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**GLASSBOX LTD.**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF SEPTEMBER 30, 2021**

**UNAUDITED**

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## **Auditor Review Report to the Shareholders of Glassbox Ltd.**

### **Introduction**

We have reviewed the accompanying financial information of Glassbox Ltd. and its subsidiaries (hereinafter – the Company), which includes the condensed consolidated statement of financial position as of September 30, 2021 and the condensed consolidated statements of profit or loss and other comprehensive income, changes of equity and cash flows for the nine-month and three-month periods ending that date. The Board of Directors and Management are responsible for preparing and presenting financial information for these interim periods in accordance with IAS 34, Interim Financial Reporting, and are responsible for preparing financial information for these interim periods in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express our conclusions with regard to the financial information for these interim periods, based on our review.

### **Scope of the Review**

We conducted our review in accordance with Review Standard 2410 (Israel) of the Institute of Certified Public Accountants in Israel regarding "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of financial information for interim periods consists of inquiries, mainly from people responsible for finances and accounting, and of the application of analytical and other reviewing procedures. A review is significantly limited in scope relative to an audit conducted according to generally accepted Israeli auditing standards, and therefore does not allow us to achieve assurance that we have been made aware of all material issues that might have been identified in an audit. Accordingly, we are not expressing an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the above financial information has not been prepared, in all material aspects, in accordance with IAS 34.

In addition to the previous paragraph, based on our review, nothing has come to our attention that causes us to believe that the above financial information does not comply, in all material respects, with disclosure provisions according to Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970.

We also reviewed the attached proforma financial information of Glassbox Ltd. and its subsidiaries, which are included in Note 7 of the condensed consolidated financial statements (pro forma financial statements).

We conducted our review in accordance with Review Standard 2410 (Israel) of the Institute of Certified Public Accountants in Israel regarding "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of financial information for interim periods consists of inquiries, mainly from people responsible for finances and accounting, and of the application of analytical and other reviewing procedures. A review is significantly limited in scope relative to an audit conducted according to generally accepted Israeli auditing standards, and therefore does not allow us to achieve assurance that we have been made aware of all material issues that might have been identified in an audit. Accordingly, we are not expressing an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the aforementioned pro forma financial information does not, in all material respects, comply with the provisions of Regulation 38B of the Securities Regulations (Periodic and Immediate Reports), 1970, based on the assumptions detailed in the note 7.

Tel Aviv  
November 15, 2021

Kesselman & Kesselman  
CPAs  
A firm in PricewaterhouseCoopers International Limited

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**


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	<u>September 30,</u>		<u>December 31,</u>
	<u>2021</u>	<u>2020</u>	<u>2020</u>
	<u>(Unaudited)</u>		<u>(Audited)</u>
	<u>Dollars in thousands</u>		
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	6,902	19,219	19,087
Short term deposits	55,164	21,800	2,000
Short term restricted deposits	460	446	460
Trade receivables	1,909	894	1,854
Other receivable and prepaid expenses	4,113	1,492	2,897
	<u>68,548</u>	<u>43,851</u>	<u>26,298</u>
<b>NON-CURRENT ASSETS:</b>			
Long term restricted deposits	476	492	492
Property and equipment, net	1,166	1,148	1,143
Right of use assets, net	2,510	3,039	2,944
Intangible assets	11,134	-	11,975
Goodwill	15,384	23	15,638
Customer acquisition costs	473	430	463
	<u>31,143</u>	<u>5,132</u>	<u>32,655</u>
Total assets	<u>99,691</u>	<u>48,983</u>	<u>58,953</u>

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

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	<b>September 30,</b>		<b>December 31,</b>
	<b>2021</b>	<b>2020</b>	<b>2020</b>
	<b>(Unaudited)</b>		<b>(Audited)</b>
	<b>Dollars in thousands</b>		
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>CURRENT LIABILITIES:</b>			
Trade payables	1,685	272	1,019
Deferred revenues	10,184	5,927	9,213
Other accounts payable	5,566	2,686	5,997
Lease liabilities	562	530	605
<b>TOTAL CURRENT LIABILITIES</b>	<b>17,997</b>	<b>9,415</b>	<b>16,834</b>
<b>NON CURRENT LIABILITIES:</b>			
Deferred revenues	1,105	290	659
Contingent consideration for purchase of investment in subsidiary	3,813	-	3,725
Deferred consideration for purchase of investment in subsidiary	2,618	-	2,270
Deferred tax liabilities	2,023	-	2,538
Lease liabilities	2,270	2,660	2,696
<b>TOTAL LIABILITIES</b>	<b>29,826</b>	<b>12,365</b>	<b>28,722</b>
<b>SHAREHOLDERS' EQUITY:</b>			
Ordinary share capital	45	5	5
Preferred share capital	-	20	20
Additional paid-in capital	120,558	66,565	66,632
Capital reserve for share based payment	7,135	1,610	1,891
Translation adjustments of foreign operations	880	*	828
Accumulated deficit	(58,753)	(31,582)	(39,145)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>69,865</b>	<b>36,618</b>	<b>30,231</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>99,691</b>	<b>48,983</b>	<b>58,953</b>

\* Represents an amount lower than 1 \$ thousand

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

November 15, 2021

<b>Approval date of the financial statements</b>	<b>Brian Abrams Chairman of the Board of Directors</b>	<b>Yaron Morgenstern Chief Executive Officer</b>	<b>Kobi Carlebach Chief Financial Officer</b>
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**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	Nine months ended September 30,		Three months ended September 30		Year ended December 31
	2021	2020	2021	2020	2020
	Unaudited				Audited
	Dollars in thousands				
Revenues	26,299	15,989	9,756	6,133	22,122
Cost of revenues	9,451	4,010	3,373	1,383	6,790
Gross profit	16,848	11,979	6,383	4,750	15,332
Research and development expenses	11,634	6,026	4,210	2,247	9,313
Sales and marketing expenses	17,285	10,277	6,339	3,462	15,324
General and administrative expenses	6,935	2,835	2,149	933	5,186
	35,854	19,138	12,698	6,642	29,823
Operating loss	19,006	7,159	6,315	1,892	14,491
Finance expense	929	78	698	41	308
Finance income	(174)	(887)	(67)	(270)	(849)
Finance (income) expenses, net	755	(809)	631	(229)	(541)
Loss before taxes on income	19,761	6,350	6,946	1,663	13,950
Taxes on income (Tax benefits)	(153)	22	(50)	5	15
Loss	19,608	6,372	6,896	1,668	13,935
Other comprehensive income :					
Amounts that will be reclassified or reclassified to profit or loss subject to specific conditions:					
Translation adjustments of foreign operations	(52)	*	(107)	*	(828)
Total other comprehensive income	(52)	*	(107)	*	(828)
Total comprehensive loss for the year	19,556	6,372	6,789	1,668	13,107
Basic and diluted loss per share	3.20	3.21	0.60	0.83	6.56

\* Represents an amount lower than \$ 1 thousand

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

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	Ordinary share capital	Preferred share capital	Additional paid in capital	Capital reserve for share based payment	Translation adjustments of foreign operations	Accumulated deficit	Total
	Dollars in thousands						
<u>Balance as of January 1, 2021</u> (Audited)	5	20	66,632	1,891	828	(39,145)	30,231
Loss						(19,608)	(19,608)
Other comprehensive loss					52		52
Total comprehensive loss for the period					52	(19,608)	(19,556)
Exercise of options	1		559	(156)			404
Issuance of shares and warrants net of issuance expenses	39	(20)	53,367				53,386
Share based payment				5,400			5,400
<u>Balance as of September 30, 2021</u>	45	-	120,558	7,135	880	(58,753)	69,865
<u>Balance as of January 1, 2020</u> (Audited)	5	13	33,198	884	*	(25,210)	8,890
Loss						(6,372)	(6,372)
Other comprehensive income					*		*
Total comprehensive loss for the period					*	(6,372)	(6,372)
Issuance of preferred shares net of issuance costs		7	33,271				33,278
Exercise of employee options			96	(57)			39
Cost of share based payment				783			783
<u>Balance as of September 30, 2020</u> (Unaudited)	5	20	66,565	1,610	*	(31,582)	36,618

\*Represents an amount lower than \$ 1 thousand

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

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	Ordinary share capital	Preferred share capital	Additional paid in capital	Capital reserve for share based payment	Translation adjustments of foreign operations	Accumulated deficit	Total
	Dollars in thousands						
<u>Balance as of July 1, 2021 (Audited)</u>	44	-	120,427	4,949	773	(51,857)	74,336
Loss						(6,896)	(6,896)
Other comprehensive loss					107		107
Total comprehensive loss for the period					107	(6,896)	(6,789)
Exercise of options	1		131	(20)			112
Issuance of shares and warrants net of issuance expenses							
Share based payment				2,206			2,206
<u>Balance as of September 30, 2021</u>	45	-	120,558	7,135	880	(58,753)	69,865
<u>Balance as of July 1, 2020 (Audited)</u>	5	20	66,564	1,324	*	(29,914)	37,999
Loss						(1,668)	(1,668)
Other comprehensive loss					*		*
Total comprehensive loss for the period					*	(1,668)	(1,668)
Exercise of options							
Issuance of preferred shares net of issuance expenses							
Exercise of employee options			1	(1)			-
Share based payment				287			287
<u>Balance as of September 30, 2020</u>	5	20	66,565	1,610	*	(31,582)	36,618

\*Represents an amount lower than \$ 1 thousand

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



**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	<b>Ordinary share capital</b>	<b>Preferred share capital</b>	<b>Additional paid in capital</b>	<b>Capital reserve for share based payment</b>	<b>Translation adjustments of foreign operations</b>	<b>Accumulated deficit</b>	<b>Total</b>
<b>Dollars in thousands</b>							
<u>Balance as of January 1, 2020 (Audited)</u>	5	13	33,198	884	-	(25,210)	8,890
Loss						(13,935)	(13,935)
Other comprehensive income					828		828
Comprehensive loss for the year	-	-	-	-	828	(13,935)	(13,107)
Issuance of preferred shares net of issuance costs		7	33,271				33,278
Exercise of employee options	*		163	(78)			85
Cost of share based payment				1,085			1,085
<u>Balance as of December 31, 2020 (Audited)</u>	<u>5</u>	<u>20</u>	<u>66,632</u>	<u>1,891</u>	<u>828</u>	<u>(39,145)</u>	<u>30,231</u>

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

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Nine months ended September 30,		Three months ended September 30		Year ended December 31
	2021	2020	2021	2020	2020
	Unaudited				Audited
	Dollars in thousands				
Cash flows from operating activities:					
Loss	(19,608)	(6,372)	(6,896)	(1,668)	(13,935)
Adjustments to reconcile net loss to net cash used in operating activities:					
Depreciation and amortizations	1,402	178	488	64	552
Changes in deferred taxes	(488)	-	(115)	-	(243)
Finance expenses (income) net	41	82	44	46	309
Promotion of contingent liability interest	549	-	154	-	-
Amortization of right of use assets	434	397	147	132	540
Cost of share based payment	5,400	783	2,206	287	1,085
	7,338	1,440	2,924	529	2,243
Changes in operating assets and liabilities:					
Decrease (increase) in trade receivables, net	(95)	802	172	324	803
Decrease (increase) in other receivable and prepaid expenses	(1,094)	100	(719)	379	(600)
Decrease (increase) in customer acquisition cost	(10)	317	(54)	123	284
Increase (decrease) in trade payables	678	(448)	854	(330)	(432)
Increase (decrease) in other accounts payable	172	(1,001)	248	401	1,400
Increase (decrease) in deferred revenues	1,504	1,218	(646)	815	3,246
	1,155	988	(145)	1,712	4,701
Taxes received (paid)	(347)	(12)	(64)	5	(140)
	(347)	(12)	(64)	5	(140)
Net cash provided from (used in) operating activities	(11,462)	(3,956)	(4,181)	578	(7,131)

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

## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine months ended September 30,		Three months ended September 30		Year ended December 31
	2021	2020	2021	2020	2020
	Unaudited				Audited
	Dollars in thousands				
Cash flows from investing activities:					
Purchase of a newly consolidated subsidiary net of cash purchased (a)	-	-	-	-	(15,275)
Drawing down (making) deposits	(53,148)	(14,996)	3,737	4,449	4,790
Purchase of other assets	(500)	(23)	(500)	1	(25)
Purchase of property and equipment	(249)	(587)	(125)	(28)	(610)
Net cash provided from (used in) investing activities	(53,897)	(15,606)	3,112	4,422	(11,120)
Cash flows from financing activities:					
Proceeds from issuance of shares and warrants	53,386	-	(328)	-	-
Proceeds from issuance of preferred shares net of issuance expenses	-	33,278	-	-	33,278
Loan repayment	-	-	-	-	(1,360)
Proceeds from exercise of options	312	30	20	-	85
Interest payments for liabilities	(56)	(69)	(18)	(66)	(89)
Receipt of government grants	-	(580)	-	(314)	(580)
Repayment of lease liabilities	(454)	(385)	(153)	(98)	(528)
Net cash provided from (used in) financing activities	53,188	32,274	(479)	(478)	30,806
Increase (decrease) in cash and cash equivalents	(12,171)	12,712	(1,548)	4,522	12,555
Exchange rate differences for cash and cash equivalents	(14)	-	271	-	25
Balance of cash and cash equivalents at the beginning of the year	19,087	6,507	8,179	14,697	6,507
Balance of cash and cash equivalents at the end of the year	6,902	19,219	6,902	19,219	19,087
(a) Purchase of a newly consolidated subsidiary					
Working capital (excluding cash and cash equivalents)					(1,533)
Property and equipment					32
Intangible assets					11,634
Goodwill					14,832
Loan					(1,360)
Tax provision					(2,644)
Contingent consideration in respect of purchase of an investment					(3,533)
Deferred consideration in respect of purchase of an investment					(2,153)
					15,275
(b) Information regarding non-cash investing and financing activities:					
Deferred consideration in respect of a purchase of a subsidiary	-	-	-	-	(3,533)
Contingent consideration in respect of a purchase of a subsidiary	-	-	-	-	(2,153)
Options exercises not yet received as of the balance sheet date	(92)	-	(92)	-	-

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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**Note 1: - GENERAL****a. Incorporation and operations**

Glassbox Ltd. ("Company") is a public company whose shares are listed for trading on the Tel Aviv Stock Exchange (the "Exchange") as of June 2021 (for details regarding the initial public offering, see Note 4A below).

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 Inc in the USA 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. (The Group)

On September 13, 2021, the Company entered into agreement for the purchase of assets with Convertize Ltd. a British company specializing in technology development in the area of smart A/B testing in a consideration of \$ 500 thousand.

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.

The Company is a Tel-Tech company and included in the Tel Aviv Tel Tech index, conferring upon the Company benefits for reporting and presentation of financial statements, and in particular, disclosing comparative data for a period of one year instead of two years.

The Company 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.

The registered office of the Company is 25 Basel, Petah Tikva, Israel.

Interim financial information is reviewed and not audited.

**b. Corona virus crisis**

The corona crisis which began in early 2020 also continued into the first half of 2021. The potential damage of the spread of the corona virus on the economy depends on the speed and ability to eradicate the spread of the virus worldwide, so as of the date of the report, it seems that many countries around the world are working to implement certain relieves to gradually stimulate economic activity. However, at this stage, it is not possible to assess the duration and intensity of the crisis and its full implications on the Company's activities and its results, as well as the pace of relief implementation in various countries around the world and their impact on the recovery from economic crisis under the current circumstances.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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

The impact of the Corona crisis on the Group's operations was that by the third quarter of 2020 the Company's growth was slowed down and was less than expected before the crisis, but this trend changed significantly in the fourth quarter of 2020. It should be noted that the global changes during the Corona period had and still have positive effects on the Company's operations, partly in view of the fact that the reliance of many businesses on digital channels has increased, leading to growth in the Company's operations, which as per the Company's estimate, such trend will continue also in the second half of 2021.

The Company estimates that that no material harm is expected in its area of activity in the long term due to the spread of the corona virus and almost all of the Company's customers who reached the stage of renewing the license during 2020 and in the second half of 2021 extended the license and purchased a license to receive the Company's services for another year/several years.

**Note 2: - Preparation format of the Interim Consolidated Financial Statements**

- a. The Group's condensed financial information as of September 30, 2021 and 2020 and for the interim periods of the nine months and three months ended on those dates (the interim financial information) was prepared in accordance with International Accounting Standard No. 34 "Interim Financial Reporting" (IAS 34), and includes the additional disclosure required in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports), -1970. The interim financial information does not include all information and disclosures required in the annual financial statements. The interim financial information should be read in conjunction with the annual financial statements for 2020 and the accompanying notes, which comply with the International Financial Reporting Standards, which are standards and interpretations published by the International Accounting Standards Board (IFRS) and include additional disclosure required in accordance with the Securities (Annual Financial Statements) Regulations, 2010.

The Group's income and the results of its operations for the period of the nine months and three months ended September 30, 2021 do not necessarily indicate the income and results that could be expected in the year ending December 31, 2021.

- b. Estimates

The preparation of interim financial statements requires the Group's management to exercise discretion and also requires the use of accounting estimates and assumptions, which affect the implementation of the Group's accounting policies and the amounts of assets, liabilities, income and reported expenses. Actual results may differ from these estimates.

In preparing these consolidated interim financial statements, the significant considerations exercised by management in implementing the Group's accounting policies and the uncertainties involved in the key sources of the estimates were identical to those in the Group's consolidated annual financial statements for the year ended December 31 2020.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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**Note 3: - Significant accounting policies**

- a) The significant accounting policies and methods of calculation, which were applied in the preparation of the financial information for the interim period, are consistent with those used in the preparation of the annual financial statements for 2020.  
Income taxes for interim periods are recognized on the basis of the management's best estimate of the average tax rate that will apply to the total projected annual profits.
- b) **New standards and amendments to existing standards which are not yet in effect and which the Group did not choose their early adoption:**

As part of the Group's annual financial statements for 2020, information was provided regarding new IFRS standards and amendments to existing IFRS standards which are not yet in effect and which the Group has not chosen their early adoption. This note refers to amendments to existing standards that were published after the publication of the Group's annual financial statements for 2020.

Amendment to International Accounting Standard 1 Presentation of Financial Statements (the amendment to IAS 1)

The amendment to IAS 1 requires companies to disclose their material accounting policies, in lieu of their significant accounting policies. According to the amendment, information on accounting policies is material if, when taken into account together with other information provided in the financial statements, it can reasonably be expected that it will influence decisions made by the main users of the financial statements based on these financial statements.

The amendment also clarifies that information on accounting policies is likely to be material if, without it, users of the financial statements are denied the opportunity to understand other material information in the financial statements. In addition, the amendment clarifies that there is no need for disclosure of immaterial accounting policies. However, to the extent that such information is provided, it is appropriate that it is not distracting from material information on accounting policies.

The amendment to IAS 1 will be applied retrospectively for annual periods beginning on or after January 1, 2023. In accordance with the provisions of the amendment, its early adoption is possible. The initial adoption of IAS 1 amendment is not expected to have a material effect on the Group's consolidated financial statements.

The Company is examining the possible impact of the amendments but is unable, at this stage, to estimate the impact of the amendments, if any, on the financial statements.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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**Note 4: - Equity**

## a. Issuance of the Company's shares to the public:

On June 4, 2021, the Company issued shares on the Tel Aviv Stock Exchange. The Company issued 1,883,042 ordinary shares, of NIS 0.01 par value each of the Company ("Ordinary Shares"). In addition, 1,403,722 ordinary shares were sold in a tender offer. The gross issuance proceeds amounted to approximately \$ 55,143 thousand. Issuance expenses amounting to \$ 1,757 thousand were charged to offsetting from equity. In addition, as part of the issuance, 364,549 options were granted to underwriters.

In addition, the Company listed for trading 9,601,442 ordinary shares registered in the name of shareholders (who were prior to the issuance), par value of NIS 0.01 each of the Company, which are in the issued and paid-up capital of the Company and up to 2,924,748 ordinary shares, par value of NIS 0.01 each of the Company, deriving from the exercise (to the extent possible) of 2,924,748 unregistered options allocated to employees and other parties.

Upon issuance of the Company's shares to the public on the Tel Aviv Stock Exchange, all types of shares in the Company's capital were immediately converted (ordinary A shares, Preferred A shares, Preferred B1 shares, Preferred B2 shares, Preferred B3 shares and Preferred C shares) to ordinary shares, so upon the issuance completion, all the shares in the registered and issued capital of the Company are ordinary shares, as well as warrants allocated to employees, officers and consultants of the Company, will be exercisable to ordinary shares only.

Following the completion of said issuance, the Company's ordinary shares began trading on the Tel Aviv Stock Exchange. The issuance was carried out by non-uniform offer, as defined in the Securities Regulations (Method of Offering Securities to the Public), -2007.

## b. Share-based payment:

During the nine-month and three month periods ended September 30, 2021, 208,420 and 22,053 warrants were exercised by the Company's employees, respectively. The consideration from the exercise amounted to approximately \$ 405 thousand and \$ 113 thousand, respectively. (of which \$ 92 thousand were not yet transferred to the Company by the trustee). Following the issuance, 209,828 warrants were accelerated. During the nine-month period ended September 30, 2021, 1,043,951 warrants were granted, of which 168,000 options were granted to third parties, 364,549 warrants were granted to underwriters and 511,402 warrants were granted to employees. In the three-month period ended September 30, 2021, no warrants were granted.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
**NOTE 5: - REVENUES**

Below is the composition of revenues for the reported periods:

	Nine months ended September 30,		Three months ended September 30		Year ended December 31
	2021	2020	2021	2020	2020
	Unaudited				Audited
	Dollars in thousands				
On premise licenses and related services	9,791	8,605	3,753	3,604	10,842
Cloud licenses	14,749	5,963	5,367	2,106	9,263
Services and others	1,759	1,421	636	423	2,017
	<u>26,299</u>	<u>15,989</u>	<u>9,756</u>	<u>6,133</u>	<u>22,122</u>

**NOTE 6: - RELATED PARTIES**

Remuneration to interested party

a. Balances with related parties

	September 30 (unaudited)		December 31, 2020
	2021	2020	(Audited)
	Dollars in thousands		
Short term employee benefits	313	235	408
	<u>313</u>	<u>235</u>	<u>408</u>

b. Transactions with related parties

	Nine months ended September 30,		Three months ended September 30		Year ended December 31
	2021	2020	2021	2020	2020
	Unaudited				Audited
	Dollars in thousands				
Salaries and other benefits to interested parties employed by the group	991	447	386	132	747
Share based payment to interested parties in the Group	1,656	113	495	65	174
Total employment costs for interested parties employed by the group	<u>2,647</u>	<u>560</u>	<u>881</u>	<u>197</u>	<u>921</u>
Number of persons to whom the benefit relates	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>



**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 7: - PROFORMA**

The following is a summary of the proforma statements of profit or loss and comprehensive income, which were prepared to reflect the results of operations of the Company and its subsidiaries, under the assumption that the acquisition transaction of the English company acquired in 2020 was already made on January 1, 2019 (pro forma commencement date).

The proforma statements of profit or loss and other comprehensive income have been prepared in accordance with the rules and assumptions set forth below and include the following adjustments:

- a. The proforma statements of profit or loss and comprehensive income are based on a combination of the Company's financial statements with the companies' financial statements for periods prior to the actual acquisition date.
- b. The depreciation and amortization data of assets in the statements have been adjusted and recalculated to take into account the amortization of intangible assets identified in the transaction, and the excess cost attributable to existing assets, based on the estimated life determined in the acquisition assuming that these, with the necessary adjustments, were recognized in the pro forma commencement date.
- c. Income tax expenses included in the pro forma profit or loss statement, for periods prior to the actual acquisition date, have been recalculated based on the pro forma data, and taking into account the adjustments made.
- d. Transaction expenses in the company, which were recorded in 2020 in the amount of \$ 1.1 million, were readjusted, assuming that the required adjustments were recognized at the beginning of the pro forma.
- e. The Group's financing expenses were adjusted to retroactively account for financing expenses in respect of deferred consideration and contingent consideration in accordance with the purchase agreement.
- f. As of the approval date of the financial statements, a final valuation has not yet been received by an external appraiser in relation to the fair value of the identified assets acquired and the liabilities assumed. The purchase consideration as well as the fair value of the assets and liabilities purchased can be finally adjusted up to 12 months from the date of purchase. Accordingly, if the fair value of the identified assets is updated, a note in the pro forma may change.

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**


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**NOTE 7: - PROFORMA (Cont.)**

	<b>Nine months ended September 30 2020</b>		
	<b>Actual</b>	<b>Proforma</b>	<b>Proforma</b>
	<b>data</b>	<b>adjustments</b>	<b>Data</b>
	<b>Un-Audited</b>		
	<b>Dollars in thousands</b>		
Revenues	15,989	7,373	23,362
Cost of revenues	4,010	3,447	7,457
Gross profit	11,979	3,926	15,905
Research and development	6,026	1,491	7,517
Sales and marketing	10,277	3,182	13,459
General and administrative	2,835	608	3,443
Operating loss	7,159	1,355	8,514
Finance expense	78	478	556
Finance income	(887)	-	(887)
Finance expenses (income), net	(809)	478	(331)
Loss before taxes on income	6,350	1,833	8,183
Taxes on income (Tax benefits)	22	(206)	(184)
Loss	6,372	1,627	7,999
<b>Other comprehensive loss (after tax effect):</b>			
<b>Amounts that will not be reclassified to profit or loss:</b>			
Translation adjustments of foreign operations	*	375	375
Total other comprehensive loss (income), net of tax	*	375	375
Total comprehensive loss for the period	6,372	2,002	8,374
Basic and diluted loss per share (in dollars)	3.21	0.82	4.02

\*represents an amount lower than \$ 1 thousand.

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**


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**NOTE 7: - PROFORMA (Cont.)**

	<b>Year ended December 31, 2020</b>		
	<b>Actual</b>	<b>Proforma</b>	<b>Proforma</b>
	<b>data</b>	<b>adjustments</b>	<b>Data</b>
	<b>Un-Audited</b>		
	<b>Dollars in thousands</b>		
Revenues	22,122	8,755	30,877
Cost of revenues	6,790	3,688	10,478
Gross profit	15,332	5,067	20,399
Research and development	9,313	1,558	10,871
Sales and marketing	15,324	3,819	19,143
General and administrative expenses (income)	5,186	(623)	4,563
Operating loss (profit)	14,491	(313)	14,178
Finance expense	308	622	930
Finance income	(849)	-	(849)
Finance expenses (income), net	(541)	622	81
Loss before taxes on income	13,950	309	14,259
Tax benefits	15	33	48
Loss	13,935	276	14,211
<b>Other comprehensive loss (after tax effect):</b>			
<b>Amounts that will not be reclassified to profit or loss:</b>			
Translation adjustments of foreign operations	(828)	493	(335)
Total other comprehensive loss (income), net of tax	(828)	493	(335)
Total comprehensive loss for the period	13,107	769	13,876
Basic and diluted loss per share (in dollars)	6.56	0.39	6.95

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**


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**NOTE 7: - PROFORMA (Cont.)**

	<b>Three months ended September 30 2020</b>		
	<b>Actual data</b>	<b>Proforma adjustments</b>	<b>Proforma Data</b>
	<b>Audited</b>		
	<b>Dollars in thousands</b>		
Revenues	6,133	2,501	8,634
Cost of revenues	1,383	1,078	2,461
Gross profit	4,750	1,423	6,173
Research and development	2,247	507	2,754
Sales and marketing	3,462	1,029	4,491
General and administrative	933	228	1,161
Operating loss	1,892	341	2,233
Finance expense	41	250	291
Finance income	(270)	-	(270)
Finance expenses (income), net	(229)	250	21
Loss before taxes on income	1,663	591	2,254
Taxes on income (Tax benefits)	5	(69)	(64)
Loss	1,668	522	2,190
<b>Other comprehensive loss (after tax effect):</b>			
<b>Amounts that will not be reclassified to profit or loss:</b>			
Translation adjustments of foreign operations	*	(438)	(438)
Total other comprehensive loss (income), net of tax	*	(438)	(438)
Total comprehensive loss for the period	1,668	84	1,752
Basic and diluted loss per share (in dollars)	0.83	0.04	0.87

\*represents an amount lower than \$ 1 thousand.