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GLASSBOX LTD.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS OF MARCH 31, 2022

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 March 31, 2022 and the condensed consolidated statements of profit or loss and other comprehensive income, changes of equity and cash flows for the three-month period 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.

Tel Aviv
May 10, 2022

Kesselman & Kesselman
CPAs
A firm in PricewaterhouseCoopers International Limited

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | March 31 | | December 31 |
|---------------------------------------|--------------------|---------------|--------------------|
| | 2022 | 2021 | 2021 |
| | (Unaudited) | | (Audited) |
| Dollars in thousands | | | |
| CURRENT ASSETS: | | | |
| Cash and cash equivalents | 28,358 | 8,204 | 12,123 |
| Short term deposits | 26,920 | 10,600 | 43,690 |
| Short term restricted deposits | 482 | 452 | 467 |
| Trade receivables | 4,730 | 1,542 | 2,922 |
| Other receivable and prepaid expenses | 4,718 | 3,565 | 3,693 |
| | <u>65,208</u> | <u>24,363</u> | <u>62,895</u> |
| NON-CURRENT ASSETS: | | | |
| Long term restricted deposits | 485 | 492 | 477 |
| Property and equipment, net | 1,228 | 1,123 | 1,188 |
| Right of use assets, net | 2,326 | 2,801 | 2,472 |
| Intangible assets | 10,037 | 11,671 | 10,761 |
| Goodwill | 15,024 | 15,750 | 15,471 |
| Deferred taxes | 1,043 | - | 765 |
| Advance payments | 1,127 | - | 880 |
| Customer acquisition costs | 815 | 453 | 774 |
| | <u>32,085</u> | <u>32,290</u> | <u>32,788</u> |
| Total assets | <u>97,293</u> | <u>56,653</u> | <u>95,683</u> |

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | March 31, | | December 31, |
|-------------------------------------------------------------------|-----------------------------|---------------|---------------------|
| | 2022 | 2021 | 2021 |
| | (Unaudited) | | (Audited) |
| | Dollars in thousands | | |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| CURRENT LIABILITIES: | | | |
| Trade payables | 1,875 | 885 | 2,663 |
| Deferred revenues | 13,929 | 11,423 | 8,026 |
| Other accounts payable | 11,048 | 5,790 | 9,518 |
| Contingent consideration for purchase of investment in subsidiary | 5,870 | - | 5,799 |
| Deferred consideration for purchase of investment in subsidiary | 3,881 | - | 3,915 |
| Lease liabilities | 556 | 581 | 592 |
| TOTAL CURRENT LIABILITIES | 37,159 | 18,679 | 30,513 |
| NON CURRENT LIABILITIES: | | | |
| Deferred revenues | 1,196 | 587 | 943 |
| Contingent consideration for purchase of investment in subsidiary | - | 3,820 | - |
| Deferred consideration for purchase of investment in subsidiary | - | 2,467 | - |
| Deferred tax liabilities | 1,828 | 2,341 | 1,955 |
| Lease liabilities | 2,109 | 2,463 | 2,287 |
| TOTAL LIABILITIES | 42,292 | 30,357 | 35,698 |
| SHAREHOLDERS' EQUITY: | | | |
| Ordinary share capital | 32 | 5 | 32 |
| Preferred share capital | - | 20 | - |
| Additional paid-in capital | 121,122 | 66,964 | 120,929 |
| Capital reserve for share based payment | 12,774 | 3,032 | 10,272 |
| Translation adjustments of foreign operations | 1,213 | 856 | 931 |
| Accumulated deficit | (80,140) | (44,581) | (72,179) |
| TOTAL SHAREHOLDERS' EQUITY | 55,001 | 26,296 | 59,985 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 97,293 | 56,653 | 95,683 |

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

May 10, 2022

**Approval date of the
financial statements**

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

**Yaron Morgenstern
Chief Executive
Officer**

**Kobi Carlebach
Chief Financial
Officer**

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | Three months ended | | Year ended |
|--------------------------------------------------------------------------------------------------------|--------------------|---------------|---------------|
| | March 31 | | December 31 |
| | 2022 | 2021 | 2021 |
| | (Unaudited) | | (Audited) |
| | USD thousands | | |
| Revenues | 12,697 | 7,757 | 36,990 |
| Cost of revenues | 3,726 | 3,022 | 12,465 |
| Gross profit | 8,971 | 4,735 | 24,525 |
| Research and development expenses | 5,363 | 3,479 | 18,395 |
| Sales and marketing expenses | 8,189 | 5,234 | 25,460 |
| General and administrative expenses | 3,061 | 1,803 | 9,800 |
| Other expenses | - | - | 3,055 |
| | 16,613 | 10,516 | 56,710 |
| Operating loss | 7,642 | 5,781 | 32,185 |
| Finance expense | 823 | 269 | 1,314 |
| Finance income | (501) | (406) | (196) |
| Finance (income) expenses, net | 322 | (137) | 1,118 |
| Loss before taxes on income | 7,964 | 5,644 | 33,303 |
| Taxes on income (Tax benefits) | (3) | (208) | (269) |
| Loss | 7,961 | 5,436 | 33,034 |
| Other comprehensive income : | | | |
| Amounts that will be reclassified or reclassified to profit or loss subject to specific conditions: | | | |
| Translation adjustments of foreign operations | (282) | (28) | (103) |
| Total other comprehensive income | (282) | (28) | (103) |
| Total comprehensive loss for the year | 7,679 | 5,408 | 32,931 |
| Basic and diluted loss per share | 0.68 | 2.62 | 4.40 |

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| | Ordinary share capital | Preferre d share capital | Addition al paid in capital | Capital reserve for share based payment | Translatio n adjustmen ts of foreign operations | Accumulate d deficit | Total |
|-------------------------------------------------------------------------------------------|------------------------------|--------------------------------|-----------------------------------|-----------------------------------------------------|----------------------------------------------------------------|-------------------------|----------|
| | Dollars in thousands | | | | | | |
| <u>Balance as of January 1, 2021</u> <u>(audited)</u> | 32 | - | 120,929 | 10,272 | 931 | (72,179) | 59,985 |
| <u>Movement in the three months</u> <u>ended March 31, 2022</u> <u>(unaudited):</u> | | | | | | | |
| Loss | | | | | | (7,961) | (7,961) |
| Other comprehensive income | | | | | 282 | | 282 |
| <u>Total loss for year</u> | | | | | 282 | (7,961) | (7,679) |
| Option exercise | | | | | | | |
| Issuance of shares and warrants net of issuance expenses | | | 193 | (23) | | | 170 |
| Share based payment | | | | 2,525 | | | 2,525 |
| <u>Balance as of March 31, 2022</u> <u>(unaudited)</u> | 32 | - | 121,122 | 12,774 | 1,213 | (80,140) | 55,001 |
| <u>Balance as of January 1, 2021</u> <u>(audited)</u> | 5 | 20 | 66,632 | 1,891 | 828 | (39,145) | 30,231 |
| <u>Movement in the three months</u> <u>ended March 31, 2021</u> <u>(unaudited):</u> | | | | | | | |
| Loss | | | | | | (5,436) | (5,436) |
| Other comprehensive income | | | | | 28 | | 28 |
| <u>Total loss for period</u> | | | | | 28 | (5,436) | (5,408) |
| Issuance of preferred shares net of issuance expenses | | | | | | | |
| Exercise of employee options | * | | 332 | (70) | | | 262 |
| Share based payment | | | | 1,211 | | | 1,211 |
| <u>Balance as of March 31, 2021</u> <u>(unaudited)</u> | 5 | 20 | 66,964 | 3,032 | 856 | (44,581) | 26,296 |
| <u>Balance as of January 1, 2021</u> <u>(audited)</u> | 5 | 20 | 66,632 | 1,891 | 828 | (39,145) | 30,231 |
| <u>Movement in 2021 (audited):</u> | | | | | | | |
| Loss | | | | | | (33,034) | (33,034) |
| Other comprehensive income | | | | | 103 | | 103 |
| <u>Total loss for year</u> | | | | | 103 | (33,034) | (32,931) |
| Issuance of shares and warrants net of issuance expenses | 26 | (20) | 53,388 | | | | 53,394 |
| Exercise of employee options | 1 | | 909 | (226) | | | 684 |
| Cost of share based payment | | | | 8,607 | | | 8,607 |
| <u>Balance as of December 31,</u> <u>2021 (Audited)</u> | 32 | - | 120,929 | 10,272 | 931 | (72,179) | 59,985 |

* 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 CASH FLOWS

| | Three months ended March 31 | | Year ended December 31 |
|-----------------------------------------------------------------------------|--------------------------------|----------------|---------------------------|
| | 2021 | 2021 | 2021 |
| | (Unaudited) | | (Audited) |
| | USD thousands | | |
| Cash flows from operating activities: | | | |
| Loss | (7,961) | (5,436) | (33,034) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | | |
| Depreciation and amortizations | 526 | 456 | 1,927 |
| Changes in deferred taxes | (350) | (216) | (1,331) |
| Finance expenses (income) net | (40) | (87) | 161 |
| Promotion of earnout and deferred consideration interest | 322 | 250 | 733 |
| Amortization of right of use assets | - | - | (7) |
| Increase in short term deposits | - | - | 3,055 |
| Promotion of earnout estimate | 143 | 143 | 577 |
| Cost of share based payment | 2,525 | 1,211 | 8,607 |
| | <u>3,126</u> | <u>1,757</u> | <u>13,722</u> |
| Changes in operating assets and liabilities: | | | |
| Decrease (increase) in trade receivables, net | (1,872) | 311 | (1,102) |
| Increase in other receivable and prepaid expenses | (1,282) | (658) | (1,576) |
| Decrease (increase) in customer acquisition cost | (41) | 10 | (311) |
| Increase (decrease) in trade payables | (776) | (138) | 1,660 |
| Increase in other accounts payable | 2,199 | (337) | 4,212 |
| Increase (decrease) in deferred revenues | 6,296 | 2,129 | (837) |
| | <u>4,524</u> | <u>1,317</u> | <u>2,046</u> |
| Taxes paid | (19) | (7) | (537) |
| | <u>(19)</u> | <u>(7)</u> | <u>(537)</u> |
| Net cash provided from (used in) operating activities | <u>(330)</u> | <u>(2,369)</u> | <u>(17,803)</u> |

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Three months ended | | Year ended |
|--------------------------------------------------------------------------------|---------------------------|---------------------|----------------------|
| | September 30 | | December 31 |
| | 2021 | 2020 | 2020 |
| | (Unaudited) | | (Audited) |
| | USD thousands | | |
| Cash flows from investing activities: | | | |
| Deposits withdraws | 16,747 | - | (41,675) |
| Deposits | - | (8,592) | |
| Purchase of other assets | - | - | (500) |
| Purchase of property and equipment | (139) | (47) | (363) |
| Net cash provided from (used in) investing activities | <u>16,608</u> | <u>(8,639)</u> | <u>(42,538)</u> |
| Cash flows from financing activities: | | | |
| Proceeds from issuance of shares and warrants, net of issuance expenses | - | - | 53,394 |
| Proceeds from exercise of options | 164 | 262 | 684 |
| Interest payments for liabilities | (17) | (20) | (74) |
| Repayment of lease liabilities | (155) | (150) | (613) |
| Net cash provided from (used in) financing activities | <u>(8)</u> | <u>92</u> | <u>53,391</u> |
| Increase (decrease) in cash and cash equivalents | 16,270 | (10,916) | (6,950) |
| Exchange rate differences for cash and cash equivalents | (35) | 33 | (14) |
| Balance of cash and cash equivalents at the beginning of the year | 12,123 | 19,087 | 19,087 |
| Balance of cash and cash equivalents at the end of the year | <u>28,358</u> | <u>8,204</u> | <u>12,123</u> |
| (a) Information regarding non-cash investing and financing activities: | | | |
| Recognition of right of use asset for office lease against liability for lease | - | 105 | 105 |
| Options exercises not yet received as of the balance sheet date | <u>7</u> | <u>-</u> | <u>-</u> |

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 2022 (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)

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 2022.

During the reporting period, and due to a consistent decrease in the level of morbidity, the vast majority of such restrictions were removed and an almost complete return to economic activity was achieved. It should be noted that despite the positive effect of the third and fourth vaccines for higher risk populations ("booster" vaccines) on the number of patients in the country and the decrease in the number of critically ill patients, at this stage it is not possible to assess the spread of the virus. For the virus, which have begun or may spread in the world and in Israel, as well as whether the crisis is nearing an end in the near future or whether it may worsen in the longer term.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

- a. The Group's condensed financial information as of March 31, 2022 and 2021 and for the interim periods of 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 March 31, 2022 do not necessarily indicate the income and results that could be expected in the year ending December 31, 2022.

- 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 2021.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 2021.
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

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 three month periods ended March 31, 2022 and 2021, 37,775 and 120,704 options were exercised, respectively. The consideration from the exercise amounted to approximately \$ 178 thousand and \$ 263 thousand, respectively. (of which \$ 7 thousand were not yet transferred to the Company by the trustee). During the three-month period ended March 31, 2022, 740,744 options and 139,846 RSU were granted. 24,493 of them granted to service providers.

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

Below is the composition of revenues for the reported periods:

| | Three months ended | | Year ended |
|------------------------------------------|---------------------------|--------------|--------------------|
| | March 31, | | December 31 |
| | 2022 | 2021 | 2021 |
| | (Unaudited) | | (Audited) |
| | USD thousands | | |
| On premise licenses and related services | 6,012 | 2,766 | 13,709 |
| Cloud licenses | 6,095 | 4,338 | 20,695 |
| Services and others | 590 | 653 | 2,586 |
| | <u>12,697</u> | <u>7,757</u> | <u>36,990</u> |

NOTE 6: - RELATED PARTIES

Remuneration to interested party

a. Balances with related parties

| | March 31 | | December 31, |
|------------------------------|----------------------|-------------|---------------------|
| | (Unaudited) | | (Audited) |
| | 2022 | 2021 | 2021 |
| | USD thousands | | |
| Short term employee benefits | 458 | 409 | 466 |
| | <u>458</u> | <u>409</u> | <u>466</u> |

b. Transactions with related parties

| | Three months ended | | Year ended |
|-------------------------------------------------------------------------|---------------------------|-------------|--------------------|
| | March 31 | | December 31 |
| | 2022 | 2021 | 2021 |
| | (Unaudited) | | (Audited) |
| | USD thousands | | |
| Salaries and other benefits to interested parties employed by the group | 211 | 157 | 1,323 |
| Share based payment to interested parties in the Group | 25 | 536 | 2,361 |
| Total employment costs for interested parties employed by the group | <u>236</u> | <u>693</u> | <u>3,684</u> |
| Number of persons to whom the benefit relates | <u>2</u> | <u>2</u> | <u>2</u> |