

This English translation of the report of the board of directors on the state of the Company's business for the year ended December 31, 2021, which is part of the periodic report of the Company, is for convenience purposes only. This is not an official translation, is not binding and does not replace the need to review the Periodic Report in its entirety. Whilst reasonable care and skill have been exercised in the preparation hereof, no translation can ever perfectly reflect the original Hebrew version. In the event of any discrepancy between the Hebrew version and this translation, the Hebrew version shall prevail.



Glassbox Ltd.
(the "Company")

**Chapter B - report of the board of directors on the state of the company's
business for the year ended December 31, 2021**

The Board of Directors of Glassbox Ltd is hereby pleased to present the report of the Board of Directors on the State of the Company's Business for the year ended December 31, 2021 (the "**Report Period**") and the financial results of the Company for the year ended December 31, 2021 in accordance with the Securities Regulations (Periodic and Immediate Reports) – 1970 (the Reporting Regulations).

In this report below:

"**Report Date**" – December 31, 2021.

"**Report Signature Date**", "**Report Date**" or "**Report Signature day**" – March 15, 2022.

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

1. The Company's Activity and Its Business Environment

The Company was incorporated on November 25, 2010, as a private company limited by shares incorporated in the State of Israel under the name "Clarisite Ltd."; On April 14, 2016, the Company changed its name to "Glassbox Digital Ltd.", and on May 8, 2016, the Company changed its name

to its current name. On June 10, 2021, the Company's shares were listed for trade on the Tel Aviv Stock Exchange Ltd. ("the TASE") by virtue of the prospectus (IPO), sale offer prospectus and shelf prospectus of the Company dated June 4, 2021 (reference number: 2021-01-035284) as amended on June 8, 2021 (reference number: 2021-01-098037), (the "**Prospectus** and "**the Issuance**, as the case may be) and the Company became a public company. On August 5, 2021, the Company's shares were added to the Tel Aviv - Elite Index.

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

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 further details regarding the Company's area of activity and the development of the Company's business, see the corporation business description report attached as Chapter A to this periodic report above ("**Corporation Business Description Report**").

2. The Financial Position

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

Item	December 31		Explanations of the Board of Directors
	2021	2020	
Current assets	62,895	26,298	The increase in current assets as of December 31, 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	32,788	32,655	The increase in noncurrent assets as of December 31, 2021 compared to noncurrent assets as of December 31, 2020 is immaterial.
Current liabilities	30,513	16,834	The increase in current liabilities as of December 31, 2021 compared to current liabilities as of December 31, 2020 derived from updating contingent consideration as of December 31, 2021 from turning contingent consideration and deferred consideration to short term and increase in other accounts payable .
Noncurrent liabilities	5,185	11,888	The decrease in noncurrent liabilities as of December 31, 2021 compared to noncurrent liabilities as of December 31, 2020 mainly derived from turning contingent consideration

			and deferred consideration to short term.
Share-holders' equity	59,985	30,231	The increase in shareholders' equity as of December 31, 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 and expenses in respect of options granted.

3. Results of the Activity

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

Item	Year ended December 31		Explanations of the Board of Directors
	2021	2020	
Revenues	36,990	22,122	The increase in revenues in 2021 compared to 2020 was due to an increase in sales to the Company's customers and inclusion for the first time of a full year of revenues from sales to SessionCam's customers; The rate of non-recurring revenues in 2021 was approximately 6% of total revenues compared to 7% of total revenues in 2020;
Cost of sales	12,465	6,790	The increase in the cost of sales in 2021 compared to 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 a full year of cost of sales of a full year of SessionCam;
Gross profit	24,525	15,332	The gross profit margin during the presented years was: in 2021 – 66.3% in 2020 – 69.3%. 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) a reduction in deferred revenues from 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	18,395	9,313	The increase in research and development expenses in 2021 compared to 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 a full year of research and development of SessionCam;
Selling and marketing expenses	25,460	15,324	The increase in selling and marketing expenses in 2021 compared to 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 a full year of selling and marketing expenses of SessionCam;
Administrative and general expenses	9,800	5,186	The increase in administrative and general expenses in 2021 compared to 2020 was due to an increase in wages and related expenses, increase in employee options expenses and from inclusion for the first time of a full year SessionCam's administrative and general expenses and expenses in respect of turning the Company into a public company;
Other expenses	3,055	-	Other expenses in 2021 deriving from updating contingent consideration for the purchase of SessionCam
Operating loss	32,185	14,491	The increase in operating loss in 2021 compared to 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;
Financing expenses	1,314	308	The increase in financing expenses in 2021 compared to 2020 was due exchange rate differences for revaluation of balance sheet balances and financing expenses for revaluation of deferred and contingent consideration in respect of the purchase of SessionCam;
Financing income	(196)	(849)	The decrease in financing income in 2021 compared to 2020 was due to decrease in interest income deriving from sharp decline in interests and decrease in income from exchange rate differences in respect of revaluation of balances sheet balances;
Financing expenses (income), net	1,118	(541)	The increase in net financing expenses in 2021 compared to 2020 derived from decrease in financing income and increase in financing expenses, as above;
Loss before income taxes	33,303	13,950	The increase in pretax loss in 2021 compared to 2020 was due to an increase in operating loss;
Income taxes	(269)	(15)	The increase in income from taxes in 2021 compared to 2020 is due to increase in tax expenses of the group net of tax shield in respect of amortizing intangible assets in respect of the purchase of SessionCam and from recording deferred taxes in respect of options' expenses ;

loss	33,034	13,935	The increase in loss in 2021 compared to 2020 stemmed from an increase in pretax loss and increase in other expenses;
Other comprehensive income	103	828	Other comprehensive income is due to currency translation differences in SessionCam reports and Glassbox UK, which are denominated in pounds;
Comprehensive loss	32,931	13,107	The increase in comprehensive loss in 2021 compared to 2020 was due to an increase in loss;

4. Liquidity

Below are data about liquidity (USD thousands)

Item	Year ended December 31		Explanations of the Board of Directors
	2021	2020	
Cash flow from operating activities	(17,803)	(7,131)	The increase in net cash flow used in operating activities in 2021 compared to 2020 stemmed from an increase in loss that was partially offset by increase in depreciation and amortizations, increase in share based payment cost and updating contingent consideration; 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 1.24 of the report describing the corporation's business;
Cash flow from investing activities	(42,538)	(11,120)	The increase in net cash flow used in investing activities in 2021 compared to 2020 was due to an increase in short-term deposits;
Cash flow from financing activities	53,391	30,806	The increase in cash flow from financing activities in 2021 compared to 2020 derived from IPO of the Company's shares;
Increase (decrease) in cash and cash equivalents	(6,950)	12,555	The decrease in total cash flow in 2021 compared to 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 financing activities;
Exchange rate differences in respect of balances of cash and cash equivalents	(14)	25	Exchange rate differences in respect of balances of cash and cash equivalents deriving from currency translation differences of the statements of SessionCam and Glassbox UK which are denominated in pound.
Balance of cash and cash equivalents at the	19,087	6,507	

beginning of the period			
Balance of cash and cash equivalents at the end of the period	12,123	19,087	Cash balances as of December 31, 2021 and 2020 do not include short-term deposits in the amount of \$ 43,690 and 2,000 thousand respectively;

5. Financing sources

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

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

The Company estimates it has high access to financing sources. Among other things, in view of its financial strength, the stability of its core business and the extensive relationships it has established with investment funds around the world, as well as the accessibility to the Israeli capital market, all considering the possible implications of the spread of Corona virus on the availability of credit sources in Israel and around the world, as specified in section 9 below.

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

6. Pro Forma Data

6.1 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 year ended December 31, 2020 attached as Chapter C to this periodic report (the consolidated financial statements") were also attached to the consolidated financial statements as of December 31, 2021 which were intended to reflect the Company's data assuming that SessionCam's acquisition was completed on January 1, 2019 ("**Proforma data**"). Details of the assumptions underlying the aforesaid pro forma report can be found in Note 28 to the consolidated financial statements.

Below is an analysis of the results of activity which include the effect of SessionCam's acquisition on the data in the reporting period assuming the acquisition was completed on January 1, 2019:

Item	Year ended December 31,		Explanations of the Board of Directors
	2021	2020	
Revenues	36,990	30,877	The increase in revenues in 2021 compared to 2020 was due to an increase in sales to the Company's customers that was partly offset by amortizing deferred revenues from SessionCam acquisition; The increase in revenues from cloud customers in 2021 compared to 2020 was approximately 23%; The rate of non-recurring revenues in 2021 was approximately 6% of total revenues compared to 8% of total revenues in 2020;
Cost of sales	12,465	10,478	The increase in the cost of sales in 2021 compared to 2020 was due to an increase in wages and related expenses, an increase in servers and cloud services;
Gross profit	24,525	20,399	The gross profit margin during the presented years was: in 2021 – 66.3% , in 2020 – 66.1%. The change in 2021 compared to 2020 is immaterial
Research and development expenses	18,395	10,871	The increase in research and development expenses in 2021 compared to 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	25,460	19,143	The increase in selling and marketing expenses in 2021 compared to 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	9,800	4,563	The increase in administrative and general expenses in 2021 compared to 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;
Other expenses	3,055	-	Other expenses in 2021 deriving from updating contingent consideration for the purchase of SessionCam
Operating loss	32,185	14,178	The increase in operating loss in 2021 compared to 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;
Financing expenses	1,314	930	The increase in financing expenses in 2021 compared to 2020 was due to exchange rate differences for revaluation of balance sheet balances;
Financing income	(196)	(849)	The decrease in financing income in 2021 compared to 2020 was due to decrease in interest income deriving from sharp decline in interests and decrease in exchange rate differences for revaluation of balances sheet balances;
Financing expenses (income) net	1,118	81	The increase in net financing expenses in 2021 compared to 2020 derived from increase in financing expenses and decrease in financing income, as above;
Loss before income taxes	33,303	14,259	The increase in pretax loss in 2021 compared to 2020 was due to an increase in operating loss;
Income taxes	(269)	(48)	The increase in income from taxes on income in 2021 compared to 2020 derives from recording deferred income for options' expenses net of the group's tax expenses.
loss	33,034	14,211	The increase in loss in 2021 compared to 2020 stemmed from an increase in pretax loss and increase in other expenses;
Other comprehensive loss (income)	103	335	The decrease in other comprehensive profit in 2021 compared to 2020 was mainly due to

			lower volatility in the pound sterling against the dollar;
Comprehensive loss	32,931	13,876	The increase in comprehensive loss in 2021 compared to 2020 was due to an increase in loss;

6.2 Adjusted profit or loss Statement

6.2.1 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 year ended December 31, 2021 excluding the effects of several items as follows:

Item	Year ended December 31, 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 companies' acquisition expenses	Exclusion of excess cost amortizations from the purchase of companies	Adjusted profit or loss Statement
Revenues	36,990	-	-	-	1,428	38,418
Cost of revenues	12,465	(130)	-	-	-	12,335
Gross profit	24,525	130	-	-	1,428	26,083
Research and development expenses	18,395	(2,581)	-	-	(478)	15,336
Selling and marketing expenses	25,460	(3,625)	-	-	(1,178)	20,657
Administrative and general expenses	9,800	(2,271)	(1,128)	(109)	-	6,292

Other expenses	3,055	-	-	-	(3,055)	-
Total operating expenses	56,710	(8,477)	(1,128)	(109)	(4,711)	42,285
Operating loss	32,185	(8,607)	(1,128)	(109)	(6,139)	16,202
Financing expenses	1,314	-	-	-	(685)	629
Financing income	(196)	-	-	-	-	(196)
Financing expenses (income), net	1,118	-	-	-	(685)	433
Loss before taxes on income	33,303	(8,607)	(1,128)	(109)	(6,824)	16,635

6.2.2 For the purpose of comparing the financial results of the Company and presenting the operating and financial performance of the Company, the following is a breakdown of income (loss) before taxes on income for the year ended December 31, 2021 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 companies' acquisition expenses	Exclusion of excess cost amortizations from the purchase of companies	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	10,871	(317)	-	-	(373)	10,181

development expenses						
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
Financing expenses	930	-	-	-	(770)	160
Financing income	(849)	-	-	-	-	(849)
Financing expenses (income), net	81	-	-	-	(770)	(689)
Loss before taxes on income	14,259	(1,085)	-	(1,114)	(2,253)	9,807

6.2.3 The following is an adjusted profit (loss) comparison before income taxes, as set forth in sections 6.2.1 and 6.2.2 above, for the years ended December 31, 2021 and 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	Year ended December 31		Explanations of the Board of Directors
	2021	2020	
Revenues	38,418	30,908	The increase in revenues in 2021 compared to 2020 was due to an increase in sales to the Company's customers; The increase in revenues from cloud customers in 2021 compared to 2020 was approximately 30%; The rate of non-recurring revenues in 2021 was

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			approximately 6% of total revenues compared to 8% of total revenues in 2020;
Cost of sales	12,335	10,387	The increase in the cost of sales in 2021 compared to 2020 was due to an increase in wages and related expenses, an increase in servers and cloud services;
Gross profit	26,083	20,521	The gross profit margin in 2021 was 67.8%, in 2020 – 66.4%. The increase in in gross profit rate in 2021 compared to 2020 is due to increase revenues compared to the corresponding period last year at higher rate than the increase in the cost of revenues in the corresponding period.
Research and development expenses	15,336	10,181	The increase in research and development expenses in 2021 compared to 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	20,657	17,697	The increase in selling and marketing in 2021 compared to 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	6,292	3,138	The increase in administrative and general expenses in 2021 compared to 2020 was due to an increase in wages and related expenses.
Operating loss	16,202	10,495	The increase in operating loss in 2021 compared to 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;
Financing expenses	629	160	The increase in financing expenses in 2021 compared to 2020 was due to exchange rate differences for revaluation of balance sheet balances;
Financing income	(196)	(849)	The decrease in financing income in 2021 compared to 2020 was due to decrease in interest income deriving from sharp decline in interests and decrease in income from exchange rate differences for revaluation of balance sheet balances;
Financing expenses (income) net	433	(689)	The increase in net financing expenses in 2021 compared to 2020 derived from increase in financing expenses and decrease in financing income, as above;
Loss before income taxes	16,635	9,806	The increase in pretax loss in 2021 compared to 2020 was due to an increase in operating loss and increase in financing expenses, net;

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

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

Annual Recurring Revenues trend

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

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

Below is the Group's ARR breakdown, by year and by quarter, as of the report date, in 2019 - 2021

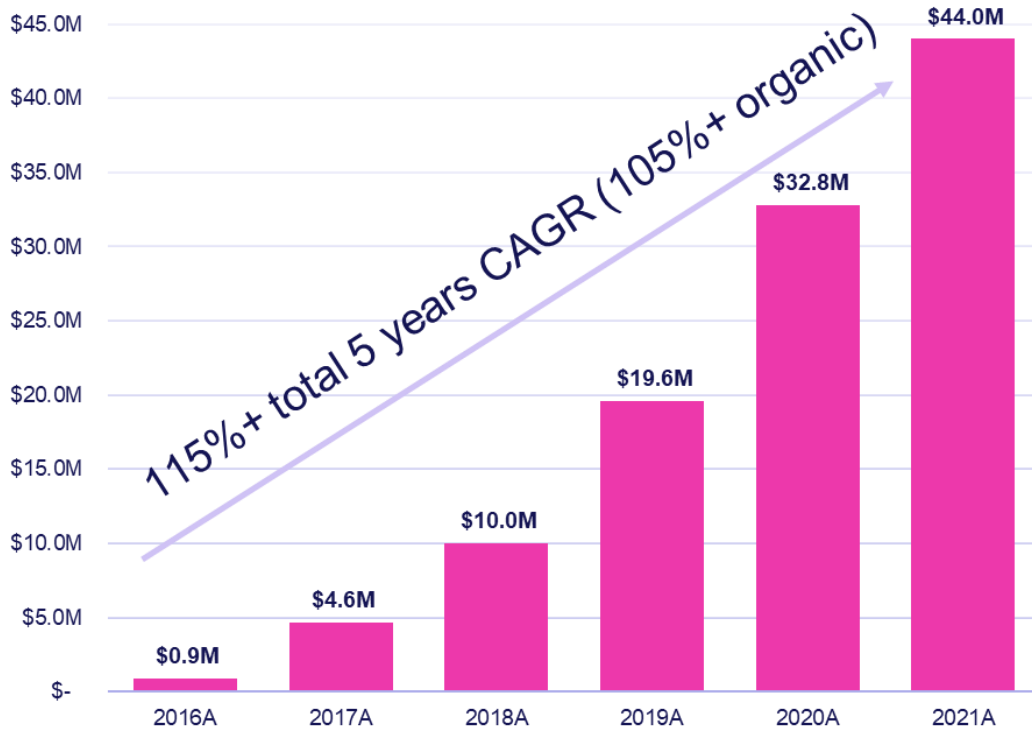
¹

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 \$ 44 million compared to \$ 40 million as of the end of the third quarter of 2021. In addition, the ARR at of the end of 2021 has increased by 34% compared to the end of 2020 and the ARR balance from cloud customers at the end of 2021 increased by 34% compared to ARR balances as of the end of 2020. The net addition to ARR in 2021 is 130% greater than the net addition to ARR in 2020 (based on pro forma data), and in the reported period 70 new customers joined the Company.

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

Below is the Group's ARR breakdown, by year, as of December 31 of each of the years 2016 – 2021²



In addition, the Company's total CAGR (Compound Rate Growth Annual) for the years 2016-2021 is presented above. The purpose of using this index is to present the Company's growth, based on ARR data, and accordingly the CAGR is calculated based on the ratio between the ARR in the last year of the calculated period and the ARR data in the first year of the calculated period.

In the three years prior to December 31, 2021 (2021-2019), the CAGR rate from cloud customers was about 64% and the organic CAGR rate (i.e., excluding SessionCam data) was about 50%.

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

Below is the ARR breakdown from the Group's cloud customers, by year, as of December 31 of each of the years 2016-2021³



In addition, the Company's CAGR (Compound Rate Growth Annual) from cloud customers for the years 2016-2021 is presented above. For details regarding the CAGR calculation method, see above.

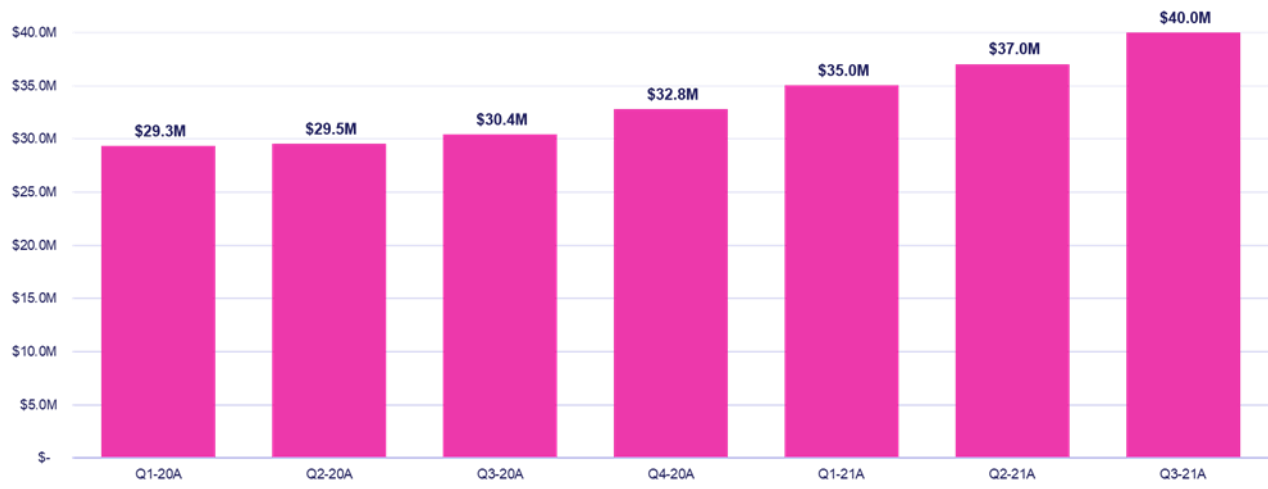
In the three years prior to December 31, 2021 (2021-2019), the CAGR rate from cloud customers was about 92% and the organic CAGR rate (i.e., excluding SessionCam data) was about 64%.

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

Below is the ARR breakdown of the Group, by quarter, as of the end of each quarter in the years 2019-2021⁴



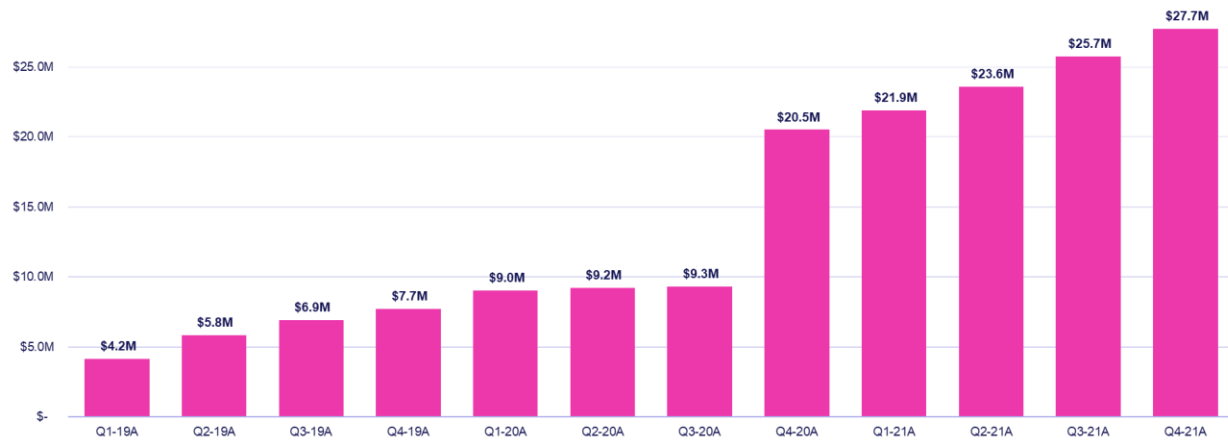
Below is the ARR breakdown of the Group, by quarter, based proforma data as of the end of each quarter in the years 2020-2021⁵



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

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

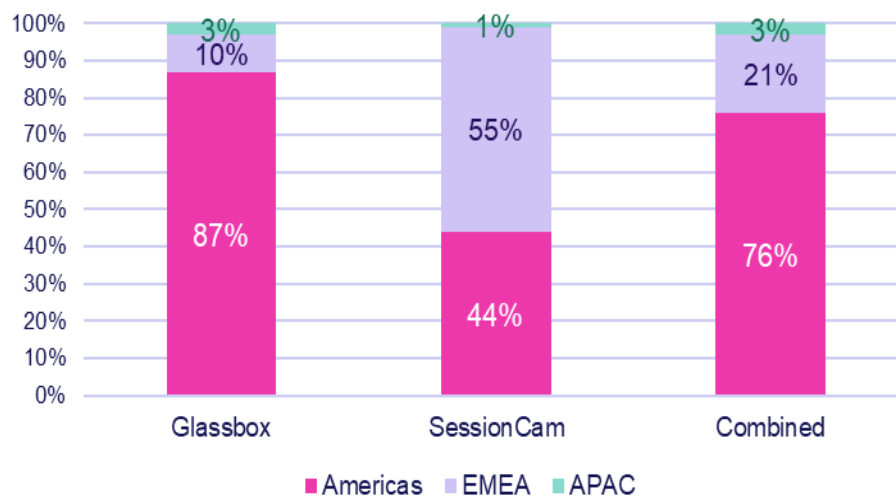
The following is a breakdown of the ARR from the Group's cloud customers by quarter, as of the end of each quarter, in the years 2019-2021⁶:



ARR Breakdown

The following chart describes the ARR balance of the Company, Glassbox US Inc. and Glassbox UK⁷ and SessionCam as of December 31, 2021 with the segmentations relevant to the Company's activity:

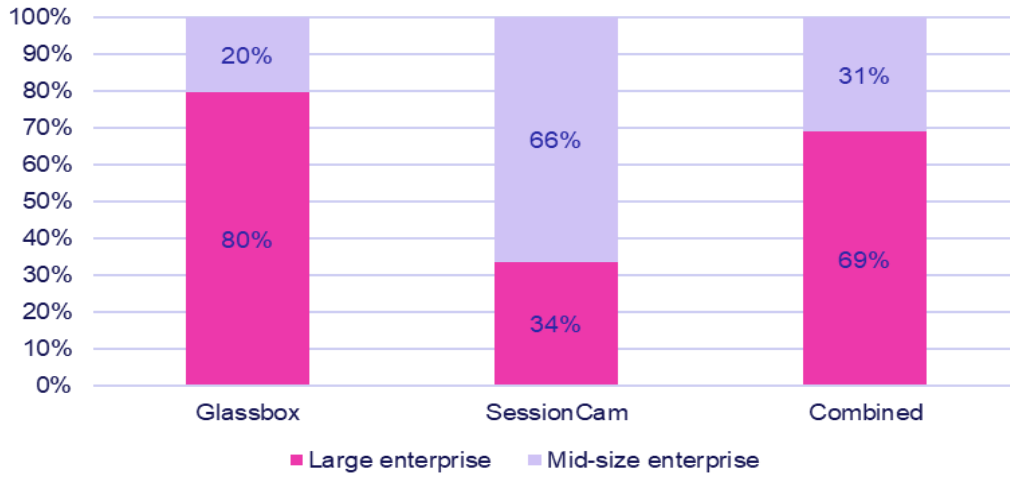
ARR by Region



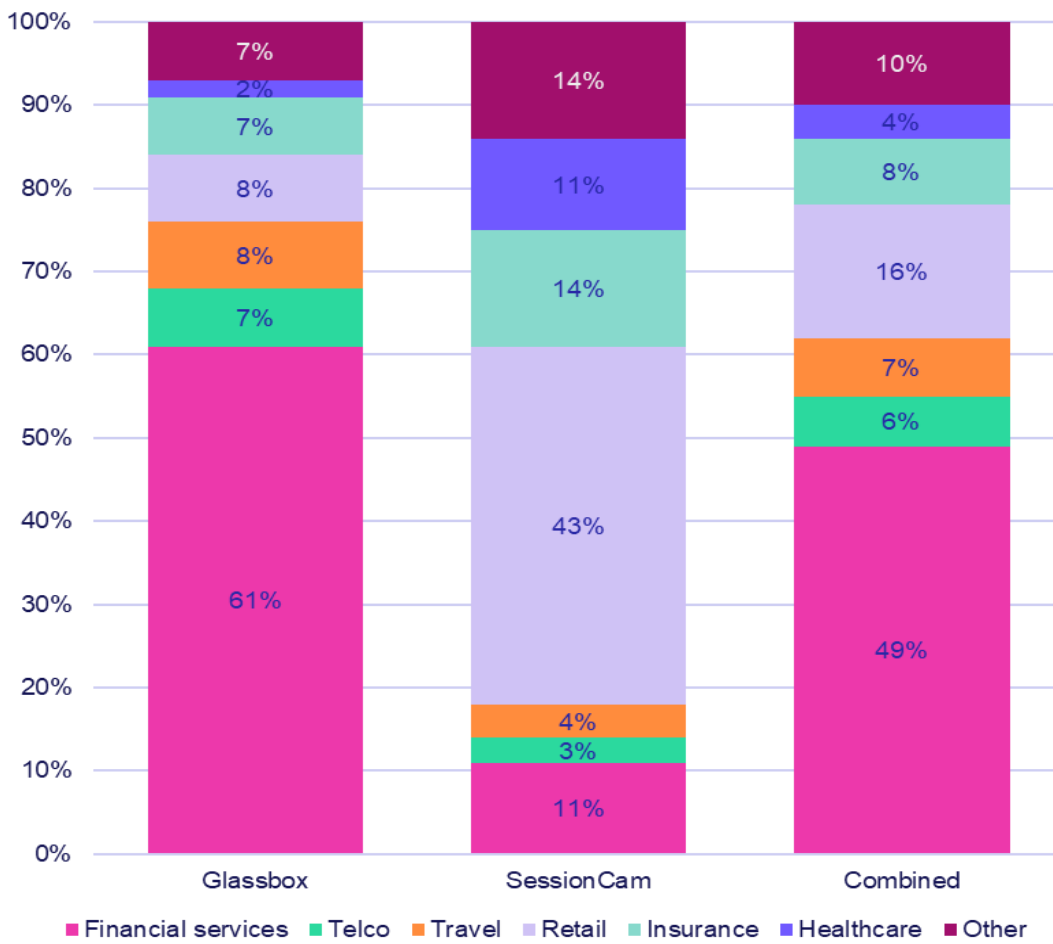
⁶ It should be indicated that the data presented above for the fourth quarter of 2020 and thereafter gross up the data of SessionCam.

⁷ namely, the Group excluding SessionCam

ARR by customer size



ARR by vertical



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

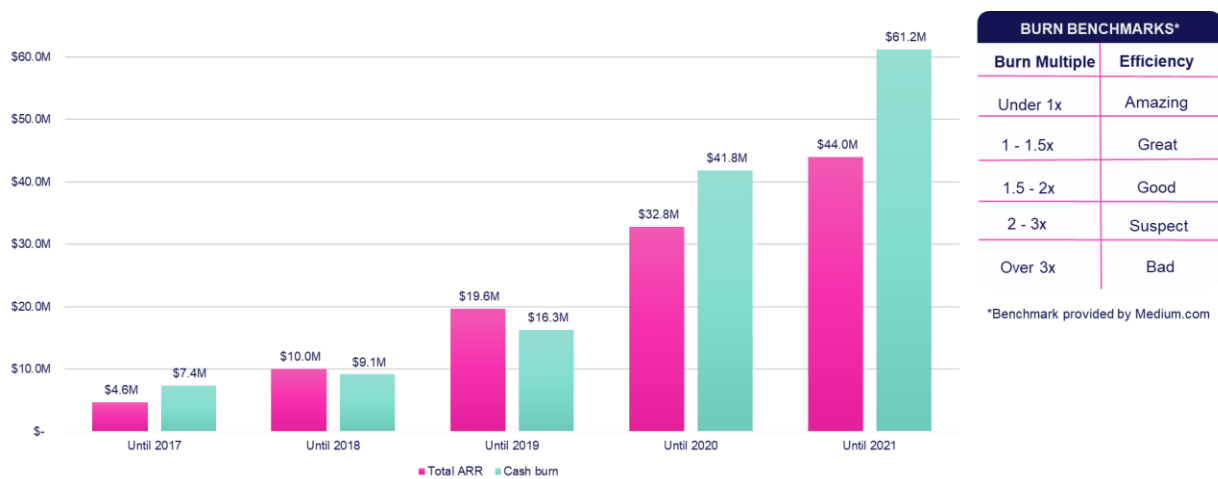
The Company examines its annual growth forecasts in ARR terms based on the top-down approach (as derived from the Pipeline) to estimate the amount of new transactions to be closed in the coming years and also on the basis of expected customer retention rate in dollars (Gross Retention). The top-down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

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

As a software as services company (SaaS), the Company also measures its annual performance in terms of Burn Multiple, which is calculated by dividing the total cumulative negative cash flow of the Company by deducting capital inflows, proceeds from exercise of options and payments for acquisitions, by the ARR balance of the Company. This index shows the cumulative ratio between the Company's investment to achieve customers and the ARR balance i.e. what is the investment required by the Company to generate a certain amount of recurring income.

The Company's Cash Burn is calculated on the basis of the Company's cash flow statement and includes the following components: (1) cash flows from operating activities; (2) cash flows from investing activities, excluding acquisitions of companies and movement in short-term deposits; (3) interest payments and repayment of liabilities in respect of leases (included in cash flows from financing activities); and (4) receipt of government grants and repayment of a liability in respect of government grants (included in cash flows from financing activities).

Below is a breakdown of the ratio of ARR and the cumulative negative cash flow from operating activities and investment

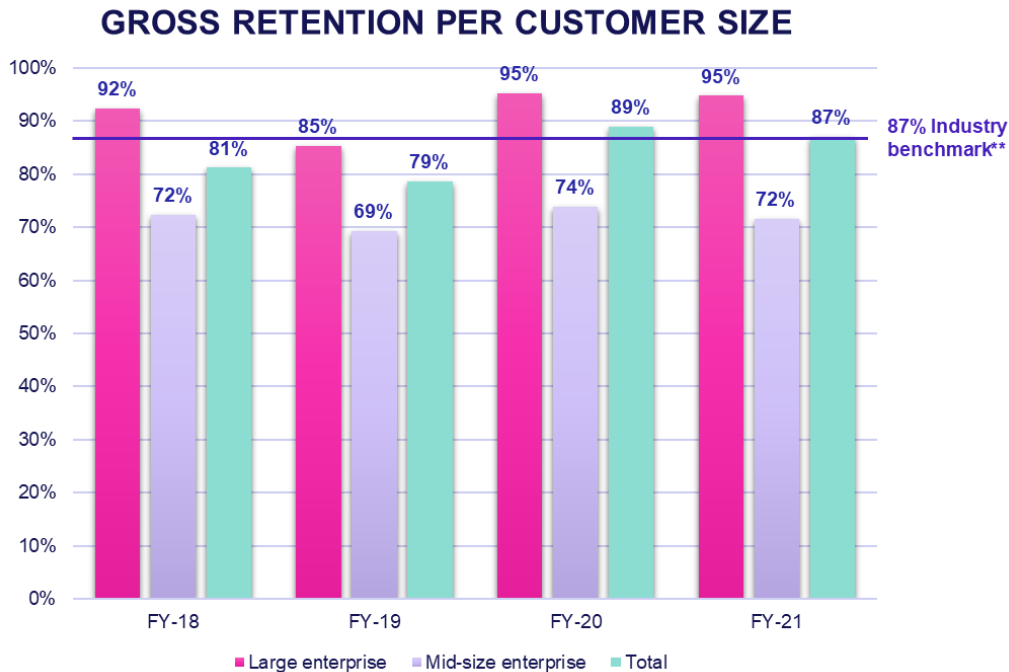


As shown in the chart above, as of December 31, 2021 (excluding the effect of the purchase of SessionCam and the purchase of Convertize⁸), the Group has invested approximately \$ 1.27 for every \$ 1 of ARR (ARR) it has generated. According to the standards published by Craft Ventures on Medium.com and detailed in the above chart, this ratio places the Company at the center of the "Great" category. The Company's total capital raising as of December 31, 2021 was approximately \$ 117 million, which as of December 31, 2021 reflects a ratio of the balance of ARR to total capital raising (ARR / VC) of approximately 0.38.

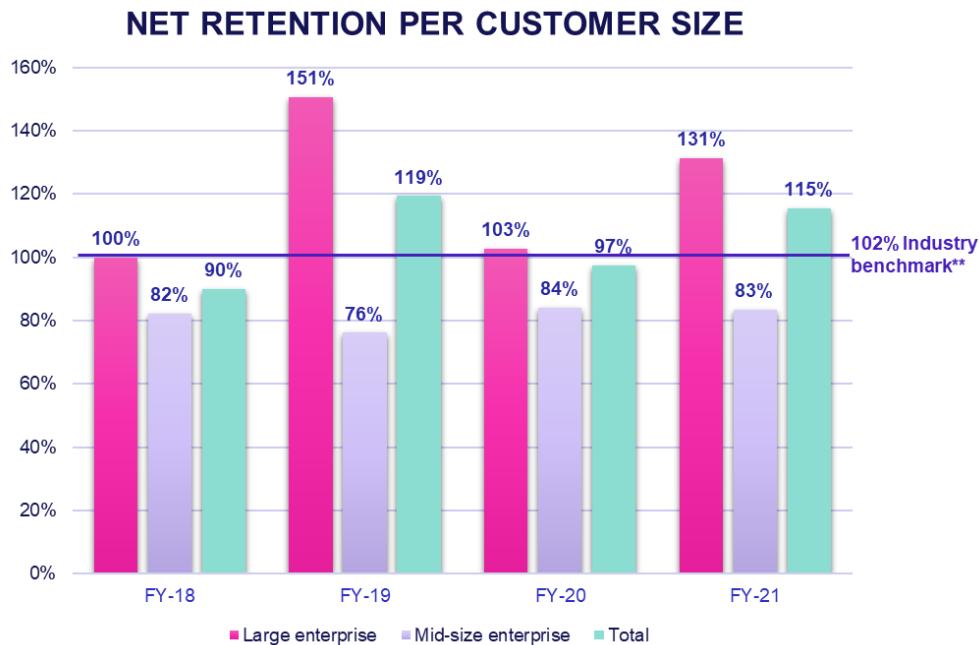
Customer Retention Rates

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

The following is a breakdown of annual customer retention rates, divided into large customers (annual revenues over \$ 250,000) and medium-sized customers (annual revenues below \$ 250,000), as of December 31, 2018, 2019, 2020 and 2021, respectively:



⁸ For details regarding the purchase of SessionCam and the purchase of the assets of Convertize see section 1.1.3 of the report describing the corporation's business.



8. Events in the reported period and thereafter

8.1 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, respectively⁹.

8.2 On September 2, 2021, the Company issued an outline for employee securities offering (as amended on October 17, 2021), under which the Company may offer to employees and officers of the Company and related companies¹⁰ up to 650,000 non-negotiable warrants, and up to 100,000 restricted share units (RSUs), unlisted for trading, exercisable up to 750,000 ordinary shares of NIS 0.01 par value 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).

⁹ Reference No.: 2021-01-059053 and 2021-01-068233, respectively, the information in which is presented in this report by way of reference.

¹⁰ Subsidiaries or sub subsidiaries of the Company which are controlled by the Company.

8.3 On September 13, 2021, the Company entered into an asset purchase agreement with Convertize Ltd. ("the seller"), a British company that specializes, among other things, in the development of technology in the field of smart A/B testing¹¹, for the purchase of the seller's assets in such field of activity, in exchange for an immaterial amount for the Company (the "transaction"). Further to the foregoing, 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 section 1.1.3 of the corporation business description report.

8.4 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, respectively¹².

8.5 On November 11, 2021 and November 15, 2021, the audit committee (in its capacity as the remuneration committee) and the Company's Board of Directors approved, as the case may be, that Mr. Benjamin Weiss will be entitled to annual remuneration and participation remuneration in the maximum amounts, as provided in Regulations 4, 5 and 7 of the Companies' Regulations (Rules regarding Remuneration and Expenditure for External Directors), 2000 ("Remuneration Regulations") and in accordance with the Company's equity level, and for 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 (namely, as of November 11, 2021), and in accordance with the Company's remuneration policy.

8.6 On November 15, 2021, the Company's Board of Directors approved a non-material private offering to two consultants who are consultants and service providers of the Company and Glassbox UK (collectively: the offerees) in return for consulting services and other services rendered by the offerees to the Company of a total of 30,625 non-marketable warrants, exercisable up to 30,625 ordinary shares of NIS 0.01 per value each of the Company. For

¹¹ Generally, the A/B testing model is used to examine the response of the users to various changes mostly by comparing two versions and examination of the responses to the changes among the versions.

¹² Reference No.: 2021-01-084079 and 2021-01-096727, respectively, the information in which is presented in this report by way of reference.

further details, see immediate report prepared dated November 16, 2021 (Reference 2021-01-167121) the information included therein is brought in this periodic report by way of reference.

- 8.7 On February 7, 2022, the Company's Board of Directors approved a non-material private offering to three offerees who are consultants and service providers of the Company and SessionCam (collectively: the "Offerees") in return for consulting and other services provided by the Offerees to the Company in various fields, totaling 16,160 warrants, non-marketable, exercisable up to 16,160 ordinary shares of NIS 0.01 per each of the Company. For further details, see the Company's immediate report dated February 8, 2022 (reference number: 2022-01-014325), the information therein is presented in this periodic report by way of reference.
- 8.8 On February 27, 2022, the Company issued an offering outline for securities to employees, by virtue of which the Company may offer to employees and officers of the Company and related companies¹³ up to 440,000 non-marketable warrants, and up to 200,000 Restricted Share Units (RSUs), not listed for trading exercisable to 640,000 ordinary shares of NIS 0.01 par with each of the Company (the "Outline"). For further details regarding the outline see the Company's immediate report dated February 27, 2022 (Reference number 2022-01-019527) the information is presented in this periodic report by way of reference.
- 8.9 ___ On March 15, 2022, the Company's Board of Directors approved a non-material private offer to an offeree who is a consultant and service provider of Glassbox UK (the "Offeree") in exchange for consulting services and other services provided by the Offeree to Glassbox UK in various fields, of a total of 5,000 non-marketable warrants, exercisable up to 5,000 ordinary shares of NIS 0.01 per value each of the Company. For further details, see Immediate Report prepared according to the Securities Regulations (Private Offer of Securities in a Listed Company), 5760-2000, published in parallel to this periodic report and the information according to which is presented in this periodic report by way of reference.
- 8.10 For further details regarding material events in the reported period and thereafter, see Note 29 to the consolidated financial statements.

¹³ Subsidiaries or sub-subsidiaries of the Company that are controlled by the Company.

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

Further to section 10 of the Company's board report for 2020 that was attached to the prospectus (Board report for 2020)¹⁴ 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 markets in Israel and the world. In order to cope with the spread of the virus, many countries including Israel have taken various measures which 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 first half of 2021, 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. In the second half of 2021, Israel faced another wave of morbidity due to the spread of the "Omicron" variant alongside intensifying the vaccinations campaign. 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.

On the other hand, 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. For

¹⁴ The information therein is brought in this periodic report by way of reference.

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.

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

The Company's estimates regarding the possible consequences of the spread of the coronavirus including the consequences of the spread of the "Omicron" 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 on the date 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 December 31, 2021 and as of the report date and out of the importance that the Company sees in community involvement and social activity, the Company's board of directors has established a policy regarding donations to the community (the "Policy"). Under the policy, any new employee absorbed in the Company may choose a registered association to which the Company shall donate up to NIS 10 thousand.

During the reported period, donations were made in a total amount of \$ 49 thousand. In addition, as of December 31, 2021 and the report date, there is no material commitment for donations in future periods.

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, 1999, is two (2) directors, considering the nature of the accounting issues and accounting control issues arising in preparing the Company's financial statements, the Company's areas of activity, the size of the Company and the scope and complexity of its activities.

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

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

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 on the Company's Board of Directors by the Company's general meeting of the shareholders, the Company's audit committee approved Mr. Weiss's compliance, based on his statement, 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 the term is defined in section 1 of the Companies Law).

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 statement, does not hold securities of the company or of an entity related to the company, as defined in the Fourth Addendum of the Reporting Regulations.
Material/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 interests with his position as the internal auditor of the company and his only position in the company is internal auditor of the company. To the best of the Company's knowledge, the internal auditor is a partner in an independent office for providing internal audit services.
Appointment of internal auditor:	On November 15, 2021, upon the recommendation of the Company's audit committee, the Company's board of directors approved the appointment of Mr. Alon Amit as the Company's internal auditor. The appointment of the internal auditor was carried out after a meeting and interview held by the audit committee and with other potential candidates. The company's organs determined, after examining his many years of education and experience and after examining the skills of Mr. Alon Amit, taking into account, among other things, the type of company, its size, scope of activity and complexity that Mr. Alon Amit is a suitable candidate for the company's internal auditor.
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 determined 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, while paying attention to the appointment date of the internal auditor, an annual audit plan has not yet been approved by the company. The Company intends to set an annual audit plan after submitting risk survey by the internal auditor.
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, the internal auditor prepares risk survey based on which the annual audit plan will be determined in which the scope of his employment will be determined. In 2021, 200 audit hours were invested by the internal auditor for preparing such risk survey.
Professional standards	The internal auditor, according to his statement, conducts the audit in accordance with the international professional standards of the IIA and ISACA, including in accordance with professional guidelines of the Association of Internal Auditors in Israel and IIA. In the opinion of the Company's Board of Directors, based on the statements of the internal auditor and his extensive experience, the internal audit work is conducted in accordance with generally accepted professional standards for internal audit.
Access to information	The internal auditor will be given free access to documents, information and information systems of the Group companies, including corporations held abroad by the company, including financial data and everything for the purpose of his position and in accordance with section 9 of the Internal Audit Law. For this purpose, the internal auditor will conduct an audit of the group companies, including corporations held abroad by the company.
Report of the internal auditor	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.

14. Details regarding the auditor

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

The following are data regarding fees paid to the auditor for audit services, audit-related services, including audit related tax services and other services for the years 2021 and 2020 (in thousands of dollars):

	Audit services and audit related services (including audit related tax services)	other services
2021	106	-
2020	150	-

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

The amortization in 2021 relative to 2020 in the total fee paid to the auditor for audit services and audit-related services, including audit-related tax services, is due to audit work related to the new consolidation of a material subsidiary and the adjustment of financial statements from generally accepted accounting principles in US (US GAAP) to generally accepted accounting principles in Israel (IFRS).

C. Disclosure Provisions in Regard to the Corporation's Financial Reporting**15. Valuations**

15.1 Below are data required in connection with material valuations and the appraiser who performed in accordance with regulation 8b(I) of the reports regulations

Valuation's subject	Valuation of the obligation's value to pay a contingent consideration
Timing of valuation	December 31, 2021
The value of the valuation subject shortly before the valuation date had accepted accounting principles, including depreciation and amortization, would not require a change in its value in accordance with the valuation	£ 1,662 thousand
The value of the valuation's subject determined in accordance with the valuation	£ 4,291 thousand
Identification of the appraiser and its characteristics, including education, experience in performing valuations for accounting purposes in reporting corporations and at volumes similar to those of the valuation reported or exceeding these volumes	<p>Prof. Hadas Glander, CPA, Partner, Director of Valuations and Economic Models at Kost Forer Gabbay & Kassirer (EY).</p> <p>Education:</p> <ol style="list-style-type: none"> 1. Bachelor's degree in accounting from the Academic Program, College of Management, Rishon Lezion. 2. Master's degree in Business Administration from the Hebrew University, Jerusalem. 3. Doctor Degree with honors from Ben-Gurion University, Beer-Sheva. 4. Certified Public Accountant in Israel. <p>Experience:</p> <p>As part of her role, Prof. Hadas Glander consulted projects with leading companies in Israel and around the world, in various fields of activity and industries such as technology, finance, pharmaceuticals, energy, infrastructure, real estate and industry. In addition, in the course of her function, she consults and advises companies in the area of valuations for business purposes (valuations and fair opinions) and for accounting purposes (allocation of acquisition costs, valuation of intangible assets, valuation of options to employees, etc.), provided an economic opinion as an expert witness on behalf of the court.</p>
Dependency on the party ordering the valuation	No dependency
Indemnification agreements with	None

the appraiser	
Valuation model used by the appraiser	DCF
Assumptions according to which the appraiser performed the valuation, in accordance with the valuation model	<p>Projected ARR as of payment date - £9.2 million;</p> <p>Risk free interest – 0.4%</p> <p>ARR volatility – 5.8%;</p> <p>Risk premium required for ARR - 14.2%;</p> <p>As of that day, the value of the contingent consideration was estimated at approximately £ 4.29 million (about \$ 5.79 million).</p> <p>The value update led to expenses of \$ 3.05 million.</p>

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

As part of the prospectus, the Company included a very material temporary valuation dated May 9, 2021 in connection with intangible assets arising from the acquisition of SessionCam¹⁵, the information of which is included in this report by way of reference ("**Valuation**"). Significant differences between the material assumptions, estimates and forecasts made on the basis of the valuation and their actual realization are detailed below, detailing the reasons for these differences and their effect on the value determined, in accordance with the disclosure required by Regulation 10(b)(8) of the Reporting Regulations.

On December 31, 2021, the Company made another estimate of the fair value of the obligation to pay a contingent consideration component as part of the valuation (the "**Fair Value**" and the "**Fair Value Estimate**", as applicable). The fair value is determined according to the use of the models that were used in the valuation at the date of purchase and according to the parameters listed in the table in section 15.1 above, and the main changes in them as part of the Fair Value Estimate in relation to the Valuation are as follows:

- (a) As part of the Valuation, a risk-free interest rate was set at a negative rate of 0.05%, while as part of the Fair Value Estimate, a risk-free interest rate was set at 0.4%. The aforesaid rates in the Valuation and the Fair Value Estimate are determined at a risk-free interest rate for the United Kingdom and the United States at a rate of 60% and 40%, respectively, for both dates and periods up to the payment of the contingent consideration.

¹⁵ For further details regarding the transaction for the purchase of SessionCam see section 1.1.3 of the corporation business description report.

- (b) As part of the Valuation, volatility was determined at a rate of 11.95%, while in the as part of the Fair Value Estimate, volatility was determined at a rate of 5.8%. The aforesaid rates in the Valuation and Fair Value Estimate are determined in accordance with the available data and the period up to the payment of the contingent consideration, with the Valuation date calculated on the basis of the standard deviation of the monthly recurring revenue data (MRR) and the Fair Value Estimate calculated on the basis of the standard deviation of the annual recurring revenue data (ARR).
- (c) As part of the Valuation, a required risk premium was determined for ARR at a rate of 13.6%, while as part of the Fair Value Estimate, a required risk premium was determined for ARR at a rate of 14.2%. The aforesaid rates in the Valuation and Fair Value Estimate were calculated on the basis of the market risk premium (6% on the Valuation date and on the Fair Value Estimate), expressed by the comparison companies (0.92 on the Valuation date and 0.95 on the Fair Value Estimate date) and the specific risk premium (8.04% on the Valuation date and 8.12% on the Fair Value Estimate date).

16. The Company's liabilities by maturity dates

Report on the Company's liabilities by maturity dates as of December 31, 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.

March 15, 2022

Mr. Brian Abrams

Chairman of the Board

Mr. Yaron Morgenstern

The Company CEO

Chapter C – Financial Statements

**The Consolidated Financial Statements and Separate Financial Information (Solo) of the
Company as of December 31, 2021**