

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")

2023 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 2023 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 2023, 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 “Group Customer”** - Customer of the Group who uses its products;
- “User” or “End User”** - Users of the websites and mobile applications operated by

“User”	-	the Group Customers;
“Digital Channels”	-	Websites and mobile applications;
“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 32.22% of the Company’s capital and its voting rights;
“Report Date”	-	The date on which the periodic report was signed (i.e. 13 March 2024);
“Periodic and Immediate Reports Regulations”	-	Securities (Periodic and Immediate Reports) Regulations, 5730-1970;

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, 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 2023 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 (SaaS¹) for the purpose of analyzing browsing data in digital channels (“**Area of Activity**”). 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 2023 and the Report Date, the Group is providing the services through its flagship product – Glassbox CX Essentials (“**CX System**”), which is a system for analysis of browsing data on digital channels with basic capabilities to which modules (as defined below) can be added, which include various capabilities and features for extra pay (add-ons), in favor of expanding the system’s capabilities. Furthermore, the Group provides its services to a limited number of customers through the Glassbox Enterprise system, which is marketed to a small number of customers who renew their agreements with the Group and which was replaced as the flagship product by the CX System (“**Enterprise System**”), and through the Glassbox Optimize system, which is a product based on the Enterprise System but with more limited capabilities, which was marketed until April 2023 (“**Optimize System**”, and together with the CX System and Enterprise System the “**Systems**”). For further details see section 1.16 below.

In addition, it is noted that in the past the Group marketed the SC System (as defined in section 1.1.3 below), which ceased recording new sessions (digital visits) through it in March 2023, and its customers were moved to using one of the other systems.

The right to use the Systems 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 2023, about 87% of the total financial volume of the contracts entered into by the Group, and about 91% of the total financial volume entered into with large customers,² were extended in 2023 by the customers for one year or more (Gross Retention)³. The license to use grants the customer access to the Systems, for internet environment and/or for mobile applications, according to the specific license purchased by the customer, and includes relevant

¹ Software as a Service.

² 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**”).

³ For additional details, see section 9 to the Board Report.

modules selected by the customer. The customer can easily and quickly increase the scope of the license, to include additional modules.

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 the vast majority 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 tenancy⁴ cloud environment or in environment of various tenants operating on a common cloud environment of the operating system and product ("multi-tenancy").⁵

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 2023 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 analytics market, which in 2024 is estimated to have a potential turnover of USD 12.5 billion annually, which until 2029 is expected to grow to a total of around USD 29.7 billion with an estimated compound annual growth rate (CAGR) of some 19%⁶ (for further details about the market and the Company's estimates see section 1.8 below; for details regarding the Group's competitive status see section 1.21 below). As of 31 December 2023 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.

⁴ Meaning, a unique cloud environment for each customer.

⁵ Meaning, a joint cloud environment for a few customers.

⁶ The foregoing is based on the market survey at: <https://www.mordorintelligence.com/industry-reports/customer-analytics-market>

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 artificial intelligence (AI) and also simple algorithms. We should note in this regard that the Company is at the forefront of artificial intelligence use, and first in the area of experience intelligence that continuously develops its product capabilities through the groundbreaking OpenAI technology.

Considering the product and add-ons purchased by each customer, 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 number of global users of the internet since 2005 and until 2022 was around 518.1%, to a total of approximately 5.3 billion users, and is expected to grow to 7 billion users by 2028, and the compound annual growth rate (CAGR) of mobile internet traffic is expected to stand at a rate of approximately 27.9% between 2022-2030, and in light of the expected growth in the artificial intelligence market at a compound annual growth rate (CAGR) of approximately 37.3% until 2030, which is expected to grow to around USD 1,812 billion, and⁷since the Company further estimates the Group's market in 2024 at approximately USD 12.5 billion, and which until 2029 is expected to grow to around USD 29.7 billion with an estimated compound annual growth rate (CAGR) of around 19% (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. Increasing the integration of AI technology in its products;
- c. Expanding operations with current customers due to customers adding web or mobile applications, which will be monitored too by the Group products;
- d. 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,

⁷

The foregoing is based on the following market surveys: <https://www.statista.com/statistics/273018/number-of-internet-users-worldwide/>, <https://www.statista.com/forecasts/1146844/internet-users-in-the-world>, <https://finance.yahoo.com/news/mobile-data-traffic-global-market-184500572.html> and <https://www.forbes.com/advisor/in/business/ai-statistics/#ai-global-market-size-and-its-forecast>.

- cyber security and campaign management in real time;
- e. Extending activity to new customers in countries where the Group is already active;
- f. 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 1.16.5 below.

To new customers, the Group sells almost always periodic licenses (generally, annual subscriptions). As of 31 December 2023 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)⁸.

The Company's assessments of the Group's growth potential, expansion of its operations, expected revenue, expected increase in number of global internet users, growth rate of mobile internet and expected increase in the AI 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.

As of the Report Date, the Group employs 241 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

⁸

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

Group is active in over 20 countries spread out over 5 continents. In the last three years of its activity, the Group has presented growth in the ARR⁹ metric at a rate of around 74.7%

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: Contractual engagement in an addendum to the license agreement with a large banking corporation in the US, in scope of up to USD 42.3 million ("**Agreement Addendum**"), which reflects an immediate addition of some USD 8.3 million to the ARR (for further details see section 1.19.5 of the Board Report); the contractual engagement in a credit facility agreement with Bank Hapoalim B.M., in scope of USD 20 million (for further details see section 1.29.2 of the Board Report); a 87% gross customer retention rate (for further details see section 7 of the Board Report); the average ARR for the Group's contracts with large customers (annual revenues of over USD 250,000) increased to more than USD 1 million (compared to some USD 780,000 as of 31 December 2022); a strong momentum among medium sized customers (annual revenues under USD 250,000), acquisition (net) of 51 new customers (such as AXA, ANZ Bank, Ubank, Quicken and AssetMark) from various areas of activity, and in different geographical regions (in particular in the Asia-Pacific and APAC regions), and continued momentum of mobile apps with the increase in number of new customers (for further details see section 7 of the Board Report); during the quarter the customer portfolio continued to grow while the Company's strategy was implemented of emphasizing large customers, such as US HealthConnect and Brisbane City Council, alongside the continued expansion of existing large customer contracts such as Ace Hardware, airlines from Asia, a large insurance company and one of the three biggest banks in the US; the continued focus on increasing the scope of cloud customers and initiatives for lowering cloud costs, among others through marketing Group systems in the area of multi-tenancy, which allows for improved efficiency and cost structure for medium sized and small customers (for further details about the multi-tenancy environment, see section 1.1.2 above); technological development – the Company is at the forefront of AI use, and is first in the area of experience intelligence that continues to develop its product capabilities through the groundbreaking OpenAI technology. In doing so it increased its customers' access to significant data. AI is a powerful feature in the Company's capabilities granting its customers access to large amounts of data that lead to additional significant insights on the powerful capabilities of the platform in the area of marketing panels, mapping customer experiences and reports; product lead – continued investment in creating value

⁹

The ARR metric reflects the value of the annual recurring revenues for a license to use a product maintenance.

for the Company's customers while cutting down on costs, which has led to an estimated growth in ROI for the customers of over 5 in 2023 compared to 2022 (accompanied by a 2 fold growth in use of the Company's products by its customers); streamlining measures for the purpose of cutting down the Group's costs, in a manner that may assist the Company in reaching its targets in its transition to a positive and profitable cash flow, which are expected to lead to estimated annual savings in the Group's expenses of some USD 7.44 million (for further details see section 1.34 below); winning the G2 Awards prizes during the report period and until the Report Date, and recognition as a leader in a large number of best software awards categories, including Highest Satisfaction Products, Best Products for Enterprise, Best Products for Marketing & Digital Advertising, Best Products for Development, Best Products for Commerce, Best Products for Customer Service, Top UK Software Companies and Top EMEA Software Companies, and inclusion in the list of 100 best products, in the framework of G2's Best Software Products for 2024, winning three TrustRadius awards in the field of digital experience intelligence as part of the Winter TrustRadius Best Awards and first place in the number of reviews and review ratings and formal recognition as a product analytics vendor on the Gartner Peer Insights website.

Some of the positive effects of these developments were offset as a result of trends and events as set forth in sections 2 and 3 of the Board Report. For further details on the Group's results and the adjusted income statement, including explanations by the board for changes thereto, see sections 3 and 6 of the Board Report.

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**")¹⁰; 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**"). The recurring annual revenue of SessionCam as stated amounted to approximately GBP 8.4

¹⁰ 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.

million. For further details regarding the consideration and the consideration mechanism for the acquisition of SessionCam, see Note 5 to the Consolidated Financial Statements.

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 system that it developed ("**SC System**") for 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 2023 and as of the Report Date, SessionCam sells licenses for using the systems, while the SC System was 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 constituted a most basic software compared to the CX System in its base configuration, and its use was discontinued at the end of March 2023 when it ceased recording new sessions (digital visits). As of 31 December 2023 customers that used the SC System transitioned 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.

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 testing¹¹ (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 included 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.

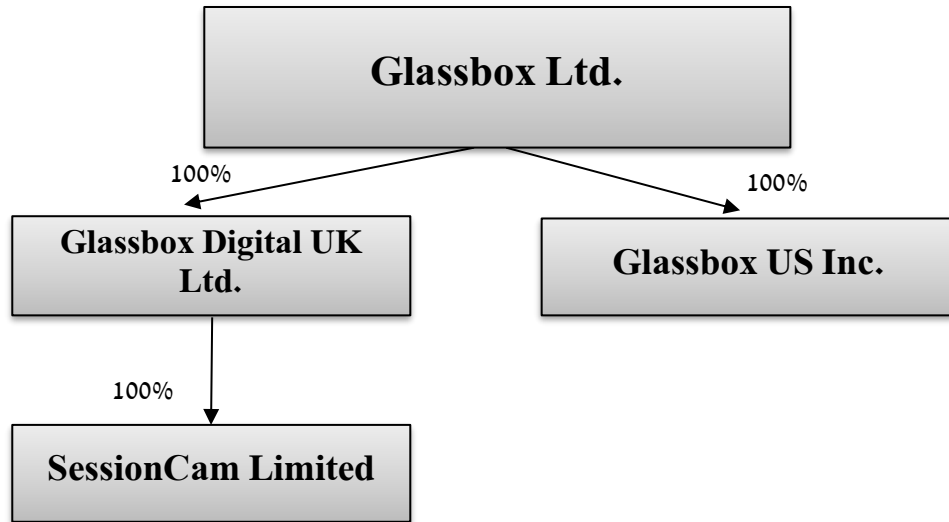
Similarly, the Transaction completion was subject to conditions precedent as accepted in agreements of this kind. Further to the foregoing, the Transaction was completed close to such date, while the first installment of the Consideration was paid to the Seller on the Transaction completion date, and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

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. Purchasing the Assets expanded 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.

1.1.4. The Company’s holdings structure

¹¹ 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.

Presented below is a diagram of the Company's holdings structure as of 31 December 2023 and as of the Report Date:



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

To the best of the Company's knowledge, starting 1 January 2022, 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>
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 "Offerees") 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 "Offerees") 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

	<p>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.</p>
21 November 2022	<p>A non-material private placement to two offerees that are 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.</p>
3 March 2024	<p>A private placement that is non-material to the offeree, as a pre-agreed consideration for services it granted the company as a consultant, without the offeree continuing to serve as a consultant on its behalf after the grant date, all as part of a settlement¹² in a lawsuit for full, final, complete and irrevocable mutual discharge of all rights, claims and lawsuits of the parties (the "Settlement"),¹³ of 11,096 restricted share units (RSUs), not listed for trade, convertible into up to 11,096 ordinary shares of the Company par value ILS 0.01 each. For further details see the immediate report drafted pursuant to the Securities (Private Placement of Securities in a Listed Company) Regulations, 5760-2000, dated 13 September 2023, as amended on 30 January 2024 (reference no: 2023-01-086467 and 2024-01-009436, respectively), and the Company's immediate report dated 1 March 2024 (reference no: 2024-01-018508), the information of which is presented in this Report by way of reference.</p>

1.3. Dividend distribution

¹² The parties further agree that the Company shall pay the offeree an amount that is non-material to the Company (plus VAT).

¹³ On 18 September 2023 the judgment for the Settlement was validated.

- 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 2023, 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 still 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 global internet users (from 2014 until January 2024) is estimated at 89%, to some 66.2% of the entire global population, to a total of some 5.35 billion people, while it is estimated that in the first half of 2023 the number of users of which who connected to the internet through a mobile device was around 96%. In addition, as of Q4 2023, the share of mobile users of total internet traffic was around 53.42%, compared to some 31.16% in 2015.¹⁴

¹⁴ The foregoing is based on the following market surveys: <https://www.statista.com/statistics/325706/global-internet-user-penetration> , <https://www.statista.com/statistics/617136/digital-population-worldwide> // <https://www.statista.com/topics/779/mobile-internet/#topicOverview> and <https://www.statista.com/statistics/277125/share-of-website-traffic-coming-from-mobile-devices/>.

Accordingly, websites and mobile applications are 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.

The increase in use of digital channels is accompanied by increased 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, improvement of relevant channel performance 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. Use of generative AI – the developing use of generative AI, such as ChatGPT by OpenAI, represents a significant change in many areas, which alters the way in which we approach creativity, innovation and problem-solving, and symbolizes a paradigm shift with profound implications on creativity, innovation and productivity. Generative AI, which is operated by advanced machine learning algorithms such as Generative Adversarial Networks (GANs), has received much attention thanks to its ability to automatically create content, starting with pictures and text up to entire bits of software code. The ability of this technology to create new and original content led to its widespread adoption in areas such as arts, design, marketing and even processes in various industries, including in the technology industries.

In industry and technology, use of generative AI is reshaping product development and design processes, as well as the product features and abilities. Automatic systems are able to create and optimize designs, accelerate prototypes and streamline production, and enable the creation of an intuitive interface for the product users, while using more natural language. Thus, not only is production made more efficient, but innovative solutions and advanced capabilities are investigated, which would probably not have been obtained through traditional methods. The abilities of generative AI allow it to quickly adapt and reexamine designs, and even make accessible large amounts of data and autonomously create insights that are more compatible with the unique requirements of every user in a simple and swift manner.

As such, adoption of large scale use of generative AI is expected to increase from around 23% in 2022 to 46% in 2025, which reflects an increase of approximately

100% in a period of three years.¹⁵ Furthermore, the AI market has a compound annual growth rate (CAGR) of around 37.3% until 2030, which is expected to grow to some USD 1,812 billion.¹⁶

Nonetheless, the development of generative AI and its widespread adoption also raises potential challenges, for example questions pertaining to various regulatory matters, such as privacy and data protection laws. Striking a balance between using the advantages of generative AI and the promotion and guarantee of responsible use thereof is essential for its continued positive integration in various aspects of the Company's activity.

Accordingly, the development of generative AI may create many opportunities for the Company, mainly by way of improving efficiency when developing the Company's products and expanding their capabilities in mapping end customer experiences and generating reports. It should be noted in this context that the Company believes it is at the forefront of using AI in general, and generative AI in particular, as it is among the first to integrate said technology in the area of experience intelligence. In doing so, the Company is increasing its customers' access to significant data, which is a powerful feature in the Company's capability to allow its customers to process large amounts of data that will lead to significant insights, in addition to the Systems' current capabilities.

1.5.3. **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, including in light of the widespread use of generative AI technology as stated above, 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 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

¹⁵ The foregoing is based on the following market survey: <https://explodingtopics.com/blog/generative-ai-market>.

¹⁶ [The foregoing is based on the following market survey: https://www.forbes.com/advisor/in/business/ai-statistics/#ai-global-market-size-and-its-forecast](https://www.forbes.com/advisor/in/business/ai-statistics/#ai-global-market-size-and-its-forecast).

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.

- 1.5.4. **Also, a substantial portion of the Group's products are integrated into applications offered through the app stores of the major mobile platforms (such as the 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. 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.

- 1.5.5. **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.

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.

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

As of 31 December 2023 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 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.

1.5.7. Effects of the state of war in Israel

1.5.8. **On 7 October 2023, the Israeli government declared a state of war in Israel ("Operation Swords of Iron"). As of 31 December 2023, Operation Swords of Iron had no material effect on the Company's activity and business results. In addition, as of the Report Date, the Company estimates there to be no material effect on its activity and business results for Q1 of 2024. This is in light of the fact that the Company's main activity is abroad, as is a considerable part of its employees. It is clarified that considering the uncertainty with respect to the war's duration, the Company cannot estimate the scope of effect of Operation Swords of Iron on the Company's activity and results further down the line. The Company continues at all times to monitor the developments of events in Israel and around the world, and it will provide an update if there are any changes to the effects of Operation Swords of Iron on the Company's activity and its results (for further details about risks related to the financial, security and political situation in Israel and around the world, see section 1.36.2 below).**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 Analytics market in 2024 is approximately USD 12.5 billion, which until 2029 is expected to grow to approximately USD 29.7 billion at an estimated compound annual growth rate (CAGR) of around 19%. The Company's assessments as aforesaid are based, inter alia, on a market survey.¹⁷ 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, the submarkets, Application Performance Management and Customer Experience management are expected to grow to around USD 43.35 and 35.84 billion (respectively), at a rate of approximately 17.9% and 30.76% on average per year, respectively,¹⁸ while the Mobile Analytics sub-market whose volume is expected to increase until 2029 to a total of around USD 21.55 billion, at a rate of around 24.2% per annum on average¹⁹, and the Customer Analytics sub-market whose volume is expected to grow until 2029 to some USD 29.73 by a rate of around 19.01% per annum on average²⁰;

¹⁷ See Footnote 7 above.

¹⁸ The foregoing is based on the following market surveys: <https://www.mordorintelligence.com/industry-reports/customer-experience-management-market.html> and <https://www.mordorintelligence.com/industry-reports/application-performance-management-apm-market>.

¹⁹ The foregoing is based on the following market survey: <https://www.mordorintelligence.com/industry-reports/global-mobile-analytics-market-industry>.

²⁰ The foregoing is based on the following market survey: <https://www.mordorintelligence.com/industry-reports/customer-analytics-market>.

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 actual 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 of 2020 and 2021 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. In recent years, 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 expected growth in the Digital Customer Experience market and its tangent markets as set forth above, constitute forward-looking 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 and to streamline them, 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 in 2020 and 2021) 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 in 2020-2021, 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.

In addition, the ability to harness the advantages of using generative AI may have an effect in the framework of the development and design processes of the Company's products, whether by way of streamlining and optimization of the development and

design processes of the product or by way of developing innovative solutions and advanced capabilities for the product that could not have been developed prior to its use, such as the creation of a more intuitive interface that is capable of making accessible large amounts of data and autonomously creating insights that are more compatible with the unique requirements of each user.

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 center²¹ 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

²¹

On-premises.

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), CSA STAR, 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 CPRA²².

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,

²²

For further details, see section 1.31 below.

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 2023 and the Report Date, the main products and services provided by the Group are:

- a. License for use of the CX System – the Group markets license agreements for the CX System to its customers, which is the flagship system developed by the Company on the basis of the Enterprise System,²³ which constitutes an analytical system of browser data on digital channels with basic capabilities, and to which various modules and features may be added for extra pay, as “upgrade packages” that are adapted to the unique requirements of every customer. As of the year ending 31 December 2023 and as of the Report Date, this is the central component in the Group’s sales.

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

The license is usually limited to a pre-agreed number of sessions (digital visits) per month, and should use of the internet and/or mobile app increase for the customer, the customer may expand the license. Furthermore, the license is also limited to relevant modules selected by the customer, while the customer has the possibility of upgrading the license they purchased so as to include additional modules in a simple and swift manner.

- b. License for using the Enterprise System and Optimize System - the Group provides its services to a limited number of its customers on the basis of 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 of the Report on the Description of the Corporation’s Business, which was attached as Chapter A to the Company’s 2022 periodic report,²⁴ respectively).

The Enterprise System is marketed to a small number of customers who renew their agreements with the Group, and the Optimize System, which is a product based on the Enterprise System but with more limited capabilities, was marketed until April 2023. The right to use the Systems as stated is granted on purchase of a license to use from the Group, generally for a period of twelve (12) months, which can be extended

²³ For further details see (b) below.

²⁴ As amended on 15 March 2023 (reference no: 2023-01-027453), the information of which is included in this Report by way of reference.

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.

- c. Ancillary services – assimilation and training services, system support and consulting, all as per the customer’s needs and requests.

Assimilation method

Implementation of the Systems (CX System, Enterprise System and Optimize System) is flexible, and 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). Furthermore, 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.

1.16.1. CX System

The CX System (Glassbox CX Essentials) is a unique platform, which provides much value and varied capabilities to various entities that use digital channels for the purpose of their ongoing operations, and allows such entities to among other things maximize the user experience on the digital channels that they operate, increase their volume of sales and streamline the service provided in connection with said digital channels. The CX System is flexible, converting large amounts of data designed to provide solutions for various user experience challenges.

Every package on the CX System includes the core features of the System (basic package), plus various for pay packages of various modules (add-ons), designed to expand the System’s capabilities and provide solutions for specific problems encountered by the customer. The basic package as stated includes modules that provide a solution for all Group Customers, irrespective of the unique characteristics of every customers and the specific problem said organization is attempting to resolve. These modules provide the system’s basic functionality, such as the ability to capture and analyze user behavior, identify problems and opportunities, prioritize them on the basis of business targets, measure the effect

of changes to the behavior of end customers, improve end customer satisfaction, reduce exit rates of the digital channel, and increase the conversion rates.

A notable advantage of the CX System (and the additional modules that can be purchased with it) 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 CX System to retrieve. Also, in most cases re-configuration or additional configuration is not required by the customer to produce a new report.

Furthermore, the CX System may be implemented on the cloud, per the customer's choice, in an environment of a few different tenants that operate on a joint cloud environment of the operating system and the product (multi-tenancy)²⁵ or a cloud environment of one tenant (single-tenancy),²⁶ according to pricing.

For further details about solutions to more specific problems, for which customers may add additional modules to the basic package, see section 1.16.2 below.

Below is a list of the modules included in the basic package of the CX System:

- a. Session Replay – A module enabling viewing of an end user's digital visit with a very high level of accuracy, which allows to reproduce the end user's operations and allows Group Customers to see what the end users have experienced. The module automatically documents all user interactions and technical occurrences, and then provides a "score" for digital visits based on various parameters, such as: to what extent are the end users able to complete the actions on the digital channels and how much struggles they encounter in doing so. The module also identifies areas where the users struggle in visiting the digital channels, allows for conclusions to be drawn as to the manner of use of the end user on the digital channel, and enables one to identify where there are opportunities to generate revenue and reduce digital channel exits. This makes it easier to locate the most important digital visits for the customer and makes it possible for the problems to be swiftly diagnosed.

In the framework of the module access is also granted to a search engine operated by artificial intelligence that is integrated in the CX System, the Glassbox Insights Assistant ("GIA"), which enables the writing of simply formulated questions and the simple location of specific digital visits that a Group Customer wishes to analyze. Moreover, through the Session Replay

²⁵ Meaning a joint cloud environment for a few customers.

²⁶ Meaning a unique cloud environment for every customer.

included in the module data is presented about the state of the CPU (processor) and loss of power of the batteries in cellular devices during the digital visit.

It is noted that 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,²⁷ but if necessary, such 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.²⁸

- b. Struggle and Experience Scores – By analyzing dozens of types of operations and patterns of behavior, the module helps with understanding the difficulties every end user encounters on the digital channel, among others by way of providing a “score” for the digital channel on the struggles the end users experienced (“**Struggle Score**”), and in doing so draws conclusions on how the struggles affected user experience. The Struggle Score that is integrated in the module developed by the Company, is based on an analysis and comparison of trillions of digital visits in various industries. The Struggle Score also analyzes the interface between dozens of intersections that comprise the unique journey of each end user and its effect on their total user experience, and in doing so allows action to be taken in order to improve each of the user experience aspects.

In addition to the Struggle Score that is set as default, the CX System provides the ability to issue a “score” for end user experience that can be personalized, by way of the customer setting parameters, and in doing so it is possible to analyze the types of behaviors and occurrences in every digital visit that are important for the business objectives and work processes of every customer (“**Experience Score**”). The Experience Score complements the Struggle Score by integrating elements from the digital visit that indicate a positive or negative experience.

- c. Interaction Maps – The module automatically monitors the duration spent by the end users watching any component on the digital channel pages, the frequency of clicking on page components, and where they encounter errors or difficulties. This allows creating a map for analyzing the effects such interactions had on the user experience, the conversion rates and the revenue from the digital channel. Components can be grouped automatically or specific areas can be defined on which they wish to focus in order to analyze

²⁷ Omitting.

²⁸ Masking.

how users interact with various areas of interest on the digital channel. Furthermore, it is also possible to compare behaviors of various end users, alongside one another over time, audience segments and different versions of the digital channel,²⁹ in order to draw conclusions regarding trends and optimization opportunities of the digital channel. Through understanding the digital channel components and the areas with which end users have the most interactions, these maps help organization make better business decisions, such as where to place new features, what content requires optimization, the timing of presenting “coupon codes” and more.

In other words, interaction maps are a tool that help the Group Customers to understand how the end customers use the digital channels, by monitoring the duration the users spend on viewing each component in a channel, in what frequency they click on components and where they encounter errors or difficulties. In doing so, the Group Customers are able to identify the most important elements for the end users and what elements the end users struggle with. After that, it is possible to use this information in order to improve user experience and increase the conversion rates and the revenues from the digital channel.

- d. Business Flows – the module enables monitoring and analysis of customer interaction with the website or app on an individual level through setting a number of complex work processes on the digital channel, such as the payment process, product search process or technical support process for the end customers. The stages of which these processes are comprised may in part be specific pages on the digital channel, as well as occurrences or actions taken by the end user, whether optional or required, in a specific or sporadic order. For the entire work process the number of end customers can be anticipated that complete each stage and how the digital channel interface works, how much time each phase takes, where the end users encounter difficulties and where revenue is generated, and to reach, among other things, the following conclusions:
- Effect of the interactions of the end users on revenues, by way of automatically calculating the revenue generated with respect to loss of income, per a work process or business area;
 - Diagnose and characterize the end users’ exit from the digital channel, by way of presenting exit trends for every phase of the work processes, while comparing the exits to the difficulties and errors the end users encounter

²⁹

Such as through A/B testing.

on the digital channel, and the time invested in every phase of the work processes;

- To monitor key performance indicators (KPIs) of the Group Customers, by way of monitoring the conversion rates, the total number of completed transactions, the end user experience and the revenue realized in every work process;
 - To use the module in order to understand the effect of the revenues from every work process, including by way of viewing the scope of revenues generated from end customers who complete the payment process compared to customers who exit the digital channel before payment (“abandoned cart”).
- e. Error Reports – a module that allows to create “error reports”, which are predefined reports that combine information on form validation errors, digital channel code errors and display errors. It is possible to filter all these reports according to a variety of criteria, including type of device from which the digital visit is performed, browser and operating system, and thus locate, identify and repair errors on the website or app.
- f. Mobile App Analytics – all the features and capabilities that the CX System offers to the digital channels in the basic package of the System are also available for mobile phone apps. An analysis of the mobile apps uses a single software development kit (SDK) that shows how the end customers interact with the relevant app.

The CX System also offers a unique set of reports for analyzing mobile apps through the Mobile Analytics module. The module constitutes a comprehensive solution for analyzing mobile app performance, availability, experience and business effect, through analyzing the behavior and struggles of end users of the mobile app, and allows to generate reports that draw conclusions on how these issues affect the business results. Furthermore, the module allows monitoring of key factors such as retrieval time, crashes, errors, broken links and other weak points in the user experience on the app, while implementing an end user response to these problem.

In respect of monitoring the mobile apps we should note that:

- As of the Report Date, it is estimated that the Company’s Systems (i.e. the CX System, Enterprise System and Optimize System) operate on more than 900 million cellular phones.
- As far as the Company knows, the CX System (like the Company’s other systems) **did not cause** the mobile apps to “crash”, on which it has operated for a period exceeding three years.

1.16.2. Modules that can be purchased as an upgrade to the CX System capabilities

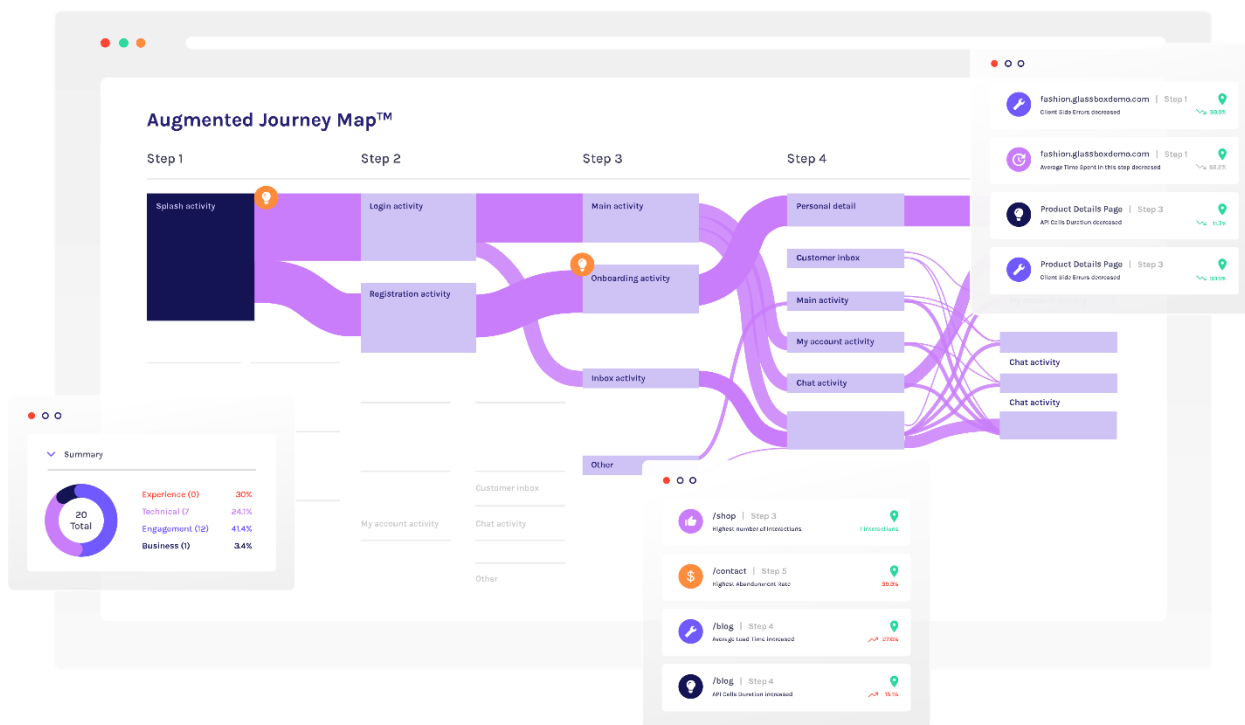
- a. CX Perform (Performance Analytics) – a module that allows to identify and diagnose in real time technical factors that affect the real user experience, such as errors on the digital channel, slow load times of pages, API's³⁰ not in proper working order and deficient network data.
- b. CX Journey (Augmented Journey Map) - 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, presented in visual form, 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, monitoring the business parameters that affect the revenues from 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, through use of artificial intelligence, 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 conversion rates, identifies opportunities for generating revenue, 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.

³⁰

Application Programming Interface – API Calls: Functions that allow an interface with third party applications and allow actions on the basis thereof, such as retrieving information. For example, retrieval of maps on the internet (such as on Google Maps) and using them in the relevant application.

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



- c. CX Listen (Voice of the Silent) – the module grants managers and product managers the ability to securely make strategic decisions, by way of giving a precise customer review “score”, even if they do not actively leave a review, by identifying the total number of customers whose user experience was similar in essence to the user experience of those who indeed did actively leave a review. In this way it is possible, even with a small amount of active feedback data (VoC – Voice of the Customer), to receive a holistic and accurate overview of the sense of end customers of the Group Customers’ and of their user experience on the digital channel. This grants Group Customers the ability to determine where to allocate resources and be precise in the aspects requiring improvement in the relevant digital channel.
- d. CX Feed (Data Export) – a module that enables data to be exported from the CX System and sent in real time, including interactions of the end users and technical occurrences from the website or app to other systems. Such data is normalized, built-in, organized and available in real time. The data can be filtered, names of fields can be changed and raw data values can be altered, and their uses can be improved over various applications while reducing storage requirements.

It is possible to use such data in order to enrich the customer data platform and the customer relationship management (CRM), and in doing so learn more about the end customers and how they interact with the website or app.

Furthermore, the data can be easily analyzed alongside other parameters with the Business Insights tool of the customer, and integrate it in modules of other data sciences and machine learning. In doing so, the customer is able to increase their basis of knowledge of their customers, such as areas of interest, their needs and behavior, and on such basis create personally targeted marketing messages and improve customer service, while combining the data with other sources available to the customer.

- e. CX Protect (Session Vault) – a module allowing the Group Customers to create digital records for the benefit of storing user data of end customers for a longer period of time than the ordinary retention period noted in the license (as agreed with the specific customer). The module stores all the relevant digital visits of the end users for compliance purposes, complaint management or return on investment (ROI) analysis if necessary, in order to comply with the regulatory or business requirements.

The module allows to choose what digital visits to store, on the basis of characteristics that can be set by the Group Customer. For example, it is possible to elect to store all the visits entailing a purchase, or all the visits that lasted for more than a certain period of time. Moreover, it is also possible to use filters and parameters in order to note what data to store, such as IP address of the end users, the pages they visited and the actions they took, all pursuant to the customer's settings.

- f. CX BI (Ad-hoc Analytics) – a module that allows to investigate an issue or business opportunity and their revenues effect, through an ad-hoc analysis that generates an immediate insights report on the basis of queries. In doing so, the Group Customer is able to accelerate the end user experience research, swiftly optimize the work processes and initiate changes in the digital channel, in order to improve it. Below are example insights of ad-hoc reports that can be created through the module:

- A marketing funnels report that allows to create funnels of every event or every combination of events in the digital visit. The funnel analysis reports that are created automatically present the effect on revenues, conversion rates and end user satisfaction in real time;
- Generating personalized reports that grant the Group Customer the ability to set personalized “dashboards” while using the entirety of the data and insights presented on the CX System, which make accessible adapters between end user behaviors, end user experiences and business indices, through dynamic user interface components (“widgets”) and simulations.

- Setting warnings for extraordinary events, according to thresholds as determined by the customer, such as exceptional changes in conversion rates, errors or any other digital occurrence picked up by the System. Alternatively, it is possible to activate machine learning algorithms in order to automatically identify deviations from standard patterns.
- g. CX Engage (User Timeline) – a module that shows the Group Customer how the end users interact with the website or app over time, from any device. The module combines all the sessions of that end user in one display, so that it is possible to see their activity over the course of all their visits in the digital channel, their overall and specific experiences and how the experience of a specific use affects later experiences, and it also displays other key performance indicators (KPIs), such as nature of their interface with the digital channel and the revenues generated from said end user.

Below is a table summarizing the various challenges for the Group Customers and the relevant module packages of the CX System that are designed to help overcome them:

<u>Challenge</u>	<u>Name of module package</u>	<u>Modules included in the package</u>
High operating costs	Production Support	CX Essentials
“Lead” conversion	Conversion Optimization	CX Essentials, CX Journey, CX Engage, CX BI
Customer exit/retention	Customer Engagement	CX Essentials, CX Journey, CX Engage, CX Listen
Compliance	Compliance	CX Essentials, CX Protect

1.16.3. The uses of the CX System

Pursuant to sections 1.16.1 and 1.16.2 above, as of 31 December 2023 and the Report Date, the CX System is marketed and designated for uses as described below:

- a. Improving the end user experience – the Systems allow 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.
- b. Improving “conversion rates” and increasing sales – understanding the barriers and difficulties experienced by end users in digital channels through the Systems 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 Systems enable 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.
- 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 Systems have other uses which service today the Group's customers although they are 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 Systems.
- b. Improving the work of the customer’s agents – using the Systems to analyze the work of the agents employed by customers and End Users in the Digital Channels during their work. The Systems 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 Systems, suspicious actions in the digital channel can be detected.
- d. Information security – the Systems enable 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.

1.16.4. 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. Continued growth of mobile applications - generally increases demand for products in the Area of Activity. In the Company's estimate, the continued growth of 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. Developing use of AI technology - further integration of AI technology in the Company's activity, both for the purpose of expanding the Systems' capabilities and the research and development processes of the Systems may, in the Company's estimate, improve efficiency and optimize the development of the systems that it is developing, enable research in innovative solutions for challenges that the Company's customers may encounter, and allow better access of large quantities of information received by the Systems, while using natural language, for a broader number of roles of Group Customers (including board members of such customers).
- 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 additional countries where the Group's activity is limited - 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 - 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 developing use of AI technology and 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 past 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 2023 and the Report Date, the Company's products include the CX System, the Enterprise System and the Optimize System. 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

- 1.18.1. For details on the CX System and the modules that can be added in favor of expanding the system's capabilities for extra pay (add-ons), see section 1.16 above.
- 1.18.2. Development of additional modules – as of the Report Date, the Company is also investing effort in immaterial scope to develop an additional module on the existing technological basis in the Systems, which is designed to allow an analysis of the manner in which the end users interact with a product or service on the digital channels, and in doing so improve the end user experience with said produce or service (Product Analytics).

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, technology companies, government services, health institutions and digital education and various government agencies.

The Group is accelerating the expansion of its customer base through marketing its systems, and the CX System in particular, also to 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 Group accelerated 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"). For further details about the CX System, see section 1.16 above.

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 2023, the average annual volume of contracts into which the Group enters into agreement with large customers is over USD 1 million 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 4.9 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 - KPI³¹) is the Annual Recurrent Revenues (ARR) and not just the Company's total revenues.³² 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 2023		For the year ended 31 December 2022	
	Percentage of the Company's revenues (consolidated)	Total revenues (consolidated)	Percentage of the Company's revenues (consolidated)	Total revenues (consolidated)
Large customers*	69%	33,314	72%	33,091
Medium and small customers**	31%	15,309	28%	12,961
Total	100%	48,623	100%	46,052

*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.

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 2023		For the year ended 31 December 2022	
	Percentage of	Total revenues	Percentage of	Total

³¹ Key Performance Indicator

³² 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.

	the Company's revenues (consolidated)	(consolidated)	the Company's revenues (consolidated)	revenues (consolidated)
Americas and Canada	71%	34,452	77%	35,534
Europe	4%	1,867	18%	8,389
Rest of the world	25%	12,304	5%	2,129
Total	100%	48,623	100%	46,052

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

As of 31 December 2023 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 2022 and 31 December 2023, in USD thousands:

Customers	For the year ended 31 December 2023	For the year ended 31 December 2022
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	Percentage of the Company's revenues (consolidated)	Total revenues (consolidated)	Percentage of the Company's revenues (consolidated)	Total revenues (consolidated)
Customer A ⁽¹⁾	16%	7,574	12%	5,732

⁽¹⁾ Customer A is a multinational American financial services Company, operating through branches around the world. In December 2018, the Company entered³³ 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, in September 2019 Customer A and the Company entered into an agreement to purchase the right to use the Enterprise System for a one year period, which was extended from time to time (the "**License to Use Agreement**"). 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.

As of 31 December 2023 and the Report Date, the Company entered into an addendum to the License to Use Agreement with Customer A, as part of which the terms of the license granted to the customer was expanded and updated and its term was extended (the "**Addendum**"). Furthermore, as part of the Addendum it was determined that the parties would take action to change the way the license is used from the Enterprise System that is implemented in the customer's data center (on-premises) to the CX System that is implemented on a unique cloud environment of the customer (single-tenancy) that is managed by the Group. For further details about the Addendum, see the Company's immediate report dated 12 September 2023 (reference no: 2023-01-105759), the information of which is included in this Report by way of reference.

1.19.6. Dependence on Customers

During the year 2023, over 51 new customers were added to the Company (net). As of 31 December 2023 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) in 2020-2021, some of the conferences have been moved to currently being 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, for the first time since the outbreak of Covid-19, and in July 2022 the Company held an additional physical customers conference in London, UK. Moreover, in September 2023 the Company organized an additional global virtual customer conference ("Digital World") with the participation of leading brands and experts from among its customers.

1.20.3. Digital Marketing

As noted above, due to the Covid-19 pandemic in 2020-2021, 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 2023 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 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.

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 three years) and operate with full integration with the customer's website.
- Development of AI technology based capabilities – as set forth in section 1.16.1 above, the Systems combine AI technology based capabilities, and in the Company's estimate, use of such technologies allows the Company to streamline and optimize the development and design processes of the product or by way of developing innovative solutions and advanced capabilities for the product that could not have been developed prior to its use.

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.
- Underinvestment in development and shortage in development staff – underinvestment in development and 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 2023 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 2023 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 as set forth in section 1.18 above. 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 applicable to the Group's customers and changes in the preferences of end customers.

As of 31 December 2023 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 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 2022 and 2023, the amounts recognized as (net) research and development costs amounted to approximately USD 20,778 thousand and approximately USD 17,229 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 (the Company's flagship system).

As of 31 December 2023 and the Report Date, the Company is investing in research and development of new functions and capabilities for the Company's Systems, in particular for 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 2023 will amount to USD 18-20 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 2023 (in ILS thousands)	Repayment terms	Covenants for granting or repayment	Undertaking recognized in the financial statements as of December 31, 2023 (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	-
Total	-	-	-	1,146	1,135	-	-	-

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 interest³⁴ 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 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

³⁴

In accordance with the directives of the Innovation Authority, which are in effect as of 31 December 2023 and the Report Date, and in light of ending use of Libor interest rate, the annual interest rate is a variable rate at the level of the Secure Overnight Financing Rate (SOFR) for a 12 month period, as published on the first trading day of every year by the CME Group or by any entity authorized to such end by the US Federal Reserve, or in an alternative publication that pursuant to public notice by the Bank of Israel sets said interest rate.

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 2023, 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 2023 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 2023, the Company is not in compliance with the terms for starting the grant

repayment. For more information, see Note 13 to the Consolidated Financial Statements. **[to be completed by the finance department]**

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 2023). For further details see Note 14 of the Consolidated Financial Statements.

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 15 patent applications, of which 8 registered US patents, 3 US patent applications, and 1 European patent application.

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	

Number	Patent number	Patent Title	Application date/ priority date	Country
9	11,706,230	A system and method for detecting potential information fabrication attempts on a webpage	05/11/2019	
10	11,689,541	A system and method for detecting potential information fabrication attempts on a webpage	05/11/2019	
11	11,709,966	A system and method for automatically masking confidential information that is input on a webpage	08/12/2019	
Number	Patent number	Patent Title	Application date/ priority date	
12	17/088,655	System and method for journey recording	11/04/2020	
13	18/150,215	A system and method for detecting potential information fabrication attempts on a webpage	05/11/2019	
15	63/317,092	A retention policy determination system and method	07/03/2022	Europe

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 2023 amounted to a total of approximately USD 193 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)³⁵ applications based on the underlying applications designating the European Union, the United Kingdom and the United States. It is noted that following the applications as foregoing, the Glassbox trademark was registered in Israel, in the European Union and in the US. The trademark AUGMENTED JOURNEY MAP was registered in the European Union and in the US (nationally after converting the international trademark).

The Company filed applications to register two trademarks that have not yet been

³⁵

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.

registered for the marks: AUTONOMOUSCX and CXBRAIN.

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).³⁶

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 2023 and 2022, the Group employed 241 and 305 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 2023	As of 31 December 2022
Research and development	89	71	92
Sales and Marketing	70	52	92
Customer Success Management (CS)	43	73	81
Administration (G&A)	39	38	40

³⁶

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."

Position	As of the Report Date	As of 31 December 2023	As of 31 December 2022
Total	241	234	305

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 two of the 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 62 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 50 people in the United Kingdom, including 9 through Glassbox UK, and 41 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 2023 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. In addition, the Company procures AI services from Microsoft and OpenAI.

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 has entered into an agreement with a cloud computing provider in a renewed agreement for the provision of Amazon's cloud services at discount rates (EDP – enterprise discount program) for a period of three years ending in August 2026 in exchange for a monthly payment determined according to consumption. Under the EDP agreement, a minimum annual expense of USD 1,888 thousand, USD 7,700 thousand, USD 8,313 thousand and USD 6,600

thousand was determined that the Company is obligated to meet in each of 2023, 2024, 2025 and 2026, respectively. 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 16 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	2023		2022	
	Expenses	% of total expenses from vendors (consolidated)	Expenses	% of total expenses from vendors (consolidated)
Amazon (Cloud)	8,441	44%	9,378	42%

computing)				
Microsoft (Cloud computing)	773	4%	563	3%
Total	9,214	48%	9,941	45%

1.28. Working capital

The working capital of the Company as of 31 December 2023 consists mainly of short-term deposits, cash and cash equivalents, customers, accounts receivable, undertakings to suppliers and service providers, deferred revenue and account payable. For more details see Notes 6, 7, 8 and 11 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 credit facility (which as of the Report Date has yet to be used). For more information, see section 1.1.1 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. Credit facility agreement

On 2 August 2023, the Company and Bank Hapoalim B.M. entered into a credit facility agreement for procurement of financing in a total amount of USD 20 million (“**Credit Facility**”), which shall be made available to the Company per its request, among others pursuant to meeting various covenants and obligations. If the Credit Facility is used, it shall serve the Company for the purpose of financing the Company’s working capital and current activity. As of the Report Date, the Credit Facility has not yet been used.

For further details about the terms of the credit facility agreement, see the Company’s immediate report dated 3 August 2023 (reference no: 2023-01-072451), the information of which is included in this Report by way of reference.

As of 31 December 2023 and close to the Report Date, the Company is in compliance with the financial covenants included in the Credit Facility Agreement.

1.29.3. Guarantees and charges

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 17 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 Credit Facility as foregoing 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 banking financing as stated and to the Israeli capital market, all considering the potential implications of 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 18 to the Consolidated Financial Statements.

1.30.2. For details about the Group's tax assessments, see Note 18 to the Consolidated Financial Statements.

1.30.3. For details about losses for purpose of transfer tax, see Note 18 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. For details regarding the agreement for increasing the credit facility, see Section 1.29.2 above.

1.33. Legal proceedings

On 12 September 2023, Ibex group, the largest shareholder of the Company, filed a lawsuit and motion for temporary orders against the Company, to the district court in Lod (the “**Lawsuit**”). For further details about the Lawsuit, see the Company’s immediate report dated 13 September 2023 (reference no: 2023-01-106329), the information of which is incorporated in this Report by way of reference. Further to the foregoing, on 1 November 2023 the district court in Lod ruled for dismissal without prejudice on the Lawsuit and motion for temporary orders filed against the Company.

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

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 until the end of Q2 of 2026³⁷, based on organic growth assumptions based, among other things, on the Group's pipeline, the Group's up-to-date 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 the continued adoption of streamlining measures that will contribute to improving the gross profit and the transition to a positive cash flow and profitability.

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.
- 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, mainly in the financial services sector, based on the knowledge, experience and

³⁷

Instead of a period of 2-4 years from the Prospectus date.

reputation it accumulated in the market, in particular among entities in the financial services sector. As per the Company's estimate, many entities operating in digital channels today do not have a solution similar to that offered by the Company 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, through the Company's Systems, in particular the CX System, the Group offers a solution and products that are suitable for customers with both high and low traffic, including 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 services sector and the retail sector. Notwithstanding the foregoing, and despite the Company's intention to continue investing in the provision of solutions for customers engaged in the financial services sector, 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 use of AI technology and the development of Digital Experience Intelligence, Digital Customer Management and Product Analytics 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. Further to the foregoing, on 3 May 2023 the Company's management formulated additional steps in the framework of the streamlining actions for the purpose of saving costs, in a manner that may assist the promotion of the Company towards its targets in the transition to a positive and profitable cash flow (“**Streamlining Measures**”). The Streamlining Measures primarily included downsizing the workforce of the entire Group at a rate of about 14%, and are expected to lead to estimated annual savings in the Group's expenses of around USD 7.44 million. The Company started implementing the Streamlining Measures in Q3 of 2023.
- 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, the estimated annual savings in the Group's expenses 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 Product Analytics 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. 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, including implementation of AI technology in the Company's Systems.

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 and increase the scope of the investment in the research and development teams and adding additional capabilities and features to the Group's products, 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 substantially 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 (including the continuation of Operation Swords of Iron and its expansion to additional fronts) 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, or due to the effects of the ongoing war between Russia and Ukraine and/or due to the trade routes in the Persian Gulf being impacted by the Houthis and their 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 the war between Russian and Ukraine and/or due to the trade routes in the Persian Gulf being impacted by the Houthis on the business results of the Glassbox UK and SessionCam, and accordingly, on the Group'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, or due to the effects of the ongoing war between Russia and Ukraine and/or due to the trade routes in the Red Sea being impacted by the Houthis and their 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 the war between Russia and Ukraine and/or due to the trade routes in the Red Sea being impacted by the Houthis 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.

Industry risks

1.36.5. 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

particular in light of the development of generative AI technology, 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.

- 1.36.6. 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.
- 1.36.7. Ability to raise capital and sources of funding – as of 31 December 2023, the Group's activities do not yield profits, the Company uses various sources of financing to finance its activities, including capital raising and the provision of a credit facility. 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.
- 1.36.8. 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.

- 1.36.9. 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.
- 1.36.10. 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.
- 1.36.11. 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), CSA STAR, 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

- 1.36.12. 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.

- 1.36.13. Dependence on unique technology – the Group bases most of its activities on technology developed by the Group. Failures in the Company's technology as stated in section 1.36.9 above, or material technological changes in the field, may impair the Group's ability to derive economic benefits from its technology and impair its business results.
- 1.36.14. 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.
- 1.36.15. 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.
- 1.36.16. 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.
- 1.36.17. 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.

1.36.18. 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.

1.36.19. 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
Macro risks	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	
Industry risks	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	
	Cyber risks		X	
Risks unique to the corporation	Protection of trade secrets and intellectual property			X

Risk		Estimate of the effect of the risk on the Group		
		High	Medium	Low
	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, 2023**

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, 2023 (the "Report Period") and the financial results of the Company for the year ended December 31, 2023 in accordance with the Securities Regulations (Periodic and Immediate Reports) – 1970 (the Reporting Regulations).

In this report below:

"Report Date" – December 31, 2023.

"Report Signature Date", "Report Date" or "Report Signature day" – March 12, 2024.

"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, 2023, 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 possible impact of the crisis in Eastern Europe, (3) the possible impact of changes in exchange rates, and (4) the possible effect of the security situation, including "Operation Swords of Iron", see Chapter A to the Corporation Business Description Report and Note 1 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
	2023	2022	
Current assets	30,680	36,141	The decrease in current assets as of December 31, 2023 compared to current assets as of December 31, 2022 was mainly due to negative cash flow from current activity that resulted in a decrease in cash and cash equivalents and deposits for the short term.
Noncurrent assets	27,281	28,448	The decrease in noncurrent assets as of December 31, 2023 compared to noncurrent assets as of December 31, 2022 was due to a decrease in intangible assets , a decrease in advance long-term costs and a decrease in deferred taxes when offsetting the increase in goodwill due to a change in the exchange rate of the pound (£) against the dollar (\$).
Current liabilities	31,121	25,510	The increase in current liabilities as of December 31, 2023 compared to current liabilities as of December 31, 2022 derived from an increase in deferred short-term consideration when offsetting a decrease in accounts payable and credit balances, a decrease in liabilities to suppliers and service providers and decreasing contingent and deferred consideration due to the payment date.
Noncurrent liabilities	3,806	5,037	The decrease in noncurrent liabilities as of December 31, 2023 compared to noncurrent liabilities as of December 31, 2022, mainly derived from a decrease in long-term deferred consideration.
Share-holders' equity	23,034	34,042	The decrease in shareholders' equity as of December 31, 2023 compared to December 31, 2022 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
	2023	2022	
Revenues	48,623	46,052	The increase in revenues in 2023 compared to 2022 was mainly due to an increase in revenues from Cloud licenses at a rate of 35% which was partially offset by a decrease in revenues from On premise licenses and related services (when the revenues in the fourth quarter of 2023 amounted to approximately \$14 million, an increase of 22% compared to the corresponding period last year). Also, the rate of non-recurring revenues in 2023 was approximately 7% during the reporting period of total revenues compared to 5% in the corresponding period last year.
Cost of sales	15,309	16,458	The decrease in the cost of sales in 2023 compared to 2022 was due to a decrease in wages and related expenses, a decrease in share-based payment and a decrease in servers and cloud services. ¹
Gross profit	33,314	29,594	The gross profit margin during the presented years was: in 2023 – 68.5%. In 2022 – 64.3%. The increase in gross profit rate compared to the corresponding period last year derived from an increase in income and from a decrease in the sales cost due to decreasing wages and related costs, a decrease in share-based payment and a decrease in servers and cloud services; the direct gross profit rate from revenues from cloud licenses ² in 2023 and in 2022 was 75.1% and 65.4%, respectively. The foregoing increase derives from streamlining the cloud costs structure with respect to revenues from cloud licenses.
Research and development expenses	17,229	20,778	The decrease in research and development expenses in 2023 compared to 2022 was mainly due to a decrease in wages and related expenses and from a decrease in share-based payment. ³

¹ For more information regarding streamlining measures that led to a decrease in costs starting from the third quarter of 2023, see section 8.4 below.

² Direct gross profit from cloud revenues calculated as revenues from cloud customers less cloud costs divided by revenues from cloud customers.

³ For more information regarding streamlining measures that led to a decrease in costs starting from the third quarter of 2023, see section 8.4 below

Selling and marketing expenses	22,263	31,213	The decrease in selling and marketing expenses in 2023 compared to 2022 was due to a decrease in wages and related expenses, a decrease in share-based payment and a decrease in the publication and marketing expenses of the company . ³
Administrative and general expenses	9,304	10,834	The decrease in administrative and general expenses in 2023 compared to 2022 was due to a decrease in wages and related expenses and a decrease in share based payment. ³
Other (income) expenses	-	(876)	Other income in 2022 deriving from updating contingent consideration for the purchase of SessionCam
Operating loss	15,482	32,355	The decrease in operating loss in 2023 compared to the corresponding period in 2022 was due to a decrease in research and development expenses, a decrease in sales and marketing expenses and a decrease in administrative and general expenses when offsetting an increase in gross profit.
Financing expenses	1,542	2,475	The decrease in financing expenses in 2023 compared to the corresponding period in 2022 mainly derived from a decrease in advancing interest expenses of contingent and deferred consideration after payment of the liability.
Financing income	(1,091)	(1,104)	The change in financing income in 2023 compared to 2022 is not material.
Financing expenses, net	451	1,371	
Loss before income taxes	15,933	33,726	The decrease in pretax loss in 2023 compared to 2022 mainly derived from a decrease in operating loss as well as from a decrease in net financing expenses.
Income taxes expenses (revenues)	650	(337)	The increase in tax expenses in 2023 compared to 2022 mainly derives from a decrease in deferred tax income on options to the subsidiaries due to a decrease in expenses of share-based payment.
Loss	16,583	33,389	The decrease in loss in 2023 compared to 2022 mainly derives from a decrease in deferred tax income on options to the subsidiaries due to a decrease in expense of share-based payment.
Other comprehensive income	(1,412)	1,047	Other comprehensive loss (profit) is due to currency translation differences in SessionCam reports and Glassbox UK, which are denominated in pounds.
Comprehensive loss	15,171	34,436	The decrease in comprehensive loss in 2023 compared to 2022 was mainly due to a decrease in other

			comprehensive loss, as well as from other comprehensive profit.
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4. Liquidity

Below are data about liquidity (USD thousands)

Item	Year ended December 31		Explanations of the Board of Directors
	2023	2022	
Cash flow from operating activities	(3,977)	(16,286)	The decrease in the negative cash flow from current activity in 2023 compared to 2022 derived from a decrease in loss, a decrease in deferred taxes and a decrease in accounts receivable with an offset for accounts payable and credit balances, a decrease in costs for share-based payment and a decrease in advancing interest liability for contingent and deferred consideration.
Cash flow from investing activities	(1,767)	21,371	The decrease in cash flow from investing activities in 2023 compared to 2022 was mainly due to a change in the deposit balance for short term with a partial offset from payment of contingent and deferred consideration.
Cash flow from financing activities	(207)	(270)	The change in cash flow from financing activities in 2023 compared to 2022 is not material.
Increase (decrease) in cash and cash equivalents	(5,951)	4,815	The decrease in total cash flow in 2023 compared to 2022 was due to a decrease in cash flow from investing activities and a decrease in cash flow from current activities.
Exchange rate differences in respect of balances of cash and cash equivalents	168	(727)	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.
Balance of cash and cash equivalents at the beginning of the period	16,211	12,123	
Balance of cash and cash equivalents at the end of the period	10,428	16,211	Cash balances as of December 31, 2023 and 2022 do not include short-term deposits and limited deposits in the amount of \$15,519 and \$14,085 thousand, 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 credit facility, as set forth in section 8 of this report below (which as of the Report Date has yet to be used). 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 on the issue proceeds and credit facility as stated 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 bank financing as foregoing and 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 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, 2023 and 2022, excluding the effects of several items as follows:

Item	Year ended December 31, 2023 (dollars in thousands)			
	Pro forma profit and loss statement according to generally accepted accounting principles	Adjustments for employee options	Exclusion of excess cost amortizations from the purchase of companies	Adjusted profit or loss statement
Revenues	48,623	-	-	48,623
Cost of revenues	15,309	(175)	-	15,134
Gross profit	33,314	175	-	33,489
Research and development expenses	17,229	(1,852)	(114)	15,263
Sale and marketing expenses	22,263	(714)	(1,045)	20,504
Administrative and general expenses	9,304	(1,120)	-	8,184
Total operating expenses	48,796	(3,686)	(1,159)	43,951
Operating loss (profit)	15,482	(3,861)	(1,159)	10,462
Financing	1,542	-	-	1,542

expenses				
Financing income	(1,091)	-	-	(1,091)
Financing expenses (income), net	451	-	-	451
Loss before taxes on income	15,933	(3,861)	(1,159)	10,913

Item	Year ended December 31, 2022 (dollars in thousands)			
	Pro forma profit and loss statement according to generally accepted accounting principles	Adjustments for employee options	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
Selling and marketing expenses	31,213	(2,650)	(1,111)	27,452
Administrative and general	10,834	(1,805)	-	9,029

B - 11

expenses				
Other expenses	(876)	-	876	-
Total operating expenses	61,949	(7,503)	(761)	53,685
Operating loss (profit)	32,355	(8,151)	(761)	23,443
Financing expenses	2,475	-	(1,033)	1,442
Financing income	(1,104)	-	-	(1,104)
Financing expenses (income), net	1,371	-	(1,033)	338
Loss before taxes on income	33,726	(8,151)	(1,794)	23,781

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, 2023 and 2022, excluding the effects of several items as follows:

Item	Year ended December 31		Explanations of the Board of Directors
	2023	2022	
Revenues	48,623	46,052	The increase in revenues in 2023 compared to 2022 was mainly due to an increase in revenues from cloud licenses at a rate of 35% that was partially offset by a decrease in revenues from on-premises licenses and related services. Also, the rate of non-recurring revenues in 2023 was about 7% during the Report Period of total revenues compared to 5% in the corresponding period last year.
Cost of revenues	15,134	15,810	The decrease in the cost of sales in 2023 compared to 2022 was due to a decrease in wages and related costs and a decrease in servers and cloud services. ⁴
Gross profit	33,489	30,242	The gross profit rate during the years presented was: 2023 – 68.9% (where the gross profit in the fourth quarter of 2023 increased to 73.4%, compared to approximately 61.8% in the corresponding quarter last year). 2022 - 65.7%. The increase in gross profit rate compared to the corresponding period last year was due to an increase in revenues and from a decrease in the sales costs due to a decrease in wages and related costs and a decrease in servers and cloud services; The direct gross profit rate from revenues from cloud licenses ⁵ in 2023 and 2022 was 75.1% ⁶ and 65.4%, respectively. The foregoing increase derives from streamlining the cloud costs structure with respect to revenues from cloud licenses.
Research and development expenses	15,263	17,204	The decrease in research and development expenses in 2023 compared to 2022 was mainly due to a decrease in wages and related expenses. ⁴
Selling and marketing expenses	20,504	27,452	The decrease in sales and marketing expenses in 2023 compared to 2022 was due to a decrease in wages and related expenses and a decrease in the company's publishing and marketing expenses. ⁴

⁴ For more information regarding streamlining measures that led to a decrease in costs starting from the third quarter of 2023, see section 8.4 below.

⁵ Direct gross profit from cloud revenues is calculated as revenues from cloud customers less cloud costs divided by revenues from cloud customers.

⁶ It should be noted that the direct gross profit from revenues from Cloud licenses in the fourth quarter was 81% (compared to 63.7% in the corresponding quarter last year).

Administrative and general expenses	8,184	9,029	The decrease in administrative and general expenses in 2023 compared to 2022 was mainly due to a decrease in wages and related expenses. ⁴
Operating loss	10,462	23,443	The decrease in operating loss in 2023 compared to the corresponding period in 2022 was due to a decrease in research and development expenses, a decrease in sales and marketing expenses and a decrease in administrative and general expenses after offsetting an increase in gross profit.
Financing expenses	1,542	1,442	The change in financing expenses in 2023 compared to the corresponding period in 2022 is not material.
Financing income	(1,091)	(1,104)	The change in financing income in 2023 compared to 2022 is not material.
Financing expenses , net	451	338	
Loss before taxes on income	210,913	23,781	The decrease in the loss before income taxes in 2023 compared to 2022 was mainly due to a decrease 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.

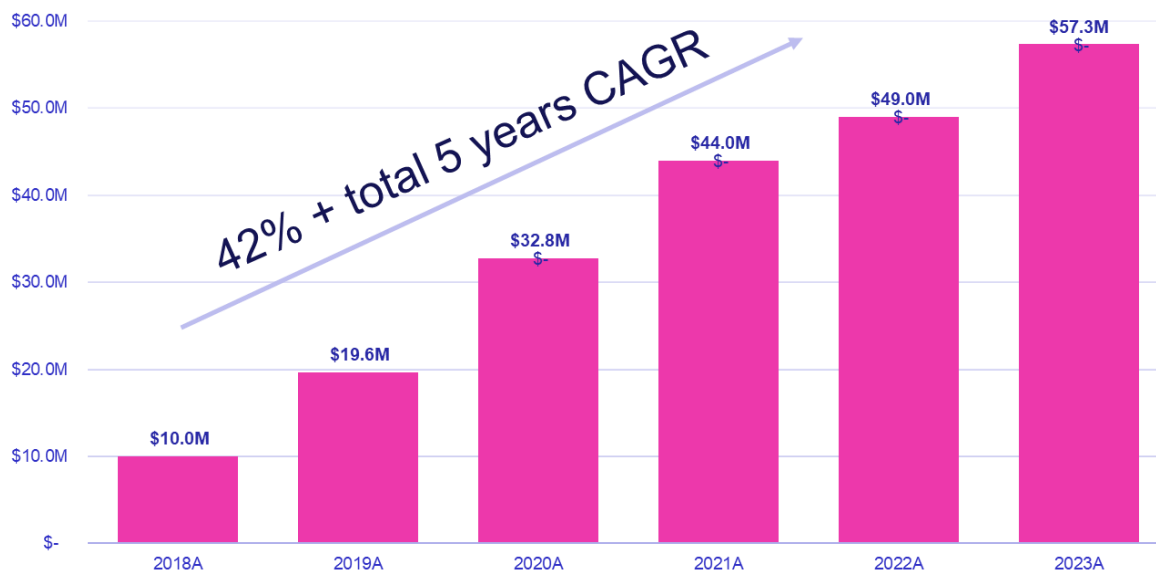
Below is the Group's ARR breakdown, by year and by quarter, as of the report date, in – 2021-2023:

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 \$ 57.3 million compared to \$ 55.9 million and \$ 49 million as of the end of the third quarter of 2023 and the end of the fourth quarter of 2022, respectively. In addition, the ARR at of the end of 2023 has increased by 17% and the ARR balance from cloud customers at the end of 2023 increased by 54% compared to ARR balances as of the end of 2022. The net addition to ARR in 2023 is 67% larger than the net addition to ARR in 2022. 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 one million dollars (compared to about 780 thousand dollars as of December 31, 2022) and in the reported period 51 new customers joined the Company.

Below is the Group's ARR breakdown, by year, as of December 31 of each of the years 2018-2023²

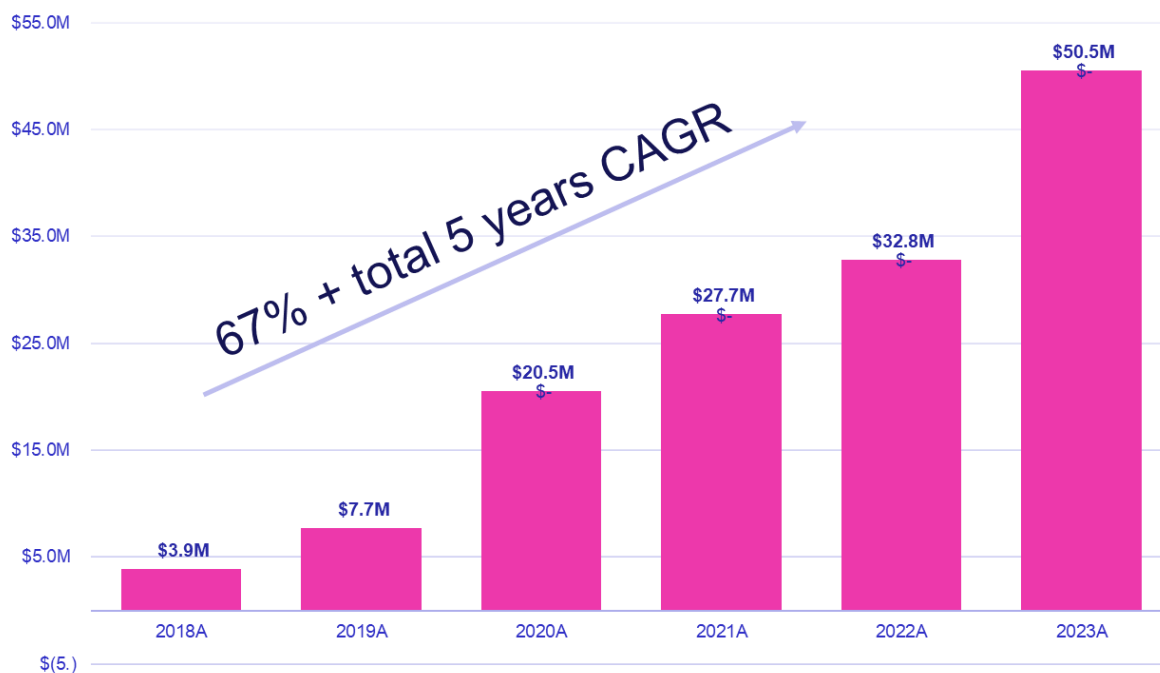


In addition, the Company's total CAGR (Compound Annual Growth Rate) for the years 2018-2023 is presented above. The purpose of using this index is to present the Company's growth, based on ARR data, and accordingly the CAGR is calculated based on the ratio between the ARR in the last year of the calculated period and the ARR data in the first year of the calculated period.

² 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, 2023 (2020-2023), the CAGR rate from cloud customers was about 20%.

Below is the ARR breakdown from the Group's cloud customers, by year, as of December 31 of each of the years 2018-2023:³

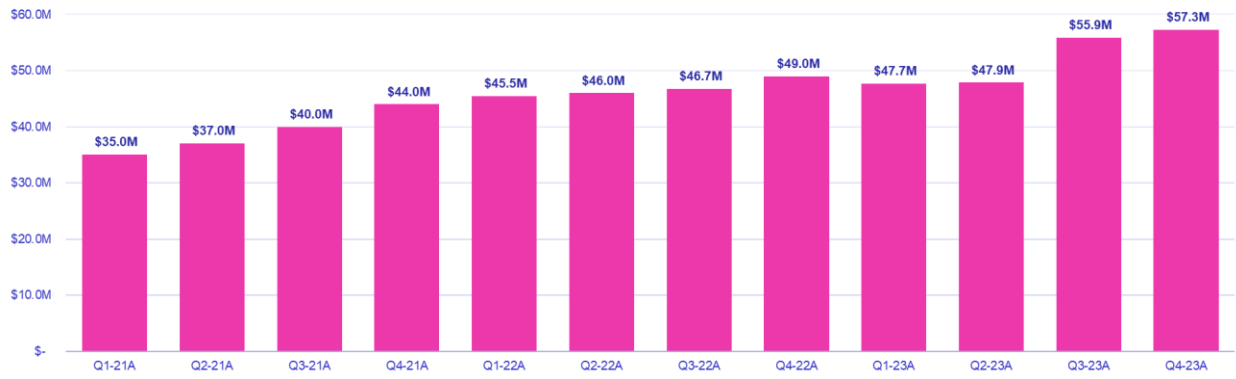


In addition, the Company's CAGR (Compound Annual Growth Rate) from cloud customers for the years 2018-2023 is presented above. For details regarding the CAGR calculation method, see above.

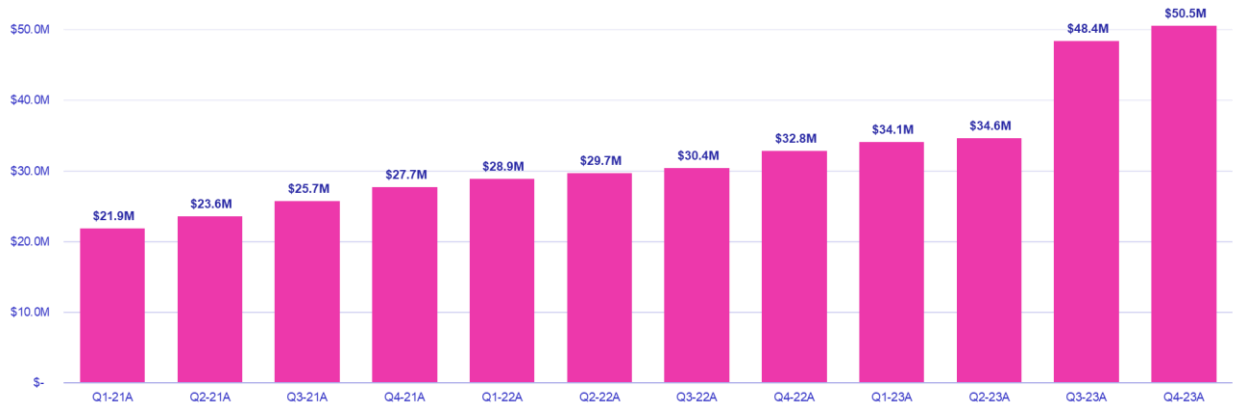
In the three years prior to December 31, 2023 (2020-2023), the CAGR rate from cloud customers was about 35%.

Below is the ARR breakdown of the Group, by quarter, as of the end of each quarter in the years 2021-2023:

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



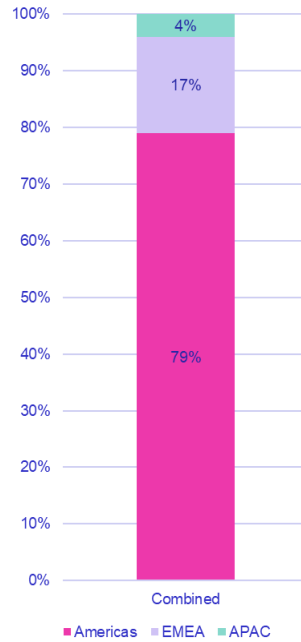
The following is a breakdown of the ARR from the Group's cloud customers by quarter, as of the end of each quarter, in the years 2021-2023:



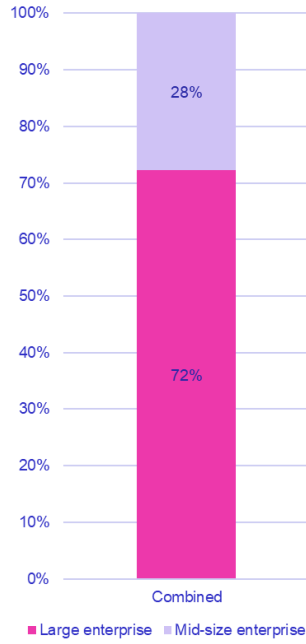
ARR Breakdown

The following chart describes the ARR balance of the Group as of December 31, 2023 with the segmentations relevant to its activity:

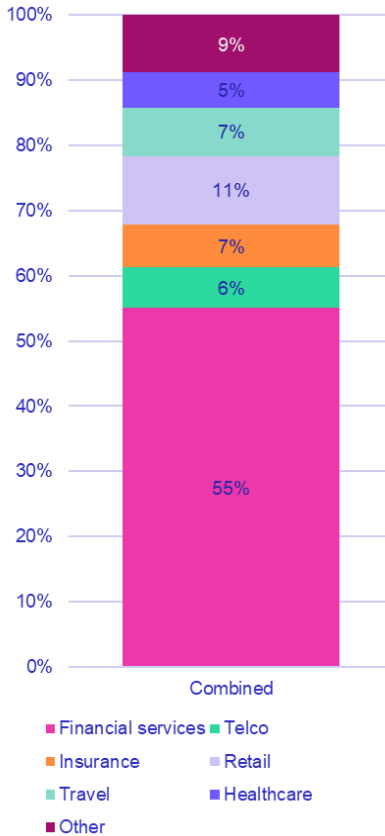
ARR by Region



ARR by customer size



ARR by vertical



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

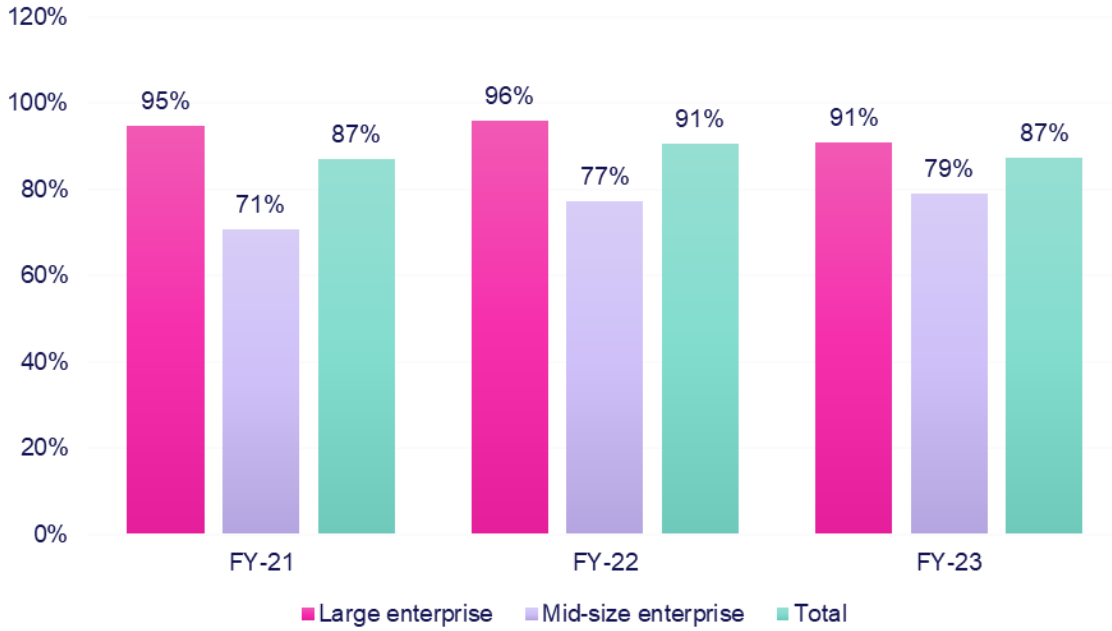
The Company examines its annual growth forecasts in ARR terms based on the top-down approach (as derived from the Pipeline) to estimate the amount of new transactions to be closed in the coming years and also on the basis of expected customer retention rate in dollars (Gross Retention). The top-down 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).

Customer Retention Rates

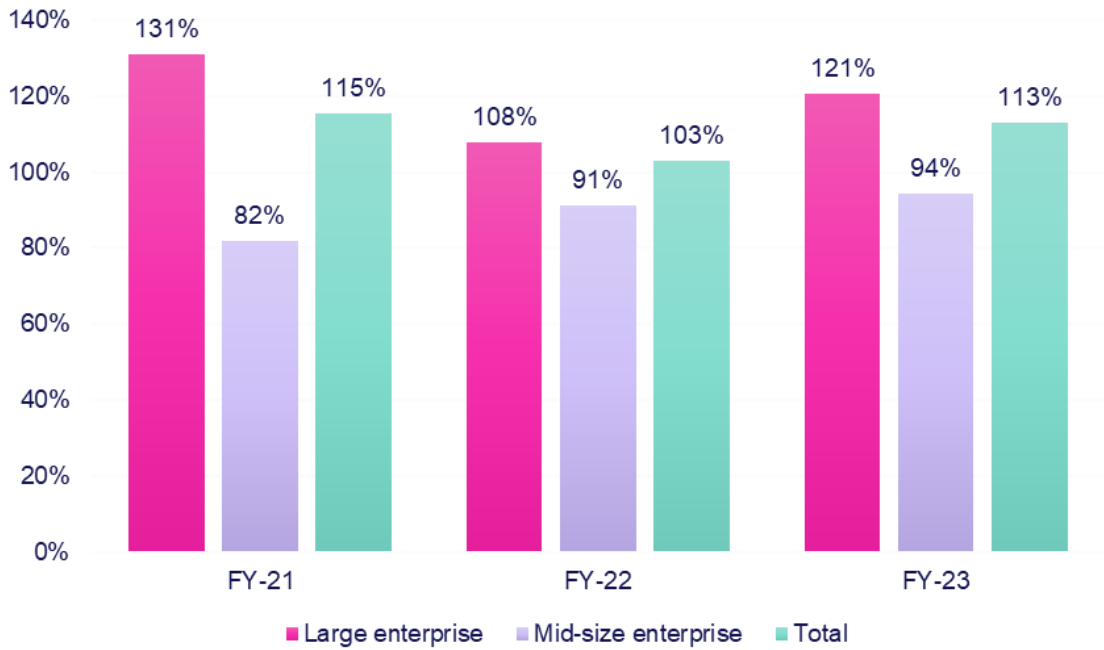
Another operations metric is the retention rate of existing customers (USD\$ Retention Rate) based on ARR which is calculated separately with consideration of customers who have left and/or reduced the gross retention of revenues (Gross retention) or of customers who have left and/or reduced or increased 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, 2021, 2022 and 2023, respectively:

GROSS RETENTION PER CUSTOMER SIZE



NET RETENTION PER CUSTOMER SIZE



8. Events in the reported period and thereafter

- 8.1 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 (around 5.3 million dollars), of which 4.1 million pounds (around 5.1 million dollars) were paid in 2022 and the rest in 2023. 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 Corporation Business Description Report of the Company for 2022 and Note 5 of the Consolidated Financial Statements of the Company as of December 31, 2022, which were added as chapters A and C, respectively, to the Company’s 2022 periodic report (as amended on March 15, 2023), and an immediate report of the Company dated February 22, 2023 (reference numbers: 2023-01-027453 and 2023-01-016864, respectively), where the information based thereon is presented in this report by way of reference.
- 8.2 Following the crisis that befell Silicon Valley Bank (“**SVB**”) and the regulatory restrictions imposed on it, including suspending its activity by the Federal Deposit Insurance Corporation, on March 21, 2023, the Company completed the transfer of most of the Company’s cash balances held in SVB to accounts of the Company in other financial institutions. As of the Report Date, the Company’s accounts in SVB continue serving the Company in the US. For more details see the Company’s reports dated March 13 and 21, 2023 (reference numbers: 2023-01-021727 and 2023-01-025234, respectively), the information of which is presented in this report by way of reference.
- 8.3 On March 21, 2023, Mr. Zachary Gat ceased serving as a director in the Company’s board of directors. For more details see the Company’s immediate report dated March 21, 2023 (reference number: 2023-01-025324), the information of which is presented in this report by way of reference.
- 8.4 Further to section 1.34 of the Corporation Business Description Report regarding streamlining measures that will contribute to an improved gross profit and in the

transition to a positive and profitable cash flow, on May 3, 2023, the Company's management drew up additional measures as part of the streamlining activities for the purpose of cutting costs, in a manner that may assist in advancing the Company toward its targets of transitioning to a positive and profitable cash flow ("**Streamlining Measures**"). The Streamlining Measures mainly include a reduction of the workforce of the entire Group by some 14% and are expected to lead to estimate annual savings in the Group's costs of around 7.44 million dollars. The Company implemented the Streamlining Measures in Q3 2023.

The Company's estimates regarding the advancement of the Company's targets of transitioning to a positive and profitable cash flow and the estimated annual savings in the Group's expenses as set out above constitutes forward looking information, as defined in the Securities Law. These estimates are in part based on assessments by the Company's management, which in turn are based on its past experience, on an assessment of the markets in which the Group operates, on the actions taken by the Group and their impact on its results. There is no certainty with respect to the date the target will be reached and the transition date to a positive and profitable cash flow, and these estimates may not materialize, or materialize other than as assessed, even substantively so, as a result of factors not under the Company's control, including changes to future demand for the Systems (as defined in the Corporation Business Description Report) and competition in the market, technological developments in the Company's operational markets etc., as well as the materialization of any of the risk factors set forth in section 1.36 of the Corporation Business Description Report.

8.5 On June 4, 2023, the Company published an offering outline for securities to employees, by virtue of which the Company may offer to employees and officers of the Company and related companies⁸ up to 600,000 non-marketable warrants, and up to 100,000 unlisted restricted share units (RSUs), exercisable into 700,000 ordinary shares (in this section the "**Outline**"). For further details regarding the Outline see the Company's immediate report dated June 4, 2023 (reference number: 2023-01-052258), the information of which is presented in this periodic report by way of reference.

⁸ Subsidiaries or second-tier subsidiaries of the Company, which are controlled by the Company.

- 8.6 On August 2, 2023, the Company and Bank Hapoalim B.M. entered into a credit facility agreement for the purpose of obtaining financing in a total amount of 20 million dollar (the “**Credit Facility**”), which shall be made available to the Company per its request, among others subject to meeting various covenants and obligations. Insofar as the Credit Facility is used, it shall serve the Company for the purpose of financing the Company’s working capital and current activity. As of the Report Date, the Credit Facility has yet to be used. For more information about the terms of the Credit Facility agreement, see the Company’s immediate report dated August 3, 2023 (reference number: 2023-01-072451), the information of which is presented in this report by way of reference.
- 8.7 On September 11, 2023, the Company⁹ contractually engaged with a Group customer, which is one of the US’s five largest banking corporations (the “**Customer**”), in an addendum to the license to use agreement that was executed between the Company and the Customer on September 4, 2019, as amended from time to time (the “**Addendum**”). As part of the Addendum, the terms of the license given to the Customer were expanded and updated and its validity was extended, in a manner reflecting a total value for the license period of up to 42.3 million dollars and an addition of some 8.3 million dollars to ARR.¹⁰ For more details about the Addendum, see the Company’s immediate report dated September 12, 2023 (reference number: 2023-01-105759), the information of which is presented in this report by way of reference. According to the agreement’s terms, the Company is entitled to advance payment for the first year of the agreement that was received in the fourth quarter of 2023, in total amount of around 14.1 million dollars.
- 8.8 Further to Note 17B of the Company’s consolidated financial statements as of December 31, 2022,¹¹ and Note 16 to the Consolidated Financial Statements¹² regarding a lawsuit filed to the District Court in Tel Aviv-Yafo (Economic Department) against the Company (the “**Lawsuit**” and “**Court**”, as applicable), by its former consultant (the “**Offeree**”), on September 12, 2023, the Company’s board of

⁹ Through Glassbox UK.

¹⁰ For more details about the Company’s ARR and its calculation, see section 7 of this report of the board of directors above.

¹¹ Which was attached as Chapter C to the Company’s 2022 periodic report, as amended on March 15, 2023 (reference number: 2023-01-027453), the information of which is presented in this report by way of reference.

¹² Which are attached as Chapter C to this report below.

directors approved a private placement to the Offeree that is not material, as agreed consideration for the services it provided the Company as a consultant without the Offeree continuing to serve as a consultant on its behalf after the grant date, all in the framework of a settlement¹³ in a lawsuit for the purpose of mutual, full, final, complete and irrevocable discharge of rights, claims and lawsuits by the parties (the “**Settlement**”), of a total of 11,096 unlisted restricted share units (RSUs) that are convertible into up to 11,096 ordinary shares of the Company par value ILS 0.01 each (the “**RSUs**”). For more information, see the Company’s immediate report dated September 13, 2023 (reference number: 2023-01-086467), the information of which is presented in this report by way of reference. Further to the above, on September 18, 2023, the Settlement was validated by judgment, and the Company contacted TASE for its approval to list the shares to derive from converting the RSUs.

8.9 On September 12, 2023, Ibex Israel Fund LLLP, the largest shareholder of the Company, filed a lawsuit and motion for temporary orders against the Company, to the District Court in Lod (the “**Lawsuit**”). For more details about the Lawsuit, see the Company’s immediate report dated September 13, 2023 (reference number: 2023-01-106329), the information of which is presented in this report by way of reference. Further to the foregoing, on November 1, 2023, the District Court in Lod granted a motion to summarily dismiss the Lawsuit and the motion for temporary orders against the Company.

8.10 Further to section 8.9 above and the Company’s immediate report dated September 14, 2023 (reference number: 2023-01-086953), the contents of which are hereby included by way of reference, after the Company’s board of directors had earlier adopted a resolution to include on the agenda of the annual and extraordinary meeting of Company shareholders the appointment of directors recommended by interested parties of the Company, on October 23, 2023, the Company’s board of directors adopted a resolution to convene the meeting accordingly. For more details see the Company’s immediate report dated November 2, 2023 (reference number: 2023-01-121089), the report convening the meeting published on December 7, 2023, as amended on December 19, 2023 (reference number: 2023-01-111502 and 2023-01-138018, respectively), and the results of the meeting as published on January 11, 2024

¹³ The parties further agreed that the Company shall pay the Offeree an amount that is not material to the Company (plus VAT).

(reference number: 2024-01-0044792), the information of which is presented in this report by way of reference.

8.11 On October 27, 2023, Ms. Lisa Hamit ceased serving as a director in the Company's board of directors. For more details see the Company's immediate report dated October 29, 2023 (reference number: 2023-01-119544), the information of which is presented in this report by way of reference.

8.12 On November 7, 2023, Mr. James L. Liang ceased serving as a director in the Company's board of directors. For more details see the Company's immediate report dated November 8, 2023 (reference number: 2023-01-101791), the information of which is presented in this report by way of reference.

8.13 8.13. For details about the composition of the company's board of directors, including the appointments of H. Yaron Morgenstern (the company's CEO and director) and Yair Amsterdam (independent director) in accordance with the provisions of regulation 32 of the company's bylaws ("the bylaws"), see the company's immediate report of January 21, 2024 (Reference number: 2024-01-007204), which information is included in this report by way of reference.

B. Corporate Governance Aspects

9. Donations

During the Report Period, donations of an immaterial amount were made. In addition, as of 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, 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 four (4) directors with accounting and financial expertise, as follows: Mr. Brian Abrahams (Director), Mr. Gal Gitter (Director), Timothy Drager (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 AOA 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):

The auditor's name	Alon Amit
Tenure commencement date:	November 15, 2021
Compliance with the provisions of the law:	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.
Holding the corporation's securities:	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.
Material / other material business relations with the corporation:	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 in 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.

<p>Manner of appointment of internal auditor:</p>	<p>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.</p>
<p>The organizational supervisor of the auditor:</p>	<p>According to the Company's AOA, 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.</p>
<p>The work plan:</p>	<p>On May 215 2023, the Company's board of directors (after receiving the audit committee's recommendation) approved an annual audit plan for 2023, in scope of 40 annual hours of auditing, which includes the following topics: (a) R&D, and (b) use of payment methods.</p> <p>On November 13, 2023, the Company's board of directors (after receiving the audit committee's recommendation) approved an annual audit plan for 2024, in scope of 40 annual hours of auditing, which includes the following topics: (a) protection of privacy, and (b) customer payment processes.</p>
<p>References to investee corporations</p>	<p>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.</p>
<p>Scope of transaction</p>	<p>The internal auditor and/or anyone on his behalf were employed in 2023 for 400 hours of auditing for the 2023 Audit Plan and are expected to be employed in scope of 400 hours of auditing for the 2024 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.</p>

Professional standards	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.
Access to information	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.
Report of the internal auditor	<p>In March and May 2023, the Company's internal auditor submitted audit reports on cyber security and customer support/success in accordance with the annual audit plan for 2022, and on March 8 and May 11, 2023, the members of the Company's audit committee discussed said reports, respectively.</p> <p>In November 2023 and February 2024 the Company's internal auditor submitted audit reports on the topics of payment methods and R&D pursuant to the 2023 Audit Plan, and on November 9, 2023, and March 7, 2024, the members of the Company's audit committee discussed said reports, respectively.</p>
Board of Directors' assessment of internal auditor activity	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.

Remuneration:	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.
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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 2023 and 2022 (in thousands of dollars):

	Audit services and audit related services (including audit related tax services)	other services
2023	124	-
2022	124	30

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 number 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 SessionCam¹⁵, 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, 2022¹⁴ ("**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**").¹⁵ The main changes in the payment of the

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

¹⁴ Reference number: 2022-01-026031, where the information based thereon is presented in this report by way of reference.

¹⁵ 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, 2023 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 12, 2024

Mr. Brian Abrams

Chairman of the Board

Mr. Yaron Morgenstern

The Company CEO

Chapter C – Financial Statements

The Consolidated Financial Statements of the Company as of December 31, 2023

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, 2023

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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, 2023 and 2022 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, 2023 and 2022, 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.

Key audit matters

Key audit matters are matters that were communicated or that should have been communicated to the Company's board of directors, and which in our professional judgment were exceedingly significant in the audit of the consolidated financial statements for the current period. These matters partly include any matter (1) that refers, or may refer, to substantial paragraphs or disclosures in the financial statements, and (2) where our judgment in respect thereof was particularly challenging, subjective or complex. We determined there to be no key matters in the audit that should be communicated.

Tel-Aviv, Israel
March 12, 2024

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<u>Note</u>	December 31	
		2023	2022
		U.S. Dollars in thousands	
CURRENT ASSETS			
Cash and cash equivalents	6	10,428	16,211
Short term deposits		13,090	14,085
Short term restricted deposits		2,429	-
Trade receivables	9	1,586	2,030
Other receivable and prepaid expenses	7	3,147	3,815
		<u>30,680</u>	<u>36,141</u>
NON-CURRENT ASSETS			
Long term restricted deposits		349	441
Prepaid expenses		47	683
Property and equipment, net		812	1,030
Right of use assets, net	8	2,106	1,946
Intangible assets	10	7,450	8,161
Goodwill	10	14,583	13,782
Deferred taxes	17	1,215	1,689
Customer acquisition costs		719	716
		<u>27,281</u>	<u>28,448</u>
TOTAL ASSETS		<u><u>57,961</u></u>	<u><u>64,589</u></u>

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	December 31	
		2023	2022
		U.S. Dollars in thousands	
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Trade payables		2,038	2,373
Deferred revenues		19,564	12,349
Other accounts payable	11	9,042	9,998
Contingent consideration for purchase of investment in a subsidiary	5	-	228
Deferred consideration for purchase of investment in a subsidiary	5	-	86
Lease liabilities	8	477	476
		<u>31,121</u>	<u>25,510</u>
NON CURRENT LIABILITIES			
Deferred revenues		489	1,520
Deferred tax liability	17	1,818	1,971
Lease liabilities	8	1,499	1,546
		<u>3,806</u>	<u>5,037</u>
TOTAL LIABILITIES		<u>34,927</u>	<u>30,547</u>
Commitments and contingent liabilities	15		
EQUITY	14		
Ordinary share capital		32	32
Additional paid-in capital		122,915	121,383
Capital reserve for share based payment		20,942	18,311
Translation adjustments of foreign operations		1,296	(116)
Accumulated deficit		(122,151)	(105,568)
TOTAL CAPITAL		<u>23,034</u>	<u>34,042</u>
TOTAL LIABILITIES AND EQUITY		<u>57,961</u>	<u>64,589</u>

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

March 12, 2024			
Approval date of the financial statements	Brian Abrams	Yaron Morgenstern	Kobi Carlebach
	Chairman of the Board of Directors	Chief Executive Officer	Chief Financial Officer

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<u>Note</u>	<u>Year ended December 31</u>	
		<u>2023</u>	<u>2022</u>
		<u>U.S. Dollars in thousands</u>	
Revenues	18	48,623	46,052
Cost of revenues	19	15,309	16,458
GROSS PROFIT		33,314	29,594
Research and development expenses	20	17,229	20,778
Sales and marketing expenses	21	22,263	31,213
General and administrative expenses	22	9,304	10,834
Other income	5	-	(876)
		<u>48,796</u>	<u>61,949</u>
OPERATING LOSS		15,482	32,355
Finance expense	23a	1,542	2,475
Finance income	23b	(1,091)	(1,104)
Finance expenses, net		451	1,371
Loss before taxes on income		15,933	33,726
Tax expenses (income)	17	650	(337)
LOSS FOR THE YEAR		16,583	33,389
Other comprehensive income:			
Amounts that will be reclassified or reclassified to profit or loss subject to specific conditions:			
Translation adjustments of foreign operations		(1,412)	1,047
Total other comprehensive loss (income)		(1,412)	1,047
Total comprehensive loss for the year		<u>15,171</u>	<u>34,436</u>
Basic and diluted loss per share	24	1.40	2.85

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Ordinary share capital	Premium on share	Capital reserve for share based payment	Translation adjustments of foreign operations	Accumulated deficit	Total
	U.S Dollars in thousands					
<u>Balance as of January 1, 2022</u>	32	120,929	10,272	931	(72,179)	59,985
Loss	-	-	-	-	(33,389)	(33,389)
Other comprehensive income	-	-	-	(1,047)	-	(1,047)
Comprehensive loss for the year	-	-	-	(1,047)	(33,389)	(34,436)
Exercise of employee options and vesting of restricted share units	-	454	(112)	-	-	342
Cost of share based payment	-	-	8,151	-	-	8,151
<u>Balance as of December 31, 2022</u>	<u>32</u>	<u>121,383</u>	<u>18,311</u>	<u>(116)</u>	<u>(105,568)</u>	<u>34,042</u>
Loss	-	-	-	-	(16,583)	(16,583)
Total other comprehensive loss	-	-	-	1,412	-	1,412
Total comprehensive loss for the year	-	-	-	1,412	(16,583)	(15,171)
Exercise of employee options and vesting of restricted share units	-	1,532	(1,230)	-	-	302
Cost of share based payment	-	-	3,861	-	-	3,861
<u>Balance as of December 31, 2023</u>	<u>32</u>	<u>122,915</u>	<u>20,942</u>	<u>1,296</u>	<u>(122,151)</u>	<u>23,034</u>

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31	
	2023	2022
	U.S. Dollars in thousands	
Cash flows from operating activities:		
Loss	(16,583)	(33,389)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortizations	1,469	1,912
Changes in deferred taxes, net	213	(702)
Finance expenses, net	(13)	491
Amortization of right of use assets	428	517
Advancement of interest on contingent liability and deferred consideration	14	1,069
Change of estimated contingent consideration	-	(876)
Cost of share based payment	3,861	8,151
	<u>5,972</u>	<u>10,562</u>
Changes in operating assets and liabilities:		
Decrease in trade receivables, net	542	640
Decrease (increase) in other receivable and prepaid expenses	1,223	(20)
Decrease (increase) in customer acquisition costs	(3)	58
Decrease in trade payables	(350)	(237)
Increase in other accounts payable	(247)	1,401
Increase in deferred revenues	6,061	5,194
	<u>7,226</u>	<u>7,036</u>
Taxes paid	(592)	(495)
Net cash used in operating activities	<u>(3,977)</u>	<u>(16,286)</u>

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31	
	2023	2022
	U.S. Dollars in thousands	
Cash flows from investing activities		
Drawing down from deposits (making deposits)	(1,342)	30,072
Payment of contingent and deferred consideration	(328)	(8,412)
Sale of property and equipment	-	6
Purchase of property and equipment	(97)	(295)
Net cash provided by (used in) investing activities	<u>(1,767)</u>	<u>21,371</u>
Cash flows from financing activities		
Proceeds from exercise of options, net	302	342
Interest payments for liabilities	(115)	(57)
Repayment of lease liabilities	(394)	(555)
Net cash used in financing activities	<u>(207)</u>	<u>(270)</u>
Increase (decrease) in cash and cash equivalents	(5,951)	4,815
Exchange rate differences for cash and cash equivalents	168	(727)
Balance of cash and cash equivalents at the beginning of the period	<u>16,211</u>	<u>12,123</u>
Balance of cash and cash equivalents at the end of the period	<u><u>10,428</u></u>	<u><u>16,211</u></u>
(a) Information regarding non cash investing and financing activities:		
Recognizing right of use asset for leasing offices against lease liability	<u>586</u>	<u>-</u>
Proceeds for exercise of options that have not yet been received as of the balance sheet date	<u>-</u>	<u>1</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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. Since the date of its establishment, the Company has been operating in one area of operations, namely the development and marketing of software products in the customer experience sector.
- e. On October 7, 2023, "Operation Swords of Iron" commenced in Israel. As of the approval date of the financial statements, there has been no substantial effect on the Group or on its business activity, and it is continuing its work routine. The Company has a limited number of employees who are in reserve duty.

f. 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) 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

g. Financial position

The Group's business results in 2023 and 2022 amounted to a net loss of around 16,583 and 33,389 thousand Dollars, respectively. The negative cash flow from current activity in 2023 and 2022 amounted to approximately 3,977 and 16,286 thousand Dollars, respectively. The Company's equity as of 31 December 2023 and 2022 amounted to around 23,034 and 34,034 thousand Dollars, respectively. The Group's working capital as of 31 December 2023 and 2022 amounted to a positive (negative) amount of some (441) and 10,631 thousand Dollars, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In 2023, The Company's management and board of directors promoted streamlining measures that contributed to the improved gross profits of the Company and to a reduction in the Company's losses and cash burn. Accordingly, among other things, during Q2 the Company downsized around 14% of the workforce of the entire Group. According to the cash flow forecast prepared by the Group, which is based on anticipate revenues and expected future events, and which takes into account the above streamlining measures, the Company's management and board of directors estimate that the Company has the required tools for continuing its activity in the foreseeable future.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

a. Preparation format of the financial statements

The Company's financial statements as of 31 December 2023 and 2022, and for each of the years in the period ended 31 December 2023, are in compliance with the International Financial Reporting Standards, which are standards and interpretations published by the International Accounting Standard Board (the IFRS Standards) and include the additional disclosure required in accordance with the Securities Regulations (Annual Financial Statements) – 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.

b. 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 per the exchange rate on the transaction dates. The resulted translation differences are carried to other comprehensive income (loss).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 to financing expenses (income), net. 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.

c. 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.

d. 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.

e. Trade receivables

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 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 Group has no provision for anticipated credit losses.

f. Examination of impairment of intangible assets with a definite useful lives

The Group is examining impairment of intangible assets with definite useful lives when there are signs as a result of events or change of circumstances that indicate that the balance in the financial statements is not recoverable.

g. Intangible assets

1) 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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

years) and are presented net of accumulation amortization based on the straight-line method.

2) 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.

3) Goodwill

Goodwill created upon the acquisition of subsidiaries is included in intangible assets.

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 2022 and 2023 the recoverable amount is larger than the book balance.

h. Leases

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 lease term, on the commencement date, is 12 months or less, 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 of the lease liability that includes all unpaid lease payments discounted at the interest rate implicit in the lease, because that rate cannot be readily determined, the Company uses 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 2.5-6 years.

i. Financial instruments

1. The Company measures financial assets 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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.

2. 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, which are measured according to their transaction price, as defined in IFRS 15 "Revenue from Contracts with Customers". Financial assets at reduced cost are measured in subsequent periods at a reduced cost, based on the effective interest method, less impairment provision.

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.

3. Financial liabilities

a) Financial liabilities measured at amortized cost:

At initial recognition, the Company measures financial liabilities at fair value net of transaction costs.

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

b) 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.

j. Share-based payment transactions

The Company's employees and others providing similar services 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.

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 and restricted share units expected to vest.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

No expense is recognized for awards that do not ultimately vest. Upon exercising the options or vesting of restricted share units, 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.

k. Taxes on income:

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.

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 for carryforward losses for tax purposes.

1. 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).

Revenue from software licensing arrangements

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.

Right of access to software in cloud:

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

Revenue from rendering of services:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company provides implementation services, support services and 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. 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.

m. 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, options or restricted share units, 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.

n. 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.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following is information with respect to areas in which the Group has exercised significant discretion, which have a very significant effect on the amounts recognized in 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. Discretionary decisions with a substantial effect on the implementation of the entity's accounting policy:

- 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.

- 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.

- 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.

- Leases

The Company exercises significant discretion when examining whether it is reasonably certain that the extension option of right-of-use assets will be exercised in the future.

- Useful life of 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 2h1 and 2h2).

b. Estimates and assumptions:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 recognized accounting estimates in the period the estimates were amended and in any future affected period. The key assumptions made in the financial statements concerning uncertainties at the reporting date and the critical estimates used 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.

- 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. Over the years ended 2022 and 2023 no impairment was recognized for the goodwill.

NOTE 4 - DISCLOSURE OF NEW STANDARDS IN THE PERIOD PRIOR TO THEIR ADOPTION AND AFTER THEIR IMPLEMENTATION

a. Amendment to IAS 1, "Presentation of Financial Statements", classification of liabilities as current or noncurrent and noncurrent liabilities with financial criteria

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.
- 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 the foregoing amendments is not expected to have a material effect on the financial/consolidated statements of the Company.

a. 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. As a result of the amendment’s adoption, the Company adjusted the accounting policy note in the these financial statements in order to comply with the provisions of the amendment.

b. 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.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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.
- 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.

According to the provisions of the amendment to IAS 12, the amendment was adopted by the Company starting from 1 January 2023 for all the transactions starting from the commencement of the earliest reporting period presented in the financial report. Following the amendment's adoption, starting from the financial statements for 2023 (and in the framework of the comparison numbers in these statements), the Company recognizes the deferred tax assets and deferred tax liabilities for liabilities for leases and right-of-use assets, respectively, and presents them in Note 17.

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).

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, was paid in two installments, the first in December 2022 and the second in February 2023.

In October and December 2022 the Company paid \$ 8.4 million for the contingent consideration. The contingent consideration balance of \$ 228,000 was paid in February 2023.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2023:

	<u>Contingent consideration</u>	<u>Deferred consideration</u>
	<u>U.S. Dollars in thousands</u>	
Liability balance as of January 1, 2023	228	-
Negative cash flow for payment	(228)	-
Liability balance as of December 31, 2023	<u>-</u>	<u>-</u>

2022:

	<u>Contingent consideration</u>	<u>Deferred consideration</u>
	<u>U.S. Dollars in thousands</u>	
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	<u>228</u>	<u>-</u>

NOTE 6 - CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
	<u>U.S. Dollars in thousands</u>	
Cash and cash equivalents in dollar	4,719	10,330
Cash and cash equivalents in NIS	4,501	4,584
Cash and cash equivalents in other currencies	1,208	1,297
	<u>10,428</u>	<u>16,211</u>

NOTE 7 - OTHER ACCOUNTS RECEIVABLE

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
	<u>U.S. Dollars in thousands</u>	
Government authorities	234	544
Prepaid expenses	1,458	2,239
Customer acquisition cost	924	800
Others	531	232
	<u>3,147</u>	<u>3,815</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 - 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 6 years.

In July 2023, the Company and the lessor in Israel executed an amendment to the current lease agreement, whereby the Company will lease the property in Israel until 31 August 2029. As part of the amendment, it was agreed that the original extension option the Company had to extend the lease from 31 August 2024 to 31 August 2027 (the "Original Extension Option") would be extended by an additional two years, so that the lease would end on 31 August 2029. We should note that the original option was in the past included when setting the lease agreement, as is the option in the new agreement. Further to the amendment to the agreement, and in accordance with the amended lease amounts, the net right-of-use amounts were updated, as well as the liabilities for the lease, to around \$ 600,000.

1. Liabilities for leases2023

	<u>U.S. Dollars in thousands</u>
Balance as of January 1, 2023	2,022
Additions during the year	610
Finance expenses in respect of lease liabilities	66
Total negative cash flow for leases	<u>(722)</u>
Balance as of December 31, 2023	<u><u>1,976</u></u>

2022

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

2. Disclosures regarding right of use assets2023

<u>Cost</u>	<u>U.S. Dollars in thousands</u>
Balance as of January 1, 2023	3,813
Additions during the year	586
Translation adjustments of financial statement of foreign operations	<u>2</u>
Balance as of December 31, 2023	4,401
<u>Accumulated depreciation</u>	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Balance as of January 1, 2023	1,867
Additions during the year	<u>428</u>
Balance as of December 31, 2023	<u>2,295</u>
Depreciated cost as of December 31, 2023	<u><u>2,106</u></u>

2022

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

3. For maturity dates of lease liabilities see Note 17g.
4. Short term lease expenses for 2023 and 2022 amounted to \$ 32 thousand and \$ 83 thousand, respectively.
5. Liability in respect of lease

	<u>Weighted interest rate</u>	<u>December 31</u>	
	<u>December 31</u>	<u>2023</u>	<u>2022</u>
	<u>%</u>		
Liabilities in respect of leases	8.21	1,976	2,022
Less current maturities		<u>477</u>	<u>476</u>
		<u><u>1,499</u></u>	<u><u>1,546</u></u>

NOTE 9 – CUSTOMERS AND ASSETS AND LIABILITIES IN RESPECT OF CONTRACTS WITH CUSTOMERS

	<u>December 31</u>
	<u>2023</u> <u>2022</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. Dollars in thousands

Customer	1,586	2,030
Contract assets	<u>4,061</u>	<u>4,482</u>
Deferred income (long and short term)	24,114	18351
Deferred income less contract assets	<u>20,053</u>	<u>13,869</u>

NOTE 10 - GOODWILL AND OTHER INTANGIBLE ASSETS

2023:

	Technology	Customer relations	Domain	Goodwill	Total
	U.S. Dollars in thousands				
<u>Cost</u>					
Balance as of January 1, 2023	1,174	10,403	25	13,782	25,384
Translation adjustments of financial statements of foreign operations	<u>-</u>	<u>439</u>	<u>-</u>	<u>801</u>	<u>1,240</u>
Balance as of December 31, 2023	<u>1,174</u>	<u>10,842</u>	<u>25</u>	<u>14,583</u>	<u>26,624</u>
<u>Accumulated amortization and impairment losses</u>					
Balance as of January 1, 2023	900	2,527	14	-	3,441
Amortization recognized during the year	<u>100</u>	<u>1,045</u>	<u>5</u>	<u>-</u>	<u>1,150</u>
Balance as of December 31, 2023	<u>1,000</u>	<u>3,572</u>	<u>19</u>	<u>-</u>	<u>4,591</u>
Net balance as of December 31, 2023	<u>174</u>	<u>7,270</u>	<u>6</u>	<u>14,583</u>	<u>22,033</u>

2022:

	Technology	Customer relations	Domain	Goodwill	Total
	U.S. Dollars in thousands				
<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>					

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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>

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

	Year ended December 31	
	2023	2022
	U.S. Dollars in thousands	
Research and development expenses	<u>100</u>	<u>392</u>
Selling and marketing expenses	<u>1,045</u>	<u>1,117</u>
General and administrative expenses	<u>5</u>	<u>6</u>

NOTE 11 - OTHER ACCOUNTS PAYABLE

	December 31	
	2023	2022
	U.S. Dollars in thousands	
Payroll payable	6,817	7,461
Expenses payable	1,461	1,580
Government authorities	555	586
Others	<u>209</u>	<u>371</u>
	<u>9,042</u>	<u>9,998</u>

NOTE 12 - 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 these insurance policies for the purpose of disbursement of severance pay.

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 expense recognized for deposits to the Company's employees under section 14, \$ 1,238 and 1,224 thousand for 2023 and 2022, respectively.

NOTE 13 - LIABILITY FOR GOVERNMENT GRANTS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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, 2023, the Company has liability for the "Smart Money" program of \$ 35 thousand. The Company in 2023 paid \$ 10 thousand to the program.

NOTE 14: - SHAREHOLDERS' EQUITY

a. Composition of share capital

	Authorized	Issued and outstanding	
	December 31	December 31	
	2023 and 2022	2023	2022
	Number of shares		
Ordinary shares of NIS 0.01 par value each	50,000,000	11,894,009	11,771,723

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 payment

1. 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:

	Year ended December 31 2023	
	Number of options	Weighted average exercise price in Dollars
Balance at the beginning of the year	3,226,525	9.38
Granted	637,538	5.82
Forfeited	(704,859)	9.85

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Exercised	(62,397)	4.87
Balance at the end of the year	<u>3,096,807</u>	<u>8.63</u>
Exercisable at the end of the year	<u>1,845,906</u>	<u>5.31</u>

	Year ended December 31 2022	
	Number of options	Weighted average exercise price in Dollars
Balance at the beginning of the year	2,497,405	7.94
Granted	1,223,336	15.45
Forfeited	(404,548)	20.03
Exercised	<u>(89,668)</u>	<u>3.92</u>
Balance at the end 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>

3. Expense classification by department:

	December 31	
	2023	2022
	U.S. Dollars in thousands	
Cost of revenues	175	648
Research and development	1,852	3,048
Selling and marketing	714	2,650
General and administrative	<u>1,120</u>	<u>1,805</u>
	<u>3,861</u>	<u>8,151</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.

	Year ended December 31	
	2023	2022
Dividend yield (%)	0	0
Value of base asset (dollar)	5.2-7.2	7.2-26.2
Expected volatility in share price (%) *	61.0-66.1	61.9-65.0
Risk free interest rate (%)	3.5-4.7	1.7-4.1
Expected life of stock options (years)	4.0-4.6	3.5-4.6

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

*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.

d. Deduction of additional exercise

In May 2023, the Company's board of directors approved an exercise price update for 316,328 options that were granted to the Company's employees between November 2021 and February 2022, from NIS 96.38 and NIS 83.45 (the "Original Exercise Prices") to NIS 24.36 (around \$ 6.7) and NIS 21.86 (around \$ 6.01), which constitutes an average share price in the 30 trading days before the date the exercise price was updated, respectively. The additional fair value is determined by calculating the difference between the fair value of the options after updating the exercise price and the fair value of the options with the Original Exercise Price, where both of them are estimated on the date of change. The total additional fair value amounts to some \$ 651 thousand, which will be recognized as an expense over the remaining vesting period or on the date the exercise price is deducted if the options vested in full, on the basis of the following assumptions: An expected dividend of 0%, standard deviation of the Company's assets in a range of 64.5%-68.6%, no-risk interest in the range of 3.43%-3.81% and remaining anticipated life in the range of 2.38-3.36 years.

e. Restricted share units

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 . 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 share units is determined according to the closing rate of the share on the date of grant.

	Year ended December 31	
	2023	<u>2022</u>
Balance as of beginning of year	170,131	-
Granted	82,796	205,262
Forfeited	(16,718)	(10,917)
Vested	<u>(59,889)</u>	<u>(24,214)</u>
Balance as of end of year	<u>176,320</u>	<u>170,131</u>

NOTE 15 - COMMITMENTS AND CONTINGENT LIABILITIES

a) Commitments

- 1) 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. As of the end of 2023 the Company is in compliance with the minimum expenditure terms.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

- 2) In September 2023, the Company renewed the engagement agreement with a cloud computing supplier for the provision of the cloud services of AWS (Amazon Web Services) at reduced rates as part of the EDP (Enterprise Discount Program). The Company contractually engaged for a three-year period ending in August 2026, where in the framework of the executed agreement the Company is bound to a minimum annual expenditure. The minimum expenditure for 2023, 2024, 2025 and 2026 is \$ 1,888, 7,700, 8313 and 6,600 thousand, respectively. As of the end of 2023 the Company is in compliance with the minimum expenditure terms.
- 3) In August 2023, the Company and Bank Hapoalim B.M. contractually engaged in a credit facility agreement for the purpose of obtaining financing of \$ 20 million (the "Credit Facility"), which shall be made available to the Company per its request for a one-year period, among other things pursuant to it complying with the stipulations and undertakings for meeting financial criteria of AAR and cash balance. Should the Credit Facility be used, it shall serve the Company for the purpose of financing working capital and the Company's current activity. As of the approval date of the financial statements, the Company has yet to use such Credit Facility and it is in compliance with the foregoing financial criteria.
- 4) In September 2023, the Company contractually engaged with a Group customer, one of the five largest banking corporations in the US, in an agreement for renewing the license to use. In the agreement, the terms of the license that was granted to the customer were expanded and updated, so as to reflect a total value for the license period of some \$ 42.3 million for three years. In 2023 the Company received a first advance payment for the first year of the agreement of around \$ 14.1 million.

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). As of the date of the report, there are no legal claims against the Company.

On January 24, 2022, a lawsuit was filed in the Tel Aviv-Yafo District Court (Economic Department) against the company by a former consultant of the company. 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. In September 2023, the settlement with the plaintiff to conclude the lawsuit was granted force of a judgment, which includes payment of a non-substantial amount to the Company in addition to the grant of 11,096 restricted share units (RSUs), which was actually carried out in Q4 of 2023.

On September 12, 2023, the Company's largest shareholder filed a lawsuit and motion for temporary orders against the Company at the District Court in Lod. The main point of the lawsuit is a demand for the Company to include on the agenda of the annual general meeting that the Company convened the appointment of a candidate proposed by it to serve as a Company director. On November 1, 2023, the District Court in Lod sustained the decision to dismiss the lawsuit without prejudice.

NOTE 16 - FINANCIAL INSTRUMENTS

- a. Management goals and policies on financial risk management

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company's main financial 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.

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, 2023 and 2022 is \$ 2,778 thousand and \$ 441 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 assets and liabilities denominated in foreign currency other than the functional currency and from net investments from foreign operations.

e. Foreign currency sensitivity analysis

The Company is examining the sensitivity to a reasonably possible change in USD-NIS 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. The effect of a 5% increase/decrease in the exchange rate on the pre-tax arrangement of the Company in 2023 is a

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

decrease of \$ 12 thousand in net loss, and an increase of \$ 14 thousand in net loss, respectively.

f. Fair value

The balance in the financial statements of cash and cash equivalents, other accounts receivable, short-term bank credit, short-term deposits, customers, trade payables, and 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, 2023

	<u>Up to one year</u>	<u>From one to two years</u>	<u>From two to three years</u>	<u>From three to four years</u>	<u>From four to five years</u>	<u>Over five years</u>	<u>Total</u>
US Dollars in thousands							
Lease liabilities	502	498	515	515	515	218	2,763
Trade payables	2,038	-	-	-	-	-	2,038
Liabilities for government grants	35	-	-	-	-	-	35
Other accounts payable	9,042	-	-	-	-	-	9,042
	<u>11,617</u>	<u>498</u>	<u>515</u>	<u>515</u>	<u>515</u>	<u>218</u>	<u>13,878</u>

December 31, 2022

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

parties.

- i. Hedging activities and derivatives-derivative not designated as hedging instruments

The Company has entered into foreign exchange forward contracts with the intention to manage some of its operational 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 17 - 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:

A company incorporated in the U.S. - weighted tax rate of about 26% (Federal tax, State tax and City tax of the city where the company operates).

Companies incorporated in England - tax rate of 25%.

- d. Carryforward losses for tax purposes:

Carryforward operating tax losses in Israel total approximately \$ 83 million as of December 31, 2023.

- e. Final tax assessments

The Company's assessments in Israel, the US and UK until and including 2017, 2018 and 2019, respectively are deemed final.

- f. Tax expenses:

	Year ended December 31	
	2023	2022
	U.S dollars in thousands	
Current tax expenses	422	398
Deferred tax expenses (income)	228	(735)
	<u>650</u>	<u>(337)</u>

- g. Deferred taxes

	Year ended December 31	
	2023	2022
	U.S dollars in thousands	
<u>Deferred tax assets</u>		
Deferred tax assets the settlement of which is	1,560	1,605

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

expected after more than 12 months from the statement of financial position date		
Deferred tax assets the settlement of which is expected within 12 months from the statement of financial position date	107	84
	<u>1,667</u>	<u>1,689</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	1,895	1,719
Deferred tax liabilities the settlement of which is expected within 12 months from the statement of financial position date	375	252
	<u>2,270</u>	<u>1,971</u>

Deferred taxes (liabilities), as presented in the consolidated statements of financial position are as follows:

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
	<u>U.S dollars in thousands</u>	
Presented in the statement of financial position:		
As part of deferred tax assets	1,215	1,689
As part of deferred tax reserves	(1,818)	(1,971)
	<u>(603)</u>	<u>(282)</u>

h. Note on theoretical tax

	<u>Year ended December 31</u>	
	<u>2023</u>	<u>2022</u>
	<u>U.S dollars in thousands</u>	
Loss before taxes on income, as reported in the statements of profit or loss	15,933	33,726
The theoretical tax income from such loss	<u>(3,665)</u>	<u>(7,757)</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	3,144	6,024
Expenses that are not allowed as a deduction in the tax year, net	1,225	988
Others	<u>(54)</u>	<u>408</u>
Tax expenses (income)	<u>650</u>	<u>(337)</u>

NOTE 18 - REVENUES

1. Types of revenues:

	<u>Year ended December 31</u>	
	<u>2023</u>	<u>2022</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	<u>U.S dollars in thousands</u>	
On Premise licenses and related services	9,590	16,917
Cloud licenses	35,203	26,171
Services and others	<u>3,830</u>	<u>2,964</u>
	<u>48,623</u>	<u>46,052</u>
2. Geographic regions		
	<u>Year ended December 31</u>	
	<u>2023</u>	<u>2022</u>
	<u>U.S dollars in thousands</u>	
USA	34,452	33,887
Israel	1,867	1,578
Rest of the world	<u>12,304</u>	<u>10,587</u>
	<u>48,623</u>	<u>46,052</u>

The Company has two major customers. Customer A constitutes approximately 16% and 12% of the Company's revenues as of December 31, 2023 and 2022, respectively. Customer B constitutes 7% and 10% of the Company's revenues as of December 31, 2023 and 2022, respectively.

NOTE 19 - COST OF SALES

	<u>Year ended December 31</u>	
	<u>2023</u>	<u>2022</u>
	<u>U.S dollars in thousands</u>	
Salaries and related expenses	5,689	6,012
Cost of share based payment	175	648
Depreciation and amortizations	101	114
Servers and cloud services	8,768	9,063
Other expenses	<u>576</u>	<u>621</u>
	<u>15,309</u>	<u>16,458</u>

NOTE 20 - RESEARCH AND DEVELOPMENT EXPENSES

	<u>Year ended December 31</u>	
	<u>2023</u>	<u>2022</u>
	<u>U.S dollars in thousands</u>	
Salaries and related expenses	13,460	15,177
Cost of share based payment	1,852	3,048
Depreciation and amortizations	469	762
Rent and maintenance	184	201
Servers and cloud services	345	539
Communications	266	224
Other expenses	<u>653</u>	<u>827</u>
	<u>17,229</u>	<u>20,778</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 21 -SALES AND MARKETING EXPENSES

	Year ended December 31	
	2023	2022
	U.S dollars in thousands	
Salaries and related expenses	15,703	20,398
Cost of share based payment	714	2,650
Commercials and advertising	2,649	3,880
Professional services	86	350
Servers and cloud services	456	769
Depreciation and amortizations	1,138	1,389
Rent and maintenance	135	130
Communications	621	752
Travel	161	333
Other expenses	600	562
	<u>22,263</u>	<u>31,213</u>

NOTE 22 -GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended December 31	
	2023	2022
	U.S dollars in thousands	
Salaries and related expenses	5,231	5,859
Cost of share based payment	1,120	1,805
Professional services	1,906	1,734
Depreciation and amortizations	143	164
Rent and maintenance	78	120
Communications	416	555
Travel	74	114
Other expenses	336	483
	<u>9,304</u>	<u>10,834</u>

NOTE 23 -FINANCE EXPENSES (INCOME), NET

a. Finance expenses

	Year ended December 31	
	2023	2022
	U.S dollars in thousands	
Interest in respect of leases	141	59
Exchange rate differences	442	579
Advancement of interest on contingent liability	-	1,033
Expenses of hedging transactions	868	697
Bank fees and other finance expenses	91	107

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	<u>1,542</u>	<u>2,475</u>
b. <u>Finance income</u>		
	Year ended December 31	
	2023	2022
	U.S dollars in thousands	
Exchange rate differences for leases	52	296
Other interest income	<u>1,039</u>	<u>808</u>
	<u>1,091</u>	<u>1,104</u>

NOTE 24 - LOSS PER SHARE

Details of number of shares used in calculating loss per share

	<u>2023</u>		<u>2022</u>	
	<u>Weighted number of shares In thousands</u>	<u>Net income attributable to equity holders of the Company US dollars in thousands</u>	<u>Weighted number of shares In thousands</u>	<u>Net income attributable to equity holders of the Company US dollars in thousands</u>
Amount of shares and loss	<u>11,834</u>	<u>16,583</u>	<u>11,719</u>	<u>33,389</u>

In calculating diluted loss per share for the reported years, the effect of shares arising from options and restricted share units issued to employees and other providers of similar services was not included because their effect, under the assumption of full dilution, is anti-diluting.

NOTE 25 - 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 parties

a. Balances with related parties

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
	<u>U.S. Dollars in thousands</u>	
Short term employee benefit	<u>453</u>	<u>353</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

b. Transactions with related parties

	Year ended December 31	
	2023	2022
	U.S dollars in thousands	
Salaries and related expenses to interested parties employed by the Group	871	856
Share based payment to interested parties of the Group	<u>363</u>	<u>429</u>
Total employment costs of interested parties employed by the Group	<u>1,234</u>	<u>1,285</u>
Number of persons to which the benefit relates	<u>2</u>	<u>2</u>

2. Compensation to key management personnel

The compensation to key management personnel for services they provide for the Group is as follows:

	Year ended December 31	
	2023	2022
	U.S dollars in thousands	
Salaries and other benefits	3,309	4,210
Share based payment	<u>992</u>	<u>2,592</u>
Total employment costs	<u>4,301</u>	<u>6,802</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 Ltd.

(the "Company")

Chapter D - Additional Details on the Corporation

<u>Company name:</u>	Glassbox Ltd.
<u>Number at Registrar of Companies:</u>	514525260
<u>Address:</u>	25 Basel Street, Petah Tikva, 4951038
<u>Telephone:</u>	074-7022321
<u>Fax:</u>	03-6966464
<u>Email:</u>	itzhak.tambor@glassboxdigital.com
<u>Date of financial status report:</u>	31 December 2023
<u>Date of report:</u>	12 March 2024

Regulation 10A: Summary of statements on total quarterly profit

Section	For three months ended				For year ended 31 December 2023
	31 March 2023	30 June 2023	30 September 2023	31 December 2023	
	in USD thousands				
Revenues	11,249	11,240	12,182	13,952	48,623
Cost of sales	4,072	3,976	3,540	3,721	48,623
Gross profit	7,177	7,264	8,642	10,231	15,309
Research and development costs	4,750	4,627	3,751	4,101	33,314
Sale and marketing costs	6,439	5,989	4,681	5,154	17,229
General and administrative costs	2,459	2,334	2,137	2,374	22,263
Other revenue	-	-	-	-	9,304

Operating loss	6,471	6,471	1,927	1,398	15,482
Net financing (revenues) costs	118	118	279	(616)	451
Loss before taxes on income	6,589	6,589	2,206	782	15,933
Taxes on income costs (revenue)	(41)	(41)	26	(717)	_650_
Loss	6,548	6,548	2,232	1,495	16,583
Other comprehensive loss (profit)	451	(451)	672	(944)	(1,412)_
Comprehensive loss	6,097	6,097	2,904	501	15,171

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)¹ 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 2023 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	6,076	100%	100%	100%	-
Glassbox Digital UK Ltd.	England and Wales.	ordinary shares with GBP 1 Par value.	1	1	(5,149)	100%	100%	100%	-
SessionCam Limited	England and Wales.	ordinary shares with GBP 0.005	223,740	223,740	18,786	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 2023 that are included as Chapter C of this Periodic Report above (the “**Consolidated Financial Statements**”).

¹ 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 2023, 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 2023				Starting 1 January 2024 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	-	-	1,218	525	-	-
Glassbox Digital UK Ltd.	-	-	1,189	1,165	-	-
SessionCam Limited	-	-	184	277	-	-

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 2023 - 31 Dec 2023	Ordinary shares of ILS 0.01 par value	122,286	Listing of Company Shares deriving from exercise of 62,397 warrants and conversion of 59,889 restricted share units starting from 1 January 2023 and until the date of the report on the financial condition.
1 January 2024 - immediately before Report date	Ordinary shares of ILS 0.01 par value	7,324	Listing of Company Shares deriving from exercise of 7,324 warrants after the date of the report on the financial condition and until immediately before Report date.

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, which is attached as Chapter A to this periodic report ("**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 thousands² (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 ^(a)	CEO	100%	0.44%	374	121	182	-	-	-	1*	-	-	-	678
Chad Nuss ^(b)	CCO	100%	0.00%	-	-	-	-	-	-	-	-	-	-	452
Yaron Gueta ^(c)	CTO	100%	0.98%	-	90	-	-	-	-	-	-	-	-	558
Nir Pinhasov ^(d)	VP, R&D	100%	0.08%	-	99	-	-	-	-	-	-	-	-	581
Debbie Braney ^(e)	SVP Global Marketing	100%	0.00%	-	102	-	-	-	-	-	-	-	-	484

* 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; to Mr. Benjamin Weiss, independent director; and to Mr. Yair Amsterdam, independent director), in 2023, amounted to a total of approximately USD 186 thousand for their tenure in 2023. It is noted that the external directors and the independent directors are entitled to annual remuneration and a participation award in the maximum amount detailed

² The following are the exchange rates that were used by the Company in translating slsary data (against the US dollar): GBP: 1.27, ILS: 3.63.

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 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 in the gross amount of up to GBP 95,052 (value of approximately 5 monthly salaries), subject to Mr. Morgenstern meeting personal targets and ARR targets according to the Company's budget ("**ARR Target**"), 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 2022 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 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 was paid a gross annual bonus of GBP 50,045 for 2022.

Pursuant to the mechanism described above and Mr. Morgenstern meeting the ARR Target for 2023, which was an increase of USD8,321 thousand, and after obtaining the approval of the Company's remuneration committee and board of directors dated 30 and 31 January 2024 (respectively), Mr. Morgenstern was paid a total gross annual bonus of GBP 85 for 2023.

In accordance with the terms of the Company's option plan,³ 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

³ For details see section 3.3 of chapter 3 of the Prospectus.

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 10,207 restricted share units have been converted, hence he currently holds 346,342 options and 13,126 restricted share units exercisable and convertible (as applicable) into up to 359,468 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, 281,008 options held by Mr. Morgenstern have fully vested, out of which 84,407 options vested upon completion of initial public offering under the Prospectus.

- (b) Chad Nuss – Chad Nuss is directly employed by Glassbox USA and has been serving as Chief Commercial Officer as of 17 April 2023. Mr. Nuss's terms of employment are set forth in his employment agreement dated 7 April 2023, as approved by the Company's remuneration committee and board of directors on 11 and 15 May 2023. New York State law applies to Mr. Nuss's terms of employment. Mr. Nuss's terms of employment include the following terms: (1) Monthly salary – As of the report date, and pursuant to his employment agreement, Mr. Nuss's gross monthly salary is USD 25 thousand; (2) fringe benefits including 15 paid days of leave, health insurance and dental insurance as well as reimbursement of mobile phone expenses; (3) a grant of 118,038 options convertible into up to 118,038 ordinary shares of the Company, which as of the report date have yet to be allocated; and (4) Mr. Nuss'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 Mr. Nuss's employment with the Company, for any reason and without any time limitation. In addition, Mr. Nuss is entitled to D&O liability insurance, and pursuant to indemnity and exculpation from liability, all as set forth in Regulation 29A hereunder.

On 11 January 2024, the general meeting of the Company's shareholders approved an annual bonus (commission) to Mr. Nuss, deviating from the Company's remuneration policy, for every calendar year in total of up to USD 300,000, all pursuant to meeting the targets set forth in advance by the Company. For more information see the complementary report regarding the convening of an extraordinary annual meeting of the Company's shareholders dated 19 December 2023 and the immediate report regarding its results dated 11 January 2024 (reference no: 2023-01-138018 and 2024-01-004792, respectively), the information of which is presented in this Periodic Report by way of reference. According to Mr. Nuss meeting said targets, Mr. Nuss is entitled to an annual commission of USD 186 thousand for 2023.

- (c) Yaron Gueta – Yaron Gueta, one of the Company's founders, has been serving as 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 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. In addition, Mr. Gueta is entitled to D&O liability insurance, and p to indemnity and exculpation from liability, all as set forth in Regulation 29A hereunder.

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 at a gross amount of up to ILS 345,720 (value of approx. 5 monthly salaries), subject to Mr. Gueta meeting personal targets and ARR targets pursuant to the Company's budget ("**ARR Target**"), 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 2022 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 of directors (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 was paid a gross annual bonus of ILS 182,022 for 2022.

Pursuant to the mechanism described above and Mr. Gueta meeting the ARR Target for 2023, which was an increase of USD 8,321 thousand, and after obtaining the approval of the Company's remuneration committee and board of directors dated 30 and 31 January 2024 (respectively), Mr. Gueta was paid a total gross annual bonus of GBP 310 for 2023. In addition, on 11 January 2024 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. For more details see the complementary report regarding the convening of an extraordinary annual general meeting of the Company's shareholder dated 19 December 2023 and the immediate report regarding its results dated 11 January 2024 (reference no: 2023-01-138018 and 2024-01-004792, respectively), the information of which is presented in this Periodic Report by way of reference.

In accordance with the terms of the Company's option plan,⁴ since 2016 and until the report date, the Company allocated to Mr. Gueta 352,361 options and 46,666 restricted share units exercisable and convertible (as applicable) into up to 399,027 Ordinary Shares of the Company, while 27,874 options out of such options have been cancelled as of the report date, and 10,207 restricted share units have been converted, hence he currently holds 352,361 options and 36,459 restricted share units exercisable and convertible (as applicable) into up to 388,820 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, 240,360 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) Nir Pinhasov – Nir Pinhasov has been serving as VP R&D of the Company since 20 March 2022. The terms of Mr. Pinhasov's employment are set forth in his employment agreement dated 2 March 2022, and include the following terms: (1) monthly salary – as of the report date, and as updated from time to time, Mr. Pinhasov's gross monthly salary is ILS 265 thousand; (2) an annual grant of up to ILS 420 thousand, subject to Mr. Pinhasov meeting personal targets and ARR targets pursuant to the Company's budget, while 50% of the total grant is to be determined according to meeting ARR targets and 50% of the bonus is to be determined at

⁴ For details see section 3.3 of chapter 3 of the Prospectus.

the discretion of the remuneration committee and board of directors, according to the targets set by the Company's CEO; (3) related terms including 20 vacation days, sick days and convalescence pay pursuant to law, reimbursement of travel expenses, reimbursement of reasonable business expenses incurred in fulfilling his duty (including, inter alia, reimbursement of mobile phone expenses), pension fund deposits, officers' insurance and advanced study fund; (4) Mr. Pinhasov's undertaking for a non-competition and non-solicitation period of 12 months, as well as provisions regarding confidentiality and assignment of intellectual property to the Company, which shall survive the termination of Mr. Pinhasov's employment with the Company, for any reason, without any time limitation; and (5) two months prior notice. In addition, Mr. Pinhasov is entitled to D&O liability insurance, and to indemnity and exculpation from liability, all as set forth in Regulation 29A hereunder.

According to the annual grant mechanism set forth in his employment agreement, and pursuant to him meeting the targets set for each of 2022 and 2023 (as applicable), on 8 and 14 March 2023 the Company's remuneration committee and board of directors, respectively, approved an annual grant to Mr. Pinhasov for 2022 totaling ILS 149 thousand, and on 30 and 31 January 2024 the Company's remuneration committee and board of directors, respectively, approved the payment of an annual grant to Mr. Pinhasov for 2023 of ILS 348 thousand.

Pursuant to the Company's options plan,⁵ starting in 2022 and until the report date, the Company allocated to Mr. Pinhasov 65,000 options and 30,000 restricted share units exercisable and convertible (as applicable) into up to 95,000 ordinary shares of the Company, while as of the report date 9,376 restricted share units have been

⁵ For details see section 3.3 in chapter 3 of the Prospectus.

converted, so that he currently holds 65,000 options and 20,624 restricted share units exercisable and convertible (as applicable) into up to 85,624 ordinary shares of the Company. As of the report date, 27,500 of the options held by Mr. Pinhasov have fully vested.

(e) Debbie Braney – Debbie Braney has been directly employed by Glassbox USA since 8 February 2021, and has been serving as VP Marketing of the Company since 1 October 2023. Debbie Braney's terms of employment are set forth in her employment agreement dated 7 January 2021, as updated from time to time. New York State law applies to Ms. Braney's terms of employment. Ms. Braney's terms of employment include the following terms: (1) Monthly salary – As of the report date, and pursuant to her employment agreement, Ms. Braney's gross monthly salary is USD 22 thousand; (2) an annual grant of USD 110 thousand, subject to Ms. Braney meeting personal targets and ARR targets pursuant to the Company's budget, while 50% of the grant is to be determined according to meeting ARR targets and 50% of the bonus is to be determined at the discretion of the remuneration committee and board of directors, pursuant to the targets set by the Company's CEO; (3) related terms including 18 paid days of absence, financing for health and dental insurance and reimbursement of mobile phone expenses; and (4), Ms. Braney'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. Braney's employment with the Company, for any reason and without any time limitation. In addition, Ms. Braney is entitled to D&O liability insurance, indemnity and exculpation from liability, as set forth in regulation 29A hereunder.

According to the annual grant mechanism set forth in her terms of employment, and pursuant to her meeting the targets set forth 2023,

on 30 and 31 January 2024 the Company's remuneration committee and board of directors, respectively, approve payment of an annual grant to Ms. Braney for 2023 of USD 92 thousand.

In accordance with the terms of the Company's option plan,⁶ since 2021 and until the Report date, the Company has allocated to Ms. Braney 38,333 options held by her that are convertible into up to 38,333 ordinary shares of the Company. It is noted that on 9 and 13 November 2023 and on 7 and 12 March 2024, the Company's remuneration committee and board of directors approve the allocation of 11,000 options, respectively, to Ms. Braney, which as of the report date have yet to be allocation. As of the report date, 22,499 of the options held by Ms. Braney are fully vested.

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 32.22% 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

⁶ For details see section 3.3 of chapter 3 of the Prospectus.

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 ⁷	Ordinary share	42,614	0.44%	0.44%	0.34%	0.34%
	Warrants	346,342	0.00%	0.00%	2.26%	2.26%
	Restricted share units	13,126	0.00%	0.00%	0.09%	0.09%
Yaron Gueta ⁸	Ordinary share	116,194	0.98%	0.98%	0.76%	0.76%
	Warrants	352,361	0.00%	0.00%	2.30%	2.30%
	Restricted share units	36,459	0.00%	0.00%	0.24%	0.24%
Ibex Israel Fund LLLP	Ordinary share	3,834,846	32.22%	32.22%	24.98%	24.98%
Updata Partners V, L.P	Ordinary share	1,210,744	10.17%	10.17%	7.89%	7.89%
Brighton Park Capital Fund I, L.P	Ordinary share	1,221,890	10.27%	10.27%	7.96%	7.96%
Klirmark Opportunity fund 3 L.P	Ordinary share	973,767	8.18%	8.18%	6.34%	6.34%
Midgal Insurance and Financial Holdings Ltd. - participating	Ordinary share	671,490	5.64%	5.64%	4.37%	4.37%
Midgal Insurance and Financial Holdings Ltd. - trust funds	Ordinary share	4,607	0.04%	0.04%	0.03%	0.03%
Hanan Blumstein ⁹	Ordinary share	104,757	0.88%	0.88%	0.68%	0.68%
	Warrants	209,552	0.00%	0.00%	1.37%	1.37%
Kobi Carlebach ¹⁰	Ordinary share	4,002	0.02%	0.02%	0.02%	0.02%
	Warrants	115,500	0.00%	0.00%	0.67%	0.67%
	Restricted share units	102,333	0.00%	0.00%	0.02%	0.02%
Hila Bazar ¹¹	Ordinary share	3,335	0.03%	0.03%	0.02%	0.02%
	Warrants	102,333	0.00%	0.00%	0.67%	0.67%

⁷ Mr. Morgenstern serves as director and CEO of the Company.

⁸ Mr. Gueta serves as director and CTO of the Company.

⁹ Mr. Blumstein serves as Chief Business Officer of the Company.

¹⁰ Mr. Carlebach serves as CFO of the Company.

¹¹ Ms. Bazar serves as VP Human Resources of the Company.

	Restricted share units	3,332	0.00%	0.00%	0.02%	0.02%
Itzhak Tambor ¹²	Ordinary share	5,252	0.04%	0.04%	0.03%	0.03%
	Warrants	101,167	0.00%	0.00%	0.66%	0.66%
	Restricted share units	2,915	0.00%	0.00%	0.02%	0.02%
Nir Pinhasov ¹³	Ordinary share	9,376	0.08%	0.08%	0.06%	0.06%
	Warrants	65,000	0.00%	0.00%	0.42%	0.42%
	Restricted share units	20,624	0.00%	0.00%	0.13%	0.13%

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 2023 and the Report date:

Name and kind of security	As of the Report Date		As of 31 December 2023	
	registered capital	Issued capital	registered capital	Issued capital
Ordinary shares of ILS 0.01 par value each	50,000,000	11,901,33	50,000,000	11,894,009
Warrants convertible to ordinary shares of ILS 0.01 par value each(workers)	-	3,202,337	-	3,195,524
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(workers)	-	185,257	-	161,924
Restricted share units convertible to ordinary shares of ILS 0.01 par value each(advisors)	-	11,096	-	-

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
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¹² Mr. Tambur serves as VP and Legal Counsel of the Company.

¹³ Mr. Pinhasov serves as VP R&D of the Company.

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	11,901,333	No
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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 Gueta	Yaron Morgenstern	Brian Abrams	Michael E. Donnelly	David J. Troper	Timothy Drager	Gal Gitter	Yael Shaham	Netta Benari	Yair Amsterdam
ID number	031830490	032284945	660979263 (US Passport number)	660819738 (US Passport number)	534159897 (US Passport number)	GJ095494 (Canadian ID number)	065658577	024055477	028086635	024299976
Date of birth	31 October 1974	24 April 1975	4 December 1977	27 May 1981	29 June 1957	15 December 1988	12 August 1982	23 March 1969	13 January 1971	10 May 1969
Address for service of judicial documents	17 Eshkol, Hod Hasharon	49 Christchurch Avenue, London, N12 0DG	201 Lafayette St., Denver CO 80209 USA	3920 S. Birch St. Englewood, CO 80113	La Forest Ln, Hampton NY 119376	Brighton Park Capital; 330 Railroad Ave; Suite 200 Greenwich, CT 06830	1 Moshe Kol, Tel Aviv	8 Simha Holtsberg, Kiryat Ono	2 Ga'aton Alley, Tel Aviv	10 Kossowski, Tel Aviv
Citizenship	Israel	Israel and Czechia	US	US	US	Canada and Switzerland	Israel	Israel	Israel	Israel
Committee or board committee memberships	-	-	-	-	-	-	-	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
External director, external expert, or independent ?	-	-	-	-	-	-	-	Expert external director	Expert external director	Independent director
Date he/she began serving as director	2 December 2010	31 December 2015	2 November 2014	11 January 2024	11 January 2024	11 January 2024	8 July 2020	19 August 2021	11 November 2021	7 December 2023

Name of director	Yaron Gueta	Yaron Morgenstern	Brian Abrams	Michael E. Donnelly	David J. Troper	Timothy Drager	Gal Gitter	Yael Shaham	Netta Benari	Yair Amsterdam
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	BA in computer science from The Academic College of Tel Aviv. Graduated in 2000	BS in Industrial Engineering ben Gurion University 2001 and MBA from Ben Gurion University in Israel 2005.	BA in Government from Harvard University 2000	BS in Business Administration with an emphasis in Finance from University of Colorado's Lee School of Business	BA in Economics and Political Science from Duke University MBA from Stanford University Graduate School of Business	MSC. Financial Economics from Oxford University M.A. Economics from University of Ottawa Honors B.soc.Sc. Economics	BA- Economics, Technion Institute 2009, MBA, Wharton School of Business 2012	BSC in Computer Science from Bar Ilan University, certified in Organizational Sociology, Bar Ilan University	BA in Economics and Accounting, Tel Aviv University; certified in Business Administration, Tel Aviv University.	BSC in Chemical Engineering from the Technion, certified in Business Administration, Ben Gurion University
Does he/she have accounting and financial expertise or professional skills	Professional qualifications	Professional qualifications	Accounting and financial expertise and professional qualifications	Professional qualifications	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	Professional qualifications
Does he/she have cyber expertise?	--	--	Yes, experience by virtue of being a director in different cyber companies	--	--	Yes, experience by virtue of being a director in different cyber companies	--	--	--	--
Employment in last five years	CTO of the Company	CEO of the Company (2015-today) Consultant in	President at Ibex Investors (2011-2022) Managing	Associate and Director at Ibex Investors LLC (2019-today)	Associate, Frazier Healthcare Partners (2020-	Partner, Brighton Park Capital (2019-today)	Associate Partner at McKinsey & Company (2012-2020)	General Manager, Enterprise & Learning Division at	Business Development, Mergers and Acquisitions Capital	President and COO at Verbit (2022-present) COO at

Name of director	Yaron Gueta	Yaron Morgenstern	Brian Abrams	Michael E. Donnelly	David J. Troper	Timothy Drager	Gal Gitter	Yael Shaham	Netta Benari	Yair Amsterdam
		Gridspace Inc. (2018-today)	Member at B Ventures (2023-today)	Managing Director of Investment Banking at GVC Capital LLC (2014-2019)	2023) Director and CEO at Fraizer Healthcare Partners Associate at General Atlantic Partners (2011-2020)	Associate, Berkshire Partners (2017-2019)	Managing Director at Ibox Investors (2020 – 2021)	Kaltura Ltd. (2020-2021), General Manager, Network Division at Amdocs (Israel) Ltd. (2008-2018)	Markets Executive (2020-today); partner - Head of Mergers and Acquisitions Capital Markets at Giza Singer Even Ltd. (2017-2019)	ProQuest (2018-2022) COO at Ex-Libris (2013-2018)
Details of corporations where he/she serves as director	-	Lucinity Group ehf	Glassbox US Inc., Silk Technologies Inc., Continual Ltd., Nexar Inc., Gauzy Ltd.	Ibox Investors LLC, and the portfolio companies, Gauzy, Revel	Circle Up, TermGrid	Data Visor, Inc.	Cobwebs Technologies Ltd., Gauzy Ltd., Talenya Ltd., Trap Data Security Ltd., Groundwork BioAg Ltd., Oribi, Inc.	-	Augwind Energy Tech Storage Ltd. (Independent Director), Econergy Renewable Energy Ltd. (External Director), Michlol Funding Ltd. (Independent Director), Shika Management Ltd. (fully owned private company)	-
Is he/she an employee of the Company, subsidiary, affiliated	Works at the Company as Chief Technology Officer	CEO of Company; employed by UK subsidiary and provides services to	-	Partner and Director Managing Director at Ibox Investors LLC	-	Brighton Par Capital Fund I, GP LP	-	-	-	-

Name of director	Yaron Gueta	Yaron Morgenstern	Brian Abrams	Michael E. Donnelly	David J. Troper	Timothy Drager	Gal Gitter	Yael Shaham	Netta Benari	Yair Amsterdam
company, or interested party of the Company		Company under intercompany services agreement executed between Company and UK subsidiary. Mr. Morgenstern is organizationally subject to Company's board of directors.								
Is he/she a family member of different interested party in the corporation?	No	No	No	No	No	No	No	No	No	No
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	No	No	Yes	No	Yes	No	Yes	No	Yes	No

Name of director	Yaron Gueta	Yaron Morgenstern	Brian Abrams	Michael E. Donnelly	David J. Troper	Timothy Drager	Gal Gitter	Yael Shaham	Netta Benari	Yair Amsterdam
Section 92(a)(12) of the Companies Law?										

Regulation 26A: Senior officers

Below are details of the Company's senior officers, whose details were not presented in Regulation 26 above, as of the Report date:

Name of officer	Hanan Blumstein	Kobi Carlebach	Itzhak Tambur	Hila Bazar	Nir Pinhasov	Chad Nuss	Debbie Braney	Alon Amit
ID number	025629841	033539792	066235631	034414359	034383323	585886901	548540637	025670647
Date of birth	10 February 1974	27 October 1976	4 November 1982	9 September 1978	16 June 1978	4 October 1972	30 October 1978	5 August 1973
Role in Company/subsidiary	Chief Business Officer	CFO	General Counsel & VP Operations	VP Human Resources	VP R&D	CCO	SVP Global Marketing	Internal Auditor
Date when his/her service commenced	2 December 2010	2 October 2018	29 October 2017	18 February 2018	20 March 2022	7 April 2023	1 October 2023	15 November 2021
Is he/she a family member of a senior officer in the Company or of a different interested party in the Company	No	No	No	No	No	No	No	No
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	BA in Computer Science and Mathematics (Bar Ilan University), 1999	BA Accounting and Economics (Tel Aviv University, Israel), 2001 MBA in Financing, Accounting and Technology Information Systems (Tel	LLB in Law and Economics, Bar Ilan University, Israel), 2009 LLM in Law (Bar Ilan University, Israel), 2010	BA in Social Sciences (Open University, Israel), 2008 MBA in Organizational Consulting (Ono Academic College, Israel), 2012	Electrical and computer engineering, Amal B Petah Tikva. Electrical and computer engineering, Ariel University	BA Sustainability and Political Science from Santa Barbara University	BA In Government and Law & International Affairs M.S. degree in Professional Communication from Clark University	BA in political science and communications, MA in Internal and Public Auditing, degrees in a variety of areas such as internal auditing, cyber, information

Name of officer	Hanan Blumstein	Kobi Carlebach	Itzhak Tambur	Hila Bazar	Nir Pinhasov	Chad Nuss	Debbie Braney	Alon Amit
		Aviv University, Israel), 2004						systems and privacy protection. CIA, CISA, CSX-A, CDPSE and QAR.
Employment in last five years	GM EMEA and APAC (2021 – 2022) CVO & GM ROW in the Company (2010 – 2021)	CFO of the Company (2018-today) CFO of Harom.ie (2016-2018)	Legal consultant of the Company (2017-today)	VP Human Resources of the Company (2018-today) Human Resources Manager of Honnywell (2017-2018)	VP Engineering, Playtika Ltd. 2017-2022)	Senior Vice President of Global Sales at PandaDoc Ltd. (2021-2023) Founder and Marketing Manager at InsideOut Ltd.	VP, Demand & Brand Marketing, Glassbox Ltd. (2021-2023) Founder, Barney Performance Marketing (2021-2021) VP Digital & Customer Experience Hitachi Vantara	Partner and manager of internal auditing activity, 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

Name of officer	Hanan Blumstein	Kobi Carlebach	Itzhak Tambur	Hila Bazar	Nir Pinhasov	Chad Nuss	Debbie Braney	Alon Amit
								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 11 January 2024, resolutions were adopted regarding the reappointment of the audit firm of the Company, the first-time appointment of directors who are not external directors to the Company's board of directors, approval of the annual grant mechanism to Mr. Chad Nuss (Chief Commercial Officers) and granting options and restricted share units to 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 19 December 2023, and the immediate report regarding its results dated 11 January 2024 (reference no: 2023-01-138018 and 224-01-004792, 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,¹⁴ 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

¹⁴ 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 listed¹⁵ (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).

¹⁵ 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 Messrs. Michael Donnelly, Timothy Drager and David Topper (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,¹⁶ 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**").

¹⁶ 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 Messrs. Michael Donnelly, Timothy Drager and David Topper (including their entitlement to indemnity and release as customary at the Company), see Regulation 29 above.

12 March 2024

Mr. Yaron Morgenstern,
CEO of the Company

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, 2023 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 2023 (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.

Yaron Morgenstern

CEO

Date: March 12, 2024

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 2023 (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.

Kobi Carlebach, CFO

Date: March 12, 2024