption of the amendment to IAS 1 is not expected to have a material effect on the financial/consolidated statements of the Company/Group.

b. Amendment to IAS 1 Presentation of Financial Statements, “Disclosure of Accounting Policy”

The amendment to IAS 1 requires companies to disclose their material accounting policy, instead of their significant accounting policy. According to the amendment, information on the accounting policy is material if, when it is taken into account together with other information provided in the financial statements, one can reasonably expect that it will influence decisions that the main users of the financial statements make on the basis of these financial statements.

The amendment to IAS 1 even clarifies that information on the accounting policy is expected to be material if, in its absence, users of the financial statements would be denied the possibility of understanding other material information in the financial statements. In addition, the amendment clarifies that there is no need to disclose information on non-material accounting policy. Nonetheless, insofar as such information is provided, it is appropriate for it not to distract from material information on accounting policy.

The amendment to IAS 1 is to be adopted with respect to annual periods commencing on 1 January 2023 or thereafter. Pursuant to the provisions of the amendment, its early adoption is permitted. The Company/Group is examining the effect of adopting the amendment to IAS 1 on the information provided with respect to its accounting policy as part of the financial/consolidated statements.

c. Amendment to IAS 12 Income Taxes

The amendment to IAS 12 clarifies that the exemption from creating deferred taxes deriving from the initial recognition of an asset or liability in a transaction that is not a business combination, does not affect the accounting profit at the time of the transaction nor affect the taxable income or the loss for tax purposes at the time of the transaction (initial recognition exemption). It cannot be adopted for transactions where their initial recognition creates temporary discrepancies that are taxable and temporary discrepancies that can be deducted by identical amounts.

Such transactions include, for instance, lease transactions, where on their initial lease date by the lessee, the lessee recognizes a right-of-use asset in an amount equal to the liability balance for the lease; and cases of recognition of liability for dismantling, clearing and rehabilitation of the seller against property and equipment cost.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

The amendment to IAS 12 is to be adopted with respect to annual periods commencing on 1 January 2023 or thereafter. Pursuant to the provisions of the amendment, its early adoption is permitted. The amendment is to be adopted for all transactions starting from the beginning of the earliest reporting period presented in the financial statement where the amendment was initially adopted. In addition, as part of the financial statements where the amendment is to be first adopted, an entity must recognize at the earliest presented reporting period:

- a) A deferred taxes asset, to the extent it is expected to have taxable income against which the temporary deductible discrepancy may be utilized, and in a deferred taxes liability, for all the temporary deductible discrepancies that are taxable in connection with:  
Right-of-use assets and liabilities for leases; and –  
Liabilities for dismantling, clearing and rehabilitation and similar liabilities, and the corresponding amount recognized as part of the cost of the relevant asset.
- b) The cumulative effect of the initial adoption based on the surplus opening balance (or a different equity component, if relevant) as of such date.

The initial adoption of amendment IAS 12 is not expected to have a material effect on the financial/consolidated statements of the Company/Group.

**NOTE 5: - CONTINGENT AND DEFERRED CONSIDERATION**

During October 2020, the Company completed the acquisition of Sessioncam Ltd. in England, which became a wholly owned subsidiary from that date. The acquisition was made through the UK subsidiary, Glassbox Digital UK Ltd. Under the purchase agreement, the consideration was divided into £ 12.2 million (approximately \$ 15.8 million) in cash at the closing of the transaction, £ 2.95 million (\$ 3.9 million) in cash two years after closing and an additional amount that depends on customer contracts that will be valid for two years from the transaction date, as specified in the agreement.

In the purchase agreement from the previous owners of Sessioncam Ltd., it was agreed that the previous owners will be entitled to additional consideration if certain conditions are met (contingent consideration). The contingent consideration the group will pay the previous owners of the Company at the end of two years from the date of sale is as follows:

- a. A payment of £ 2.1 million (approximately \$ 2.7 million), if customer contracts that are valid for two years from the date of the transaction exceed £ 7.2 million (approximately \$ 9.3 million).
- b. A payment of at least £ 7.0 million (approximately \$ 9 million), if customer contracts that are valid for two years from the date of the transaction exceed £ 9.6 million (approximately \$ 12.4 million).

As of the purchase date, the fair value of the contingent consideration is estimated at £ 1.7 million (approximately \$ 2.2 million). The fair value is determined according to the OPM method.

The following are the non-observable significant data that were used to measure the fair value of the contingent consideration liability:

Discount rate: 4.03%

Volatility rate: 11.95%

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 5: - CONTINGENT AND DEFERRED CONSIDERATION (Cont.)

A significant increase in the estimated amount of customer contracts that will be valid for two years from the date of the transaction will result in a significant increase in the fair value of the contingent consideration, while a significant increase in discount rate and volatility rate will result in a decrease in the fair value of the liability.

In September 2022,, the Group and the previous shareholder of Sessioncam Limited agreed that the contingent consideration would be set on the basis of the customers' contracts, as follows: (1) Customer contracts where two years after the transaction date the Group is entitled to income therefor; and (2) customer contracts have yet to be renewed before the lapse of two years from the transaction date, for technical reasons only, however they were renewed until the end of January 2023 and/or customer contracts of a Try&Buy format, which were in effect before the lapse of two years from the transaction date and for which no notice of termination was received until the end of January 2023. Accordingly, the contingent consideration, which reflected contracts with customers in a total volume of some £ 8.4 million, is paid in two installments, the first in December 2022 and the second in February 2023.

On December 31, 2021, and 2022, the Company made another estimate of the fair value of the contingent consideration. The fair value is determined by using the models that were used to estimate the value at the time of purchase. As of December 31, 2021, the value of the contingent consideration was estimated at £ 4.29 million (approximately \$ 5.8 million) with the value update resulted in expenses of \$ 3.055 million, which were recorded under the other expenses paragraph in the consolidated statement of profit or loss and other comprehensive income.

As of December 31, 2022, the value of the contingent consideration is estimated to be £ 189 thousand (about \$ 228 thousand), while the updated value resulted in income of \$ 876 thousand, which were recorded under the other expenses (income) paragraph in the consolidated statements of profit or loss and other comprehensive income.

As of December 31, 2022, the liability balance is \$ 228 thousand, which reflects the Company's estimate for payment to be made as part of the extension provided for 2023.

2022:

|   | Contingent<br>consideration | Deferred<br>consideration |
|---|-----------------------------|---------------------------|
|   | U.S. Dollars in thousands   |                           |
| Liability balance as of January 1, 2022                         | 5,799                       | 3,866                     |
| Other comprehensive profit for currency revaluation             | (519)                       | (664)                     |
| Expenses for changes to fair value, net advancement of interest | 46                          | 112                       |
| Negative cash flow for payment                                  | (5,098)                     | (3,314)                   |
| Liability balance as of December 31, 2022                       | 228                         | -                         |

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 5: - CONTINGENT AND DEFERRED CONSIDERATION (Cont.)

2021:

|   | <u>Contingent<br/>consideration</u> | <u>Deferred<br/>consideration</u> |
|---|-------------------------------------|-----------------------------------|
|   | <u>U.S. Dollars in thousands</u>    |                                   |
| Liability balance as of January 1, 2021                         | 2,153                               | 3,533                             |
| Other comprehensive Loss for currency revaluation               | 88                                  | 151                               |
| Expenses for changes to fair value, net advancement of interest | 3,558                               | 182                               |
|   | <u>5,799</u>                        | <u>3,866</u>                      |

On September 13, 2021, the Company contractually engaged in an asset purchase agreement with Convertize Ltd., for \$ 500,000 in consideration.

As of December 31, 2022, the Company has an additional deferred liability balance for acquiring Convertize Ltd. of \$ 86 thousand which is to be paid in 2023.

## NOTE 6: - CASH AND CASH EQUIVALENTS

|   | <u>December 31,</u>              |               |
|---|----------------------------------|---------------|
|   | <u>2022</u>                      | <u>2021</u>   |
|   | <u>U.S. Dollars in thousands</u> |               |
| Cash and cash equivalents in dollar           | 10,330                           | 10,617        |
| Cash and cash equivalents in NIS              | 4,584                            | 584           |
| Cash and cash equivalents in other currencies | 1,297                            | 922           |
|   | <u>16,211</u>                    | <u>12,123</u> |

## NOTE 7: - TRADE RECEIVABLES AND ASSETS AND LIABILITIES IN RESPECT OF CONTRACTS WITH CUSTOMERS

|  | <u>December 31,</u>              |               |
|--|----------------------------------|---------------|
|  | <u>2022</u>                      | <u>2021</u>   |
|  | <u>U.S. Dollars in thousands</u> |               |
| Trade receivables                            | 2,030                            | 2,922         |
| Contract assets                              | 4,482                            | 10,416        |
|  | <u>18,351</u>                    | <u>19,385</u> |
| Deferred revenues (short term and long term) | 18,351                           | 19,385        |
|  | <u>13,869</u>                    | <u>8,969</u>  |
| Deferred revenues net of contract assets     | 13,869                           | 8,969         |

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 8: - OTHER ACCOUNTS RECEIVABLE

|                           | <b>December 31,</b>              |              |
|---------------------------|----------------------------------|--------------|
|                           | <b>2022</b>                      | <b>2021</b>  |
|                           | <b>U.S. Dollars in thousands</b> |              |
| Government authorities    | 544                              | 487          |
| Prepaid expenses          | 2,239                            | 2,157        |
| Customer acquisition cost | 800                              | 785          |
| Others                    | 232                              | 264          |
|                           | <u>3,815</u>                     | <u>3,693</u> |

## NOTE 9: - PROPERTY AND EQUIPMENT

2022

|   | <b>Computers<br/>and<br/>peripheral<br/>equipment</b> | <b>Office<br/>furniture<br/>and<br/>equipment</b> | <b>Leasehold<br/>improvements</b> | <b>Total</b> |
|---|---|---|-----------------------------------|--------------|
|   | <b>U.S. Dollars in thousands</b>                      |   |                                   |              |
| <u>Cost</u>   |   |   |                                   |              |
| Balance as of January 1, 2022   | 912   | 225   | 786                               | 1,923        |
| Additions during the year   | 285   | 10  | -                                 | 295          |
| Disposals during the year   | (42)  | (47)  | (10)                              | (99)         |
| Translation adjustments of financial statements of foreign operations | (11)  | -   | -                                 | (11)         |
| Balance as of December 31, 2022                                       | <u>1,144</u>  | <u>188</u>  | <u>776</u>                        | <u>2,108</u> |
| <u>Accumulated depreciation</u>                                       |   |   |                                   |              |
| Balance as of January 1, 2022   | 469   | 25  | 241                               | 735          |
| Additions during the year   | 267   | 11  | 119                               | 397          |
| Disposals during the year   | (42)  | (8)   | (4)                               | (54)         |
| Balance as of December 31, 2022                                       | <u>694</u>  | <u>28</u>   | <u>356</u>                        | <u>1,078</u> |
| Depreciated cost as of December 31, 2022                              | <u>450</u>  | <u>160</u>  | <u>420</u>                        | <u>1,030</u> |
| Depreciated cost as of December 31, 2021                              | <u>443</u>  | <u>200</u>  | <u>545</u>                        | <u>1,188</u> |

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 9: - PROPERTY AND EQUIPMENT (Cont.)

2021

|   | <u>Computers<br/>and<br/>peripheral<br/>equipment</u> | <u>Office<br/>furniture<br/>and<br/>equipment</u> | <u>Leasehold<br/>improvements</u> | <u>Total</u> |
|---|---|---|-----------------------------------|--------------|
|   | <u>U.S. Dollars in thousands</u>                      |   |                                   |              |
| <u>Cost</u>   |   |   |                                   |              |
| Balance as of January 1, 2021   | 589   | 199   | 786                               | 1,574        |
| Additions during the year   | 337   | 26  | -                                 | 363          |
| Disposals during the year   | (12)  | -   | -                                 | (12)         |
| Translation adjustments of financial statements of foreign operations | (2)   | -   | -                                 | (2)          |
| Balance as of December 31, 2021                                       | <u>912</u>  | <u>225</u>  | <u>786</u>                        | <u>1,923</u> |
| <u>Accumulated depreciation</u>                                       |   |   |                                   |              |
| Balance as of January 1, 2021   | 293   | 14  | 124                               | 431          |
| Additions during the year   | 188   | 11  | 117                               | 316          |
| Disposals during the year   | (12)  | -   | -                                 | (12)         |
| Balance as of December 31, 2021                                       | <u>469</u>  | <u>25</u>   | <u>241</u>                        | <u>735</u>   |
| <u>Depreciated cost as of December 31, 2021</u>                       | <u>443</u>  | <u>200</u>  | <u>545</u>                        | <u>1,188</u> |
| <u>Depreciated cost as of December 31, 2020</u>                       | <u>296</u>  | <u>185</u>  | <u>662</u>                        | <u>1,143</u> |

## NOTE 10: - LEASES

The Company has lease agreements that include leases of offices that are used for the purpose of maintaining the Company's operating activities.

The lease agreements of the buildings are for a period ranging from 2.5 to 8 years.  
One lease agreement includes an extension option.

1. Details regarding lease transaction2022

|  | <u>Buildings</u>                 | <u>Total</u> |
|--|----------------------------------|--------------|
|  | <u>U.S. Dollars in thousands</u> |              |
| <u>Cost</u>                                      |                                  |              |
| Balance as of January 1, 2022                    | 2,879                            | 2,879        |
| Finance expenses in respect of lease liabilities | (245)                            | (245)        |
| Total negative cash flow for leases              | (612)                            | (612)        |
| Balance as of December 31, 2022                  | <u>2,022</u>                     | <u>2,022</u> |

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 10: - LEASES (Cont.)

2021

| <u>Cost</u>                                      | <u>Buildings</u>                 | <u>Total</u>      |
|--|----------------------------------|-------------------|
|  | <u>U.S. Dollars in thousands</u> |                   |
| Balance as of January 1, 2021                    | 3,301                            | 3,301             |
| Additions during the year                        | 105                              | 105               |
| Finance expenses in respect of lease liabilities | 160                              | 160               |
| Total negative cash flow for leases              | (687)                            | (687)             |
|  | <u>          </u>                | <u>          </u> |
| Balance as of December 31, 2021                  | <u>2,879</u>                     | <u>2,879</u>      |

As to the Company's total finance expenses in respect of lease liabilities see Note 25.

2. Extension and cancellation options

The Company has one lease agreement that includes an extension option. This option confers upon the Company flexibility in managing lease transactions and adapting to the Company's business needs. The Company exercises significant discretion in examining whether it is reasonably certain that the extension option will be exercised. In this lease agreement the Company estimates that it will exercise the extension options.

3. Disclosures regarding right of use assets2022

| <u>Cost</u>  | <u>Buildings</u>                 | <u>Total</u> |
|--|----------------------------------|--------------|
|  | <u>U.S. Dollars in thousands</u> |              |
| Balance as of January 1, 2022  | 3,822                            | 3,822        |
| Translation adjustments of financial statement of foreign operations | (9)                              | (9)          |
| Balance as of December 31, 2022                                      | 3,813                            | 3,813        |
| <u>Accumulated depreciation</u>                                      |                                  |              |
| Balance as of January 1, 2022  | 1,350                            | 1,350        |
| Additions during the year  | 517                              | 517          |
| Balance as of December 31, 2022                                      | <u>1,867</u>                     | <u>1,867</u> |
| <u>Depreciated cost as of December 31, 2022</u>                      | <u>1,946</u>                     | <u>1,946</u> |
| <u>Depreciated cost as of December 31, 2021</u>                      | <u>2,472</u>                     | <u>2,472</u> |

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 10: - LEASES (Cont.)

2021

|   | <u>Buildings</u>                 | <u>Total</u> |
|---|----------------------------------|--------------|
|   | <u>U.S. Dollars in thousands</u> |              |
| <u>Cost</u>                                     |                                  |              |
| Balance as of January 1, 2021                   | 3,717                            | 3,717        |
| Additions during the year                       | <u>105</u>                       | <u>105</u>   |
| Balance as of December 31, 2021                 | 3,822                            | 3,822        |
| <u>Accumulated depreciation</u>                 |                                  |              |
| Balance as of January 1, 2021                   | 773                              | 773          |
| Additions during the year                       | <u>577</u>                       | <u>577</u>   |
| Balance as of December 31, 2021                 | <u>1,350</u>                     | <u>1,350</u> |
| <u>Depreciated cost as of December 31, 2021</u> | <u>2,472</u>                     | <u>2,472</u> |
| <u>Depreciated cost as of December 31, 2020</u> | <u>2,944</u>                     | <u>2,944</u> |

4. For maturity dates of lease liabilities see Note 18g.
5. Short term lease expenses for 2022 and 2021 amounted to \$ 83 thousand and \$ 84 thousand, respectively.

## NOTE 11: - GOODWILL AND OTHER INTANGIBLE ASSETS

2022:

|   | <u>Technology</u>                | <u>Customer relations</u> | <u>Domain</u> | <u>Goodwill</u> | <u>Total</u>   |
|---|----------------------------------|---------------------------|---------------|-----------------|----------------|
|   | <u>U.S. Dollars in thousands</u> |                           |               |                 |                |
| <u>Cost</u>   |                                  |                           |               |                 |                |
| Balance as of January 1, 2022   | 1,197                            | 11,465                    | 25            | 15,471          | 28,158         |
| Translation adjustments of financial statements of foreign operations | <u>(23)</u>                      | <u>(1,062)</u>            | <u>-</u>      | <u>(1,689)</u>  | <u>(2,774)</u> |
| Balance as of December 31, 2022                                       | <u>1,174</u>                     | <u>10,403</u>             | <u>25</u>     | <u>13,782</u>   | <u>25,384</u>  |
| <u>Accumulated amortization and impairment losses</u>                 |                                  |                           |               |                 |                |
| Balance as of January 1, 2022   | 508                              | 1,410                     | 8             | -               | 1,926          |
| Amortization recognized during the year                               | <u>392</u>                       | <u>1,117</u>              | <u>6</u>      | <u>-</u>        | <u>1,515</u>   |
| Balance as of December 31, 2022                                       | <u>900</u>                       | <u>2,527</u>              | <u>14</u>     | <u>-</u>        | <u>3,441</u>   |
| Net balance as of December 31, 2021                                   | <u>274</u>                       | <u>7,876</u>              | <u>11</u>     | <u>13,782</u>   | <u>21,943</u>  |

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 11: -GOODWILL AND OTHER INTANGIBLE ASSETS (Cont.)

2021:

|   | Technology | Customer<br>relations | domain | Goodwill | Total  |
|---|------------|-----------------------|--------|----------|--------|
| U.S. Dollars in thousands   |            |                       |        |          |        |
| <u>Cost</u>   |            |                       |        |          |        |
| Balance as of January 1, 2021   | 797        | 11,468                | 25     | 15,638   | 27,928 |
| Purchase of intangible asset  | 400        | 100                   | -      | -        | 500    |
| Translation adjustments of financial statements of foreign operations | -          | (103)                 | -      | (167)    | (270)  |
| Balance as of December 31, 2021                                       | 1,197      | 11,465                | 25     | 15,471   | 28,158 |
| <u>Accumulated amortization and impairment losses</u>                 |            |                       |        |          |        |
| Balance as of January 1, 2021   | 80         | 232                   | 3      | -        | 315    |
| Amortization recognized during the year                               | 428        | 1,178                 | 5      | -        | 1,611  |
| Balance as of December 31, 2021                                       | 508        | 1,410                 | 8      | -        | 1,926  |
| Net balance as of December 31, 2021                                   | 689        | 10,055                | 17     | 15,471   | 26,232 |

b. Purchase during the year

On September 13, 2021, the Company entered into agreement with Convertize Ltd. for the purchase of assets in the amount of USD 500 thousand. Under this purchase, the Company purchased technology that is amortized over 4 years and customer relations are amortized over one year.

c. Amortization expenses

Amortization expenses of intangible assets are classified in profit or loss as follows:

|                                     | <u>Year ended December 31</u> |             |
|-------------------------------------|-------------------------------|-------------|
|                                     | <u>2022</u>                   | <u>2021</u> |
| <u>U.S. Dollars in thousands</u>    |                               |             |
| Research and development expenses   | 392                           | 428         |
| Selling and marketing expenses      | 1,117                         | 1,178       |
| General and administrative expenses | 6                             | 5           |

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 12: - OTHER ACCOUNTS PAYABLE

|                        | <b>December 31</b>               |              |
|------------------------|----------------------------------|--------------|
|                        | <b>2022</b>                      | <b>2021</b>  |
|                        | <b>U.S. Dollars in thousands</b> |              |
| Payroll payable        | 7,461                            | 7,286        |
| Expenses payable       | 1,580                            | 1,140        |
| Government authorities | 586                              | 868          |
| Others                 | 371                              | 224          |
|                        | <u>9,998</u>                     | <u>9,518</u> |

## NOTE 13: - LEASE LIABILITIES

|                          | <b>Weighted</b>      | <b>December 31</b>               |              |
|--------------------------|----------------------|----------------------------------|--------------|
|                          | <b>Interest rate</b> | <b>2022</b>                      | <b>2021</b>  |
|                          | <b>December 31,</b>  | <b>U.S. Dollars in thousands</b> |              |
|                          | <b>2022</b>          |                                  |              |
|                          | <b>%</b>             |                                  |              |
| Lease liabilities        | 2.39                 | 2,022                            | 2,879        |
| Less- current maturities |                      | 476                              | 592          |
|                          |                      | <u>1,546</u>                     | <u>2,287</u> |

## NOTE 14: - EMPLOYEE BENEFITS

Israeli labor law generally requires payment of severance pay upon dismissal of an employee or upon termination of employment in certain other circumstances. The Company's pension and severance pay liability to certain employees is covered mainly by purchase of insurance policies. Pursuant to section 14 of the Severance Compensation Act, 1963 ("section 14"), all of the Company's employees are entitled to monthly deposits, at a rate of 8.33% of their monthly salary, made in their name with insurance companies. Payments in accordance with section 14 relieve the Company from any future severance payments in respect of those employees and as such the Company may only utilize the insurance policies for the purpose of disbursement of severance pay.

## NOTE 15: - LIABILITY FOR GOVERNMENT GRANTS

During 2017, the Company received a grant in a total of \$ 97 thousand for the "Smart Money" program to increase sales in the UK. As part of the conditions for receiving the assistance, the Company must pay the program royalties of 3% of the increase in the volume of exports in the target market for which the Company received grants. The Company has created a commitment for said amount as it assess to be paid.

As of December 31, 2022, the Company has liability for the "Smart Money" program of \$ 28 thousand. The Company in 2022 paid \$ 18 thousand to the program.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 16: - SHAREHOLDERS' EQUITY

a. Composition of share capital

|  | <u>Authorized</u>       | <u>Issued and outstanding</u> |                   |
|--|-------------------------|-------------------------------|-------------------|
|  | <u>December 31</u>      | <u>December 31,</u>           |                   |
|  | <u>2022</u>             | <u>2022</u>                   | <u>2021</u>       |
|  | <u>Number of shares</u> |                               |                   |
| Ordinary shares of NIS 0.01 par value each | <u>50,000,000</u>       | <u>11,771,723</u>             | <u>11,652,966</u> |
|  | <u>50,000,000</u>       | <u>11,771,723</u>             | <u>11,652,966</u> |

b. Ordinary shares

Ordinary shares confer upon their holder the right to receive notice of, and to participate and vote in, all general meetings, to appoint board members, to receive dividends, to participate in the distribution of the surplus assets and funds of the Company in the event of the liquidation.

c. Share based payment1. Share option plan

As part of the Company's incentive plan by shares (from 2013), options can be granted to officers, directors, employees and consultants of the Company.

Usually, an option granted under the plan will expire no later than seven years after the grant date, unless the board approves an extension at a later date. Usually, options vest over a period of between one and four years of work. Options that have been forfeited or not exercised before their expiration are available for future grants.

2. The movement in the number of stock options and the weighted averages of their exercise prices are as follows:

|                                      | <u>Year ended</u>       |                 |
|--------------------------------------|-------------------------|-----------------|
|                                      | <u>December 31 2022</u> |                 |
|                                      | <u>Number of</u>        | <u>Weighted</u> |
|                                      | <u>options</u>          | <u>average</u>  |
|                                      |                         | <u>exercise</u> |
|                                      |                         | <u>price</u>    |
| Balance at the beginning of the year | 2,497,405               | 7.94            |
| Granted                              | 1,223,336               | 15.45           |
| Cancelled                            | (404,548)               | 20.03           |
| Exercised                            | <u>(89,668)</u>         | <u>3.92</u>     |
| Balance at the beginning of the year | <u>3,226,525</u>        | <u>9.38</u>     |
| Exercisable at the end of the year   | <u>1,794,696</u>        | <u>12.26</u>    |

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 16: - SHAREHOLDERS' EQUITY (Cont.)

|                                      | <u>Year ended</u><br><u>December 31 2021</u> |  |
|--------------------------------------|--|--|
|                                      | <u>Number of</u><br><u>options</u>           | <u>Weighted</u><br><u>average</u><br><u>exercise</u><br><u>price</u> |
| Balance at the beginning of the year | 1,849,417                                    | 3.48   |
| Granted                              | 1,031,299                                    | 14.12  |
| Cancelled                            | (89,250)                                     | 5.49   |
| Exercised                            | <u>(294,061)</u>                             | <u>2.33</u>  |
| Balance at the beginning of the year | <u>2,497,405</u>                             | <u>7.94</u>  |
| Exercisable at the end of the year   | <u>1,419,681</u>                             | <u>3.64</u>  |

3. Expense classification by department:

|                            | <u>December 31,</u>              |              |
|----------------------------|----------------------------------|--------------|
|                            | <u>2022</u>                      | <u>2021</u>  |
|                            | <u>U.S. Dollars in thousands</u> |              |
| Cost of revenues           | 648                              | 130          |
| Research and development   | 3,048                            | 2,581        |
| Selling and marketing      | 2,650                            | 3,625        |
| General and administrative | <u>1,805</u>                     | <u>2,271</u> |
|                            | <u>8,151</u>                     | <u>8,607</u> |

4. Measurement of fair value of stock options settled with equity instruments

The fair value of the grant of stock options settled with equity instruments is estimated at the time of grant in accordance with the Black-Scholes-Merton model. The table below lists the data used in the Black-Scholes-Merton model and the measurement of fair value of stock options settled with equity instruments regarding the above plan.

|  | <u>Year ended December 31</u> |             |
|--|-------------------------------|-------------|
|  | <u>2022</u>                   | <u>2021</u> |
| Dividend yield (%)                       |                               | 0           |
| Value of base asset (dollar)             | 7.2-26.2                      | 19.2-31.1   |
| Expected volatility in share price (%) * | 61.9-65.0                     | 59.0-66.5   |
| Risk free interest rate (%)              | 1.7-4.1                       | 0.5-1.1     |
| Expected life of stock options (years)   | 3.5-4.6                       | 3.3-5.5     |

\*The degree of volatility is based on the historical volatility of shares of similar companies for the corresponding periods over the expected life of the option up to the exercise date.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 16: - SHAREHOLDERS' EQUITY (Cont.)

d. Restricted shares

In the framework of the Company's incentive plan by shares (from 2013), it is possible to grant restricted share units to officers, directors, employees and advisors of the Company.

Generally, restricted share units vest over a period of between one and four years of work on four predefined dates, on March 15, June 15, September 15 and December 15 of each year. The restricted share units that did not vest expire on the termination date of the employee for whom they were allocated. Restricted share units that did not vest prior to their expiration are available for future grants.

The value of the restricted shares is determined according to the closing rate of the share on the date of grant.

|                                 | Number of shares |
|---------------------------------|------------------|
| Balance as of beginning of year | -                |
| Granted                         | 205,262          |
| Cancelled                       | (10,917)         |
| Vested                          | (24,214)         |
|                                 | 170,131          |
| Balance as of end of year       | 170,131          |

## NOTE 17: - COMMITMENTS AND CONTINGENT LIABILITIES

## a) Commitments

- 1) The Company and its subsidiary Sessioncam Ltd. entered into an agreement with Amazon for provision of cloud services (Amazon Web Services) at discounted rates as part of the Enterprise Discount Program. (EDP) The Company entered into agreement for a three-year period ending in August 2023, and the subsidiary entered into agreement for a two-year period ending in December 2021. Under the agreement that was signed, the Company and the subsidiary committed to a minimum annual expense. The minimum expense for the two companies for 2023 is \$ 1,690 thousand.
- 2) In addition, in September 2022 the Company contractually engaged with a cloud computing service provider in an agreement for the provision of Microsoft Azure cloud services at discounted rates (the Azure monetary commitment (AMC) agreement) for a three-year period ending in June 2025, in consideration for a monthly payment set pursuant to its needs. As part of the AMC agreement, a minimum expenditure was set for the entire agreement period of \$ 3,000 thousand, which the Company must meet. The parties are permitted to terminate the agreement for cause, provided the party in breach failed to rectify the breach within 30 days from the day the demand to rectify all the rectifiable breaches was received. For the avoidance of doubt, the monthly payment to the secondary supplier is collected in accordance with the consumption of its services by the Company. As part of the agreement the Company is not bound to a minimum expenditure to the secondary supplier beyond what is set forth in the agreement. Therefore, insofar as the Company met the requirements of the aforementioned minimum service use, it shall not be required to continue using the services of the secondary supplier. In addition, the Company is not required to spend amounts beyond the minimum commitment as stated.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 17: - COMMITMENTS AND CONTINGENT LIABILITIES (Cont.)**

- 3) In March 2021, the Company executed an agreement with Silicon Valley Bank (hereinafter SVB) for the provision of a credit facility of \$ 8 million, effective for a two-year period. The credit facility is based on the Company's working capital balance and includes meeting financial criteria. As of the execution date of the financial statements, the Company has not withdrawn amounts from the credit facility.

As of December 31, 2022 and 2021, the Company is in compliance with all Financial Criteria.

For changes to the credit facility agreement, see Note 28 – Subsequent Events.

b) Contingent liabilities

From time to time the Company is a party to legal claims that are part of its ordinary course of business for which it makes appropriate provisions in accordance with the assessments of the Company's legal counsel (if required).

On January 24, 2022, a lawsuit was filed in the Tel Aviv-Yafo District Court (Economic Department) against the company (the "lawsuit") which was filed by a former consultant of the company (the "plaintiff"). In the lawsuit, the plaintiff claims that the consultation agreement reached between the parties did not come to an end in April 2015, but was allegedly extended indefinitely and that he is entitled to remedies totaling NIS 2.8 million, including: declaring that the plaintiff is entitled to register as the owner of A total of 25,000 ordinary shares of the company and alternatively to order payment to the plaintiff a total of approximately NIS 2.5 million; Declare that the plaintiff is entitled to receive a commission estimated by the plaintiff in the amount of NIS 280,000 for a transaction in which the company contracted with a client; Alternatively, order the company to pay the plaintiff a proper salary in the amounts specified above for his services to the company. In the opinion of the Company's legal counsel, at this preliminary stage of the legal proceedings, in which no pre-trial hearing has taken place, the chances of a lawsuit cannot be assessed.

**NOTE 18: - FINANCIAL INSTRUMENTS**

a. Management goals and policies on financial risk management

The Company's main assets include trade receivables, other accounts receivable, deposits and cash which arise directly from the Company's operations.

Credit risk management for customers is managed by the Group in accordance with its policies, procedures and controls with respect to credit risk management for customers. The assessment of a customer's credit quality is based on performing an analysis and credit rating of each customer, according to which credit terms are determined for each specific customer.

The Group does not hold collateral to secure these obligations from customers. The Group estimates the risk of its customers' concentration to be low, since its customers are located in different countries and in different industries and operate in large markets that are independent of each other. Also, most customers pay in advance for the year.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 18: - FINANCIAL INSTRUMENTS (Cont.)**a. Management goals and policies on financial risk management (Cont.)

Credit risk arising from balances in banks and financial institutions is managed by the Group's management in accordance with its policies. Investments of excess liquidity are made only with pre-approved entities and only within a ceiling for each counterparty. Such ceilings are reviewed by the Board of Directors on an annual basis and may be updated during the year subject to the approval of the Group's Balance Sheet Committee. The purpose of setting ceilings is to minimize the concentration of credit risk and thus reduce the loss in the event of insolvency of the counterparty.

The Company is exposed to market risk and liquidity risk. The Company's senior management oversees the management of these risks.

b. Charges

The group has restricted deposits mainly for using credit cards, for securing lease and for hedging transactions. The fair value of restricted deposits as of December 31, 2022 and 2021 is \$ 441 thousand and \$ 944 thousand, respectively. There are no additional terms or restrictions regarding the use of the restricted deposits.

c. Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risks, such as share price risk and commodity risk. Financial instruments affected by market risk include, among others, loans and borrowings and deposits.

d. Foreign currency risk

The Company is exposed to exchange rate risk resulting from exposure to various currencies, mainly the NIS and the pound. Exchange rate risk arises from the liabilities denominated in foreign currency other than the functional currency and from net investments from foreign operations.

e. Foreign currency sensitivity analysis:

The following table demonstrates the sensitivity test to a reasonably possible change in \$ exchange rates, with all other variables held constant. The impact on the Company's income before tax is due to changes in the fair value of monetary assets and liabilities.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 18: - FINANCIAL INSTRUMENTS (Cont.)

|  | December 31                    |       |
|--|--------------------------------|-------|
|  | 2022                           | 2021  |
|  | <u>US Dollars in thousands</u> |       |
| Sensitivity test to changes in the exchange rate of the shekel |                                |       |
| Pretax loss from the change                                    |                                |       |
| Exchange rate increase of 5%                                   | 158                            | 215   |
| Exchange rate decrease of 5%                                   | (193)                          | (262) |

f. Fair value

The balance in the financial statements of cash and cash equivalents, other accounts receivable, restricted cash, short-term bank credit, trade payables, other accounts payable matches or approximates their fair value.

g. Liquidity risk

The Group monitors the risk to a shortage of funds using a liquidity planning tool.

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

December 31, 2022

|                                      | <u>Up to<br/>one<br/>year</u>  | <u>From<br/>one to<br/>two<br/>years</u> | <u>From<br/>two to<br/>three<br/>years</u> | <u>From<br/>three to<br/>four<br/>years</u> | <u>From<br/>four to<br/>five<br/>years</u> | <u>Over<br/>five<br/>years</u> | <u>Total</u>  |
|--------------------------------------|--------------------------------|--|--|---|--|--------------------------------|---------------|
|                                      | <u>US Dollars in thousands</u> |  |  |   |  |                                |               |
| Lease liabilities                    | 519                            | 371                                      | 493  | 505   | 252  | -                              | 2,140         |
| Trade payables                       | 2,373                          | -  | -  | -   | -  | -                              | 2,373         |
| Liabilities for<br>government grants | 28                             | -  | -  | -   | -  | -                              | 28            |
| Other accounts<br>payable            | 9,821                          | -  | -  | -   | -  | -                              | 9,821         |
|                                      | <u>12,741</u>                  | <u>371</u>                               | <u>493</u>                                 | <u>505</u>                                  | <u>252</u>                                 | <u>-</u>                       | <u>14,362</u> |

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 18: - FINANCIAL INSTRUMENTS (Cont.)

December 31, 2021

|                                      | Up to<br>one<br>year    | From<br>one to<br>two<br>years | From<br>two to<br>three<br>years | From<br>three to<br>four<br>years | From<br>four to<br>five<br>years | Over<br>five<br>years | Total         |
|--------------------------------------|-------------------------|--------------------------------|----------------------------------|-----------------------------------|----------------------------------|-----------------------|---------------|
|                                      | US Dollars in thousands |                                |                                  |                                   |                                  |                       |               |
| Lease liabilities                    | 655                     | 588                            | 419                              | 558                               | 571                              | 286                   | 3,077         |
| Trade payables                       | 2,663                   | -                              | -                                | -                                 | -                                | -                     | 2,663         |
| Liabilities for<br>government grants |                         | -                              | -                                | -                                 | -                                | -                     |               |
| Contingent<br>consideration          | 3,987                   | -                              | -                                | -                                 | -                                | -                     | 3,987         |
| Deferred<br>consideration            | 9,460                   | -                              | -                                | -                                 | -                                | -                     | 9,460         |
| Other accounts<br>payable            | 9,455                   | -                              | -                                | -                                 | -                                | -                     | 9,455         |
|                                      | <u>26,220</u>           | <u>588</u>                     | <u>419</u>                       | <u>558</u>                        | <u>571</u>                       | <u>286</u>            | <u>28,642</u> |

h. Capital management in the Company:

The Company's capital management objectives are to preserve the Company's ability to ensure business continuity thereby creating a return for the shareholders, investors and other interested parties.

i. Hedging activities and derivatives:

The Company has entered into foreign exchange forward contracts with the intention to manage some of its transactional exposure to fluctuations in exchange rates. These forward foreign exchange contracts are not designated as cash flow hedges and are entered into for periods consistent with foreign currency exposure of the underlying transactions, generally from one to 12 months. Hedging transactions are classified in other accounts payable.

## NOTE 19: - TAXES ON INCOME

- a. The Company and its subsidiaries are assessed for taxes separately in accordance with local tax laws in the state of incorporation of each entity.

b. Tax rates applicable to the Company:

The Israeli corporate income tax rate is 23%.

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

c. Tax rates applicable to the group companies:

The principal tax rates applicable to the subsidiaries whose place of incorporation is outside Israel are:

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 19: - TAXES ON INCOME (Cont.)

A company incorporated in the U.S. - weighted tax rate of about 25% (Federal tax, State tax and City tax of the city where the company operates).

Companies incorporated in England - tax rate of 19%.

Starting from 2023 the tax rate in England was changed to 25%.

d. Carryforward losses for tax purposes

Carryforward operating tax losses in Israel total approximately \$ 70,659 thousand as of December 31, 2022.

Carryforward operating tax losses in Israel total approximately \$ 340 thousands as of December 31, 2022.

## e. Final tax assessments

The Company's assessments in Israel, the US and UK until and including 2016, 2017 and 2018, respectively are deemed final.

## f. Tax expenses

|                      | <u>Year ended December 31,</u>  |                |
|----------------------|---------------------------------|----------------|
|                      | <u>2022</u>                     | <u>2021</u>    |
|                      | <u>U.S dollars in thousands</u> |                |
| Current tax expenses | 1,398                           | 1,063          |
| Deferred tax income  | <u>(735)</u>                    | <u>(1,332)</u> |
|                      | <u>(337)</u>                    | <u>(269)</u>   |

## Deferred taxes

|  | <u>Year ended December 31,</u>  |              |
|--|---------------------------------|--------------|
|  | <u>2022</u>                     | <u>2021</u>  |
|  | <u>U.S dollars in thousands</u> |              |
| Deferred tax liability   |                                 |              |
| Deferred tax liabilities the settlement of which is expected after more than 12 months from the statement of financial position date | 1,719                           | 1,681        |
| Deferred tax liabilities the settlement of which is expected within 12 months from the statement of financial position date          | <u>252</u>                      | <u>174</u>   |
|  | <u>1,971</u>                    | <u>1,955</u> |

## Deferred tax assets

|   |              |            |
|---|--------------|------------|
| Deferred tax assets the settlement of which is expected after more than 12 months from the statement of financial position date | <u>1,605</u> | <u>765</u> |
| Deferred tax assets the settlement of which is expected within 12 months from the statement of financial position date          | <u>84</u>    | <u>-</u>   |
|   | <u>1,689</u> | <u>765</u> |

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 19: - TAXES ON INCOME (Cont.)

In 2021 and 2022 the deferred tax assets formed mainly due to timing discrepancies from option expenses in the subsidiaries, the deferred tax liabilities in these years formed mainly with the amortized intangible assets of the Company from the SessionCam transaction.

Note on theoretical tax

|   | <b>Year ended December 31,</b>  |                |
|---|---------------------------------|----------------|
|   | <b>2022</b>                     | <b>2021</b>    |
|   | <b>U.S dollars in thousands</b> |                |
| Loss before taxes on income, as reported in the statements of profit or loss  | 33,726                          | 33,303         |
| The theoretical tax income from such loss   | <u>(7,757)</u>                  | <u>(7,660)</u> |
| Decrease in taxes deriving from losses for tax purposes that formed in the reported year and for which no deferred taxes were set off | 6,024                           | 3,957          |
| Expenses that are not allowed as a deduction in the tax year, net   | 1,551                           | 2,374          |
| Others  | <u>(155)</u>                    | <u>1,060</u>   |
| Tax income  | <u>(337)</u>                    | <u>(269)</u>   |

## NOTE 20: - REVENUES

1. Types of revenues:

|  | <b>Year ended December 31,</b>  |               |
|--|---------------------------------|---------------|
|  | <b>2022</b>                     | <b>2021</b>   |
|  | <b>U.S dollars in thousands</b> |               |
| On Premise licenses and related services | 16,917                          | 13,709        |
| Cloud licenses                           | 26,171                          | 20,695        |
| Services and others                      | <u>2,964</u>                    | <u>2,586</u>  |
|  | <u>46,052</u>                   | <u>36,990</u> |

## Geographic regions

|                    | <b>Year ended December 31,</b>  |               |
|--------------------|---------------------------------|---------------|
|                    | <b>2022</b>                     | <b>2021</b>   |
|                    | <b>U.S dollars in thousands</b> |               |
| America and Canada | 35,534                          | 28,259        |
| Europe             | 8,389                           | 7,831         |
| Rest of the world  | <u>2,129</u>                    | <u>900</u>    |
|                    | <u>46,052</u>                   | <u>36,990</u> |

The Company has two major customers. Customer A constitutes approximately 12% and 12% of the Company's revenues as of December 31, 2022 and 2021, respectively. Customer B constitutes 10% and 8% of the Company's revenues as of December 31, 2022 and 2021, respectively.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 21: - COST OF SALES

|                                | <b>Year ended December 31,</b>  |               |
|--------------------------------|---------------------------------|---------------|
|                                | <b>2022</b>                     | <b>2021</b>   |
|                                | <b>U.S dollars in thousands</b> |               |
| Salaries and related expenses  | 6,012                           | 5,093         |
| Cost of share based payment    | 648                             | 130           |
| Depreciation and amortizations | 114                             | 99            |
| Servers and cloud services     | 9,063                           | 6,710         |
| Other expenses                 | 621                             | 433           |
|                                | <u>16,458</u>                   | <u>12,465</u> |

## NOTE 22: - RESEARCH AND DEVELOPMENT EXPENSES

|                                | <b>Year ended December 31,</b>  |               |
|--------------------------------|---------------------------------|---------------|
|                                | <b>2022</b>                     | <b>2021</b>   |
|                                | <b>U.S dollars in thousands</b> |               |
| Salaries and related expenses  | 15,177                          | 13,147        |
| Cost of share based payment    | 3,048                           | 2,581         |
| Depreciation and amortizations | 762                             | 857           |
| Rent and maintenance           | 201                             | 232           |
| Servers and cloud services     | 539                             | 602           |
| Communications                 | 224                             | 205           |
| Other expenses                 | 827                             | 771           |
|                                | <u>20,778</u>                   | <u>18,395</u> |

## NOTE 23: -SALES AND MARKETING EXPENSES

|                                | <b>Year ended December 31,</b>  |               |
|--------------------------------|---------------------------------|---------------|
|                                | <b>2022</b>                     | <b>2021</b>   |
|                                | <b>U.S dollars in thousands</b> |               |
| Salaries and related expenses  | 20,398                          | 15,364        |
| Cost of share based payment    | 2,650                           | 3,625         |
| Commercials and advertising    | 3,880                           | 2,288         |
| Professional services          | 350                             | 591           |
| Servers and cloud services     | 769                             | 650           |
| Depreciation and amortizations | 1,389                           | 1,432         |
| Rent and maintenance           | 130                             | 98            |
| Communications                 | 752                             | 670           |
| Travel                         | 333                             | 110           |
| Other expenses                 | 562                             | 632           |
|                                | <u>31,213</u>                   | <u>25,460</u> |

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 24: -GENERAL AND ADMINISTRATIVE EXPENSES

|                                | <u>Year ended December 31,</u>  |              |
|--------------------------------|---------------------------------|--------------|
|                                | <u>2022</u>                     | <u>2021</u>  |
|                                | <u>U.S dollars in thousands</u> |              |
| Salaries and related expenses  | 5,859                           | 4,139        |
| Cost of share based payment    | 1,805                           | 2,271        |
| Professional services          | 1,734                           | 2,361        |
| Depreciation and amortizations | 164                             | 130          |
| Rent and maintenance           | 120                             | 58           |
| Communications                 | 555                             | 372          |
| Travel                         | 114                             | 62           |
| Other expenses                 | 483                             | 407          |
|                                | <u>10,834</u>                   | <u>9,800</u> |

## NOTE 25: -FINANCE EXPENSE (INCOME), NET

a. Finance expenses

|   | <u>Year ended December 31,</u>  |              |
|---|---------------------------------|--------------|
|   | <u>2022</u>                     | <u>2021</u>  |
|   | <u>U.S dollars in thousands</u> |              |
| Interest in respect of leases                   | 59                              | 74           |
| Exchange rate differences in respect of leases  | -                               | 86           |
| Exchange rate differences                       | 579                             | 341          |
| Advancement of interest on contingent liability | 1,033                           | 685          |
| Expenses of hedging transactions                | 697                             | 64           |
| Bank fees and other finance expenses            | 107                             | 64           |
|   | <u>2,475</u>                    | <u>1,314</u> |

b. Finance income

|                                      | <u>Year ended December 31,</u>  |             |
|--------------------------------------|---------------------------------|-------------|
|                                      | <u>2022</u>                     | <u>2021</u> |
|                                      | <u>U.S dollars in thousands</u> |             |
| Exchange rate differences for leases | 296                             | -           |
| Other interest income                | 808                             | 196         |
|                                      | <u>1,104</u>                    | <u>196</u>  |

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 26: - LOSS PER SHARE

Details of number of shares used in calculating loss per share

|                              | 2022   |  | 2021   |  |
|------------------------------|--|--|--|--|
|                              | Weighted<br>number of<br>shares<br>In<br>thousands | Net income<br>attributable<br>to equity<br>holders of the<br>Company<br>US dollars in<br>thousands | Weighted<br>number of<br>shares<br>In<br>thousands | Net income<br>attributable<br>to equity<br>holders of the<br>Company<br>US dollars in<br>thousands |
| Amount of shares and<br>loss | 11,719   | 33,389   | 7,513  | 33,034   |

In calculating diluted loss per share for the reported years, the effect of convertible loan and shares arising from options issued to employees and service providers was not included because their effect, under the assumption of full dilution, is anti-diluting.

## NOTE 27: - BALANCES AND TRANSACTIONS WITH RELATED PARTIES

"Interested party" - as defined in the Securities Regulations (Annual Financial Statements), -2010.

"Related Party" - as defined in IAS 24.

The key management personnel of the company Key Management Personal who are included, together with other parties, in the definition of "related parties" referred to in IAS 24 (include the members of the board of directors and the members of senior management who report to the CEO).

1. Compensation to interested partiesa. Balances with related parties

|                             | December 31,              |      | January 1, |
|-----------------------------|---------------------------|------|------------|
|                             | 2022                      | 2021 | 2021       |
|                             | U.S. Dollars in thousands |      |            |
| Short term employee benefit | 353                       | 466  | 408        |
|                             | 353                       | 466  | 408        |

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 27: - BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Cont.)

b. Transactions with related parties

|   | <u>Year ended December 31,</u>  |              |
|---|---------------------------------|--------------|
|   | <u>2022</u>                     | <u>2021</u>  |
|   | <u>U.S dollars in thousands</u> |              |
| Salaries and related expenses to interested parties employed by the Group | 856                             | 1,323        |
| Share based payment to interested parties of the Group                    | <u>429</u>                      | <u>2,361</u> |
| Total employment costs of interested parties employed by the Group        | <u>1,285</u>                    | <u>3,684</u> |
| Number of persons to which the benefit relates                            | <u>2</u>                        | <u>2</u>     |

2. Compensation to key management personal (KEY MANAGEMENT PERSONAL)

The compensation to key management personnel for services they provide for the Group is as follows:

|                             | <u>Year ended December 31,</u>  |               |
|-----------------------------|---------------------------------|---------------|
|                             | <u>2022</u>                     | <u>2021</u>   |
|                             | <u>U.S dollars in thousands</u> |               |
| Salaries and other benefits | 4,210                           | 4,594         |
| Share based payment         | <u>2,592</u>                    | <u>6,259</u>  |
| Total employment costs      | <u>6,802</u>                    | <u>10,853</u> |

This English translation of the additional details on the corporation report, which is part of the periodic report of the Company, is for convenience purposes only. This is not an official translation, is not binding and does not replace the need to review the Periodic Report in its entirety. Whilst reasonable care and skill have been exercised in the preparation hereof, no translation can ever perfectly reflect the original Hebrew version. In the event of any discrepancy between the Hebrew version and this translation, the Hebrew version shall prevail.

# GLASSBOX

Glassbox Ltd.

(the "Company")

## Chapter D - Additional Details on the Corporation

|   |                                       |
|---|---------------------------------------|
| <b><u>Company name:</u></b>                     | Glassbox Ltd.                         |
| <b><u>Number at Registrar of Companies:</u></b> | 514525260                             |
| <b><u>Address:</u></b>                          | 25 Basel Street, Petah Tikva, 4951038 |
| <b><u>Telephone:</u></b>                        | 074-7022321                           |
| <b><u>Fax:</u></b>                              | 03-6966464                            |
| <b><u>Email:</u></b>                            | itzhak.tambor@glassboxdigital.com     |
| <b><u>Date of financial status report:</u></b>  | 31 December 2022                      |
| <b><u>Date of report:</u></b>                   | 14 March 2023                         |

### Regulation 10A: Summary of statements on total quarterly profit

| Section                          | For three months ended |              |                   |                  | For year ended 31 December 2022 |
|----------------------------------|------------------------|--------------|-------------------|------------------|---------------------------------|
|                                  | 31 March 2022          | 30 June 2022 | 30 September 2022 | 31 December 2022 |                                 |
| in USD thousands                 |                        |              |                   |                  |                                 |
| Revenues                         | 12,697                 | 10,338       | 11,627            | 11,390           | 46,052                          |
| Cost of sales                    | 3,726                  | 4,112        | 4,128             | 4,492            | 16,458                          |
| Gross profit                     | 8,971                  | 6,226        | 7,499             | 6,898            | 29,594                          |
| Research and development costs   | 5,363                  | 5,322        | 5,302             | 4,791            | 20,778                          |
| Sale and marketing costs         | 8,189                  | 8,580        | 7,216             | 7,228            | 31,213                          |
| General and administrative costs | 3,061                  | 2,307        | 2,550             | 2,916            | 10,834                          |
| Other revenue                    | -                      | -            | -                 | (876)            | (876)                           |
| Operating loss                   | 7,642                  | 9,983        | 7,569             | 7,161            | 32,355                          |

|                                   |       |        |       |       |        |
|-----------------------------------|-------|--------|-------|-------|--------|
| Net financing (revenues) costs    | 322   | 1,302  | 44    | (297) | 1,371  |
| Loss before taxes on income       | 7,964 | 11,285 | 7,613 | 6,864 | 33,726 |
| Taxes on income costs (revenue)   | (3)   | 43     | (82)  | (295) | (337)  |
| Loss                              | 7,961 | 11,328 | 7,531 | 6,569 | 33,389 |
| Other comprehensive loss (profit) | (282) | 884    | 1,162 | (717) | 1,047  |
| Comprehensive loss                | 7,679 | 12,212 | 8,693 | 5,852 | 34,436 |

**Regulation 10C: Use of securities proceeds**

On 6 June 2021, the Company completed an initial public offering of 1,883,042 ordinary shares of the Company par value ILS 0.01 each (the “**Company Shares**”) and a secondary offering of 1,403,722 Company Shares to institutional investors by virtue of an initial public offering prospectus, secondary offering prospectus and shelf prospectus of the Company dated 4 June 2021 (reference no: 2021-01-035284), as amended on 8 June 2021 (reference no: 2021-01-098037), the information therein is incorporated in this Periodic Report by way of reference (the “**Prospectus**” and “**Offering**,” as applicable). On 10 June 2021, all of the Company Shares, including those allocated in the Offering, were listed on the Tel Aviv Stock Exchange Ltd. (“**TASE**”). The Offering’s consideration (gross) received by the Company as part of the Offering according to the Prospectus (net the consideration for the offerors in the sale offer) amounted to ILS 178,964,312 (the “**Offering’s consideration**”).

The Offering’s consideration is used by the Company for financing and expanding its current business activity, pursuant to resolutions of the Company’s board of directors and considering the Company’s business strategy, as it shall be from time to time, and it shall also be used for the purposes and in the amounts as set forth in section 5.2 of the Prospectus.

As of the Report Date, the Company has used approximately USD 23.1 million from the Offering’s consideration, of which a total of some USD 8.4 million was used for payment of the deferred consideration and the contingent consideration as part of the

agreement for acquiring SessionCam (as defined below)<sup>1</sup> and a nonconforming use for purpose of financing the Company's ongoing business activity.

**Regulation 11: List of investments in subsidiaries and included companies**

As of 31 December 2022 and as of the Report date, **the Company has two (fully owned) subsidiaries** – Glassbox US INC, a private company incorporated in the US (“**Glassbox USA**”), and Glassbox Digital UK Ltd., a private company incorporated in England and Wales (“**Glassbox UK**”), and a second-tier subsidiary – SessionCam Ltd. – a private company incorporated in England and Wales (“**SessionCam**”), which is fully owned by Glassbox UK.

| Corporation name         | Country of incorporation | Class of security and par value         | Issued and outstanding share capital (number of shares) | Number of shares held by Company | Value in separate financial statements (in USD thousands) | Ratio of Company holdings |                  |                                   | Balance of loans that Company provided to the corporation (in USD thousands) |
|--------------------------|--------------------------|---|---|----------------------------------|---|---------------------------|------------------|-----------------------------------|--|
|                          |                          |   |   |                                  |   | In equity                 | In voting rights | In authority to appoint directors |  |
| Glassbox US INC          | USA                      | ordinary shares with USD 0.1 Par value. | 100   | 100                              | 5,155   | 100%                      | 100%             | 100%                              | -  |
| Glassbox Digital UK Ltd. | England and Wales.       | ordinary shares with GBP 1 Par value.   | 1   | 1                                | (4,536)   | 100%                      | 100%             | 100%                              | -  |
| SessionCam Limited       | England and Wales.       | ordinary shares with GBP 0.005          | 223,740   | 223,740                          | 16,885  | 100%                      | 100%             | 100%                              | -  |

**Regulation 12: Change to investments in subsidiaries and included companies during the reporting year**

For details see Note 2 to the Company's consolidated financial statements as of 31 December 2022 that are included as Chapter C of this Periodic Report above (the “**Consolidated Financial Statements**”).

<sup>1</sup> For more information about said agreement, see 1.1.3 of the report on the description of the corporation's business that is attached as Chapter A to this periodic report above (the “**Corporation Business Description Report**”) and Note 5 to the Company's consolidated financial statements as of 31 December 2022, which are attached in Chapter C to this periodic report above (the “**Consolidated Financial Statements**”).

**Regulation 13: Revenues of subsidiaries and included companies and revenues therefrom**

| Corporation name         | For year ended 31 December 2022 |                          |                          |                         | Starting 1 January 2023 until Report date |                          |
|--------------------------|---------------------------------|--------------------------|--------------------------|-------------------------|---|--------------------------|
|                          | Dividends and management fees   | Interest revenue (costs) | Profit (loss) before tax | Profit (loss) after tax | Dividends and management fees             | Interest revenue (costs) |
|                          | in USD thousands                |                          |                          |                         |   |                          |
| Glassbox US INC          | -                               | -                        | 1,031                    | 845                     | -   | -                        |
| Glassbox Digital UK Ltd. | -                               | -                        | (1,179)                  | (705)                   | -   | -                        |
| SessionCam Limited       | -                               | -                        | 713                      | 1,054                   | -   | -                        |

**Regulation 20: Trading on TASE**

During the Report year the following securities of the Company were listed on TASE:

| Date  | Class of security                     | Number listed for trade | Comments   |
|---|---------------------------------------|-------------------------|--|
| 1 Jan 2022 - 31 Dec 2022                        | Ordinary shares of ILS 0.01 par value | 118,757                 | Listing of Company Shares deriving from exercise of 94,543 warrants and conversion of 24,214 restricted share units starting from 1 January 2022 and until the date of the report on the financial condition. For more information about the exercise of warrants and conversion of restricted share units into Company Shares, see section 1.2 in the report on the description of the corporation's business that is included as Chapter A of this Periodic Report (" <b>Report on the Description of the Corporation's Business</b> "). |
| 1 January 2023 - immediately before Report date | Ordinary shares of ILS 0.01 par value | 32,060                  | Listing of Company Shares deriving from exercise of 32,060 warrants after the date of the report on the financial condition and until immediately before Report date. For more information about exercise of warrants into Company Shares, see section 1.2 in the Report on the Description of the Corporation's Business.   |

In addition, during the reporting year trading of the Company's securities was not interrupted.

For further details on investments in the Company's capital and transactions in its share, see section 1.2 to the Report on the Description of the Corporation's Business.

**Regulation 21: Remuneration to interested parties and senior officers**

Below is a description of the remuneration to each of the five highest paid senior officers of the Company or corporations controlled by it, in connection with their tenure at the Company or corporations controlled by it, as recognized in the Consolidated Financial Statements, in USD thousands<sup>2</sup> (in terms of cost to the Company):

| <u>Details of remuneration recipient</u> |                        |                            |  | <u>Remuneration for services</u> |                      |                            |                        |                        |                   |              | <u>Other remuneration</u> |             |              | <u>Total</u> |
|--|------------------------|----------------------------|--|----------------------------------|----------------------|----------------------------|------------------------|------------------------|-------------------|--------------|---------------------------|-------------|--------------|--------------|
| <u>Name</u>                              | <u>Position</u>        | <u>Scope of employment</u> | <u>Rate in equity holding of corporation</u> | <u>Salary</u>                    | <u>Grant / Bonus</u> | <u>Share-based payment</u> | <u>Management fees</u> | <u>Consulting fees</u> | <u>Commission</u> | <u>Other</u> | <u>Interest</u>           | <u>Rent</u> | <u>Other</u> |              |
| Yaron Morgenstern <sup>(a)</sup>         | CEO                    | 100%                       | 0.36%  | 344                              | 78                   | 214                        | -                      | -                      | -                 | *39          | -                         | -           | -            | 675          |
| Gaby Koren <sup>(b)</sup>                | CRO                    | 100%                       | 0.00%  | 294                              | -                    | 222                        | -                      | -                      | 127               | -            | -                         | -           | -            | 643          |
| Yaron Guetta <sup>(c)</sup>              | CTO                    | 100%                       | 0.90%  | 334                              | 61                   | 215                        | -                      | -                      | -                 | -            | -                         | -           | -            | 610          |
| Paul Yallop <sup>(d)</sup>               | SVP, Global Mid-Market | 100%                       | 0.00%  | 247                              | 40                   | 553                        | -                      | -                      | -                 | -            | -                         | -           | -            | 840          |
| Assim Zaheer <sup>(e)</sup>              | CMO in Glassbox USA    | 100%                       | 0.00%  | 304                              | 77                   | 334                        | -                      | -                      | -                 | -            | -                         | -           | -            | 715          |

\* Taxes for the realization of capital receipt.

The total remuneration that the Company paid to directors, including expenses (i.e. to Ms. Yael Shaham, external director; to Ms. Netta Benari, external director; and to Mr. Benjamin Weiss, independent director), in 2022, amounted to a total of approximately USD 177 for their tenure in 2022. It is noted that the external directors and the independent director are entitled to annual

<sup>2</sup> The following are the exchange rates that were used by the Company in translating slsary data (against the US dollar): GBP: 1.24, ILS: 3.36.

remuneration and a participation award in the maximum amount detailed in Schedule Two and in Schedule Three, respectively, of the Companies (Rules Regarding Remuneration and Costs for External Directors) Regulations, 5760-2000 (hereinafter: the “**Remuneration Regulations**”). The participation award and the annual remuneration shall be determined, from time to time, in accordance with the equity ranking which the Company is classified in, as set forth in Schedule One of the Remuneration Regulations.

Below are further details on the terms of service and employment of the senior officers set forth in the tables above:

(a) Yaron Morgenstern – Yaron Morgenstern is employed directly by Glassbox UK and has served as the Company's CEO since 7 October 2015 and as a director of it. Mr. Morgenstern provides his services of tenure as CEO of the Company under the Intercompany Services Agreement between the Company and Glassbox UK. The terms of Mr. Morgenstern's employment are set forth in his employment agreement dated 20 October 2015, as updated from time to time. The terms of Mr. Morgenstern's employment are subject to UK law. The terms of Mr. Morgenstern's employment include the following: (1) monthly wage – as of the Report date, and in accordance with the update to his employment agreement dated 29 June 2022 (retroactively to February 2022) Mr. Morgenstern's gross monthly salary is GBP 19,010; (2) related terms including 30 vacation days, sick days pursuant to the law, reimbursement of travel expenses, reimbursement of reasonable business expenses incurred in fulfilling his duty (including, inter alia, reimbursement of mobile phone expenses), a pension plan, and private health insurance; (3) Mr. Morgenstern's undertaking for a non-competition and non-solicitation period of six months and provisions regarding confidentiality and assignment of intellectual property to the Company, which shall survive the termination of Mr. Morgenstern's employment with the Company, for any reason and without any time limitation; and (4) an advance notice period of three (3) months. In addition, pursuant to completing the issue under the Prospectus, Mr. Morgenstern is entitled to D&O liability insurance, indemnity and exculpation from liability for breach of the duty of care, as set forth in Regulation 29A hereunder.

On 17 December 2020 and 8 September 2020, the shareholders and board of directors of the Company approved an annual bonus to Mr.

Morgenstern for 2020 at a gross amount of GBP 81,095 (value of approx. five monthly salaries), subject to the meeting of Mr. Morgenstern in personal targets and Annual Recurring Revenue (ARR) targets for 2020 (the “**ARR Targets**”), while ARR Targets for such year were set at USD 30,500 thousand. According to the bonus mechanism, the bonus shall not be paid if (a) the negative cash flows from operating activities and the investment for 2020 exceed USD 8,500 thousand; or (b) customer retention rate is lower than 85%.

In April 2022, after obtaining the approval of the Company’s remuneration committee and board of directors from 8 and 15 March 2022 (respectively) and pursuant to it meeting the targets as aforesaid, Mr. Morgenstern was paid an annual bonus of GBP 91,364 gross for 2021.

On 2 May 2022, 10 May 2022, and 29 June 2022, the Company’s remuneration committee, board of directors and general meeting of shareholders, respectively, approved payment of an annual bonus to Mr. Morgenstern for 2022 in the gross amount of up to GBP 95,052 (value of approximately 5 monthly salaries), subject to the meeting of Mr. Morgenstern in personal targets and ARR Targets for 2022, while 65% of the bonus shall be for meeting ARR Targets and 35% of the bonus shall be determined at the discretion of the remuneration committee and the board of directors, in accordance with the targets set forth by the remuneration committee where the ARR Target for such year was an increase of USD 17,500 thousand. It should be noted that according to the bonus mechanism, each of the bonus components can be increased by up to a rate of 50% of the same component, subject to a rate of meeting the ARR in excess of the ARR target or at the discretion of the Remuneration Committee and the Board (as applicable). Pursuant to it meeting the targets as aforesaid, and after receiving the approval of the Remuneration Committee and the Company’s Board of Directors from 8 and 14

March 2023 (respectively), Mr. Morgenstern is expected to be paid a gross annual bonus of GBP 50,045 for 2022.

In addition, on 29 June 2022, the Company's general meeting of shareholder approved a grant to Mr. Morgenstern of 46,667 options exercisable into up to 46,667 ordinary shares of the Company, as well as a grant of 23,333 restricted share units exercisable into up to 23,333 ordinary shares of the Company. As of such date, the options and restricted share units as aforesaid constituted approximately 0.4% and 0.2% of the Company's issued share capital (respectively). Furthermore, on such date the general meeting approved the updated vesting terms of 84,000 options that were granted to Mr. Morgenstern in February 2021, in a manner where the options shall vest in full in the event of acceleration.<sup>3</sup> For more information, see the Company's immediate report dated 12 June 2022 (reference no: 2022-01-059412).

In accordance with the terms of the Company's option plan,<sup>4</sup> since 2015 and until the Report date, the Company allocated to Mr. Morgenstern a total of 587,447 options and 23,333 restricted share units exercisable and convertible (as applicable) into up to 610,780 Ordinary Shares of the Company, while 68,174 options out of such options have been cancelled as of the report date, 172,931 options out of such quantity were exercised or exercised and sold by Mr. Morgenstern, and 0 restricted share units have been converted, hence he currently holds 346,342 options and 23,333 restricted share units exercisable and convertible (as applicable) into up to 369,675 Ordinary Shares of the Company. The exercise price of the options ranges from ILS 0.01 to ILS 42.7 each. As of the Report date, 269,341 options held by Mr. Morgenstern have fully vested, out of which

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<sup>3</sup> "Event of Acceleration" – Listing on NASDAQ or NYSE, whether by way of an initial public offering (IPO) or by way of listing the Company's shares, and one of the following events: (1) merger transaction, structural change or other transaction similar in nature; (2) transaction where all (or most) of the Company's assets or Company shares are sold; or (3) transaction where the Company sells or transfers in any other way: (a) its intellectual property; or (b) its assets (on a consolidated basis).

<sup>4</sup> For details see section 3.3 of chapter 3 of the Prospectus.

84,407 options vested upon completion of initial public offering under the Prospectus.

- (b) Gaby Koren – Gaby Koren is directly employed by a subsidiary of the US subsidiary and has been serving as Chief Revenue Officer as of 13 January 2022.<sup>5</sup> Ms. Koren's terms of employment are set forth in her employment agreement dated 3 January 2019, as amended from time to time. New York State law applies to Ms. Koren's terms of employment. Ms. Koren's terms of employment include the following terms: (1) Monthly salary – As of the report date, and pursuant to her employment agreement, Ms. Koren's gross monthly salary is USD 22.1 thousand; (2) fringe benefits including 15 paid days of leave, health insurance and dental insurance as well as reimbursement of mobile phone expenses; (3) Ms. Koren's undertaking for a non-competition and non-solicitation period of 12 months and provisions regarding confidentiality and assignment of intellectual property to the Company, which shall survive the termination of Ms. Koren's employment with the Company, for any reason and without any time limitation; and (4) an advance notice period of 30 days. In addition, Ms. Koren is entitled to D&O liability insurance, and pursuant to the Offering under the Prospectus, to indemnity and exculpation from liability, all as set forth in Regulation 29A hereunder.

Pursuant to her employment agreement dated 3 September 2019, for 2019 Ms. Koren was entitled to an annual commission of USD 225,000 for meeting 100% of the targets, paid on a quarterly basis. Payment of the commission is contingent on Ms. Koren meeting the new order targets in the US with a value of USD 12,500,000, and Ms. Koren actually continuing to work at the Company on the dates the commission is paid. For 2019 Ms. Koren is entitled to a total commission of some USD 248 thousand, pursuant to actual orders.

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<sup>5</sup> As of 1 January 2019 and until such date, Ms. Koren served as director of the Company's operations in the US.

For 2020, Ms. Koren was entitled to an annual commission of USD 255,000 for meeting new order targets valued at USD 19,000,000. For 2020 Ms. Koren is entitled to a total commission of around USD 47 thousand, in accordance with actual orders. For 2021 Ms. Koren was entitled to an annual commission of USD 255,000 for meeting new order targets in the amount of USD 18,000,000. For 2021 Ms. Koren is entitled to a total commission of some USD 160 thousand. For 2022 Ms. Koren was entitled to an annual commission of USD 305,000 for meeting new order targets in the amount of USD 28,500,000. For 2022 Ms. Koren is entitled to a total commission some USD 144 thousand pursuant to actual orders. For 2023 Ms. Koren may be entitled to an annual commission of USD 305,000 for meeting new order targets determined according to the Company's budget.

Pursuant to the terms of the Company's option plan,<sup>6</sup> starting in 2019 and until the report date, the Company has allocated to Ms. Koren 111,667 options that can be exercised into up to 111,667 ordinary shares of the Company. The exercise price of the options ranges from USD 5.25 to ILS 60.1 each. As of the Report Date, 66,457 of the options have fully vested.

- (c) Yaron Gueta – Yaron Gueta, one of the Company's founders, serves at the Company's CTO since 1 January 2011 and as a director of it. The terms of Mr. Gueta's employment are set forth in his employment agreement dated 1 January 2011, as updated from time to time. The terms of Mr. Gueta's employment include the following: (1) monthly wage – as of the Report date, and in accordance with the update to his employment agreement dated 29 June 2022 (retroactively to February 2022) Mr. Gueta's gross monthly salary is ILS 69144; (2) related terms including 20 vacation days, sick days and convalescence pursuant to law, reimbursement of travel expenses, reimbursement of reasonable business expenses

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<sup>6</sup> For details see section 3.3 in chapter 3 of the Prospectus.

incurred in fulfilling his duty (including, inter alia, reimbursement of mobile phone expenses), pension fund deposits, officers' insurance and advanced study fund; (3) Mr. Gueta's undertaking for a non-competition and non-solicitation period of six months and provisions regarding confidentiality and assignment of intellectual property to the Company, which shall survive the termination of Mr. Gueta's employment with the Company, for any reason and without any time limitation; and (4) an advance notice period of three (3) months. On 20 October 2015 the Company provided Mr. Gueta a letter of indemnity and exculpation for his service as an officer of the Company, under the terms set forth in section 8.5.2.1 of the Prospectus. In addition, Mr. Gueta is entitled to D&O liability insurance, and pursuant to the initial public offering under the Prospectus, to indemnity and exculpation from liability, all as set forth in Regulation 29A hereunder.

In April 2022, after obtaining the approval of the Company's remuneration committee and board of directors from 8 and 15 March 2022 (respectively) and pursuant to his meeting the targets as aforesaid, Mr. Gueta was paid a total gross annual bonus of ILS 332,309 for 2021.

On 2 May 2022, on 10 May 2022 and on 29 June 2022, the remuneration committee, board of directors and general meeting of Company shareholders, respectively, approved an annual bonus to Mr. Gueta for 2022 at a gross amount of up to ILS345,720 (value of approx. 5 monthly salaries), subject to Mr. Gueta meeting personal targets and ARR Targets for 2022, while 65% of the bonus shall be for meeting ARR Targets and 35% of the bonus shall be determined at the discretion of the remuneration committee and the board of directors, pursuant to the targets determined by the remuneration committee where the ARR Target for such year was an increase of USD 17,500 thousand. It should be noted that according to the bonus mechanism, each of the bonus components can be increased by up

to a rate of 50% of the same component, subject to a rate of meeting the ARR in excess of the ARR target or at the discretion of the Remuneration Committee and the Board (as applicable). Pursuant to his meeting said targets, and after receiving the approval of the Remuneration Committee and the Company's Board of Directors from March 8 and 14, 2023 (respectively), Mr. Gueta is expected to be paid a gross annual bonus of ILS 182,022 for 2022.

In addition, on 29 June 2022 the general meeting of Company shareholders approved the grant to Mr. Gueta of 46,667 options exercisable into up to 46,667 ordinary shares of the Company, as well as a grant of 23,333 restricted share units exercisable into up to 23,333 ordinary shares of the Company. As of such date, the options and restricted share units as stated constituted approximately 0.4% and 0.2% of the Company's issued share capital (respectively). Furthermore, on such date the general meeting approved the update to the vesting terms of 84,000 options that were granted to Mr. Gueta in February 2021, in a manner that the options shall vest in full in the event of an Even of Acceleration. For more details see the Company's immediate report dated 12 June 2022 (reference no: 2022-01-059412).

In accordance with the terms of the Company's option plan,<sup>7</sup> since 2016 and until the report date, the Company allocated to Mr. Gueta 333,568 options and 23,333 restricted share units exercisable and convertible (as applicable) into up to 356,901 Ordinary Shares of the Company, while 27,874 options out of such options have been cancelled as of the report date, and 0 restricted share units have been converted, hence he currently holds 305,694 options and 23,333 restricted share units exercisable and convertible (as applicable) into up to 329,027 Ordinary Shares of the Company. The exercise price of the options ranges from ILS 0.01 to ILS 42.7 each. As of the report

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<sup>7</sup> For details see section 3.3 of chapter 3 of the Prospectus.

date, 224,555 options held by Mr. Gueta have fully vested, out of which 45,732 additional options vested upon completion of initial public offering under the Prospectus.

(d) Paul Yallop – Paul Yallop has been directly employed by SessionCam and has served as SVP, Global Mid-Market, since 1 August 2021. The terms of Mr. Yallop’s employment are set forth in his employment agreement dated 8 July 2010, as updated from time to time. UK law applies to the terms of Mr. Yallop’s employment. The terms of Mr. Yallop’s employment include the following: (1) annual salary –in accordance with his employment agreement, Mr. Yallop’s gross annual salary is approximately GBP 174 thousand; (2) related terms including 25 vacation days, sick days pursuant to law, pension arrangement; and (3) Mr. Yallop’s undertaking for a non-competition and non-solicitation period of 6 months. In addition, Mr. Yallop is entitled to D&O liability insurance, and pursuant to the initial public offering under the Prospectus, to indemnity and exculpation from liability, all as set forth in Regulation 29A hereunder.

On 10 March 2022 and on 15 March 2022 the Company’s remuneration committee and board of directors, respectively, approved an annual bonus to Mr. Yallop for 2021 totaling GBP 18,750, based on the discretion of the Company’s remuneration committee and board of directors. In addition, pursuant to his terms of employment, Mr. Yallop is entitled to an annual bonus totaling up to GBP 55 thousand, subject to meeting 100% of the targets defined for him for such year (value of approx. four monthly salaries). The annual bonus as stated for 2022 is based on two measures, as follows: (a) 50% of the bonus is to be determined at the discretion of the remuneration committee and board of directors, pursuant to meeting personal targets set by the Company’s CEO; and (b) 50% of the bonus is based on meeting the ARR Targets for 2022. In April 2023, after obtaining the approval of the Company’s

remuneration committee and board of directors from 8 and 14 March 2023 (respectively) and in accordance with his meeting of such targets, Mr. Yallop is expected to be paid a total gross annual bonus of approximately GBP 21 thousand for 2022.

In accordance with the terms of the Company's option plan,<sup>8</sup> since 2021 and until the Report date, the Company allocated to Mr. Yallop 100,000 options exercisable into up to 100,000 Ordinary Shares of the Company. The exercise price of the options ranges from ILS 25.35 to ILS 96.38 each. As of the Report date, 24,375 options have fully vested.

- (e) Assim Zaheer – Assim Zaheer is directly employed by Glassbox USA and serving as CMO as of January 4, 2021. Mr. Zaheer's terms of employment are set forth in his employment agreement dated December 3, 2021. Mr. Zaheer's terms of employment are subject to the law of the State of New York, United States. Mr. Zaheer's terms of employment include the following terms: (1) Annual salary – In accordance with his employment agreement, Mr. Zaheer's gross annual salary is USD 295 thousand; (2) fringe benefits including 15 days of unpaid payment, financing of health insurance and dental insurance and reimbursement of cell phone expenses; And (3) Mr. Zaheer's commitment for a non-compete and non-solicitation period of 12 months as well as provisions regarding confidentiality and intellectual property checks to the Company, which shall continue to be valid even after Mr. Zaheer's employment with the Company, for any reason, and indefinitely. In addition, Mr. Zaheer is entitled to D&O liability insurance, and pursuant to completion of the initial public offering under the Prospectus, to indemnity and exculpation from liability, all as set forth in Regulation 29A hereunder.

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<sup>8</sup> For details see section 3.3 of chapter 3 of the Prospectus.

In accordance with his employment agreement dated December 3, 2020, Mr. Zaheer is entitled to an annual bonus of up to USD 125 thousand subject to the meeting of 100% of the targets defined for the same year (value of approximately 5 and a half monthly salaries). The aforesaid annual bonus for 2021 is based on two indicators as follows: (a) 50% of the bonus is to be determined at the discretion of the remuneration committee and board of directors, pursuant to meeting personal goals set by the Company's CEO; and (b) 50% of the bonus is based on meeting the ARR Target for 2021. In April 2022, after receiving the approval of the Remuneration Committee and the Company's Board of Directors from March 8 and 15, 2022 (respectively) and in accordance with his meeting with such targets, a total gross annual bonus of USD 104,261 was paid to Mr. Zaheer for 2021.

The annual bonus as stated for 2022 is based on two measures, as follows: (a) 50% of the bonus is based on meeting personal targets set forth by the Company's CEO; and (b) 50% of the bonus is based on meeting the ARR Targets for 2022. In April 2023, after obtaining the approval of the Company's remuneration committee and board of directors from 8 and 14 March 2023 (respectively) and pursuant to meeting said targets, Mr. Zaheer is expected to receive a total gross annual bonus of around USD 53 thousand for 2022.

In accordance with the terms of the Company's option plan,<sup>9</sup> from 2021 until the date of the report, the Company has allocated to Mr. Zaheer 86,902 options that can be exercised up to 86,902 ordinary shares of the Company. The exercise price of the options stands at USD 6.01 each. As of the date of the report, 36,207 of the options have fully matured.

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<sup>9</sup> For details see section 3.3 of chapter 3 of the Prospectus.

**Regulation 21A: Control of the corporation**

As of the Report date, there is no controlling shareholder of the Company. This, considering the holding rate of the Company's interested parties described in Regulation 24 below, and the provisions of the Company's articles with respect to the appointment of directors, whereby none of such interested parties have the exclusive power to appoint a director to the Company's board of directors.

Notwithstanding the foregoing, in light of the fact that the holding rate of Ibex Israel Fund LLP (as set forth in Regulation 24 below) is approximately 32.49% of the Company's share capital ("**Ibex**"), the Company views Ibex as a controlling shareholder of the Company with respect to section 268 of the Companies Law, 5759-1999 (the "**Companies Law**").

**Regulation 22: Transactions with a controlling shareholder**

To the Company's best knowledge, there are no transactions with a controlling shareholder of the Company or in which a controlling shareholder of the Company has a personal interest in being approved, which the Company engaged with in the reporting year or on a date after the end of the Report year until the date the Report is submitted or that is still valid on the Report date.

**Regulation 24: Holdings of interested parties and senior officers**

Presented below are details to the best of the Company's knowledge, on holdings of interested parties and senior officers of the Company close to the Report date:

| Name of shareholder             | Class of security | Number of securities | Holding rate |                 | Fully diluted holding rate |                 |
|---------------------------------|-------------------|----------------------|--------------|-----------------|----------------------------|-----------------|
|                                 |                   |                      | In equity    | In voting power | In equity                  | In voting power |
| Yaron Morgenstern <sup>10</sup> | Ordinary share    | 42,614               | 0.36%        | 0.36%           | 0.28%                      | 0.28%           |
|                                 | Warrants          | 346,342              | 0.00%        | 0.00%           | 2.24%                      | 2.24%           |

<sup>10</sup> Mr. Morgenstern serves as director and CEO of the Company.

|  |                        |           |        |        |        |        |
|--|------------------------|-----------|--------|--------|--------|--------|
|  | Restricted share units | 23,333    | 0.00%  | 0.00%  | 0.15%  | 0.15%  |
| Yaron Guetta <sup>11</sup>                                   | Ordinary share         | 105,987   | 0.90%  | 0.90%  | 0.68%  | 0.68%  |
|  | Warrants               | 305,694   | 0.00%  | 0.00%  | 1.97%  | 1.97%  |
|  | Restricted share units | 23,333    | 0.00%  | 0.00%  | 0.15%  | 0.15%  |
| Ibex Israel Fund LLLP  | Ordinary share         | 3,834,846 | 32.49% | 32.49% | 24.76% | 24.76% |
| Updata Partners V, L.P                                       | Ordinary share         | 1,210,744 | 10.26% | 10.26% | 7.82%  | 7.82%  |
| Brighton Park Capital Fund I, L.P                            | Ordinary share         | 1,221,890 | 10.35% | 10.35% | 7.89%  | 7.89%  |
| Midgal Insurance and Financial Holdings Ltd. - participating | Ordinary share         | 671,490   | 5.69%  | 5.69%  | 4.33%  | 4.33%  |
| Midgal Insurance and Financial Holdings Ltd. - trust funds   | Ordinary share         | 26,915    | 0.23%  | 0.23%  | 0.17%  | 0.17%  |
| Hanan Blumstein <sup>12</sup>                                | Ordinary share         | 104,757   | 0.89%  | 0.89%  | 0.68%  | 0.68%  |
|  | Warrants               | 191,552   | 0.00%  | 0.00%  | 1.24%  | 1.24%  |
| Yoav Schreiber <sup>13</sup>                                 | Ordinary share         | 132,175   | 1.12%  | 1.12%  | 0.85%  | 0.85%  |
|  | Warrants               | 191,552   | 0.00%  | 0.00%  | 1.24%  | 1.24%  |
| Kobi Carlebach <sup>14</sup>                                 | Ordinary share         | 2,750     | 0.02%  | 0.02%  | 0.02%  | 0.02%  |
|  | Warrants               | 97,500    | 0.00%  | 0.00%  | 0.63%  | 0.63%  |
|  | Restricted share units | 3,750     | 0.00%  | 0.00%  | 0.02%  | 0.02%  |
| Hila Bazar <sup>15</sup>                                     | Ordinary share         | 1,667     | 0.01%  | 0.01%  | 0.01%  | 0.01%  |
|  | Warrants               | 78,333    | 0.00%  | 0.00%  | 0.51%  | 0.51%  |
|  | Restricted share units | 5,000     | 0.00%  | 0.00%  | 0.03%  | 0.03%  |
| Itzhak Tambor <sup>16</sup>                                  | Ordinary share         | 3,792     | 0.03%  | 0.03%  | 0.02%  | 0.02%  |
|  | Warrants               | 71,167    | 0.00%  | 0.00%  | 0.46%  | 0.46%  |
|  | Restricted share units | 4,375     | 0.00%  | 0.00%  | 0.03%  | 0.03%  |
| Nir Pinhasov <sup>17</sup>                                   | Warrants               | 50,000    | 0.00%  | 0.00%  | 0.32%  | 0.32%  |
|  | Restricted share units | 25,000    | 0.00%  | 0.00%  | 0.16%  | 0.16%  |
| Gaby Koren <sup>18</sup>                                     | Warrants               | 111,667   | 0.00%  | 0.00%  | 0.72%  | 0.72%  |
| Eyal Maor <sup>19</sup>                                      | Warrants               | 110,000   | 0.00%  | 0.00%  | 0.71%  | 0.71%  |
| Asim Zaheer <sup>20</sup>                                    | Warrants               | 86,902    | 0.00%  | 0.00%  | 0.56%  | 0.56%  |
| Paul Yallop <sup>21</sup>                                    | Warrants               | 100,000   | 0.00%  | 0.00%  | 0.65%  | 0.65%  |

<sup>11</sup> Mr. Guetta serves as director and CTO of the Company.

<sup>12</sup> Mr. Blumstein serves as Chief Business Officer of the Company.

<sup>13</sup> Mr. Schreiber serves as Chief Operations Officer of the Company.

<sup>14</sup> Mr. Carlebach serves as CFO of the Company.

<sup>15</sup> Ms. Bazar serves as VP Human Resources of the Company.

<sup>16</sup> Mr. Tambor serves as VP and Legal Counsel of the Company.

<sup>17</sup> Mr. Nir Pinhasov serves as the VP, R&D of the Company.

<sup>18</sup> Ms. Koren serves as Chief Revenue Officer of the Company.

<sup>19</sup> Mr. Maor serves as SVP Global CS of the Company.

<sup>20</sup> Mr. Zaheer serves as CMO of Glassbox USA.

<sup>21</sup> Mr. Yallop serves as SVP Global Mid-Market of the Company.

**Regulation 24A: Registered share capital, issued share capital, and convertible securities**

Below is information regarding the registered share capital, issued share capital and convertible securities as of 31 December 2022 and the Report date:

| Name and kind of security  | As of the Report Date |                | As of 31 December 2021 |                |
|--|-----------------------|----------------|------------------------|----------------|
|  | registered capital    | Issued capital | registered capital     | Issued capital |
| Ordinary shares of ILS 0.01 par value each                                       | 50,000,000            | 803,783        | 50,000,000             | 11,771,723     |
| Warrants convertible to ordinary shares of ILS 0.01 par value each               | -                     | 3,466,977      | -                      | 3,412,280      |
| Warrants convertible to ordinary shares of ILS 0.01 par value each (advisors)    | -                     | 51,294         | -                      | 51,294         |
| Restricted share units convertible to ordinary shares of ILS 0.01 par value each | -                     | 168,131        | -                      | 162,131        |

**Regulation 24B: Shareholders registry**

As of the Report date, the Company's shareholders registry is as follows:

| Name of shareholder                                 | Identification number | Address                  | Citizenship/ country of incorporation | Class of shares and their par value        | Number of securities | Quantity of shares it holds | Holding shares as trustee |
|---|-----------------------|--------------------------|---------------------------------------|--|----------------------|-----------------------------|---------------------------|
| Nominee company of the Tel Aviv Stock Exchange Ltd. | 515736817             | 2 Ahuzat Bayit, Tel Aviv | Israel                                | Ordinary shares of ILS 0.01 par value each | 1176288              | 11,803,783                  | No                        |

**Regulation 25A: Registered address**

Company's registered address - 25 Basel, Petah Tikva, 4951038

Email - itzhak.tambor@glassboxdigital.com

Telephone - 074-7022321

Fax - 03-6966464

**Regulation 26: The directors of the Company**

Below are the details of the directors of the Company as of the Report date:

| Name of director   | Yaron Guetta            | Yaron Morgenstern                       | Brian Abrams                           | James Lee Liang   | Lisa Hammitt                        | Zachary Gut  | Gal Gitter            | Yael Shaham  | Netta Benari   | Benjamin Weiss   |
|--|-------------------------|---|--|---|-------------------------------------|--|-----------------------|--|--|--|
| <b>ID number</b>   | 031830490               | 032284945                               | 660979263<br>(US Passport number)      | 495734357 (US ID number)                                | 552064647<br>(US ID number)         | 505837869<br>(US ID number)                                  | 065658577             | 024055477  | 028086635  | 332745025  |
| <b>Date of birth</b>                                       | 31 October 1974         | 24 April 1975                           | 4 December 1977                        | 17 May 1957   | 13 November 1962                    | 3 May 1984   | 12 August 1982        | 23 March 1969  | 13 January 1971  | 19 June 1979   |
| <b>Address for service of judicial documents</b>           | 17 Eshkol, Hod Hasharon | 49 Christchurch Avenue, London, N12 0DG | 201 Lafayette St., Denver CO 80209 USA | 555 Bishop Gate Lane, Unit 2401, Jacksonville, FL 32204 | 22 Asbury Road, Huntsville AL 35801 | Brighton Park Capital; 330 Railroad Ave; Greenwich, CT 06880 | 1 Moshe Kol, Tel Aviv | 8 Simha Holtsberg, Kiryat Ono  | 2 Ga'aton Alley, Tel Aviv  | 11 Herman Cohen, Tel Aviv  |
| <b>Citizenship</b>   | Israel                  | Israel and Czechia                      | US                                     | US  | US                                  | US   | Israel                | Israel   | Israel   | Israel   |
| <b>Committee or board committee memberships</b>            | -                       | -                                       | -                                      | -   | -                                   | -  | -                     | Member of committee for examination of financial statements, and of audit committee and remuneration committee | Member of committee for examination of financial statements, and of audit committee and remuneration committee | Member of committee for examination of financial statements, and of audit committee and remuneration committee |
| <b>External director, external expert, or independent?</b> | -                       | -                                       | -                                      | -   | -                                   | -  | -                     | Expert external director   | Expert external director   | Independent director   |
| <b>Date he/she began serving as director</b>               | 2 December 2010         | 31 December 2015                        | 2 November 2014                        | 31 August 2020  | 2 April 2020                        | 2 April 2020   | 8 July 2020           | 19 August 2021   | 11 November 2021   | 11 November 2021   |
| <b>His/her</b>   | BA in                   | BS in Industrial                        | BA in                                  | MBA –   | BA                                  | Harvard  | BA-                   | BSC in   | BA in  | Bachelor of  |

| <b>Name of director</b>   | <b>Yaron Guetta</b>   | <b>Yaron Morgenstern</b>  | <b>Brian Abrams</b>   | <b>James Lee Liang</b>   | <b>Lisa Hammitt</b>  | <b>Zachary Gut</b>   | <b>Gal Gitter</b>   | <b>Yael Shaham</b>  | <b>Netta Benari</b>   | <b>Benjamin Weiss</b>  |
|---|---|---|---|--|--|--|---|---|---|--|
| <b>education while noting professions or areas where he/she acquired education, the institution where it was acquired, and the academic degree or professional certificate he/she holds</b> | computer science from The Academic College of Tel Aviv. Graduated in 2000 | Engineering ben Gurion University 2001 and MBA from Ben Gurion University in Israel 2005. | Government from Harvard University 2000   | University of Chicago School of Business 1984, Sc.B. – Applied Mathematics/ Economics, Brown University 1979 | University of California at Berkeley: (1) Political Science; and (2) French 1985<br><br>Graduate Certificate from Harvard Business School in Executive Education in 2018 | University (MBA 2013) and Georgetown University (BA 2007)                            | Economics, Technion Institute 2009, MBA, Wharton School of Business 2012        | Computer Science from Bar Ilan University, certified in Organizational Sociology, Bar Ilan University | Economics and Accounting, Tel Aviv University; certified in Business Administration, Tel Aviv University. | Commerce (Finance) – University of New South Wales, Australia; Bachelor of Law – University of New South Wales, Australia; Chartered Financial Analyst (CFA) – CFA Institute; Graduate Diploma of Legal Practice – Sydney College of Law |
| <b>Does he/she have accounting and financial expertise or professional skills</b>   | Professional qualifications   | Professional qualifications   | Accounting and financial expertise and professional qualifications                    | Accounting and financial expertise and professional qualifications   | Accounting and financial expertise and professional qualifications   | Accounting and financial expertise and professional qualifications                   | Accounting and financial expertise and professional qualifications              | Professional qualifications   | Accounting and financial expertise and professional qualifications  | Accounting and financial expertise and professional qualifications   |
| <b>Employment in last five years</b>  | CTO of the Company  | CEO of the Company (2015-today)<br><br>Consultant in Gridspace Inc. (2018-today)          | President at IbeX Investors (2011-2022)<br>Managing Member at B Ventures (2023-today) | Operating Partner at Updata Partners V, L.P. (September 2020-today)  | Board Advisor at Sumo Logic Inc. (2020-today)<br><br>EVP, AI and CTO   | Managing Director at THL Partners (2022-today)<br><br>Partner, Brighton Park Capital | Associate Partner at McKinsey & Company (2012-2020)<br><br>Managing Director at | General Manager, Enterprise & Learning Division at Kaltura Ltd. (2020-2021), General                  | Business Development, Mergers and Acquisitions Capital Markets Executive (2020-today);                    | Venture Partner at Softbank Ventures Asia (2015 – 2022);<br>Director at Israel   |



| <b>Name of director</b>   | <b>Yaron Guetta</b> | <b>Yaron Morgenstern</b>  | <b>Brian Abrams</b> | <b>James Lee Liang</b> | <b>Lisa Hammitt</b> | <b>Zachary Gut</b> | <b>Gal Gitter</b> | <b>Yael Shaham</b> | <b>Netta Benari</b> | <b>Benjamin Weiss</b> |
|---|---------------------|---|---------------------|------------------------|---------------------|--------------------|-------------------|--------------------|---------------------|-----------------------|
| <b>affiliated company, or interested party of the Company</b>   |                     | services to Company under intercompany services agreement executed between Company and UK subsidiary.<br>Mr. Morgenstern is organizationally subject to Company's board of directors. |                     |                        |                     |                    |                   |                    |                     |                       |
| <b>Is he/she a family member of different interested party in the corporation?</b>  | No                  | No  | No                  | No                     | No                  | No                 | No                | No                 | No                  | No                    |
| <b>Is he/she a director the Company considers an expert in accounting and finance for purposes of meeting the minimum number determined by the board of directors under Section</b> | No                  | No  | Yes                 | Yes                    | Yes                 | Yes                | Yes               | No                 | Yes                 | Yes                   |

| Name of director                | Yaron Guetta | Yaron Morgenstern | Brian Abrams | James Lee Liang | Lisa Hammitt | Zachary Gut | Gal Gitter | Yael Shaham | Netta Benari | Benjamin Weiss |
|---------------------------------|--------------|-------------------|--------------|-----------------|--------------|-------------|------------|-------------|--------------|----------------|
| 92(a)(12) of the Companies Law? |              |                   |              |                 |              |             |            |             |              |                |



| Name of officer  | Yoav Schreiber  | Hanan Blumstein   | Kobi Carlebach   | Itzhak Tambur  | Hila Bazar   | Gaby Koren   | Eyal Maor   | Asim Zaheer  | Paul Yallop                                  | Nir Pinhasov  | Alon Amit   |
|--|---|---|--|--|--|--|---|--|--|---|---|
| <p><b>His/her education while noting professions or areas where he/she acquired education, the institution where it was acquired, and the academic degree or professional certificate he/she holds</b></p> | <p>Master's degree in Business and Administration from Northwestern University's Kellogg School of Management 2007, and a Bachelor of Science in Economics and Computer Science from Bar-Ilan University 1998</p> | <p>BA in Computer Science and Mathematics (Bar Ilan University), 1999</p> | <p>BA Accounting and Economics (Tel Aviv University, Israel), 2001<br/>MBA in Financing, Accounting and Technology Information Systems (Tel Aviv University, Israel), 2004</p> | <p>LLB in Law and Economics, Bar Ilan University, Israel), 2009<br/>LLM in Law (Bar Ilan University, Israel), 2010</p> | <p>BA in Social Sciences (Open University, Israel), 2008<br/>MBA in Organizational Consulting (Ono Academic College, Israel), 2012</p> | <p>BA in Behavioral Sciences from the College of Management 1997<br/>EMBA from Kellogg school of Management from Northwestern College 2008</p> | <p>BSC in Computer Science, City College of NY, 1997;<br/>Master's in technology management, Wharton School of the University of Pennsylvania, 2001</p> | <p>Bachelor of Science in Marketing from University of Connecticut 1990<br/>Master's in business administration from University of Hartford 1993</p> | <p>Paston Grammar School, Paston College</p> | <p>Electrical and computer engineering, Amal B Petah Tikva.<br/>Electrical and computer engineering, Ariel University</p> | <p>BA in political science and communications, MA in Internal and Public Auditing, degrees in a variety of areas such as internal auditing, cyber, information systems and privacy protection. CIA, CISA, CSX-A, CDPSE and QAR.</p> |
| <p><b>Employment in last five years</b></p>  | <p>COO of the Company</p>   | <p>GM EMEA and APAC (2021 –</p>   | <p>CFO of the Company (2018-today)</p>   | <p>Legal consultant of the Company (2017-</p>  | <p>VP Human Resources of the Company (2018-</p>  | <p>GM Americas of the Company (2019-</p>   | <p>Consultant, VP and SVP professional services</p>   | <p>VP Marketing at the US subsidiary (2021-</p>  | <p>Chief Revenue Officer &amp; Founding</p>  | <p>VP Engineering, Playtika Ltd. 2017-</p>  | <p>Partner and manager of internal auditing activity,</p>   |

| Name of officer | Yoav Schreiber | Hanan Blumstein                                    | Kobi Carlebach            | Itzhak Tambur | Hila Bazar   | Gaby Koren   | Eyal Maor                        | Asim Zaheer   | Paul Yallop               | Nir Pinhasov | Alon Amit  |
|-----------------|----------------|--|---------------------------|---------------|--|--|----------------------------------|---|---------------------------|--------------|--|
|                 |                | 2022)<br>CVO & GM ROW in the Company (2010 – 2021) | CFO of Haromi (2016-2018) | today)        | today)<br>Human Resources Manager of Honnywell (2017-2018) | 2022)<br>VP Americas in Twiggle Inc. (2018)<br>VP Americas in Indegy inc (2017 – 2018) | of the US subsidiary (2016-2019) | today)<br>Chief Marketing Officer and SVP in Ellucian (2019 – 2020)<br>Chief Marketing Officer and SVP in Hitachi Vantara (2016 – 2018) | Director, SessionCam Ltd. | 2022)        | auditing of information systems and risk management at Raveh Ravid Internal Audit Services Ltd. Serves as the internal auditor of a few companies. Until January 2023 – President of ISACA Israel Chapter (the Israeli Association for Auditing and Securing Information Systems). |

**Regulation 26B:** Authorized signatory of the Company

As of the Report date, the Company has no independent authorized signatories, as this term is defined in section 37(d) of the Securities Law, 5728-1968.

**Regulation 27:** The Company's auditor

The Company's auditor is Kesselman & Kesselman (PwC Israel), 146 Menachem Begin Road, Tel Aviv-Yafo 6492103.

**Regulation 28:** Changes in the articles of association

There have been no changes to the Company's articles of association during the report period.

**Regulation 29:** Directors' recommendations and resolutions

- a. The directors' recommendations to the general meeting and their decisions that do not require the general meeting's approval:

For details regarding changes that applied to the registered share capital or issued share capital of the Company, see section 3.2 of the Prospectus and section 12. of the Report on the Corporation's Business above.

- b. Resolutions of the extraordinary general meeting:

(1) In the Company's annual and extraordinary general meeting of shareholders of 29 June 2022, resolutions were adopted regarding the reappointment of the audit firm of the Company, the reappointment of directors who are not external directors, and the update to the terms of service of Messrs. Yaron Morgenstern (director and CEO) and Yaron Gueta (director and VP Technologies). For more information, see the complementary report for convening an annual and extraordinary general meeting of shareholders of the Company dated 12 June 2022, and the

immediate report regarding its results dated 29 June 2022 (reference no: 2022-01-059412 and 2022-01-067971, respectively), the information of which is presented in this Periodic Report by way of reference.

- (2) For details regarding the resolutions of the General Meeting regarding exemption, indemnification and insurance for officers of the Company, see Regulation 29A hereinbelow.

**Regulation 29A: The Company's resolutions**

a. Directors and officers liability insurance:

- (1) On 31 May 2021 and 1 June 2021, the Company's board of directors and the general meeting of the Company's shareholders, respectively, approved the contractual engagement with insurers in a directors and officers liability insurance of the Company and its subsidiaries (the "**Insurance Policy**"), with respect to directors and officer who serve and/or shall serve with the Company from time to time, for a one year period, beginning on the completion date of the Offering under the Prospectus and the listing of the Company's securities,<sup>22</sup> at a liability limit of up to USD 10,000,000 per event and in aggregate for the insurance period. The annual premium is USD 133,000. The deductible for the Company in the insurance policy for claims against directors and officers ranges from USD 50,000 to USD 100,000, and for claims against the Company concerning violations of the security laws USD 200,000. The terms of the insurance policy are identical with respect to all of the directors and officers of the Company, of the second-tier subsidiaries and of the third-tier subsidiaries. On 9 June 2022, the Insurance Policy was

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<sup>22</sup> i.e., starting 10 June 2021.

renewed under identical terms for an additional one-year period, with an annual premium of approximately USD 83 thousand.

- (2) In addition, on 31 May 2021 and 1 June 2021, the Company's board of directors and general meeting of the Company's shareholders, respectively, approved the Company's contractual engagement in a designated insurance policy for publication of the Prospectus and initial public offering of the Company Shares thereunder (POSI - Public Offering of Securities Insurance), for a seven year period starting on the date the securities offered under the Prospectus are listed<sup>23</sup> (the "**POSI Policy**"). The limits of liability of the POSI Policy are USD 10,000,000 per event and in aggregate for the insurance period (of seven years). The premium for the insurance period (seven years) is USD 278,000. The deductible for the Company for a claim under the POSI Policy against directors and officers ranges from USD 50,000 to USD 100,000, and for claims against the Company concerning violations of the security laws USD 200,000. The terms of the insurance policy are identical with respect to all of the directors and officers of the Company (and of the subsidiaries and second-tier subsidiaries), including with respect to the Company's CEO and with respect to directors and officers who are part of Ibex (which the Company views as a controlling shareholder in respect of section 268 of the Companies Law, as set forth in Regulation 21A above).

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<sup>23</sup> i.e., starting 10 June 2021.

(3) For details about the resolutions of the general meeting of the Company's shareholders regarding the terms of service and employment of Ms. Yael Shaham, Netta Benari and Mr. Benjamin Weiss (including their entitlement to directors and officers liability insurance as customer at the Company), see Regulation 29 above.

b. Release and indemnity of directors and officers:

(1) On 31 May 2021 and 1 June 2021, the Company's board of directors and general meeting of the Company's shareholders, respectively, subject to the completion of the Offering under the Prospectus and the new articles of the Company becoming effective,<sup>24</sup> approved granting letters of release and indemnity in favor of the Company's directors and officers currently or from time to time serving, and in favor of officers currently or in the future service and currently or from time to time employed, on behalf of the Company in other corporations in which the Company holds any securities, directly and/or indirectly ("**Different Corporation**").

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<sup>24</sup> For details see Regulation 28 above.

In the framework of the letters of indemnity and release, the Company undertook to indemnify the foregoing for any liability or expense and/or reasonable litigation expenses, as set forth in the letter of indemnity, which shall be imposed thereon due to their actions, by virtue of their being officers in the Company and/or officers or employees on behalf of the Company in a Different Corporation, provided the maximum indemnity amount for financial liabilities to be imposed on the foregoing following a judgment (including a judgment given in a settlement or arbitral ruling that was validated by the court) shall not exceed (cumulatively for all the officers, in a single case and cumulatively for all cases) an amount equal to 25% of the Company's fixed equity (the "**Maximum Indemnity Amount**"). In this respect, the "**Company's Determining Equity**" means the Company's equity amount pursuant to the Company's most recent audited or reviewed (as applicable) consolidated financial statements, as they shall be on the date the indemnifiable event occurred. It is clarified that the indemnity shall apply beyond the amount to be paid (if any) in the framework of the directors and officers liability insurance that the Company purchased or shall purchase from time to time.

In addition, in the framework of the letters of indemnity and release, the Company released the foregoing from any liability towards it (to the extent that this is permitted under law), with respect to any damage that it shall sustain by the foregoing, through their actions by virtue of their being officers in the Company and/or officers or employees on behalf of the Company in a Different Corporation, following a violation of the duty of care (except for damage due to a violation of the duty of care in distribution (as defined in the Companies Law) and additional damage set forth in

the letter of indemnity). The letter of release shall not apply with respect to a decision or transaction in which the Company's controlling shareholder (if any) or any officer of the Company has a personal interest.

- (4) For details about the resolutions of the general meeting of the Company's shareholders regarding the terms of service and employment of Ms. Yael Shaham, Netta Benari and Mr. Benjamin Weiss (including their entitlement to indemnity and release as customary at the Company), see Regulation 29 above.

14 March 2023

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Mr. Yaron  
Morgenstern,  
CEO of the  
Company

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Mr. Brian Abrams  
  
Chairman of the  
Board of Directors

**Chapter E – Annual report regarding the effectiveness of internal control over financial reporting and disclosure pursuant to regulation 9B(a)**

The Management, under the supervisions of the Board of Directors of Glassbox Ltd. (hereafter: the "Company") is responsible for determining and maintaining appropriate internal control over financial reporting and of disclosure in the Company.

In this regard, the members of the Management are as follows:

1. Yaron Morgenstern, CEO
2. Kobi Carlebach, CFO

The internal control over financial reporting and disclosure includes the existing controls and procedures in the Company, which were determined by the Chief Executive Officer and the senior corporate financial officer or under their supervision, or by someone who in practice carries out these functions, under the supervision of the Company's Board of Directors and which are intended to provide a reasonable degree of assurance regarding the reliability of financial reporting and the preparation of the reports according to the provisions of the law and to ensure that the information which the Company is required to disclose in the reports that it publishes according to the provisions of the law is gathered, processed, summarized and reported on the dates and in the format prescribed by law.

The internal control includes, among other things, controls and procedures that were determined to ensure that the information which the Company is required to disclose was accumulated and submitted to the Company's Management, including the Chief Executive Officer and the senior corporate financial officer or someone who in practice fulfills these functions, in order to facilitate decision making at the appropriate time, with regard to the disclosure requirements.

Due to its structural constraints, internal control over financial reporting and disclosure is not intended to provide absolute assurance that misrepresentation or the omission of information in the reports will be prevented or revealed.

The management, under the supervision of the Board of Directors, performed an examination and assessment of the internal control over financial reporting and disclosure in the Company and its effectiveness.

The assessment of the internal control over financial reporting and disclosure performed by the management, under the supervision of the Board of Directors included:

Mapping and identifying the accounts and business processes which the Company considers to be very material to the financial reporting and disclosure; Examining key controls and reviewing the effectiveness of the controls; Internal control components included control on accounting period closing processes, editing and preparation of the financial statements and disclosures, controls at the organization level, general controls on information systems and controls in business processes that were defined as very material at the company level: revenue and salaries.

Based on the assessment of the internal control performed by the management, under the supervision of the Board of Directors, as described above, the Board of Directors and the Management of the Company have

come to the conclusion that the internal control over financial reporting and disclosure in the Company as of December 31, 2022 is effective.

## Executive Statements

### The statement of the CEO according to regulation 9B(d)(1)

I, Yaron Morgenstern, state as follows:

1. I have reviewed the annual report of Glassbox Ltd. (hereinafter – the "**Company**") for the year 2022 (hereinafter – the "**reports**");
2. Based on my knowledge, the reports do not contain any misrepresentation of a material fact or omit any representation of material fact required so that the representations included therein, in light of the circumstances under which such representations were made, are not misleading with respect to the reports period;
3. Based on my knowledge, the financial statements and other financial information included in the reports adequately reflect in all material aspects the financial position, the results of operations and cash flows of the Company for the dates and periods to which the reports relate;
4. I have disclosed to the Company's auditor, the Board of Directors and the Company's audit and financial statements committees, based on my most recent assessment regarding the internal control over financial reporting and disclosure:
  - a. All material deficiencies and weaknesses in determining or operating the internal control over financial reporting and disclosure, which could reasonably adversely affect the Company's ability to gather, process, summarize and report financial data so as to cast doubt on the reliability of financial reporting and the preparation of financial statements in accordance with law; and –
  - b. Any fraud, whether or not material, that involves the CEO or anyone directly subordinated to the CEO or that involves other employees who have a significant role in internal control over financial reporting and disclosure;
5. I, by myself or together with others in the Company, state that:
  - a. I have determined such controls and procedures, or ascertained the determination and fulfillment of controls and procedures under my supervision, intended to ensure that material information relating to the Company, including its subsidiaries as defined in the Securities Law (Annual Financial Statements) – 2010, is made known to me by others in the Company and the subsidiaries, particularly during the period in which the reports are being prepared; and –
  - b. I have determined such controls and procedures, or ascertained the determination and fulfillment of such controls and procedures under my supervision, intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with law, including in accordance with generally accepted accounting principles;
  - c. Assessed the effectiveness of the internal control over financial reporting and disclosure, and presented in this report the conclusion of the Board of Directors and the Management with respect to the effectiveness of the internal control as aforesaid as of the date of the reports.

The foregoing does not derogate from my responsibility or the responsibility of any other person under any applicable law.

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Yaron Morgenstern

CEO

Date: March 14, 2023

**The statement of the highest-ranking officer in finance according to regulation 9B(d)(2)**

I, Kobi Carlebach, state as follows:

1. I have reviewed the financial statements and other financial information included in the reports of Glassbox Ltd. (hereinafter – the "**Company**") for the year 2020 (hereinafter – the "**reports**");
2. Based on my knowledge, the financial statements and other financial information included in the reports do not contain any misrepresentation of a material fact or omit any representation of material fact required so that the representations included therein, in light of the circumstances under which such representations were made, are not misleading with respect to the reports period;
3. Based on my knowledge, the financial statements and other financial information included in the reports, adequately reflect in all material aspects the financial position, the results of operations and cash flows of the Company for the dates and periods to which the reports relate;
4. I have disclosed to the Company's auditor, the Board of Directors and the Company's audit and financial statements committees, based on my most updated assessment regarding the internal control over financial reporting and disclosure:
  - a. All material deficiencies and weaknesses in determining or operating the internal control over financial reporting and disclosure to the extent it relates to the financial statements and other financial information included in the reports, which could reasonably adversely affect the Company's ability to gather, process, summarize and report financial data so as to cast doubt on the reliability of financial reporting and the preparation of financial statements in accordance with the provisions of the law; and –
  - b. Any fraud, whether or not material, that involves the CEO or anyone directly subordinated to the CEO or that involves other employees who have a significant role in internal control over financial reporting and disclosure.
5. I, by myself or together with others in the Company, state that:
  - a. I have determined such controls and procedures, or ascertained the determination and fulfillment of controls and procedures under my supervision, intended to ensure that material information relating to the Company, including its subsidiaries as defined in the Securities Law (Annual Financial Statements) – 2010, is made known to me by others in the Company and the subsidiaries, particularly during the period in which the reports are being prepared; and –
  - b. I have determined such controls and procedures, or ascertained the determination and fulfillment of such controls and procedures under my supervision, intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with law, including in accordance with generally accepted accounting principles;
  - c. Assessed the effectiveness of the internal control over financial reporting and disclosure, to the extent it relates to the financial statements and other financial information included in the reports as of the date of the reports; my conclusions with respect to my assessment as aforesaid were brought before the Board of Directors and the Management and are included in this report.

The foregoing does not derogate from my responsibility or the responsibility of any other person under any applicable law.

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Kobi Carlebach, CFO

Date: March 14, 2023