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GLASSBOX LTD.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS OF JUNE 30, 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 consolidated subsidiaries (hereinafter – the Company), which includes the condensed consolidated statement of financial position as of June 30, 2022 and the condensed consolidated statements of profit or loss and other comprehensive income, changes of equity and cash flows for the six and three-month periods ending that date. The Board of Directors and Management are responsible for preparing and presenting financial information for these interim periods in accordance with IAS 34, Interim Financial Reporting, and are responsible for preparing financial information for these interim periods in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express our conclusions with regard to the financial information for these interim periods, based on our review.

Scope of the Review

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

Conclusion

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

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

Tel Aviv
August 15, 2022

Kesselman & Kesselman
CPAs
A firm in PricewaterhouseCoopers International Limited

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF
JUNE 30, 2022**

	<u>June 30</u>		<u>December 31</u>
	<u>2022</u>	<u>2021</u>	<u>2021</u>
	<u>(Unaudited)</u>		<u>(Audited)</u>
	<u>Dollars in thousands</u>		
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	37,733	8,179	12,123
Short term deposits	9,950	58,904	43,690
Short term restricted deposits	270	457	467
Trade receivables	1,629	2,126	2,922
Other receivable and prepaid expenses	3,814	3,304	3,693
	<u>53,396</u>	<u>72,970</u>	<u>62,895</u>
NON-CURRENT ASSETS:			
Long term restricted deposits	489	476	477
Property and equipment, net	1,223	1,132	1,188
Right of use assets, net	2,181	2,657	2,472
Intangible assets	8,883	11,370	10,761
Goodwill	13,850	15,865	15,471
Deferred taxes	1,101	-	765
Advance payments	1,023	-	880
Customer acquisition costs	729	419	774
	<u>29,479</u>	<u>31,919</u>	<u>32,788</u>
Total assets	<u>82,875</u>	<u>104,889</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 AS OF
JUNE 30, 2022**

	June 30,		December 31,
	2022	2021	2021
	(Unaudited)		(Audited)
	Dollars in thousands		
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Trade payables	1,912	852	2,663
Deferred revenues	11,068	11,179	8,026
Other accounts payable	10,249	6,012	9,518
Contingent consideration for purchase of investment in subsidiary	5,640	-	5,799
Deferred consideration for purchase of investment in subsidiary	3,663	-	3,915
Lease liabilities	486	609	592
	<u>33,018</u>	<u>18,652</u>	<u>30,513</u>
NON-CURRENT LIABILITIES:			
Deferred revenues	1,815	872	943
Contingent consideration for purchase of investment in subsidiary	-	2,590	-
Deferred consideration for purchase of investment in subsidiary	-	3,886	-
Deferred tax liabilities	1,620	2,203	1,955
Lease liabilities	1,797	2,350	2,287
	<u>5,232</u>	<u>11,901</u>	<u>5,185</u>
TOTAL LIABILITIES	<u>38,250</u>	<u>30,553</u>	<u>35,698</u>
SHAREHOLDERS' EQUITY:			
Ordinary share capital	32	31	32
Additional paid-in capital	121,220	120,440	120,929
Capital reserve for share-based payment	14,512	4,949	10,272
Translation adjustments of foreign operations	329	773	931
Accumulated deficit	<u>(91,468)</u>	<u>(51,857)</u>	<u>(72,179)</u>
TOTAL SHAREHOLDERS' EQUITY	<u>44,625</u>	<u>74,336</u>	<u>59,985</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>82,875</u>	<u>104,889</u>	<u>95,683</u>

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

August 15, 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 FOR PERIODS OF 6 AND 3 MONTHS ENDED ON JUNE 30, 2022

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2022	2021	2022	2021	2021
	(Unaudited)				(Audited)
	USD thousands				
Revenues	23,035	16,543	10,338	8,786	36,990
Cost of revenues	7,838	6,078	4,112	3,056	12,465
Gross profit	15,197	10,465	6,226	5,730	24,525
Research and development expenses	10,685	7,424	5,322	3,945	18,395
Sales and marketing expenses	16,769	10,946	8,580	5,712	25,460
General and administrative expenses	5,368	4,786	2,307	2,983	9,800
Other expenses	-	-	-	-	3,055
	32,822	23,156	16,209	12,640	56,710
Operating loss	17,625	12,691	9,983	6,910	32,185
Finance expense	2,056	459	1,233	190	1,314
Finance income	(432)	(335)	69	71	(196)
Finance expenses, net	1,624	124	1,302	261	1,118
Loss before taxes on income	19,249	12,815	11,285	7,171	33,303
Taxes on income (Tax benefits)	40	(103)	43	105	(269)
Loss	19,289	12,712	11,328	7,276	33,034
Other comprehensive loss :					
Amounts that will be reclassified or reclassified to profit or loss subject to specific conditions:					
Translation adjustments of foreign operations	602	55	884	83	(103)
Total other comprehensive loss (income)	602	55	884	83	(103)
Total comprehensive loss for the year	19,891	12,767	12,212	7,359	32,931
Basic and diluted loss per share	1.65	3.80	0.97	1.57	4.40

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR PERIODS OF 6 AND 3 MONTHS ENDED ON JUNE 30, 2022

	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, 2022</u> <u>(audited)</u>	32	-	120,929	10,272	931	(72,179)	59,985
<u>Movement in the six months ended</u> <u>June 30, 2022 (unaudited):</u>							
Loss						(19,289)	(19,289)
Other comprehensive income					(602)		(602)
<u>Total loss for year</u>					(602)	(19,289)	(19,891)
Option exercise			291	(58)			233
Share based payment				4,298			4,298
<u>Balance as of June 30, 2022</u> <u>(unaudited)</u>	32	-	121,220	14,512	329	(91,468)	44,625
<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 six months ended</u> <u>June 30, 2021 (unaudited):</u>							
Loss						(12,712)	(12,712)
Other comprehensive loss					(55)		(55)
<u>Total loss for period</u>	-	-		-	(55)	(12,712)	(12,767)
Exercise of options			428	(136)			292
Issuance of shares and warrants, net of issuance expenses	26	(20)	53,380				53,386
Share based payment				3,194			3,194
<u>Balance as of June 30, 2021</u> <u>(unaudited)</u>	31	-	120,440	4,949	773	(51,857)	74,336
<u>Balance as of April 1, 2022</u> <u>(audited)</u>	32	-	121,122	12,774	1,213	(80,140)	55,001
<u>Movement in the three months</u> <u>ended June 30, 2022 (unaudited):</u>							
Loss						(11,328)	(11,328)
Other comprehensive income					(884)		(884)
<u>Total loss for period</u>	-	-	-	-	(884)	(11,328)	(12,212)
Option exercise			98	(35)			63
Share based payment				1,173			1,173
<u>Balance as of June 30, 2022</u> <u>(unaudited)</u>	32	-	121,220	14,512	329	(91,468)	44,625
<u>Balance as of April 1, 2021</u> <u>(audited)</u>	5	20	66,964	3,032	856	(44,581)	26,296
<u>Movement in the three months</u> <u>ended June 30, 2021 (unaudited):</u>							
Loss						(7,276)	(7,276)
Other comprehensive loss					(83)		(83)

GLASSBOX LTD.

<u>Total loss for period</u>	-	-	-	-	(83)	(7,276)	(7,359)
Option exercise			96	(66)			30
Issuance of shares and warrants net of issuance expenses	26	(20)	53,380				53,386
Share based payment				1,983			1,983
<u>Balance as of June 30, 2021 (unaudited)</u>	<u>31</u>	<u>-</u>	<u>120,440</u>	<u>4,949</u>	<u>773</u>	<u>(51,857)</u>	<u>74,336</u>
<u>Balance as of January 1, 2021 (audited)</u>	5	20	66,632	1,891	828	(39,145)	30,231
<u>Movement in the year 2021 (unaudited):</u>							
Loss						(33,034)	(33,034)
Other comprehensive loss					103		103
Total loss for year	-	-	-	-	103	(33,034)	(32,931)
Issuance of preferred shares net of issuance expenses	26	(20)	53,388				53,394
Employee option exercise	1		909	(226)			684
Share based payment				8,607			8,607
<u>Balance as of December 31, 2021 (audited)</u>	<u>32</u>	<u>-</u>	<u>120,929</u>	<u>10,272</u>	<u>931</u>	<u>(72,179)</u>	<u>59,985</u>

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR PERIODS OF 6 AND 3 MONTHS ENDED ON JUNE 30, 2022

	Six months ended		Three months ended		Year ended
	June 30		June 30		December 31
	2022	2021	2022	2021	2021
	(Unaudited)		(Unaudited)		(Audited)
	USD thousands				
Cash flows from operating activities:					
Loss	(19,289)	(12,712)	(11,328)	(7,276)	(33,034)
Adjustments to reconcile net loss to net cash used in operating activities:					
Depreciation and amortizations	1,006	914	480	458	1,927
Changes in deferred taxes	(476)	(373)	(126)	(157)	(1,331)
Finance expenses (income) net	484	(3)	524	84	161
Promotion of earnout and deferred liability interest	638	395	316	145	733
Increase in short term deposits	-	-	-	-	(7)
Change in fair value of earnout	-	-	-	-	3,055
Amortization of right of use assets	285	287	142	144	577
Cost of share-based payment	4,298	3,194	1,773	1,983	8,607
	6,235	4,414	3,109	2,657	13,722
Changes in operating assets and liabilities:					
Decrease (increase) in trade receivables, net	1,047	(267)	2,919	(578)	(1,102)
Decrease (increase) in other receivable and prepaid expenses	(399)	(375)	883	283	(1,576)
Decrease (increase) in customer acquisition cost	45	44	86	34	(311)
Increase (decrease) in trade payables	(695)	(176)	81	(38)	1,660
Decrease (increase) in other accounts payable	1,933	(76)	(266)	261	4,212
Increase (decrease) in deferred revenues	4,450	2,150	(1,846)	21	(837)
	6,381	1,300	1,857	(17)	2,046
Taxes paid	(396)	(283)	(377)	(276)	(537)
	(396)	(283)	(377)	(276)	(537)
Net cash provided from (used in) operating activities	(7,069)	(7,281)	(6,739)	(4,912)	(17,803)

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR PERIODS OF 6 AND 3 MONTHS ENDED ON JUNE 30, 2022

	Six months ended		Three months ended		Year ended
	June 30		June 30		December 31
	2022	2021	2022	2021	2021
	(Unaudited)		(Unaudited)		(Audited)
	USD thousands				
Cash flows from investing activities:					
Deposits withdraws	33,925	-	17,178	-	-
Deposits	-	(56,885)	-	(48,293)	(41,675)
Purchase of other assets	-	-	-	-	(500)
Purchase of property and equipment	(216)	(124)	(77)	(77)	(363)
Net cash provided from (used in) investing activities	33,709	(57,009)	17,101	(48,370)	(42,538)
Cash flows from financing activities:					
Proceeds from issuance of shares and warrants, net of issuance expenses	-	53,714	-	53,714	53,394
Proceeds from exercise of options	228	292	36	30	684
Interest payments for liabilities	(32)	(38)	(14)	(18)	(74)
Repayment of lease liabilities	(304)	(301)	(149)	(151)	(613)
Net cash provided from (used in) financing activities	(108)	53,667	(100)	53,575	53,391
Increase (decrease) in cash and cash equivalents	26,532	(10,623)	10,262	293	(6,950)
Exchange rate differences for cash and cash equivalents	(922)	(285)	(887)	(318)	(14)
Balance of cash and cash equivalents at the beginning of the year	12,123	19,087	28,358	8,204	19,087
Balance of cash and cash equivalents at the end of the year	37,733	8,179	37,733	8,179	12,123
(a) Information regarding non-cash investing and financing activities:					
Options exercises not yet received as of the balance sheet date	5	-	5	-	-
Issuance expenses not yet paid as of the balance sheet date	-	(328)	-	(328)	-
Recognition of right of use asset for office lease against liability for lease	-	-	-	-	105

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2022

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

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

Glassbox Ltd. (the Company) was incorporated and commenced its operations in November 2010. The Company has wholly owned subsidiaries in the United Kingdom named Glassbox Digital UK Ltd which commenced its operations in November 2015 and Glassbox Inc in the USA which commenced its operations in January 2016. In October 2020, the Company completed the purchase of SessionCam in the United Kingdom which became a wholly owned subsidiary effective from this date. (The Group)

On September 13, 2021, the Company engaged in an asset purchase agreement with Convertize Ltd., a UK company that among other things specializes in the development of technology in the area of smart A/B testing, in consideration for \$ 500 thousand.

The Group develops and markets software products in the field of customer experience. The Company sells its products mainly to large and medium sized customers in order to help them improve their customer experience on websites and applications on smartphones.

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

The Company sells to large and medium-sized customers and organizations, mainly in North America, Europe and Asia Pacific. The main areas of activity of the Company's customers are banking, insurance, retail, telecom and tourism.

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

Interim financial information is reviewed and not audited.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2022

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

- a. The Group's condensed financial information as of June 30, 2022 and for the interim periods of six and three months ended on such date (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 2021 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 periods of the six months and three months ended June 30, 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 AS OF JUNE 30, 2022

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2022

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 six-month period ended June 30, 2022, 890,411 warrants and 190,512 RSU were granted. 24,493 of them granted to service providers.

During the six month period ended June 30, 2022 and 2021, 77,135 and 186,367 warrants were exercised, respectively. The consideration from the exercises amounted to approximately \$ 233 thousand and \$ 292 thousand, respectively (of which, for the six months ended June 30, 2022, \$ 5 thousand were not yet transferred to the Company by the trustee).

During the six month period ended June 30, 2022 and 2021, the company's expenses for share-based payment are 4,298 and 3,194 thousand dollars, respectively.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2022
NOTE 5: - REVENUES

Below is the composition of revenues for the reported periods:

	Six months ended		Three months ended		Year ended
	June 30		June 30		December 31
	2022	2021	2022	2021	2021
	(Unaudited)		(Unaudited)		(Audited)
	USD thousands				
On premise licenses and related services	9,233	6,038	3,221	3,272	13,709
Cloud licenses	12,492	9,382	6,397	5,044	20,695
Services and others	1,310	1,123	720	470	2,586
	<u>23,035</u>	<u>16,543</u>	<u>10,338</u>	<u>8,786</u>	<u>36,990</u>

NOTE 6: - RELATED PARTIES

Remuneration to interested party

a. Balances with related parties

	June 30		December 31
	2022	2021	2021
	(Unaudited)		(Audited)
Short term employee benefits	319	438	466
	<u>319</u>	<u>438</u>	<u>466</u>

b. Transactions with related parties

	Six months ended		Three months ended		Year ended
	June 30		June 30		December 31
	2022	2021	2022	2021	2021
	(Unaudited)		(Unaudited)		(Audited)
	USD thousands				
Salaries and other benefits to interested parties employed by the group	471	605	260	448	1,323
Share based payment to interested parties in the Group	64	1,161	39	625	2,361
Total employment costs for interested parties employed by the group	<u>535</u>	<u>1,766</u>	<u>299</u>	<u>1,073</u>	<u>3,684</u>
Number of persons to whom the benefit relates	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>