

This English translation is for convenience purposes only. This is not an official translation and is not binding. Whilst reasonable care and skill have been exercised in the preparation hereof, no translation can ever perfectly reflect the original Hebrew version. In the event of any discrepancy between the Hebrew version and this translation, the Hebrew version shall prevail.



Glassbox Ltd.

(the “Company”)

Quarterly report for the period ended June 30, 2022

Index

Chapter A – report of the board of directors on the state of the company’s business

Chapter B – consolidated interim financial statements as of June 30, 2022

GLASSBOX LTD
REPORT OF THE BOARD OF DIRECTORS ON THE STATE OF
THE COMPANY'S BUSINESS
FOR THE NINE MONTHS ENDED JUNE 30, 2022.

The Board of Directors of Glassbox Ltd (the “**Company**”) is hereby pleased to present the report of Board of Directors on the State of the Company’s Business for the three and six months ended on June 30, 2022 (the “**Quarter**” or the “**Report Period**”, respectively) and the financial results of the Company for the three and six months ended June 30, 2022 in accordance with the Securities Regulations (Periodic and Immediate Reports) – 1970 (the Reporting Regulations).

In this report below:

“**Date of the Report** ” – June 30, 2022.

“**Report Signature Date**”, “**Report Date**” or “**Report Signature Day**” – August 15, 2022.

The review presented below is limited in scope and relates to events and changes that occurred in the Company's business situation during the reporting period, the impact of which is material and should be read in conjunction with the financial statements and the Board of Directors' report for the year ended December 31, 2021 which were attached to the Company's periodic report from March 16, 2022 (reference number: 2022-01-026031) (the “Periodic Report”), which are presented in this report by way of reference, and with the Periodic Report itself.

A Explanations of the Board of Directors to the State of the Company’s Business, the Results of Its Activity, Its Capital and Cashflows

1. The Company’s Activity

1.1. Description of the Company and Its Business Environment

The Company was incorporated on November 25, 2010, as a private company limited by shares incorporated in the State of Israel under the name “Clarisite Ltd.”; On April 14, 2016, the Company changed its name to “Glassbox Digital Ltd.”, and on May 8, 2016, the Company changed its name to its current name. On June 10, 2021, the Company's shares were listed for trade on the Tel Aviv Stock Exchange Ltd. (“**TASE**”) by virtue of an initial public offering prospectus, secondary sale prospectus and the Company’s shelf prospectus dated June 4, 2021 (reference no: 2021-01-035284), as amended on June 8, 2021 (reference no: 2021-01-098037) (the “**Prospectus**”, “**Prospectus Date**” and “**IPO**”, respectively), 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, including through the Group Companies (as defined below), in one area of activity – providing software-based services (SaaS, Software as a Service) for analysis of browsing on Internet websites and mobile apps (“**Digital Services**” and the “**Area of Activity**”, respectively). For more information regarding the Area of Activity of the Company and the development of its business, see the description of the corporation’s business report for 2021, which was attached as Chapter 1 to the Periodic Report (“**Report on Description of the Corporation’s Business**”).

As of the date of the report, the Company has two subsidiaries (wholly owned) - Glassbox US Inc., a private company incorporated in the United States, and Glassbox Digital UK Ltd., a private company incorporated in England and Wales, and a sub-subsidiary - SessionCam Limited - a private company incorporated in England and Wales, wholly owned by Glassbox Digital UK Ltd (jointly: the “**Group Companies**”, and together with the Company: the “**Group**”). For more information about the Company’s activity, a description of the business environment and its effect on its activity, see the Description of the corporation’s business report.

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

During the reported period, positive developments were recorded in the Company's business, including the Company’s¹ contractual engagement with a group customer, who is one of the ten largest banking corporations in the US (the “**Customer**”), as an amendment to the usage license agreement that was signed between the Company and the Customer for the renewal and expansion of the said license for a period of three (3) years in a scope of approximately \$ 9.7 million (for more information see section 13.1 below); an ARR balance of approximately \$ 46 million as of the report date, which reflects an increase of 24% in relation to the ARR balance as of June 30, 2021 (for more details, including on the calculation method and the factors that make up the change to the net addition to ARR, see section 7 below); The net addition to ARR in the Reporting Period compared to the corresponding period last year decreased by approximately 53%; a rate of 93% in gross customer retention (for further details see section 7 below); The average ARR scope of the contracts in which the group engages with large customers (annual revenues of over \$250,000) has increased to over \$750,000 (compared to approximately \$700,000 as of December 31, 2021); strong momentum among medium-sized customers (annual revenues below \$ 250,000), recruiting 22 new customers from various industries, and in various geographical areas and continued momentum in mobile apps with the increase in the number of new customers (for further details see section 7 below); Continuing to focus on increasing the volume of cloud customers and taking initiatives to reduce cloud costs, among other things by marketing the Group’s systems in a multi tenancy environment, which enables efficiency and cost structure improvement for medium and small customers (for more details on the multi tenancy environment, see section 1.1.2 to the Report on Description of the Corporation’s Business); Product Lead – continued investment in value

¹ Through Glassbox USA.

creation for the Company's customers and the release of an initial "beta" version and usage examination of the Voice of the Silent/Customer (VoS/VoC) modules (for more details on the said module, see section 1.18 of the Report on Description of the Corporation's Business) and the launch of User Timelines module²; commencement of marketing of the Group's Systems in the AWS Marketplace application store; Creating a pipeline during the Report Period which is in a larger scope than the entire year 2021; Continued investment in building infrastructure that will enable a transition to positive cash flow and profitability; winning over one hundred and ninety (190) G2 awards in the report period until the report date and being recognized as a leader in ten (10) categories of Digital Customer Experience³, inclusion in the list of Highest Satisfaction, Marketing & Digital Advertising, Development and Content Management Products, in the framework of 2022 Best Software Awards of G2⁴ and first place in the number of reviews and review score and formal recognition as a Product Analytics Vendor on the Gartner⁵ website; Holding a physical global customer conference in Boston USA ("Digital World") at the beginning of June 2022 with the participation of experts from among customers, potential customers and partners (such as: iHeartMedia, Western Union, Danone, NetApp, AWS, Blue Shield, Digital Monk and more), for the first time since the outbreak of the Coronavirus.

1.3. The Effects of Inflation and the Increase in Interest Rates on the Group's Activities

As of June 30, 2022 and the Report Date, the increase in the rate of inflation and interest in Israel and in the world had no material effect on the Group's activities, and to the Company's management estimate, such an increase is not expected to have a material effect on the Group's activity and results. The Company continues to monitor at all times the rate of increase in inflation and interest rates in Israel and around the world, and it will update if there will be changes in the effect of the increase in inflation and interest rates on the Group's activities and results.

The Company's estimates regarding the Continued investment in building infrastructure that will enable transition to profitability and positive cash flow and regarding the effects of the increase in the rate of inflation and interest in Israel and in the world as set forth above constitute forward-looking information, as defined in the Securities Law, 5728-1968 ("Securities Law"). These estimates are based, inter alia, on estimates of the Company's management, based on its past experience, on the estimate of the markets in which the Company is active, on the actions taken by the Company and their effects on its results. These estimates may not materialize, or materialize in a way that differs from what was

² A module that allows to display and analyze uses of a certain end user in a digital channel over a period of time.

³ Which includes the following categories: Session Replay, Digital Analytics, Mobile App Optimization, Heatmap Tools, Digital Experience Monitoring, Digital Analytics Platforms, Mobile Analytics, Customer Journey Analytics, Product Analytics and Mobile App Analytics.

⁴ List of marketing and digital advertising, development and content management products with the highest satisfaction out of 100 products, on the basis of verified customer reviews.

⁵ The foregoing is based on the survey at: <https://www.gartner.com/reviews/market/web-product-and-digital-experience-analytics/compare/product/contentsquare-digital-experience-analytics-platform-vs-glassbox-vs-quantum-metric>.

estimated, even substantially so, as a result of factors outside the Company's control, including changes to future demand for systems (as defined in the description of the corporation's business report) and competition in the market, technological developments in the markets where the Company is active, on the Company having financing channels, and additional changes to the credit market and interest environment, etc., and the materialization of any of the risk factors set forth in section 1.36 of the Report on Description of the Corporation's Business.

2. The Financial Position

Below is a summary of the financial position (USD thousands): [To be completed by the finance department – I left the explanations from the previous quarter in case they are relevant (mutatis mutandis); please make sure there are no change to the data that I put in from previous periods]

Item	June 30		December 31, 2021	Explanations of the Board of Directors
	2022	2021		
Current assets	53,396	72,970	62,895	The decrease in current assets as of June 30, 2022, compared to current assets as of December 31, 2021 derives from the negative cash flow from current activities that resulted in a decrease in cash and short-term deposits.
Noncurrent assets	29,479	31,919	32,788	The decrease in noncurrent assets as of June 30, 2022 compared to noncurrent assets as of December 31, 2021 derives from the reduction of intangible assets and change in goodwill due to changes in the exchange rate.
Current liabilities	33,018	18,652	30,513	The increase in current liabilities as of June 30, 2022, compared to current liabilities as of December 31, 2021, derived from an increase in short-term deferred revenues.
Noncurrent liabilities	5,232	11,901	5,185	The increase in noncurrent liabilities as of March 31, 2022 compared to noncurrent liabilities as of December 31, 2021 is immaterial.
Shareholders' equity	44,625	74,336	59,985	The decrease in shareholders' equity as of June 30, 2022, compared to December 31, 2021, was mainly due to the net loss in the reported period offset by expenses for employee options.

3. Results of the Activity

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

Item	Six months ended June 30		Three months ended June 30		Year ended December 31, 2021	Explanations of the Board of Directors
	2022	2021	2022	2021		
Revenues	23,035	16,543	10,338	8,786	36,990	The increase in revenue in the second quarter of 2022 and the Report Period compared to the corresponding periods in 2021 was due to an increase in sales of cloud-based licenses in an amount of 27% and 33%, respectively; Furthermore, the rate of non-recurring income in 2022 was approximately 6% in the second quarter and approximately 5% in the Report Period of the total income compared to 4% and 5% of the total income in the corresponding periods in 2021;
Cost of sales	7,838	6,078	4,112	3,056	12,465	The increase in cost of sales in the second quarter of 2022 and the Report Period relative to the corresponding periods in 2021 was mainly due to an increase in servers and cloud services resulting from an increase in sales;
Gross profit	15,197	10,465	6,226	5,730	24,525	The rate of gross profit in the second quarter of 2022 and in the Report was 60.2% and 66.0%, respectively, compared to 65.2% and 63.3% in the corresponding periods of 2021. The decrease in the second quarter of 2022 relative to the corresponding period in 2021 is due to an increase cloud costs. The increase in the rate of gross profit in the Report Period compared to the corresponding period in 2021 is due to the one-time effect of the amendment to a license of use agreement which is signed between the Company and the Customer (as defined in section 13.1 below) partially offset by the increase in cloud costs;
Research and development expenses	10,685	7,424	5,322	3,945	18,395	The increase in research and development expenses in the second quarter of 2022 and in the Report Period compared to the corresponding periods in 2021 was due to an increase in wages

						and related expenses due to an increase in the number of development workers as well as an increase in expenses in respect of equity-based compensation;
Selling and marketing expenses	16,769	10,946	8,580	5,712	25,460	The increase in Selling and marketing expenses in the second quarter of 2022 and in the Report Period compared to the corresponding periods in 2021 was due to an increase in wages and related expenses due to an increase in the number of Selling and marketing as well as an increase in expenses in respect of employee options;
Administrative and general expenses	5,368	4,786	2,307	2,983	9,800	The decrease in general and administrative expenses in the second quarter of 2022 compared to the corresponding period in 2021 is due to a decrease in professional services and the increase in the Report Period compared to the corresponding period in 2021 was due to an increase in salaries and related expenses due to an increase in the number of employees offset by a decrease in professional services;
Other expenses	-	-	-	-	3,055	The Company had no other expenses in the second quarter of 2022 and in the Report Period;
Operating loss	17,625	12,691	9,983	6,910	32,185	The increase in operating loss in the second quarter of 2022 and in the Report Period compared to the corresponding periods in 2021 was mainly due to an increase in research and development expenses, an increase in sales and marketing expenses and an increase in administrative and general expenses which was partially offset by an increase in gross profit;
Finance expenses	2,056	459	1,233	190	1,314	The increase in the financing expenses in the second quarter of 2022 and in the Report Period relative to the corresponding periods in 2021 was mostly due to exchange rate differences in respect of revaluation of balance sheets and hedging transactions' expenses;
Finance income	(432)	(335)	69	71	(196)	The increase in financing income in the first half of 2022 compared to the corresponding period in 2021 was

						mostly due to an increase in interest income;
Finance expenses, net	1,624	124	1,302	261	1,118	The increase in the net financing expenses in the second quarter of 2022 and in the Report Period relative to the corresponding periods in 2021 was due to an increase in financing expenses, as detailed above;
Loss before income taxes	19,249	12,815	11,285	7,171	33,303	The increase in the pre-tax loss on income in the second quarter of 2022 and in the Report Period relative to the corresponding periods in 2021 was due to an increase in the operating loss;
Income taxes, incomes (expenses)	40	(103)	43	105	(269)	The decrease in the tax expenses in the second quarter of 2022 and in the Report Period compared to the corresponding periods in 2021 is not material;
Loss	19,289	12,712	11,328	7,276	33,034	The increase in loss in the second quarter of 2022 and in the Report Period relative to the corresponding periods in 2021 was due to an increase in loss before income taxes;
Other comprehensive income (loss)	602	55	884	83	(103)	Other comprehensive income is due to currency translation differences in SessionCam reports and Glassbox UK, which are denominated in pounds;
Comprehensive loss	19,891	12,767	12,212	7,359	32,931	The increase in the total loss in the second quarter of 2022 and in the Report Period compared to the corresponding periods in 2021 was due to an increase in the loss;

4. Liquidity

Below are data about liquidity USD thousands):

Item	Six months ended June 30		Three months ended June 30		Year ended December 31 2021	Explanations of the Board of Directors
	2022	2021	2022	2021		
Cash flow from operating activities	(7,069)	(7,281)	(6,739)	(4,912)	(17,803)	The increase in net cash flow used in current operations in the first half of 2022 relative to the corresponding period in 2021 is not material. The increase in the second quarter of 2022 compared to the corresponding period in 2021 was due to an increase in loss, decrease in the deferred income offset a decrease in the Company's clients and receivables;

Cash flow from investing activities	33,709	(57,009)	17,101	(48,370)	(42,538)	The increase in net cash flow used for investing activities in the second quarter of 2022 and in the Report Period relative to the corresponding periods in 2021 was mainly due to a change in short-term deposit balances;
Cash flow from finance activities	(108)	53,667	(100)	53,575	53,391	The decrease in cash flow from financing activities in the second quarter of 2022 and in the Report Period compared to the corresponding periods in 2021 was due to a decrease in receipts from stock issuance and options in previous year;
Increase (decrease) in cash and cash equivalents	26,532	(10,623)	10,262	293	(6,950)	The increase in total cash flow in the second quarter of 2022 and in the Report Period compared to the corresponding periods in 2021 was mainly due to an increase in investment activity as well as partial offset from the decrease in cash flow from financing activities;
Exchange rate differences in respect of balances of cash and cash equivalents	(922)	(285)	(887)	(318)	(14)	Exchange rate differences in respect of balances of cash and cash equivalents deriving from translation differentials by the nature of SessionCam and Glassbox UK reports that are set forth in GBP;
Balance of cash and cash equivalents at the beginning of the period	12,123	19,087	28,358	8,204	19,087	
Balance of cash and cash equivalents at the end of the period	37,733	8,179	37,733	8,179	12,123	Cash balances as of June 30, 2022 and 2021 do not include short-term deposits in the amount of USD 9,950 and USD 58,904, respectively;

It should be noted that in the six-month period ended June 30, 2022, the Company has negative cash flow from operating activities in the amount of \$ 7,069 thousand, compared to the expected negative cash flow from operating activities for the said period of between \$ 7,500 thousand and \$ 8,100 thousand as specified in the Company's immediate report dated July 14, 2022⁶, due in part to the effect of exchange rate differences regarding cash balances and cash equivalents that are not in dollars and that are not part of the cash flow from current operations.

⁶ Reference number: 2022-01-074436, the information according to which is presented in this report by way of reference.

5. **Financing sources**

As of the report date, the Company is financing its activity mainly through raising capital and through taking on credit facilities (which as of the Report Date is yet to be used). For more information see sections 1.2 and 1.29 of the description of the corporation's business report, respectively.

As of the report date, the Company estimates that in the coming year it will not be required to raise additional financing sources beyond the proceeds of the initial public offering performed pursuant to the prospectus for purpose of reaching its targets and for purpose of covering its current operating costs.

In the Company's estimate, it has high accessibility to financing sources. Among other things, in light of its financial resilience, stability of its core activity and the extensive ties it created with investment funds all over the world, as well as access to the Israeli capital market, all considering the potential implications of an increase in the rate of inflation and interest in Israel and in the world on the availability of the credit sources in Israeli and globally, as set forth in section 9 below.

The Company's estimates regarding the need to raise additional financing sources and regarding its access to financing sources as set forth above constitute forward-looking information, as defined in the Securities Law. These estimates are based, inter alia, on estimates of the Company's management, based on its past experience, on the estimate of the markets in which the Company is active, on the Company having financing channels, and changes to the credit market and interest environment. These estimates may not materialize, or materialize in a way that differs from what was estimated, even substantially so, as a result of factors outside the Company's control, including changes to future demand for systems and competition in the market, technological developments in the markets where the Company is active, etc., and the materialization of any of the risk factors set forth in section 1.36 of the Report on Description of the Corporation's Business.

6. Adjusted profit or loss Statement

6.1. For the purpose of comparing the Company's financial results and presenting the Company's operating and financial performance, the following is a breakdown of profit (loss) before income taxes for the periods of three and six months ended June 30, 2022 (in US dollars thousands) excluding the effects of several items as follows:

Item	Six months ended June 30, 2022 (in US dollars 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	23,035	-	-	-	-	23,035
Cost of revenues	7,838	(319)	-	-	-	7,519
Gross profit	15,197	319	-	-	-	15,516
Research and development expenses	10,685	(1,683)	-	-	(322)	8,680
Selling and marketing expenses	16,769	(1,422)	-	-	(595)	14,752
Administrative and general expenses	5,368	(874)	-	-	-	4,494
Other expenses	-	-	-	-	-	-
Total operating expenses	32,822	(3,979)	-	-	(917)	27,926
Operating loss	17,625	(4,298)	-	-	(917)	12,410
Finance expenses	2,056	-	-	-	(555)	1,501
Finance income	(432)	-	-	-	-	(432)
Finance	1,624	-	-	-	(555)	1,069

expenses (income), net						
Loss before taxes on income	19,249	(4,298)	-	-	(1,472)	13,479

Item	Three months ended June 30, 2022 (in US dollars 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	10,338	-	-	-	-	10,338
Cost of revenues	4,112	(208)	-	-	-	3,904
Gross profit	6,226	208	-	-	-	6,434
Research and development expenses	5,322	(874)	-	-	(158)	4,290
Selling and marketing expenses	8,580	(700)	-	-	(288)	7,592
Administrative and general expenses	2,307	9	-	-	-	2,316
Other expenses	-	-	-	-	-	-
Total operating expenses	16,209	(1,565)	-	-	(446)	14,198
Operating loss (profit)	9,983	(1,773)	-	-	(446)	7,764
Finance expenses	1,233	-	-	-	(274)	959

Finance income	69	-	-	-	-	69
Finance expenses (income), net	1,302	-	-	-	(274)	1,028
Loss before taxes on income	11,285	(1,773)	-	-	(720)	8,792

6.2. Below are details on the profit (loss) before taxes on income for the three and six month periods ended June 30, 2021(in USD thousands), excluding the effects of a few items as follows:

Item	Six months ended June 30, 2021 (in US dollars 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	16,543	-	-	-	1,173	17,716
Cost of revenues	6,078	(57)	-	-	-	6,021
Gross profit	10,465	57	-	-	1,173	11,695
Research and development expenses	7,424	(935)	-	-	(201)	6,288
Selling and marketing expenses	10,946	(978)	-	-	(577)	9,391
Administrative and general expenses	4,786	(1,224)	(1,094)	(109)	-	2,359
Other expenses	-	-	-	-	-	-
Total operating expenses	23,156	(3,137)	(1,094)	(109)	(778)	18,038

Operating loss (profit)	12,691	(3,194)	(1,094)	(109)	(1,951)	6,343
Finance expenses	459	-	-	-	(395)	64
Finance income	(335)	-	-	-	-	(335)
Finance expenses (income), net	124	-	-	-	(395)	(271)
Loss before taxes on income	12,815	(3,194)	(1,094)	(109)	(2,346)	6,072

Item	Three months ended June 30, 2021					
	(in US dollars 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	8,786	-	-	-	430	9,216
Cost of revenues	3,056	(37)	-	-	-	3,019
Gross profit	5,730	37	-	-	430	6,197
Research and development expenses	3,945	(599)	-	-	(101)	3,245
Selling and marketing expenses	5,712	(699)	-	-	(287)	4,726
Administrative and general expenses	2,983	(648)	(877)	(109)	-	1,349
Other expenses	-	-	-	-	-	-
Total operating	12,640	(1,946)	(877)	(109)	(388)	9,320

expenses						
Operating loss (profit)	6,910	(1,983)	(877)	(109)	(818)	3,123
Finance expenses	190	-	-	-	(146)	44
Finance income	71	-	-	-	-	71
Finance expenses (income), net	261	-	-	-	(146)	115
Loss before taxes on income	7,171	(1,983)	(877)	(109)	(964)	3,238

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

Item	Year ended December 31, 2021 (in US dollars thousands)					
	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 (profit)	32,185	(8,607)	(1,128)	(109)	(6,139)	16,202
Finance expenses	1,314	-	-	-	(685)	629
Finance income	(196)	-	-	-	-	(196)
Finance expenses (income), net	1,118	-	-	-	(685)	433
Loss before taxes on income	33,303	(8,607)	(1,128)	(109)	(6,824)	16,635

6.4. The following is an adjusted profit (loss) comparison before income taxes, as set forth in sections 5.1, 5.2 and 5.3 above, for the period of three six months ended June 30, 2021 and June 30, 2022, and for the year ended December 31, 2021 (in US dollars thousands), excluding the effects of a number of items as follows:

Item	Six months ended June 30		Three months ended March 31		Year ended December 31 2021	Explanations of the Board of Directors
	2022	2021	2022	2021		
Revenues	23,035	17,716	10,338	9,216	38,418	The increase in revenue in the second quarter of 2022 and in the Report Period compared to the corresponding periods in 2021 was due to an increase in sales of cloud-based in an amount of 18% and 20%, respectively; furthermore, the rate of non-recurring income in 2022 was approximately 6% in the second quarter of 2022 and approximately 5% in the Report Period of the total income compared to 4% and 5% of the total income in the corresponding periods in 2021;

Cost of sales	7,519	6,021	3,904	3,019	12,335	The increase in cost of sales in the second quarter of 2022 and in the Report Period relative to the corresponding periods in 2021 was mainly due to an increase in servers and cloud services resulting from an increase in sales;
Gross profit	15,516	11,695	6,434	6,197	26,083	The gross profit margin in the second quarter of 2022 and in the Report Period was 62.2% and 67.4%, respectively, compared to 67.2% and 66.0% in the corresponding periods of 2021. The decrease in the gross profit margin rate in the second quarter of 2022 relative to the corresponding period in 2021 is due to an increase in cloud costs, the increase in the gross profit margin rate in the Report Period relative to the corresponding period in 2021, is due to the one-time effect of the license agreement signed between the Company and the Customer (as defined in section 13.1 below) partially offset due to increase in cloud costs;
Research and development expenses	8,680	6,288	4,290	3,245	15,336	The increase in research and development expenses in the second quarter of 2022 and in the Report Period relative to the corresponding periods in 2021 was due to an increase in wages and related expenses due to an increase in the number of development workers;
Selling and marketing expenses	14,752	9,391	7,592	4,726	20,657	The increase in sales and marketing expenses in the second quarter of 2022 and in the Report Period compared to the corresponding periods in 2021 was due to an increase in salaries and related expenses due to an increase in the number of sales and marketing employees as well as an increase in advertising and marketing expenses of the Company;

Administrative and general expenses	4,494	2,359	2,316	1,349	6,292	The increase in administrative and general expenses in the second quarter of 2022 and in the Report Period compared to the corresponding periods in 2021 was due to an increase in salaries and related expenses due to an increase in the number of employees;
Operating loss	12,410	6,343	7,764	3,123	16,202	The increase in operating loss in the second quarter of 2022 and in the Report Period compared to the corresponding periods in 2021 was mainly due to an increase in research and development expenses, an increase in sales and marketing expenses and an increase in administrative and general expenses which was partially offset by an increase in gross profit;
Finance expenses	1,501	64	959	44	629	The increase in financing expenses in the second quarter of 2022 and in the Report Period relative to the corresponding period in 2021 was mainly due to exchange rate differences in respect of revaluation of balance sheets and hedging transactions' expenses;
Finance income	(432)	(335)	69	71	(196)	The increase in financing income in the first half of 2022 relative to the corresponding period in 2021 was due to an increase in income;
Finance (income), expenses net	1,069	(271)	1,028	115	433	The increase in net financing expenses in the second quarter of 2022 and in the Report Period relative to the corresponding periods in 2021 was due to an increase in financing expenses, as detailed above;
Loss before income taxes	13,479	6,072	8,792	3,238	16,635	The increase in the pre-tax loss on income in the second quarter of 2022 and in the Report Period relative to the corresponding periods in 2021 was due to an increase in the operating loss;

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

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

Annual Recurring Revenues trend

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

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

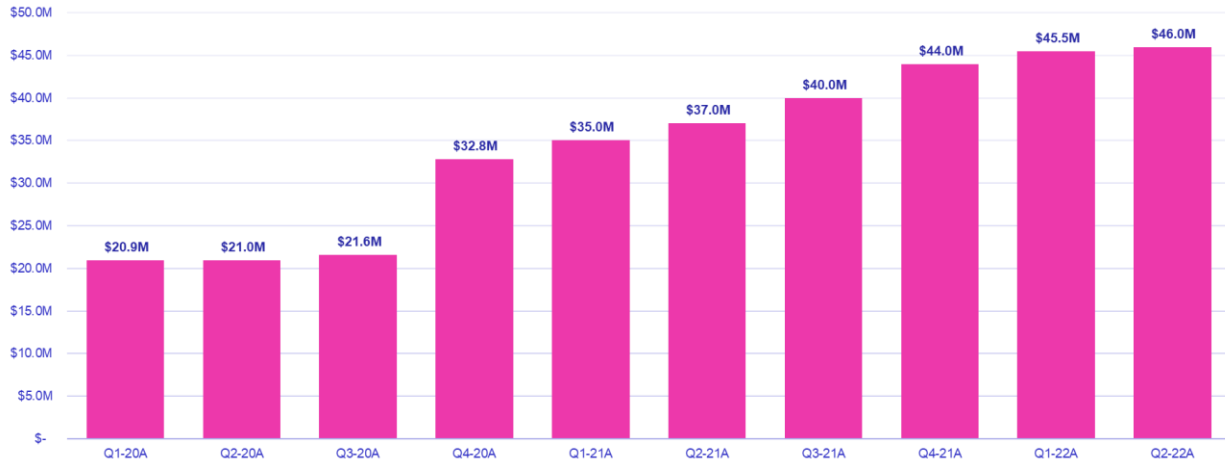
Below is the Group's ARR breakdown, by quarter, as of the report date, in –2020-2022⁷

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).

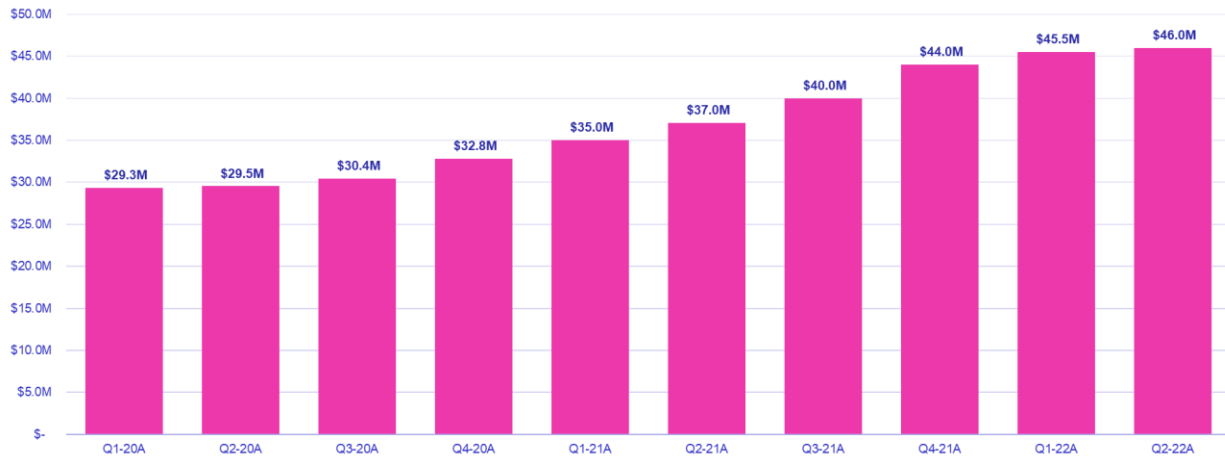
As of the report date, the ARR balance increased to approximately \$ 46 million, compared to around \$ 45.5 million as of the end of Q1 2022. In addition, the ARR balance of the Company as of the end of Q2 2022 is approximately 24% greater compared to the ARR balance of the Company as of the end of Q2 2021. The net addition to ARR in the six months period ended June 30, 2022, decreased by approximately 53% compared to the net addition to ARR in the six months period ended June 30, 2021.

In addition, in the reported period 22 new customers joined the Company, and the ARR from cloud customers increased by approximately 26% compared to the corresponding period last year.

⁷ It should be indicated that the data presented above for the fourth quarter of 2020 and thereafter gross up the data of SessionCam. For details about the SessionCam purchase agreement, see section 1.1.3 in the description of the corporation's business report.

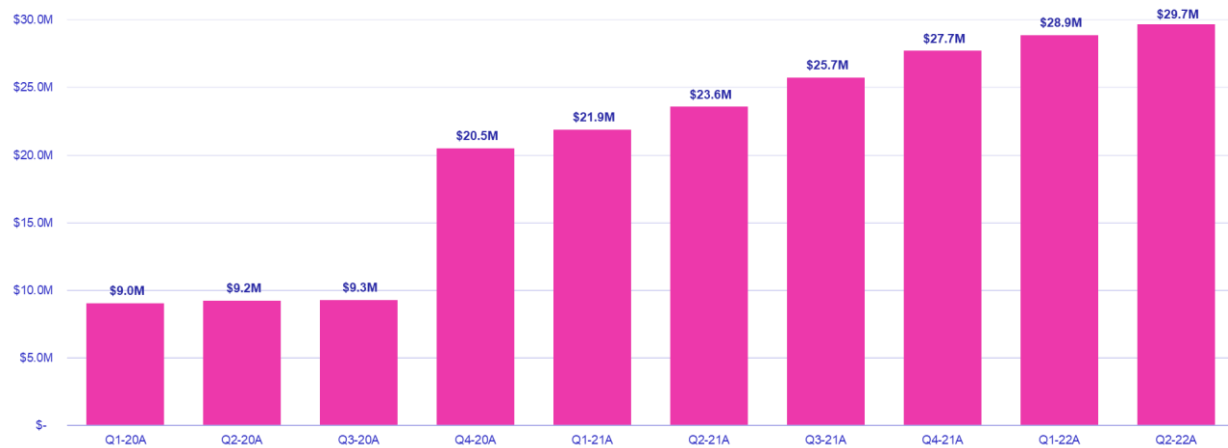


Below is the Group's ARR breakdown, by quarter, on proforma basis as of the end of every quarter, in 2020 - 2022⁸



⁸ it should be indicated that the data presented above regarding Q4 2020 onwards gross up the data of SessionCam.

Below is the ARR breakdown from the Group's cloud customers, by quarter, as of the end of every quarter in 2020-2022⁹



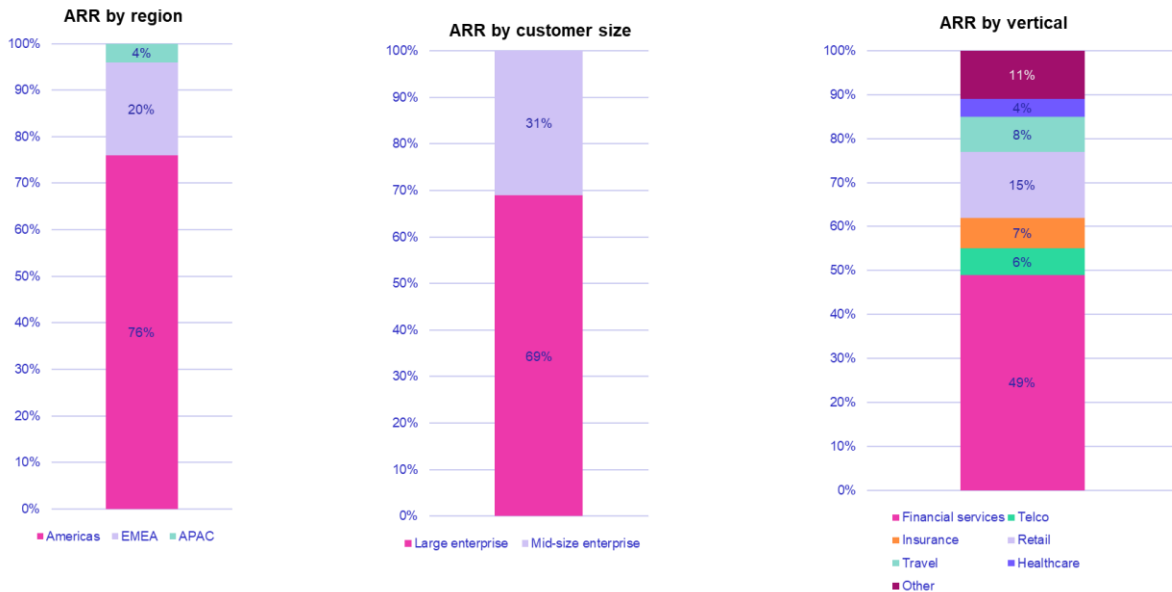
ARR Breakdown

As of the date of the report and the date of the report, the Company is operating, through the Group Companies, to sell licenses for the use of Enterprise and Optimize systems, as well as the SC system (to a limited extent)¹⁰. Therefore, as of the date of the report and the date of the report, the Company no longer makes a distinction between the activity of Company, Glassbox USA and Glassbox England, and the activity of SessionCam, but only segment between large and medium and small customer data. The following chart describes the ARR balance of the Group as of June 30, 2022 with the segmentations relevant to its activity:

⁹ it should be indicated that the data presented above regarding Q4 2020 onwards gross up the data of SessionCam.

¹⁰ For more information about Enterprise System, SC System and Optimize System, see Sections 1.16.1, 1.16.2 and 1.18 of the Report on Description of the Corporation's Business, respectively.

ARR by Region, customer size and vertical:



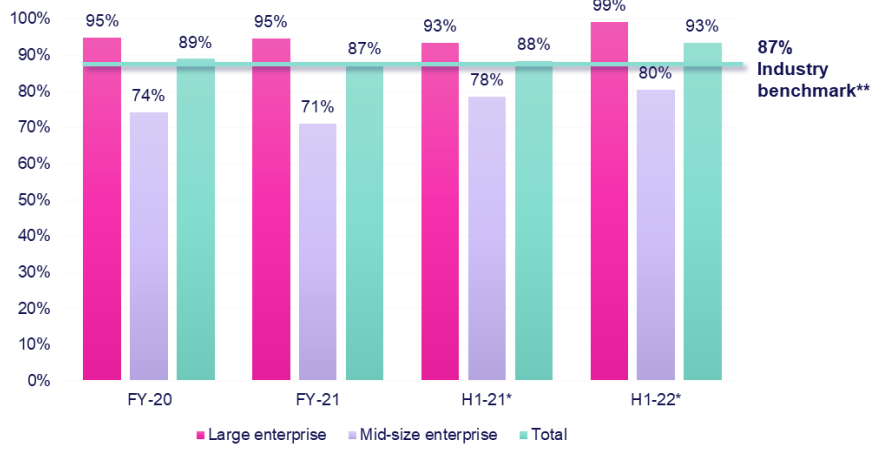
Customer Retention Rates

Another operations metric is the retention rate of existing customers (USD Retention Rate) based on ARR which is calculated separately with consideration of customers who have left or reduced the gross retention of revenues (Gross retention) or of customers who have left 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 recurring income from customers from the increased use of the Company's products.

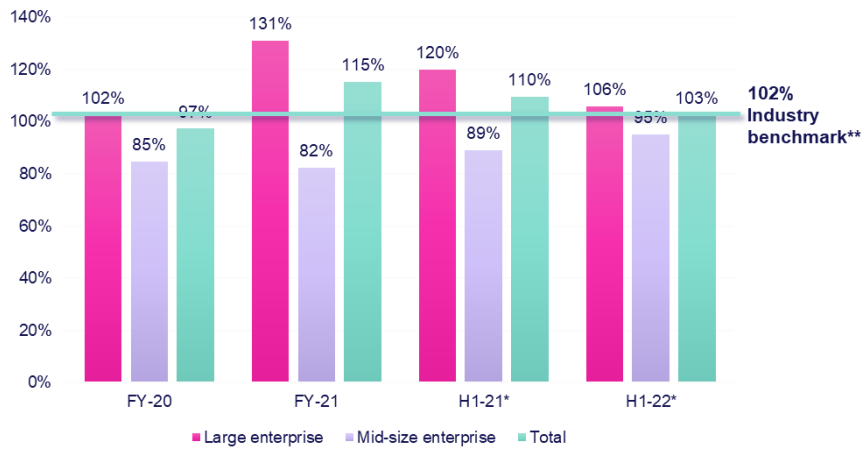
The following is a breakdown of customer retention rates, divided into large customers (annual revenues over \$ 250,000) and medium-sized customers (annual revenues below \$ 250,000), as of December 31, 2020, and 2021, and June 30, 2021, and 2022, respectively¹¹:

¹¹ It should be noted that the data presented above in relation to the reported period were normalized to annual terms.

GROSS RETENTION PER CUSTOMER SIZE



NET RETENTION PER CUSTOMER SIZE



* Annualized retention

** Based on KeyBanc 2021 SaaS survey

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

8.1. Section 1.2 in the Report on Description of the Corporation's Business – investments in the Company's capital and transactions in its shares.

8.1.1. 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 exchange for consulting and other services provided by the Offerees to the Company in various areas, of a total of 16,160 options, non-transferable, and exercisable for up to 16,160 ordinary shares of NIS 0.01 par value each of the Company. For further details, see immediate report of the Company dated February 8, 2022 (reference no: 2022-01-014325), the information according to which is presented in this report by way of reference.

8.1.2. On February 27, 2022, the Company published a prospectus for offering securities to employees, by virtue of which the Company would be entitled to offer employees and officers of the Company and affiliated companies¹² up to 440,000 non-marketable warrants, and up to 200,000 unlisted restricted share units (RSUs), which would be exercisable into up to 640,000 ordinary shares of the Company par value ILS 0.01 each (the "Prospectus"). For more information about the Prospectus, see the Company's immediate report dated February 27, 2022 (reference no: 2022-01-019527), the information of which is presented in this report by way of reference.

8.1.3. On March 15, 2022, the Company's board of directors approved a non-material private allocation to an offeree that is a consultant and service provider of Glassbox UK (the "Offeree") in consideration for consulting and other services granted by the Offeree to Glassbox UK in various areas, in total of 5,000 non-marketable warrants, exercisable into up to 5,000 ordinary shares of the Company par value ILS 0.01 each. For more information, see the Company's immediate report dated March 16, 2022 (reference no: 2022-01-026049), the information of which is presented in this report by way of reference.

8.1.4. On August 15, 2022, the Company's board of directors approved a non-material private allocation to two offerees that are consultants of the Company (the "Offerees") in consideration for consulting services granted by the Offerees to the Company in various areas, in a total of 35,134 non-marketable warrants, exercisable into up to 35,134 ordinary shares of the Company par value ILS 0.01 each. For more information, see the Company's immediate report published in parallel to this report.

¹² Subsidiaries or second-tier subsidiaries of the Company, controlled by the Company.

8.2. Section 1.29.2 in the Report on Description of the Corporation’s Business – engagement in a credit line agreement.

Further to the stated in section 1.29.2 of the Corporate Business Description Report (in this paragraph: the “**Section**”), on May 10, 2022, the Company’s Board of Directors approved the engagement of the Company and Glassbox USA’s (together: the “**Borrowers**”) in the amendment to the credit line agreement with Silicon Valley Bank dated March 8, 2021 for the provision of external financing in the amount of up to \$ 8 million (the “**Amendment**”). In accordance with the Amendment, the financial covenant for maintaining a minimum level of recurring income of the Group (as specified in the Section) has been deleted, and the Borrowers will be required to maintain a ratio of 1.25 between the current assets of the Borrowers and their current liabilities less deferred income only. For further details, see the immediate report of the Company dated May 11, 2022 (reference number: 2022-01-056566), the information according to which is presented in this report by way of reference.

8.3. Regulation 21 of the report Additional details about the corporation – Remuneration for Interested Parties and Senior Office Holders

Further to Regulation 21 of the Additional Details Report, which is attached as Chapter D to the Periodic Report (the “**Additional Details Report**”), on May 2 and 10, 2022, the Remuneration Committee and the Company’s Board of Directors approved, respectively, and on June 29, 2022, the general meeting of the Company’s shareholders approved the updated terms of office and employment of Mr. Yaron Morgenstern, who serves as a Director and the CEO of the Company, and of Mr. Yaron Guetta, who serves as a Director and the Chief Technology Officer of the Company. For more details, see the report on convening a general meeting of the Company’s shareholders and an immediate report regarding its results dated June 12 and 29, 2022 (reference numbers: 2022-01-059412 and 2022-01-067971, respectively), the information according to which is presented in this report by way of reference.

B. Corporate Governance Aspects

9. Donations

In the report period, donation of approximately USD 47 thousand were granted. As of the date of the report and the report date, the Company has no donation policy. Accordingly, donation requests that are received by the Company are considered on merits, and as of the date of the report there has been no material commitment to donate in future periods.

10. Directors with accounting and financial expertise

Pursuant to the decision of the Company's board of directors, the minimum number of directors with accounting and financial expertise that is proper for the Company, in accordance with section 92(a) (12) of the Companies Law, 5759-1999 (the "**Companies Law**"), is two (2) directors, considering the nature of the accounting issues and accounting control issues arising in preparing the Company's financial statements, the Company's areas of activity, the size of the Company and the scope and complexity of its activities.

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

For further details regarding the directors with accounting and financial expertise listed above, including their skills, education, experience and knowledge, on the basis of which the Company considers them to have accounting and financial expertise, see regulation 26 of the report on additional details on the corporation.

11. Independent directors

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

12. **Internal auditor of the Company**

For details regarding the Company's internal auditor (pursuant to regulation 10 (b) (11) and the Fourth Addendum to the Reporting Regulations), see section 13 of the 2021 Board Report.

On May 2, 2022, the members of the Company's audit committee discussed a risk survey conducted by the Company's internal auditor, on the basis of which an annual audit plan for 2022 was determined (the "**Annual Audit Plan**"), which includes the following topics: (a) Procurement and contracting with suppliers, consultants and service providers; (b) Cyber and Information security; and (c) Customer Support / success.

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

13. **Material events in the reported period and thereafter**

13.1. On March 31, 2022, the Company¹³ contractually engaged with a group customer, who is one of the ten largest banking corporations in the USA (the "**Customer**"), in an amendment to the license usage agreement that was executed between the Company and the Customer of August 1, 2019, as amended from time to time (the "**Amendment**"). In the framework of the Amendment, the period of the license granted to the Customer for using the Enterprise¹⁴ system extended, which is installed at the center of the Customer's data (on-premise) (the "**System**"), and the uses of the System were expanded.

For more information about the Amendment and its main provisions, including the validity of the usage license and payment terms, see the Company's immediate report dated March 31, 2022 (reference no: 2022-01-033477), the information of which is presented in this report by way of reference.

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

14. **The Company's liabilities by maturity dates**

Report on the Company's liabilities by maturity dates as of June 30, 2022, is published in a separate reporting form concurrently with the publication of this report and the information therein is included by way of reference.

¹³ Through Glassbox USA.

¹⁴ For more information about the Enterprise system, see section 1.16.1 of the description of the corporation's business report.

August 15, 2022

Mr. Brian Abrams

Chairman of the Board

Mr. Yaron Morgenstern

The Company CEO

Chapter B – Financial Statements

Consolidated interim financial statements of the Company as of June 30, 2022