

This English translation is for convenience purposes only. This is not an official translation and is not binding. 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)

Quarterly report for the period ended September 30, 2021

GLASSBOX LTD
REPORT OF THE BOARD OF DIRECTORS ON THE STATE OF
THE COMPANY'S BUSINESS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021.

The Board of Directors of Glassbox Ltd (the “**Company**”) is hereby pleased to present the report of Board of Directors on the State of the Company’s Business for the three months and nine months ended on September 30, 2021 (the "third quarter" or the "Report Period", respectively) and the financial results of the Company for the three months and nine months ended September 30, 2021 in accordance with the Securities Regulations (Periodic and Immediate Reports) – 1970 (the Reporting Regulations).

In this report below:

"Report Date" – September 30, 2021.

"Report Signature Date", "Report Date" or "Report Signature day" – November 15, 2021.

The review presented below is limited in scope and relates to events and changes that occurred in the Company's business situation during the reporting period, the impact of which is material and should be read in conjunction with the financial statements and the Board of Directors' report for the year ended December 31, 2020 which were attached to the prospectus of the Company's IPO, tender offer prospectus and shelf prospectus from June 4, 2021 (reference number: 2021-01-035284) as amended on June 8, 2021 (reference number: 2021-01-098037) ("the prospectus" and "the prospectus date", respectively) and with the prospectus itself.

A EXPLANATIONS OF THE BOARD OF DIRECTORS TO THE STATE OF THE COMPANY'S BUSINESS

1. The Company's Activity

1.1. Description of the Company and Its Business Environment

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) 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's (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).

For more information regarding the Area of Activity of the Company and the development of its business, see Sections 6.1.2 of Chapter 6 of this Prospectus.

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 Ltd. - a private company incorporated in England and Wales, wholly owned by Glassbox Digital UK Ltd.

For more details about the Company's activities, description of the business environment and its effects on its activities, see Chapter 6 of the prospectus.

1.2. Developments in the Company's business during the reported period

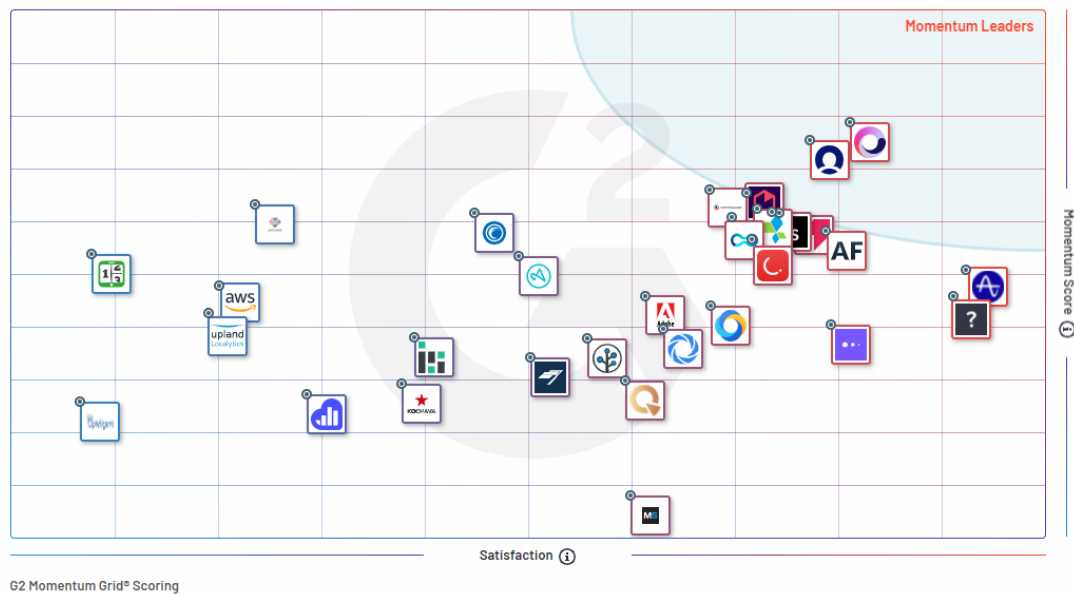
- 1.2.1 During the reported period, positive developments were recorded in the Company's business, including an ARR balance of approximately \$ 40 million as of the report date, which reflects an increase in net addition to ARR (on a pro forma basis) of approximately 186% during the reported period compared to the corresponding period last year and increase of 31% in relation to the ARR balance as of September 30, 2020 (on a pro forma basis) (for further details see section 6 below); Acquisition of assets from Convertize Ltd, an English company that specializes, among other things, in the development of technology in the field of smart A / B testing (for more details, see section 8.1 below); Continued increase of its market share among large customers (annual revenues of over \$ 250,000) and medium-sized customers (annual revenues below \$ 250,000) and recruiting 50 new customers from various industries, and in various geographical areas, including leading entities in their field, while continuing leveraging the purchase of a SessionCam (for further details see section 6 below); Product Lead - continued value creation for the Company's customers, record number of transactions closed in No Pilot Methodology¹ and winning forty (40) G2 awards when recently a winning in the first place for autumn 2021 in Best Relationship Index² in Digital Analytics Software and Mobile Apps Analytics (for further details see section 1.2.2 below); "Release" to the market of innovative modules (such as the DEM module designed for the DevOps market); Strategic collaborations with leading entities such as Microsoft and Qualtrics; Continued momentum generated from the strategic collaboration with Microsoft that was

¹ transactions with no trial period prior to a binding agreement.

² index measuring various parameters of product strength

reflected in gaining new customers (for more details see section 8.4 below); An increase in expansions and innovations of existing customers, which was reflected in a strong customer retention rate (for further details, see section 6 below); A global customer event ("Digital World") with the participation of leading brands, which led to a significant contribution to the Company's order backlog (pipeline); Stable growth in leads for future customers; And recruitment - 40 new employees joined the Company during the third quarter of 2021 (as of the end of the third quarter of 2021, the Company had 287 employees).

1.2.2 An international report published on the Company's operating industry³ ranks the Company in higher places than its direct competitors both in terms of customer satisfaction and in terms of the Momentum Score⁴.



³ G2 Momentum Grid Report for Mobile App Analytics for Fall 2021

⁴ An index that measures various parameters of product growth and their rate of change over a period of one year.

2. The Financial Position

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

Item	September 30		December 31	Explanations of the Board of Directors
	2021	2020	2020	
Current assets	68,548	43,851	26,298	The increase in current assets as of September 30, 2021 compared to current assets as of December 31, 2020 was mainly due to an increase in cash and short term deposits due to the IPO of the Company on TASE.
Noncurrent assets	31,143	5,132	32,655	The increase in noncurrent assets as of September 30, 2021 compared to noncurrent assets as of December 31, 2020 is immaterial.
Current liabilities	17,997	9,415	16,834	The increase in current liabilities as of September 30, 2021 compared to current liabilities as of December 31, 2020 is immaterial.
Noncurrent liabilities	11,829	2,950	11,888	The increase in noncurrent liabilities as of September 30, 2021 compared to noncurrent liabilities as of December 31, 2020 is immaterial.
Share-holders' equity	69,865	36,618	30,231	The increase in shareholders' equity as of September 30, 2021 compared to December 31, 2020 was mainly due to the Company's IPO on the TASE with partial set off of the net loss in the reported period.

3. Results of the Activity

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

Item	Nine months ended September 30		Three months ended September 30		Year ended December 31 2020	Explanations of the Board of Directors
	2021	2020	2021	2020		
Revenues	26,299	15,989	9,756	6,133	22,122	The increase in revenues in the third quarter of 2021 and in the reported period compared to corresponding periods of 2020 was due to an increase in sales to the Company's customers and inclusion for the first time of revenues from sales to SessionCam's customers ;
Cost of sales	9,451	4,010	3,373	1,383	6,790	The increase in the cost of sales in in the third quarter of 2021 and in the reported period compared to corresponding periods of 2020 was due to an increase in wages and related expenses, an increase in servers and cloud services and inclusion for the first time of cost of sales of SessionCam;
Gross profit	16,848	11,979	6,383	4,750	15,332	The gross profit margin during the presented years was: in the third quarter of 2021 and in the reported period – 65.4% and 64.1%, respectively. In the third quarter of 2020 and the nine months ended September 30, 2020 – 77.4% and 74.9%, respectively. The decrease in gross profit rate in the third quarter of 2021 and in the reported period compared to corresponding periods of 2020 is due to (1) amortization in deferred revenues related to the acquisition of SessionCam; (2) lower SessionCam gross profit rates and (3) increase in cloud expenses due to adding additional cloud suppliers.
Research and development expenses	11,634	6,026	4,210	2,247	9,313	The increase in research and development expenses in the third quarter of 2021 and in the reported period compared to the corresponding periods of 2020 was due to an increase in wages and

						related expenses stemming from an increase in the number of development workers, increase in employee options expenses, amortization of excess cost for the purchase of SessionCam and inclusion for the first time of research and development of SessionCam;
Selling and marketing expenses	17,285	10,277	6,339	3,462	15,324	The increase in selling and marketing expenses in the third quarter of 2021 and in the reported period compared to the corresponding periods of 2020 was due to an increase in salaries and related expenses stemming from an increase in the number of sales and marketing employees, increase in employee options expenses, amortization of excess cost for the purchase of SessionCam and inclusion for the first time of selling and marketing expenses of SessionCam;
Administrative and general expenses	6,935	2,835	2,149	933	5,186	The increase in administrative and general expenses in the third quarter of 2021 and in the reported period compared to the corresponding periods of 2020 was due to an increase in wages and related expenses, increase in employee options expenses and from inclusion for the first time of SessionCam's administrative and general expenses and expenses in respect of turning the Company into a public company;
Operating loss	19,006	7,159	6,315	1,892	14,491	The increase in operating loss in the third quarter of 2021 and in the reported period compared to the corresponding periods of 2020 was mainly due to an increase in research and development expenses and increase in sales and marketing expenses and increase in administrative and general expenses;
Finance expenses	929	78	698	41	308	The increase in finance expenses in the third quarter of 2021 and in the

						reported period compared to the corresponding periods of 2020 was due exchange rate differences for revaluation of balance sheet balances and finance expenses for revaluation of deferred and contingent consideration in respect of the purchase of SessionCam;
Finance income	(174)	(887)	(67)	(270)	(849)	The decrease in finance income in the third quarter of 2021 and in the reported period compared to the corresponding periods of 2020 was due to decrease in interest income deriving from sharp decline in interests;
Finance (income), expenses net	755	(809)	631	(229)	(541)	The decrease in net finance income in the third quarter of 2021 and in the reported period compared to the corresponding periods of 2020 derived from decrease in finance income and increase in finance expenses, as above;
Loss before income taxes	19,761	6,350	6,946	1,663	13,950	The increase in pretax loss in the third quarter of 2021 and in the reported period compared to the corresponding periods of 2020 was due to an increase in operating loss;
(Income) taxes, expenses	(153)	22	(50)	5	(15)	The decrease in taxes on income in the third quarter of 2021 and in the reported period compared to the corresponding periods of 2020 is due to tax shield in respect of amortizing intangible assets in respect of the purchase of SessionCam;
Loss	19,608	6,372	6,896	1,668	13,935	The increase in loss in the third quarter of 2021 and in the reported period compared to the corresponding periods of 2020 stemmed from an increase in pretax loss;
Other comprehensive loss (income)	(52)	- ¹	(107)	- ²	(828)	Other comprehensive income is due to currency translation differences in SessionCam reports and Glassbox UK, which are denominated in pounds;

¹ Represent a sum lower than USD 1 thousand.

² Represent a sum lower than USD 1 thousand.

Comprehensive loss	19,556	6,372	6,789	1,668	13,107	The increase in comprehensive loss in the third quarter of 2021 and in the reported period compared to the corresponding periods of 2020 was due to an increase in loss;
--------------------	--------	-------	-------	-------	--------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------

4. **Liquidity**

Below are data about liquidity USD thousands)

Item	Nine months ended September 30		Three months ended September 30		Year ended December 31 2020	Explanations of the Board of Directors
	2021	2020	2021	2020		
Cash flow from operating activities	(11,462)	(3,956)	(4,181)	578	(7,131)	The increase in net cash flow used in operating activities in the third quarter of 2021 and in the reported period compared to the corresponding periods of 2020 stemmed from an increase in loss that was partially offset by an increase in depreciation and amortizations, increase in share based payment cost; The cash flow deficit from operating activities is due to continued investment in research and development and marketing and sales for the purpose of the company's continued growth. For further details regarding the Company's research and development activities, see section 6.24 of the prospectus;
Cash flow from investing activities	(53,897)	(15,606)	3,112	4,422	(11,120)	The increase in net cash flow used in investing activities in the third quarter of 2021 and in the reported period compared to the corresponding periods of 2020 was due to an increase in short-term deposits;
Cash flow from finance activities	53,188	32,274	(479)	(478)	30,806	The increase in cash flow from finance activities in the reported period compared to the corresponding period of 2020 derived from IPO of the Company's shares;
Increase (decrease) in cash	(12,171)	12,712	(1,548)	4,522	12,555	The decrease in total cash flow in the third quarter of 2021 and in the

and cash equivalents						reported period compared to the corresponding periods of 2020 was mainly due to an increase in negative cash flow from operating activities, as well as from an increase in depositing to deposits offset in part by an increase in cash flow from finance activities;
Exchange rate differences in respect of balances of cash and cash equivalents	(14)	-	271	-	25	Exchange rate differences in respect of balances of cash and cash equivalents deriving from SessionCam acquisition;
Balance of cash and cash equivalents at the beginning of the period	19,087	6,507	8,179	14,697	6,507	
Balance of cash and cash equivalents at the end of the period	6,902	19,219	6,902	19,219	19,087	Cash balances as of September 30, 2021 and 2020 do not include short-term deposits in the amount of \$ 55,164 and \$ 21,800 thousand respectively;

5. Pro Forma Data

5.1. On October 15, 2020, the Company acquired through its subsidiary, Glassbox Digital UK Ltd. ("**Glassbox UK**"), the entire share capital of SessionCam, thus SessionCam became (through Glassbox UK) a wholly owned company of the Company. Accordingly, the condensed proforma statements of profit or loss and other comprehensive income (proforma) for the periods of three and nine months ended September 30, 2020 were also attached to the consolidated financial statements as of September 30, 2021 which were intended to reflect the Company's data assuming that SessionCam's acquisition was completed on January 1, 2019. Details of the assumptions underlying the aforesaid pro forma report can be found in Note 7 to the consolidated financial statements as of September 30, 2021 which are attached in Chapter B to this quarterly report (the consolidated financial statements).

The effect of SessionCam's acquisition on the data in the reporting period assuming the acquisition was completed on January 1, 2019 is described below.

Item	Nine months ended September 30		Three months ended September 30		Year ended December 31 2020	Explanations of the Board of Directors
	2021	2020	2021	2020		
Revenues	26,299	23,362	9,756	8,634	30,877	The increase in revenues in the third quarter of 2021 and in the reported period compared to corresponding periods of 2020 was due to an increase in sales to the Company's customers that was partly offset by amortizing deferred revenues from SessionCam acquisition;
Cost of sales	9,451	7,457	3,373	2,461	10,478	The increase in the cost of sales in in the third quarter of 2021 and in the reported period compared to corresponding periods of 2020 was due to an increase in wages and related expenses, an increase in servers and cloud services;
Gross profit	16,848	15,905	6,383	6,173	20,399	The gross profit margin during the presented years was: in the third quarter of 2021 and in the reported period – 65.4% and 64.1%, respectively. In the third quarter of 2020 and the nine months ended September 30, 2020 – 71.5% and 68.1%, respectively. The decrease in gross profit rate in the third quarter of 2021 and in the reported period compared to corresponding periods of 2020 is due to (1) amortization in deferred revenues related to the acquisition of SessionCam; (2) increase in cloud expenses due to adding additional cloud suppliers.
Research and development expenses	11,634	7,517	4,210	2,754	10,871	The increase in research and development expenses in the third quarter of 2021 and in the reported period compared to the corresponding periods of 2020 was due to an increase in wages and related expenses stemming from an increase in the number of development workers, increase in employee options expenses.

Selling and marketing expenses	17,285	13,459	6,339	4,491	19,143	The increase in selling and marketing expenses in the third quarter of 2021 and in the reported period compared to the corresponding periods of 2020 was due to an increase in salaries and related expenses stemming from an increase in the number of sales and marketing employees and increase in employee options expenses.
Administrative and general expenses	6,935	3,443	2,149	1,161	4,563	The increase in administrative and general expenses in the third quarter of 2021 and in the reported period compared to the corresponding periods of 2020 was due to an increase in wages and related expenses, increase in employee options expenses and expenses in respect of turning the Company into a public company;
Operating loss	19,006	8,514	6,315	2,233	14,178	The increase in operating loss in the third quarter of 2021 and in the reported period compared to the corresponding periods of 2020 was mainly due to an increase in research and development expenses and increase in sales and marketing expenses and increase in administrative and general expenses;
Finance expenses	929	556	698	291	930	The increase in finance expenses in the third quarter of 2021 and in the reported period compared to the corresponding periods of 2020 was due to exchange rate differences for revaluation of balance sheet balances;
Finance income	(174)	(887)	(67)	(270)	(849)	The decrease in finance income in the third quarter of 2021 and in the reported period compared to the corresponding periods of 2020 was due to decrease in interest income deriving from sharp decline in interests and exchange rate differences;
Finance (income), expenses net	755	(331)	631	21	81	The increase in net finance income in the third quarter of 2021 and in the reported period compared to the corresponding periods of 2020

						derived from increase in finance expenses and decrease in finance income, as above;
Loss before income taxes	19,761	8,183	6,946	2,254	14,259	The increase in pretax loss in the third quarter of 2021 and in the reported period compared to the corresponding periods of 2020 was due to an increase in operating loss;
(Income) taxes, expenses	(153)	(184)	(50)	(64)	48	The decrease in taxes on income in the third quarter of 2021 and in the reported period compared to the corresponding periods of 2020 is immaterial
loss	19,608	7,999	6,896	2,190	14,211	The increase in loss in the third quarter of 2021 and in the reported period compared to the corresponding periods of 2020 stemmed from an increase in pretax loss;
Other comprehensive loss (income)	(52)	375	(107)	(438)	(335)	The decrease in other comprehensive loss in the third quarter of 2021 and in the reported period compared to the corresponding periods in 2020 was mainly due to lower volatility in the pound sterling against the dollar;
Comprehensive loss	19,556	8,374	6,789	1,752	13,876	The increase in comprehensive loss in the third quarter of 2021 and in the reported period compared to the corresponding periods of 2020 was due to an increase in loss;

5.2 Adjusted profit or loss Statement

5.2.1 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 the periods of three months and nine months ended September 30, 2021, including the effect of the SessionCam acquisition (US dollars in thousands) assuming the acquisition was completed on January 1, 2019) excluding the effects of several items as follows:

Item	Nine months ended September 30, 2021 (US dollars in thousands)					
	Pro forma profit and loss statement according to generally accepted accounting principles	Adjustments for employee options	Exclusion of expenses for turning the Company into a public company	Exclusion of SessionCam acquisition expenses	Exclusion of excess cost amortizations from the purchase of SessionCam	Adjusted profit or loss Statement
Revenues	26,299	-	-	-	1,394	27,693
Cost of revenues	9,451	(91)	-	-	-	9,360
Gross profit	16,848	91	-	-	1,394	18,333
Research and development expenses	11,634	(1,703)	-	-	(305)	9,626
Selling and marketing expenses	17,285	(2,096)	-	-	(871)	14,318
Administrative and general expenses	6,935	(1,510)	(1,127)	(109)	-	4,189
Total operating expenses	35,854	(5,309)	(1,127)	(109)	(1,176)	28,133
Operating loss	19,006	(5,400)	(1,127)	(109)	(2,570)	9,800
Finance expenses	929	-	-	-	(542)	387
Finance income	(174)	-	-	-	-	(174)
Finance expenses (income), net	755	-	-	-	(542)	213
Loss before taxes on income	19,761	(5,400)	(1,127)	(109)	(3,112)	10,013

Item	Three months ended September 30, 2021 (US dollars in thousands)					
	Pro forma profit and loss statement according to generally accepted accounting principles	Adjustments for employee options	Exclusion of expenses for turning the Company into a public company	Exclusion of SessionCam acquisition expenses	Exclusion of excess cost amortizations from the purchase of SessionCam	Adjusted profit or loss Statement
Revenues	9,756	-	-	-	221	9,977
Cost of revenues	3,373	(34)	-	-	-	3,339
Gross profit	6,383	34	-	-	221	6,638
Research and development expenses	4,210	(768)	-	-	(104)	3,338
Selling and marketing expenses	6,339	(1,118)	-	-	(294)	4,927
Administrative and general expenses	2,149	(286)	(33)	-	-	1,830
Total operating expenses	12,698	(2,172)	(33)	-	(398)	10,095
Operating loss	6,315	(2,206)	(33)	-	(619)	3,457
Finance expenses	698	-	-	-	(147)	551
Finance income	(67)	-	-	-	-	(67)
Finance expenses (income), net	631	-	-	-	(147)	484
Loss before taxes on income	6,946	(2,206)	(33)	-	(766)	3,941

5.2.2 The following is a breakdown of income (loss) before taxes on income for the periods of three months and nine months ended September 30, 2020 including the effect of the acquisition of SessionCam (in thousands of dollars) (assuming the acquisition was completed on January 1, 2019), excluding the effects of several items as follows:

Item	Nine months ended September 30, 2020 (US dollars in thousands)					
	Pro forma profit and loss statement according to generally accepted accounting principles	Adjustments for employee options	Exclusion of expenses for turning the Company into a public company	Exclusion of SessionCam acquisition expenses	Exclusion of excess cost amortizations from the purchase of SessionCam	Adjusted profit or loss Statement
Revenues	23,362	-	-	-	30	23,392
Cost of revenues	7,457	(65)	-	-	-	7,392
Gross profit	15,905	65	-	-	30	16,000
Research and development expenses	7,517	(211)	-	-	(277)	7,029
Selling and marketing expenses	13,459	(283)	-	-	(801)	12,375
Administrative and general expenses	3,443	(224)	-	-	-	3,219
Total operating expenses	24,419	(718)	-	-	(1,078)	22,623
Operating loss	8,514	(783)	-	-	(1,108)	6,623
Finance expenses	556	-	-	-	(467)	89
Finance income	(887)	-	-	-	-	(887)
Finance expenses (income), net	(331)	-	-	-	(467)	(798)
Loss before taxes on income	8,183	(783)	-	-	(1,575)	5,825

Item	Three months ended September 30, 2020 (US dollars in thousands)					
	Pro forma profit and loss statement according to generally accepted accounting principles	Adjustments for employee options	Exclusion of expenses for turning the Company into a public company	Exclusion of SessionCam acquisition expenses	Exclusion of excess cost amortizations from the purchase of SessionCam	Adjusted profit or loss Statement
Revenues	8,634	-	-	-	-	8,634
Cost of revenues	2,461	(23)	-	-	-	2,438
Gross profit	6,173	23	-	-	-	6,196
Research and development expenses	2,754	(87)	-	-	(94)	2,573
Selling and marketing expenses	4,491	(86)	-	-	(271)	4,134
Administrative and general expenses	1,161	(91)	-	-	-	1,070
Total operating expenses	8,406	(264)	-	-	(365)	7,777
Operating loss	2,233	(287)	-	-	(365)	1,581
Finance expenses	291	-	-	-	(225)	66
Finance income	(270)	-	-	-	-	(270)
Finance expenses (income), net	21	-	-	-	(225)	(204)
Loss before taxes on income	2,254	(287)	-	-	(590)	1,377

5.2.3 The following is a breakdown of income (loss) before taxes on income for the year ended December 31, 2020 including the effect of the acquisition of SessionCam (in thousands of dollars) (assuming the acquisition was completed on January 1, 2019), excluding the effects of several items as follows:

Item	Year ended December 31, 2020 (US dollars in thousands)					
	Pro forma profit and loss statement according to generally accepted accounting principles	Adjustments for employee options	Exclusion of expenses for turning the Company into a public company	Exclusion of SessionCam acquisition expenses	Exclusion of excess cost amortizations from the purchase of SessionCam	Adjusted profit or loss Statement
Revenues	30,877	-	-	-	31	30,908
Cost of revenues	10,478	(91)	-	-	-	10,387
Gross profit	20,399	91	-	-	31	20,521
Research and development expenses	10,871	(317)	-	-	(373)	10,181
Selling and marketing expenses	19,143	(367)	-	-	(1,079)	17,697
Administrative and general expenses	4,563	(310)	(1,114)	-	-	3,139
Total operating expenses	34,577	(994)	(1,114)	-	(1,452)	31,017
Operating loss	14,178	(1,085)	(1,114)	-	(1,483)	10,496
Finance expenses	930	-	-	-	(770)	160
Finance income	(849)	-	-	-	-	(849)
Finance expenses (income), net	81	-	-	-	(770)	(689)
Loss before taxes on income	14,259	(1,085)	(1,114)	-	(2,253)	9,807

5.2.4 The following is an adjusted profit (loss) comparison before income taxes, as set forth in sections 5.2.1, 5.2.2 and 5.2.3 above, for the periods of three months and nine months ended September 30, 2020 and September 30, 2021, and for the year ended December 31, 2020 including the effect of the acquisition of SessionCam (dollars in thousands) (assuming the acquisition was completed on January 1, 2019), excluding the effects of a number of items as follows:

Item	Nine months ended September 30		Three months ended September 30		Year ended December 31 2020	Explanations of the Board of Directors
	2021	2020	2021	2020		
Revenues	27,693	23,392	9,977	8,634	30,908	The increase in revenues in the third quarter of 2021 and in the reported period compared to corresponding periods of 2020 was due to an increase in sales to the Company's customers, including an increase in revenue from cloud licenses of approximately 30% and approximately 29% in the Third Quarter and in the Reporting Period, respectively. In addition, the Company's recurring revenues in the Reporting Period accounted for approximately 95% of total revenues, compared with approximately 91% in the corresponding period last year.
Cost of sales	9,360	7,392	3,339	2,438	10,387	The increase in the cost of sales in in the third quarter of 2021 and in the reported period compared to corresponding periods of 2020 was due to an increase in wages and related expenses, an increase in servers and cloud services;
Gross profit	18,333	16,000	6,638	6,196	20,521	The gross profit margin in the third quarter of 2021 and in the reported period 66.5% and 66.2%, respectively. In the third quarter of 2020 and the nine months ended September 30, 2020 – 71.8% and 68.4%, respectively. The decrease in gross profit rate in the third quarter of 2021 and in the reported period compared to corresponding periods of 2020 is due to increase in cloud expenses due to adding new cloud suppliers.

Research and development expenses	9,626	7,029	3,338	2,573	10,181	The increase in research and development expenses in the third quarter of 2021 and in the reported period compared to the corresponding periods of 2020 was due to an increase in wages and related expenses stemming from an increase in the number of development workers.
Selling and marketing expenses	14,318	12,375	4,927	4,134	17,697	The increase in selling and marketing expenses in the third quarter of 2021 and in the reported period compared to the corresponding periods of 2020 was due to an increase in salaries and related expenses stemming from an increase in the number of sales and marketing employees.
Administrative and general expenses	4,189	3,219	1,830	1,070	3,139	The increase in administrative and general expenses in the third quarter of 2021 and in the reported period compared to the corresponding periods of 2020 was due to an increase in wages and related expenses.
Operating loss	9,800	6,623	3,457	1,581	10,496	The increase in operating loss in the third quarter of 2021 and in the reported period compared to the corresponding periods of 2020 was mainly due to an increase in research and development expenses and increase in sales and marketing expenses and increase in administrative and general expenses;
Finance expenses	387	89	551	66	160	The increase in finance expenses in the third quarter of 2021 and in the reported period compared to the corresponding periods of 2020 was due to exchange rate differences for revaluation of balance sheet balances;
Finance income	(174)	(887)	(67)	(270)	(849)	The decrease in finance income in the third quarter of 2021 and in the reported period compared to the corresponding periods of 2020 was due to decrease in interest income deriving from sharp decline in

						interests and exchange rate differences;
Finance (income), expenses net	213	(798)	484	(204)	(689)	The increase in net finance income in the third quarter of 2021 and in the reported period compared to the corresponding periods of 2020 derived from increase in finance expenses and decrease in finance income, as above;
Loss before income taxes	10,013	5,825	3,941	1,377	9,807	The increase in pretax loss in the third quarter of 2021 and in the reported period compared to the corresponding periods of 2020 was due to an increase in operating loss and increase in finance expenses, net;

6. **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

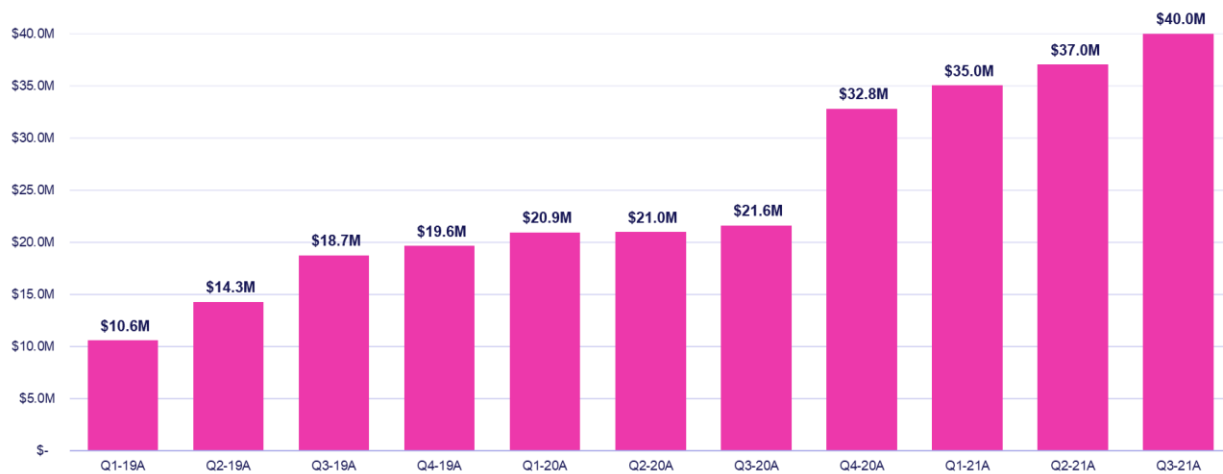
As a SAAS company, the Company measures its growth in terms of the increase in annual recurring revenues (ARR):

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 quarter, as of the report date, in 2019 - 2021⁵

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).

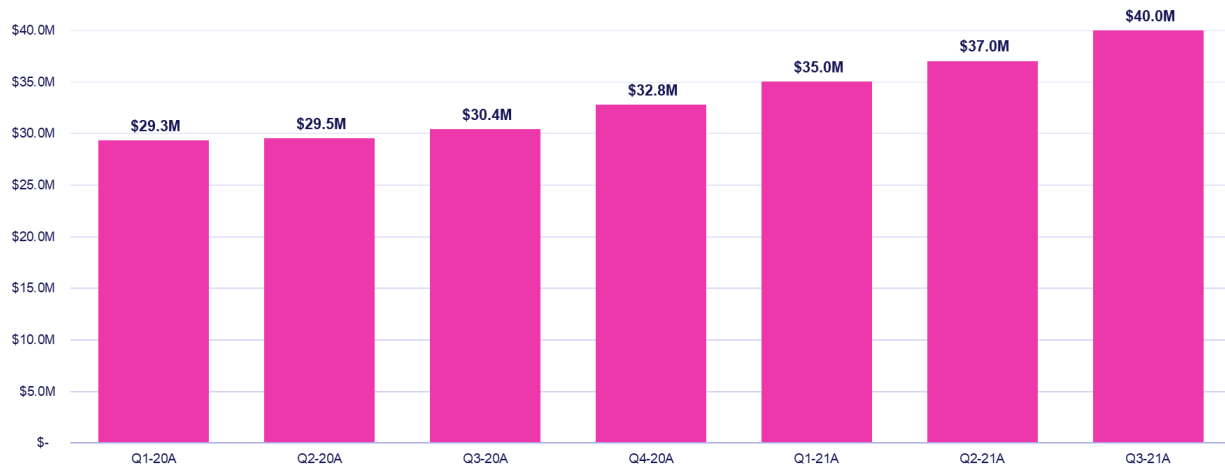
As of the report date, the ARR balance increased to \$ 40 million compared to \$ 37 million as of the end of the second quarter of 2021. In addition, the ARR as of the end of the reported period has increased by 31% compared to the corresponding period last year, based on proforma data. The net addition to ARR in the reported period is 186% greater than the net addition to ARR in the corresponding period last year (based on pro forma data), and in the reported period 50 new customers joined the Company and the ARR from cloud customers increased by 42% compared to the corresponding period last year, all based on pro forma data⁶



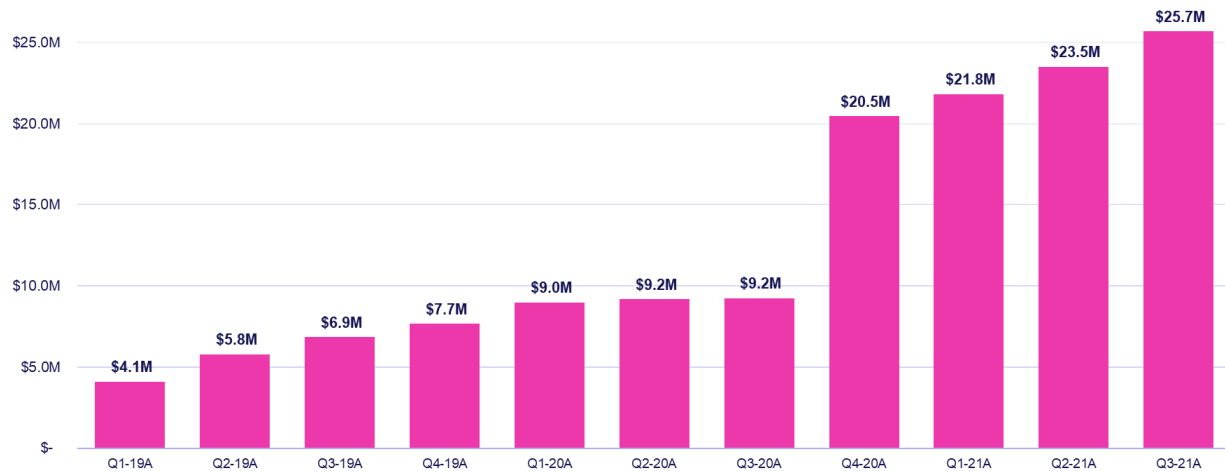
⁵ It should be indicated that the data presented above for the fourth quarter of 2020 and thereafter gross up the data of SessionCam.

⁶ It is clarified that the above comparison between the reported period and the corresponding period last year, relative to the ARR data presented above, is based on ARR estimates as calculated and presented to the Company by SessionCam prior to its acquisition. The ARR calculation methodology relied on by SessionCam is essentially similar to the ARR calculation methodology relied on by the Company and is described in this section 6 above.

Below is the Group's ARR breakdown, by quarter, on proforma basis as of the end of the report date, in 2020 - 2021⁷



Below is the ARR breakdown from the Group's cloud customers, by quarter, as of the end of the report date in 2019-2021⁸



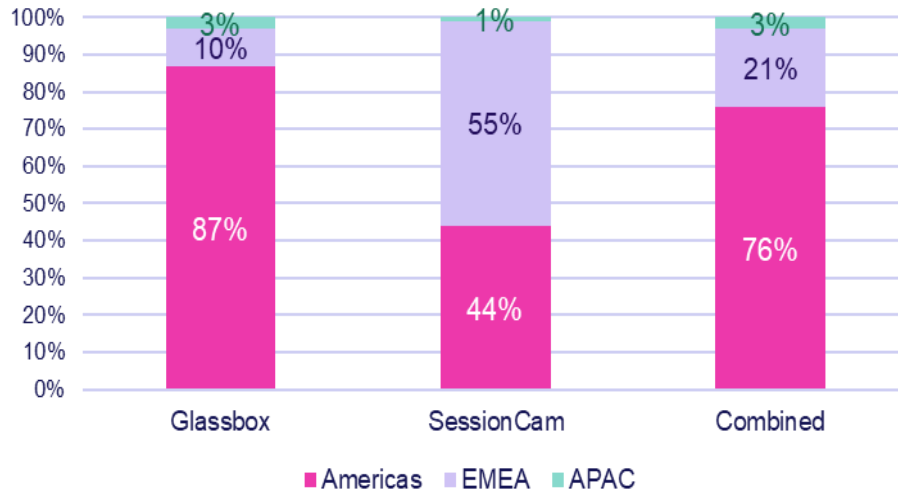
⁷ it should be indicated that the data presented above regarding 2020-2021 gross up the data of SessionCam.

⁸ It should be indicated that the data presented above for the fourth quarter of 2020 and thereafter gross up the data of SessionCam.

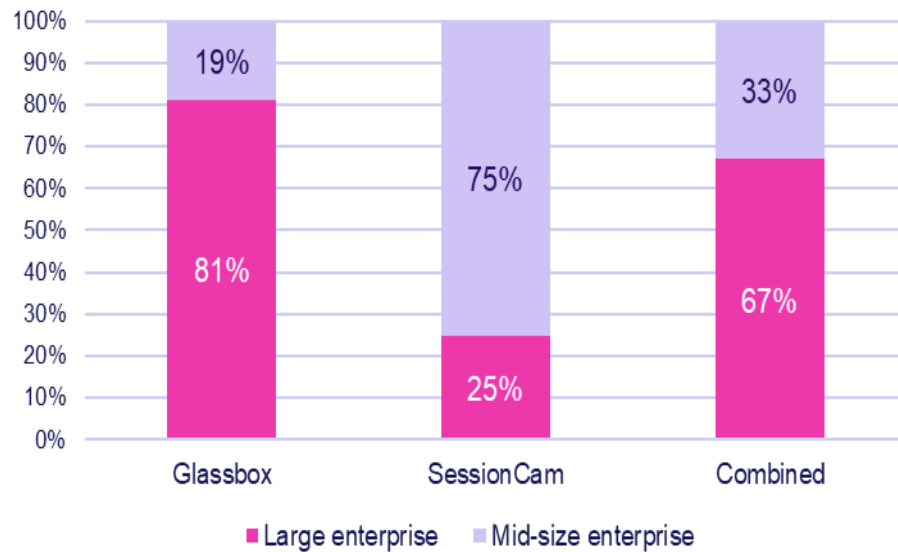
ARR Breakdown

The following chart describes the ARR balance of the Company, Glassbox US Inc. and Glassbox UK⁹ and SessionCam as of September 30, 2021 with the segmentations relevant to the Company's activity:

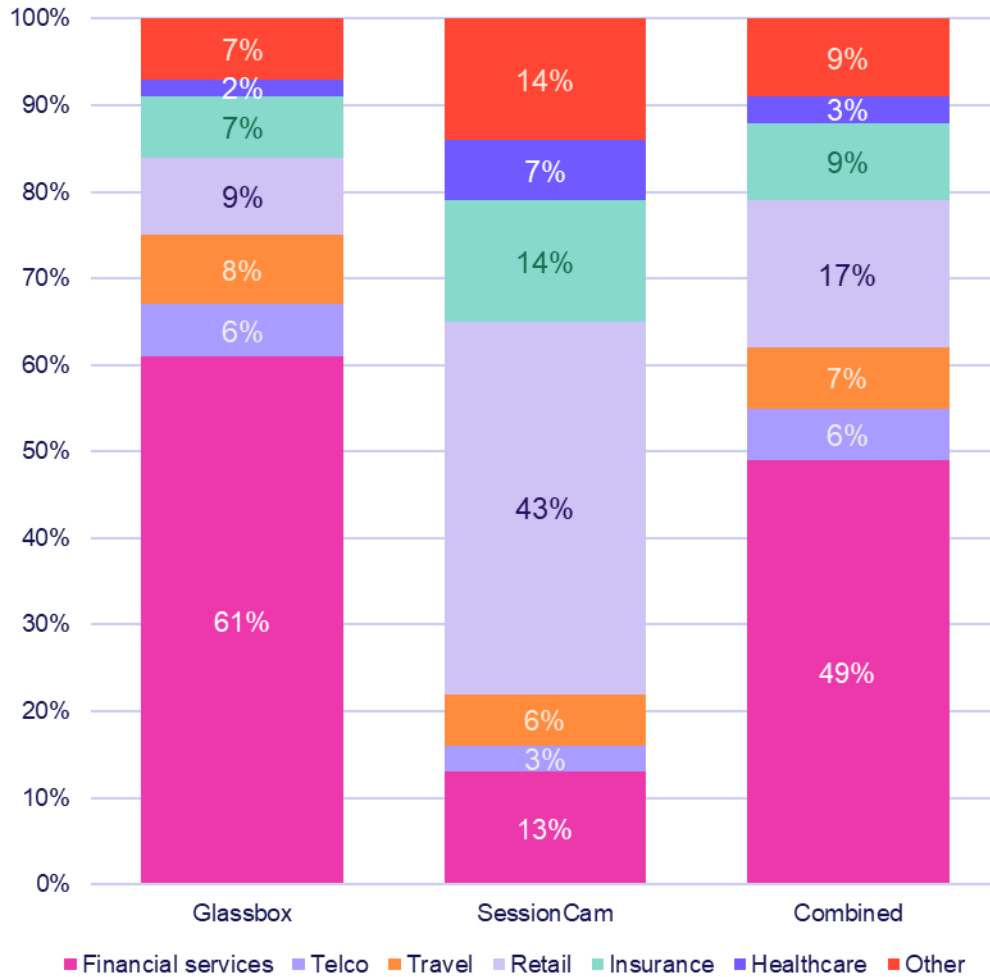
ARR by Region



ARR by customer size



⁹ namely, the Group excluding SessionCam

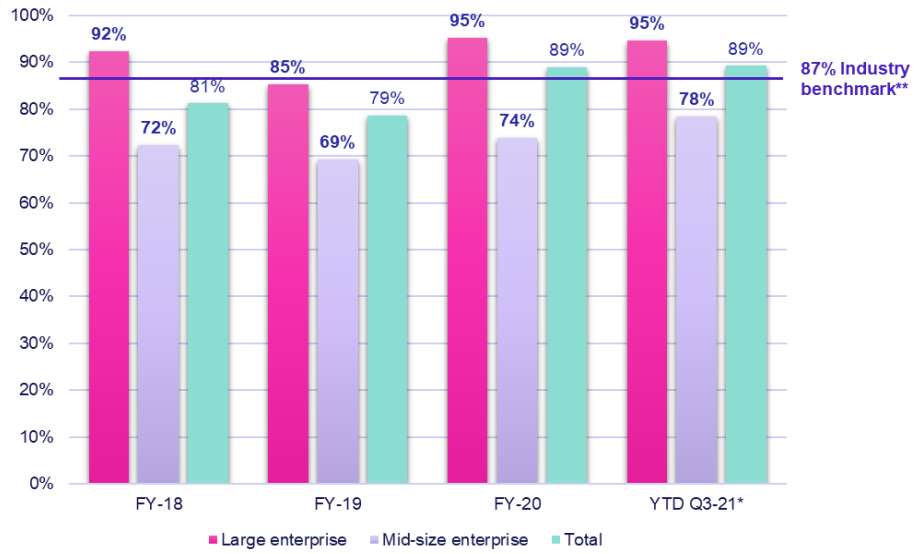
ARR by vertical**Customer Retention Rates**

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 customers who increased their income from the increased use of the Company's products.

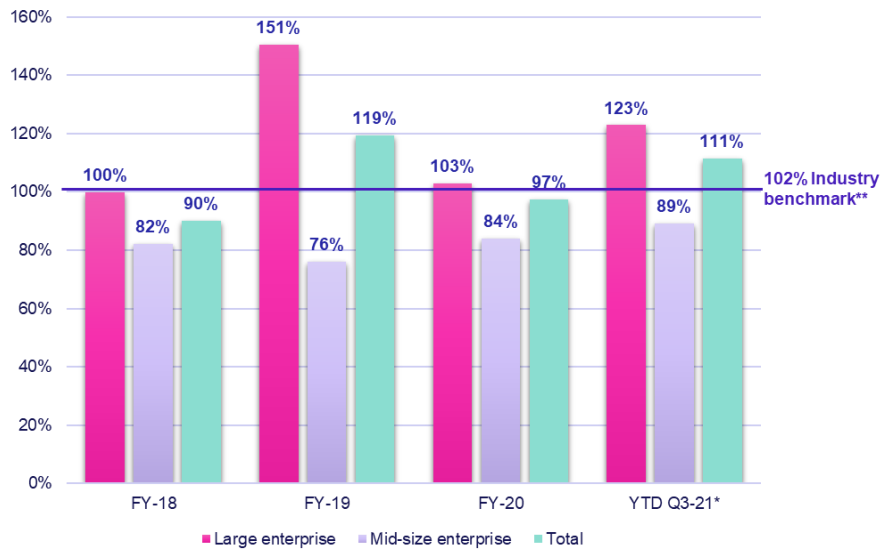
The following is a breakdown of customer retention rates, divided into large customers (annual revenues over \$ 250,000) and medium-sized customers (annual revenues below \$ 250,000), as of December 31, 2018 - 2020, and September 30, 2021¹⁰:

¹⁰ It should be noted that the data presented above in relation to the reported period were normalized to annual terms

GROSS RETENTION PER CUSTOMER SIZE



NET RETENTION PER CUSTOMER SIZE



7. Sources of Funding

As of the report date, the Group's main sources of funding are as follows:

7.1. Issuance of Securities; exercise of options or conversion of convertible securities into the Company's shares

From its establishment date until the IPO date and listing its shares for trading for the first time on the stock exchange, the Company has financed its activities through investment rounds from private investors, through bank financing and through government grants and others. For details regarding the capital raising rounds performed by the Company and the shares it issued as part of such rounds, as well as regarding options issued by the Company and which were exercised up to the prospectus date, see section 3.2.2 of Chapter 3 of the prospectus

On June 3, 2021, the Company published a prospectus, in which it raised a total of NIS 178,964,312 (gross). For details regarding the results of the IPO see immediate report dated June 6, 2021 (reference number 2021-01-096684), the provisions of which are hereby incorporated by reference, as well as Note 4 to the financial statements.

7.2. Bank Financing

For information about the credit facility contract for providing up to \$ 8 million into which the Company has entered, see Section 6.28.2 of Chapter 6 of the Prospectus.

The Company values its access to funding sources as high in view of its financial strength, stability of the core business and the extensive relationships it has established with investment funds around the world, as well as access to the Israeli capital market, while taking into account the possible implications of the Corona virus' continued spread on the availability of credit sources in Israel and throughout the world.

The Company's estimates in connection with its access to such funding sources constitute "forward-looking information", as defined in the Securities Law, 1968 ("Securities Law"), the realization of which is uncertain and is not under the Company's full control. This information is based among others on the Company's estimates and its experience. The realization of the above depends on (among other things) 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, as well as the realization of some of the risk factors listed in section 6.35 of the prospectus. It is clarified that there is no assurance that such forward looking information will be realized, and even if it is realized, there is no assurance that its realization will not be different from the aforesaid, even substantially.

8. **Material change or innovation in the corporation's business which occurred in the corporation's business in the reported period and thereafter**

8.1. Section 6.1.3 of the prospectus – description of the Company's business and purchase of assets not in the ordinary course of business of the Company

On September 13, 2021, the Company entered into an asset purchase agreement with Convertize Ltd. ("the seller"), an English company that specializes, among other things, in the development of technology in the field of smart A/B testing¹¹, for the acquisition of the seller's assets in the aforesaid field of activity, in exchange for a non-material amount for the Company (the "transaction"). Further to the above, the Company updates that the transaction was completed close to that date and that the first payment of the consideration was paid to the seller. For further details, see the Company's immediate report dated September 14, 2021¹².

8.2. Section 6.2 of the prospectus – investments in the Company's capital and transactions in its shares.

From the prospectus date until the report date, no investments were made in the Company's capital and no material transactions were made in its shares, by interested parties in the corporation, except as detailed below¹³:

<u>Date</u>	<u>Action</u>
June 6, 2021	IPO and tender offer of the Company's shares to institutional investors, at a price of NIS 95.04 per share, according to the prospectus. For the results of the IPO and tender offer, including the purchase of 684,720 shares by Ibex Group as defined in the prospectus see immediate report (reference No.: 2021-01-096684), the information of which is included in this report by way of reference.
June 17, 2021	Tender offer of the Company's shares to institutional investors, at a price of NIS 95.04 per share, according to a shelf offering report dated June 16, 2021 (reference number: 2021-01-103158), which is hereby included by way of reference. For the results of the tender offer, see the Company's immediate report dated June 17, 2021 (reference number: 2021-01-102093), which is hereby included by way of reference.

¹¹ In general, the A / B testing model is used to examine the response of users to different changes, usually by comparing two versions and examining the responses to changes between versions.

¹² Reference number 2021-01-078928 which is brought by way of reference.

¹³ excluding issuance of convertible warrants to employees and officers or exercise of such warrants

On September 2, 2021, the Company published an outline for offering securities to employees (as amended on October 17, 2021), under which the Company may offer to employees and officers of the Company and related companies up to 650,000 non-tradable warrants and up to 100,000 unregistered restricted shares (RSUs) which can be exercised up to 750,000 ordinary shares of NIS 0.01 par with each of the Company (the "Outline"). For further details about the outline, see the Company's immediate reports from September 2, 2021 and October 17, 2021 (Reference: 2021-01-076174 and 2021-01-156669, respectively).

On November 15, 2021, the Company's Board of Directors approved a non-material private offering to two offerees who are consultants and service providers of the Company and Glassbox England (collectively: the "Offerees") in exchange for consulting and other services provided by the Offerees to the Company in various areas, of a total of 30,625 options, non-transferable, and exercisable for up to 30,625 ordinary shares of NIS 0.01 par value each of the Company. For further details, see immediate report prepared in accordance with the Securities Regulations (Private Offering of Securities in a Listed Company), 5760-2000, published concurrently with this report and the information according to which is presented in this report by way of reference.

8.3. Section 6.19.1 of the prospectus - customer characteristics

Further to what is stated in section 6.19.1 of the prospectus, during the reported period the Company expanded its areas of activity to other customer activities (vertical) such as technology companies, government services, health institutions and digital education.

8.4. Collaboration agreements

During the reported period, the Company entered into strategic partnerships with Qualtrics and Microsoft that will constitute additional sale channels for the Company.

8.5. Section 6.33 - Objectives and Business Strategy

As of September 30, 2021, the Company has a cash balance and deposits totaling approximately \$ 62 million, which are expected to be used by the Company for investment in research and development as well as for marketing and sales. In addition, the cash balance is expected to be used to further expand operations at the strategic level through mergers and acquisitions.

The Company's expectations in connection with the possible uses of the Company's cash balance and deposits constitute "forward - looking information", as defined in the Securities Law, the realization of which is uncertain and is not under the full control of the Company. This information is based, among other things, on the assessments of the Company's management and on the objectives and strategy of the Company. The realization of the above depends (among other things) on the markets in which the Company operates, the technological environment in which the Company operates, its field of activity and demand

for products, the existence of financing channels available to the Company to achieve its objectives, as well as the realization of risk factors listed in section 6.35 of the prospectus. It is clarified that there is no assurance that the forward looking information will be realized, and even if it is realized, there is no assurance that its realization will not be different from the above, even substantially.

8.6. Section 7.2 – the Company's Board of Directors

On August 19, 2021, the general meeting of the Company's shareholders approved the appointment of Ms. Yael Shaham as external director on the Company's board of directors for a term of office (first) of three years which shall begin from the approval date of such appointment. For further details, including the conditions of Ms. Shaham's term of office and employment, see the amended summons report of the general meeting of the Company's shareholders and an immediate report regarding its results from July 27, 2021 and August 20, 2021, respectively¹⁵.

On November 11, 2021, the general meeting of the Company's shareholders approved the appointment of Ms. Neta Benari as external director on the Company's board of directors for a term of office (first) of three years which shall begin from the approval date of such appointment, and the appointment of Mr. Benjamin Weiss as a director on the Company's board for a term of office which shall begin on the approval date of his appointment as aforesaid and until the appointment of another director under him (or his re-election) at the second annual general meeting to be held after the date of the Company's IPO of shares to the public. For further details, including the terms of office and employment of Ms. Benari and Mr. Weiss, see the summons report of a general meeting of the Company's shareholders and an immediate report regarding its results from October 6, 2021 and November 11, 2021, respectively¹⁶.

On 11 November 2021 and 15 November 2021, the Audit Committee (in its capacity as the Remuneration Committee) and the Company's Board of Directors approved, as applicable, that Mr. Benjamin Weiss shall be entitled to annual remuneration and the participation remuneration in the Maximum Amounts, as provided in Regulations 4, 5 and 7 of the Companies Regulations (Rules Regarding Remuneration and Expenses to an External Director), 5760-2000 (the "**Remuneration Regulations**") and in accordance with the Company's equity level, and to reimbursement of expenses as provided in the Remuneration Regulations, from the date of his appointment by the General Meeting of the Company's shareholders as a director in the Company's Board of Directors (i.e. as of 11 November 2021), and in accordance with the Company's remuneration policy.

¹⁵ Reference No.: 2021-01-059053 and 2021-01-068233, respectively, the information in which is presented in this report by way of reference

¹⁶ Reference No.: 2021-01-084079 and 2021-01-096727, respectively, the information in which is presented in this report by way of reference.

9. **Effects of the COVID-19 Epidemic on the Company's Activity**

During the first quarter of 2020, the COVID-19 virus epidemic ("**Coronavirus**" or "**Virus**" or "**COVID-19**") broke out around the world and spread to many countries, including Israel. The epidemic has extensive macro- and micro-economic consequences, which naturally have a material effect on the Group's activities. Among other things, the epidemic caused disruptions in supply chains, a decrease in the volume of global transportation, movement and employment restrictions imposed by the Israeli government and many other governments globally, and to decline in the value of financial assets and goods in all markets. Furthermore, under Israeli government's directives, various measures were instituted in 2020 and in the reported period included, among others, significant reduction in business and leisure activity, quarantine of persons suspected of contracting the Virus, minimization of public transportation, complete shutdown of the educational system, an order to not access workplaces not specified as essential workplaces, cancellation of flights and closure of borders, ban on gatherings, and other restrictions. These measures caused a material moderation of business activity of the Israeli economy and also adversely affected global economic activity.

During the reported period, along with a large-scale vaccination campaign conducted in Israel, the vast majority of such restrictions was lifted and activity of the Israeli economy was recorded. At the end of the second quarter of 2021, there were signs of an outbreak of the Indian variant "Delta" of the corona disease and the Israeli government began examining the need to re-impose restrictions although on a smaller scale than in the past. As of the report date, certain restrictions were lifted. It is indicated that despite the positive effect of the third vaccination (Booster) on the amount of patients in Israel and the decrease in the number of serious patients at this stage it is not possible to assess the continued spread of the virus and among others the efficacy of vaccinations against other variants which began to spread worldwide and in Israel and whether the crisis is nearing its end in the upcoming quarters or that it may continue for a longer term.

For further details regarding the restrictions on the Company's activities due to the spread of the virus, see section 10 of the Company's Board of Directors' Report for 2020, which was attached to the Company's prospectus.

It should be noted that the global changes during the Corona period had and still have positive effects on the Company's operations, among other things due to the fact that many businesses' reliance on digital channels increased, leading to growth in the Company's activity, which as per the Company's estimate this trend will continue also in the fourth quarter of 2021. For details regarding the positive effects of the global changes during the corona period see section 10 of the Company's Board of Directors' Report for 2020, which was attached to the Company's prospectus.

For further details regarding the risks associated with the spread of the corona epidemic, see Note 1B to the Company's financial statements attached to this report.

The possible consequences of the spread of the coronavirus including the consequences of the spread of the "Delta" variant and/or other variants on the Company's activities as described above and the Company's assessments regarding the activity of various entities digitally are Forward-Looking Information, as defined in the Securities Law, the realization of which is uncertain and beyond the Company's control. This information is mainly based on public information about the coronavirus epidemic as it existed at the time of publication of this report (and which frequently changes) and on the Company's assessments, based, among other things, on the information known at the time of publication of this report. The realization of the above depends among others, on external factors that that are not under the Company's control, such as changes and trends in the spread of the coronavirus epidemic, decisions by competent authorities in Israel and overseas and business decisions of the Company's customers and suppliers in Israel and around the world. It is clarified that there is no assurance that the forward looking information will be realized, and even if it is realized, there is no assurance that its realization will not be different from the above, even substantially.

B. Corporate Governance Aspects

10. Donations

As of the Report Signature Day, the Company's Board of Directors has not established a policy regarding donations, nor has there been any material commitment to donate in the near future. During the reported period, donations were made in immaterial amounts.

11. 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, 5759-1999 (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 seven (7) directors with accounting and financial expertise, as follows: Mr. Brian Abrahams (Director), Mr. James L. Liang (Director), Ms. Lisa Hamit (Director), Mr. Zachary Gat (Director), Mr. Gal Gitter (Director), Mr. Benjamin Weiss (Independent Director) and Ms. Neta Benari (External Director).

For further details regarding the directors with accounting and financial expertise listed above, including their skills, education, experience and knowledge, on the basis of which the Company considers them to have accounting and financial expertise, see section 7.2 of Chapter 7 of the prospectus and summons report of the general meeting of the Company's shareholders dated October 6, 2021¹⁷.

12. Independent directors

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

On November 11, 2021, following the appointment of Mr. Benjamin Weiss as a director in the Company's Board of Directors by the General Meeting of the Company's shareholders, the Company's Audit Committee approved Mr. Weiss's compliance with the conditions for his appointment as an External Director set forth in section 240 (b) to (f) and in accordance with section 249B of the Companies Law, and therefore his classification as an Independent Director (as defined by the term in section 1 of the Companies Law).

¹⁷ Reference number: 2021-01-084079, the information in which is presented in this report by way of reference

13. 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 announcement, 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/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 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 interest with his position as the internal auditor of the company and his only position in the company is internal auditor of the company.
Appointment of internal auditor:	On November 15, 2021, at the proposal 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 Mr. Alon Amit skills, taking into account, among other things, the type of company, its size, scope of activity and complexity that Mr. Alon Amit is the most suitable candidate for the company's internal auditor.
The organizational supervisor of the auditor:	According to the Company's articles of association, the person in charge of the internal auditor will be the chairman of the board of directors or the general manager, as determined by the board of directors. Unless otherwise specified by the Board of Directors, the Chairman of the Board of Directors shall be the organizational supervisor of the internal auditor.
The audit plan:	As of the report date, an annual audit plan has not yet been approved by the company.

References to investee corporations	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.
Scope of transaction	As of the report date, an audit plan was not yet determined
Professional standards	The internal auditor, according to his announcement, conducts the audit in accordance with the international professional standards of the IIA, including in accordance with professional guidelines of the Association of Internal Auditors in Israel. 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 the 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 audit will conduct an audit of the group companies, including corporations held abroad by the company.
Report of the internal auditor	NA
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.

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

14. D. Material events in the reported period and thereafter

For details regarding material events in the reported period and thereafter see sections 1.2 and 8 to this board of directors' report.

15. The Company's liabilities by maturity dates

Report on the Company's liabilities by maturity dates as of September 30, 2021 is published in a separate reporting form concurrently with the publication of this report and the information therein is included by way of reference.

November 15, 2021

Mr. Brian Abrams

Chairman of the Board

Mr. Yaron Morgenstern

The Company CEO