

**NICE**

2022  
**ANNUAL REPORT**

## Dear Shareholders,

Nine years ago, we embarked on an exciting journey to turn NICE into a company that is built to transform. With a clear long-term strategy and coordinated execution, we went through multiple transformations, growing and cementing our leadership in the markets in which we operate. 2022 was another pivotal year for NICE, a year in which we surpassed significant milestones buttressed by our continued strong top and bottom-line growth. These milestones included crossing two billion dollars in total revenue while continuing to move swiftly towards a 30 percent plus operating margin, as well as having the best year ever for new customer acquisition and new partner onboarding. Moreover, we now have 60 percent of our total revenue in the cloud, growing at the fastest pace and scale of any company in our industry, accomplishing our mission of transforming NICE into a market-leading enterprise cloud company. **These 2022 achievements have created the perfect stepping-stone for our next transformation.**

Growing up as a child in the 1980s, I remember the feeling inflicted by the occasional power outage. Having no electricity to power up the TV, stereo or video games felt like being deprived of something essential. Looking at my own children growing up today, they exhibit the same reaction when they temporarily lose Wi-Fi reception, and recoil in shock and amazement when they hear tales about an ancient time before the age of constant connectivity. I believe that for my grandchildren, living 15 years from now, the same will hold true for Artificial Intelligence. It will be hard for them to fathom how humanity could have possibly survived without AI fully embedded, uninterrupted, within our daily lives.

**Artificial Intelligence is waiting in unsuspecting serenity to pounce on us as the next disruptive technology**, and it is poised to transform the fundamentals of the enterprise software market. Anticipating this massive AI swell, we have been investing in both organic innovation and strategic acquisitions over the last few years to actively transform our cloud platforms into AI platforms and transform NICE into an AI company.

AI is the most prominent force reshaping the nature of digital transformation and redefining the premise of its value proposition. In fact, it is no longer possible to view AI and digitalization as separate forces. Rather, they are intertwined entities that are forming a powerful new symbiotic relationship. This realization is defining the next step in our journey as we use the power of AI to reshape our markets. With purpose-built AI, we will transform Customer Experience, empowering organizations to anticipate customer needs and create unattended, brilliant, human-like service. For Financial Crime and Compliance, the power of AI will accurately identify risk events along the entire customer lifecycle, stopping threats and fraudulent activities before they occur. And, our advanced AI capabilities will create a swift and fair digitalized Criminal Justice system.

The internet, the emergence of mobile and the shift to the cloud were all technology waves that left an indelible impact on many aspects of our lives and completely changed the landscape for enterprises. AI is the next tidal wave and will become critical to the success of companies today more than any previous technology revolution. Enterprises cannot afford to skip this technology wave or even take their time adopting AI, as it is the only way for them to overcome two fundamental challenges currently facing businesses: the ability to efficiently manage complexity at scale and the ability to mitigate the shortage of skilled labor. We believe that only companies who will combine strong digital capabilities with robust adoption of a proactive AI strategy will be able to achieve success and see outsized financial performance.

The same holds true for enterprise software vendors. Those who are able to evolve from a software company to an AI company will realize the greatest benefits and become the most valuable, as public investments, private capital and corporates will shift and prioritize AI use cases and applications over other opportunities.

**NICE is already well on its way to becoming a leading AI company across its markets.** Our rapidly developing AI capabilities are setting us distinctly apart from our competition and building an unbridgeable gap of differentiation. We have already demonstrated our clear leadership as a cloud platform company, and we are now making significant strides to widen our lead as we expand into AI and digital. The strength of our AI solutions rests in the unique assets that we own: a cloud platform that has been widely adopted, massive amounts of historical data, and industry-specific domain expertise.

Becoming an AI company is significantly expanding our total addressable market. Moving forward, we expect to generate an increasing amount of revenue from our platforms, as we expand from monetizing on the number of users to the exponentially growing number of transactions and interactions managed by our AI platforms. **As our TAM continues to expand, we believe it will drive a long runway for both growth and increasing profitability.**

Another characteristic of our leadership and our competitive strength is our unique, industry-leading financial profile, especially as it pertains to our superior profitability, strong annual cash flow from operations and sizeable cash position. Our financial strength gives us the ability to further invest in growth through research and development, as well as through acquisitions, to capture additional market opportunities in 2023 and in the years to come.

But our leadership goes well beyond technology and innovation in our various markets. Along with our 8,500 employees, NICE is dedicated to creating a positive impact as our NICERs are deeply involved in various volunteering activities within their local communities. I have always held that it is imperative for CEOs to use their voice publicly and I intend to continue doing so at opportune moments of profound impact, promoting those values I care for with a passion: freedom, human rights and the uncompromising criticality of preserving democracy.

This is my 10<sup>th</sup> year as the CEO of NICE, and along with an exceptional team of the most professional and committed executives I've ever had the privilege of working with, we have more than doubled our revenues, tripled our profitability, and built scale and leadership that delivered outstanding shareholders returns.

I speak on behalf of the entire NICE team when I say that as we look towards the future, our level of passion and enthusiasm about the opportunity ahead is stronger than it has ever been before.

The strength and success of NICE is built on the dedication and support of our employees around the world. We attract the most talented employees and have assembled the best team in our industry. For our customers, we are creating value by unlocking the power of technology to help them grow their businesses. We are committed to our growing network of partners, who help us deliver our market leading solutions to our customers around the world. And, we thank our shareholders for their continued trust, confidence and motivation to be part of our journey.

Sincerely

A handwritten signature in blue ink, appearing to read 'B. Eilam', written in a cursive style.

Barak Eilam

Chief Executive Officer

# 2022 Key milestones



**Total revenue surpassed \$2 billion and increased 13% year over year to a record \$2.2 billion**



**Double-digit growth in both business segments: Customer Engagement and Financial Crime and Compliance**



**International expansion: double-digit growth in all geographic regions in constant currency driven by increased cloud adoption**



**Cloud revenue increased 27% year over year and represented a record 59% of total revenue**



**Cloud gross margin increased 230 bp to a record 70%**



**Operating cash flow generation of \$480 million**

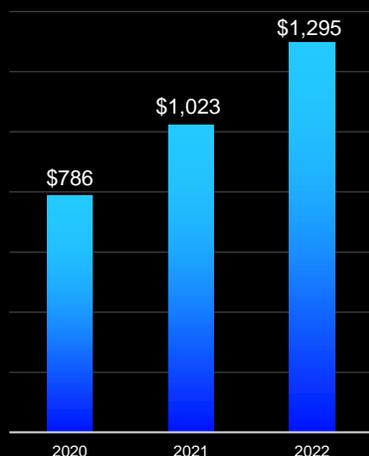


**Total cash and short-term investments of \$1.6 billion**

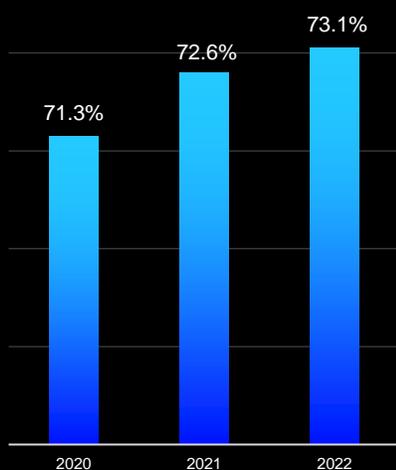
# Financial Highlights for 2022

All chart numbers are Non-GAAP.  
\$ in millions

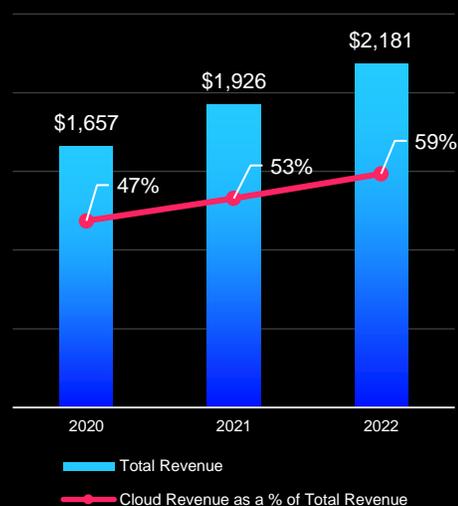
## CLOUD REVENUE



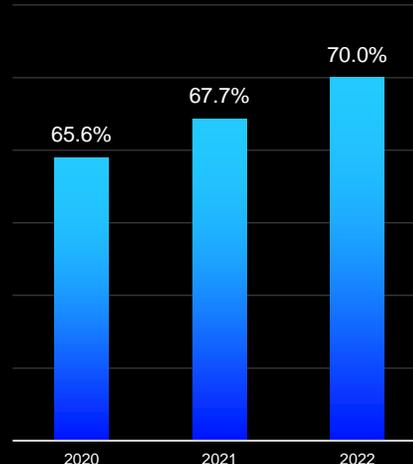
## TOTAL GROSS MARGIN



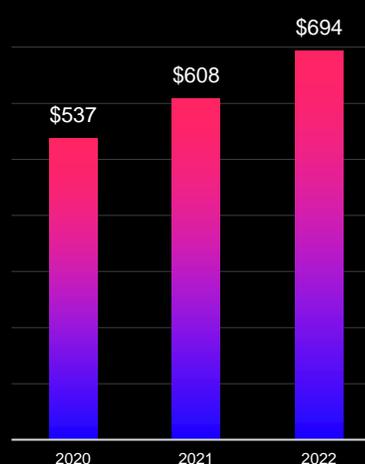
## TOTAL REVENUE



## CLOUD GROSS MARGIN



## EBITDA



**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 20-F**

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

*For the fiscal year ended December 31, 2022*

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 0-27466

**NICE LTD.**

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(Exact name of Registrant as specified in its charter)

N/A

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(Translation of Registrant's name into English)

**Israel**

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(Jurisdiction of incorporation or organization)

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**13 Zarchin Street, P.O. Box 690, Ra'anana 4310602, Israel**

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(Address of principal executive offices)

**Tali Mirsky  
Corporate VP, General Counsel and Corporate Secretary  
Tel: +972-9-7753151  
E-mail: [tali.mirsky@nice.com](mailto:tali.mirsky@nice.com)  
13 Zarchin Street, P.O. Box 690, Ra'anana 4310602, Israel**

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Trading Symbol</u>	<u>Name of Each Exchange On Which Registered</u>
<u><b>American Depositary Shares, each representing one Ordinary Share, par value one New Israeli Shekel per share</b></u>	<u><b>NICE</b></u>	<u><b>NASDAQ Global Select Market</b></u>

Securities registered or to be registered pursuant to Section 12(g) of the Act:

**None**

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

**None**

(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: **63,634,991 Ordinary Shares, par value NIS 1.00 per share (which excludes 11,139,836 treasury shares)**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934.

Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days:

Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

Emerging Growth Company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP

International Financial Reporting Standards as issued by the International Accounting Standards Board

Other

If "Other" has been checked in response to the previous question indicate by check mark which financial statement item the registrant has elected to follow:

Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

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## PRELIMINARY NOTE

This annual report contains historical information and forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 with respect to NICE’s business, financial condition and results of operations. The words “anticipate,” “believe,” “estimate,” “expect,” “intend,” “may,” “plan,” “project,” “should,” “strategy,” “continue,” “goal” and “target” and similar expressions, as they relate to NICE or its management, are intended to identify forward-looking statements. Such statements reflect the current beliefs, expectations and assumptions of NICE with respect to future events and are subject to various risks and uncertainties. The forward-looking statements relate to, among other things: operating results; anticipated cash flows; gross margins; adequacy of our resources to fund operations; our ability to maintain our average selling prices despite the aggressive marketing and pricing strategies of our competitors; our ability to maintain and develop profitable relationships with our key distribution channels; the financial strength of our key distribution channels; and the market’s acceptance of our technologies, products and solutions.

In connection with the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995, we are identifying important factors that, individually or in the aggregate, could cause actual results and outcomes to differ materially from those contained in any forward-looking statements made by us; any such statement is qualified by reference to the following cautionary statements. Many factors could cause the actual results, performance or achievements of NICE to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, among others, changes in general economic and business conditions, competition with existing or new competitors, the success and growth of our cloud Software-as-a-Service business, successful execution of our growth strategy, difficulties in making additional acquisitions or effectively integrating acquired operations, dependency on third-party cloud computing platform providers, hosting facilities and service partners, rapidly changing technology, cyber security attacks or other security breaches, privacy concerns and legislation, our ability to recruit and retain qualified personnel, changes in currency exchange rates and interest rates, the effects of additional tax liabilities resulting from our global operations, the effect of unexpected events or geopolitical conditions, such as the COVID-19 pandemic, that may disrupt our business and the global economy and various other factors, both referenced and not referenced in this annual report. These risks are more fully described under Item 3, “Key Information – Risk Factors” of this annual report. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, our actual results may vary materially from those described herein as anticipated, believed, estimated, expected, intended, planned or projected. All forward-looking statements are made only as of the date hereof. NICE does not intend or assume any obligation to update these forward-looking statements. Investors should bear this in mind as they consider forward-looking statements and whether to invest or remain invested in NICE’s securities.

In this annual report, all references to “NICE,” “we,” “us,” “our” or the “Company” are to NICE Ltd., a company organized under the laws of the State of Israel, and its wholly-owned subsidiaries. For a list of our significant subsidiaries, please refer to Item 4.C, “Organizational Structure” of this annual report.

In this annual report, unless otherwise specified or unless the context otherwise requires, all references to “\$” or “dollars” are to U.S. Dollars, all references to “EUR” are to Euros, all references to “GBP” are to British Pounds, all references to “CHF” are to Swiss Francs, all references to “NIS” are to New Israeli Shekels, all references to “INR” are to Indian Rupees, all references to “PHP” are to Philippine peso, all references to “AUD” are to Australian Dollar, all references to “JPY” are to Japanese Yen, and all references to “SGD” are to Singapore Dollar. Except as otherwise indicated, the financial statements of and information regarding NICE are presented in U.S. dollars.

**PART I**

**Item 1. Identity of Directors, Senior Management and Advisers.**

Not Applicable.

**Item 2. Offer Statistics and Expected Timetable.**

Not Applicable.

**Item 3. Key Information.**

**A. [Reserved]**

**B. Capitalization and Indebtedness**

Not applicable.

**C. Reasons for the Offer and Use of Proceeds**

Not applicable.

**D. Risk Factors**

*Our business faces significant risks. You should carefully consider all of the information set forth in this annual report and in our other filings with the Securities and Exchange Commission (“the SEC”), including the following risk factors which we face, and which are faced by our industry. The risks and uncertainties described below are not the only ones facing us. Other events, circumstances or factors that we do not currently anticipate or that we currently do not deem to be material risks may also affect our business, results of operations and financial condition. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks.*

***Risks Relating to our Business, Competition and Markets***

**The markets in which we operate are highly competitive and we may be unable to compete successfully.**

The markets for our products, solutions and related services (also referred to elsewhere in this document as our “offerings”) are, in general, highly competitive. Our competitors include a number of large, established software development vendors. Some of our principal competitors or potential competitors may have advantages over us, including greater resources, a broader portfolio of products, applications and services, greater brand recognition, larger patent and intellectual property portfolios and access to a larger customer base. These potential advantages would enable our competitors to better adapt to new market trends, emerging technologies or customer requirements, or devote more resources to the marketing and sale of their products and services.

Additional competition from new potential entrants to our markets, including new technology vendors competing in specific areas of our business, may lead to the widespread availability and standardization of some of the products and services we provide, which could result in the commoditization of our products and services, reduce the demand for our products and services and drive us to lower our prices.

In recent years, players in adjacent markets have increased their presence in our markets through internal development, partnerships and acquisitions. Infrastructure and/or enterprise software vendors, such as Customer Relationship Management (“CRM”) vendors, as well as Unified Communications as a Service (“UCaaS”), video collaboration providers and Platform as a Service (“PaaS”) vendors, have entered or may decide in the future to enter our market space or build or acquire contact center as a Service (“CCaaS”) solutions and compete with us by offering comprehensive solutions. Some of these vendors may be well recognized by broadly known brand names, which can serve as an advantage as they enter or increase their presence in our market space. If we are not able to compete effectively with these market entrants or other competitors, we may lose market share and our business, financial condition or results of operations could be adversely affected.

In light of the intense competition in our markets, successful development, positioning and sales execution of our offerings is a critical factor in our ability to successfully compete and maintain growth. Therefore, we must continue making significant expenditures on research and development and marketing and sales activities to compete effectively. In addition, our software solutions may compete with software developed internally by potential customers, as well as software and other solutions offered by competitors. We cannot ensure that the market awareness or demand for our new products, applications or services will grow as rapidly as we expect, or that the introduction of new products or technological developments or services by others will not adversely impact the demand for our offerings.

Successful marketing of our offerings to our customers and partners will be critical to our ability to maintain growth and our competitive positioning. We cannot assure that our offerings or existing partnerships will allow us to compete successfully. The market for some of our solutions is highly fragmented and includes a broad range of product offerings,

features and capabilities. Consolidation through mergers and acquisitions, or alliances formed, among our competitors in this market, could substantially influence our competitive position.

As we expand into new markets, we are faced with new challenges, including new competition, which may possess specific assets, relationships, know-how, and technologies that enable our competitors to better respond to market trends or customer requirements or devote greater resources to the development, promotion and sale of their products and services.

Additionally, prices of our offerings may decrease throughout the market due to competitive pressures or at times of economic difficulty. This could have a negative effect on our gross profit and results of operations.

**We may not be able to maintain and further expand the success in our cloud business.**

Our Software-as-a-Service ("SaaS", also referred to as "cloud") business, in both our Customer Engagement and Financial Crime and Compliance markets, has grown significantly, and therefore we are more dependent now on the success of this area of our business. If we are not able to compete effectively, generate significant revenues or maintain the profitability of our cloud business or if we do not successfully execute our cloud strategy or anticipate the needs of our customers, including in relation to the pace of adoption of cloud-based solutions by large enterprises, our revenues could decline and our reputation may be adversely affected.

Our cloud offering is generally purchased by customers on a subscription basis. Failure by our customers to renew their subscriptions for our services or reduction in the number or volume of subscriptions, can impact our revenues, profitability and results of operations.

We rely on cloud computing platforms provided by third parties, including PaaS provided by strategic partners, such as Amazon and Microsoft. These cloud computing platforms may not continue to provide competitive features and functionality, or may not be available on commercially reasonable terms. We may be affected by the pricing of certain infrastructure services, such as in the area of PaaS and network connectivity, which could in turn affect the rates we offer to our customers.

In addition, some of our customers may not accept the use of such services or particular platform. The inability to use any of these hardware, software or cloud computing platforms could have a material adverse impact on our business, increase our expenses and otherwise result in delays in providing our services until equivalent technology is either developed by us, or obtained through purchase or license and integrated into our services. In addition, to the extent that we suffer periods of unavailability of our service for reasons related to PaaS providers, we may be contractually obligated to provide our customers with credits for future services, and in some cases refunds, or be liable for penalties. Any such extended service outages could harm our reputation, revenue and operating results.

As we grow our cloud business, we will continue to depend on both existing and new strategic relationships with such vendors. Our inability to establish and foster these relationships could adversely affect the development of our cloud business, as well as our growth, reputation and results of operations.

Further, cloud computing may make it easier for new competitors to enter our markets due to the lower up-front technology costs and easier implementation and for existing market participants to compete with us on a greater scale. Such increased competition is likely to heighten the pressure on us to decrease our pricing, which could have a negative effect on our revenues, profitability and results of operations.

**We may not be able to compensate for loss of on-premises business with the continued shift to cloud based offerings**

The increasing prevalence of SaaS delivery models offered by us and our competitors may unfavorably impact pricing and overall demand for our on-premises software products and related services, which could reduce our revenues and profitability. With the continued shift to cloud-based offerings, we cannot guarantee that revenues generated from our cloud business will compensate for a loss of business in our on-premises enterprise software business.

**Our inability to respond to the rapid technological changes and frequent new products and service introductions in the markets in which we operate, may have a material adverse effect on our results from operations and/or competitive position.**

We operate in several markets, each characterized by rapidly changing technology, new product introductions and evolving industry standards. The introduction of products and services embodying new technology and the emergence of new industry standards might exert price pressures on our offerings or render them obsolete. Our markets are also characterized by consistent demand for state-of-the-art technology and products. Existing and potential competitors might introduce new and enhanced products and services that could adversely affect the competitive position of our offerings.

We believe that our ability to anticipate changes in technology and industry standards and to successfully develop and introduce new, enhanced and differentiated products and services, on a timely basis, in each of the markets in which we operate, is a critical factor in our ability to grow our business. As a result, we expect to continue to make significant expenditures on research and development, particularly with respect to new software applications, which are continuously required in all our business areas. In the event that we do not anticipate changes in technology or industry practices or fail to timely address market needs or not be able to provide the products and services that are in demand, or should customer adoption of new technologies be slower than we anticipate, we may lose market share and our results of operations may be materially adversely affected.

In addition, some of our offerings must readily integrate with customers' systems of record and data sources, consumer facing front-office applications and back-office business operations systems. Any changes to these third-party systems could require us to redesign our products, and any such redesign might not be possible on a timely basis or achieve market acceptance.

We cannot assure that the market or demand for our offerings will be sustained or grow as rapidly as we expect, that we will successfully develop new products and applications, that such new products and applications will achieve market acceptance, or that the introduction of new products, services or technological developments by others, including artificial intelligence technologies, will not render our products and services obsolete. Our inability to develop products and services that are competitive in technology and price and responsive to customer needs could have a material adverse effect on our business, financial condition and results of operations.

**We may not be able to successfully execute our growth strategy.**

Our strategy is to continue investing in, enhancing and securing our business and operations and growing our business, both organically and through acquisitions. Investments in, among other things, new markets, products, solutions, and technologies, research and development, infrastructure and systems, geographic expansion, and additional qualified and experienced personnel, are critical to achieving our growth strategy. Growth of our revenue depends on the success of all these factors, including our ability to capture market share, attract new customers, develop our strategic partnerships, introduce our offerings to new global markets, strengthen and improve our offerings through significant investments in research and developments and successfully consummate and integrate acquisitions.

Our success depends on our ability to execute our growth strategy effectively and efficiently in order to meet our customers' and market needs. We cannot guarantee that we will be able to sustain our growth in future years. If we are unable to execute our growth strategy successfully and properly manage our investments and expenditures, our results of operations and stock price may be materially adversely affected.

**Customers' move to communication channels other than voice, as well as change in compliance regulations, could materially and adversely affect the success of our voice solutions.**

Our voice solutions currently generate, and in recent years have generated, a significant portion of our revenues, and we will continue to rely on the sales of our voice solutions and recurring revenues, such as subscription and maintenance services, in the next several years. The trend of enterprise customers moving from voice to other means of communication with the enterprise (such as self-service, e-mail, messaging applications, social media and chat), may result in a reduction in the demand for our voice platform and applications. Although we have expanded our product portfolio to adjust to such changing demands in alternative communication channels, there can be no assurance that customers will adopt our solution for other communication channels to compensate for such possible decline in voice solutions. Therefore, a significant decline in the voice solutions market may have a material adverse effect on revenues generated from our voice solutions. In addition, changes in compliance regulations could reduce the need for voice recording, which may impact the demand for our voice

recording solutions. Any of the above may have a material adverse effect on our business, financial condition or results of operations.

**Our business could be materially adversely affected as a result of the risks associated with acquisitions and investments. In particular, we may not succeed in making additional acquisitions or be effective in integrating such acquisitions.**

As part of our growth strategy, we made a number of acquisitions over the last several years (see Item 5, “Operating and Financial Review and Prospects - Recent Acquisitions” in this annual report for a description of certain recent acquisitions), and expect to continue to complete acquisitions and investments in the future. As we continue to evaluate strategic opportunities, there can be no assurance that we will be successful in closing additional acquisitions. Even if we are successful in making additional acquisitions, integrating an acquired business into our operations or investing in new technologies may: (1) result in unforeseen operating difficulties and large expenditures; and (2) absorb significant management attention that would otherwise be available for the ongoing development of our business, both of which may result in the loss of key customers or personnel and expose us to unanticipated liabilities.

Other risks commonly encountered with acquisitions include the effect of acquisitions on our financial and strategic position, the inability to integrate successfully or commercialize acquired technologies and achieve expected synergies or economies of scale on a timely basis and the potential impairment of acquired assets. Further, we may not be able to retain the key employees that may be necessary to operate the businesses we acquire and we may not be able to attract, in a timely manner, new skilled employees and management to replace them.

In recent years, several of our competitors have also completed acquisitions of companies in our markets or in complementary markets. As a result, it may be more difficult for us to identify suitable acquisitions or investment targets or to consummate acquisitions or investments once identified on acceptable terms or at all. If we are not able to execute on our acquisition strategy, we may not be able to achieve our growth strategy, may lose market share, or may lose our leadership position in one or more of our markets.

We often compete with others to acquire companies, and such competition may result in decreased availability of, or an increase in price for, suitable acquisition candidates. We also may not be able to consummate acquisitions or investments that we have identified as crucial to the implementation of our strategy for other commercial or economic reasons. Further, we may not be able to obtain the necessary regulatory approvals, including those of competition authorities and foreign investment authorities, in countries where we seek to consummate acquisitions or make investments. For those and other reasons, we may ultimately fail to consummate an acquisition, even if we announce the intended acquisition. Also, even if we do consummate acquisitions, we may do so on less favorable terms and/or may be subject to certain conditions or commitments imposed by such authorities and agencies that may impact post-acquisition integration or have an adverse effect on our business.

We may require significant financing to complete an acquisition or investment, whether through bank loans, raising of debt or otherwise. We cannot assure that such financing options will be available to us on reasonable terms, or at all. If we are not able to obtain the necessary financing, we may not be able to consummate a substantial acquisition or investment and execute our growth strategy. In addition, if we consummate one or more significant acquisitions in which the consideration consists, in whole or in part, of our ordinary shares or American Depositary Shares (“ADSs”) representing our ordinary shares, our shareholders may suffer immediate dilution of their interests in us or the value of their interests in us, or may suffer future dilution if we issue exchangeable or convertible debt to finance a significant acquisition.

Future acquisitions or investments may also require us to incur contingent liabilities, amortization expenses related to intangible assets and impairment of goodwill, any of which could have a material adverse effect on our operating results and financial condition. In addition, we may knowingly enter into an acquisition that will have a dilutive impact on our earnings per share.

**If we are unable to develop or maintain our relationships with existing and new distributors and strategic partners, our business and financial results could be materially adversely affected.**

An important element of our market strategy involves developing our indirect sales, implementation and support channels, which includes our global network of partners, distributors, resellers and other strategic partners. We have agreements in place with many distributors, dealers and resellers to market and sell our offerings across the business lines and

geographies in which we operate. Our financial results could be materially adversely affected if our agreements with distribution channel partners or our other strategic partners were terminated, if our relationship with our distribution channel partners or our other strategic partners were to deteriorate, or if the financial condition of such partners were to weaken.

In addition, we depend on our channel partners globally to comply with applicable regulatory requirements. To the extent that they fail to do so, that could have a material adverse effect on our business, operating results, and financial condition.

The execution of our growth strategy also depends on our ability to create new alliances and enter into strategic partnerships with certain market players, including technology providers. Additionally, as our market opportunities change and we grow our business and expand in certain markets and territories, our dependency on particular distribution channels and strategic partners may increase or we may need to create new strategic partnerships and alliances to address changing market needs. We may not be successful in maintaining, creating or expanding these channels and partnerships, which may negatively impact the development of our business, our growth, gross margins and results of operations.

We may also develop dependency on certain strategic partners, and to the extent that we have to find alternatives in the market, our development efforts and business may be negatively impacted. Also, these partnerships and alliances are typically not exclusive and our partners may also offer products and services of our competitors or may compete with us directly. If we are not successful at creating and maintaining strategic partnerships under favorable terms, we may lose sales opportunities, customers and market share, which may have a material adverse effect on our business and results of operations.

### ***Risks Relating to Our Offerings and Operations***

**Some of our enhanced services are dependent on leased network connectivity lines, and a significant disruption or change in these services could adversely affect our business.**

A significant portion of our cloud offering is provided to customers through a dedicated network of equipment we own that is connected through leased network connectivity lines based on Internet protocol with capacity dedicated to us. We also move a portion of our voice long distance service over this dedicated network.

We lease network connectivity lines and space at co-location facilities for our equipment from third-party suppliers. These co-location facilities represent the backbone of our dedicated network. If any of these suppliers is unable or unwilling to provide or, if we desire, expand their current levels of service to us, the services we offer to customers may be adversely affected. We may not be able to obtain substitute services from other providers at reasonable or comparable prices or in a timely fashion. Any resulting disruptions in the services we offer that are provided over our dedicated network would likely result in customer dissatisfaction and adversely affect our operations. Furthermore, pricing increases by any of the suppliers we rely on for our dedicated network could adversely affect our results of operations if we are unable to pass-through such pricing increases.

**We rely on multiple internet service providers to provide our customers and their clients with connectivity to our cloud contact center software. While we have multiple redundancies and backups, a failure by these service providers to provide reliable services could cause us to lose customers and subject us to claims for credits or damages.**

We depend on internet service providers to provide uninterrupted and error-free service through their telecommunications networks. We exercise little control over these third-party providers, which increases our vulnerability to problems with the services they provide, including failures relating to internet accessibility in general. When problems occur, it may be difficult to identify the source of the problem. Service disruption or outages, even if not caused by our products or services, may result in loss of market acceptance of our offerings and any necessary remedial actions may force us to incur significant costs and expenses, such as payments of credits or damages to affected customers.

**We rely on third-party network service providers to originate and terminate public switched telephone network calls, and thus significant failures in these networks could harm our operations.**

For our business in the unified communications market, we leverage the infrastructure of third-party network service providers to provide telephone numbers, public switched telephone network call termination and origination services, and local number portability for our customers rather than deploying our own network. If any of these network service providers

ceases operations or otherwise terminate the services that we depend on, the delay in switching our technology to another network service provider, if available, could have an adverse effect on our business, financial condition or operating results.

**Sale of software applications and a multi-product offering may require significant development, implementation and maintenance resources.**

Sale of software applications and a multi-product offering may be complex, and require, among other things, customization and implementation. While this risk continues to decline with our shift from on premises to cloud delivery, we cannot guarantee that our customers' adoption of software applications will meet our expectation and planning.

A significant portion of our business relies on software applications. Certain applications may not reach the critical mass in sales and revenues necessary to offset the high cost of developing, implementing and maintaining such applications, which could negatively affect our results of operation.

**We rely on software from third parties. If we lose the right to use that software, we will have to spend additional capital to redesign our existing software to adhere to new third-party providers or develop new software.**

We integrate and utilize various third-party software products as components of our products and solutions to enhance their functionality. Our business could be disrupted if functional versions of these software products were either no longer available to us or no longer made available to us on commercially reasonable terms. Also, in the event that any of these third-party vendors is unable to meet our requirements in a timely manner or that our relationship with any such vendor is terminated, we may experience disruption in our business until an alternative source of supply can be obtained. Any disruption, or any other interruption in a vendor's ability to provide components to us, could result in delays in making product deliveries or inability to deliver, which could have a material adverse effect on our business, financial condition and results of operations.

In addition, some of our third-party vendors use proprietary technology and software code that could require significant redesign of our products in the case of a change in vendor. If we lost the right to use such third-party software, we would be required to spend additional capital to either redesign our software to function with alternate third-party software or develop these components ourselves. As a result, we might be forced to limit the features available in our current or future products and solutions and the commercial release of our products and solutions could be delayed.

**Undetected errors or malfunctions in our products or services could impact demand for our products and services, and we could face potential product liability claims directly impairing our financial results.**

Despite extensive testing by us and by our customers, our products and services may include errors, defects, failures, bugs or other weaknesses that could result in unanticipated downtime for our customers, product returns, loss of or delay in market acceptance of our products and services, loss of competitive position, or claims by customers or others. In addition, our customers may inadvertently use our services in inadvertent ways that may cause a disruption in services for other customers attempting to use our services. Moreover, our customers could incorrectly implement or inadvertently misuse our products or services, which could result in client dissatisfaction and harm our reputation and brand. Correcting and repairing such errors, failures or bugs could entail significant costs and could cause interruptions, delays or cessation of our products and services.

As our customers use our offerings for important aspects of their business, any errors, defects, disruptions in service or other performance problems could significantly damage our customers' businesses and ultimately harm our reputation. As a result, customers could elect not to renew our services or delay or withhold payment to us. We could also lose future sales or customers may make warranty or other liability claims against us, which may harm our business and adversely affect our results. In particular, some of our customers, including financial institutions, may suffer significant damages as a result of a failure of our solutions to perform their functions. The occurrence of any of these events could result in our inability to attract or retain customers, and adversely affect our revenues, financial condition and results of operations.

Although we attempt to limit any potential exposure through quality assurance programs, insurance and contractual terms, we cannot assure that we will be able to eliminate or successfully limit our liability for any failure of our solutions. Any product liability insurance we carry may not be sufficient to cover our losses resulting from any such product liability claims. The successful assertion of one or more large product liability claims against us could have a material adverse effect on our results of operations and financial condition.

**We provide certain service level commitments to our customers, which could cause us to provide credits for future services if the stated service levels are not met for a given period and could adversely impact our revenue.**

Our customer agreements for cloud services provide service level commitments. If we are unable to meet the stated service level commitments or suffer extended periods of unavailability for our service, including for reasons related to PaaS providers or other third parties, we may be contractually obligated to provide these customers with credits for future services, and in some cases refunds, or be liable for penalties. Our revenue could be adversely impacted if we suffer unscheduled downtime that exceeds the allowed downtimes under our agreements with our customers. Any such extended service outages could harm our reputation, revenue and operating results.

***Risks Relating to Information and Product Security and Intellectual Property***

**If our security and cybersecurity measures or those of our third-party hosting facility providers, cloud computing platform providers, or third-party service partners are breached, and unauthorized access is obtained to customers' data, our data or our IT systems, our reputation may be harmed, and we may incur significant legal and financial exposure and liabilities.**

Our products and services involve the storage and transmission of customers' and their end users' proprietary and other sensitive information, including financial information and other personally identifiable information. In addition, some of our customers use our products and services to compile and analyze highly sensitive or confidential information, and we may encounter or store such information or data, including when we perform service or maintenance functions for our customers. Security breaches could expose us to a risk of loss or unauthorized use of this information, investigations and enforcement actions, litigation and possible liability. Additionally, we may have contractual and other legal obligations to notify customers or other relevant parties of security breaches. While we have security measures in place, we are regularly subject to probes by hackers and from time to time we may be subject to security breaches, including as a result of intentional misconduct by computer hackers, employee error, malfeasance or otherwise which may result in someone obtaining unauthorized access to our IT systems, our customers' data or our data, including our intellectual property and other confidential business information. In addition, while we have internal policies and procedures in connection with the performance of services involving our customers' confidential information, the perception or fact that any of our employees has improperly handled sensitive information of a customer or a customer's end user could negatively affect our business.

Cyber security attacks are becoming increasingly sophisticated, including by way of frequent changes in the techniques used to obtain unauthorized access, and, in many cases, may not be identified until a security breach occurs. If we fail to recognize and deal with such security attacks and threats, or if we fail to update our systems, products and services and prevent such threatened attacks in real time to protect our customers' or other parties' sensitive information, whether retained in our systems or by our customers using our products and services, our business and reputation will be harmed. The costs of recognizing and addressing security attacks and threats and updating our systems, products and services, may be significant.

Our offerings, including our cloud services, may be vulnerable to cyber-attacks, even if they do not contain defects. If there is a successful cyber-attack on one of our products or services, even absent a defect or error, it may also result in questions regarding the integrity of our offerings generally, which could cause adverse publicity and impair their market acceptance and could have a material adverse effect on our results or financial condition.

Third parties may attempt to breach our security measures or inappropriately take advantage of our solutions, including our cloud services, through computer viruses, electronic break-ins and other disruptions. Additionally, third parties may attempt to fraudulently induce employees or customers into disclosing sensitive information such as usernames, passwords or other information to gain access to our customers' data, our data or our systems. Furthermore, our customers may authorize third-party technology providers to access their customer data, and some of our customers may not have adequate security measures in place to protect their data that is stored on our services. Because we do not control our customers or third-party technology providers, or the processing of such data by third-party technology providers, we cannot ensure the integrity or security of such transmissions or processing. Malicious third parties may also conduct attacks designed to temporarily deny customers access to our services. Any security breach could result in a loss of confidence in the security of our services, damage our reputation, negatively impact our future sales, disrupt our business and lead to legal liability.

While we maintain insurance coverage to protect us against a broad range of risks, including in relation to security breaches and cyber security attacks, we could still be subject to risks of losses that might be beyond the limits, or outside the scope, of coverage of our insurance and that may limit or prevent indemnification under our insurance policies. This potential insufficiency of insurance coverage could result in an adverse effect on our business, financial position, profit, and cash flows.

**Interruptions or delays in our services through security breaches, failures, or disruptions could impede on our ability to deliver services, harm our reputation and our relationships with customers and partners, adversely affect our results of operation and subject us to liability.**

Any interruptions or delays to our services, whether as a result of error or security breaches, and whether accidental or willful, could harm our reputation and our relationships with customers and partners, subject us to liability, and adversely affect our business and results of operations. In the event of damage or interruption, our insurance policies may not adequately compensate us for any losses that we may incur.

We currently serve our customers using third-party data center hosting facilities and cloud computing platform providers. While we have security measures in place that are aligned with applicable industry standards, they may be breached due to third-party action, including intentional misconduct by computer hackers, employee error, malfeasance or otherwise, and result in someone obtaining unauthorized access to our or our third-party vendors' systems and infrastructure. Moreover, such facilities and platforms may be vulnerable to interruptions resulting from power or network connectivity issues, criminal acts and other misconduct. Occurrence of such damage or interruptions could result in disruptions in our services. Despite precautions such vendors are required to take, the occurrence of such damage or interruption or other unanticipated problems at these facilities, could result in lengthy interruptions in our services, subject us to liability and require the issuance of credits or payment of penalties pursuant to our customer agreements, and/or cause customers to terminate their subscriptions and adversely affect our attrition rates and our ability to attract new customers, all of which would reduce our revenues. Also, we may not be entitled to indemnification or to recoup any such loss or damage from such service providers, which may result in us bearing the burden of any such liability or losses.

In addition, we are also dependent on our computer databases, billing systems and accounting computer programs, network and computer hardware that houses these systems to effectively operate our business and market our services. Our customers may become dissatisfied by any failures of such systems that interrupt our ability to deliver our services. Therefore, significant disruption or failure in the operation of these systems could adversely affect our business and results of operations.

Furthermore, we provide some of our services through computer hardware that we own and that is currently located in third-party web hosting co-location facilities and data centers maintained and operated in various locations globally. Our hosting providers do not guarantee that our customers' access to our solutions will be uninterrupted, error-free or secure. Our operations depend on our providers' ability to protect their and our systems in their facilities against such damage or interruption. Our back-up computer hardware and systems may not have sufficient capacity to recover all data and services in the event of an outage occurring simultaneously at all facilities. In the event that our hosting arrangements are terminated, or there is a lapse of service or accidental or willful damage to such facilities, we could experience lengthy interruptions in our service as well as delays and/or additional expense in arranging new facilities and services. Any or all of these events could cause interruptions in our services.

**We may face risks relating to inadequate intellectual property protection and liability resulting from infringement by our products or solutions of third-party proprietary rights.**

Our success is dependent, to a significant extent, upon our proprietary technology. We currently hold 475 U.S. patents and 32 patents issued in additional countries covering substantially the same technology as the U.S. patents. We have 206 patent applications pending in the United States and other countries. We rely on a combination of patent, trade secret, copyright and trademark law, together with non-disclosure and non-competition agreements, as well as third-party licenses to establish and protect the technology used in our offerings. However, we cannot assure that such measures will be adequate to protect our proprietary technology, that competitors will not develop products with features based upon, or otherwise similar to our products, that third-party licenses will be available to us or that we will prevail in any proceeding instituted by us in order to enjoin competitors from selling similar products. In most of the areas in which we operate, third parties also have patents which could be found applicable to our technology and products. Such third parties may include competitors, as well as large companies, which heavily invest in their patent portfolios, regardless of their actual field of business. Although we believe that our products and solutions do not infringe upon the proprietary rights of third parties, we cannot assure that one or more third parties will not make a claim or that we will be successful in defending such claim.

We generally distribute our software products and services under license terms that restrict the use of our products and services by terms and conditions prohibiting unauthorized reproduction or transfer of the software products or proprietary technology or data. However, effective copyrights and other intellectual property rights protection may be inadequate or unavailable to us in every country in which our software products are available, and the laws of some foreign countries may not be as protective of intellectual property rights as those in the United States. Consequently, we may be unable to prevent our proprietary technology from being exploited abroad, which could affect our ability to expand to international markets or

require costly efforts to protect our technology. Policing the unauthorized use of our products, trademarks and other proprietary rights is expensive, difficult and, in some cases, impossible. Litigation may be necessary in the future to enforce or defend our intellectual property rights, to protect our trade secrets or to determine the validity and scope of the proprietary rights of others. Such litigation could result in substantial costs and diversion of management resources, either of which could harm our business. Accordingly, despite our efforts, we may not be able to prevent third parties from infringing upon or misappropriating our intellectual property.

From time to time third parties allege or claim patent infringements. In defending ourselves against any such claims or actions we could be subject to substantial costs and diversion of management resources.

In addition, to the extent we are not successful in defending such claims, we may be subject to injunctions with respect to the use or sale of certain of our products or to liabilities for damages and may be required to obtain licenses which may not be available on reasonable terms. Any of these may have a material adverse impact on our business or financial condition.

**We face risks relating to our use of certain “open source” software tools.**

Certain of our software products contain open source code and we may use more open source code in the future. In addition, certain third-party software that we embed in our products contains open source code. Open source code is code that is covered by a license agreement that permits the user to liberally use, copy, modify and distribute the software without cost, provided that users and modifiers abide by certain licensing requirements. The original developers of the open source code provide no warranties on such code.

As a result of our use of open source software, we could be subject to suits by parties claiming ownership of what we believe to be open source code and we may incur expenses in defending claims that we did not abide by the open source code license. In addition, third-party licensors do not provide intellectual property protection with respect to the open source components of their products, and therefore we may not be indemnified by such third-party licensors in the event that we or our customers are held liable in respect of the open source software contained in such third-party software. If we are not successful in defending against any such claims that may arise, we may be subject to injunctions and/or monetary damages or be required to remove the open source code from our products. Such events could disrupt our operations and the sales of our offerings, which would negatively impact our revenues and cash flow.

Moreover, under certain conditions, the use of open source code to create derivative code may obligate us to make the resulting derivative code available to others at no cost. The circumstances under which our use of open source code would compel us to offer derivative code at no cost are subject to varying interpretations. If we are required to publicly disclose the source code for such derivative products or to license our derivative products that use an open source license, our previously proprietary software products may be available to others without charge. If this happens, our customers and our competitors may have access to our products without cost to them, which could harm our business.

We monitor our use of such open source code to avoid subjecting our products to conditions we do not intend. The use of such open source code, however, may ultimately subject some of our products to unintended conditions so that we are required to take remedial action that may divert resources away from our development efforts.

***Risks Relating to Regulatory Environment***

**Privacy concerns, legislation and other regulations may limit the use and adoption of our offerings, adversely affect our business, increase compliance costs and expose us to increased liability.**

Governments and other international organizations in various jurisdictions around the world (such as the legislative and regulatory institutions of the European Union) are adopting new laws, regulations and guidelines addressing data privacy and protection, including the processing (collection, storage, use, etc.) of personal information, cyber security, breach notification, risk management and reporting. These laws, regulations and guidelines may be inconsistent across jurisdictions and are subject to evolving and differing (sometimes conflicting) interpretations. In some cases, different sets of data privacy laws and regulations, such as the European Union’s General Data Protection Directive (“GDPR”), Israeli Privacy Law and the regulations promulgated thereunder (the “Israeli Privacy Law”), local laws and regulations and certain state laws in the U.S. on privacy, data and related technologies, such as the California Consumer Privacy Act (“CCPA”), as amended by the California Privacy Rights Act (“CPRA”), also govern the processing of personal information. Additionally, new state privacy

laws may also apply. While we invest in ensuring our compliance with applicable data privacy and protection legislation, these and other regulatory requirements may slow the pace at which we close sales or procurement transactions, restrict our ability to store, transfer and process data or, in some cases, impact our ability to offer some of our solutions and services for use in relation to data subjects that reside in certain locations or our customers' ability to deploy our solutions globally. Compliance with these regulatory requirements may be onerous, time consuming and expensive, especially where these requirements are inconsistent from jurisdiction to jurisdiction or where the jurisdictional reach of certain requirements is not clearly defined or seeks to reach across national borders.

Should we, or any party on our behalf, fail to comply with privacy legislation or procedures or other agreed security measures, we may incur substantive civil liability to government agencies, customers, shareholders and individuals whose privacy may have been compromised. As privacy legislation is increasing globally, and more government agencies are granted with authority to fine organizations for non-compliance with applicable data privacy laws and regulations, and require companies to take certain steps to remediate such non-compliance, we may find ourselves forced to pay damages penalties, fines, remediation costs, reimbursement of customer costs and other significant expenses due to our (or our subcontractors' or vendors') non-compliance with data privacy laws and regulations. Moreover, even the perception that the privacy of personal information that we process or control is not adequately protected or does not meet regulatory requirements could damage our reputation, inhibit sales of our products or services and could limit adoption of our offerings.

In addition to legal and regulatory requirements, we are contractually obligated to certain customers, and may in the future be expected by prospective customers, to meet certain information security certifications or other standards established by third parties, such as the ISO 27001:2013 on information security management certification. If we are unable to obtain or maintain these certifications or meet these standards, it could harm our business and subject us to liability.

**Industry-specific regulation and other requirements and standards are evolving and unfavorable industry-specific laws, regulations, interpretive positions or standards could harm our business.**

Our customers and potential customers conduct business in a variety of industries, including financial, insurance, telecommunications and healthcare services. Regulators in certain industries have adopted and may in the future adopt regulations or interpretive positions regarding the use of cloud computing and other outsourced services. The costs of compliance with, and other burdens imposed by, industry-specific laws, regulations and interpretive positions may limit our customers' use and adoption of our services and reduce overall demand for our services. Compliance with these regulations may also require us to devote greater resources to support certain customers, which may increase costs and lengthen sales cycles. For example, some financial services regulators have imposed guidelines for use of cloud computing services that mandate specific controls or require financial services enterprises to obtain regulatory approval prior to outsourcing certain functions. If we are unable to comply with these guidelines or controls, or if our customers are unable to obtain regulatory approval to use our services where required, our business may be harmed. If in the future we are unable to achieve or maintain industry specific certifications or other requirements or standards relevant to our customers, it may harm our business and adversely affect our results.

Our revenues would be adversely affected if we fail to adapt our offerings to changes in rules and regulations applicable to the business of certain customers, such as rules and regulations regarding securities trading, broker sales compliance and anti-money laundering, which could have an impact on their need for our products and services.

In certain industries in which we operate, there may be regulations or guidelines for use of SaaS, hosting and cloud-based services that mandate specific controls or require enterprises to obtain certain approvals prior to outsourcing certain functions. In addition, we may be limited in our ability to transfer or outsource business to certain jurisdictions and may be limited in our ability to undertake development activity in certain jurisdictions, which may impede on our efficiency and adversely affect our business results of operations.

**Changes in the legal and regulatory environment could materially and adversely affect our business, results of operations and financial condition.**

Our business, results of operations and financial condition could be materially and adversely affected if laws, regulations or standards relating to our business and products, us or our employees (including labor laws and regulations) are changed or new ones are implemented. Such implemented laws and regulations include requirements in the United States, Europe, UK and other territories in relation to data privacy and protection, anti-bribery and anti-corruption, foreign investment, import and export, sanctions, labor, tax and environmental and social issues.

While we attempt to prepare in advance for such new or changed requirements and standards, we cannot assure that we will be successful in our efforts, that such changes will not negatively affect the demand for our products and services, or that our competitors will not be more successful or prepared than us.

Alternatively, any substantial changes resulting in a reduction in the implementation or elimination of rules and regulations that apply to a certain sector of our business, such as deregulation in the area of compliance, could result in a decrease in demand by customers, which could materially and adversely affect our business and results of operations.

### ***Risks Relating to Our Financial Condition***

#### **Our quarterly results may be volatile at times, which could cause us to miss our forecasts.**

We generally provide forecasts as to expected future revenues and profitability in the coming fiscal quarters and fiscal year. Our revenue and operating results can vary and have varied in the past, sometimes substantially, from one quarter to another. These forecasts are based on management estimation and expectations, our then-existing pipeline and backlog, and an analysis of assumptions and assessments that may not materialize or end up being inaccurate. We may not meet our expectations or those of industry analysts in a particular future quarter. Our quarterly operating results may be subject to significant fluctuations due to the following factors: the timing and size of customer orders, delays in issuance or shifting of customer orders (as often happens when customers postpone their buying decisions to the end of the budgetary year), variations in distribution channels, mix of products and services, new product introductions and competitive pressures.

Our cloud offering is generally purchased by customers on a subscription basis and revenues from these offerings are generally recognized ratably over the term of the subscriptions. In cases where our cloud offering is purchased on a usage-based model, there may be seasonality in the usage of our offering, which would impact our ability to predict and forecast revenues and result in fluctuations in our quarterly results. Therefore, the continued growth of our cloud business could adversely affect our results of operations and our ability to forecast our quarterly results.

Our revenue and operating profit growth depends on the continued growth of demand for our products and services, and our business is affected by general economic, business, and geopolitical conditions worldwide, including inflation and rising interest rates. A softening of demand, whether caused by changes in customer preferences or a weakening of the U.S. or global economies, may result in decreased revenue or growth.

In addition, we derive a substantial portion of our sales through indirect channels, making it more difficult for us to predict revenues because we depend partially on estimates of future sales provided by third parties. Changes in our arrangements with our network of channel partners or in the products they offer, such as the introduction of new support programs for our customers, which combines support from our channel partners with back-end support from us, could affect the timing and volume of orders. Furthermore, our expense levels are based, in part, on our expectations as to future revenues. If our revenue levels are below expectations, our operating results could be adversely affected.

Fluctuations in our results of operations may result from, among other things, our ability to retain and increase sales to existing customers, attract new customers and satisfy our customers' requirements, the timing and success of new product and solution introductions and enhancements or product initiation by our competitors, the purchasing and budgeting cycles of our customers and general economic, industry and market conditions.

While seasonality and other factors mentioned above are common in the software and technology industry, this pattern should not be considered a reliable indicator of our future revenue or financial performance. Many other factors, including general economic conditions, may also have an impact on our business and financial results.

#### **We face foreign exchange currency risks.**

Exchange rate fluctuations affect our operations. We experience risks from fluctuations in the value of the NIS, EUR, GBP, INR, PHP and other currencies compared to the U.S. dollar, the functional currency in our financial statements. A significant portion of the expenses associated with our Israeli, Indian and Philippines operations, including personnel and facilities related expenses, are incurred in NIS, INR and PHP, respectively, whereas most of our business and revenues are generated in dollars, and to a certain extent, in GBP, EUR and other currencies. If the value of the dollar decreases against these foreign currencies, our earnings may be negatively affected. As a result, we may experience an increase in the costs of our operations, as expressed in dollars, which could adversely affect our earnings. In addition, certain balance sheet items are denominated in currencies other than U.S. dollar. Fluctuations in the value of the U.S. dollar exchange rate compared to these currencies, can result in unfavorable balance sheet revaluation at the reporting period.

We monitor foreign currency exposure and may use various instruments to preserve the value of sales transactions, expenses and commitments, however this cannot assure our full protection against risks of currency fluctuations that could affect our financial results. As part of our efforts to mitigate these risks, we use foreign currency hedging mechanisms, which may be ineffective in protecting us against adverse currency fluctuations and can also limit opportunities to profit from exchange rate fluctuations that would otherwise be favorable. For information on the market risks relating to foreign exchange, please see Item 11, “Quantitative and Qualitative Disclosures about Market Risk” in this annual report.

**We currently benefit from local government programs as well as international programs and local tax benefits that may be discontinued or reduced, or may result in liabilities if underlying conditions are not met.**

We derive and expect to continue to derive benefits from various programs, including Israeli tax benefits relating to our “Preferred Technology Enterprise” programs, and certain other grants and tax benefits, including grants from the Israel Innovation Authority (formerly known as the Office of the Chief Scientist of the Ministry of Economy) of the State of Israel (the “IIA”), for research and development.

To be eligible for tax benefits as a Preferred Technology Enterprise, we must continue to meet certain conditions. While we believe that we have met and continue to meet the conditions that entitle us to previously obtained Israeli tax benefits, there can be no assurance that we will in the future or that the Israeli Tax Authorities will agree.

To be eligible for IIA-related grants and benefits, we must continue to meet certain conditions, including conducting the research, development, manufacturing of products developed with such IIA grants in Israel, and providing the IIA with an undertaking that the know-how to be funded, and any derivatives thereof, is wholly-owned by us, upon its creation. In addition, we are prohibited from transferring to third parties the know-how developed with these grants without the prior approval of a governmental committee and, possibly, paying a fee. See Item 4, “Information on the Company—Research and Development” in this annual report, for additional information about IIA programs.

If the local and international grants, programs and benefits available to us or the laws, rules and regulations under which they were granted are eliminated or their scope is further reduced, or if we fail to meet the conditions of existing grants, programs or benefits and are required to refund grants or tax benefits already received (together with interest and certain inflation adjustments) or fail to meet the criteria for future Israeli Preferred Technology Enterprises, our business, financial condition and results of operations could be adversely affected.

**Additional tax liabilities resulting from our global operations could materially adversely affect our results of operations and financial condition.**

As a global corporation, we are subject to income, non-income and transactional tax regimes in the United States, Israel, India and various foreign jurisdictions, which are unsettled and may be subject to significant change. Our effective tax rate could be materially affected by changes in tax rulings, tax laws, regulations, administrative practices, principles, applicability of special tax regimes, or changes in interpretations of existing tax laws, including changes to the global tax framework, in the jurisdictions in which we do business. Such changes could come about as a result of economic, political, and other conditions. Additionally, our effective tax rate could be affected by changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuations of our deferred tax assets and liabilities, tax implications of acquisitions, expansion into new territories, intercompany transactions, changes in foreign currency exchange rates, changes in our stock price and uncertain tax positions. Although we believe that our provision for income taxes and our tax estimates are reasonable, tax authorities may disagree with certain positions we have taken. From time to time, we are subject to income and other tax audits in various jurisdictions, the timing of which is unpredictable. We regularly assess the likelihood of an adverse outcome resulting from these examinations to determine the adequacy of our tax accruals. While we believe we comply with applicable tax laws and have adequate balance sheet reserves related to tax positions, there can be no assurance that a governing tax authority will not have a different interpretation of the law and assess us with additional taxes, which we may dispute and litigate. If we are assessed or imposed additional taxes, it could have a material adverse effect on our results of operations and financial condition.

Further, there are proposals to introduce further amendments to the U.S. federal tax regime, applicable to corporations. As of the date of filing, it remains unclear what legislation, if any, would be enacted. If the draft legislation currently being discussed is enacted, it could create the potential for added volatility in our provision for income taxes and might have an adverse impact on our future income tax provision and tax rate.

**We might recognize a loss with respect to our financial investments.**

We invest most of our cash through a variety of financial investments. If the obligor of any of our financial investments defaults or undergoes reorganization in bankruptcy, we may lose a portion of such investment and our assets and income may decrease. In addition, a downturn in the credit markets or the downgrading of the credit rating of our investments could result in a reduction in the market value of our holdings and reduce the liquidity of our investments, which could require us to recognize a loss at the time of credit impairment and would adversely affect our assets and income.

**Our debt could adversely affect our financial condition and impact our business needs and plans.**

We incurred indebtedness pursuant to the issuance of the Notes (as defined in Item 10, "Additional Information - Material Contracts - Notes and Indenture"). The debt incurred could have adverse consequences to our financial condition and business.

Our ability to fund planned capital expenditures and to maintain sufficient working capital will depend on our ability to continue to generate cash in the future. This is subject to general economic, financial, competitive, business, regulatory and other factors that may be beyond our control. We cannot assure that our business will continue to generate sufficient cash flow from operations or that future financing will be available to us in an amount sufficient to enable us to service our debt, or to fund our other liquidity needs or execute on our strategic plans.

Any required prepayment or exchange of our Notes, including as a result of an optional redemption, event of default or fundamental change triggering such right, would lower our current cash on hand such that we would not have those funds available for use in our business, which could adversely affect our operating results.

**The accounting method for convertible debt securities that may be settled in cash, such as the Notes, may have a material effect on our reported financial results.**

For our 2020 Notes (as defined in Item 10, "Additional Information - Material Contracts - Notes and Indenture"), on December 31, 2021, we irrevocably elected that all conversions occurring on or after December 31, 2021 will be settled pursuant to Combination Settlement (as defined in the 2020 Indenture) with a Specified Dollar Amount (as defined in the 2020 Indenture) no less than \$1,000 per \$1,000 principal amount of 2020 Notes. Generally, under this settlement method, the conversion value corresponding to the principal amount will be converted in cash, and the conversion value over the principal amount will be settled, at the Company's election, in cash or shares or a combination thereof. Given the adoption of ASU No. 2020-06 on January 1, 2022, there will be an impact to earnings per share as a result of the adoption based on the if-converted method if the Company's average share price will exceed the conversion price of the 2020 Notes. In addition, if such cash is not available, we may be required to sell other assets or enter into alternate financing arrangements at terms that may or may not be desirable.

**If we fail to maintain effective internal controls over financial reporting and operations, it could have a material adverse effect on our business, operating results, and the price of our ordinary shares and ADSs.**

Effective internal controls are necessary for us to provide reliable financial reports and prepare consolidated financial statements for external reporting purposes in accordance with U.S. GAAP and U.S. securities laws, as well as to effectively prevent material fraud. Because of inherent limitations, even effective internal control over financial reporting may not prevent or detect every misstatement. In addition, if we fail to maintain the adequacy of our internal controls, we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal control over financial reporting and operations. Furthermore, as we grow our business or acquire businesses, our internal controls may become more complex and we may require significantly more resources to ensure they remain effective. In addition, we may identify material weaknesses or significant deficiencies in our internal control over financial reporting. Failure to maintain effective internal control over financial reporting and operations could result in investigation or sanctions by regulatory authorities and could have a material adverse effect on our business and operating results, investor confidence in our reported financial information, and the market price of our ordinary shares and ADSs.

**Current and future accounting pronouncements and other financial reporting standards and principles might have a significant impact on our financial position and negatively impact our financial results.**

We prepare our consolidated financial statements in accordance with U.S. GAAP. These principles are subject to interpretation by the SEC and various bodies formed to interpret and create appropriate accounting principles. A change in

these principles can have a significant effect on our reported results and may even retroactively affect previously reported transactions. Additionally, the adoption of new or revised accounting principles may require that we make significant changes to our systems, processes and controls. Changes resulting from these new standards may result in materially different financial results and may require that we change how we process, analyze and report financial information and that we change financial reporting controls.

We regularly monitor our compliance with applicable financial reporting standards and review new pronouncements and drafts thereof that are relevant to us. As a result of new standards, changes to existing standards and changes in their interpretation, we might be required to change our accounting policies.

This could lead to risks associated with our ability to react in a timely manner to new accounting pronouncements and financial reporting standards and unpredictable changes in interpretation of standards. Any one or more of these events could have an adverse effect on our business, financial position, and profit.

### ***Risks Relating to our Securities***

#### **The market price of each of our ADSs, ordinary shares and the Notes is volatile and may decline.**

Numerous factors, some of which are beyond our control, may cause the market price of our ADSs, ordinary shares and the Notes to fluctuate significantly. These factors include, among other things:

- Quarterly variations in our operating results;
- Changes in expectations as to our future financial performance, including financial estimates by securities;
- Perceptions of our company held by analysts and investors;
- Additions or departures of key personnel;
- Announcements related to dividends and share repurchase plans;
- Development of or disputes concerning our intellectual property rights;
- Announcements of technological innovations;
- Material orders of our products or services by customers and business partners;
- New products and services by us or our competitors;
- Acquisitions or investments by us or by our competitors and partners;
- Security breaches or other incidents impacting our customers' or their end users' data and security breaches of companies that provide solutions or services similar to ours;
- The exchangeability of the Notes for ADSs;
- Hedging or arbitrage trading activity involving ADSs by holders of the Notes;
- Modification of hedge positions by counterparties to the hedge transactions we entered into simultaneously with the issuance of the Notes, including the possible entry into or unwinding of derivative transactions with respect to the ADSs or the purchase or sale of the ADSs or other NICE securities in secondary market transactions;
- Currency exchange rate fluctuations;
- Earnings releases by us, our partners or our competitors;

- General financial, economic and market conditions;
- Political changes and unrest in regions, natural catastrophes;
- Market conditions in the industry and the general state of the securities markets, with particular emphasis on the technology and Israeli sectors of the securities markets; and
- General stock market volatility.

**Our ADSs and ordinary shares are traded on different markets and this may result in price variations.**

Our ADSs have been listed on The NASDAQ Stock Market since 1996 and our ordinary shares have been traded on the Tel Aviv Stock Exchange, or the “TASE,” since 1991. Trading in our securities on these markets takes place in different currencies (our ADSs are traded in U.S. dollars and our ordinary shares are traded in New Israeli Shekels), and at different times (resulting from different time zones, different trading days and different public holidays in the United States and Israel). As a result, the trading prices of our securities on these two markets may differ due to these factors. In addition, any decrease in the price of our securities on one of these markets could cause a decrease in the trading price of our securities on the other market.

**Substantial future sales or the perception of sales of our ADSs or ordinary shares, or the exchange, or conversion of a substantial amount of Notes, or perception thereof, could cause the price of our ADSs or ordinary shares to decline.**

Sales of substantial amounts of our ADSs or ordinary shares in the public market, or the perception that these sales could occur, could adversely affect the price of our ADSs and ordinary shares and could impair our ability to raise capital through the sale of additional shares. Such sales may also make it more difficult for us to sell equity or equity-related securities in the future at a time and at a desirable price.

Additionally, the issuance of ADSs upon future exchanges or conversions of the 2020 Notes for ADSs, or the perception that these exchanges or conversions may occur, could dilute shareholders and reduce the market price of the ordinary shares or ADSs. This could also impair NICE’s abilities to raise additional capital through the sale of its securities.

**The market prices of the ordinary shares and the ADSs, which may fluctuate significantly, will directly affect the market price for the Notes.**

We expect that the market price of the ordinary shares and the ADSs will affect the market price of the Notes. This may result in greater volatility in the market price of the Notes than would be expected for non-exchangeable notes. The market price of the ordinary shares and the ADSs will likely fluctuate in response to a number of factors, many of which are beyond our control. Holders who receive ADSs upon exchange of the Notes will therefore be subject to the risk of volatility and depressed prices of ADSs. In addition, we expect that the market price of the Notes will be influenced by yield and interest rates in the capital markets, our creditworthiness and the occurrence of certain events affecting us that do not require an adjustment to the exchange rate. Fluctuations in yield rates in particular may give rise to arbitrage opportunities based upon changes in the relative values of the Notes and ADSs. Any such arbitrage could, in turn, affect the market prices of ADSs and the Notes.

**The fundamental change and make-whole fundamental change provisions of the Notes may delay or prevent an otherwise beneficial attempt to acquire our company.**

The fundamental change prepayment rights of the noteholders under the Notes, which would allow noteholders to require that we prepay all or a portion of their Note upon the occurrence of a fundamental change, and the provisions under the Notes requiring an increase to the exchange rate for exchanges in connection with a make-whole fundamental change, in certain circumstances may delay or prevent an acquisition of NICE that would otherwise be beneficial to our shareholders.

**It may be difficult to enforce a U.S. judgment against us and our officers and directors in Israel or the United States, or to serve process on our officers and directors.**

Service of process upon us, our Israeli subsidiaries, directors and officers, and Israeli advisors, if any, named in this annual report, may be difficult to obtain within the United States. Additionally, it may be difficult to enforce civil liabilities

under U.S. federal securities law in original actions instituted in Israel. Israeli courts may refuse to hear a claim based on a violation of U.S. securities laws because Israel is not the most appropriate forum to bring such a claim. In addition, even if an Israeli court agrees to hear a claim, it may determine that Israeli law and not U.S. law is applicable to the claim. If U.S. law is found to be applicable, the content of applicable U.S. law must be proved as a fact, which can be a time-consuming and costly process. Certain matters of procedure will also be governed by Israeli law. There is little binding case law in Israel addressing these matters.

**Provisions of Israeli law may delay, prevent or otherwise impede a merger with, or an acquisition of, our company, which could prevent a change of control, even when the terms of such a transaction are favorable to us and our shareholders.**

Israeli corporate law regulates mergers, requires tender offers for acquisitions of shares above specified thresholds, establishes a high ownership threshold to squeeze out minority shareholders in a full tender offer, requires special approvals for transactions involving directors, officers or significant shareholders and regulates other matters that may be relevant to these types of transactions.

Furthermore, Israeli tax considerations may make potential transactions unappealing to us or to our shareholders whose country of residence does not have a tax treaty with Israel exempting such shareholders from Israeli tax. These and other similar provisions could delay, prevent or impede an acquisition of us or our merger with another company, even if such an acquisition or merger would be beneficial to us or to our shareholders.

See Item 10, “Additional Information—Mergers and Acquisitions” in this annual report, for additional discussion regarding anti-takeover effects of Israeli law.

***General Risk Factors***

**Conditions and changes in the local and global economic environments may adversely affect our business and financial results.**

Adverse economic conditions in markets or regions in which we operate can harm our business. Our results of operations can be affected by adverse changes in local and global economic conditions, slowdowns, inflation, recessions and economic instability. To the extent that our business suffers as a result of such unfavorable economic and market conditions, our operating results may be materially adversely affected.

In particular, enterprises may reduce spending in connection with their contact centers, financial institutions may reduce spending in relation to trading floors, compliance and operational risk management (as IT-related capital expenditures are typically lower priority in times of economic slowdowns), and generally, our customers may prioritize other expenditures over our solution, including a possible slowdown in the shift to cloud solutions or a reduction in their usage of our cloud solutions. In addition, enterprises’ ordering and payment patterns are influenced by market conditions and could cause fluctuations in our quarterly results. If any of the above occurs, and our customers or partners do not adopt our solutions or significantly reduce their spending or significantly delay or fail to make payments to us, our business, results of operations, and financial condition would be materially adversely affected.

In addition, our operations may be subject to the effects of the rising rate of inflation. If our costs were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through price increases. Our inability or failure to do so could harm our business, financial condition and results of operations.

Some of our customers, and in particular customers in the banking sector, may suffer from liquidity concerns and possibly go out of business due to disruption to the global economy, which may adversely impact our business and results of operations.

Disruption to the global economy could also result in a number of follow-on effects in addition to a slow-down in our business and increased costs, including a possible (i) negative impact on our liquidity, financial condition and share price, which may impact our ability to raise capital in the market, obtain financing and secure other sources of funding in the future on terms favorable to us, and (ii) decrease in the value of our assets that are deemed to be other than temporary, which may result in impairment losses.

## **We face risks relating to our global operations.**

We sell our offerings throughout the world and intend to continue to increase our penetration of international markets. Our future results could be materially adversely affected by a variety of factors relating to international transactions, including:

- governmental controls and regulations, including import or export license requirements, trade protection measures, sanctions, telecommunication authorization and licenses and changes in tariffs;
- compliance with applicable international and local laws, regulations and practices, including those related to trade compliance, anticorruption, data privacy and protection, tax, labor, employee benefits, customs, currency restrictions and other requirements;
- fluctuations in currency exchange rates;
- longer payment cycles in certain countries in our geographic areas of operations;
- potential adverse tax consequences, variations in effective income tax rates and tax policies among countries where we conduct business, including the complexities of foreign value added tax systems;
- political instability, armed conflicts, terrorism and security concerns, including instability and restrictions that result from the Russian invasion of Ukraine;
- reduced or limited protection for intellectual property rights in some countries; and
- general difficulties in managing our global operations.

Geopolitical risks, including those arising from political tension, terrorist activity or acts of civil or international hostility, are increasing. Conflicts, including the Russian invasion of Ukraine, could result in geopolitical instability and adversely affect the global economy or specific markets. Such geopolitical risks could also lead to prolonged and significant supply chain disruption that may impact our customers, which could impact the demand for our products or services, and negatively affect our business and financial results.

The Israeli government is currently pursuing changes to Israel's judicial system, which, if adopted, may negatively impact foreign policy and foreign investments with respect to Israel, cause investor concerns and adversely impact our share price. These could in turn have a negative effect on our reputation and brand, and consequently our business and our results of operations. As we are not certain whether the judicial system reform will be adopted and in what form, it is difficult to anticipate what implications it will have on the legislative landscape in Israel, including in relation to corporate law and protection of intellectual property.

Changes in the political or economic environments, credit rating and the availability and cost of capital in the countries in which we operate, especially in Israel and the U.S., including the impact of such changes on foreign currency rates and interest rates, could have a material adverse effect on our financial condition, results of operations and cash flow.

## **As a result of our global presence, especially in emerging markets, we face increasing challenges that could adversely impact our results of operations, reputation and business.**

In light of our global presence, especially in emerging markets such as those in Asia, Eastern Europe and Latin America, we face a number of challenges in certain jurisdictions that provide reduced legal protection, including poor protection of intellectual property, inadequate protection against crime (including bribery, corruption and fraud) and breaches of local laws or regulations, unstable governments and economies, governmental actions that may inhibit the flow of goods and currency, challenges relating to competition from companies that already have a local presence in such markets and difficulties in recruiting sufficient personnel with appropriate skills and experience.

Local business practices in jurisdictions in which we operate, and particularly in emerging markets, may be inconsistent with international regulatory requirements, such as anti-corruption and anti-bribery laws and regulations (including the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act) to which we are subject. Although we implement policies and procedures designed to ensure compliance with these laws, we cannot guarantee that none of our employees, contractors, partners and agents, as well as those companies to which we outsource certain of our business operations, will not

violate our policies or applicable law. Any such violation could have an adverse effect on our business and reputation and may expose us to criminal or civil enforcement actions, including penalties and fines.

Furthermore, the increased presence of our global operations in emerging markets, including outsourcing of certain operations to service providers in such markets (such as India and the Philippines), could impact the control over our operations, as well as create dependency on such external service providers. This method of operation may impact our business and adversely affect our results of operation.

**Our business, facilities or operations could be adversely affected by events outside of our control, such as natural disasters or health epidemics.**

Natural disasters or other unexpected events that adversely affect the business climate in any of our markets could have a material adverse effect on our business, financial condition and results of operations. Our business operations may be subject to a disruption or failure of our systems or operations because of a natural disaster, such as a major earthquake, weather event, fire, power shortages, telecommunications failures, pandemics and epidemics, cyberattack, terrorist attack or other catastrophic event or event beyond our control, which could cause delays in completing sales, providing services, or performing other critical functions. Although we maintain disaster recovery and business continuity plans, such events could make it difficult or impossible for us to deliver our products and services to our customers, and could decrease the demand for our offerings.

The occurrence of regional epidemics or a global pandemic, such as COVID-19, may adversely affect our operations, financial condition, and results of operations. The COVID-19 pandemic has had widespread, evolving, and unpredictable impacts on global society, economies, financial markets, and business practices. The extent to which global pandemics impact our business going forward will depend on factors such as the duration and scope of the pandemic; governmental, business, and individuals' actions in response to the pandemic; and the impact on economic activity, including the possibility of recession or financial market instability.

**We depend on our ability to recruit and retain qualified personnel.**

In order to compete, we must recruit and retain executives and other key employees. Hiring and retaining qualified executives and other key employees is critical to our business, and competition for highly qualified and experienced managers in our industry is intense. There is no guarantee that key management members will not leave the Company, or if they do, that we will be able to identify and hire qualified replacements, or that the transition of new personnel will not cause disruption in our business.

In addition, due to our growth, or as a result of regular recruitment, we will be required to hire and integrate new employees. Recruiting and retaining qualified engineers and computer programmers to perform research and development and to commercialize our offerings, as well as qualified personnel to market and sell the offerings, are critical to our success. There can be no assurance that we will be able to successfully recruit and integrate new employees.

There is intense competition to recruit and retain highly skilled employees in the technology industry, which has increased due to recent market conditions and the millennial workforce continuing to value multiple company experiences over long tenure. In addition, we may not be able to offer current and potential employees a compensation package that is satisfactory in order to keep them within our employment. We have suffered from attrition in our workforce and such trend may continue in the near future.

In certain locations in which we have development centers, including low-cost countries such as India, the rate of attrition is high and could have a negative impact on our ability to retain our employees in such centers, timely develop our products and solutions and service our customers.

An inability to attract and retain highly qualified employees may have an adverse effect on our ability to develop new products and solutions and enhancements for our offerings and to successfully market such offerings, all of which would likely have a material adverse effect on our results of operations and financial position. Our success also depends, to a significant extent, upon the continued service of a number of key management, sales, marketing and development employees, the loss of any of whom could materially adversely affect our business, financial condition and results of operations.

**Item 4. Information on the Company.**

**Item 4.A History and Development of the Company.**

NICE was founded on September 28, 1986, as Neptune Intelligent Computer Engineering Ltd., with the vision to digitize unstructured data previously captured using analog means. On October 14, 1991, the Company was renamed NICE-Systems Ltd., expanding its mission to the Customer Service market, becoming a leading global provider of Workforce Optimization software applications, as well as adding solutions for the Public Safety sector. With the increased quantity of available data and the growing need to generate meaningful business insight, NICE launched Interaction Analytics solutions - allowing organizations to quickly understand and operationalize their interaction data. In 2007, NICE acquired Actimize, a leader in Financial Crime and Compliance analytics solutions, aimed to help prevent market abuse, financial fraud and money laundering, transforming the company into an enterprise software analytics leader. Since 2014, NICE transformed into a leader in cloud, analytics, digital and Artificial Intelligence (sometimes referred to as “AI” in this annual report) through innovations and strategic acquisitions. In 2016, NICE acquired inContact, a leading provider of cloud contact center software and agent optimization tools, enabling the industry’s first fully integrated and complete cloud contact center solution platform. Since then, NICE became an industry leader, helping organizations expand innovation with broad cloud functionalities, transform their business to be data-driven, and instill intelligence by adopting conversational AI and analytics-infused cloud platforms, all of which became NICE’s core strategic pillars. Since 2021, as consumer expectations dramatically shifted to digital, NICE extended the reach of its offering with a series of new solutions in the digital customer experience space, expanding beyond the contact center, and providing organizations with smart digital and self-service solutions to answer customers’ needs.

On June 6, 2016, the Company was renamed NICE Ltd., which is its legal and commercial name. Today, NICE is an enterprise software leader in cloud, analytics, digital and AI in both the Customer Engagement and Financial Crime and Compliance markets. Our solutions help organizations of all sizes create extraordinary and trusted customer experiences, improve public safety and prevent financial crime.

NICE is a company limited by shares organized under the laws of the State of Israel. Our Israeli offices are located at 13 Zarchin Street, P.O. Box 690, Ra’anana 4310602, Israel (Tel. +972-9-775-3151). Our subsidiary, NICE Systems, Inc. has been appointed as our Agent for Service in the United States, and is located at 221 River Street, Hoboken, New Jersey 07030.

The Securities and Exchange Commission (“SEC”) maintains an Internet site that contains reports, proxy and information statements, and other information that is filed electronically with the SEC at <http://www.sec.gov>. Our website address is at <https://www.nice.com/company/investors/>. Information contained, or that can be accessed through, our website does not constitute a part of this annual report and is not incorporated by reference herein, and we have included our website address in this annual report solely for informational purposes.

**Principal Capital Expenditures**

In the last three fiscal years, our principal capital expenditures were the acquisition of other businesses and repurchases of our American Depositary Receipts (“ADR”). For information regarding our acquisitions and ADR share repurchases, please see Item 5, “Operating and Financial Review and Prospects – Recent Acquisitions,” and “Operating and Financial Review and Prospects – Liquidity and Capital Resources,” in this annual report. For additional information regarding our ADR share repurchases, please also see Item 16E, “Purchases of Equity Securities by the Issuer and Affiliated Purchasers,” in this annual report.

**Item 4.B Business Overview**

**Breakdown of Revenues**

For a breakdown of total revenues by business model (cloud, products and services) and by geographic markets for each of the last three years, please see Item 5, “Operating and Financial Review and Prospects – Results of Operations,” in this annual report.

## About NICE

NICE is a global enterprise software leader, providing cloud platforms for AI-driven digital business solutions that serve two main markets: Customer Engagement and Financial Crime and Compliance. Our core mission is to transform experiences to be extraordinary and trusted and create a frictionless and safe digital-first consumer reality where every interaction is intelligent, meaningful and effortless. Our solutions are used by organizations of all sizes and are offered in multiple delivery models, including cloud and on-premises.

In the Customer Engagement market, we enable organizations to transform experiences with solutions aimed at meeting consumers wherever they choose to begin their journey, providing digital-centric AI-enabled self-service capabilities, understanding consumers' journeys, creating smarter hyper-personalized connections and guiding continuous omnichannel interactions. We help organizations transform their workforce experience with solutions aimed at engaging employees, optimizing operations and automating processes to create a better agent-assisted customer service. For Public Safety and Criminal Justice agencies, we are digitally transforming the way they manage and share evidence and cases, providing them with single, streamlined view of the truth from incident to court.

In the Financial Crime and Compliance market, we protect financial services organizations, digital banks and their customers' accounts and transactions, with solutions that identify risks and help prevent money laundering and fraud, as well as help ensure compliance in real-time. With our holistic, data-centric approach to Customer Lifecycle Risk Management (CLRM), we help them conquer the dynamic new financial crime threats.

NICE is at the forefront of several industry technological disruptions that have greatly accelerated in the last several years: the adoption of cloud platforms by organizations of all sizes and verticals, the shift of consumer and organizational preferences towards digital-centric services and experiences, the growing acceptance and adoption of AI, an increase in consumer cross channel, self-service usage and the need to manage, optimize and engage a diverse workforce while retaining and attracting top talent. Our suite of integrated solutions, based on our unique domain expertise, enables customer service, financial crime prevention and public safety organizations to innovate and thrive with industry-leading cloud platforms that use domain-specific data and AI infused workflows.

We rely on multiple key assets to drive our growth:

- Our market-leading cloud native open platforms which natively embed analytics, automation and AI, and are protected by a broad array of patents.
- Our unique digital capabilities that are critical for organizations of all sizes and across all industries in dealing with the exponential adoption of digital in consumer preferences, banking transactions and justice agencies operations.
- Our native AI engines, strategically embedded throughout our platforms, are based on years of industry-specific data and domain expertise, consistently using machine learning for generating actionable insights.
- Our extensive portfolio of applications that address organizational needs across all our areas of domain expertise.
- Our flexible delivery model that allows our customers to benefit from a wide range of both cloud and on-premises solutions.
- Our broad array of proprietary technologies and algorithms in the domains of automation, analytics, machine learning, speech-to-text, natural language processing, personality-based routing and others.
- Our solutions' coverage of all market segments, from small and mid-sized businesses to large scale Fortune 100 enterprises.
- The mission critical nature of our solutions to the operations of our customers and our cloud platforms that are essential for enabling a scalable and sustainable work-from-anywhere environment.
- Our market leadership, which makes us a well-recognized brand and creates top-of-mind awareness for our solutions in our areas of operation.

- Our large partner ecosystem that enables us to reach and serve a large number of customers across many countries.
- Our loyal customer base of more than 25,000 organizations in over 150 countries, across many industries, including 85 of the Fortune 100 companies.
- Our strong profitability and free cash flow that allows us to invest in innovative solutions and product development and fuels strategic acquisitions.
- Our ability to quickly drive mainstream adoption for innovative solutions and new technologies and trends, which we introduce to the market through our direct sales force and distribution network.
- Our skilled employees and domain expertise in our core markets allow us to bring our customers the right solutions to address key business challenges and build strong customer partnerships.
- Our services, customer support and operations, which enable our customers to quickly enjoy the benefits of our solutions, with multiple deployment models in the cloud or on-premises throughout the world and support for full value realization and customer success.

### Industry and Technology Trends

Following are the key cross-industry trends that we have identified as driving demand for our solutions:

- **Organizations of all sizes are transitioning to open cloud platforms as the foundation for their applications to allow quick innovation cycles and business agility.** Cloud platforms provide unified and integrated solutions that are all based on a shared framework of services, allowing for fast innovation, easy deployment, and flexible functionality. In recent years, we are seeing acceleration in cloud transformation while organizations are moving to an agile mode of operation to enable flexibility and lower operational costs.
- **Organizations are replacing complex, siloed legacy point solutions with cloud platforms that offer a complete suite of applications.** An underlying cloud native platform at scale as the foundation for a comprehensive suite of integrated applications opens up opportunities for creating innovative process workflows. As a result, organizations gain valuable business insights from the efficient sharing of their own data among different suite functions.
- **Consumers and organizations are embracing digital transformation at an accelerated pace.** In order to remain competitive, organizations need to provide digital solutions to address consumers' self-service needs, digital banking compliance challenges, and digitization of evidence management.
- **Artificial Intelligence and Automation are disrupting businesses across all industries.** AI and automation are reshaping the way organizations are conducting their businesses across all organizational functions. They help with strategic decision-making by processing and analyzing data on a scale much larger and faster than any human could accomplish. Implementing AI and automation helps organizations sustain competitiveness and differentiation by proactively streamlining and automating complex business processes in smart ways, infusing real-time decisioning and predictive tools based on cognitive technologies, and generating meaningful and operationalized insight from vast amounts of data.

Customer Engagement trends that are driving demand for our solutions:

- **Increased use of advanced digital channels as first choice by consumers for interaction with organizations.** The nature of these advanced digital channels such as web, mobile engagement and social media applications, is different from voice and traditional digital channels due to the asynchronous response times and ability to carry the conversation for extended periods of time. Over the last several years the use of digital channels has substantially increased, and consumers of all ages show a preference for digital channels when interacting with organizations. Organizations need to make sure they offer these channels as a communication alternative and can provide an integrated and high-quality experience across these channels.

- **Consumer expectation for a holistic experience that is effortless, contextual and consistent across all touchpoints has become a standard requirement.** While consumers move constantly between devices and channels, their expectation is for consistent experiences that are keeping the interaction context across all communication channels and are continuously transitioned from one channel to another and can also communicate in different modalities simultaneously. With the growing number of channels and consumer needs, organizations are expected to provide an end-to-end orchestration of customer journeys, engage with them at the very start, and provide all the flexibility to make their journey easy and coherent, while maintaining a single view of the journey for analysis and optimization of the experience.
- **Organizations rely more on predictive analytics and AI to further improve customer experience as well as the general performance of the contact center.** Organizations are increasingly using AI to better understand each individual customer, including their behaviors, needs and preferences, and leveraging these insights to proactively predict needs and initiate service before being contacted by customers. These tools include, among others, cognitive engagement solutions, like interactive communications, predictive analytics and machine learning. Furthermore, smart self-learning machines automate the discovery of opportunities for self-service, real-time guidance and analytics-based insights (including speech and text analytics), behavioral analytics and techniques focused on personalization, trending and pattern detection. As a result, organizations increasingly use these technologies to provide faster and more efficient customer service as well as drive specific business outcomes.
- **Conversational intelligent virtual agents (IVAs) are being deployed to contain and deflect interactions into self-service.** Organizations are looking for new and advanced digital means to improve customer satisfaction and reduce cost. Further development of IVAs will improve operational processes, ensure compliance with rules and regulations, increase flexibility in customer interactions with the contact center, as well as decrease error rate and wait time while providing a personalized experience. This technology will increase self-service channels containment and allow the human workforce to focus on more complex value-added services.
- **Adoption of Robotic Process Automation (RPA) solutions keep growing in the contact center in order to increase agent efficiency and productivity while reducing costs.** RPA significantly reduces the number of manual and time-consuming tasks agents and employees need to perform, freeing them to spend time in added-value activities. RPA can be divided into unattended and attended automation. With unattended RPA, organizations are looking for smart ways to identify automation opportunities and fully automate back-office processes at scale with no human intervention. With attended RPA the bots can work as virtual assistants to agents, dramatically improving their performance.
- **Organizations need to enable their employees the flexibility to work from anywhere, keep them highly engaged and offer a better work-life-balance.** To do that successfully, they are continually looking for ways to simplify daily employee activities, engage and motivate them to ensure their productivity and satisfaction is maintained, regardless of their physical location, and allow agile and flexible work schedules.
- **Organizations need to enable their supervisors to monitor the performance and needs of their remote workforce.** With employees working from anywhere, in an environment of increased complexity, organizations are looking for ways to gain visibility, plan, evaluate, coach and drive performance, in ways that allow transparency and increase productivity.
- **Proactive engagement sets organizations apart.** Amid rising consumer expectations and growing economic changes, there exists a point of inflection when customer experience becomes proactive. This need for proactivity is a key element in an overarching customer engagement strategy for many organizations. AI-driven customer service enables organizations to proactively engage with consumers, solving issues before they occur to fulfill on strategic initiatives or solve basic service problems for contact centers.
- **Growing digital evidence, disconnected systems, manual work processes and staffing challenges are all impacting the ability of government agencies to deliver on the promise of timely justice.** Government agencies of all types - from police and first responders to prosecutors, defense attorneys, courts and correction facilities - are looking to digital transformation as a way to overcome the challenges

of digital evidence silos and disjointed work processes. Through digital transformation, stakeholders who rely on digital evidence can work smarter and more efficiently on their own, and better together.

- **With Emergency Communications becoming more complex, and staff turnover at an all-time high, digital transformation is becoming critical.** Emergency communications managers spend much of their time handling manual, time-consuming tasks related to daily operations, quality assurance, reporting, training, development, hiring, staff supervision and fulfilling emergency incident reproduction requests. Digitally transforming and automating quality assurance, incident reconstruction and performance metrics tracking frees up managers to spend more time engaging with and coaching staff. This improves emergency response and helps retain employees.

Financial Crime and Compliance trends that are driving demand for our solutions:

- **The need to embed risk management controls into digital first strategies.** Financial services organizations are undergoing significant digital and analytics transformations to provide safer and more unhindered customer access to accounts across all channels and enable safe and secure transactions. At the forefront of these initiatives is the need to improve customer experience. The realization that risk management is a critical component to the customer experience, is helping drive demand for financial crime prevention and detection solutions across the customer lifecycle from onboarding to ongoing monitoring.
- **Preventing financial crime and ensuring stringent compliance with evolving regulatory environments.** Regulatory scrutiny of financial institutions continues to apply pressure on organizations to adopt more advanced regulatory compliance and risk management technology. Furthermore, regulators have been expanding their focus from the largest financial institutions to a broader market, including smaller banks and alternative financial service providers, and are creating increased demand for risk and compliance related solutions.
- **An unpredictable threat landscape environment.** The growing number of data breaches and cyber security incidents put increasing amounts of personally identifiable information and sensitive data at risk of exposure. This information can be used to open accounts that can be used for laundering money, terrorist financing, account fraud, market manipulation, social engineering, and more. Such potential risks threaten an organization's reputation, as well as create large financial exposures due to both losses as well as fines. In addition, the large volumes of data, related to both internal and external threats, place an enormous operational burden on organizations. Having the ability to deploy advanced technologies such as machine learning and automation that helps address these threats, becomes increasingly critical to financial services organizations.
- **An increasing need to control cost of compliance.** The regulatory pressures and increasing threat landscape have driven an increase in the number of risk and compliance personnel, which in turn has dramatically increased the cost of compliance. Organizations are turning to technology to allow them to help control these costs without compromising their compliance adherence while continuing to lower their exposure to financial crime.
- **Financial institutions seek a single platform that aggregates and analyzes financial crime-related risk in one place.** The ever-expanding risk landscape and sophistication of financial criminals, as well as the need to keep costs in check, creates a growing need for a single view of different detection signals throughout the financial services organization. A single platform allows financial services organizations to analyze the data, act on it and present it in one dashboard to both operations and executives.
- **Financial institutions are adopting cloud platforms for financial crime & compliance solutions.** Top tier financial institutions have been slow to adopt cloud delivery driven by the sensitive nature of their data, but are now realizing the value of the cloud, and are increasingly choosing to deploy solutions on their own private cloud or on public cloud infrastructure.
- **Machine learning is being adopted in the fight against financial crime.** Traditional methods of financial crime detection, such as rule-based systems, are limited in their ability to adapt and detect new types of financial crime or changes in criminal behavior and patterns. Machine learning algorithms can be trained on

historical data and continue to improve their performance as they encounter new behaviors. This enables them to detect patterns and anomalies that may be indicative of financial crime.

- **Process automation is increasingly used to automate financial investigation tasks where it may not be necessary to have as much human involvement.** This frees up investigators from low value, high volume manual tasks so that they may better focus on more important and strategic work. This leads to better resource utilization, increased accuracy and productivity, and improved return on investment.
- **Financial institutions are being disrupted by digital players providing improved experiences and more personalized products and services.** Banking services and many other financial service organizations are being challenged by neo-banks, fintech companies and other digital players. To improve customer experiences, and compete against these digital players, financial institutions continue to invest heavily in digital capabilities. Consumers have increased expectations for faster and frictionless processes. In terms of risk, digital banking moves the consumer away from the branch creating new risks around identity verification, customer due diligence and general monitoring of consumer financial behavior. The expectations for fast response times drive financial institutions to re-design their compliance processes to be able to respond in minutes rather than days or weeks, which in turn requires broader adoption of AI across the customer lifecycle.

## Strategy

Our long-term strategy is to further broaden our industry leadership in both the Customer Engagement and Financial Crime and Compliance market segments. In Customer Engagement, we intend to continue to leverage CXone, as well as our large customer base, to continue our leadership in the CX market. We intend to continue to expand our digital reach and self-service innovation to go beyond the contact center, expanding our solutions to address consumer needs across every touch point they choose to start their journey. We do that through strategic product-launches, fueled by organic developments and acquisitions, with our Customer eXperience Interactions (CXi) offering, aimed at intelligently meeting consumers on their digital channel of choice, enabling resolution through data-driven self-service and preparing agents to successfully resolve any needs event. We intend to continue to expand into international markets and further increase our position in both the high-end and the mid-low end of the U.S. market.

We intend to continue to expand our AI capabilities, across all our markets, to provide smarter business solutions that are based on our deep domain expertise and our access to unique industry-specific historical and real-time data assets. We also intend to continue to evolve as one of the leading custom-built AI players in the CX market, and become the standard for any self-service deployment, with both our own end-to-end self-service offering, as well as full integration with any third party solutions.

In the Public Safety sector, we intend to cement our leadership in the digital transformation of the US Justice System, based on our leading Digital Evidence Management System, increasing the number of police departments and district attorneys using our solution across the U.S.

In our Financial Crime and Compliance business, we intend to continue to build our leadership with X-Sight and take our cloud enterprise offering to the high end of the market, and we aim to further enhance Xceed to be positioned as the premier cloud platform of choice through our suite of solutions for the mid-market. We intend to leverage the massive digital banking transformation to enlarge our addressable market by launching new solutions and asserting our position as a leader for managing risk in the digital banking era.

### *Empowering organizations to lead by adapting to change*

We intend to continue leading the market by leveraging several major industry trends and evolving our offering to meet our customers' current and future needs while focusing on key strategic pillars:

- **Cloud Foundation** – we provide cloud-native open platforms for our Customer Engagement and Financial Crime and Compliance offerings. This allows our customers to facilitate adoption of cloud infrastructure to accelerate innovation and reduce integration, implementation and operational efforts.
- **Complete Suite** – we provide one of the industry's most comprehensive set of integrated, scalable, world class applications, across all our markets. Our ability to provide our customers with a full range of

capabilities, for organizations of various sizes that can answer their various needs using a single vendor unified suite, gives us a strong market differentiation in today's drive for simplicity, cost savings and elimination of legacy silos.

- **Digital** - we enable businesses to deliver digital-first omnichannel experiences, responding to consumer needs on their preferred channel of choice wherever their experience journey begins, including the ability to service customers across multiple digital channels, provide secure digital banking and help public safety organizations shift to digital interaction and digital evidence environments.
- **AI** – we accelerate business transformation with AI-embedded natively across our platforms, making our applications and business processes smarter. Our domain expertise, advanced technology, and pre-built AI models create industry-leading solutions for all our market segments.
- **Data** - recognizing the power of data, we consider data as a key component and a strategic asset across our portfolio and leverage it for creating frictionless experiences for consumers. We manage our customer data with security and compliance measures while leveraging it to equip our customers with a data-driven approach to manage their business, improve performance and identify customer insights.

### *Strengthening our market leadership*

Our brand, global reach, financial resources, extensive domain expertise and ability to deliver a wide array of solutions for large, as well as small and mid-sized organizations, will further anchor our market-leading position.

We plan to continue to develop our open cloud platforms for the Customer Engagement and Financial Crime and Compliance markets to enable unified integrated solutions that offer fast innovation and quick time to value. These platforms allow us to deepen our direct relationships with our customers, nurture our partner ecosystem and create new growth opportunities.

In our Customer Engagement business, we intend to continue being a leader in the CCaaS market with CXone, our customer engagement cloud platform that enables rapid innovation, agility and scalability, and continue to extend our offering with CXi. CXi is centered around the goal of providing high-quality, personalized experiences for consumers, organizations and service agents based on our leading cloud native CX platform, CXone, digital capabilities and Enlighten AI, our purpose-built AI for the customer engagement market. With CXi, organizations can meet their customers wherever they choose to begin their journeys, and provide the right attended or unattended service, based on their profile, preferences and needs. This includes a broad suite of digital, analytics and AI-infused integrated applications, used for understanding consumers and employees needs and preferences, and leveraging that information to create orchestrated journeys that cover every interaction no matter where it begins. Alongside our existing offering, we plan to lead in new product categories, as we introduce novel solutions and enter additional market segments. We will continue to extend our leading market position for cloud solutions, aimed for providing frictionless experiences in and outside the contact center, catering to organizations of all sizes and replacing legacy on-premises infrastructure players. We will also continue to enable our customers to extend our solutions through innovative third-party applications via our DEVone dedicated partner ecosystem that our customers can self-select through our platform's CXexchange application marketplace.

Our Evidential cloud digital transformation platform allows public safety, law enforcement and criminal justice agencies to transform to the digital age by managing response, investigation and prosecution digitally and embedding analytics and AI throughout the entire criminal justice process, enabling agencies to leverage data to the fullest and work together collaboratively to enhance public safety.

In our Financial Crime and Compliance business, we will continue to expand our offerings across market segments by providing new and enhanced solutions that protect financial services organizations and their customers earlier in the customer lifecycle and by infusing more AI across our portfolio of solutions. With our X-Sight cloud platform, we provide open, scalable and flexible solutions with broad financial crime and compliance coverage to the top tier of the market. Continued innovations on X-Sight will further cement our leading market position. With our Xceed platform, we provide packaged anti-money laundering (AML) and fraud coverage and solutions to the mid-market, enabling smaller organizations to realize greater protection with quick time to value. In the Financial Crime and Compliance business, our solutions are infused with Always on AI, our multi-layered approach that injects AI, machine learning, automation, natural language processing and other advanced technologies throughout the financial crime and compliance value chain. This allows financial services organizations to merge innovative and patented technologies to effortlessly connect data and apply AI to turn raw data into financial crime intelligence that fuels analytic precision to detect and prevent financial crimes. These offerings

enable us to add value to our existing customers, as well as expand our reach and open-up new opportunities, considerably increasing our total addressable market.

*Helping our on premises customers and new customers transform to the cloud*

Our leading cloud platforms and domain expertise, along with our flexible maturity models, enable our customers to adopt cloud solutions and migrate to the cloud at the pace that matches their needs and preferences.

To support all of our customers and the different pace of their cloudification migration, we intend to continue offering our solutions in a variety of delivery models, which enable us to be flexible in effectively addressing our customers' needs.

We are the trusted advisor for our on-premises customers as we support their migration from legacy infrastructure to the cloud. We provide deep cloud expertise and migration tools to simplify configuration, reporting and data collection from legacy systems. Further, we offer holistic transformation consulting services, provided exclusively by our skilled employees, delivering smooth transition for our customers.

*Continuing to upsell our full solutions portfolio to our existing customer base*

One of our main assets is our growing customer base. We believe there are many opportunities to expand, up-sell and cross-sell within our existing cloud customer base. This includes increasing our customers' exposure to the full breadth of our portfolio. We continue to provide our customers with new benefits by expanding the offering they already use, and adding new products and solutions.

*Continuing organic innovation and development, while also pursuing acquisitions*

We intend to continue investing in innovation across our portfolio and platforms and augment our organic growth with additional acquisitions that will broaden our product and technology portfolio, expand our presence in selected verticals, adjacent markets and geographic areas, broaden our customer base, and increase our distribution channels.

*Maximizing the synergies across our businesses*

At NICE, we value and promote a synergetic approach to our platforms and solutions (e.g., sharing information, knowhow, and design practices in transitioning to native cloud platforms across Customer Engagement and Financial Crime and Compliance). We will continue leveraging our solutions' common cloud architectures as well as methodologies of capturing and analyzing massive amounts of structured and unstructured data, providing real-time insight and driving process automation. Maximizing these synergies and cooperation between our business areas is a key pillar of our corporate strategy.

We have several joint offerings across our business segments and combined go-to-market efforts. We will continue leveraging our extensive complementary domain expertise, technological know-how, capabilities and development, in order to grow our business through additional cross-sell and up-sell opportunities.

*Increasing our footprint in select geographical regions*

As part of our growth strategy, we are expanding our business in select regions globally, where we can further grow and establish our presence in less penetrated, growing markets. We are doing this by leveraging our existing offering and growing partner ecosystem, in both the Customer Engagement business as well as the Financial Crime and Compliance business. We continue to expand our international partner network.

*Expanding our global partnerships*

As part of our growth strategy, we are investing in expanding relationships with global go to market partners that we believe can accelerate our growth while ensuring the success of our customers. In addition, as part of our open platforms, we are enabling the success of our technology partners while providing a wider coverage and complementing our product offerings to bring unique value to our customers.

**Customer Engagement Business Strategy**

Our strategy is to continue serving as a leader in the CCaaS market and expand our reach beyond the boundaries of the contact center to win the overall Customer eXperience Interaction (CXi) market by fundamentally reinventing the way consumers interact with organizations in today's digital era. We are driving a new customer experience standard by intelligently meeting customers wherever they choose to begin their journey, enabling resolution through data driven self-service and preparing agents to successfully resolve any need. We intend to achieve this by:

- Offering CXone, the global leading unified cloud customer engagement platform that combines guided journey orchestration for voice and digital channels, and comprises of tightly integrated IVR, advance digital capabilities, self-service, bots, proactive conversational AI, knowledge management, agent assist tools, customer journey analytics, leading Workforce Engagement Management and automation solutions.
- Expanding our capabilities to provide holistic digital and self-service experiences throughout the entire customer journey, starting at the very beginning on search, apps and other digital doorsteps, and continuing through self-service and engagement with the contact center through voice or digital enabling customer service organizations to provide a true omnichannel service experience across all touchpoints.
- Infusing analytics, AI and automation into every element of our Customer Engagement offerings to enable predictive and proactive service, workforce augmentation and automation. We leverage insights from an extensive number of interactions, with hundreds of purpose-built CX models to create frictionless customer experiences that are smarter and faster.
- Enabling our customers to deploy AI-driven intelligent conversational bots, to provide self-service and assisted service capabilities, which improve customer experience as well as reduce the cost to service consumers.
- Providing agents with unique unified and native desktop capabilities including digital collaboration, agent assistants, knowledge management and automation to help them deliver the best customer service.
- Empowering our customers' workforce through agile Workforce Engagement Management (WEM) that helps organizations dynamically forecast and schedule the complex multi-channel digital native workforce, and understand individual employees' preferences, needs and actions to drive motivation and reduce attrition by providing flexibility.
- Leading cloud transformation across the entire Customer Engagement portfolio for all market segments and regions to enable rapid innovation, enhance flexibility and agility, and lower operational costs.
- Offering our customers the ability to extend our solutions through innovative third-party applications provided by our DEVone dedicated partner ecosystem. Our customers can self-select these third-party applications from our platform's CXexchange marketplace.
- Increasing our market presence across all segments with CXone, enhanced data and AI innovation to help organizations adopt CXi, thus enabling them to adapt to today's complex consumer expectations as well as ever changing CX realities.
- Leveraging our large customer base in all verticals and regions to generate incremental revenue growth through up-selling and cross-selling our Customer Engagement portfolio.
- Extending our public safety offering to the Public Safety Answering Points (PSAP) to support next generation digital emergency communication, ensuring compliance and enabling enhanced digital evidence collection and investigation.
- Offering one of the industry's most leading unified cloud-based Digital Evidence Management and Investigation platform, Evidencentral, that integrates and consolidates all forms of evidence information - data and media from police records and dispatch management systems.

## **Financial Crime and Compliance Business Strategy**

We plan to continue extending our market leading position and our addressable market, while further supporting the move to the cloud by financial institutions. We also plan to leverage our capabilities to facilitate both better financial crime protection and to help our customers realize cost reductions. We intend to achieve this by focusing on:

- Delivering integrated Financial Crime and Compliance solutions that help financial services organizations identify risks faster and earlier throughout all phases of the customer lifecycle.
- Expanding our market reach within the mid-tier banks and financial institutions with our Xceed native cloud and AI platform, which provides AML and Fraud solutions in a packaged SaaS offering to smaller organizations, enabling them to benefit from the capabilities previously only afforded to large organizations.
- Expanding X-Sight, our cloud-native AI platform and solutions for the top tiers of the market to further strengthen and grow our market leadership position. X-Sight combines data and analytics agility and provides us the ability to cross-sell solutions. Our cloud platform leverages data, AI, machine learning, advanced automation, and other technologies to help customers reduce the cost of operations, while increasing their adherence to compliance and preventing financial crime.
- Expanding X-Sight AI, our data driven, machine learning, analytics managed service or do-it-yourself environment to help further optimize analytic models and develop new analytics by leveraging insights across our broad customer base and our market-wide and domain expertise in fraud prevention and anti-money laundering.
- Offering X-Sight DataIQ, our orchestration and aggregation engine that effortlessly connects to multiple premium and public data sources, turning raw data into the data intelligence to fight financial crimes.
- Expanding the X-Sight Marketplace, an ecosystem of innovative third-party partners where our customers can select complementary offerings to extend our platforms and products.
- Offering our solutions to verticals outside of the traditional financial services, such as technology, gaming, energy, insurance, industry regulators, government agencies, as well as to fintech and alternative payments providers.
- Further expanding our footprint across international geographies and segments while continuing to cross-sell and up-sell into our existing customer base around the world.
- Expanding our sales channels with world-class systems integrators, consultancies, core banking providers, and other regional reseller firms to identify additional significant opportunities.

## **I. Offering Overview - Customer Engagement**

With the growing complexity, demand and urgency of customer service needs, organizations are required to adapt new operating models to maintain a holistic relationship with their customers. These dynamics are challenging organizations to differentiate themselves through efficient, effective and high-quality customer experiences that are digital, including agent-assisted and self-help channels that are smart, consistent and personalized across all touch points. In addition, organizations must find ways to generate business insights, better understand and predict customer intent and create smarter customer connections, as well as provide their employees with the flexibility and balance they seek. Organizations need to accomplish these objectives while containing operational costs and adhering to regulations.

To fully accomplish this new era of a holistic relationship between consumers and organizations, and to be able to smartly engage customers wherever they start their journey, we have extended the reach of our offering and evolved the CCaaS market with CXi. Delivered through CXone and our advanced data and AI platform, Enlighten AI, we redefine the way organizations understand, engage and interact with their customers throughout their entire journey, creating smart, connected, self-service and human-assisted digital interactions. We enable organizations to create frictionless customer and employee experiences - every time across every touchpoint, and for any need.

### **Our Platform and Solutions' Core Capabilities:**

Our **Cloud Native Open Platform**, NICE CXone, is one of the industry's most comprehensive customer engagement platforms, with best-in-class customer analytics, digital engagement, journey orchestration, knowledge management, voice of the customer, complete workforce engagement, automation and artificial intelligence, all on an open cloud foundation. Our leading platform is proven for any size organization, and encompasses our customer-centric expert services, unique domain expertise and extensive ecosystem of partnerships, while meeting the strictest security and uptime

standards. In today's digital world, customer journeys extend well beyond traditional contact center interactions, and CXone is our leading CX platform that provides the benefits of a modern native cloud architecture and delivers a complete suite of customer engagement applications through our CXi offering. It is one of the leading standalone capabilities for self-service, WEM, analytics and digital. This multipath approach enables organizations to leverage CXone in many ways, such as a complete open suite, an open suite integrated with third-party Automatic Contact Distributor (ACD) or a hybrid approach that combines native applications with existing premise recording and ACD systems.

Our custom-built **AI engine for CX**, Enlighten is embedded across our entire platform and suite of applications. It uses historical data to understand CX needs, behaviors and different types of characteristics, analyzes every interaction and allows proactive identification of needs and the ability to act on them in real time. Enlighten AI also leverages conversational data from employee-assisted interactions to discover automation opportunities for self-service. It guides agents in real-time to reduce friction, keeping them informed and prepared, connects people on a personal level to optimize outcomes, and redefines the quality and coaching process to be based on agents' soft skill behaviors measured on all interactions.

Our **Digital-Entry Points** solutions enable organizations to build scalable and effective digital fluency in order to adapt to the changing needs of consumers and deliver smart service on the consumers' channel of choice. NICE enables organizations to provide a smart start to their customers' journeys and address their consumers' needs right at the digital doorstep of their journey, such as with online search and mobile apps. We provide knowledge management tools to drive knowledge at any point of the consumers' journey, starting with search, and then proactively reach-out to consumers and present the most relevant offers to them based on analyzing their needs, while guiding them in real-time on their channel of choice through an interactive conversation.

Our **Journey Orchestration** solutions empower organizations to connect and route their customers across their entire journey over 30 supported channels, including voice and digital, in a joint, consistent, and smart way by combining every touchpoint including online search, mobile apps and other digital doorsteps, continuing through to self-service and interacting with the contact center. Customers can easily and effortlessly move between channels, while providing the customer with a full context and a sense of a single consistent journey, as well as a single view of the experience to the organization. We create highly personalized interaction experiences by matching the most appropriate agent or bot to deal with the customer's request, connecting them using real time AI-based routing.

Our **Smart Self Service** solutions empower organizations to build intelligent automated conversations based on data that indicates what customers need and how they express these needs and deliver the right resolution. Our smart self service allows organizations to design data-driven, personalized self-service interactions, using NICE's purpose-built Enlighten AI Experience Optimization engine, to identify customer needs and automate the right conversations, resulting in fast and satisfying resolutions and offers. This profound understanding of consumers' needs also enables organizations to proactively engage with their consumers to resolve their issues before they occur. We provide the most intelligent bots that are able to comprehend human conversations through a powerful conversational AI platform that learns and improves over time.

Our solutions and tools designed for the **Empowered Agent** enable contact center agents to be engaged in real-time and to be knowledgeable and prepared so they can create the most hyper-personalized, unique interactions that increase customer satisfaction and resolve issues quickly. We ensure agents have the right content and context delivered to them through smart knowledge management that is available in real-time. We guide and alert agents in real time to specific behavioral insights so they can take immediate action to improve resolution, and increase employee potential with a personalized virtual attendant to guide them through next-best-action and robotic automation that completes mundane and manual processes for them.

Our **Complete Performance** solutions help capture, understand, analyze and continuously optimize all elements that impact customer experiences. We enable organizations to record structured and unstructured customer interaction and transaction data on any channel, in a secure and compliant way, forecast the complex staffing needs across all channels including asynchronous digital touch points, and automate intraday schedules with an AI-based Workforce Management suite, while empowering agents with mobility and notifications to engage and maintain their desired work-life balance, taking into consideration their personal attributes and preferences. We drive better agent behaviors with a leading Quality Management solution, embedded with our AI engine, custom-built for CX, to consistently measure agent soft skills and customer satisfaction indicators in real time. We analyze all interactions, across all channels, to identify areas for performance improvement, then take the relevant actions to make these improvements happen, operationalizing analytics-based insights into daily business processes. We provide employees with a comprehensive Performance Management solution, creating a consolidated view for agent measurements, drive engagements with gamification capabilities and deliver persona-based coaching for constant improvement. Real-time guidance and automation solutions guide agents to the next-best behavior and next-best action they need to take during or after an interaction and obtain customer feedback to analyze their conversations and journeys to identify points of friction to help optimize their experience.

**NICE Evidencentral - Our Digital Evidence Management and Investigation Platform** for public safety emergency communications, law enforcement and criminal justice transforms how digital evidence and data are managed. Public safety and criminal justice agencies spend precious time managing digital evidence and data- collecting, storing, copying, analyzing, sharing and even physically transporting it. Evidencentral helps overcome these obstacles by breaking down data silos, applying analytics and workflow automation to processes, and by connecting public safety and criminal justice agencies together, so justice can flow smoothly, from incident to court. Evidencentral help agencies get control of digital evidence and data, so they can get emergency response right, be a greater force for good, ensure safer communities, and provide timelier justice for victims.

## **II. Offering Overview - Financial Crime and Compliance**

Enabling trusted financial transactions is critical in the digital banking era and is increasingly challenging for financial services organizations. To stay competitive, organizations are providing more digital channels and more products and services to acquire and retain customers, all of which need to be monitored for fraud and regulatory compliance. With criminals, organized crime rings, and armies of cyber bots attacking digital payments and banking channels while also scamming individuals and corporations, preventing fraud without customer friction and detecting and predicting money laundering is more complex than ever. In addition, adhering to capital markets compliance regulations by surveilling trades across all asset classes for market manipulation has also become more complex.

Today, organizations need to monitor employee and trader communications and other activities to detect and predict potential foul play. These demands and market dynamics coupled with consumers' desire for frictionless digital transactions require organizations to transform and modernize their financial crime programs.

Organizations need agility to effectively adapt to ensure regulatory compliance, ward off new threats, provide excellent customer experiences and grow the business, all while protecting their organization, safeguarding their customers, and ensuring the integrity of the financial services industry.

NICE Actimize provides the market-leading AI-based platforms and applications for fighting financial crime and ensuring compliance, with proven capabilities for real-time and cross-channel fraud prevention, anti-money laundering and capital markets compliance, and enterprise-wide investigation and case management.

### **Our Platforms' and Solutions' Core Capabilities**

- **Our cloud platform for the high-end of the market, X-Sight**, is an open and flexible AI-cloud platform for Financial Crime and Compliance, enabling top-tier financial services organizations to leverage market-leading solutions and services that meet their sophisticated and unique needs with security, scalability and speed. X-Sight provides global customers with immediate access to new innovations, removing expensive and lengthy system integrations and product lifecycles by leveraging the unified modern cloud architecture. We offer configuration and customization through APIs and available services and leverage elastic cloud computing for massive scalability, so the largest global financial institutions have the flexibility to configure their controls and financial crime programs to meet their unique needs.
- **Our cloud platform for the mid-market, Xceed**, brings together powerful AI, data intelligence, machine learning, and insights for comprehensive AML and fraud prevention for small and mid-sized organizations. The solutions on Xceed provide the protection that larger organizations receive but are packaged and connect directly with core banking providers for smaller organizations to realize immediate value.
- **Our cloud platforms** provide financial services organizations with the agility required to quickly adapt to changing regulatory and threat landscapes. With machine learning, predictive analytics, and embedded AI, organizations are able to proactively prevent crime faster, leading to higher customer satisfaction, lower losses, and reduced risk of regulatory enforcement action or reputational damage. Our platforms and solutions enable organizations to have a more comprehensive understanding of their customers' activities and risk, as well as the organization's risk exposure.
- **Our data intelligence** solutions enable organizations to turn raw data into comprehensive actionable intelligence to prevent and detect financial crimes and enable better and faster decisions. With effortless access to data and our X-Sight Marketplace ecosystem of complementary partner offerings, our solutions deliver comprehensive real-time intelligence to fuel analytics and enrich investigations.

- Our **AI and Analytics** innovative technologies, our deep domain expertise, and the insights we receive by working collaboratively and collectively with our large world-class client base provide rich intelligence to our solutions. This allows us to provide market leading solutions to our customers, addressing numerous business use cases across risk domains and coverage areas. All Financial Crime and Compliance solutions are infused with Always on AI, our multi-layered approach that injects AI, machine learning, automation, Natural Language Processing, and other advanced technologies throughout the financial crime and compliance value chain. This provides financial services organizations with innovative and patented technologies which fuel automation and analytic precision to detect and prevent financial crimes in real-time and provides secure and frictionless customer experiences.
- **Our complete coverage** solutions enable organizations to detect market manipulations and prevent money laundering and fraud while helping them adhere to compliance regulations. With broad coverage for compliance around regulations and financial crime risks including account takeover, social engineering scams and many other financial crimes, the solutions include hundreds of out-of-the-box engineered models for current risk topologies across global regulatory regimes as well as emerging risk types including cryptocurrencies and cannabis-related risks to name a couple. Organizations gain holistic coverage to reduce risk, mitigate losses and protect their organizations and customers.
- Our **intelligent investigations** solutions serve hundreds of thousands of analysts and investigators across the globe enabling them to make better, faster decisions. The rich and robust, purpose-built solutions include out-of-the-box workflows and audits for the regulated industry to intelligently route alerts and cases and track all activity for quick, accurate and transparent investigations. With built-in automation and interactive visual displays, organizations can empower their teams with comprehensive intelligence to optimize efficiency.
- Our **Self-Service** solutions provide organizations with customization and self-development capabilities powered by APIs and intuitive tools for 24/7 access to smart self-service.

## Strategic Alliances

We sell our Customer Engagement and Financial Crime and Compliance platforms and solutions worldwide, primarily directly to customers and indirectly through selected partners to better serve our global customers. We partner with companies in a variety of sales channels, including service providers, system integrators, consulting firms, distributors, value-added resellers and complimentary technology vendors. These partners form a vital network for selling and supporting our solutions and platforms. We have established a cross-organization business partner program to support our ever-growing ecosystem, providing a full range of tools and benefits to help promote the NICE offerings and drive mutual revenue growth and success.

Our strategic technology partnerships ensure full integration with the NICE offerings, delivering value added capabilities that enable them to provide our customers with an improved set of solutions and services.

Our DEVone program, comprising more than 200 partners, allows third-party software providers to integrate with our CXone platform and extend its functionality. Devon partner offerings are listed on our CXexchange Marketplace. Our Actimize X-Sight Marketplace hosts market leading vendors in the AML and Fraud domains that complement the Financial Crime and Compliance solution suite.

Our Evidential Marketplace hosts an expanding ecosystem of technology vendors that integrate with our Evidential platform to extend its functionality and make it simpler and faster for Emergency Communications, Law Enforcement and Criminal Justice agencies to bring a high volume of multimedia evidence together, accelerate case building, unearth hidden evidence and address evidence disclosure challenges.

## Professional Service and Support

The NICE Professional Services and Support organization enables our customers to derive sustainable business value from our solutions.

The Professional Service and Support offerings include a variety of services - both standalone and bundled with our products. We address all stages of the technology lifecycle, including defining requirements, planning, design, implementation, customization, optimization, proactive maintenance and ongoing support.

## *Enabling Value*

**Solution Delivery** optimizes solution delivery to our customers and enables them to achieve their specific business and organizational goals, on time and on budget. NICE solutions are delivered by certified project managers, technical experts, and application specialists. We follow a proven methodology that includes business discovery to map solutions to business processes.

**Value Realization Services (VRS)** ensure quick, deep and sustained adoption of the NICE solutions. These services enable our customers to leverage the features and functionalities of our solutions to drive immediate & long-term results, aligned to their specific business case, accelerating their return on investment. The services are specifically designed to address the top short and long-term business concerns we heard through working with hundreds of customers across the globe. VRS teams work with customers during all phases of solution implementation – before, during and after go-live. We begin working with customer teams as soon as the project is kicked off, when the solution goes live, and for months after the solution is implemented. Our experience has shown that our customers benefit greatly from access to NICE VRS resources once they begin using the solution. This post-implementation engagement allows us to build skill and ownership within customer teams, embed changes within the customer organization and determine return over investment from the solution.

**Managed Services** empowers organizations to meet short term objectives, such as reducing handle time or improving sales rates, along with achieving long term goals such as customer retention. Our team of experienced practitioners work with customers, guiding the process of collecting interactions, prioritizing subjects to study, conducting analysis and most importantly, developing plans that put the results of the analysis into action.

**Customer Education Services** provide users with the necessary knowledge and skills to operate NICE solutions and to leverage their capabilities to meet customer needs. These services are offered both before and after the deployment of NICE solutions.

## *Sustaining Value*

**Customer Success** means working hand-in-hand with our customers to identify areas where they can maximize business value and minimize complications, ensuring continued delivery of business benefits.

**Cloud Operations** ensure that solutions deployed on the NICE cloud run optimally and allow more simplified software upgrades, maximizing availability, performance and quality, while ensuring the security of customer information. This is delivered by using sophisticated proprietary utilities and automations that operate in a proactive manner, providing the means to avoid impacting customer and business operations. This includes: Cloud architecture teams that design cloud service delivery and operation architectures; Cloud Security teams help ensure that we set and meet the required Security certifications; Cloud Infrastructure teams that manage both virtual and physical infrastructure requirements; Cloud DevOps teams that implement the utilities and automations while working with our product development teams to optimize our solutions for the cloud environment; and the 7X24 Cloud Application Support teams that monitor and manage the solutions for our customers, ensuring world class up-time, performance, scalability and security. The NICE Cloud utilizes multiple underlying technologies to give our customers many paths to the cloud – these include Physical Data Centers and Public Cloud providers such as AWS and Azure. NICE maintains multiple Cloud Certifications including SOC 2 Type II – Applications; HITRUST; ISO:27001 and PCI.

**Customer Support and Maintenance** responds to customer requests for support on a 24/7 basis, using advanced tools and methodologies. NICE offers flexible service level agreements to meet our customers' needs. Our solutions are generally sold with a warranty for repairs of software defects or malfunctions. Software maintenance includes an enhancement program with (in the majority of cases) an ongoing delivery of “like-for-like” upgrade releases, service packs and hot fixes. NICE also offers a Technical Account Management service or TAM. The TAM is a designated manager responsible for escalation management and overall customer care services.

**Proactive Maintenance** addresses issues before they can significantly impact our customers' businesses. These offerings include:

- **Advanced Services** – Technical experts perform system-level audits to ensure ongoing compliance with operational specifications as well as specific product customizations tailored to the requirements of the customer.

- **Application Performance Services** – A 24/7 function that proactively monitors NICE-hosted and customer-premises environments with triage, resolution and escalation of system alarms.

**Managed Technical Services (Technical and Operation)** – NICE offers a suite of managed technical and operation services that enable the customer to fully outsource all necessary responsibilities and functions required in order to manage the NICE solutions. This service includes dedicated onsite and remote support engineers, system management, system operation, updates and upgrades.

**Information Security** - we have established information security management policies and procedures to protect the confidentiality, integrity, and availability of our data while providing value to the way we conduct our business. We have security measures, internal policies, and procedures in place to protect our customers' information and ensure that proper measures are taken in connection with our customers' and their end users' information. Additionally, we ensure that information security controls are designed and implemented throughout our products and services development lifecycle. Our privacy information management policies and procedures comply with worldwide accepted standards, such as ISO 27001.

### **Manufacturing and Source of Supplies**

Many of our solutions are software-based and are deployed by open cloud platform and standard commercial servers.

There is a small portion of our products that have certain hardware elements that are based primarily on standard commercial off-the-shelf components and utilize proprietary in-house developed circuit cards and algorithms, digital processing techniques and software. These products are IT-grade compatible.

We manufacture those products that contain hardware elements through subcontractors. Our manufacturers provide turnkey manufacturing solutions including order receipt, purchasing, manufacturing, testing, configuration, inventory management and delivery to customers for all of our product lines. NICE exercises various control mechanisms and supervision over the entire production process. In addition, the manufacturer of a significant portion of such products, is obligated to ensure the readiness of a back-up site in the event that the main production site is unable to operate as required. We believe these outsourcing agreements provide us with a number of cost advantages.

Some of the components we use have a single approved manufacturer while others have two or more alternatives for supply. In addition, we maintain an inventory for some of the components and subassemblies in order to limit the potential for interruption. We also maintain relationships directly with some of the more significant manufacturers of our components, and we believe that we can obtain alternative sources of supply in the event that the suppliers are unable to meet our requirements in a timely manner.

We have qualified for and received the ISO-9001:2015 quality management, as well as the ISO 27001:2013 information security management, ISO 27701:2019 privacy management and ISO 14001:2015 environmental management certifications.

### **Research and Development**

We believe that the development of new products and solutions and the enhancement of existing products and solutions are essential to our future success. Therefore, we intend to continue to devote substantial resources to research and new product and service development, and to continuously improve our systems and design processes in order to reduce the cost of our products and services. We conduct our research and development activities primarily in Israel, India and the U.S. Our research and development efforts have been financed through our internal funds and through some programs sponsored through the government of Israel.

We participate in programs funded by the IIA to develop generic technology relevant to the development of our products. Such programs are approved pursuant to the Law for the Encouragement of Research, Development and Technological Innovation in Industry 5744-1984 (the "Research and Development Law"), and the regulations promulgated thereunder. We were eligible to receive grants constituting between 30% and 55% of certain research and development expenses relating to these programs. Some of these programs were approved as programs for companies with large research and development activities and some of these programs are in the form of membership in certain Magnet consortiums.

Accordingly, the grants under these programs are not required to be repaid by way of royalties. However, the restrictions of the Research and Development Law described below apply to these programs.

The Research and Development Law generally requires that the product incorporating know-how developed under an IIA-funded program be manufactured in Israel. However, upon the approval of the IIA (or notification in the event set forth below, as the case may be), some of the manufacturing volume may be performed outside of Israel, provided that the grant recipient pays royalties at an increased rate, which may be substantial, and the aggregate repayment amount is increased). Following notification to the IIA (and provided the IIA did not object), up to 10% of the grant recipient's approved Israeli manufacturing volume, measured on an aggregate basis, may be transferred out of Israel, subject to payment of the increased royalties referenced above.

The Research and Development Law also provides that know-how (or rights thereto) developed under an approved research and development program may not be transferred or pledged to third parties without the approval of the IIA. Such approval is not required for the sale or export of any products resulting from such research or development. The IIA, under special circumstances, may approve the transfer of IIA-funded know-how outside Israel, including, in the event of a sale of the know-how, provided that the grant recipient pays to the IIA a portion of the sale price, which portion will not exceed six times the amount of the grants received plus interest (or three times the amount of the grant received plus interest, in the event that the recipient of the know-how has committed to retain the R&D activities of the grant recipient in Israel after the transfer).

### **Intellectual Property**

We currently rely on a combination of trade secret, patent, copyright and trademark law, together with non-disclosure and non-compete agreements, to establish and/or protect the technology used in our systems.

We currently hold 475 U.S. patents and 32 patents issued in additional countries covering substantially the same technology as the U.S. patents. We have 206 patent applications pending in the United States and other countries. We believe that the improvement of existing products and the development of new products are important in establishing and maintaining a competitive advantage. We believe that the value of our products is dependent upon our proprietary software and hardware continuing to be "trade secrets" or subject to copyright or patent protection. We generally enter into non-disclosure and non-compete agreements with our employees and subcontractors. However, there can be no assurance that such measures will protect our technology, or that others will not develop a similar technology or use technology in products competitive with those offered by us. In most of the areas in which we operate, third parties also have patents which could be found applicable to our technology and products. Such third parties may include competitors, as well as large companies, which invest millions of dollars in their patent portfolios, regardless of their actual field of business. Although we believe that our products do not infringe upon the proprietary rights of third parties, there can be no assurance that one or more third parties will not make a claim or that we will be successful in defending such claim.

In addition, to the extent we are not successful in defending such claims, we may be subject to injunctions with respect to the use or sale of certain of our products or to liabilities for damages and may be required to obtain licenses which may not be available on reasonable terms.

We own the following trademarks and/or registered trademarks in different countries: Actimize, Actimize logo, NICE Adaptive WFO, NICE WFM, NICE Voice of the Customer, NICE Work Force Management, NICE Incentive Compensation, NICE Real Time Solutions, NICE Trading Recording, NICE Uptivity, NICE Air, NICE Communication Surveillance, Customer Engagement Analytics, Decisive Moment, Fizzback, IEX, inContact, inContact Logo, NICE inContact, Last Message Replay, NICE, NICE Analyzer, NICE Engage, NICE Engage Platform, NICE Interaction Management, NICE Sentinel, NICE Inform, NICE Inform Lite, NICE Performance Compliance, NICE Inform Media Player, NICE Inform Verify, NICE Logo, NICE Incentive Compensation Management, NICE Real Time Solutions, NICE Trading Recording, NICE Proactive Compliance, NICE Security Recording, NICE SmartCenter, NICE, NICELog, Nexidia, Nexidia (!!)) Logo, Nexidia Interaction Analytics, Nexidia Advanced Interaction Analytics, Nexidia Search Grid, Neural Phonetic Speech Analytics, Own the Decisive Moment, Scenario Replay, Syfact, Syfact Investigator, inContact Cloud Center Solutions, Supervisor on-the-go, VAAS, Voice as a Service, Personal Connection, InTouch, Echo, inCloud, CXone, CXone Logo, NICE inContact CXone, NICE Performance Management, inContact Automatic Contact Distributor, inContact Personal Connection, inContact Interactive Voice Response, inContact Work Force Management, Mattersight, Mattersight Logo, Mattersight See What Matters, Chemistry of Conversation, Net Promoter, Satmetrix, NPX, NPS, Fraudmap, Guardian Analytics, Evidence Lake, Alacra, Free your business, Resolve, Brand Embassy and Hiperos, ContactEngine, ContactEngine

Logo, GoMoxie, FluenCX, TRUTH DEPENDS ON IT, MindTouch, NICE ElevateAI, ElevateAI and the NICE Smile design logo.

## **Seasonality**

In previous years the majority of our business operated under an on-premises enterprise software model, which was characterized, in part, by uneven business cycles throughout the year, with a significant portion of customer orders received in the fourth quarter of each calendar year. This was due primarily to year-end capital purchases by customers and holiday season spending. In recent years, our business has been shifting more and more to the cloud, which is characterized by more evenly distributed business, which balances the impact of being heavily weighted towards the fourth quarter. While the seasonality associated with our cloud business is less impactful, we continue to have a second half fiscal year which typically results in higher usage of our solutions stemming primarily from the retail and insurance verticals. While seasonal factors such as these are common in the software and technology industry, this pattern should not be considered a reliable indicator of our future revenue or financial performance. Many other factors, including general economic conditions, also have an impact on our business and financial results. See “Risk Factors” under Item 3, “Key Information” of this annual report for a more detailed discussion of factors which may affect our business and financial results.

## **Regulation**

### ***Data Privacy and Cyber-Related Security Restrictions***

We are subject to applicable data privacy and cyber-related security restrictions in countries in which our customers and their end-users are located, including the United States, Israel and the EU, mostly in relation to our SaaS, hosting and cloud offering, as well as other outsourced services. With heightened privacy concerns and regulations, failure to comply with the applicable legislation, procedures and security measures may result in significant financial penalties. For more information on privacy and security related concerns and legislation, including the GDPR, see also Item 3 "Key Information - Risk Factors" in this annual report.

We are also subject to domestic data privacy laws, such as the Israeli Privacy Law, the CCPA, CPRA and the United Kingdom Data Protection Act 2018. We are evaluating the business impact of compliance with the constantly changing data privacy laws and regulations, which may include domestic laws, regulations and guidelines that may come into effect in additional regions as well, and apply to our products and services.

As part of our effort to comply with such regulations and mitigate any future risks related to data privacy and cyber-security, we have adopted certain internal policies and procedures such as our Information Security Policies, Cyber & Information Security Incident Response Policies, Business Continuity Plans, Risk Assessment Procedures and Vendor Management Policies. These internal policies and procedures are intended to address our business and operational practices as well as our customers' information security concerns, and to avoid or mitigate the risks associated with our information assets and those of our customers. In addition, we received the ISO 27001:2013 information security management certification, ISO 27701:2019 privacy management and SOC2 Type II, PCI, Hitrust and FedRamp certifications were provided to the relevant business lines (as required). Furthermore, we continually evaluate our policies and procedures in light of the regulations related to cyber-security and our customers' needs.

### ***Trade Compliance***

As a company with global operations, we may be subject to laws as well as international treaties and conventions controlling imports, exports, re-export and transfer of goods, services and technology. These include import and customs laws, export controls, trade embargoes and economic sanctions, restrictions on sales to parties that are listed on (or are owned or controlled by one or more parties listed on) denied party watch lists and anti-boycott measures.

We are subject to applicable export control regulations in countries from which we export goods and services, including the United States, Israel, European Union and the United Kingdom. Such regulations may apply with respect to product components that are developed or manufactured in, or shipped from, the United States, Israel, European Union and the United Kingdom, or with respect to certain content contained in our products. There are restrictions that apply to software products that contain encryption functionality. In the event that our products and services are subject to such controls and restrictions, we may be required to obtain an export license or authorization and comply with other applicable requirements pursuant to such regulations or may be restricted from exporting certain products and services to certain countries or to sanctioned parties.

## ***European Environmental Regulations***

Our European activities require us to comply with the Directive 2011/65/EU of the European Parliament and of the Council on the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment and the Commission Delegated Directive (EU) 2015/863 (together “RoHS”). RoHS provides, among other things, that producers of electrical and electronic equipment may not place new equipment containing certain materials, in amounts exceeding certain maximum concentration values, on the market in the EU. We are also required to comply with Regulation (EC) 1907/2006 of the European Parliament and of the Council Registration, Evaluation, Authorisation and Restriction of Chemicals (“REACH”, SVHC-205), which requires producers to manage the risks from chemicals used in their products and to provide safety information on the substances found in their products.

Our products meet the requirements of the RoHS and REACH directives, and we are making every effort in order to maintain compliance, without adversely affecting the quality and functionalities of our products. If we fail to maintain compliance, including by reason of failure of our suppliers to comply, we may be restricted from conducting certain business in the EU, which could adversely affect our results of operations.

Our European activities also require us to comply with Directive 2012/19/EU of the European Parliament on Waste Electrical and Electronic Equipment (“WEEE”). The WEEE directive covers the labeling, recovery and recycling of IT/ Telecommunications equipment, electrical and electronic tools, monitoring and control instruments and other types of equipment, devices and items, and we have set up the operational and financial infrastructure required for collection and recycling of WEEE, as stipulated in the WEEE directive, including product labeling, registration and the joining of compliance schemes. We are taking and will continue to take all requisite steps to ensure compliance with this directive. If we fail to maintain compliance, we may be restricted from conducting certain business in the EU, which could adversely affect our results of operations.

Similar regulations have been, or are being, formulated in other parts of the world. We may be required to comply with other similar programs that are enacted outside Europe in the future.

## ***Environmental, Social and Governance (ESG) Report***

NICE is guided by a deep commitment to social contribution, environmental sustainability and corporate citizenship that is ingrained in our core values. For further information on our ESG strategy and performance, you may access our full ESG Report, which is located on our Corporate Responsibility webpage at <https://www.nice.com/company/corporate-responsibility>. The contents of our ESG Report and related supplemental information (including information on our website) are not incorporated by reference into this Annual Report on Form 20-F or in any other report or document we file with the SEC.

## **Competition**

We believe that our solutions have several competitive advantages (as set forth above in “Our Solutions” section in this Item 4, “Information on the Company – Business Overview”) in their scale, performance and accuracy, comprehensiveness and broad functionality.

We are leaders in the Customer Engagement space. We compete against WFO players such as Alvaria, Calabrio, Genesys and Verint. In the CCaaS market, which is a part of the Contact Center Infrastructure market that is still mainly held by traditional on-premises players, we compete against Amazon-connect, Avaya, Cisco, Five9, Genesys and TalkDesk, as well as other niche vendors. We also compete against certain Unified Cloud Communications vendors (UCaaS) and Collaboration Software vendors, such as 8x8, Vonage and Zoom, which offer basic CCaaS capabilities, and certain digital engagement vendors, such as LivePerson, which offer digital engagement and self-service capabilities for contact centers. In addition, we are seeing some CRM companies, such as Salesforce and Zendesk, that provide a subset functionality of our broader offerings. In the emergency communications market, we compete against traditional recording vendors like Eventide, Equature and Exacom. In the Law Enforcement and Justice space, we compete against evidence content generation providers like Axon and Genetec who are looking to expand into broader digital evidence management.

We are leaders in the Financial Crime and Compliance space. We compete against niche vendors that provide one subset of functionality to protect against a specific risk and against vendors that provide a more comprehensive offering. In the Anti-Fraud market, we compete against vendors such as SAS, FICO, Featurespace and Feedzai. In the Anti-Money Laundering market we compete against vendors such as SAS, Oracle and Quantexa. In the Financial Markets Compliance

market, we compete against vendors such as SMARTS, Oracle and SAS. In the Mid-market segment, we compete mainly against Verafin.

#### **Item 4.C      Organizational Structure**

The following is a list of our significant subsidiaries and other subsidiaries, including the name and country of incorporation or residence. Each of our subsidiaries listed below is wholly owned by us.

<b><u>Name of Subsidiary</u></b>	<b><u>Country of Incorporation or Residence</u></b>
NICE Systems Australia PTY Ltd.	Australia
inContact Bolivia S.R.L.	Bolivia
NICE Systems Technologies Brasil LTDA	Brazil
NICE Systems Canada Ltd.	Canada
NICE Systems China Ltd.	China
Future Care Services s.r.o.	Czech Republic
NICE France S.A.R.L.	France
NICE Systems GmbH	Germany
NICE APAC Ltd.	Hong Kong
NICE Systems Kft	Hungary
NICE Interactive Solutions India Private Ltd.	India
NICE Technologies Ltd.	Ireland
Actimize Ltd.	Israel
NICE Enterprise Ltd.	Israel
NICE Japan Ltd.	Japan
NICE Technologies Mexico S.R.L.	Mexico
NICE Netherlands B.V.	Netherlands
NICE inContact Philippines Inc.	Philippines
NICE Systems (Singapore) Pte. Ltd.	Singapore
NICE Switzerland AG	Switzerland
NICE Technologies Sole Proprietorship LLC	United Arab Emirates
Actimize UK Limited	United Kingdom
Brand Embassy Ltd.	United Kingdom
NICE Systems Technologies UK Limited	United Kingdom
NICE Systems UK Ltd.	United Kingdom
Actimize Inc.	United States
Alacra LLC	United States
AtlasRX LLC	United States
inContact Inc.	United States
Mattersight Corporation	United States
Nexidia Inc.	United States
NICE Systems Inc.	United States
NICE Systems Latin America, Inc.	United States
NICE Systems Technologies Inc.	United States
NICE US LP	United States

#### **Item 4.D      Property, Plants and Equipment**

Our executive offices and research and development operations are located in Ra'anana, Israel. We lease our executive offices, which occupied approximately 250,627 square feet during 2022. The lease for these offices expired in October 2022 and was extended for an additional term of five years with an option to extend for additional two terms of five years each. Pursuant to the extension, as of May 2023, the lease will cover a renovated office space, which will be reduced to approximately 154,000 square feet.

We have leased various other offices and facilities in several other countries. Our headquarters in each region consist of the following facilities:

- Our North American headquarters in Hoboken, New Jersey, occupies approximately 60,000 square feet;
- Our EMEA headquarters in London, occupies approximately 22,500 square feet (of which 5,543 square feet are sub-leased for a term ending in 2023); and
- Our APAC headquarters in Singapore occupies approximately 5,600 square feet.

We also have additional material leased facilities, consisting of the following:

- Americas facilities located in –
  - Salt Lake City, Utah – an office that occupies approximately 128,000 square feet; and
  - Additional offices are located in Colorado, Texas, Ohio and California.
- APAC facilities include an office space located in Pune, India, which occupies approximately 135,000 square feet and includes a research and development and service center. There are also additional APAC offices located in Manila and Tokyo.

We believe that our existing facilities are adequate to meet our current needs and substantially adequate to meet our foreseeable future needs.

**Item 4A. Unresolved Staff Comments.**

None.

## **Item 5. Operating and Financial Review and Prospects.**

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the related notes and other financial information included elsewhere in this annual report. This discussion contains certain forward-looking statements that involve risks, uncertainties and assumptions. As a result of many factors, including those set forth under Item 3, “Key Information - Risk Factors” and elsewhere in this annual report, our actual results may differ materially from those anticipated in these forward-looking statements. For more information about forward-looking statements, see the “Preliminary Note” that immediately follows the Table of Contents of this annual report.

### **Overview**

NICE is a global enterprise software leader, providing cloud platforms for AI-driven digital business solutions that serve two main markets: Customer Engagement and Financial Crime and Compliance. Our core mission is to transform experiences to be extraordinary and trusted and create a frictionless and safe digital-first consumer reality where every interaction is intelligent, meaningful and effortless. Our solutions are used by organizations of all sizes and are offered in multiple delivery models, including cloud and on-premises.

In the Customer Engagement market, we enable organizations to transform experiences with solutions aimed at meeting consumers wherever they choose to begin their journey, providing digital-centric AI-enabled self-service capabilities, understanding consumers' journeys, creating smarter hyper-personalized connections and guiding continuous omnichannel interactions. We help organizations transform their workforce experience with solutions aimed at engaging employees, optimizing operations and automating processes to create a better agent-assisted customer service. For Public Safety and Criminal Justice agencies, we are digitally transforming the way they manage and share evidence and cases, providing them with single, streamlined view of the truth from incident to court.

In the Financial Crime and Compliance market, we protect financial services organizations, digital banks and their customers' accounts and transactions, with solutions that identify risks and help prevent money laundering and fraud, as well as help ensure compliance in real-time. With our holistic, data-centric approach to Customer Lifecycle Risk Management (CLRM), we help them conquer the dynamic new financial crime threats.

NICE is at the forefront of several industry technological disruptions that have greatly accelerated in the last several years: the adoption of cloud platforms by organizations of all sizes and verticals, the shift of consumer and organizational preferences towards digital-centric services and experiences, the growing acceptance and adoption of AI, an increase in consumer cross channel, self-service usage and the need to manage, optimize and engage a diverse workforce while retaining and attracting top talent. Our suite of integrated solutions, based on our unique domain expertise, enables customer service, financial crime prevention and public safety organizations to innovate and thrive with industry-leading cloud platforms that use domain-specific data and AI infused workflows.

We rely on multiple key assets to drive our growth:

- Our market-leading cloud native open platforms which natively embed analytics, automation and AI, and are protected by a broad array of patents.
- Our unique digital capabilities that are critical for organizations of all sizes and across all industries in dealing with the exponential adoption of digital in consumer preferences, banking transactions and justice agencies operations.
- Our native AI engines, strategically embedded throughout our platforms, are based on years of industry-specific data and domain expertise, consistently using machine learning for generating actionable insights.
- Our extensive portfolio of applications that address organizational needs across all our areas of domain expertise.
- Our flexible delivery model that allows our customers to benefit from a wide range of both cloud and on-premises solutions.

- Our broad array of proprietary technologies and algorithms in the domains of automation, analytics, machine learning, speech-to-text, natural language processing, personality-based routing and others.
- Our solutions' coverage of all market segments, from small and mid-sized businesses to large scale Fortune 100 enterprises.
- The mission critical nature of our solutions to the operations of our customers and our cloud platforms that are essential for enabling a scalable and sustainable work-from-anywhere environment.
- Our market leadership, which makes us a well-recognized brand and creates top-of-mind awareness for our solutions in our areas of operation.
- Our large partner ecosystem that enables us to reach and serve a large number of customers across many countries.
- Our loyal customer base of more than 25,000 organizations in over 150 countries, across many industries, including 85 of the Fortune 100 companies.
- Our strong profitability and free cash flow that allows us to invest in innovative solutions and product development and fuels strategic acquisitions.
- Our ability to quickly drive mainstream adoption for innovative solutions and new technologies and trends, which we introduce to the market through our direct sales force and distribution network.
- Our skilled employees and domain expertise in our core markets allow us to bring our customers the right solutions to address key business challenges and build strong customer partnerships.
- Our services, customer support and operations, which enable our customers to quickly enjoy the benefits of our solutions, with multiple deployment models in the cloud or on-premises throughout the world and support for full value realization and customer success.

### **Recent Acquisitions**

From time to time we complete acquisitions and investments. Some of them are not considered material to our business and operations. During 2021 and 2022, we completed several acquisitions for total cash consideration of approximately \$184.2 million and contingent consideration with a fair value of approximately \$20.4 million. For additional information see Note 1b to our Consolidated Financial Statements included elsewhere in this annual report.

The acquisitions were accounted for by the acquisition method of accounting, and, accordingly, the purchase price was allocated to the assets acquired and liabilities assumed based on their respective fair values. The results of operations related to each acquisition are included in our consolidated statements of income from the date of acquisition.

### **Critical Accounting Estimates**

We prepare our consolidated financial statements in accordance with U.S. GAAP.

Certain accounting policies require that we apply significant judgment in determining the appropriate assumptions for calculating financial estimates. By their nature, these judgments will be subject to an inherent degree of uncertainty. Our judgments are based upon our management's historical experience, terms of existing contracts, observance of trends in the industry, information provided by our customers and information available from other outside sources, as appropriate.

We believe that the accounting policies and estimates discussed below are critical to our financial results and to the understanding of our past and future performance, as these policies relate to the more significant areas involving management's estimates and assumptions. We consider an accounting estimate to be critical if: (1) it requires us to make assumptions because information was not available at the time or it included matters that were highly uncertain

at the time we were making our estimate and (2) changes in the estimate could have a material impact on our financial condition or results of operations.

**Revenue Recognition.** We generate revenues from sales of cloud, service and software products, which include software license, SaaS, network connectivity, hosting, support and maintenance, implementation, configuration, project management, consulting and training, and software licenses. We sell our cloud, products and services directly through our sales force and indirectly through a global network of distributors, system integrators and strategic partners, all of whom are considered end-users.

We recognize revenues in accordance with ASC No. 606, “Revenue from Contracts with Customers” (“ASC 606”). Under this standard, we recognize revenues when a customer obtains control of promised goods or services in an amount that reflects the consideration that we expect to receive in exchange for those goods or services. To determine revenue recognition for contracts that are within the scope of this standard, we perform the following five steps:

1) Identify the contract(s) with a customer

A contract with a customer exists when (i) there is an enforceable contract with the customer that defines each party’s rights regarding the goods or services to be transferred and identifies the payment terms related to these goods or services; (ii) the contract has commercial substance; and (iii) we determine that collection of substantially all consideration for goods or services that are transferred is likely based on the customer’s intent and ability to pay the promised consideration. We apply judgment in determining the customer’s ability and intent to pay, which is based on a variety of factors, including the customer’s historical payment experience.

2) Identify the performance obligations of the contract

We enter into contracts that may include multiple performance obligations. We account for individual products and services separately if they are distinct – i.e., if a product or service is separately identifiable from other items in the contract and if a customer can benefit from it on its own or with other resources that are readily available to the customer.

3) Determine the transaction price

The transaction price is determined based on the consideration to which we will be entitled in exchange for transferring goods or services to the customer.

Payment terms and conditions vary by contract type. In instances where the timing of revenue recognition differs from the timing of invoicing, we generally do not include a significant financing component in our contracts since our sale prices are not subject to billing terms and the purpose of our contracts is not to receive financing from, or provide financing to, customers. In addition, we elected to apply the practical expedient to not adjust the promised amount of consideration for the effects of a significant financing component if we expect, at contract inception, that the period between when we transfer a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

Revenue is measured based on the consideration specified in a contract with a customer, excluding taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction, that we collect from a customer. We enter into contracts that can include various combinations of products and services, which are generally capable of being distinct and accounted for as separate performance obligations.

4) Allocate the transaction price to the performance obligations of the contract

We allocate the transaction price to each performance obligation identified based on its relative standalone selling price (“SSP”) out of the total consideration of the contract.

We use judgment in determining the SSP. If the SSP is not observable through standalone transactions, we estimate the SSP by taking into account available information such as geographic or regional specific factors, internal costs, profit objectives, and internally approved pricing guidelines related to the performance obligations.

We typically establish SSP range for our products and services, which is reassessed on a periodic basis or when facts and circumstances change. SSP for products and services can evolve over time due to changes in NICE pricing practices that are influenced by intense competition, changes in demand for products and services, and economic factors, among others.

For products for which the SSP cannot be determined based on observable prices given that the same products are sold for a broad range of amounts (i.e., the selling price is highly variable), the SSP included in a contract with multiple performance obligations is determined by applying a residual approach whereby all other performance obligations within a contract are first allocated a portion of the transaction price based upon their respective SSPs, with any residual amount of transaction price allocated to these product revenues.

#### 5) Recognize revenue when (or as) the entity satisfies a performance obligation

We derive our cloud revenues from subscription services, which are comprised of subscription fees from granting customers access to our cloud platforms, network connectivity and/or services fees for deployment of certain cloud platforms.

Revenue from subscription services is recognized either ratably over the contract period or based on usage, and revenue from network connectivity is based on customer call usage and is recognized in the period the call is initiated and services fees for deployment are amortized over average customer life.

Revenue from software license, support and maintenance services are recognized at the time the related performance obligation is satisfied by transferring the promised product or service to the customer. Software license revenues are recognized at the point in time when the software license is delivered, and the customer obtains control of the asset. Support and maintenance service revenues are recognized ratably over the term of the underlying maintenance contract term. Renewals of maintenance contracts create new performance obligations that are satisfied over the term with the revenues recognized ratably over the period of the renewal.

Professional services revenues, except fees for deployment of certain cloud platforms, are recognized as services are performed.

**Impairment of Long-Lived Assets.** Our long-lived assets include goodwill, property and equipment and identifiable other intangible assets that are subject to amortization.

Goodwill represents the excess of the purchase price in a business combination over the fair value of the net tangible and intangible assets acquired. Under ASC 350, "Intangible - Goodwill and Other" ("ASC 350"), goodwill is not amortized, but rather is subject to an annual impairment test. ASC 350 requires goodwill to be tested for impairment at the reporting unit level at least annually or between annual tests in certain circumstances and written down when impaired. Goodwill is tested for impairment by comparing the fair value of the reporting unit with its carrying value.

In 2020 we adopted ASU 2017-04. Therefore, if we determine that it is more likely than not that the fair value of a reporting unit is less than its carrying value, then we prepare a quantitative analysis to determine whether the carrying value of reporting unit exceeds its estimated fair value. If the carrying value of a reporting unit exceeds its estimated fair value, we recognize an impairment of goodwill for the amount of this excess, in accordance with the guidance in FASB Accounting Standards Update ("ASU") No. 2017-04, Intangibles - Goodwill and Other (Topic 350), Simplifying the Test for Goodwill Impairment.

During the fourth quarter of each of the fiscal years ended December 31, 2020, 2021 and 2022, we performed a qualitative assessment for our reporting units and concluded that the qualitative assessment did not result in a more likely than not indication of impairment, and therefore no further impairment testing was required. Accordingly, no impairment charge was recognized during any of such fiscal years.

**Income Taxes.** To prepare our consolidated financial statements, we estimate our income taxes in each of the jurisdictions in which we operate, and in certain of these jurisdictions, our income taxes are calculated based on our assumptions as to our entitlement to various benefits under the applicable tax laws in the jurisdiction. The entitlement to such benefits depends upon our compliance with the terms and conditions set out in these laws.

We account for income taxes in accordance with ASC 740, “Income Taxes.” This topic prescribes the use of the liability method whereby deferred tax asset and liability account balances are determined based on differences between financial reporting and tax bases of assets and liabilities, and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. We provide a valuation allowance, if necessary, to reduce deferred tax assets to the amount that is more likely than not to be realized. Deferred tax assets and deferred tax liabilities are presented under long-term assets and long-term liabilities, respectively.

We implement a two-step approach to recognize and measure uncertain tax positions. The first step is to evaluate the tax position taken or expected to be taken in a tax return by determining if the weight of available evidence indicates that it is more likely than not that, on an evaluation of the technical merits, the tax position will be sustained on audit, including resolution of any related appeals or litigation processes. The second step is to measure the tax benefit as the largest amount that is more than 50% (cumulative basis) likely to be realized upon ultimate settlement.

We classify interest and penalties on income taxes (which includes uncertain tax positions) as taxes on income.

In December 2019, the FASB issued ASU 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes. This standard simplifies the accounting for income taxes by eliminating certain exceptions to the guidance in Topic 740 related to the approach for intra-period tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. The new guidance also simplifies aspects of the accounting for franchise taxes and enacted changes in tax laws or rates and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill and allocating consolidated income taxes to separate financial statements of entities not subject to income tax. The adoption of ASU 2019-12 did not have a significant impact on our consolidated financial statements.

**Business Combination.** We apply the provisions of ASC 805, “Business Combination,” and we allocate the fair value of purchase consideration to the tangible assets acquired, liabilities assumed and intangible assets acquired based on their estimated fair values. The excess of the fair value of purchase consideration over the fair values of these identifiable assets and liabilities is recorded as goodwill. When determining the fair values of assets acquired and liabilities assumed, management makes significant estimates and assumptions, especially with respect to intangible assets. Significant estimates in valuing certain intangible assets include, but are not limited to, future expected cash flows from customer relationships, acquired technology and acquired trademarks from a market participant perspective, useful lives and discount rates. Management’s estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates. Acquisition-related expenses are recognized separately from the business combination and are expensed as incurred.

Contingent consideration incurred in a business combination is included as part of the acquisition price and recorded at a probability weighted assessment of the fair value as of the acquisition date. The fair value of the contingent consideration is re-measured at each reporting period, with any adjustments in fair value recognized in earnings under general and administrative expenses.

In October 2021, the FASB issued ASU No. 2021-08, Business Combination (Topic 805): Accounting for Contract Assets and Liabilities from Contracts with Customers, which requires an acquirer to recognize and measure contract assets and liabilities acquired in a business combination in accordance with Revenue from ASC 606 rather than adjust them to fair value at the acquisition date. We early adopted ASU 2021-08 in the fourth quarter of 2021, retroactively applying it to all business combinations since January 1, 2021. The adoption did not have a material effect on our consolidated financial statements.

**Stock-based Compensation.** We account for stock-based compensation in accordance with ASC 718, “Compensation - Stock Compensation” (“ASC 718”), which requires the measurement and recognition of stock base compensation expense based on estimated fair values for all share-based payment awards made to employees and directors. ASC 718 requires companies to estimate the fair value of equity-based payment awards on the date of grant using an option-pricing model and account for forfeitures as they occur.

We recognize compensation expenses for the value of our awards, which have graded vesting, based on the accelerated attribution method over the requisite service period of each of the awards. We account for forfeitures as they occur.

We estimate the fair value of stock options granted using the Black-Scholes-Merton option-pricing model, which requires a number of assumptions: the expected volatility is based upon actual historical stock price movements; the expected term of options granted is based upon historical experience and represents the period of time that options granted are expected to be outstanding; the risk-free interest rate is based on the yield from U.S. Federal Reserve zero-coupon bonds with an equivalent term; and the expected dividend rate (an annualized dividend yield) is based on the per share dividend declared by our Board of Directors.

We measure the fair value of restricted stock based on the market value of the underlying shares at the date of grant. The fair value of certain performance share units with market-based performance conditions granted under the employee equity plan was estimated on the grant date using the Monte Carlo valuation methodology.

**Marketable Securities.** We account for investments in debt securities in accordance with ASC 320, "Investments - Debt Securities" and ASC No. 326, "Financial Instruments - Credit Losses". Management determines the appropriate classification of our investments in debt securities at the time of purchase and re-evaluates such determinations at each balance sheet date.

Marketable securities classified as "available-for-sale" ("AFS") are carried at fair value. Unrealized gains and losses are reported in a separate component of shareholders' equity in accumulated other comprehensive income, net of taxes. Gains and losses are recognized when realized, on a specific identification basis, in our consolidated statements of income.

For each reporting period, we evaluate whether declines in fair value below the amortized cost are due to expected credit losses, as well as our ability and intent to hold the investment until a forecasted recovery occurs, in accordance with ASC 326. Allowance for credit losses on AFS debt securities are recognized as a charge in financial expenses (income) and other, net, on the consolidated statements of income, and any remaining unrealized losses, net of taxes, are included in accumulated other comprehensive income (loss). As of December 31, 2022, no credit losses have been recorded.

We classified all our securities with maturities beyond 12 months as current assets under the caption short term investments on the consolidated balance sheet. These securities are available to support current operations and we may sell these debt securities prior to their stated maturities.

**Exchangeable Senior Notes.** Through December 31, 2021, prior to the adoption of ASU 2020-06, we separately accounted for the liability and equity components of convertible debt instruments that may be settled in combination of cash and shares. The liability component at issuance was recognized at fair value, based on the fair value of a similar instrument that did not have a conversion feature. The equity component was based on the excess of the proceeds over the fair value of the liability component, after adjusting for an allocation of debt issuance costs, and was recorded as additional paid in capital.

Debt discounts were amortized as additional non-cash interest expense over the expected life of the debt. We allocated the total issuance costs incurred to the liability and equity components of the exchangeable senior notes based on the same proportions as the proceeds from the notes.

On December 31, 2021, we entered into the First Supplemental Indenture to the 2017 Indenture (the "First Supplemental Indenture"). In accordance with the First Supplemental Indenture, we irrevocably elected Cash Settlement for the principal and any premium due upon conversion to apply to all conversions of notes issued under the 2017 Indenture (the "2017 Notes") with an Exchange Date (as defined in the 2017 Indenture) that occurs on or after December 31, 2021. As a result, the conversion feature of the 2017 Notes was required to be bifurcated from the debt host and accounted for separately as a derivative liability. As such, we recognized a derivative liability at an amount equal to the fair value of the conversion feature at that date. Subsequent changes in fair value of the bifurcated conversion derivative are reflected in financial income (expenses) on a net basis (see note 15 to the financial statements).

Additionally, in December 2021, the Company made an irrevocable election to settle the principal amount of the 2020 Notes in cash. Accordingly, upon conversion, the principal amount shall be paid in cash. Any amount in excess of the principal amount may be paid, or delivered, as the case may be, in cash, shares of common stock or a combination of cash and shares of the Company stock, at the Company's discretion. Prior to this irrevocable election,

upon conversion, the Company, could have elected to deliver to holders cash, shares of the Company's common stock or a combination of cash and shares of the Company's common stock to settle the principal amount.

Starting January 1, 2022, we adopted ASU 2020-06, which simplifies the guidance on the issuer's accounting for convertible debt instruments by removing the separation models for (1) convertible debt with a cash conversion feature and (2) convertible instruments with a beneficial conversion feature. As a result, we do not separately present in equity an embedded conversion feature in such debt. Instead, we account for a convertible debt instrument wholly as debt, unless the debt contains embedded derivatives required to be bifurcated or the debt is issued at a substantial premium. (For additional information, see "Recently Adopted Accounting Standards" in this report).

### **Recently Adopted Accounting Standards**

In August 2020, the FASB issued ASU 2020-06, which simplifies the guidance on the issuer's accounting for convertible debt instruments by removing the separation models for (1) convertible debt with a cash conversion feature and (2) convertible instruments with a beneficial conversion feature. As a result, entities will not separately present in equity an embedded conversion feature in such debt. Instead, they will account for a convertible debt instrument wholly as debt, unless certain other conditions are met. The elimination of these models will reduce reported interest expense and increase reported net income for entities that have issued a convertible instrument that was within the scope of those models before the adoption of ASU 2020-06. ASU 2020-06 also requires that the effect of potential share settlement be included in the diluted EPS calculation when an instrument may be settled in cash or share. This amendment removes current guidance that allows an entity to rebut this presumption if it has a history or policy of cash settlement. Furthermore, ASU 2020-06 requires the application of the if-converted method for calculating diluted earnings per share, the treasury stock method will be no longer available. The provisions of ASU 2020-06 are applicable for fiscal years beginning after December 15, 2021. Starting January 1, 2022 we have adopted ASU No. 2020-06 and no longer record the conversion feature of our 2020 Notes in equity. Instead, we combined the previously separated equity component with the liability component, which together is classified as debt, thereby eliminating the subsequent amortization of the debt discount as interest expense. Similarly, the portion of issuance costs previously allocated to equity was reclassified to debt and amortized as interest expense. Accordingly, we recorded as of January 1, 2022 an increase to retained earnings of approximately \$7.3 million, a decrease to additional paid-in capital of \$28.8 million, an increase to long-term debt of \$24.8 million, a decrease to deferred tax liabilities of \$2.9 million, and an increase in debt issuance costs of \$0.3 million. There will be an impact to earnings per share as a result of the adoption based on the if-converted method if our average share price will exceed the conversion price of the 2020 Notes (For additional information on the 2020 Notes, see Item 10, "Additional Information - Material Contracts - Notes and Indenture" in this report).

## Results of Operations

The following table sets forth our selected consolidated statements of income for the years ended December 31, 2021 and 2022, expressed as a percentage of total revenues (totals may not add up due to rounding).

	<b>2022</b>	<b>2021</b>
Revenue:		
Cloud	59.4 %	53.0 %
Services	29.8	34.4
Product	10.8	12.6
	<u>100.0</u>	<u>100.0</u>
Cost of revenue:		
Cloud	21.7	21.4
Services	8.4	9.9
Product	1.2	1.2
	<u>31.3</u>	<u>32.5</u>
Gross profit	68.7	67.5
Operating expenses:		
Research and development, net	14.0	14.1
Selling and marketing	28.0	27.9
General and administrative	11.3	11.7
Total operating expenses	<u>53.2</u>	<u>53.7</u>
Operating income	15.5	13.8
Financial expenses (income) and other, net	<u>(0.5)</u>	<u>1.2</u>
Income before taxes	15.8	12.5
Taxes on income	<u>3.6</u>	<u>2.2</u>
Net income	<u><u>12.2</u></u>	<u><u>10.4</u></u>

### ***Comparison of Years Ended December 31, 2021 and 2022***

***For a comparison of our results for the years ended 2021 and 2020, please refer to Item 5 in our annual report on Form 20-F for the year ended 2021, filed with the SEC on April 5, 2022.***

Our revenues increased by approximately \$260.1 million, or 14%, from \$1,921.2 million in the year ended December 31, 2021 to \$2,181.3 million in the year ended December 31, 2022. The increase consisted of a \$196.6 million increase in Customer Engagement revenue and an \$63.5 million increase in Financial Crime and Compliance revenue.

The revenue growth of our Customer Engagement business segment in 2022 is attributed to the increased demand for our cloud platform CXone from new customers, ongoing expansion within our installed customer base and further penetration into both large enterprises and the mid-market.

The revenue increase in our Financial Crime and Compliance business segment in 2022 is primarily attributed to additional product revenue and the increased adoption of our cloud platforms X-Sight and Xceed by our customers.

	Years Ended December 31,		Percentage
	(In millions)		Change
	2022	2021	2021-2022
Cloud revenue	\$ 1,295.3	\$ 1,018.6	27.2 %
Service revenue	650.1	660.1	(1.5)
Product revenue	235.9	242.4	(2.7)
Total revenue	\$ 2,181.3	\$ 1,921.2	13.5 %

Our cloud revenue in 2022 increased by 27.2%, or \$276.7 million, to \$1,295.3 million compared to \$1,018.6 million in 2021, mainly due to an increase in the Customer Engagement segment from growing demand for our CXone cloud platform, including ongoing penetration in the mid-market with further adoption at the high end of the market, resulting from both new customers and expansion from existing customers. In addition, the increase in overall cloud revenue is partially attributed to the growing adoption of our cloud solutions in the Financial Crime and Compliance segment. Revenue derived from our cloud platforms accounted for 59.4% of our total revenue in 2022, supporting our trend of increasing cloud revenue as a percentage of our total revenue.

Our service revenue in 2022 decreased by 1.5%, or \$10.0 million, to \$650.1 million compared to \$660.1 million in 2021, mainly due to a decrease in maintenance revenue as a growing number of our existing on-premises customers transitioned to our cloud-based solutions.

Our product revenue in 2022 decreased by 2.7%, or \$6.6 million, to \$235.9 million compared to \$242.4 million in 2021, as demand decreased for on-premises products in 2022 compared to 2021, as a growing number of our existing on-premises customers transitioned to our cloud-based solutions.

#### *Revenue by Region*

	Years Ended December 31,		Percentage
	(In millions)		Change
	2022	2021	2021-2022
United States, Canada and Central and South America (“Americas”)	\$ 1,802.2	\$ 1,566.8	15.0 %
Europe, the Middle East and Africa (“EMEA”)	249.7	240.0	4.0
Asia-Pacific (“APAC”)	129.4	114.3	13.2
Total revenues	\$ 2,181.3	\$ 1,921.1	13.5 %

Revenue in Americas increased in 2022 by 15.0%, or \$235.4 million, to \$1,802.2 million compared to \$1,566.8 million in 2021, mainly due to increased demand for our solutions delivered via our cloud platforms, primarily CXone.

Revenue in EMEA increased in 2022 by 4.0%, or \$9.7 million, to \$249.7 million compared to \$240.0 million in 2021, primarily attributed to the increase in cloud revenue from both the Customer Engagement segment and the Financial Crime and Compliance segment.

Revenue in APAC increased in 2022 by 13.2%, or \$15.1 million, to \$129.4 million compared to \$114.3 million in 2021. The increase in revenue in 2022 is primarily attributed to the increase in cloud revenue in both the Customer Engagement segment and the Financial Crime and Compliance segment.

### Cost of Revenue

	Years Ended December 31,		Percentage
	(In millions)		Change
	2022	2021	2021-2022
Cost of cloud revenue	\$ 472.8	\$ 410.7	15.1 %
Cost of service revenue	183.9	191.1	(3.8)
Cost of product revenue	26.9	22.6	19.0
Total cost of revenue	\$ 683.7	\$ 624.4	9.5 %

Our cost of cloud revenue in 2022 increased by \$62.2 million, or 15.1% compared to 2021, and decreased as a percentage of cloud revenue. The increase in the cost of cloud revenue is primarily due to an increase in our cloud sales. The decrease as percentage of cloud revenue is primarily due to increased scale in our cloud business in 2022.

Our cost of service revenue in 2022 decreased by \$7.2 million, or 3.8%, compared to 2021 and slightly decreased as a percentage of service revenue compared to 2021.

Our cost of product revenue in 2022 increased by \$4.3 million, or 19.0%, compared to 2021 and increased as a percentage of product revenue compared to 2021, mainly due to decreased scale in our product business in 2022.

### Gross Profit

	Years Ended December 31,		Percentage
	(In millions)		Change
	2022	2021	2021-2022
Gross profit on cloud revenue	\$ 822.5	\$ 608.0	35.3 %
as a percentage of cloud revenue	63.5 %	59.7 %	
Gross profit on service revenue	466.2	468.9	(0.6)
as a percentage of service revenue	71.7 %	71.0 %	
Gross profit on product revenue	208.9	219.8	(5.0)
as a percentage of product revenue	88.6 %	90.8 %	
Total gross profit	\$ 1,497.6	\$ 1,296.7	15.5 %
as a percentage of total revenue	68.7 %	67.5 %	

Our cloud gross profit was \$822.5 in 2022 compared to \$608.0 in 2021, representing an increase of \$214.5 million, or 35.3%. Our cloud gross profit as percentage of cloud revenue increased to 63.5% in 2022 compared to 59.7% in 2021. The increase in cloud gross profit and margin is mainly attributed to scaling in our cloud business and efficiencies in our internal operations.

Our services gross profit was \$466.2 in 2022 compared to \$468.9 in 2021, representing a decrease of \$2.7 million, or 0.6%, which is mainly attributed to a decrease in maintenance revenue as a growing number of our existing on-premises customers transition to our cloud-based solutions. As a percentage of service revenue, our services gross profit was 71.7% in 2022 compared to 71.0% in 2021.

Our product gross profit was \$208.9 in 2022 compared to \$219.8 in 2021, representing a decrease of \$10.9 million, or 5.0%, which is mainly attributed to the decreasing demand for our product based solutions as part of the increasing adoption of our cloud solutions in 2022. Our product gross margin decreased to 88.6% in 2022 compared to 90.8% in 2021, mainly due to decreased scale in our product business during 2022.

## Operating Expenses

	Years Ended December 31,		Percentage
	(In millions)		Change
	2022	2021	2021-2022
Research and development, net	\$ 306.1	\$ 271.2	12.9 %
Selling and marketing	609.8	536.2	13.7 %
General and administrative	246.5	225.4	9.4 %
Total operating expenses	\$ 1,162.4	\$ 1,032.8	12.6 %

**Research and Development, Net.** Net research and development expenses increased by \$34.9 million to \$306.1 million in 2022 compared to \$271.2 million in 2021, and represented 14.0% and 14.1% of revenues in 2022 and 2021, respectively. The increase in research and development expenses is attributed mainly to an increase in headcount to further drive innovation in our solutions and expand our cloud business.

**Selling and Marketing Expenses.** Selling and marketing expenses increased by \$73.6 million to \$609.8 million in 2022 compared to \$536.2 million in 2021, which represented 28.0% and 27.9% of total revenues in 2022 and 2021, respectively. The increase in selling and marketing expenses is attributed primarily to an increase in headcount and an increase in marketing costs related to lead generation and driving ongoing expansion in brand recognition.

**General and Administrative Expenses.** General and administrative expenses in 2022 were \$246.5 million compared to \$225.4 million in 2021, which represented 11.3% of total revenues in 2022, as compared to 11.7% of total revenues in 2021. The increase in general and administrative expenses is attributed primarily to an increase in headcount and an increase in stock-based compensation costs.

## Financial Expenses and Other, net

	Years Ended December 31,		Percentage
	(In millions)		Change
	2022	2021	2021-2022
Financial expenses (income) and other, net	(10.2)	23.3	(143.8)%

**Financial Expense (income) and Other, net.** Financial expenses (income) and other, net, increased by \$33.5 million to income of \$(10.2) million in 2022 compared to expense of \$23.3 million in 2021. The increase in financial expenses (income) and other, net is attributable primarily to lower losses in respect to debt extinguishment in 2022 compared to 2021, interest income earned from our cash and investment portfolio and a favorable impact from exchange rate movements year over year.

**Taxes on Income.** Total tax expenses were \$79.4 million in 2022 and \$41.4 million in 2021. Our effective tax rate was 23.0% in 2022 and 17.2% in 2021.

The increase in 2022 of \$38.0 million in tax expenses is mainly due to our increased profitability. The increase in our effective tax rate is mainly attributed to an increase in our US market income with a higher income tax rate.

The majority of our income in Israel continues to benefit from reduced tax rates, which was 12% in 2022 and 2021, pursuant to our Preferred Technology Enterprise programs, as discussed in Note 13 of our consolidated financial statements under the caption "Taxes on Income".

**Net Income.** Net income increased by \$66.7 million to \$265.9 million in 2022 compared to \$199.2 million in 2021. The increase in 2022 resulted primarily from an increase in our revenue, gross profit and financial income, partially offset by higher operating expenses.

## Liquidity and Capital Resources

To date, we have financed our operations, acquisitions and the repurchase of our equity, primarily through cash generated from our operating activities as well as through debt financing in the form of Exchangeable Notes.

As of December 31, 2022, we had \$1,571.54 million of cash equivalents and in short-term investments, which included \$529.60 million in cash and cash equivalents, and \$1,041.94 million in short-term investments. We believe our existing cash and cash equivalents will be sufficient to meet our working capital and capital expenditure needs for at least the next 12 months.

We plan to continue to finance our operations in the future primarily through sales of our solutions, most notably our cloud platforms. Our future capital requirements will depend on many factors, including our growth rate, continuing market acceptance of our solutions, client retention, our ability to gain new clients, the timing and extent of spending to support research and development efforts, the expansion of sales and marketing activities and personnel, the introduction of new and enhanced offerings, and the impact of changes to the global economy, among other factors. We may also acquire or invest in complementary businesses, technologies and intellectual property rights, which may increase our use of cash and future capital requirements, both to pay acquisition costs and to support our combined operations.

We continually evaluate our capital needs and may decide to raise additional capital to fund the growth of our business and future acquisitions and investments, through public or private equity offerings or through additional debt financing. Access to additional capital may not be available or on favorable terms.

### *Cash Flows*

Generally, we invest our excess cash in highly liquid investment grade securities. As of December 31, 2022, we had \$1,571.5 million of cash and cash equivalents and short-term investments, as compared to \$1,424.8 million at December 31, 2021.

Cash provided by operating activities was \$479.7 million and \$461.8 million in 2022 and 2021, respectively. Net cash from operations in 2022 consisted primarily of net income of \$265.9 million, adjusted for non-cash activities such as depreciation and amortization of \$176.5 million, stock-based compensation of \$182.7 million, an increase in deferred taxes of \$52.6 million as well as working capital changes derived from an increase in deferred revenues of \$6.4 million, an increase in accrued expenses and other liabilities of \$33.7 million and an increase in trade receivables of \$129.7 million. Net cash from operations in 2021 consisted primarily of net income of \$199.2 million, adjusted for non-cash activities such as depreciation and amortization of \$184.1 million, stock-based compensation of \$153.0 million, an increase in deferred taxes of \$39.3 million as well as working capital changes derived from an increase in deferred revenues of \$30.8 million, an increase in accrued expenses and other liabilities of \$64.2 million and a decrease in trade receivables of \$85.8 million.

Net cash used in investing activities was \$152.4 million and \$261.5 million in 2022 and 2021, respectively. In 2022, net cash used in investing activities consisted primarily of payment for an acquisition in the amount of \$29.7 million, net investment in marketable securities and short-term bank deposits of \$40.7 million and purchase of property, equipment of \$31.9 million and capitalization of internal use software costs of \$50.0 million. In 2021, net cash used in investing activities consisted primarily of payment for acquisitions of three companies in the aggregate amount of \$142.8 million, net investment in marketable securities and short-term bank deposits of \$51.5 million and purchase of property, equipment of \$24.8 million and capitalization of internal use software costs of \$42.4 million.

Net cash used in financing activities was \$164.5 million and \$261.8 million in 2022 and 2021, respectively.

In 2022, net cash used in financing activities was attributed primarily to repurchase of our ordinary shares of \$144.9 million and repayment of long-term debt in the amount of \$20.1 million, which were offset by proceeds from the issuance of shares upon the exercise of options of \$1.0 million. In 2021, net cash used in financing activities was attributed primarily to repayment of long-term debt in the amount of \$177.3 million, repurchase of our ordinary shares of \$73.2 million and the purchase of subsidiaries' shares from non-controlling interest of \$14 million, which were offset by proceeds from the issuance of shares upon the exercise of options of \$4.4 million.

## Contractual and Other Obligations

Set forth below are our material contractual obligations and other commercial commitments as of December 31, 2022 (in thousands).

Contractual Obligations	Payments Due by Period				
	Total	Less than 1 year	1- 3 years	3-5 years	More than 5 years
Debt Obligations, including estimated interest *	\$ 674,067	\$ 1,126	\$ 672,941	\$ —	\$ —
Operating Leases	144,234	17,841	29,429	26,696	70,268
Unconditional Purchase Obligations	\$ 97,279	\$ 56,549	\$ 21,942	\$ 16,343	\$ 2,445
Severance Pay**	\$ 16,446				
Total Contractual Cash Obligations	\$ 932,026	\$ 75,516	\$ 724,312	\$ 43,039	\$ 72,713
Uncertain Income Tax Positions ***	\$ 80,005				

\* Debt obligations includes senior exchangeable notes. The principal balances of the exchangeable senior notes are reflected in the payment periods in the table above based on their respective contractual maturities assuming no conversion. However, the 2017 notes are exchangeable as of January 1, 2020, and as such the value of these senior exchangeable notes is included within current liabilities on our consolidated balance sheets. See Note 15 to our consolidated financial statements included elsewhere in this Annual Report for further details.

\*\* Severance pay relates to accrued obligations to employees as required under applicable labor laws. These obligations are payable only upon termination, retirement or death of the respective employees.

\*\*\* Uncertain income tax positions under ASC 740 are due upon settlement and we are unable to reasonably estimate the ultimate amount or timing of settlement. See Note 13(i) of our consolidated financial statements for further information regarding our liability under ASC 740.

Other Commercial Commitments	Total Amounts Committed	Amount of Commitment Expiration Per Period			
		Less than 1 year	1- 3 years	3- 5 years	More than 5 years
Guarantees*	\$ 3,893	\$ 1,740	\$ 2,153	\$ —	\$ —

\* Primarily in connection with office lease agreements.

## Research and Development and Intellectual Property

For information on our research and development policies and intellectual property, please see “Research and Development” and “Intellectual Property” under Item 4, “Information on the Company” in this annual report.

## Trend Information

For additional information on trends in our industry, please see Item 4, “Information on the Company—Business Overview—Industry and Technology Trends” in this annual report.

For additional information on trends, uncertainties, demands, commitments or events that may have a material effect on revenue, please see Item 3, “Key Information—Risk Factors” in this annual report.

**Item 6. Directors, Senior Management and Employees.****Item 6A. Directors and Senior Management.**

The following tables set forth, as of March 20, 2023, the name, age and position of each of our directors and executive officers and, in regard to our directors, any of the committees of our board of directors on which they serve and whether any such director is an outside director:

**Members of the Board of Directors**

<b>Name</b>	<b>Age</b>	<b>Position</b>	<b>Audit Committee Member</b>	<b>Compensation Committee Member</b>	<b>Internal Audit Committee Member</b>	<b>Mergers and Acquisitions Committee Member</b>	<b>Nominations Committee Member</b>	<b>Outside Director*</b>
David Kostman	58	Chairman of the Board of Directors				X	X	
Rimon Ben-Shaoul	78	Director	X			X		
Dan Falk	78	Director	X	X	X	X	X	X
Yocheved Dvir	70	Director	X	X	X			X
Yehoshua Ehrlich	73	Director		X		X		
Leo Apotheker	69	Director		X		X		
Joe Cowan	74	Director	X			X		
Zehava Simon	64	Director	X	X	X			X

\* See Item 6, “Directors, Senior Management and Employees—Board Practices— Outside Directors.”

Members of Management

<b>Name</b>	<b>Age</b>	<b>Position</b>
Barak Eilam	47	Chief Executive Officer
Beth Gaspich	57	Chief Financial Officer
Barry Cooper	52	President, CX
Craig Costigan	62	Chief Executive Officer, NICE Actimize
Yaron Hertz	52	President, NICE Americas
Darren Rushworth	55	President, CE International
Awan Roy	52	Vice President, Head of NICE India
Shiri Neder	47	Executive Vice President, Human Resources
Tali Mirsky	50	Corporate Vice President, General Counsel and Corporate Secretary
Gil Vassoly	49	Vice President, Corporate Finance

**David Kostman** has served as one of our directors since 2001 (with the exception of the period between June 2007 and July 2008), and as our Chairman of the Board since February 2013. Mr. Kostman is currently co-CEO and board member of publicly traded Outbrain, Inc. and serves on the board of directors of publicly traded Unity Inc. and privately held Tivit S.A. Mr. Kostman is also a former board member of publicly traded Retalix Ltd. (acquired by NCR). From 2006 until 2008, Mr. Kostman was a Managing Director in the investment banking division of Lehman Brothers, heading the Global Internet Group. From April 2003 until July 2006, Mr. Kostman was Chief Operating Officer and then Chief Executive Officer of Delta Galil USA, a subsidiary of publicly traded Delta Galil Industries Ltd. From 2000 until 2002, Mr. Kostman was President of the International Division and Chief Operating Officer of publicly traded VerticalNet Inc. Prior to that Mr. Kostman worked in the investment banking divisions of Lehman Brothers from 1994 to 2000, focusing on the technology and Internet sectors, and NM Rothschild & Sons from 1992 to 1993, focusing on mergers and acquisitions and privatizations. Mr. Kostman holds a Bachelor's degree in Law from Tel Aviv University and a Master's degree in Business Administration from INSEAD.

**Rimon Ben-Shaoul** has served as one of our directors since September 2001. Between 2001 and 2005, Mr. Ben-Shaoul has served as Co-Chairman, President, and Chief Executive Officer of Koonras Technologies Ltd., a technology investment company controlled by LEADER Ltd., an Israeli holding company. Since 2002 Mr. Ben-Shaoul serves as Chairman of Grand AutoMotive LLP, a private company. Mr. Ben-Shaoul also served as a director of MIND C.T.I. Ltd., BVR Systems Ltd. and several private companies. In addition, he served as the President and Chief Executive Officer of Polar Communications Ltd., which manages media and communications investments. Mr. Ben-Shaoul also served as the Chairman of T.A.T Technologies Ltd., a public company listed on NASDAQ and TASE. Between 1997 and 2001, Mr. Ben-Shaoul was the President and Chief Executive Officer of Clal Industries and Investments Ltd., one of the largest holding companies in Israel with substantial holdings in the high-tech industry. During that time, Mr. Ben-Shaoul also served as Chairman of the Board of Directors of Clal Electronics Industries Ltd., Scitex Corporation Ltd., and various other companies within the Clal Group. Mr. Ben-Shaoul also served as a director of ECI Telecom Ltd., Fundtech Ltd., Creo Products, Inc. and Nova Measuring Instruments Ltd. From 1985 to 1997, Mr. Ben-Shaoul was President and Chief Executive Officer of Clal Insurance Company Ltd. and a director of the company and its various subsidiaries. Mr. Ben-Shaoul holds a Bachelor's degree in Economics and Statistics and a Master's degree in Business Administration, both from Tel-Aviv University.

**Dan Falk** has served as one of our outside directors since 2001. Mr. Falk is currently a board member and the Chair of the audit committee of each of Innoviz Technologies Ltd. and Evogene Ltd. Mr. Falk also served on the board of directors of each of Attunity Ltd. and Orbotech Ltd. and until recently also served on the board of directors of Ormat Technologies Inc. From 1999 to 2000, Mr. Falk was President and Chief Operating Officer of Sapiens International Corporation N.V. From 1985 to 1999, Mr. Falk served in various positions in Orbotech Ltd., the last of which was Chief Financial Officer and Executive Vice President. From 1973 to 1985, he served in several executive positions in the Israel Discount Bank. Mr. Falk holds a Bachelor's degree in Economics and Political Science and a Master's degree in Business Administration, both from the Hebrew University of Jerusalem.

**Yocheved Dvir** has served as one of our outside directors since January 2008. Since 2000, Ms. Dvir has served as a strategic advisor in business development affairs to multiple companies and initiatives. Ms. Dvir also serves on the board of directors of Menorah Insurance Company. She previously served on the board of directors of Xenia Venture Capital, Endey Med, Alrov Real Estate, Visa Cal, Trendline Business Information & Communications Ltd., Israel Corporation Ltd., ECI Telecom Ltd., Strauss Industries Ltd., Phoenix Holding and Phoenix Insurance Co. Between 1990 and 2000, Ms. Dvir served as a Senior Vice President of the Migdal Group. Ms. Dvir joined the Migdal Group in 1981 and, until late 2000, held a number of senior financial and managerial positions, including Head of the Group's Economics Department (1986-1988), Head of the Group's Corporate Office from 1989 to 1992, Head of the Group's General Insurance Division and Corporate Office from 1993 to 1997, Group CFO from 1997 to 1999, and Head of the Group's Strategic Development Division and Marketing Array and Risk Manager in 2000. Ms. Dvir holds a Bachelor's degree in Economics and Statistics from the University of Haifa and completed studies towards a second degree in Statistics from the Hebrew University of Jerusalem.

**Yehoshua (Shuki) Ehrlich** has served as one of our directors since September 2012. Mr. Ehrlich is an active social investor, serving as Chairman of "Committed to Give", a group formed by Israeli social investors for promoting philanthropy in Israel and several other social organizations. Mr. Ehrlich also serves as a board member of the American Joint Distribution Committee and a board member of AfterDox, an angels' investment group. Between the years 2000 and 2010, Mr. Ehrlich served as Managing Director at Giza Venture Capital, where he focused on the communications, enterprise software and information technology sectors. Additionally, Mr. Ehrlich had a fifteen-year career with Amdocs, a public software company specializing in billing, CRM, order management systems for telecommunications and Internet service providers. In his last role at Amdocs, Mr. Ehrlich served as Senior Vice President of Business Development. Mr. Ehrlich holds a Bachelor of Science in Mathematics and Computer Science from Tel Aviv University.

**Leo Apotheker** has served as one of our directors since August 2013. Mr. Apotheker is the Co-Chief Executive Officer of Burgundy Technology Acquisition Corp. Mr. Apotheker was the Managing Partner and co-founder of Efficiency Capital SAS, a growth capital advisory firm, from 2012 to 2014. From 2010 to 2011, Mr. Apotheker served as Chief Executive Officer of Hewlett Packard. From 2008 to 2010, he served as Chief Executive Officer of SAP AG. In addition, he is currently chairman of the board of Synchron AB, a member of the board of Schneider SE, and a member of the board of MercuryGate, P2 Energy Services and Taulia Inc. Mr. Apotheker also previously served as the chairman of the board of Unit4, a leading Dutch software company. Mr. Apotheker holds a Bachelor's degree in Economics and International Relations from the Hebrew University of Jerusalem.

**Joe Cowan** has served as one of our directors since August 2013. From October 2013 until September 2017, Mr. Cowan was the CEO and director of Epicor. Since January 2021, Mr. Cowan has been a director of Drishti Technologies, Inc. and of Auburn University Foundation, both private entities. From September 2016 until October 2022, Mr. Cowan served as a director of ChannelAdvisors, Inc. Since January 2019, Mr. Cowan has been the Chairman of the board of directors of SAI Global, a private company owned by Baring Private Equity Asia. During 2013, Mr. Cowan also served as President of DataDirect Networks, Inc. From 2010 until 2013, Mr. Cowan served as the Chief Executive Officer and President of Online Resources Corp. During 2009, he served as an Operating Executive and Consultant at Vector Capital. From 2007 to 2009, Mr. Cowan served as the Chief Executive Officer of Interwoven Inc. From 2004 to 2006, Mr. Cowan served as the President and Chief Executive Officer of Manugistics Inc. and Manugistics Group Inc. Prior to that, Mr. Cowan served in various senior executive positions, including as the Chief Operating Officer of Baan Co. NV and Avantis GOB NV. He has been a Director of DataDirect Networks, Inc. between 2011 and February 2013. Mr. Cowan has also served on the board of directors of Blackboard Inc., as well as several private companies. Mr. Cowan holds an M.S. degree in Electrical Engineering from Arizona State University and holds a B.S. degree in Electrical Engineering from Auburn University.

**Zehava Simon** has served as one of our outside directors since July 2015. Ms. Simon served as a Vice President of BMC Software Inc. from 2000 until 2013, most recently as Vice President of Corporate Development. From 2002 to 2011, Ms. Simon also served as Vice President and General Manager of BMC Software in Israel. Prior to that, Ms. Simon held various positions at Intel Israel, which she joined in 1982, including acting as leader of Finance and Operations and Business Development for Intel in Israel. Ms. Simon is currently a board member of Audiocodes Ltd. and Nova Measurements, both public companies traded on NASDAQ and TASE. Ms. Simon is a former member of the board of directors of Insightec Ltd., M-Systems Ltd. (acquired by SanDisk Corp.), Tower Semiconductor Ltd. and Amiad Water Systems, a public company traded on the London Stock Exchange. Ms. Simon holds a B.A. in Social Sciences from the Hebrew University, Jerusalem, a law degree (LL.B.) from the Interdisciplinary Center in Herzliya and an M.A. in Business and Management from Boston University.

**Barak Eilam** has served as Chief Executive Officer since April 2014. In his previous position with NICE, Mr. Eilam was President of our American division from July 2012 to March 2014. Prior to that, Mr. Eilam was the head of sales and the general manager of the Enterprise Group in the Americas. From 2007 to 2009, Mr. Eilam founded and served as the general manager of the NICE Interaction Analytics Global Business Unit. Mr. Eilam has also served in a variety of executive positions within NICE, managing different aspects of the business in product development, sales and product management. Before joining NICE in 1999, Mr. Eilam was an officer for an elite intelligence unit in the Israeli defense forces. Mr. Eilam holds a Bachelor's degree in Electrical and Electronics Engineering from Tel Aviv University.

**Beth Gaspich** has served as our Chief Financial Officer since October 2016. Ms. Gaspich joined NICE as CFO of the Financial Crime and Compliance division NICE Actimize in September 2011, where she was responsible for finance, legal and business operations. Prior to joining NICE, she was Chief Financial Officer for Archive Systems, Inc., a privately held document management software provider. She also served as Vice President of Finance at RiskMetrics Group, Inc., a cloud-based risk management software company. Ms. Gaspich was one of the founding members of RiskMetrics Group and assisted in taking the company through a successful public offering on the NYSE in January 2008. Prior to that, Ms. Gaspich held several other senior positions throughout her career at large global financial institutions, including JP Morgan and Price Waterhouse. Ms. Gaspich holds a B.A. in Accounting from the University of Missouri.

**Barry Cooper** has been with NICE since March 2011 and serves as our President, CX since October 2022. Previously he served as our President, WCX - Workforce Engagement & Customer Experience from January 2019, and from May 2016 until December 2018, he served as Chief Operating Officer (COO). Prior to serving as COO, Mr. Cooper served as Vice President, Business Operations for NICE APAC from March 2011 until June 2013, and as of July 2013 and until assuming the role of COO, he served as Executive Vice President, Professional Services and Cloud. Prior to joining NICE, Mr. Cooper was a Management Consultant at Accenture; the Head of Customer Service, IT and Billing at Time Telekom, Malaysia; and Vice President of Professional Services, APAC for CSG Systems, later Comverse. Mr. Cooper holds a First Class Bachelor of Computer Science and Mathematics with Honors from Salford University in the United Kingdom.

**Craig Costigan** has served as NICE Actimize CEO since November 2018. From 2016 to 2018, he served as President of Capital Markets & Credit at Fidelity National Information Services Inc. (FIS), where he managed a team of approximately 4,000 staff worldwide, overseeing risk, compliance, credit, security finance, securities processing and market data solutions and services for over 2,000 banks, broker dealers, investment firms, hedge funds, insurance companies and clients in the financial market. Prior to that, Mr. Costigan served as President of the Risk, Compliance and Global Securities Business at SunGard. Mr. Costigan holds a BS in Economics from Northeastern University.

**Yaron Hertz** has served as our President, NICE Americas since 2017. Mr. Hertz joined NICE in 2007 as part of the Actimize acquisition by NICE. Prior to his current position, Mr. Hertz served as the head of sales for NICE Actimize in the Americas. Prior to joining Actimize, Mr. Hertz served as Head of Partner and Channel development for RSA Security. In addition, Mr. Hertz has extensive experience in senior leadership position, and he served as VP of Business Development in Cyota. Mr. Hertz is a former attorney and holds an LLB from the University of Northumbria in Newcastle, England.

**Darren Rushworth** has been with NICE since 2017 and serves as our President, CE International since April 2022. Previously he served as President of NICE APAC. Mr. Rushworth's career spans over 30 years in the IT industry of which the past 21 years have been in the Asia Pacific Region. Prior to joining NICE, Mr. Rushworth held the role of Managing Director of Singapore for SAP Asia Pacific and he also led SAP's Philippine and Emerging Market operations. Prior to that, Mr. Rushworth held multiple leadership roles at Oracle including VP Applications Sales APAC, VP Channels and VP Oracle Direct APAC.

**Awan Roy** has served as our Vice President, Head of NICE India GTC since March 2021. From 2007 to 2020 Mr. Roy served as Sr Director, R&D and India Site Head at Varian Medical Systems where he established the India center, growing it into a global Center of Excellence for Infrastructure and Informatics software. Prior to that, Mr. Roy served as Sr Manager at Siemens Healthineers where he led the development of several medical software products and platforms. Mr. Roy holds a Bachelor's degree in Computer Science from the University of Delhi and a Masters' degree in Computer Science from Devi Ahilya Vishwavidyalaya.

**Shiri Neder** has served as our Executive Vice President, Human Resource since February 2018. Prior to joining NICE, Ms. Neder was the Corporate Vice President, Head of Human Resources at Nova Measuring Instruments. Prior to that, Ms. Neder worked at Amdocs as Vice President, Human Resources for the Product and Delivery organizations and served as head of Amdocs' Talent Development organization. In addition, Ms. Neder has held positions at Microsoft where she established the Human Resources function for the Telecom division as well as served as Regional Senior Human Resources Manager for the EMEA region. Ms. Neder holds a B.A. in Social Science and an M.A. in Law from Bar Ilan University.

**Tali Mirsky** has served as our Corporate Vice President, General Counsel and Corporate Secretary since March 2018. From 2010 to early 2018, she served as Global Vice President of Legal Affairs and Corporate Secretary at Frutarom Industries Ltd., where she led the company's M&A transactions in addition to managing the company's legal department and handling all legal matters and corporate and securities related items. Prior to that, Ms. Mirsky served as Vice President, General Counsel and Corporate Secretary of Alvarion, led Business and Legal Affairs at Nicast and Midbar Tech and was an associate with Naschitz Brandes & Co law office. She holds an LL.B. in Law and Business Administration from IDC, Herzliya and is admitted to practice law in Israel.

**Gil Vassoly** has served as our Vice President, Corporate Finance since August 2022. Between 2019 and August 2022, Mr. Vassoly served as Vice President Finance and Operations for KLA Ltd., where he led the Electronics, Packaging and Components Finance Organization and the Orbotech integration, and in early 2019 he served as Chief Financial Officer for StoreONE. Prior to that, between 2015 and 2019, Mr. Vassoly served as Executive Vice President, Chief Operating Officer and Chief Financial Officer for Gibbs International Inc., where he led the finance and operations activity. In addition, Mr. Vassoly held positions at The Gores Group and PwC in Israel, as an Audit Manager. Mr. Vassoly is a Certified Public Accountant (CPA) and holds a BA in Accounting from the College of Management.

There are no family relationships between any of the directors or executive officers named above.

## **Item 6B. Compensation.**

### **(a) Aggregate Executive Compensation**

The aggregate compensation paid to our directors and executive officers as a group of 21 persons for 2022 (including compensation accrued for such year) consisted of approximately \$10.5 million in salary, fees, bonus, commissions and directors' fees and approximately \$2.6 million in amounts set aside or accrued to provide pension, severance, retirement or similar benefits or expenses, but excluding amounts expended for business travel, relocation, professional and business association dues and expenses reimbursed to our directors and executive officers.

Our compensation policy for our executive management team, as approved by our shareholders, following the recommendation of our compensation committee and approval by our Board of Directors (as amended, the “Compensation Policy”), is annually reviewed and approved by our Board of Directors, as is any bonus payment made under the policy.

We have a performance-based bonus plan for our executive management team. The plan is based on our overall performance, the particular unit performance and individual performance. The measurements can change from year to year, based on a combination of financial parameters, including revenues, booking and operating income as well as other non-financial parameters, such as customer satisfaction and others. The plan is reviewed and approved by our compensation committee and Board of Directors annually, as is any bonus payment under the plan.

During 2022, our officers and directors received, in the aggregate, (i) options to purchase 73,734 ordinary shares, which include 47,074 options with an exercise price equal to the par value of the ordinary shares (the “par value options”), and (ii) 202,137 restricted share units, under our equity-based compensation plans. The options (other than the par value options) have a weighted average price of \$197.4 and all options will expire six years after the date of grant. The restricted shares units are granted at par value of the ordinary shares.

Pursuant to the requirements of the Israeli Companies Law, 5759–1999 (the “Israeli Companies Law”), remuneration of our directors requires shareholder approval. Compensation and reimbursement for outside directors (as described below) is statutorily determined pursuant to the Israeli Companies Law. Effective as of July 1, 2015, our shareholders approved the payment to each of our non-executive directors, including outside directors, of an annual fee of \$40,000 and a meeting attendance fee of \$1,500 for each Board meeting attended (whether in person or through media), and \$1,000 for each Board committee meeting attended (whether in person or through media) (in each case paid in U.S. dollars or in NIS based on the exchange rate on July 1, 2015), subject to additional value added tax, as applicable.

In addition, our shareholders approved a special annual cash fee for the Chairman of the Board in the amount of NIS 450,000 (equivalent to approximately \$134,000). The special annual fee is subject to adjustment for changes in the Israeli consumer price index after September 2012. At the Company’s 2021 annual general meeting, following the recommendation of our compensation committee and approval by our Board of Directors, our shareholders reapproved our Compensation Policy, as further discussed below in Item 10, “Additional Information. – Approval of Office Holder Compensation” in this annual report.

#### **(b) Individual Compensation of Covered Executives**

The following describes the compensation of our five most highly compensated executive officers in 2022, based on the total of salary costs, bonus cost and equity costs for equity granted and expensed by the Company in 2022 (“Covered Executives”).

The compensation specified below is broken down into the following components (all amounts specified below are in terms of cost to the Company, as recorded in our financial statements, and U.S. dollar amounts indicated for Salary, Bonus Costs and Equity Costs are in thousands of dollars):

- (1) Salary Costs. Salary Costs include gross salary, benefits and perquisites, including those mandated by applicable law which may include, to the extent applicable to each Covered Executive, payments, contributions and/or allocations for pension, severance, vacation, travel and accommodation, car or car allowance, medical insurances and risk insurances (e.g., life, disability, accidents), phone, convalescence pay, relocation, payments for social security, and other benefits consistent with the Company’s guidelines.
- (2) Bonus Costs. Bonus Costs represent bonuses granted to the Covered Executive with respect to the year ended December 31, 2022, paid in accordance with the Company’s performance-based bonus plan or as detailed below.
- (3) Equity Costs. Represents the expense recorded in our financial statements for the year ended December 31, 2022, with respect to equity granted in 2022 and in previous years (if applicable). For assumptions and key

variables used in the calculation of such amounts, see Note 14b of our audited consolidated financial statements.

- i. **Barak Eilam – CEO.** Salary Costs - \$1,536; Bonus Costs - \$1,454; Equity Costs - \$6,486 expense recorded in 2022 for equity granted in 2022; and \$15,122 expense recorded in 2022 for equity granted in previous years.
- ii. **Barry Cooper – President, CX.** Salary Costs - \$504; Bonus Costs - \$587; Equity Costs - \$3,007 expense recorded in 2022 for equity granted in 2022 and \$1,947 expense recorded in 2022 for equity granted in previous years.
- iii. **Yaron Hertz – President, NICE Americas.** Salary Costs - \$491; Bonus Costs - \$581; Equity Costs - \$2,820 expense recorded in 2022 for equity granted in 2022 and \$1,924 expense recorded in 2022 for equity granted in previous years.
- iv. **Craig Costigan – CEO, NICE Actimize.** Salary Costs - \$474; Bonus Costs - \$852; Equity Costs - \$1,887 expense recorded in 2022 for equity granted in 2022 and \$2,040 expense recorded in 2022 for equity granted in previous years.
- v. **Paul Jarman – CEO, NICE CXone.** Salary Costs - \$652; Bonus Costs - \$399; Equity Costs - \$1,933 expense recorded in 2022 for equity granted in 2022 and \$3,494 expense recorded in 2022 for equity granted in previous years.

#### **Item 6C. Board Practices**

##### *Corporate Governance Practices*

We are incorporated in Israel and therefore are subject to various corporate governance practices under the Israeli Companies Law, relating to such matters as outside directors, the internal audit committee, the internal auditor and approvals of interested party transactions. These matters are in addition to the ongoing listing conditions of the NASDAQ and other relevant provisions of U.S. securities laws. Under applicable NASDAQ rules, a foreign private issuer may generally follow its home country rules of corporate governance in lieu of comparable NASDAQ requirements, except for certain matters such as composition and responsibilities of the audit committee and the independence of its members. For further information, see Item 16G, “Corporate Governance” of this annual report.

##### *General Board Practices*

Our articles of association provide that the number of directors serving on the Board shall be not less than three but shall not exceed thirteen. Our directors, other than outside directors, are elected at the annual shareholders meeting to serve until the next annual meeting or until their earlier resignation, death, bankruptcy, incapacity or removal by an extraordinary resolution of the general shareholders meeting. Directors may be re-elected at each annual shareholders’ meeting. The Board may appoint additional directors (whether to fill a vacancy or create new directorships) to serve until the next annual shareholders meeting, provided, however, that the Board shall have no obligation to fill any vacancy unless the number of directors is less than three.

The Board may, subject to the provisions of the Israeli Companies Law, appoint a committee of the Board and delegate to such committee all or any of the powers of the Board, as it deems appropriate. Notwithstanding the foregoing and subject to the provisions of the Israeli Companies law, the Board may, at any time, amend, restate or cancel the delegation of any of its powers to any of its committees. The Board has appointed an internal audit committee under the Israeli Companies Law that has three members, an audit committee that has five members, a compensation committee that has five members, a nominations committee that has two members and a mergers and acquisitions committee that has six members. In addition, from time to time the Board may appoint an ad hoc committee for certain purposes, such as the review, negotiation and recommendation of approval of M&A transactions. We do not have, nor do our subsidiaries have, any service contracts granting to the directors any benefits upon termination of their service as Board members.

## *Outside Directors*

Except as discussed below, under the Israeli Companies Law companies incorporated under the laws of Israel whose shares have been offered to the public in or outside of Israel are required to appoint at least two “outside” directors. Pursuant to regulations under the Israeli Companies Law that took effect in April 2016, a NASDAQ-listed company that does not have a controlling shareholder is entitled to opt out of the provisions of the Israeli Companies Law requiring at least two outside directors and certain related requirements, so long as the company complies with the SEC regulations and NASDAQ listing rules regarding independent directors and the composition of the audit and compensation committees. In December 2016, our shareholders approved amendments to our articles of association, pursuant to which our Board of Directors may elect to opt out of such requirements for appointment of outside directors (together the “2016 Relief Amendments”). At this time, our Board of Directors has not made an election to opt out of such requirements.

Outside directors are required to possess professional qualifications as set out in regulations promulgated under the Israeli Companies Law. The Israeli Companies Law provides that a person may not be appointed as an outside director if (i) such person or person’s relative or affiliate has, at the date of appointment, or had at any time during the two years preceding such date, any affiliation with the company, a controlling shareholder thereof or their respective affiliates; or (ii) in a company that does not have a 25% shareholder, such person has an affiliation with any person who, at the time of appointment, is the chairman, the chief executive officer, the chief financial officer or a 5% shareholder of the company. In general, the term “affiliation” includes: an employment relationship; a business or professional relationship maintained on a regular basis; control; and service as an office holder.

No person may serve as an outside director if the person’s position or other activities create or may create a conflict of interest with the person’s responsibilities as an outside director or may otherwise interfere with the person’s ability to serve as an outside director. Until the lapse of two years from termination of office, a company or its controlling shareholder may not give any direct or indirect benefit to the former outside director.

Outside directors are to be elected by a majority vote at a shareholders’ meeting, provided that either:

- the majority of shares voted at the meeting shall include at least a majority of the shares of non-controlling shareholders present at the meeting and voting on the matter (without taking into account the votes of the abstaining shareholders); or
- the total number of shares of non-controlling shareholders voted against the election of the outside directors does not exceed two percent of the aggregate voting rights in the company.

The initial term of an outside director is three years and may be extended for up to two additional three-year terms. Thereafter, he or she may be reelected by our shareholders for additional periods of up to three years each only if the internal audit committee and the Board of Directors confirm that, in light of the outside director’s expertise and special contribution to the work of the Board of Directors and its committees, the reelection for such additional period is beneficial to the company. Reelection of an outside director may be effected through one of the following mechanisms: (1) the Board of Directors proposed the reelection of the nominee and the election was approved by the shareholders in the same manner required to appoint outside directors for their initial term; or (2) one or more shareholders holding one percent or more of a company’s voting rights or the outside director proposed the reelection of the nominee, and the reelection is approved by a majority of the votes cast by the shareholders of the company, excluding the votes of controlling shareholders and those who have a personal interest in the matter as a result of their relations with the controlling shareholders, provided that the aggregate votes cast in favor of the reelection by such non-excluded shareholders constitute more than two percent of the voting rights in the company. An outside director may be removed only in a general meeting, by the same percentage of shareholders as is required for electing an outside director, or by a court, and in both cases only if the outside director ceases to meet the statutory qualifications for appointment or if he or she has violated the duty of loyalty to us. Unless we actually adopt the applicable relief provided under the 2016 Relief Amendments, each committee of the Company’s Board of Directors which is empowered to exercise any of the Board’s powers is required to include at least one outside director, provided that each of the internal audit committee and compensation committee must include all of the outside directors. At this time, our Board of Directors has not made an election to opt out of such requirements.

An outside director is entitled to compensation as provided in regulations adopted under the Israeli Companies Law and is otherwise prohibited from receiving any other compensation, directly or indirectly, from the company. In accordance with such regulations, our shareholders approved that our outside directors are to receive compensation equal to that paid to

the other members of the Board of Directors. For further information, please see Item 6, “Directors, Senior Management and Employees—Compensation” in this annual report.

#### *Financial and Accounting Expertise*

Pursuant to the Israeli Companies Law, our Board of Directors has determined that at least one member of our Board of Directors must be an “accounting and financial expert.” The Israeli Companies Law requires that all outside directors must be “professionally qualified.” Under applicable NASDAQ rules, each member of our audit committee must be financially literate and at least one of the members must have experience or background that results in such member’s financial sophistication. Our Board of Directors has determined that each of Dan Falk and Yocheved Dvir is an “accounting and financial expert” for purposes of the Israeli Companies Law and is financially sophisticated for purposes of applicable NASDAQ rules. See also Item 16A, “Audit Committee Financial Expert” in this annual report.

#### *Independent Directors*

Under the rules of the NASDAQ, a majority of our directors are required to be “independent” as defined in applicable NASDAQ rules. All of our directors satisfy the respective independence requirements of NASDAQ.

In addition, our Articles of Association provide that, if we do not have a shareholder that holds 25% or more of our issued and outstanding share capital, a majority of the directors must be “independent” as defined in the Israeli Companies Law and the regulations promulgated thereunder. If we have a shareholder that holds 25% or more of our issued and outstanding share capital, then at least one third of the directors must be “independent.” All of our directors satisfy the respective independence requirements of the Israeli Companies Law. The qualifications for independent directors under the Israeli Companies Law are similar to those for outside directors, as described above under “Outside Directors”, including the nine-year term limit and the ability to extend such term beyond nine years upon the approval of our internal audit committee and Board of Directors.

#### *Internal Audit Committee*

The Israeli Companies Law requires public companies to appoint an internal audit committee. The role of the internal audit committee under the Israeli Companies Law is to examine flaws in the management of the company’s business in consultation with the internal auditors and the independent accountants, and to propose remedial measures to the Board. The internal audit committee also reviews interested party transactions for approval as required by law, including approval of the remuneration of a director in any capacity, which also requires Board, compensation committee and shareholder approval. The internal audit committee also assesses our internal audit system and the performance of our internal auditor and oversees the implementation and enforcement of our compliance program. Under the Israeli Companies Law, an internal audit committee must consist of at least three directors, including all of the outside directors. The members of the internal audit committee must satisfy certain independence standards under the Israeli Companies Law, and the chairman of the internal audit committee must be an outside director. The following may not serve as members of the internal audit committee: the chairman of the Board of Directors, any director employed by the company or by its controlling shareholder or by an entity controlled by the controlling shareholder, a director who regularly provides services to the company or to its controlling shareholder, any director who derives most of its income from the controlling shareholder and a controlling shareholder or any relative of a controlling shareholder. Pursuant to the 2016 Relief Amendments, the Company may elect to opt out of the composition and attendance rules set with respect to the internal audit committee under the Israeli Companies Law, so long as the Company complies with the SEC regulations and NASDAQ listing rules regarding the composition and attendance rules in that respect. At this time, our Board of Directors has not made an election to opt out of such requirements.

All of the current members of our internal audit committee (presently comprised of Yocheved Dvir (Chair), Dan Falk and Zehava Simon) meet these qualifications.

#### *Internal Auditor*

Under the Israeli Companies Law, the Board of Directors must appoint an internal auditor, proposed by the internal audit committee. The role of the internal auditor is to examine, among other matters, whether the company’s activities comply with the law and orderly business procedures. Under the Israeli Companies Law, the internal auditor may be an employee of the company but may not be an interested party or office holder, or a relative of any interested party or office

holder and may not be a member of the company's independent accounting firm or its representative. We have appointed an internal auditor in accordance with the requirements of the Israeli Companies Law.

#### *Audit Committee*

The NASDAQ rules require that the audit committee of a listed company be composed of at least three directors, each of whom is (i) independent; (ii) does not receive any compensation (except for board fees) from the company; (iii) is not an affiliated person of the company or any subsidiary; and (iv) has not participated in the preparation of the company's (or a current subsidiary's) financial statements during the past three years. All of the current members of our audit committee (presently comprised of Zehava Simon (Chair), Rimon Ben-Shaoul, Dan Falk, Yocheved Dvir and Joe Cowan) meet the NASDAQ standards described above.

Our audit committee has adopted a charter specifying the committee's purpose and outlining its duties and responsibilities which include, among other things, (i) appointing, retaining and compensating the company's independent auditor, subject to Board of Directors and shareholder approval, (ii) pre-approving all services of the independent auditor, (iii) reviewing the annual audited financial statements and quarterly financial statements and the content of our earnings press releases, and (iv) overseeing our accounting and financial reporting processes and the audits of our financial statements. Our audit committee is also authorized to act as our "qualified legal compliance committee." As such, our audit committee will be responsible for investigating reports made by attorneys appearing and practicing before the SEC in representing us, of perceived material violations of U.S. federal or state securities laws, breaches of fiduciary duty or similar material violations of U.S. law by us or any of our agents.

We believe we currently meet the applicable NASDAQ requirements with respect to our Audit Committee and we intend to continue to take all actions as may be necessary for us to maintain our compliance with applicable NASDAQ requirements with respect to our Audit Committee.

#### *Compensation Committee*

As required by NASDAQ rules, our compensation committee approves the compensation of our executive officers. The compensation committee is also authorized to approve the grant of stock options and other securities to eligible grantees under our benefit plans pursuant to guidelines adopted by our Board of Directors. However, grants of stock options and other securities to our executive officers also require approval of our Board of Directors. Under the Israeli Companies Law, the Board of Directors of a public company must establish a compensation committee. Pursuant to the 2016 Relief Amendments, the Company may elect to opt out of the relevant composition and attendance rules set under the Israeli Companies Law, and to comply with the SEC regulations and NASDAQ listing rules that apply to the composition and attendance rules of a compensation committee. At this time, our Board of Directors has not made an election to opt out of such requirements and we have continued to comply with the Israeli Companies Law with respect to the composition and attendance rules of a compensation committee, as our compensation committee consists of at least three directors who satisfy the independence qualifications detailed above in "Internal Audit Committee", and the chairman of the compensation committee is an outside director.

Under the Israeli Companies Law, the role of the compensation committee is to recommend to the Board of Directors, for ultimate shareholder approval by a special majority, a policy governing the compensation of office holders based on specified criteria, to review modifications to the Compensation Policy from time to time, to review its implementation and to approve the actual compensation terms of office holders prior to the approval thereof by the Board of Directors.

Pursuant to the NASDAQ rules, our compensation committee is required to consist of at least two members, with all members of the compensation committee required to be independent, unless we elect to take advantage of the exemption provided to foreign private issuers to comply with home country practice instead of the listing rules of exchanges such as NASDAQ. At this time, our Board of Directors has not made an election to opt out of such requirements. The determination of whether a director is independent takes into account all factors relevant to whether a director has a relationship with the Company which would be material to such director's ability to be independent from management in connection with carrying out the duties of a compensation committee member. Factors required for consideration in making this determination specifically include (i) the source of compensation of such director (including any consulting, advisory or other compensatory fee paid to such director) and (ii) whether such director is affiliated with the Company or one of its affiliates or subsidiaries. Pursuant to the NASDAQ rules, we are also required to have a compensation committee charter, which, among other things,

must set forth the scope of the compensation committee's responsibilities and how they will be carried out, as well as grant the compensation committee the power to retain compensation advisers following consideration of certain factors that may be indicative of a conflict of interest by the compensation adviser in rendering compensation advice.

Our Board of Directors adopted a compensation committee charter that includes the requirements of the NASDAQ rules. However, the charter provides that if there is any conflict between the responsibilities and requirements set forth therein and either the Israeli Companies Law or the Compensation Policy, the latter will govern. For information regarding the Compensation Policy, see Item 10, "Additional Information – Memorandum and Articles of Association – Approval of Office Holder Compensation" in this annual report.

We do not believe that there are any existing conflicts between the compensation committee charter and either of the Israeli Companies Law or the Compensation Policy. However, if any such conflict should develop such that we are no longer in compliance with the requirements of the NASDAQ rules, we intend to utilize the foreign private issuer exemption described above with respect to such requirement, and in accordance with the NASDAQ rules we will disclose the practice that we follow in lieu of the applicable NASDAQ requirement in our future annual reports.

All of the current members of the compensation committee (presently comprised of Dan Falk (Chairman), Yocheved Dvir, Leo Apotheker, Zehava Simon and Yehoshua Ehrlich) satisfy the respective independence requirements of both the NASDAQ rules and the Israeli Companies Law.

#### *Nominations Committee*

As required by NASDAQ rules, our nominations committee recommends candidates for election to our Board of Directors pursuant to a written charter. Both of the current members of this committee (David Kostman and Dan Falk) are independent directors.

#### *Mergers and Acquisitions Committee*

Our Board of Directors has delegated powers with respect to the review and recommendation of mergers and acquisitions and related investments and transactions, which are then subject to approval by the Board of Directors. The committee also has limited authority to approve mergers and acquisitions for consideration up to a certain amount. All of the current members of this committee (presently comprised of David Kostman (Chairman), Dan Falk, Rimon Ben Shaoul, Yehoshua Ehrlich, Leo Apotheker and Joe Cowan) are independent directors.

#### **Item 6D. Employees.**

As of December 31, 2022, we had 7,926 employees worldwide, which represented an increase of approximately 11.6% from December 31, 2021, resulting from both organic and non-organic growth.

The following table sets forth the number of our full-time employees at the end of each of the last three fiscal years as well as the main category of activity and geographic location of such employees:

<b>Category of Activity</b>	<b>At December 31,</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
Customer Support*	2,794	2,603	2,391
Sales and Marketing	1,678	1,471	1,363
Research and Development	2,643	2,303	1,949
General and Administrative	811	725	680
<b>Total</b>	<b>7,926</b>	<b>7,102</b>	<b>6,383</b>
<b>Geographic Location</b>			
Americas	3,439	3,112	2,899
EMEA	1,509	1,480	1,389
APAC	2,978	2,510	2,095
<b>Total</b>	<b>7,926</b>	<b>7,102</b>	<b>6,383</b>

\* Including the number of employees designated under “Operations” in our previous annual reports.

We also utilize temporary employees in various activities. On average, we employed 60 temporary employees and obtained services from 1,447 consultants (not included in the numbers set forth above) during 2022.

Our future success will depend in part upon our ability to attract and retain highly skilled and qualified personnel. Although competition for such personnel is generally intense, we believe that adequate personnel resources are currently available to meet our requirements.

We are not a party to any collective bargaining agreement with our employees or with any labor organization in substantially all jurisdictions where we operate. However, we are subject to certain labor related statutes and certain provisions of collective bargaining agreements between the Histadrut (General Federation of Labor in Israel) and the Coordinating Bureau of Economic Organizations (including the Industrialists’ Association of Israel) that apply to our Israeli employees by order of the Israeli Ministry of Labor and Welfare. These statutes and provisions principally deal with the length of the work day and the work week, minimum wages, insurance coverage of work-related accidents, determination of severance pay and the provisions of other employment matters. Israeli law generally requires the payment of severance pay by employers upon an employee’s death, retirement or termination of employment by the employer without due cause. We currently fund our ongoing severance payment obligations in Israel by making monthly payments to approved severance funds or insurance policies. For more information please see Note 2p of our consolidated financial statements. In addition, according to the National Insurance Law, Israeli employers and employees are required to pay predetermined sums to the National Insurance Institute, an organization similar to the U.S. Social Security Administration. These contributions entitle the employees to benefits in periods of unemployment, work injury, maternity leave, disability, reserve military service and bankruptcy or winding-up of the employer and also include payments for national health insurance. The payments to the National Insurance Institute varies between 7.05%-19.6% of an employee’s salary (up to a certain cap as determined from time to time by the law), of which the employee contributes approximately 3.5%-12.0% and the employer contributes approximately 3.55%-7.6%.

In addition, we pay severance benefits to our employees located elsewhere in accordance with local laws and practices of the countries in which they are employed, including our U.S. based employees pursuant to the U.S. Federal Department labor legislation and requirements and local state regulations.

#### *Employment Agreements*

We have employment agreements with our officers. Pursuant to these employment agreements, each party may terminate the employment without cause by giving a 30, 60 or 90 day prior written notice (six to twelve months in case of

certain senior officers). In addition, we may terminate such agreement for cause with no prior notice. The agreements generally include non-competition and non-disclosure provisions, although the enforceability of non-competition provisions in employment agreements may be limited under applicable law.

**Item 6E. Share Ownership.**

As of March 20, 2023, our directors and executive officers then-serving beneficially owned an aggregate of 287,947 ordinary shares, including options and restricted share units to purchase ordinary shares that were vested on such date or that are scheduled to vest within 60 days thereafter, or approximately 0.5% of our outstanding ordinary shares. The options and restricted share units have an average exercise price of \$111.18 per share and the options will expire between 2023 and 2030. No individual director or executive officer beneficially owns 1% or more of our outstanding ordinary shares.

The following is a description of each of our equity plans under which awards were outstanding as of March 20, 2023.

*2016 Share Incentive Plan*

In February 2016 the Company adopted the 2016 Share Incentive Plan (the “2016 Plan”). The Company adopted the 2016 Plan to provide incentives to employees, directors, consultants and/or contractors by rewarding performance and encouraging behavior that will improve the Company’s profitability.

Under the 2016 Plan, the Company’s employees, directors, consultants and/or contractors may be granted any equity-related award, including: any type of an option to acquire the Company ordinary shares; share appreciation right; share and/or restricted share award (“RSA”); restricted stock unit (“RSU”) and/or other share unit; and/or other share-based award and/or other right or benefit under the 2016 Plan, including any such equity-related award that is a performance-based award (each an “Award”).

Generally, under the terms of the 2016 Plan, unless determined otherwise by the administrator of the 2016 Plan, 25% of an Award granted becomes exercisable on the first anniversary of the date of grant and 6.25% becomes exercisable once every quarter during the subsequent three years. Specifically with respect to RSUs and options granted with an exercise price equal to the nominal value of an ordinary share (“par value options”), unless determined otherwise by the Board of Directors, 25% of the RSUs and the par value options granted become vested on each of the four consecutive annual anniversaries following the date of grant. Certain executive officers are entitled to acceleration of vesting of Awards in the event of a change of control, subject to certain conditions. Awards with a vesting period expire six years after the date of grant. The maximum number of shares that may be subject to Awards granted under the 2016 Plan is calculated each calendar year as 3% of the Company’s issued and outstanding share capital as of December 31 of the preceding calendar year. Such amount is reset for each calendar year. Awards are non-transferable except by will or the laws of descent and distribution.

Options granted under the 2016 Plan are granted at an exercise price equal to the average of the closing prices of one ADR as quoted on the NASDAQ market during the 30 consecutive calendar days preceding the date of grant, unless determined otherwise by the administrator of the 2016 Plan (including par value options in some cases).

The Company’s Board of Directors also adopted an addendum to the 2016 Plan for Awards granted to residents of Israel (the “Addendum”) and resolved to elect the “Capital Gains Route” (as defined in Section 102(b)(2)) of the Israeli Income Tax Ordinance-5721-1961 (“Tax Ordinance”) for the grant of Awards to Israeli grantees. There is also a U.S. addendum under the 2016 Plan that applies to non-qualified stock options for purposes of U.S. tax laws.

The 2016 Plan is generally administered by our Board of Directors and compensation committee, which determine the grantees under the 2016 Plan and the number of Awards to be granted. As of March 20, 2023, options and restricted share units to purchase 2,730,765 ordinary shares were outstanding under the 2016 Plan at a weighted average exercise price of \$10.03.

*Guardian Analytics, Inc. 2006 Stock Plan*

In 2006, Guardian Analytics, Inc. (“Guardian Analytics”) adopted the Guardian Analytics, Inc. 2006 Stock Plan (the “Guardian Plan”), to attract and retain Guardian Analytics’ employees and consultants (which includes its directors and advisors), and to align the interests of such recipients with the interests of Guardian Analytics’ shareholders.

Pursuant to the terms of the Guardian Analytics' acquisition agreement, we assumed and converted Guardian Analytics' stock options originally granted under the Guardian Plan into stock options of NICE.

As of March 20, 2023, assumed Guardian Analytics' stock options to purchase 3,271 shares of NICE were outstanding under the Guardian Plan, at a weighted average exercise price of \$33.27. We have registered, through the filing of a registration statement on Form S-8 with the SEC under the Securities Act, 5,823 ordinary shares for issuance under the Guardian Plan.

*Nexidia Inc. 2005 Stock Incentive Plan*

In 2005, Nexidia adopted the Nexidia Inc. 2005 Stock Incentive Plan (the "Nexidia Plan"), to attract and retain Nexidia's employees, directors, consultants and advisors and to align the interests of such recipients with the interests of Nexidia's shareholders.

Pursuant to the terms of the Nexidia acquisition agreement, we assumed and converted Nexidia's stock options and restricted stock units originally granted under the Nexidia Plan into stock options and restricted stock units of NICE, respectively.

As of March 20, 2023, assumed Nexidia options to purchase 2,320 shares of NICE were outstanding under the Nexidia Plan, at a weighted average exercise price of \$2.43. We have registered, through the filing of a registration statement on Form S-8 with the SEC under the Securities Act, 173,860 ordinary shares for issuance under the Nexidia Plan.

*inContact, Inc. 2008 Equity Incentive Plan*

In 2008, inContact adopted the inContact, Inc. 2008 Equity Incentive Plan, as subsequently amended in June 14, 2012 (as amended, the "inContact Plan") to enhance inContact's ability to attract and retain those employees, officers, directors and consultants who are expected to make important contributions to inContact and any of its subsidiaries and to align the interests of such recipients with the interests of inContact's shareholders.

Pursuant to the terms of the inContact acquisition agreement, we assumed and converted inContact's stock options, restricted stock awards and restricted stock units originally granted under the inContact Plan into stock options, restricted stock awards and restricted stock units of NICE, respectively.

As of March 20, 2023, assumed inContact options and restricted share units to purchase 2,338 shares of NICE were outstanding under the inContact Plan, at a weighted average exercise price of \$40.87. We have registered, through the filing of a registration statement on Form S-8 with the SEC under the Securities Act, 476,114 ordinary shares for issuance under the inContact Plan.

**Item 6F. Disclosure of a registrant's action to recover erroneously awarded compensation.**

Not applicable.

## Item 7. Major Shareholders and Related Party Transactions

### Major Shareholders

The following table sets forth certain information with respect to the beneficial ownership of our ordinary shares, with respect to each person known to us to be the beneficial owner of 5% or more of our outstanding ordinary shares, reported as of March 20, 2023. None of our shareholders has any different voting rights than any other shareholder.

<u>Name and Address</u>	<u>Number of Shares</u>	<u>Percent of Shares Beneficially Owned <sup>(1)</sup></u>
Capital Research Global Investors	7,253,396 (2)	11.4 %
BlackRock, Inc.	3,226,820 (3)	5.1 %
FMR LLC	3,556,366 (4)	5.6 %

- (1) Based upon 63,601,798 ordinary shares issued and outstanding as of March 20, 2023.
- (2) The information is based upon a Schedule 13G filed with the SEC by Capital Research Global Investors (“CRGI”) on February 13, 2023. CRGI reported that more than 5% of the shares were owned on behalf of EuroPacific Growth Fund.
- (3) The information is based upon a Schedule 13G filed with the SEC by BlackRock, Inc. on February 1, 2023.
- (4) The information is based upon a Schedule 13G filed with the SEC by FMR LLC on February 9, 2023.

On February 10, 2023, Artisan Partners Limited Partnership filed a Schedule 13G with the SEC reporting that they are no longer a beneficial owner of 5% or more of our outstanding ordinary shares.

As of March 20, 2023, we had 43 registered ADS holders of record in the United States, with our ADS holders holding in total approximately 64% of our outstanding ordinary shares, as reported by JPMorgan Chase Bank, N.A., the depository for our ADSs.

To our knowledge, we are not directly or indirectly owned or controlled by another corporation or by any foreign government and there are no arrangements that might result in a change in control of our company.

### Related Party Transactions

None.

## Item 8. Financial Information.

### Consolidated Statements and Other Financial Information

See Item 18, “Financial Statements” in this annual report.

### Legal Proceedings

From time to time we or our subsidiaries may be involved in legal proceedings and/or litigation arising in the ordinary course of our business. While the outcome of these matters cannot be predicted with certainty, we do not believe they, individually or in the aggregate, will have a material effect on our business, consolidated financial position, results of operations, or cash flows.

## **Dividends**

We do not have any plans at this time to make any future dividend payments. Payment of future dividends, if any, will be at the discretion of our Board of Directors and will depend on various factors, such as our statutory profits, financial condition, operating results and current and anticipated cash needs. In the event cash dividends are declared by us, we may decide to pay such dividends in Israeli currency. Under current Israeli regulations, any cash dividend in Israeli currency paid in respect of ordinary shares purchased by non-residents of Israel with non-Israeli currency may be freely repatriated in such non-Israeli currency, at the rate of exchange prevailing at the time of conversion. For more information regarding the taxation implications of the dividend plan, see “Item 10 - Additional Information - Taxation” of this annual report.

## **Significant Changes**

There are no significant changes that occurred since December 31, 2022, except as otherwise disclosed in this annual report and in the annual consolidated financial statements included in this annual report.

### **Item 9. The Offer and Listing.**

#### ***Trading in the ADSs***

Our ADSs have been quoted on the NASDAQ Stock Market under the symbol “NICEV” from our initial public offering in January 1996 until April 7, 1999, and thereafter under the symbol “NICE.” Prior to that time, there was no public market for our ordinary shares in the United States. Each ADS represents one ordinary share.

JPMorgan Chase Bank, N.A. is the depository for our ADSs. Its address is 4 New York Plaza, Floor 12, New York, New York 10004.

#### ***Trading in the Ordinary Shares***

Our ordinary shares have been listed on the Tel-Aviv Stock Exchange, or TASE, since 1991 under the symbol “NICE.TA.” Our ordinary shares are not listed on any other stock exchange and have not been publicly traded outside Israel (other than through ADSs, as noted above).

### **Item 10. Additional Information.**

#### **Memorandum and Articles of Association**

##### ***Organization and Register***

We are a company limited by shares organized in the State of Israel under the Israeli Companies Law. We are registered with the Registrar of Companies of the State of Israel and have the company number 52-0036872.

##### ***Objectives and Purposes***

Our objectives and purposes include a wide variety of business purposes, including all kinds of research, development, manufacture, distribution, service and maintenance of products in all fields of technology and engineering and to engage in any other kind of business or commercial activity. Our objectives and purposes are set forth in detail in Section 2 of our memorandum of association.

##### ***Directors***

Our articles of association provide that the number of directors serving on the Board shall be not less than three but shall not exceed thirteen. As discussed above in Item 6, “Directors, Senior Management and Employees – Board Practices – Outside Directors,” in December 2016, our shareholders approved amendments to our articles of association, pursuant to which our Board of Directors may elect to opt out of such requirements and we would not be required to have outside directors serve on our Board of Directors. At this time, our Board of Directors has not made an election to opt out of such requirements. Our directors, other than outside directors, are elected at the annual shareholders meeting to serve until the next annual meeting or until their earlier death, resignation, bankruptcy, incapacity or removal by resolution of the general

shareholders meeting. Directors may be re-elected at each annual shareholders' meeting. The Board may appoint additional directors (whether to fill a vacancy or create new directorship) to serve until the next annual shareholders meeting, provided, however, that the Board shall have no obligation to fill any vacancy unless the number of directors is less than three. Our officers serve at the discretion of the Board.

The Board of Directors may meet and adjourn its meetings according to the Company's needs but must meet at least once every three months. A meeting of the Board may be called at the request of any two directors. The quorum required for a meeting of the Board consists of a majority of directors who are lawfully entitled to participate in the meeting and vote thereon. The adoption of a resolution by the Board requires approval by a simple majority of the directors present at a meeting in which such resolution is proposed. In lieu of a Board meeting, a resolution may be adopted if all of the directors lawfully entitled to vote thereon consent not to convene a meeting.

Subject to the Israeli Companies law, the Board may appoint a committee of the Board and delegate to such committee all or any of the powers of the Board, as it deems appropriate. Under the Israeli Companies Law, the Board of Directors must appoint an internal audit committee comprised of at least three directors. The function of the internal audit committee is to review irregularities in the management of the Company's business and recommend remedial measures. The committee is also required, under the Israeli Companies Law, to approve certain related party transactions and to assess our internal audit system and the performance of our internal auditor. Notwithstanding the foregoing, the Board may, at any time, amend, restate or cancel the delegation of any of its powers to any of its committees. The Board has appointed an internal audit committee which has three members, an audit committee which has five members, a compensation committee which has five members, a nominations committee which has two members and a mergers and acquisitions committee which has six members. For more information on the Company's committees, please see Item 6, "Directors, Senior Management and Employees—Board Practices" in this annual report.

#### *Fiduciary Duties of Officers*

The Israeli Companies Law codifies the fiduciary duties that "office holders," including directors and executive officers, owe to a company. An office holder's fiduciary duties consist of a duty of care and a duty of loyalty. The duty of loyalty includes avoiding any conflict of interest between the office holder's position in the company and his personal affairs, avoiding any competition with the company, avoiding exploiting any business opportunity of the company in order to receive personal advantage for himself or others, and revealing to the company any information or documents relating to the company's affairs which the office holder has received due to his position as an office holder.

#### *Approval of Certain Transactions*

The Israeli Companies Law requires that an office holder of a company promptly disclose any personal interest that he or she may have and all related material information known to him or her, in connection with any existing or proposed transaction by the company. In addition, if the transaction is an extraordinary transaction as defined under Israeli law, the office holder must also disclose any personal interest held by the office holder's spouse, siblings, parents, grandparents, descendants, spouse's descendants and the spouses of any of the foregoing. In addition, the office holder must also disclose any interest held by any corporation in which the office holder is a 5% or greater shareholder, director or general manager or in which he or she has the right to appoint at least one director or the general manager. An extraordinary transaction is defined as a transaction not in the ordinary course of business, not on market terms, or that is likely to have a material impact on the company's profitability, assets or liabilities.

In the case of a transaction which is not an extraordinary transaction, after the office holder complies with the above disclosure requirement, only Board approval is required unless the articles of association of the company provide otherwise. The transaction must not be adverse to the company's interest. Furthermore, if the transaction is an extraordinary transaction, then, in addition to any approval stipulated by the articles of association, it also must be approved by the company's internal audit committee and then by the Board of Directors, and, under certain circumstances, by a meeting of the shareholders of the company. An office holder who has a personal interest in a transaction that is considered at a meeting of the Board of Directors or the internal audit committee generally may not be present at the deliberations or vote on this matter, unless the chairman of the Board or chairman of the internal audit committee, as the case may be, determined that the presence of such person is necessary to present the transaction to the meeting. If a majority of the directors have a personal interest in an extraordinary transaction with the company, shareholder approval of the transaction is required.

It is the responsibility of the audit committee to determine whether or not a transaction should be deemed an extraordinary transaction. In addition, the audit committee must also establish (i) procedures for the consideration of any transaction with a controlling shareholder, even if it is not extraordinary, such as a competitive process with third parties or negotiation by independent directors, and (ii) approval requirements for controlling shareholder transactions that are not negligible.

The Israeli Companies Law applies the same disclosure requirements to a controlling shareholder of a public company, which includes a shareholder that holds 25% or more of the voting rights if no other shareholder owns more than 50% of the voting rights in the company. Extraordinary transactions with a controlling shareholder or in which a controlling shareholder has a personal interest, and the terms of management fees of a controlling shareholder or compensation of a controlling shareholder who is an office holder, require the approval of the audit committee, the Board of Directors and the shareholders of the company by simple majority; provided that either such majority vote must include at least a simple majority of the shareholders who have no personal interest in the transaction and are present at the meeting (without taking into account the votes of the abstaining shareholders), or that the total shareholdings of those who have no personal interest in the transaction who vote against the transaction represent no more than two percent of the voting rights in the company. Any such extraordinary transaction whose term is longer than three years requires further shareholder approval every three years, unless (with respect to transactions not involving management fees or employment terms) the internal audit committee approves that a longer term is reasonable under the circumstances.

In addition, under the Israeli Companies Law, a private placement of securities requires approval by the Board of Directors and the shareholders of the company if it will cause a person to become a controlling shareholder or if:

- the securities issued amount to 20% or more of the company's outstanding voting rights before the issuance;
- some or all of the consideration is other than cash or listed securities or the transaction is not on market terms; and
- the transaction will increase the relative holdings of a shareholder that holds 5% or more of the company's outstanding share capital or voting rights or that will cause any person to become, as a result of the issuance, a holder of more than 5% of the company's outstanding share capital or voting rights.

According to the Company's articles of association, certain resolutions, such as resolutions regarding mergers and windings up, require approval of the holders of 75% of the shares represented at the meeting and voting thereon.

#### *Approval of Office Holder Compensation*

Under the Israeli Companies Law, we are required to adopt a compensation policy, recommended by the compensation committee, and approved by the Board of Directors and the shareholders, in that order, at least once every three years. The shareholder approval requires a majority of the votes cast by shareholders, excluding any controlling shareholder and those who have a personal interest in the matter (similar to the threshold described above). Our Compensation Policy was reapproved by our shareholders at our 2021 annual general meeting. In general, all office holders' terms of compensation – including fixed remuneration, bonuses, equity compensation, retirement or termination payments, indemnification, liability insurance and the grant of an exemption from liability - must comply with the Company's Compensation Policy. Although NASDAQ rules generally require shareholder approval when an equity-based compensation plan is established or materially amended, as a foreign company we follow the aforementioned requirements of the Israeli Companies Law.

In addition, the compensation terms of directors, the chief executive officer, and any employee or service provider who is considered a controlling shareholder generally must be approved separately by the compensation committee, the Board of Directors and the shareholders of the company, in that order. Notwithstanding, a company's compensation committee and board of directors are permitted to approve the compensation terms of a chief executive officer or of a director, without convening a general meeting of shareholders, provided however, that such terms: (1) are not more beneficial than such officer's former terms or than the terms of his predecessor, or are essentially the same in their effect; (2) are in line with the Compensation Policy; and (3) are brought for shareholder approval at the next general meeting of shareholders.

The compensation terms of other officers require the approval of the compensation committee and the Board of Directors. An amendment of existing compensation terms of an office holder who is not a director, if the compensation

committee determines that the amendment is not material, requires the approval of the compensation committee only. Pursuant to regulations promulgated under the Israeli Companies Law, an amendment of the existing compensation terms of office holders who are subordinate to the chief executive officer, if the amendment is not material and the changes are in line with the existing Compensation Policy, requires only the chief executive officer's approval. Under our Compensation Policy, our Chief Executive Officer is authorized to approve non-material changes to the compensation terms of office holders subordinated to him, without seeking the approval of the compensation committee.

The Compensation Policy sets forth the guidelines for the compensation of our office holders. It is tailored to ensure a compensation which balances performance targets and time horizons through rewarding business results and long-term performance. The Compensation Policy requires that compensation of our officer holders include a mix of fixed amounts (such as annual based salaries), variable performance-based components (such as performance-based cash incentive compensation), and long term incentive components (such as long-term equity-based compensation, including performance-based equity). Pursuant to the Compensation Policy, performance-based compensation granted may be based on our overall performance, the particular unit performance, individual performance and the results of the customer satisfaction survey conducted annually. Our Compensation Policy includes applicable clawback provisions.

#### *Duties of Shareholders*

Under the Israeli Companies Law, a shareholder has a duty to act in good faith towards the company and other shareholders and to refrain from abusing his or her power in the company including, among other things, voting in a general meeting of shareholders on the following matters:

- any amendment to the articles of association;
- an increase of the company's authorized share capital;
- a merger; or
- approval of interested party transactions which require shareholder approval.

In addition, any controlling shareholder, any shareholder who knows that it possesses power to determine the outcome of a shareholder vote and any shareholder who, pursuant to the provisions of a company's articles of association, has the power to appoint or prevent the appointment of an office holder in the company, is under a duty to act with fairness towards the company. The Israeli Companies Law does not describe the substance of this duty but provides that a breach of his duty is tantamount to a breach of fiduciary duty of an officer of the company.

#### ***Exemption, Insurance and Indemnification of Directors and Officers***

##### *Exemption of Office Holders*

Under the Israeli Companies Law, an Israeli company may not exempt an office holder from liability for breach of his duty of loyalty but may exempt in advance an office holder from liability to the company, in whole or in part, for a breach of his duty of care (except in connection with distributions), provided the articles of association of the company allow it to do so. Our articles of association do not allow us to do so.

##### *Office Holder Insurance*

Our articles of association provide that, subject to the provisions of the Israeli Companies Law, including the receipt of all approvals as required therein or under any applicable law, we may enter into an agreement to insure an office holder for any responsibility or liability that may be imposed on such office holder in connection with an act performed by such office holder in such office holder's capacity as an office holder of us with respect to each of the following:

- a violation of his duty of care to us or to another person;
- a breach of his duty of loyalty to us, provided that the office holder acted in good faith and had reasonable grounds to assume that his act would not prejudice our interests;

- a financial obligation imposed upon him for the benefit of another person;
- a payment which the office holder is obligated to make to an injured party as set forth in Section 52(54)(a)(1)(a) of the Israeli Securities Law, 5728-1968, as amended (the “Securities Law”) and Litigation Expenses (as defined below) that the office holder incurred in connection with a proceeding under Chapters H’3, H’4 or I’1 of the Securities Law; and
- any other event, occurrence or circumstance in respect of which we may lawfully insure an office holder.

#### *Indemnification of Office Holders*

Our articles of association provide that, subject to the provisions of the Israeli Companies Law, including the receipt of all approvals as required therein or under any applicable law we may indemnify an office holder with respect to any liability or expense for which indemnification may be provided under the Israeli Companies Law, including the following liabilities and expenses, provided that such liabilities or expenses were imposed upon or incurred by such office holder in such office holder’s capacity as an office holder of us:

- a monetary liability imposed on or incurred by an office holder pursuant to a judgment in favor of another person, including a judgment imposed on such office holder in a settlement or in an arbitration decision that was approved by a court of law;
- reasonable Litigation Expenses, expended by the office holder as a result of an investigation or proceeding instituted against him by a competent authority, provided that such investigation or proceeding concluded without the filing of an indictment against him and either (A) concluded without the imposition of any financial liability in lieu of criminal proceedings or (B) concluded with the imposition of a financial liability in lieu of criminal proceedings but relates to a criminal offense that does not require proof of criminal intent (*mens rea*) or in connection with a financial sanction;
- “conclusion of a proceeding without filing an indictment” in a matter in which a criminal investigation has been instigated and “financial liability in lieu of a criminal proceeding,” have the meaning ascribed to them under the Israeli Companies Law. The term “Litigation Expenses” shall include, without limitation, attorneys’ fees and all other costs, expenses and obligations paid or incurred by an office holder in connection with investigating, defending, being a witness or participating in (including on appeal), or preparing to defend, be a witness or participate in any claim or proceeding relating to any matter for which indemnification may be provided;
- reasonable Litigation Expenses, which the office holder incurred or with which the office holder was charged by a court of law, in a proceeding brought against the office holder, by the Company, on its behalf or by another person, or in a criminal prosecution in which the office holder was acquitted, or in a criminal prosecution in which the office holder was convicted of an offense that does not require proof of criminal intent (*mens rea*);
- a payment which the office holder is obligated to make to an injured party as set forth in Section 52(54)(a)(1)(a) of the Securities Law, and Litigation Expenses that the office holder incurred in connection with a proceeding under Chapters H’3, H’4 or I’1 of the Securities Law; and
- any other event, occurrence or circumstance in respect of which we may lawfully indemnify an office holder.

The foregoing indemnification may be procured by us (a) retroactively and (b) as a commitment in advance to indemnify an office holder, provided that, in respect of the first bullet above, such commitment shall be limited to (A) such events that in the opinion of the Board of Directors are foreseeable in light of our actual operations at the time the undertaking to indemnify is provided, and (B) to the amounts or criterion that the Board of Directors deems reasonable under the circumstances; and further provided that such events and amounts or criterion are set forth in the undertaking to indemnify, and which shall in no event exceed, in the aggregate, the greater of: (i) 25% of our shareholder’s equity at the time of the indemnification or (ii) 25% of our shareholder’s equity at the end of fiscal year of 2010.

We have undertaken to indemnify our directors and officers pursuant to applicable law and we have obtained directors' and officers' liability insurance for the benefit of our directors and officers.

#### *Limitations on Exemption, Insurance and Indemnification*

The Israeli Companies Law provides that a company may not exempt or indemnify an office holder, or enter into an insurance contract, which would provide coverage for any monetary liability incurred as a result of any of the following:

- a breach by the office holder of his duty of loyalty unless, with respect to insurance coverage or indemnification, the office holder acted in good faith and had a reasonable basis to believe that the act would not prejudice the company;
- a breach by the office holder of his duty of care if the breach was done intentionally or recklessly (other than if solely done in negligence);
- any act or omission done with the intent to derive an illegal personal benefit; or
- a fine, civil fine or ransom levied on an office holder, or a financial sanction imposed upon an office holder under Israeli Law.

#### *Required Approvals*

In addition, under the Israeli Companies Law, any exemption of, indemnification of, or procurement of insurance coverage for, our office holders must be approved by our audit committee and our Board of Directors and, if the beneficiary is the chief executive officer or a director, by our shareholders. We have obtained such approvals for the procurement of liability insurance covering our officers and directors and for the grant of indemnification letters to our officers and directors.

#### *Rights of Ordinary Shares*

Our ordinary shares confer upon our shareholders the right to receive notices of, and to attend, shareholder meetings, the right to one vote per ordinary share at all shareholders' meetings for all purposes, and to share equally, on a per share basis, in such dividends as may be declared by our Board of Directors; and upon liquidation or dissolution, the right to participate in the distribution of any surplus assets of the Company legally available for distribution to shareholders after payment of all debts and other liabilities of the Company. All ordinary shares rank *pari passu* in all respects with each other. Our Board of Directors may, from time to time, make such calls as it may think fit upon a shareholder in respect of any sum unpaid in respect of shares held by such shareholder which is not payable at a fixed time, and each shareholder shall pay the amount of every call so made upon him (and of each installment thereof if the same is payable in installments).

#### *Meetings of Shareholders*

An annual general meeting of our shareholders shall be held once in every calendar year at such time and at such place either within or without the State of Israel as may be determined by our Board of Directors.

Our Board of Directors may, whenever it thinks fit, convene a special general meeting at such time and place, within or without the State of Israel, as may be determined by the Board of Directors. Special general meetings may also be convened upon shareholder request in accordance with the Israeli Companies Law and our articles of association.

The quorum required for a meeting of shareholders consists of at least two shareholders present in person or by proxy who hold or represent between them at least 25% of the outstanding voting shares, unless otherwise required by applicable rules. Although NASDAQ generally requires a quorum of 33-1/3%, subject to an exemption under the NASDAQ rules we follow the generally accepted business practice for companies in Israel, which have a quorum requirement of 25%. A meeting adjourned for lack of a quorum generally is adjourned to the same day in the following week at the same time and place or any time and place as the chairman may designate with the consent of a majority of the voting power represented at the meeting and voting on the matter adjourned. At such reconvened meeting the required quorum consists of any two members present in person or by proxy.

## *Mergers and Acquisitions*

A merger of the Company shall require the approval of the holders of 75% of the voting power represented at the annual or special general meeting in person or by proxy or by written ballot, as shall be permitted, and voting thereon in accordance with the provisions of the Israeli Companies Law. Upon the request of a creditor of either party of the proposed merger, the court may delay or prevent the merger if it concludes that there exists a reasonable concern that as a result of the merger, the surviving company will be unable to satisfy the obligations of any of the parties to the merger. In addition, a merger may not be completed unless at least (i) 50 days have passed from the time that the requisite proposal for the merger has been filed by each party with the Israeli Registrar of Companies and (ii) 30 days have passed since the merger was approved by the shareholders of each party.

The Israeli Companies Law also provides that an acquisition of shares of a public company must be made by means of a tender offer if, as a result of the acquisition, the purchaser would become a 25% or greater shareholder of the company and there is no existing 25% or greater shareholder in the company. An acquisition of shares of a public company must be made by means of a tender offer if, as a result of the acquisition, the purchaser would hold more than 45% of the company and there is no existing shareholder of more than 45% in the company. These requirements do not apply if the acquisition (i) occurs in the context of a private placement by the company that received shareholder approval for the purpose of reaching such threshold, (ii) was from a 25% shareholder of the company and resulted in the acquirer becoming a 25% shareholder of the company or (iii) was from a greater than 45% shareholder of the company and resulted in the acquirer becoming a greater than 45% shareholder of the company. The tender offer must be extended to all shareholders, but the offeror is not required to purchase more than 5% of the company's outstanding shares, regardless of how many shares are tendered by shareholders. The tender offer may be consummated only if (i) at least 5% of the company's outstanding shares will be acquired by the offeror and (ii) the number of shares tendered in the offer exceeds the number of shares whose holders objected to the offer.

If as a result of an acquisition of shares the acquirer will hold more than 90% of a company's outstanding shares, the acquisition must be made by means of a tender offer for all of the outstanding shares. If as a result of a full tender offer the acquirer would own more than 95% of the outstanding shares, then all the shares that the acquirer offered to purchase will be transferred to it. The law provides for appraisal rights if any shareholder files a request in court within six months following the consummation of a full tender offer, but the acquirer is entitled to stipulate that tendering shareholders forfeit their appraisal rights. If as a result of a full tender offer the acquirer would own 95% or less of the outstanding shares, then the acquirer may not acquire shares that will cause his shareholding to exceed 90% of the outstanding shares.

## **Material Contracts**

### *Notes and Indenture*

#### 2017 Notes and Indenture

On January 18, 2017, NICE Systems Inc., a wholly owned subsidiary of the Company ("NICE Systems"), issued \$287.5 million aggregate principal amount of the 1.25% exchangeable senior notes due 2024 (the "2017 Notes"). The 2017 Notes are the general unsecured obligations of NICE Systems, guaranteed by us. The sale of the Notes generated net proceeds of approximately \$260.1 million. The 2017 Notes were issued pursuant to an indenture (the "2017 Indenture") among us, NICE Systems and the Trustee.

The 2017 Notes bear interest at a fixed rate of 1.25% per year, payable semiannually in arrears on January 15 and July 15 of each year, beginning on July 15, 2017. The 2017 Notes will mature on January 15, 2024, unless earlier prepaid, redeemed or exchanged, and are not redeemable at NICE Systems' option prior to their maturity date, except in the event of certain tax law changes. In the event certain conditions are met during set periods, the conditional exchange feature of the 2017 Notes may be triggered, meaning that holders of 2017 Notes are entitled at their option to exchange the 2017 Notes at any time during such specified periods. As disclosed in Note 15 to our consolidated financial statements, the conditional exchange feature of the 2017 Notes was previously triggered and the 2017 Notes are currently exchangeable at the option of the holders.

Subject to satisfaction of certain conditions and during certain periods as aforementioned, at the option of the holders, the 2017 Notes are exchangeable for (at our election) (i) cash, (ii) ADSs or (iii) a combination thereof. The exchange rate was initially set at 12.0260 ADSs per \$1,000 principal amount of 2017 Notes (equivalent to an initial exchange price of approximately \$82.96 per ADS). The exchange rate is subject to adjustment in some events. In addition, following certain

corporate events that occur prior to the maturity date or NICE Systems' delivery of a notice of tax redemption, in certain circumstances NICE Systems will increase the exchange rate for a holder who elects to exchange its 2017 Notes in connection with such a corporate event or tax redemption, as the case may be.

If we or NICE Systems undergo a fundamental change (as defined in the Indenture), holders may require NICE Systems to prepay for cash all or part of their 2017 Notes at a prepayment price equal to 100% of the principal amount of the 2017 Notes to be prepaid, plus accrued and unpaid interest, if any, to, but excluding, the fundamental change prepayment date.

On December 31, 2021, the Company entered into the First Supplemental Indenture. In accordance with the First Supplemental Indenture, the Company irrevocably elected Cash Settlement (as defined in the 2017 Indenture) to apply to all conversions of 2017 Notes with an Exchange Date (as defined in the 2017 Indenture) that occurs on or after December 31, 2021.

### 2020 Notes and Indenture

On August 27, 2020, we issued \$400 million aggregate principal amount of 0% exchangeable senior notes due 2025 (the "2020 Notes" and together with the 2017 Notes, the "Notes") and on September 4, 2020, we issued an additional \$60 million of the 2020 Notes pursuant to the exercise of the initial purchasers' option. The 2020 Notes are general unsecured obligations of the Company. The sale of the 2020 Notes generated net proceeds of approximately \$451 million. The 2020 Notes were issued pursuant to an indenture (the "2020 Indenture" and collectively with the 2017 Indenture, the "Indentures") between us and U. S. Bank National Association, as trustee (the "Trustee").

The 2020 Notes do not bear regular interest, and the principal amount of the 2020 Notes does not accrete. The 2020 Notes will mature on September 15, 2025, unless earlier prepaid, redeemed or converted, and are not redeemable at our option prior to September 21, 2023, except in the event of certain tax law changes. We may redeem for cash all or any portion of the 2020 Notes, at our option, on or after September 21, 2023 if the last reported sale price of the ADSs has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period (including the last trading day of such period) ending on, and including, the trading day immediately preceding the date on which we provide notice of redemption. In the case of any redemption, the redemption price will be equal to 100% of the principal amount of the 2020 Notes to be redeemed, plus accrued and unpaid special interest, if any, to, but excluding, the redemption date. A holder may convert its 2020 Notes at its option at any time prior to the close of business on the business day immediately preceding June 15, 2025 in the event certain conditions are met during set periods. On or after June 15, 2025, until the close of business on the second scheduled trading day immediately preceding the maturity date, a holder may convert its 2020 Notes at any time.

Upon conversion, we, at our election, can pay or deliver (i) cash, (ii) ADSs or (iii) a combination thereof. The conversion rate will initially be 3.3424 ADSs per \$1,000 principal amount of 2020 Notes (equivalent to an initial conversion price of approximately \$299.19 per ADS). The conversion rate will be subject to adjustment in some events. In addition, following certain corporate events that occur prior to the maturity date or our delivery of a notice of redemption, the Company will under certain circumstances, increase the conversion rate for a holder who elects to convert its 2020 Notes in connection with such a corporate event or to convert its 2020 Notes called for redemption in connection with such notice of redemption, as the case may be.

If we undergo a fundamental change, holders of the 2020 Notes will have the right to require us to repurchase all or a portion of their 2020 Notes upon the occurrence of a fundamental change (as defined in the 2020 Indenture) at a cash repurchase price equal to 100% of the principal amount of the 2020 Notes to be repurchased, plus any accrued and unpaid interest, if any, to, but excluding the fundamental change repurchase date.

The Indentures contain customary events of default, including a default in the payment of principal or interest when due, default in compliance with the covenants set forth therein, and certain events of bankruptcy, insolvency or reorganization.

On December 31, 2021, the Company irrevocably elected that all conversions occurring on or after December 31, 2021 will be settled pursuant to Combination Settlement (as defined in the 2020 Indenture) with a Specified Dollar Amount (as defined in the 2020 Indenture) no less than \$1,000 per \$1,000 principal amount of 2020 Notes. Generally, under this settlement method, the conversion value corresponding to the principal amount will be converted in cash, and the conversion value over the principal amount will be settled, at the Company's election, in cash or shares or a combination thereof.

## **Exchange Controls**

Holders of ADSs are able to convert dividends and liquidation distributions into freely repatriable non-Israeli currencies at the rate of exchange prevailing at the time of repatriation, pursuant to regulations issued under the Currency Control Law, 5738–1978, provided that Israeli income tax has been withheld by us with respect to amounts that are being repatriated to the extent applicable or an exemption has been obtained.

Our ADSs may be freely held and traded pursuant to the General Permit and the Currency Control Law. The ownership or voting of ADSs by non-residents of Israel are not restricted in any way by our memorandum of association or articles of association or by the laws of the State of Israel, except subjects of a country deemed an “enemy country” under Israeli legislation or persons or individuals on weapon of mass destruction or terror sanctions lists.

## **Taxation**

The following is a discussion of Israeli and United States tax consequences material to our shareholders. The discussion is not intended, and should not be construed, as legal or professional tax advice and does not exhaust all possible tax considerations.

Holders of our ADSs should consult their own tax advisors as to the United States, Israeli or other tax consequences of the purchase, ownership and disposition of our ADSs, including, in particular, the effect of any foreign, state or local taxes.

### ***Israeli Tax Considerations***

The following is a summary of both the general corporate tax laws applicable to companies in Israel, with special reference to their effect on us, and a discussion of the material tax consequences to holders of our ordinary shares or ADSs related to our domicile in Israel. This summary does not discuss all the aspects of Israeli tax law that may be relevant to a particular holder in light of his or her personal circumstances or to some types of holders subject to special treatment under Israeli law. To the extent that the discussion is based on new tax legislation which has not been subject to judicial or administrative interpretation, we cannot assure that the views expressed in the discussion will be accepted by the appropriate tax authorities or the courts. The discussion is not intended, and should not be construed, as a legal or professional tax advice and is not exhaustive of all possible tax considerations.

#### ***General Corporate Taxation in Israel***

Generally, Israeli companies are subject to corporate tax on taxable income, including capital gains, at the rate of 23% for 2021 and 2022. However, the effective tax rate payable by a company that is eligible for tax benefits under the Israeli Law for the Encouragement of Capital Investments-1959 (the "Investments Law"), and in particular the 12% rate under the Preferred Technology Enterprise regime (as discussed below), may be considerably less.

We are permitted to measure our Israeli taxable income in U.S. dollars pursuant to regulations published by the Israeli Minister of Finance, which provide the conditions for doing so. We believe that we meet, and will continue to meet, the necessary conditions and as such, we measure our results for tax purposes based on the U.S. dollar/NIS exchange rate on December 31 of the relevant tax year.

#### ***Tax Benefits under the Israeli Law for the Encouragement of Capital Investments, 1959, as amended.***

Pursuant to Investments Law and its various amendments, under which both the Company and its Israeli subsidiary have been granted “Approved Enterprise” status, we have derived and expect to continue to derive significant tax benefits relating to our “Approved, Privileged, and Preferred Enterprise” programs for which we were eligible up to and including the 2016 tax year, and relating to Preferred Technological Enterprise program for the 2017 and subsequent tax years. To be eligible for these tax benefits, a beneficiary must continue to meet certain conditions. In the event we are considered to have failed to comply with these conditions, in whole or in part, the eligibility for the benefits may be canceled and we may be required to refund the relevant amount, including interest and inflation adjustments. As of December 31, 2022, we believe that we are in compliance with all the conditions required by the Investments Law.

In December 2016, the Israeli Knesset passed a number of changes to the Investments Law. These changes became effective beginning January 1, 2017, following promulgation of Regulations by the Finance Ministry in May 2017 to

implement the “Nexus Principles” based on OECD guidelines published as part of the Base Erosion and Profit Shifting (BEPS) project. The Regulations provide rules for implementation of the tax regime, that applies to both the Company and its Israeli subsidiary, effective from the 2017 tax year and onwards.

Benefits under the “Preferred Technology Enterprise” regime include:

- A reduced 12% corporate tax rate (or 7.5% for entities located in Development Area A) on qualifying income deriving from eligible intellectual property (“Preferred Technology Income”), subject to a number of base conditions being fulfilled, including a minimal amount or ratio of annual R&D expenditures and R&D employees, as well as having at least 25% of annual income derived from export;
- A 12% capital gains tax rate on the sale of a preferred intangible asset to a foreign affiliated enterprise, provided that the asset was initially purchased from a foreign resident at an amount of NIS 200 million or more; and
- A withholding tax rate of 20% for dividends paid from Preferred Technology Income (with an exemption from such withholding tax applying to dividends paid to an Israeli company). Such rate may be reduced to 4% on dividends paid to a foreign resident company, subject to certain conditions regarding percentage of foreign ownership of the distributing entity.

The above rates may be reduced by an applicable double tax treaty, subject to the receipt in advance of a valid certificate from the Israel Tax Authority allowing for a reduced tax rate.

The effective tax rate applying to our Preferred Technology Enterprise is calculated based on the Nexus Principles, taking into account eligible and ineligible R&D expenses incurred by us, as prescribed in the Regulations.

Income from sources other than the Preferred Technology Income are taxable at regular corporate tax rates of 23% for 2021 and 2022.

Full details regarding our Preferred and Preferred Technology Enterprises may be found in Note 13(a)(1) of our consolidated financial statements.

#### *Tax Benefits and Grants for Research and Development*

Israeli tax law allows, under specified conditions, a tax deduction for expenditures, including capital expenditures, for the year in which they are incurred. These expenses must relate to scientific research and development projects and must be approved by the relevant Israeli government ministry, determined by the field of research, and the research and development must be conducted for the promotion of the company and carried out by or on behalf of the company seeking such deduction. However, the amount of such deductible expenses is reduced by the sum of any funds received through government grants for the financing of such scientific research and development projects. No deduction is allowed if it is related to an expense invested in an asset depreciable under the general depreciation rules of the Tax Ordinance. Expenditures not so approved, but otherwise qualifying for deduction, are deductible over a three-year period.

#### *Tax Benefits under the Law for the Encouragement of Industry (Taxes), 1969*

Under the Law for the Encouragement of Industry (Taxes), 1969 (the “Industry Encouragement Law”), Industrial Companies (as defined below) are entitled to the following tax benefits, among others:

- deductions over an eight-year period for purchases of know-how and patents;
- deductions over a three-year period of expenses involved with the issuance and listing of shares on a stock market; and
- the right to elect, under specified conditions, to file a consolidated tax return with other related Israeli Industrial Companies.

Eligibility for benefits under the Industry Encouragement Law is not subject to receipt of prior approval from any governmental authority. Under the Industry Encouragement Law, an “Industrial Company” is defined as a company that is an Israeli resident for tax purposes and at least 90% of the income of which (other than income from certain government loans), in any tax year, is derived from an “Industrial Enterprise” that is located in Israel and owned by such company.

An “Industrial Enterprise” is defined as an enterprise whose major activity in a given tax year is industrial production activity. We believe that we currently qualify as an Industrial Company within the definition of the Industry Encouragement Law. No assurance can be given that we will continue to qualify as an Industrial Company or that the benefits described above will be available in the future.

#### *Taxation of Holders of Ordinary Shares*

The following discussion refers to the tax consequences to holders of our ordinary shares. However, the same tax treatment would apply to holders of our ADSs.

#### *Capital Gains Tax on Sales of Our Ordinary Shares*

Israeli law generally imposes a capital gains tax on the sale of any capital assets by residents of Israel, as defined for Israeli tax purposes, and on the sale of assets located in Israel, including shares in Israeli companies, by both residents and non-residents of Israel, unless a specific exemption is available or unless a tax treaty between Israel and the shareholder’s country of residence provides otherwise. The Tax Ordinance distinguishes between real gain and inflationary surplus. The inflationary surplus is a portion of the total capital gain equivalent to the increase of the relevant asset’s purchase price attributable to an increase in the Israeli consumer price index, or, under certain circumstances, a foreign currency exchange rate, between the date of purchase and the date of sale. The real gain is the excess of the total capital gain over the inflationary surplus.

#### *Taxation of Israeli Residents*

Israeli individuals are generally subject to a tax rate of 25% on capital gains derived from the sale of shares, whether listed on a stock market or not unless such shareholder claims a deduction for financing expenses in connection with such shares, in which case the gain is generally taxed at a rate of 30%. In addition, if such shareholder is considered a “significant shareholder” at any time during the 12-month period preceding such sale (i.e., such shareholder holds directly or indirectly, including jointly with others, at least 10% of any means of control in the company), in the tax rate will be 30%. Individuals who are subject to tax in Israel are also subject to an additional income surtax at a rate of 3% on annual taxable income exceeding a certain threshold (NIS 663,240 for 2022, linked to the annual change in the Israeli Consumer Price Index). For this purpose, taxable income will include taxable capital gains from the sale of our shares and taxable income from dividend distributions. Certain Israeli institutions that are exempt from tax under Section 9(2) or Section 129C(a)(1) of the Tax Ordinance (such as exempt trust funds and pension funds) may be exempt from capital gains tax on the sale of the shares.

Israeli companies are subject to the corporate tax rate on capital gains derived from the sale of listed shares.

Different tax rates may apply to dealers in securities and shareholders who acquired their shares prior to an initial public offering.

#### *Taxation of Non-Israeli Residents*

Both individual and corporate non-Israeli residents are generally exempt from Israeli capital gains tax on any gains derived from the sale of shares publicly traded on the TASE provided that (among other things) such gains did not derive from a permanent establishment of such shareholders in Israel. Non-Israeli residents are also exempt from Israeli capital gains tax on any gains derived from the sale of shares of Israeli companies publicly traded on a recognized stock market outside of Israel, provided that (among other things) such shareholders did not acquire their shares prior to the issuer’s initial public offering and that the gains did not derive from a permanent establishment of such shareholders in Israel. However, non-Israeli corporations will not be entitled to such exemption if Israeli residents (i) have a controlling interest of more than 25% in such non-Israeli corporation; or (ii) are the beneficiaries of or are entitled to 25% or more of the revenues or profits of such non-Israeli corporation, whether directly or indirectly.

In addition, the sale, exchange or disposition of our ordinary shares by a U.S. resident individual or corporate shareholder (for purposes of the U.S.-Israel Tax Treaty), and who holds ordinary shares as a capital asset, is also exempt from Israeli capital gains tax under the U.S.-Israel Tax Treaty unless either (i) the U.S. resident shareholder holds, directly or indirectly, shares representing 10% or more of our voting power during any part of the 12-month period preceding such sale; (ii) the capital gains arising from such sale, exchange or disposition are attributable to either real estate located in Israel, a permanent establishment of the shareholder located in Israel, or royalties; or (iii) such U.S. resident shareholder is an individual and was present in Israel for 183 days or more during the relevant taxable year. If the above conditions are not met, the U.S. resident would be subject to Israeli tax, to the extent applicable. However, under the U.S.-Israel Tax Treaty, the gain would be treated as foreign source income for United States foreign tax credit purposes and such U.S. resident would be permitted to claim a credit for such taxes against the United States federal income tax imposed on such sale, exchange or disposition, subject to the limitations under the United States federal income tax laws applicable to foreign tax credits.

#### *Taxation of Dividends Paid on our Ordinary Shares*

#### *Taxation of Israeli Residents*

Israeli resident individuals are generally subject to Israeli income tax on the receipt of dividends paid on our ordinary shares, other than bonus shares (share dividends) or stock dividends. The tax rate applicable to such dividends is 25% or 30% for a shareholder that is considered a significant shareholder at any time during the 12-month period preceding such distribution. Dividends paid out of profits sourced from ordinary income are subject to withholding tax at the rate of 25% if the shares are registered with a nominee company (whether the recipient is a significant shareholder or not). Dividends paid from income derived from our Approved and Privileged Enterprises are subject to withholding tax at the rate of 15%, and dividends paid from income derived from our Preferred Enterprise and Preferred Technology Enterprise are subject to withholding tax at the rate of 20%. We cannot assure that we will designate the profits that are being distributed in a way that will reduce shareholders' tax liability. For information with respect to the applicability of Income Surtax on distribution of dividends, please see "Capital Gains Tax on Sales of Our Ordinary Shares" and "Taxation of Israeli Residents" above in this Item 10.

Dividend distributions to Israeli resident corporations are generally not subject to a withholding tax.

#### *Taxation of Non-Israeli Residents*

Non-residents of Israel, both companies and individuals, are generally subject to Israeli income tax on the receipt of dividends paid on our ordinary shares, at the aforementioned rates applicable to Israeli residents, which tax will be withheld at source, unless a different rate is provided in a treaty between Israel and the shareholder's country of residence.

Under the U.S.-Israel Treaty, the maximum Israeli withholding tax on dividends paid by us is 25%. The U.S.-Israel Tax Treaty further provides for a 12.5% Israeli dividend withholding tax rate on dividends paid by an Israeli company to a U.S. corporation owning at least 10% or more of such Israeli company's issued voting power for, in general, the part of the tax year which precedes the date of payment of the dividend and the entire preceding tax year. The 12.5% rate applies only to dividends paid from regular income (and not derived from an Approved, Privileged Preferred Enterprise or Preferred Technological Enterprise) in the applicable period and does not apply if the company has more than 25% of its gross income derived from certain types of passive income. If the conditions mentioned above are met, dividends from income of an Approved, Privileged Preferred Enterprise or Preferred Technological Enterprise are subject to a 15% withholding tax rate under the U.S.-Israel Tax Treaty. Residents of the United States generally will have withholding tax in Israel deducted at source. They may be entitled to a credit or deduction for United States federal income tax purposes in the amount of the taxes withheld, subject to detailed rules contained in United States tax statutes, rules and regulations.

An individual or corporate non-resident of Israel who has dividend income derived from or accrued in Israel, from which tax was withheld at source, is generally exempt from the duty to file tax returns in Israel with respect to such income, provided that (i) such income was not derived from a business conducted in Israel by the taxpayer, (ii) the taxpayer has no other taxable sources of income in Israel with respect to which a tax return is required to be filed in Israel; and (iii) the taxpayer is not obligated to pay income surtax in Israel.

## *U.S. Federal Income Tax Considerations*

The following is a summary of the material U.S. federal income tax consequences that apply to U.S. holders (defined below) who hold ADSs as capital assets for tax purposes. This summary is based on the U.S. Internal Revenue Code of 1986, as amended (the "Code"), existing final, temporary and proposed regulations thereunder, judicial decisions and published positions of the Internal Revenue Service (the "IRS") and the U.S.-Israel income tax treaty in effect as of the date of this annual report, all of which are subject to change at any time (including changes in interpretation), possibly with retroactive effect, in a manner that could adversely affect a U.S. holder.

This summary does not address all U.S. federal income tax matters that may be relevant to a particular prospective holder or all tax considerations that may be relevant with respect to an investment in ADSs, including the U.S. federal estate, gift, or alternative minimum tax consequences, or any state, local or non-U.S. tax consequences, of the acquisition, ownership and disposition of ADSs. U.S. holders should consult their own tax advisors regarding the U.S. federal income tax consequences to them with respect to the acquisition, ownership and disposition of ADSs in light of their particular circumstances.

This summary does not address tax considerations applicable to a holder of an ADS that may be subject to special tax rules including, without limitation, the following:

- dealers or traders in securities, currencies or notional principal contracts;
- financial institutions, banks and financial services entities;;
- insurance companies;
- real estate investment trusts;
- persons subject to special tax accounting rules under Section 451(b) of the Code;
- investors subject to the alternative minimum tax;
- tax-exempt organizations;
- regulated investment companies;
- investors that actually or constructively own 10 percent or more of our shares and/or other equity by vote or value;
- investors that will hold the ADSs as part of a hedging or conversion transaction or as a position in a straddle or a part of a synthetic security or other integrated transaction for U.S. federal income tax purposes;
- investors that are treated as partnerships or other pass-through entities for U.S. federal income tax purposes and persons who hold the ADSs through partnerships or other pass-through entities;
- investors whose functional currency is not the U.S. dollar; and
- expatriates or former long-term residents of the United States.

**You are urged to consult your own tax advisor regarding the foreign and U.S. federal, state and local and other tax consequences of an investment in ADSs.**

For purposes of this summary, a "U.S. holder" is a beneficial owner of ADSs that is, for U.S. federal income tax purposes:

- an individual who is a citizen or a resident of the United States;

- a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States or any political subdivision thereof;
- an estate whose income is subject to U.S. federal income tax regardless of its source; or
- a trust if:
  - (a) the trust has validly elected to be treated as a U.S. person for U.S. federal income tax purposes; or
  - (b) (i) a court within the United States is able to exercise primary supervision over the administration of the trust; and (ii) one or more United States persons have the authority to control all substantial decisions of the trust

If an entity that is classified as a partnership for U.S. federal tax purposes holds ADSs, the U.S. federal income tax treatment of its partners will generally depend upon the status of the partners and the activities of the partnership. Entities that are classified as partnerships for U.S. federal tax purposes and persons holding ADSs through such entities should consult their own tax advisors.

In general, if you hold ADSs, you will be treated as the holder of the underlying shares represented by those ADSs for U.S. federal income tax purposes. Accordingly, no gain or loss will be recognized if you exchange ADSs for the underlying shares represented by those ADSs.

### *U.S. Taxation of ADSs*

#### *Distributions*

Subject to the discussion under “Passive Foreign Investment Companies” below, the gross amount of any distribution, including the amount of any Israeli taxes withheld from these distributions (see “Israeli Tax Considerations”), actually or constructively received by a U.S. holder with respect to ADSs will be taxable to the U.S. holder as a dividend to the extent of our current and accumulated earnings and profits as determined under U.S. federal income tax principles. Distributions in excess of earnings and profits will be non-taxable to the U.S. holder to the extent of, and will be applied against and reduce, the U.S. holder’s adjusted tax basis in the ADSs. Distributions in excess of earnings and profits and such adjusted tax basis will generally be taxable to the U.S. holder as a capital gain from the sale or exchange of property. We do not maintain calculations of our earnings and profits under U.S. federal income tax principles. If we do not report to a U.S. holder the portion of a distribution that exceeds earnings and profits, the distribution will generally be taxable as a dividend even if that distribution would otherwise be treated as a non-taxable return of capital or as a capital gain under the rules described above. A U.S. holder that is a corporation will not be eligible for any dividends received deduction, except as provided by Sections 245 and 245A of the Code.

Under the Code, certain dividends received by non-corporate U.S. holders may be “qualified dividend income,” which is taxed at the lower capital gains rate, currently 20%. This reduced income tax rate is only applicable to dividends paid by a “qualified foreign corporation” that is not a “passive foreign investment company” and only with respect to shares held by a qualified U.S. holder (i.e., a non-corporate holder) for a minimum holding period (generally 61 days during the 121-day period beginning 60 days before the ex-dividend date). We should be considered a qualified foreign corporation because (i) we are eligible for the benefits of a comprehensive tax treaty between Israel and the U.S., which includes an exchange of information program; and (ii) the ADSs are readily tradable on an established securities market in the U.S. In addition, based on our current business plans, we do not expect to be classified as a “passive foreign investment company” (see “Passive Foreign Investment Companies” below). Accordingly, dividends paid by us to individual U.S. holders on shares held for the minimum holding period should be eligible for the reduced income tax rate. In addition to the income tax on dividends discussed above, certain non-corporate U.S. holders will also be subject to the 3.8% Medicare tax on dividends as discussed below under “Medicare Tax on Unearned Income”.

The amount of any distribution paid in a currency other than U.S. dollars (a “foreign currency”) including the amount of any withholding tax thereon, will be included in the gross income of a U.S. holder in an amount equal to the U.S. dollar value of the foreign currencies calculated by reference to the exchange rate in effect on the date of receipt, regardless of whether the foreign currencies are converted into U.S. dollars. If the foreign currencies are converted into U.S. dollars on the date of receipt, a U.S. holder generally should not be required to recognize foreign currency gain or loss in respect of the

dividend. If the foreign currencies received in the distribution are not converted into U.S. dollars on the date of receipt, a U.S. holder will have a basis in the foreign currencies equal to its U.S. dollar value on the date of receipt. Any gain or loss on a subsequent conversion or other disposition of the foreign currencies will be treated as ordinary income or loss.

Generally, dividends received by a U.S. holder with respect to ADSs will be treated as foreign source income for the purposes of calculating that holder's foreign tax credit limitation. Subject to certain conditions and limitations, any Israeli taxes withheld on dividends at the rate provided by the U.S.-Israel tax treaty may be deducted from taxable income or credited against a U.S. holder's U.S. federal income tax liability. The limitation on foreign taxes eligible for the U.S. foreign tax credit is calculated separately with respect to various categories of income, including "passive" income and "general" income. The rules relating to foreign tax credits and the timing thereof are complex. U.S. holders should consult their own tax advisors regarding the availability of a foreign tax credit under their particular situation.

#### *Sale or Other Disposition of ADSs*

If a U.S. holder sells or otherwise disposes of its ADSs, gain or loss will be recognized for U.S. federal income tax purposes in an amount equal to the difference between the amount realized on the sale or other disposition and such holder's adjusted tax basis in the ADSs. Subject to the discussion below under the heading "Passive Foreign Investment Companies," such gain or loss generally will be a capital gain or loss and will be a long-term capital gain or loss if the holder had held the ADSs for more than one year at the time of the sale or other disposition. Long-term capital gains realized by individual U.S. holders generally are subject to a lower marginal U.S. federal income tax rate (currently up to 20%) than the marginal tax rate on ordinary income. In addition to the income tax on gains discussed above, certain non-corporate U.S. holders will also be subject to the 3.8% Medicare tax on net gains as discussed below under "Medicare Tax on Unearned Income". Under most circumstances, any gain that a holder recognizes on the sale or other disposition of ADSs will be U.S. sourced for purposes of the foreign tax credit limitation and any recognized losses will be allocated against U.S. source income.

If a U.S. holder receives foreign currency upon a sale or exchange of ADSs, gain or loss, if any, recognized on the subsequent sale, conversion or disposition of such foreign currency will be ordinary income or loss, and will generally be income or loss from sources within the United States for foreign tax credit limitation purposes. However, if such foreign currency is converted into U.S. dollars on the date received by the U.S. holder, the U.S. holder generally should not be required to recognize any gain or loss on such conversion.

A U.S. holder who holds shares through an Israeli stockbroker or other Israeli intermediary may be subject to Israeli withholding tax on any capital gain recognized if the U.S. holder does not obtain approval of an exemption from the Israeli Tax Authorities or claim any allowable refunds or reductions. U.S. holders are advised that any Israeli tax paid under circumstances in which an exemption from (or a refund of or a reduction in) such tax was available will not give rise to a deduction or credit for foreign taxes paid for U.S. federal income tax purposes. If applicable, U.S. holders are advised to consult their Israeli stockbroker or intermediary regarding the procedures for obtaining an exemption or reduction.

#### *Medicare Tax on Unearned Income*

Certain U.S. holders that are individuals, estates or trusts are required to pay an additional 3.8% tax on all or a portion of their "net investment income," which includes dividends and net gains from the sale or other dispositions of ADSs (other than ADSs held in a trade or business).

#### *Passive Foreign Investment Companies*

For U.S. federal income tax purposes, we will be considered a passive foreign investment company ("PFIC") for any taxable year in which either (i) 75% or more of our gross income is "passive income", as defined in the relevant provisions of the Internal Revenue Code; or (ii) on average, at least 50% of our assets (generally determined on a quarterly basis) produce or are held for the production of passive income. For this purpose, passive income includes dividend, interest, royalty, rent, and annuity income and the excess of gains over losses from the disposition of assets which produce passive income. If we were determined to be a PFIC for U.S. federal income tax purposes, highly complex rules would apply to U.S. holders owning ADSs.

Based on our estimated gross income, the average value of our gross assets and the nature of our business, we do not believe that we will be classified as a PFIC in the current taxable year. Our status in any taxable year will depend on our assets and activities in each year and because this is a factual determination made annually at the end of each taxable year,

there can be no assurance that we will not be considered a PFIC for any future taxable year. If we were treated as a PFIC in any year during which a U.S. holder owns ADSs, such U.S. holder may be subject to materially adverse tax consequences, including additional U.S. federal income tax liability and tax filing obligations. Given our current business plans, however, we do not expect that we will be classified as a PFIC in future years.

**You are urged to consult your own tax advisor regarding the possibility of us being classified as a PFIC and the potential tax consequences arising from the ownership and disposition (directly or indirectly) of an interest in a PFIC.**

#### *Tax Cuts and Jobs Act (the "U.S. Tax Reform" or "TCJA")*

On December 22, 2017, the United States enacted the Tax Cuts and Jobs Act (the "U.S. Tax Reform" or "TCJA"), a comprehensive tax legislation that includes several key tax changes to the taxation of business entities, among which is the change to IRS Section 174, that went into effect for taxable years beginning after December 31, 2021, requiring research and development expenses to be capitalized and amortized over a period of either five or fifteen years. Prior to this change, the research and development expenses could be fully expensed, as incurred, for tax purposes.

The final impact of the TCJA may differ due to, among other things, possible changes in the interpretations and assumptions made by the Company as a result of additional information, additional guidance or finalization of law and regulations that will be issued by the U.S. Department of Treasury, the IRS or other standard-setting bodies, and which may impact our future financial statements, and will be accounted for when such guidance is issued.

#### **Backup Withholding and Information Reporting**

Payments of dividends with respect to ADSs and the proceeds from the sale, retirement, or other disposition of ADSs made by a U.S. paying agent or other U.S. intermediary will be reported to the IRS and to the U.S. holder as may be required under applicable U.S. Treasury regulations. We, or an agent, a broker, or any paying agent, as the case may be, may be required to withhold tax (backup withholding), currently at the rate of 24%, if a non-corporate U.S. holder that is not otherwise exempt fails to provide an accurate taxpayer identification number and comply with other IRS requirements concerning information reporting. Certain U.S. holders (including, among others, corporations and tax-exempt organizations) are not subject to backup withholding. Any amount of backup withholding withheld may be used as a credit against your U.S. federal income tax liability provided that the required information is timely furnished to the IRS. U.S. holders should consult their tax advisors as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.

#### **Foreign Asset Reporting**

Certain U.S. holders who are specified individuals or specified domestic entities are required to report information relating to an interest in our ADSs on IRS Form 8938 (Statement of Specified Foreign Financial Assets), subject to certain exceptions (including an exception for shares held in accounts maintained by financial institutions). U.S. holders are encouraged to consult their tax advisors regarding their information reporting obligations, if any, with respect to their ownership and disposition of our ADSs.

#### **Documents on Display**

We are subject to certain of the information reporting requirements of the Securities and Exchange Act of 1934, as amended. As a foreign private issuer we are exempt from the rules and regulations under the Securities Exchange Act prescribing the furnishing and content of proxy statements, and our officers, directors and principal shareholders are exempt from the reporting and "short-swing" profit recovery provisions contained in Section 16 of the Securities Exchange Act, with respect to their purchase and sale of our shares. In addition, we are not required to file reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Securities Exchange Act. NASDAQ rules generally require that companies send an annual report to shareholders prior to the annual general meeting, however we rely upon an exception under the NASDAQ rules and follow the generally accepted business practice for companies in Israel. Specifically, we file annual reports on Form 20-F, which contain financial statements audited by an independent accounting firm, electronically with the SEC and post a copy on our website. We also furnish to the SEC quarterly reports on Form 6-K containing unaudited financial information after the end of each of the first three quarters.

The SEC maintains a website that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC, and our SEC reports can be viewed or downloaded there. The address of this web site is <http://www.sec.gov>. In addition, information that we furnish or file with the SEC, including annual reports on Form 20-F, reports on Form 6-K, proxy and information statements and any amendments to, or exhibits included in, those reports are available to be viewed or download, free of charge, on our website at <http://www.nice.com/company/investors> as soon as reasonably practicable after such materials are filed or furnished with the SEC. Information contained, or that can be accessed through, our website does not constitute a part of this annual report and is not incorporated by reference herein, and we have included our website address in this annual report solely for informational purposes.

**Item 11. Quantitative and Qualitative Disclosures About Market Risk.**

***General***

Market risks relating to our operations result primarily from weak economic conditions in the markets in which we sell our products and changes in interest and exchange rates. To manage the volatility related to the latter exposure, we may enter into various derivative transactions. Our objective is to reduce, where it is deemed appropriate to do so, fluctuations in earnings and cash flows associated with changes in currency exchange rates. It is our policy and practice to use derivative financial instruments only to manage such exposures. We do not use financial instruments for trading purposes and we are not a party to any leveraged derivative.

***Foreign Currency Exchange Risk***

We conduct our business primarily in U.S. dollars but also in the currencies of Israel, the U.K., the E.U., India and Philippines, as well as other currencies. Thus, we are exposed to foreign exchange fluctuations, primarily in NIS, GBP, EUR, INR and PHP. We monitor foreign currency exposure and from time to time we may use various instruments to preserve the value of sale transactions and commitments, however, this cannot assure us protection against risks of currency fluctuations. For more information regarding foreign currency related risks, please refer to Item 3, “Key Information—General Risks Relating to Our Business” of this annual report. We use currency forward contracts and option contracts in order to protect against the increase in value of forecasted non-dollar currency cash flows and to hedge future anticipated payments.

As of December 31, 2022, we had outstanding currency forward contracts to hedge payroll, facilities expenses and lease obligations, denominated in NIS, INR and PHP, in the total amount of approximately \$168.9 million. The fair value adjustments of those contracts was approximately \$(8.59) million. These transactions were for a period of up to one year.

The following table details the balance sheet exposure (i.e., the difference between assets and liabilities) in our main foreign currencies, as of December 31, 2022, against the relevant functional currency.

	Functional currencies					
	(In U.S. dollars in millions)					
	USD	GBP	CAD	MXN	AUD	SGD
Foreign currencies						
USD	\$ —	\$ (4)	\$ 1.2	\$ 3	\$ 7	\$ 13
GBP	\$ 29	\$ —	\$ —	\$ —	\$ —	\$ —
EUR	\$ 21	\$ 8	\$ —	\$ —	\$ —	\$ 1
CAD	\$ 18	\$ 2	\$ —	\$ —	\$ —	\$ —
AUD	\$ 13	\$ —	\$ —	\$ —	\$ —	\$ —
MXN	\$ 12	\$ —	\$ —	\$ —	\$ —	\$ —
CHF	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
JPY	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
INR	\$ (8)	\$ —	\$ —	\$ —	\$ —	\$ —
SGD	\$ (10)	\$ —	\$ —	\$ —	\$ —	\$ —
HKD	\$ (6)	\$ —	\$ —	\$ —	\$ —	\$ —
NIS	\$ (5)	\$ —	\$ —	\$ —	\$ —	\$ —
PHP	\$ (3)	\$ —	\$ —	\$ —	\$ —	\$ —
BRL	\$ 1	\$ —	\$ —	\$ —	\$ —	\$ —
Other currencies	\$ (1)	\$ —	\$ —	\$ —	\$ —	\$ —

The table below presents the fair value of firmly committed transactions for lease obligations denominated in currencies other than the U.S. dollar, which is our reporting currency:

	(In U.S. dollars in millions)		
	New Israeli Shekel	Other currencies *	Total
Less than 1 year	\$ (4)	\$ (4)	\$ (8)
1-3 years	\$ (8)	\$ (5)	\$ (13)
3-5 years	\$ (7)	\$ (3)	\$ (11)
Over 5 years	\$ (17)	\$ (1)	\$ (18)
Total	\$ (36)	\$ (13)	\$ (49)

\* Other currencies include the following currencies: AUD, EUR, GBP, INR, JPY, PHP and SGD.

### Interest Rate Risk

We are subject to interest rate risk on our investments and on our borrowings.

On August 24, 2020, we issued \$460.0 million aggregate principal amount of 0% exchangeable senior notes due 2025.

On January 18, 2017, we issued \$287.5 million aggregate principal amount of 1.25% exchangeable senior notes due 2024. The principal amount as of December 31, 2022, is \$90.1 million.

Our outstanding debt obligations, the corresponding interest rates, currency and repayment schedules as of December 31, 2022, are set forth in the table below in U.S. dollar equivalent terms (in millions).

<b>Currency</b>	<b>Amount</b>	<b>Interest rate</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026 &amp; thereafter</b>
<b>(In millions)</b>						
<b>Fixed Rate:</b>						
USD	\$ 674.0	0%-1.25%	\$ 1.1	\$ 212.9	\$ 460.0	
<b>Total:</b>	<b>\$ 674.0</b>		<b>\$ 1.1</b>	<b>\$ 212.9</b>	<b>\$ 460.0</b>	
Debt issuance costs, net of amortization	(5.0)					
Unamortized discount	(2.8)					
<b>Total:</b>	<b>\$ 666.3</b>					

Our investments are exposed to market risk due to fluctuations in interest rates, which may affect our interest income and the fair market value of our marketable securities portfolio.

Our short term investment portfolio consists of investment-grade corporate debentures, U.S. Government agencies and U.S. treasuries. As of December 31, 2022, 77.6% of our portfolio was in such securities and the remainder was in dollar deposits.

We invest in dollar deposits with U.S. banks, European banks, Israeli banks and money market funds. As of December 31, 2022, 22.4% of our portfolio was in such deposits. Since these investments are for short periods, interest income is sensitive to changes in interest rates.

The weighted average duration of the securities portfolio, as of December 31, 2022, is 1.77 years. The securities in our marketable securities portfolio are rated generally as A+ according to Standard and Poor's rating or A1, according to Moody's rating. Securities representing 1.9% of the marketable securities portfolio are rated as AAA; securities representing 21.7% of the marketable securities portfolio are rated as AA; securities representing 70.9% of the marketable securities portfolio are rated as A; securities representing 4.3% of the marketable securities portfolio are rated as BBB+ securities representing 0.7% of the marketable securities portfolio are rated as BBB and securities representing 0.5 % of the marketable securities portfolio are rated as BBB- and BB after being downgraded during 2021.

The table below presents the fair value of marketable securities which are subject to risk of changes in interest rate, segregated by maturity dates (in U.S. dollars, in millions):

	<b>Amortized Cost</b>				<b>Estimated fair value</b>			
	<b>Up to 1 year</b>	<b>1-3 years</b>	<b>4-7 years</b>	<b>Total</b>	<b>Up to 1 year</b>	<b>1-3 years</b>	<b>4-7 years</b>	<b>Total</b>
Corporate debentures	340.7	490.1	155.9	986.8	334.0	467.0	148.5	949.6
U.S. treasuries	3.8	29.7	8.8	42.3	3.8	28.7	8.9	41.4
U.S. government agencies	2.8	16.0	3.5	22.2	2.7	15.2	3.3	21.3
<b>Total</b>	<b>347.3</b>	<b>535.8</b>	<b>168.2</b>	<b>1,051.3</b>	<b>340.5</b>	<b>511.0</b>	<b>160.8</b>	<b>1,012.3</b>

Other risks and uncertainties that could affect actual results and outcomes are described in Item 3, "Key Information – Risk Factors" in this annual report.

## **Item 12. Description of Securities Other than Equity Securities.**

### *American Depositary Shares and Receipts*

Set forth below is a summary of certain provisions in relation to charges and other payments under the Deposit Agreement, as amended, among NICE, JPMorgan Chase Bank, N.A. as depositary (the “Depositary”), and the owners and holders from time to time of ADRs issued thereunder (the “Deposit Agreement”). A summary of rights of holders and additional terms contained in the Deposit Agreement has been filed as Exhibit 2.4 to this Annual Report. These summaries are not complete and are qualified in their entirety by the Deposit Agreement, a form of which has been filed as Exhibit 99(a) to the Registration Statement on Form F-6 (Registration No. 333-203623) filed with the SEC on April 24, 2015, as amended by that certain Amendment No. 1 to the Deposit Agreement, a form of which has been filed as Exhibit 99(a)(2) to the Post-Effective Amendment No. 1 to the Form F-6 (Registration No. 333-303623) filed with the SEC on April 29, 2020.

### *Charges of the Depositary*

The Depositary may charge each person to whom ADSs are issued, including, without limitation, issuances against deposits of shares, issuances in respect of share distributions, rights and other distributions, issuances pursuant to a stock dividend or stock split declared by us or issuances pursuant to a merger, exchange of securities or any other transaction or event affecting the ADSs or deposited securities, and each person surrendering ADSs for withdrawal of deposited securities or whose ADSs are cancelled or reduced for any other reason, \$0.05 for each ADS issued, delivered, reduced, cancelled or surrendered, as the case may be. The Depositary may sell (by public or private sale) sufficient securities and property received in respect of a share distribution, rights or other distribution prior to such deposit to pay such charge.

The following additional charges shall be incurred by the ADR holders, by any party depositing or withdrawing shares or by any party surrendering ADSs or to whom ADSs are issued (including, without limitation, issuance pursuant to a stock dividend or stock split declared by us or an exchange of stock regarding the ADSs or the deposited securities or a distribution of ADSs), whichever is applicable:

- a fee of \$1.50 per ADR for transfers of certificated or direct registration ADRs;
- a fee of up to \$0.05 per ADS for any cash distribution made pursuant to the Deposit Agreement;
- a fee of up to \$0.05 per ADS per calendar year (or portion thereof) for services performed by the Depositary in administering the ADRs (which fee may be charged on a periodic basis during each calendar year and shall be assessed against holders of ADRs as of the record date or record dates set by the Depositary during each calendar year and shall be payable in the manner described in the next succeeding provision);
- a fee for the reimbursement of such fees, charges and expenses as are incurred by the Depositary or any of its agents (including, without limitation, the custodian and expenses incurred on behalf of holders in connection with compliance with foreign exchange control regulations or any law or regulation relating to foreign investment) in connection with the servicing of the shares or other deposited securities, the sale of securities (including, without limitation, deposited securities), the delivery of deposited securities or otherwise in connection with the Depositary’s or its custodian’s compliance with applicable law, rule or regulation (which fees and charges shall be assessed on a proportionate basis against holders as of the record date or dates set by the Depositary and shall be payable at the sole discretion of the Depositary by billing such holders or by deducting such charge from one or more cash dividends or other cash distributions);
- stock transfer or other taxes and other governmental charges;
- cable, telex and facsimile transmission and delivery charges incurred at the request of an ADR holder in connection with the deposit or delivery of shares;
- transfer or registration fees for the registration of transfer of deposited securities on any applicable register in connection with the deposit or withdrawal of deposited securities;

- in connection with the conversion of foreign currency into U.S. dollars, the fees, charges and expenses of the Depositary (which are paid out of such foreign currency); and
- fees of any division, branch or affiliate of the Depositary utilized by the Depositary to direct, manage or execute any public or private sale of securities under the deposit agreement.

The Depositary may generally refuse to provide services until it is reimbursed applicable amounts, including stock transfer or other taxes and other governmental charges, and is paid its fees for applicable services.

The fees and charges an ADR holder may be required to pay may vary over time and may be changed by us and by the Depositary. Our ADR holders will receive prior notice of the increase in any such fees and charges.

We will pay all other charges and expenses of the Depositary and any agent of the Depositary (except the custodian) pursuant to agreements from time to time between us and the Depositary. The charges described above may be amended from time to time by agreement between us and the Depositary.

*Fees paid by the Depositary*

Our Depositary has agreed to reimburse us for certain expenses we incur that are related to establishment and maintenance of the ADR program upon such terms and conditions as we and the Depositary may agree from time to time. The Depositary may make available to us a set amount or a portion of the Depositary fees charged in respect of the ADR program or otherwise upon such terms and conditions as we and the Depositary may agree from time to time.

In respect of 2022, we received a payment in the amount of approximately \$1.1 million from the Depositary as reimbursement for expenses we incurred in 2022 in relation to the maintenance and administration of the ADR program.

## PART II

### **Item 13. Defaults, Dividend Arrearages and Delinquencies.**

None.

### **Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds.**

None.

### **Item 15. Controls and Procedures.**

#### *Disclosure Controls and Procedures*

An evaluation was performed under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of NICE's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial officer) concluded that NICE's disclosure controls and procedures were effective as of such date.

#### *Management's Annual Report on Internal Control over Financial Reporting*

Our management is responsible for establishing and maintaining adequate internal control over our financial reporting, as such term is defined in Rule 15d-15(f) under the Securities Exchange Act. Our internal control over our financial reporting system was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements and even when determined to be effective can only provide reasonable assurance with respect to financial statements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2022. Our management based its assessment on criteria established in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, our management has concluded that, as of December 31, 2022, our internal control over financial reporting is effective.

#### *Attestation Report of the Independent Registered Public Accounting Firm*

Our independent registered public accounting firm, Kost, Forer, Gabbay & Kasierer, a member of Ernst & Young Global independently assessed the effectiveness of our internal control over financial reporting and has issued an attestation report, which is included under Item 18 on page F-4 of this annual report.

#### *Changes in Internal Control Over Financial Reporting*

There were no changes in our internal control over financial reporting that occurred during the period covered by this annual report that have materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

### **Item 16A. Audit Committee Financial Expert.**

Our Board of Directors has determined that each of Dan Falk and Yocheved Dvir meets the definition of an audit committee financial expert, as defined in Item 407 of Regulation S-K and is independent under the applicable regulations.

### **Item 16B. Code of Ethics.**

We have adopted a Code of Ethics and Business Conduct (the "Code of Ethics") that applies to our principal executive and financial officers, and that also applies to all of our employees. If we make any substantive amendments to the

Code of Ethics or grant any waiver from a provision of this code to our chief executive officer, principal financial officer or corporate controller, we will either disclose the nature of such amendment or waiver on our website or in our annual report on Form 20-F.

The Code of Ethics, among other things, summarizes the principles of our Anti-Bribery and Corruption Policy. We have zero tolerance for bribery and corruption and are committed to complying with applicable laws and regulations relating to the fight against bribery and corruption.

The Code of Ethics and our separate Anti-Bribery and Corruption Policy are each available on our website: www.nice.com. Written copies are available upon request without charge.

**Item 16C. Principal Accountant Fees and Services.**

**Fees Paid to Independent Auditors**

Fees billed or expected to be billed by Kost, Forer, Gabbay & Kasierer, a member of EY Global, and other members of EY Global for professional services for each of the last two fiscal years were as follows:

<b><u>Services Rendered</u></b>	<b><u>2022 Fees</u></b>	<b><u>2021 Fees</u></b>
Audit (1)	\$ 1,012	\$ 994
Audit-related (2)	\$ 73	\$ 72
Tax (3)	\$ 484	\$ 576
All Other Fees	\$ —	\$ —
<b>Total</b>	<b>\$ 1,569</b>	<b>\$ 1,642</b>

- (1) Audit fees refer to audit services for each of the years shown in this table which include fees associated with the annual audit for each of 2021 and 2022 (including an audit in each such year in accordance with section 404 of the Sarbanes-Oxley Act), certain procedures regarding our quarterly financial results submitted on Form 6-K, consultations concerning financial accounting and various accounting issues and performance of local statutory audits.
- (2) Audit-related fees relate to assurance and associated services that traditionally are performed by the independent auditor, which include due diligence investigations and audit services related to other statutory or regulatory filings, mainly those related to mergers and acquisitions.
- (3) Tax fees refer to professional services rendered by our auditors, which include tax compliance, tax advice on actual or contemplated transactions, tax consulting associated with transfer pricing.

**Policies and Procedures**

Our audit committee has adopted a policy and procedures for the pre-approval of audit and non-audit services rendered by our external auditors, Kost, Forer, Gabbay & Kasierer, a member of EY Global. The policy, which is designed to ensure that such services do not impair the independence of our auditors, requires pre-approval from the audit committee on an annual basis for the various audit and non-audit services that may be performed by our auditors. If a type of service, that is to be provided by our auditors, has not received such general pre-approval, it will require specific pre-approval by our audit committee. Any proposed services exceeding pre-approved cost levels or budgeted amounts will also require specific pre-approval by our audit committee. The policy prohibits retention of the independent auditors to perform the prohibited non-audit functions defined in Section 201 of the Sarbanes-Oxley Act of 2002 or the rules of the SEC, and also considers whether proposed services are compatible with the independence of the public auditors.

**Item 16D. Exemptions from the Listing Standards for Audit Committees.**

Not applicable.

**Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers.**

During 2022, we repurchased our ordinary shares as described in the table below.

Period	(a) Total number of shares purchased	(b) Average price paid per share	(c) Total number of shares purchased as part of publicly announced plans or programs	(d) Maximum number (or approximate dollar value) of shares that may yet be purchased under the plans or programs
(In dollars, except share amounts)				
January 1 - January 31				141,558,928
February 1 - February 28	162,825	239.10	162,825	102,622,999
March 1 - March 31	116,167	213.90	116,167	77,779,224
April 1 - April 30	73,983	223.32	73,983	61,257,341
May 1 - May 31	29,783	194.01	29,783	55,479,280
June 1 - June 30	68,350	193.33	68,350	42,265,416
July 1 - July 31	5,276	192.33	5,276	41,250,705
August 1 - August 31	10,500	214.02	10,500	39,003,526
September 1 - September 30	87,630	202.89	87,630	21,224,503
October 1 - October 31	21,738	188.24	21,738	17,132,542
November 1 - November 30	58,688	189.79	58,688	5,993,944
December 1 - December 31	47,578	195.71	47,578	246,682,595
<b>Total</b>	<b>682,518</b>	<b>212.27</b>	<b>682,518</b>	<b>852,251,003</b>

On February 12, 2020, our Board of Directors authorized a program to repurchase up to \$200 million of our issued and outstanding ordinary shares and ADRs, which commenced following completion of the repurchase program that was authorized by our Board of Directors in 2017. On November 9, 2022, our Board of Directors authorized an additional program to repurchase up to \$250 million of our issued and outstanding ordinary shares and ADRs, which commenced following completion of the program that was authorized in 2020. Repurchases may be made from time to time in the open market or in privately negotiated transactions in accordance with applicable securities laws and regulations. The timing and amount of the repurchase transactions will be determined by management and may depend on a variety of factors including market conditions, alternative investment opportunities and other considerations.

These programs do not obligate us to acquire any particular amount of ordinary shares and ADRs and each program may be modified or discontinued at any time without prior notice. On February 23, 2023, the Company announced plans to fully execute in its entirety the \$250 million share repurchase program announced in the fourth quarter by the end of 2023.

**Item 16F. Change in Registrant’s Certifying Accountant.**

None.

**Item 16G. Corporate Governance.**

We follow the Israeli Companies Law, the relevant provisions of which are summarized in this annual report, rather than comply with the NASDAQ requirements relating to: (i) the quorum for shareholder meetings (see Item 10, “Additional Information – Memorandum and Articles of Association – Meetings of Shareholders” in this annual report); (ii) shareholder approval with respect to issuance of securities under equity-based compensation plans (see Item 10, “Additional Information – Memorandum and Articles of Association – Approval of Certain Transactions” and “Approval of Office Holder Compensation” in this annual report); and (iii) sending annual reports to shareholders (see Item 10, “Additional Information – Documents on Display” in this annual report).

**Item 16H. Mine Safety Disclosure.**

Not Applicable.

**Item 16I. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.**

Not Applicable.

### PART III

**Item 17. Financial Statements.**

Not Applicable.

**Item 18. Financial Statements.**

See pages F-1 through F-57 of this annual report attached hereto.

**Item 19. Exhibits.**

Exhibit No.	Description
<a href="#"><u>1.1</u></a>	<a href="#"><u>Amended and Restated Memorandum of Association, as approved on December 21, 2006 (English translation) (filed as Exhibit 1.1 to NICE Ltd.'s Annual Report on Form 20-F filed with the SEC on June 13, 2007, and incorporated herein by reference).</u></a>
<a href="#"><u>1.2</u></a>	<a href="#"><u>Amended and Restated Articles of Association, as amended on December 21, 2016 (filed as Exhibit 1.2 to NICE Ltd.'s Annual Report on Form 20-F filed with the SEC on April 21, 2017, and incorporated herein by reference).</u></a>
2.1	Form of Share Certificate (filed as Exhibit 4.1 to Amendment No. 1 to NICE Ltd.'s Registration Statement on Form F-1 (Registration No. 333-99640) filed with the SEC on December 29, 1995, and incorporated herein by reference).
<a href="#"><u>2.2</u></a>	<a href="#"><u>Form of Deposit Agreement including Form of ADR Certificate (filed as Exhibit 1 to NICE Ltd.'s Registration Statement on Form F-6 (Registration No. 333-203623) filed with the SEC on April 24, 2015, and incorporated herein by reference).</u></a>
2.3	Form of Amendment No. 1 to the Deposit Agreement, including Form ADR Certificate (filed as Exhibit 99(a)(2) to the Post-Effective Amendment No. 1 to the Form F-6 (Registration No. 333-303623) filed with the SEC on April 29, 2020 and incorporated herein by reference.
2.4	Description of Securities.
<a href="#"><u>4.1</u></a>	<a href="#"><u>NICE Ltd.'s Executives &amp; Directors Compensation Policy (filed as Annex A in Exhibit 99.1 of NICE's Report on Form 6-K filed with the SEC on March 23, 2021, and incorporated herein by reference).</u></a>
<a href="#"><u>4.2</u></a>	<a href="#"><u>inContact, Inc. 2008 Equity Incentive Plan (filed as Exhibit 4.4 to NICE Ltd.'s Registration Statement on Form S-8 (Registration No. 333-191176) filed with the SEC on November 15, 2016, and incorporated herein by reference).</u></a>
<a href="#"><u>4.3</u></a>	<a href="#"><u>Nexidia Inc. 2005 Stock Incentive Plan (filed as Exhibit 4.4 to NICE-Systems Ltd.'s Registration Statement on Form S-8 (Registration No. 333-191176) filed with the SEC on March 23, 2016, and incorporated herein by reference).</u></a>
<a href="#"><u>4.4</u></a>	<a href="#"><u>Guardian Analytics, Inc. 2006 Stock Plan (filed as Exhibit 4.4 to NICE Ltd.'s Registration Statement on Form S-8 (Registration No. 333-249186), filed with the SEC on October 1, 2020, and incorporated herein by reference).</u></a>
<a href="#"><u>4.5</u></a>	<a href="#"><u>2017 Indenture, dated January 18, 2017 (filed as Exhibit 4.16 to NICE Ltd.'s Annual Report on Form 20-F filed with the SEC on April 21, 2017, and incorporated herein by reference).</u></a>
<a href="#"><u>4.6</u></a>	<a href="#"><u>2020 Indenture, dated August 27, 2020 (filed as Exhibit 4.14 to NICE Ltd.'s Annual Report on Form 20-F filed with the SEC on March 23, 2021, and incorporated herein by reference).</u></a>
4.7	NICE Ltd. 2016 Share Incentive Plan, as amended.
8.1	List of significant subsidiaries.
12.1	Certification by the Chief Executive Officer of NICE Ltd., pursuant to Section 302 of the Sarbanes-Oxley Act 2002.
12.2	Certification by the Chief Financial Officer of NICE Ltd., pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
13.1	Certification by the Chief Executive Officer of NICE Ltd., pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
13.2	Certification by the Chief Financial Officer of NICE Ltd., pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
15.1	Consent of Kost, Forer, Gabbay & Kasierer, a member of EY Global.
101	The following financial information from NICE Ltd.'s Annual Report on Form 20-F for the year ended December 31, 2022, formatted in Inline XBRL ("iXBRL"): (i) Consolidated Balance Sheets at December 31, 2022 and 2021; (ii) Consolidated Statements of Income for the years ended December 31, 2022, 2021 and 2020; (iii) Statements of Changes in Shareholders' Equity and Comprehensive Income for the years ended December 31, 2022, 2021 and 2020; (iv) Consolidated Statements of Cash Flows for the years ended December 31, 2022, 2021 and 2020; and (v) Notes to Consolidated Financial Statements.

NICE LTD. AND ITS SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2022

IN U.S. DOLLARS

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## **REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

### **To the Shareholders and the Board of Directors of**

#### **NICE Ltd.**

#### **Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of NICE Ltd. and its subsidiaries (the "Company") as of December 31, 2022, and 2021, the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2022, and the related notes (collectively referred to as the "Consolidated Financial Statements"). In our opinion, the Consolidated Financial Statements present fairly, in all material respects, the financial position of the Company at December 31, 2022, and 2021, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2022, based on criteria established in the Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 30, 2023, expressed an unqualified opinion thereon.

#### **Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

#### **Critical Audit Matter**

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the Consolidated Financial Statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.



*Description of  
the Matter*

***Revenue Recognition***

As described in Note 2 to the Consolidated Financial Statements, the Company generates revenues mainly from licensing its software products and services, including cloud-based services. The Company enters into contracts with customers that often include promises to transfer multiple products and services, which are accounted for separately if they are distinct performance obligations. In such contracts, the transaction price is then allocated to the distinct performance obligations on a relative standalone selling price basis and revenue is recognized when control of the distinct performance obligation is transferred. Revenues from cloud-based services are recognized either ratably over the contract period or based on usage, as applicable.

The accounting for contracts with multiple elements which include a software license requires the company to exercise significant judgment in determining revenue recognition for these contracts and includes: (a) identification and determination of whether products and services are considered distinct performance obligations that should be accounted for separately based on the terms and conditions of the relevant agreements, (b) determination of stand-alone selling prices for each distinct performance obligation that is not sold separately. For products that are not sold separately, directly observable data is generally not available, which requires the Company to make significant assumptions regarding the stand-alone selling prices of the related performance obligations based on, among others, geographic or regional-specific factors and internally approved pricing guidelines, and (c) the pattern of transferring control (i.e., timing of when revenue is recognized) for each distinct performance obligation. For cloud-based revenues recognized based on usage, the processing and recognition of revenue are highly automated and involve capturing and pricing significant volumes of data.

Given these factors, the related audit effort in evaluating management's judgments in determining revenue recognition for these customer contracts was extensive and required a high degree of auditor judgment.

*How We  
Addressed the  
Matter in Our  
Audit*

We obtained an understanding, evaluated the design, and tested the operating effectiveness of the Company's process and controls to identify and determine the distinct performance obligations, the relative standalone selling price for each performance obligation, and the determination of the timing of revenue recognition.

Our audit procedures included, among others, evaluating the methodology and reasonableness of management's assumptions used for the estimate of stand-alone selling prices on a sample basis for products and services that are not sold separately.

For a sample of customers, we: (1) obtained and read contract source documents, including master agreements, and other documents that were part of the agreement, (2) tested management's identification of significant terms for completeness, including the identification and determination of distinct performance obligations, (3) tested management's calculations of revenue and the associated timing of revenue recognition, and (4) we involved IT professionals with specialized skill and knowledge to assist in testing certain internal controls over the Company's revenue process, including controls over the capture related usage transactional information through the Company's IT systems. On a sample basis, we tested usage and accordingly observed that usage attributes such as duration and type of service were captured in the relevant IT systems.

/s/ KOST FORER GABBAY & KASIERER  
A Member of Ernst & Young Global  
We have served as the Company's auditor since 1995.  
Tel-Aviv, Israel  
March 30, 2023



## **REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

### **To the Shareholders and the Board of Directors of NICE Ltd.**

#### **Opinion on Internal Control over Financial Reporting**

We have audited NICE Ltd. and its subsidiaries' internal control over financial reporting as of December 31, 2022, based on criteria established in the Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, NICE Ltd. and its subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2022 and 2021, the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2022, and the related notes and our report dated March 30, 2023, expressed an unqualified opinion thereon.

#### **Basis for Opinion**

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.



## **Definition and Limitations of Internal Control Over Financial Reporting**

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KOST FORER GABBAY & KASIERER  
A Member of Ernst& Young Global

Tel-Aviv, Israel  
March 30, 2023

**CONSOLIDATED BALANCE SHEETS**

U.S. dollars in thousands (except share and per share data)

	<b>December 31,</b>	
	<b>2022</b>	<b>2021</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 529,596	\$ 378,656
Short-term investments	1,041,943	1,046,095
Trade receivables (net of allowance for credit losses of \$9,253 and \$9,927 at December 31, 2022 and 2021, respectively)	518,517	395,583
Debt hedge option	122,323	292,940
Prepaid expenses and other current assets	204,754	184,604
<b>Total current assets</b>	<b>2,417,133</b>	<b>2,297,878</b>
<b>LONG-TERM ASSETS:</b>		
Prepaid expenses and other long-term assets	231,496	224,445
Property and equipment, net	159,285	145,654
Deferred tax assets	116,889	55,246
Operating lease right-of-use assets	102,893	85,055
Other intangible assets, net	209,605	295,378
Goodwill	1,617,118	1,606,756
<b>Total long-term assets</b>	<b>2,437,286</b>	<b>2,412,534</b>
<b>Total assets</b>	<b>\$ 4,854,419</b>	<b>\$ 4,710,412</b>

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

**CONSOLIDATED BALANCE SHEETS**

U.S. dollars in thousands (except share and per share data)

	<b>December 31,</b>	
	<b>2022</b>	<b>2021</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Trade payables	\$ 56,019	\$ 36,121
Deferred revenues and advances from customers	338,930	330,459
Current maturities of operating leases liabilities	13,525	19,514
Debt	209,292	395,946
Accrued expenses and other liabilities	523,451	487,547
<b>Total current liabilities</b>	<b>1,141,217</b>	<b>1,269,587</b>
<b>LONG-TERM LIABILITIES:</b>		
Deferred revenues and advances from customers	57,211	66,606
Accrued severance pay	16,446	16,494
Deferred tax liabilities	7,336	7,429
Debt	455,382	429,267
Operating leases	99,262	81,185
Other long-term liabilities	22,142	1,885
<b>Total long-term liabilities</b>	<b>657,779</b>	<b>602,866</b>
<b>COMMITMENTS AND CONTINGENT LIABILITIES</b>		
<b>SHAREHOLDERS' EQUITY:</b>		
Share capital-		
Ordinary shares of NIS 1 par value:		
Authorized: 125,000,000 shares at December 31, 2022 and 2021; Issued: 74,774,827 and 74,774,827 shares at December 31, 2022 and 2021, respectively; Outstanding: 63,634,991 and 63,476,860 shares at December 31, 2022 and 2021, respectively	18,961	18,961
Additional paid-in capital	1,951,035	1,817,710
Treasury shares at cost – 11,139,836 and 11,297,967 Ordinary shares at December 31, 2022 and 2021, respectively	(743,054)	(625,810)
Accumulated other comprehensive loss	(111,255)	(39,739)
Retained earnings	1,926,398	1,653,963
<b>Total attributable to NICE Ltd.'s shareholders</b>	<b>3,042,085</b>	<b>2,825,085</b>
Non-controlling interests	13,338	12,874
<b>Total shareholders' equity</b>	<b>3,055,423</b>	<b>2,837,959</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 4,854,419</b>	<b>\$ 4,710,412</b>

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

**CONSOLIDATED STATEMENTS OF INCOME**

U.S. dollars in thousands (except share and per share data)

	Year ended December 31,		
	2022	2021	2020
Revenue:			
Cloud	\$ 1,295,323	\$ 1,018,624	\$ 777,331
Services	650,116	660,083	687,532
Product	235,855	242,443	183,153
<u>Total revenue</u>	<u>2,181,294</u>	<u>1,921,150</u>	<u>1,648,016</u>
Cost of revenue:			
Cloud	472,805	410,671	339,985
Services	183,938	191,137	199,803
Product	26,945	22,648	22,164
<u>Total cost of revenue</u>	<u>683,688</u>	<u>624,456</u>	<u>561,952</u>
Gross profit	<u>1,497,606</u>	<u>1,296,694</u>	<u>1,086,064</u>
Operating expenses:			
Research and development, net	306,073	271,187	218,182
Selling and marketing	609,833	536,192	445,102
General and administrative	246,527	225,406	180,733
<u>Total operating expenses</u>	<u>1,162,433</u>	<u>1,032,785</u>	<u>844,017</u>
Operating income	335,173	263,909	242,047
Financial expenses (income) and other, net	<u>(10,159)</u>	<u>23,290</u>	<u>4,859</u>
Income before taxes on income	345,332	240,619	237,188
Taxes on income	<u>79,387</u>	<u>41,396</u>	<u>40,842</u>
Net income	<u>265,945</u>	<u>199,223</u>	<u>196,346</u>
Basic earnings per share	<u>\$ 4.17</u>	<u>\$ 3.15</u>	<u>\$ 3.13</u>
Diluted earnings per share	<u>\$ 4.00</u>	<u>\$ 2.98</u>	<u>\$ 2.98</u>
Weighted average number of shares (in thousands) used in computing:			
Basic earnings per share	<u>63,790</u>	<u>63,189</u>	<u>62,710</u>
Diluted earnings per share	<u>66,465</u>	<u>66,896</u>	<u>65,956</u>

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

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

U.S. dollars in thousands

	Year ended December 31,		
	2022	2021	2020
Net income	\$ 265,945	\$ 199,223	\$ 196,346
Change in foreign currency translation adjustment	(27,582)	(7,402)	4,998
Available-for-sale investments:			
Change in net unrealized gains (losses)	(33,319)	(13,368)	11,249
Less - reclassification adjustment for net losses (gains) realized and included in net income	419	(1,403)	(2,095)
Net change (net of tax effect of \$4,483, \$2,012 and \$(1,246))	(32,900)	(14,771)	9,154
Cash flow hedges:			
Change in unrealized gains (losses)	(18,223)	5,024	4,954
Less - reclassification adjustment for net (losses) realized and included in net income	7,189	(5,928)	(2,469)
Net change (net of tax effect of \$1,505, \$123 and \$(339))	(11,034)	(904)	2,485
Total other comprehensive income (loss)	(71,516)	(23,077)	16,637
Comprehensive income	\$ 194,429	\$ 176,146	\$ 212,983

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

**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

U.S. dollars in thousands

	Share capital	Additional paid-in capital	Treasury shares	Accumulated other comprehensive loss	Retained earnings	Non- controlling Interest	Total shareholders' equity
Balance as of January 1, 2022	\$ 18,961	\$ 1,817,710	\$ (625,810)	\$ (39,739)	\$ 1,653,963	\$ 12,874	\$ 2,837,959
Adoption of ASU 2020-06 (Note 2ac)	\$ —	\$ (28,816)	\$ —	\$ —	\$ 7,331	\$ —	\$ (21,485)
Stock-based compensation	\$ —	\$ 188,888	\$ —	\$ —	\$ —	\$ —	\$ 188,888
Issuance of treasury shares under share-based compensation plan (840,766 ordinary shares)	\$ —	\$ (26,747)	\$ 27,700	\$ —	\$ —	\$ —	\$ 953
Treasury shares purchase	\$ —	\$ —	\$ (144,944)	\$ —	\$ —	\$ —	\$ (144,944)
Other comprehensive income	\$ —	\$ —	\$ —	\$ (71,516)	\$ —	\$ —	\$ (71,516)
Dividends Paid to non-controlling interest						\$ (376)	\$ (376)
Net income attributable to NICE Shareholders	\$ —	\$ —	\$ —	\$ —	\$ 265,104	\$ —	\$ 265,104
Net loss attributable to non-controlling interests	—	—	—	—	—	\$ 840	\$ 840
Balance as of December 31, 2022	<u>\$ 18,961</u>	<u>\$ 1,951,035</u>	<u>\$ (743,054)</u>	<u>\$ (111,255)</u>	<u>\$ 1,926,398</u>	<u>\$ 13,338</u>	<u>\$ 3,055,423</u>

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

**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

U.S. dollars in thousands

	Share capital	Additional paid-in capital	Treasury shares	Accumulated other comprehensive loss	Retained earnings	Non-controlling Interest	Total shareholders' equity
Balance as of January 1, 2021	\$ 18,961	\$ 1,681,587	\$ (574,364)	\$ (16,662)	\$ 1,454,388	\$ 24,574	\$ 2,588,484
Stock-based compensation	—	156,373	—	—	—	—	156,373
Issuance of treasury shares under share-based compensation plan (717,500 ordinary shares)	—	(17,194)	21,618	—	—	—	4,424
Treasury shares purchase	—	—	(73,064)	—	—	—	(73,064)
Other comprehensive income	—	—	—	(23,077)	—	—	(23,077)
Equity component of exchangeable notes, net of issuance costs and deferred tax	—	75	—	—	—	—	75
Equity awards assumed for acquisitions	—	183	—	—	—	—	183
Purchase of subsidiaries' shares from non-controlling, net	—	(3,314)	—	—	—	(9,594)	(12,908)
Dividends Paid to non-controlling interest	—	—	—	—	—	(1,754)	(1,754)
Net income attributable to NICE Shareholders	—	—	—	—	199,575	—	199,575
Net loss attributable to non-controlling interests	—	—	—	—	—	(352)	(352)
Balance as of December 31, 2021	\$ 18,961	\$ 1,817,710	\$ (625,810)	\$ (39,739)	\$ 1,653,963	\$ 12,874	\$ 2,837,959

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

**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

U.S. dollars in thousands

	Share capital	Additional paid-in capital	Treasury shares	Accumulated other comprehensive loss	Retained earnings	Non- controlling Interest	Total shareholders' equity
Balance as of January 1, 2020	\$ 18,961	\$ 1,568,035	\$ (554,146)	\$ (33,299)	\$ 1,257,715	\$ —	\$ 2,257,266
Stock-based compensation	—	103,464	—	—	—	—	103,464
Issuance of treasury shares under share-based compensation plan (915,710 ordinary shares)	—	(19,266)	28,131	—	—	—	8,865
Treasury shares purchased	—	—	(48,349)	—	—	—	(48,349)
Non-controlling interests related to acquisition	—	—	—	—	—	24,901	24,901
Other comprehensive income	—	—	—	16,637	—	—	16,637
Equity component of exchangeable notes, net of issuance costs and deferred tax	—	28,816	—	—	—	—	28,816
Equity awards assumed for acquisitions	—	538	—	—	—	—	538
Net income attributable to NICE Shareholders	—	—	—	—	196,673	—	196,673
Net loss attributable to non-controlling interests	—	—	—	—	—	(327)	(327)
Balance as of December 31, 2020	\$ 18,961	\$ 1,681,587	\$ (574,364)	\$ (16,662)	\$ 1,454,388	\$ 24,574	\$ 2,588,484

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

U.S. dollars in thousands

	Year ended December 31,		
	2022	2021	2020
<u>Cash flows from operating activities:</u>			
Net income	\$ 265,945	\$ 199,223	\$ 196,346
Adjustments required to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	176,546	184,092	182,026
Stock-based compensation	182,704	153,030	101,667
Accrued severance pay, net	1,171	597	1,323
Amortization of premium and discount and accrued interest on marketable securities	8,322	11,867	(633)
Deferred taxes, net	(52,618)	(39,316)	(33,241)
Changes in operating assets and liabilities:			
Trade receivables, net	(129,712)	(85,778)	22,245
Prepaid expenses and other current assets	(31,673)	(79,624)	(80,665)
Trade payables	19,923	(389)	4,094
Accrued expenses and other liabilities	33,684	64,179	14,875
Operating lease right-of-use assets	20,393	15,075	18,167
Deferred revenues	6,417	30,770	63,202
Operating lease liabilities	(26,191)	(18,011)	(19,569)
Amortization of discount on long-term debt	4,582	14,469	13,297
Loss in respect of debt extinguishment	1,206	13,969	—
Other	(984)	(2,337)	(2,828)
Net cash provided by operating activities	<u>479,715</u>	<u>461,816</u>	<u>480,306</u>
<u>Cash flows from investing activities:</u>			
Purchase of property and equipment	(31,893)	(24,771)	(24,186)
Purchase of investments	(396,297)	(322,129)	(583,115)
Proceeds from investments	355,560	270,645	328,593
Payments for business acquisitions, net of cash acquired	(29,724)	(142,804)	(147,261)
Capitalization of internal use software costs	(49,997)	(42,440)	(39,098)
Net cash used in investing activities	<u>(152,351)</u>	<u>(261,499)</u>	<u>(465,067)</u>

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

U.S. dollars in thousands

	Year ended December 31,		
	2022	2021	2020
<u>Cash flows from financing activities:</u>			
Proceeds from issuance of shares upon exercise of options	953	4,426	8,865
Purchase of treasury shares	(144,944)	(73,180)	(48,272)
Dividends paid to non-controlling interest	(376)	(1,754)	—
Capital lease payments	—	—	(177)
Purchase of subsidiaries shares from non-controlling interest	—	(14,000)	—
Proceeds from issuance of exchangeable senior notes, net	—	—	451,421
Repayment of debt	(20,132)	(177,308)	(215,000)
Net cash provided by (used in) financing activities	(164,499)	(261,816)	196,837
Effect of exchange rate changes on cash	(8,425)	(2,112)	1,868
Net change in cash, cash equivalents and restricted cash	154,440	(63,611)	213,944
Cash, cash equivalents and restricted cash at the beginning of the year	378,656	442,267	228,323
Cash, cash equivalents and restricted cash at the end of the year	<u>\$ 533,096</u>	<u>\$ 378,656</u>	<u>\$ 442,267</u>
Reconciliation of cash, cash equivalents and restricted cash reported in the consolidated balance sheet:			
Cash and cash equivalents	\$ 529,596	\$ 378,656	\$ 442,267
Restricted cash included in other current assets	3,500	—	—
Total cash, cash equivalents and restricted cash shown in the statement of cash flows	<u>\$ 533,096</u>	<u>\$ 378,656</u>	<u>\$ 442,267</u>
<u>Supplemental disclosure of cash flows activities:</u>			
<u>Cash paid during the year for:</u>			
Income taxes	123,586	97,258	83,251
Interest	<u>\$ 2,974</u>	<u>\$ 688</u>	<u>\$ 7,829</u>
<u>Non-cash activities:</u>			
Increase in accrued expenses and other liabilities with respect to purchase of treasury shares	\$ —	\$ 4	\$ 112

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****U.S. dollars in thousands (except share and per share data)****NOTE 1:- GENERAL**

## a. General:

NICE Ltd. (together with its subsidiaries, “NICE”, or the “Company”) is a global enterprise software leader, providing cloud platforms for AI-driven digital business solutions that serve two main markets: Customer Engagement and Financial Crime and Compliance. The Company's core mission is to transform experiences to be extraordinary and trusted and create a frictionless and safe digital-first consumer reality where every interaction is intelligent, meaningful and effortless. The Company's solutions are used by organizations of all sizes and are offered in multiple delivery models, including cloud and on-premises.

In the Customer Engagement market, the Company enables organizations to transform experiences with solutions aimed at meeting consumers wherever they choose to begin their journey, providing digital-centric AI-enabled self-service capabilities, understanding consumers' journeys, creating smarter hyper-personalized connections and guiding continuous omnichannel interactions. The Company helps organizations transform their workforce experience with solutions aimed at engaging employees, optimizing operations and automating processes to create a better agent-assisted customer service. For Public Safety and Criminal Justice agencies, the Company digitally transforms the way they manage and share evidence and cases, providing them with single, streamlined view of the truth from incident to court.

In the Financial Crime and Compliance market, the Company protects financial services organizations, digital banks and their customers' accounts and transactions, with solutions that identify risks and help prevent money laundering and fraud, as well as help ensure compliance in real-time. With the Company's holistic, data-centric approach to Customer Lifecycle Risk Management (CLRM), the Company helps them conquer the dynamic new financial crime threats.

The Company is at the forefront of several industry technological disruptions that have greatly accelerated in the last several years: the adoption of cloud platforms by organizations of all sizes and verticals, the shift of consumer and organizational preferences towards digital-centric services and experiences, the growing acceptance and adoption of AI, an increase in consumer cross channel, self-service usage and the need to manage, optimize and engage a diverse workforce while retaining and attracting top talent. The Company's suite of integrated solutions, based on unique domain expertise, enables customer service, financial crime prevention and public safety organizations to innovate and thrive with industry-leading cloud platforms that use domain-specific data and AI infused workflows.

## b. Acquisitions:

## 1. Acquisitions in 2022:

- a. On November 14, 2022, the Company completed an acquisition for a total consideration of \$50,381 as following:
  - \$30,000 cash consideration
  - Milestone-based contingent payment in a total sum of up to \$24,000 payable in March 2026. The contingent consideration was measured at fair value at the closing date and recorded as a liability on the balance sheet in the amount of \$20,381.

Upon consummation of the acquisition, the acquired company became a wholly-owned subsidiary of the Company. The acquisition was accounted for as a business combination. As of the acquisition date the Company preliminarily recorded core technology, customer relationships, trademark and goodwill in amounts of \$12,470; \$9,058; \$459 and \$28,039, respectively. The estimated useful life of the core

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****U.S. dollars in thousands (except share and per share data)****NOTE 1:- GENERAL (Cont.)**

technology, customer relationships, and trademark is four years, four years and three years, respectively.

Goodwill generated from this business combination is attributed to synergies between the Company's and the acquired company respective products and services.

The results of the acquired company's operations have been included in the consolidated financial statements since November 14, 2022. Pro forma results of operations related to this acquisition have not been prepared because they are not material to the Company's consolidated financial statements.

The preliminary fair value of assets acquired and liabilities assumed from the acquisition, completed during 2022, were based upon preliminary calculations and valuations, and the estimates and assumptions for this acquisition are subject to change as the Company obtains additional information during the respective measurement periods (up to one year from the respective acquisition dates).

2. Acquisitions in 2021:

- a. On June 17, 2021, the Company completed the acquisition of ContactEngine Limited ("ContactEngine"), a leading AI automation provider for customer self-service. The Company acquired ContactEngine for a total consideration of \$94,897.

Upon consummation of the acquisition, ContactEngine became a wholly-owned subsidiary of the Company. The acquisition was accounted for as a business combination. As of the acquisition date the Company preliminarily recorded core technology, customer relationships, customer backlog and goodwill in amounts of \$20,558; \$3,279; \$5,493 and \$69,593, respectively. The estimated useful life of the core technology, customer relationships, and customer backlog is five years, six years and two years, respectively.

Goodwill generated from this business combination is attributed to synergies between the Company's and ContactEngine's respective products and services. The goodwill is not deductible for income tax purposes.

The results of ContactEngine's operations have been included in the consolidated financial statements since June 17, 2021. Pro forma results of operations related to this acquisition have not been prepared because they are not material to the Company's consolidated financial statements.

- b. During 2021, the Company acquired certain additional companies, which were accounted for as business combinations for a total consideration of \$59,317. The financial results of those acquired companies are included in the Company's consolidated financial statements from their respective acquisition dates. The results from these acquisitions individually and in aggregate, were not material to the Company's consolidated financial statements. The Company preliminarily recorded \$20,036 of identifiable intangible assets based on their estimated fair values, and \$38,590 of residual goodwill, from these acquisitions.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****U.S. dollars in thousands (except share and per share data)****NOTE 1:- GENERAL (Cont.)**

The estimated fair value of assets acquired and liabilities assumed from acquisitions completed during 2021 were based upon preliminary calculations and valuations. These estimates were finalized during 2022 as part of the measurement period. See Note 8 regarding changes made during 2022.

## 3. Acquisitions in 2020:

- a. On August 18, 2020 the Company completed the acquisition of Guardian Analytics, Inc. ("Guardian Analytics"), a leading AI cloud-based financial crime risk management solution provider. The Company acquired Guardian Analytics for total consideration of \$113,921.

Upon acquisition, Guardian Analytics became a wholly-owned subsidiary of the Company. The acquisition was accounted for as a business combination. As of the acquisition date, the Company preliminarily recorded core technology, customer relationships, customer backlog and goodwill in amounts of \$38,341; \$6,659; \$1,028 and \$65,888, respectively. The estimated useful life of the core technology, customer relationships, and customer backlog is six years, eight years and two years, respectively.

Goodwill generated from this business combination is attributed to synergies between the Company's and Guardian Analytics' respective products and services. The goodwill is not deductible for income tax purposes.

The results of Guardian Analytics' operations have been included in the consolidated financial statements since August 18, 2020. Pro forma results of operations related to this acquisition have not been prepared because they are not material to the Company's consolidated financial statements.

- b. During 2020, the Company acquired certain additional companies (in one of them the Company acquired 50.1% of the share capital (the "2020 Subsidiary") of the company), which were accounted for as business combinations for a total consideration of \$50,686. The financial results of those acquired companies are included in the Company's consolidated financial statements from their respective acquisition dates. The results from these acquisitions individually and in aggregate were not material to the Company's consolidated financial statements. The Company preliminarily recorded \$22,968 of identifiable intangible assets based on their estimated fair values, and \$54,869 of residual goodwill. The preliminary fair value of the non-controlling interest on the acquisition date was approximately \$24,985. As of December 2021, the Company holds 70.1% of the 2020 Subsidiary. See Note 2aa.

The estimated fair value of assets acquired and liabilities assumed from acquisitions completed during 2020 were based upon preliminary calculations and valuations. These estimates were finalized during 2021 as part of the measurement period. See Note 8 regarding changes made during 2021.

## 4. Acquisitions related costs:

During 2022, 2021 and 2020, acquisition related costs amounted to \$48, \$1,761 and \$1,720, respectively, and were included in general and administrative expenses.

**NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES**

The consolidated financial statements were prepared in accordance with United States Generally Accepted Accounting Principles ("U.S. GAAP").

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****U.S. dollars in thousands (except share and per share data)**

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**NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

## a. Use of estimates:

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates, judgments and assumptions. The Company's management believes that the estimates, judgments and assumptions used are reasonable based upon information available at the time they are made. These estimates, judgments and assumptions can affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## b. Financial statements in United States dollars:

The currency of the primary economic environment in which the operations of NICE Ltd. and certain subsidiaries are conducted is the U.S. dollar ("dollar"); thus, the dollar is the functional currency of NICE Ltd. and certain subsidiaries.

NICE Ltd. and certain subsidiaries' transactions and balances denominated in dollars are presented at their original amounts. Non-dollar transactions and balances have been remeasured to dollars in accordance with ASC 830, "Foreign Currency Matters". All transaction gains and losses from remeasurement of monetary balance sheet items denominated in non-dollar currencies are reflected in the statements of income as financial income or expenses, as appropriate.

For those subsidiaries whose functional currency has been determined to be a non-dollar currency, assets and liabilities are translated at year-end exchange rates and statement of income items are translated at average exchange rates prevailing during the year. Such translation adjustments are recorded as a separate component of accumulated other comprehensive income (loss) in shareholders' equity.

## c. Principles of consolidation:

The consolidated financial statements incorporate the financial statements of the Company and all of its subsidiaries. Intercompany transactions and balances have been eliminated upon consolidation.

## d. Cash equivalents:

Cash equivalents are short-term unrestricted highly liquid investments that are readily convertible into cash, with original maturities of three months or less at acquisition.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****U.S. dollars in thousands (except share and per share data)****NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

## e. Marketable securities:

The Company accounts for investments in debt securities in accordance with ASC 320, "Investments - Debt Securities" and ASC No. 326, "Financial Instruments - Credit Losses". Management determines the appropriate classification of its investments in debt securities at the time of purchase and re-evaluates such determinations at each balance sheet date.

Marketable securities classified as "available-for-sale" ("AFS") are carried at fair value. Unrealized gains and losses are reported in a separate component of shareholders' equity in accumulated other comprehensive income, net of taxes. Gains and losses are recognized when realized, on a specific identification basis, in the Company's consolidated statements of income.

For each reporting period, the Company evaluates whether declines in fair value below the amortized cost are due to expected credit losses, as well as the Company's ability and intention to hold the investment until a forecasted recovery occurs, in accordance with ASC 326. Allowance for credit losses on AFS debt securities are recognized as a charge in financial expenses (income) and other, net, on the consolidated statements of income, and any remaining unrealized losses, net of taxes, are included in accumulated other comprehensive income (loss). As of December 31, 2022 and 2021, no credit losses have been recorded.

The Company classifies all securities with maturities beyond 12 months as current assets under the caption short term investments on the consolidated balance sheet. These securities are available to support current operations and the company may sell these debt securities prior to their stated maturities.

## f. Property and equipment, net:

Property and equipment are stated at cost, net of accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, at the following annual periods ranges:

	<b>Years</b>
Computers and peripheral equipment	3 - 5
Internal use software	3
Office furniture and equipment	4 - 14
Leasehold improvements	Over the lease term or the estimated useful life of the improvements, whichever is shorter

## g. Internal use software costs:

The Company capitalizes development costs incurred during the application development stage that are related to internal use technology that supports its cloud services. Under ASC 350-40, internal-use software is included in property and equipment, net in the consolidated balance sheets. Capitalization of such costs begins when the preliminary project stage is complete and ceases at the point in which the project is substantially complete and is ready for its intended purpose. Costs incurred in the process of software production are charged to expenses as incurred.

## h. Other intangible assets, net:

Other intangible assets are amortized over their estimated useful lives using the straight-line method, at the following annual periods ranges:

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****U.S. dollars in thousands (except share and per share data)****NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

	<b>Years</b>
Core technology	4 – 8
Customer relationships	2 - 9
Trademarks	3 - 12
Customer backlog	2 - 3

## i. Impairment of long-lived assets:

The Company's long-lived assets and identifiable intangibles that are subject to amortization are reviewed for impairment in accordance with ASC 360, "Property, Plant, and Equipment" whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment indicators include any significant changes in the manner of the Company's use of the assets and significant negative industry or economic trends.

Upon determination that the carrying value of a long-lived asset may not be recoverable based upon a comparison of aggregate undiscounted projected future cash flows to the carrying amount of the asset, an impairment charge is recorded for the excess of the carrying amount over fair value. In 2022, 2021 and 2020, no impairment charges were recognized.

## j. Goodwill:

Goodwill represents the excess of the purchase price in a business combination over the fair value of the net tangible and intangible assets acquired. Under ASC 350, "Intangible - Goodwill and Other" ("ASC 350"), goodwill is not amortized, but rather is subject to an annual impairment test. If the Company determines that it is more likely than not that the fair value of a reporting unit is less than its carrying value, then the Company prepares a quantitative analysis to determine whether the carrying value of reporting unit exceeds its estimated fair value. If the carrying value of a reporting unit exceeds its estimated fair value, the Company recognizes an impairment of goodwill for the amount of this excess, in accordance with the guidance in FASB Accounting Standards Update ("ASU") No. 2017-04, Intangibles - Goodwill and Other (Topic 350), Simplifying the Test for Goodwill Impairment, which the Company adopted as of January 1, 2020.

For each of the three years in the period ended December 31, 2022, 2021 and 2020, no impairment was identified.

## k. Exchangeable senior notes:

Through December 31, 2021, prior to the adoption of ASU 2020-06, the Company separately accounted for the liability and equity components of convertible debt instruments that may be settled in a combination of cash and shares. The liability component at issuance is recognized at fair value, based on the fair value of a similar instrument that did not have a conversion feature. The equity component was based on the excess of the proceeds over the fair value of the liability component, after adjusting for an allocation of debt issuance costs, and was recorded as paid-in capital.

Debt discounts were amortized as additional non-cash interest expense over the expected life of the debt. The Company allocated the total issuance costs incurred to the liability and equity components of the exchangeable senior notes based on the same proportions as the proceeds from the notes.

On December 31, 2021, the Company entered into the First Supplemental Indenture to the 2017 Indenture (the "First Supplemental Indenture"). In accordance with the First Supplemental Indenture, the Company irrevocably elected cash settlement for the principal and any premium due upon conversion to apply to all conversions of notes issued under the 2017 Indenture (the "2017 Notes") with an Exchange date (as defined in the 2017 Indenture) that occurs on or after December 31, 2021. As a result, the conversion feature of the 2017 Notes was required to be bifurcated from the debt host and accounted for separately as a derivative liability. As such the Company recognized a derivative liability at an amount equal to the fair value of the

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****U.S. dollars in thousands (except share and per share data)****NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

conversion feature at that date. Subsequent changes in fair value of the bifurcated conversion derivative are reflected in financial income (expenses). See Note 15 for further details.

Additionally, on December 2021, the Company made an irrevocable election to settle the principal amount of the 2020 Notes only in cash. Accordingly, upon conversion, the Company will pay the principal amount in cash and will pay, or deliver, as the case may be, any amount in excess of the principal amount in cash, shares of common stock or a combination of cash and shares of the Company stock, at the Company's election. Prior to this election, upon conversion, the Company, could have elected to deliver to holders cash, shares of the Company's common stock or a combination of cash and shares of the Company's common stock for the principal amount.

Starting January 1,2022, the Company adopted ASU 2020-06, which simplifies the guidance on the issuer's accounting for convertible debt instruments by removing the separation models for (1) convertible debt with a cash conversion feature and (2) convertible instruments with a beneficial conversion feature. As a result, the Company do not separately present in equity an embedded conversion feature in such debt. Instead, the Company accounts for a convertible debt instrument wholly as debt, unless the debt contains embedded derivatives required to be bifurcated or the debt is issued at a substantial premium. (See Note 2ac and 15 for further details).

1. Revenue recognition:

The Company generates revenues from sales of cloud, services, and software products, which include software license, SaaS, network connectivity, hosting, support and maintenance, implementation, configuration, project management, consulting and training. The Company sells its cloud, products and services directly through its sales force and indirectly through a global network of distributors, system integrators and strategic partners, all of whom are considered end-users.

The Company recognizes revenues in accordance with ASC No. 606, "Revenue from Contracts with Customers" ("ASC 606"). Under the standard, the Company recognizes revenue when its customer obtains control of promised goods or services in an amount that reflects the consideration that the Company expects to receive in exchange for those goods or services. To determine revenue recognition for contracts that are within the scope of the standard, the Company performs the following five steps:

1) Identify the contract(s) with a customer

A contract with a customer exists when (i) there is an enforceable contract with the customer that defines each party's rights regarding the goods or services to be transferred and identifies the payment terms related to these goods or services; (ii) the contract has commercial substance; and (iii) the Company determines that collection of substantially all consideration for goods or services that are transferred is probable based on the customer's intent and ability to pay the promised consideration. The Company applies judgment in determining the customer's ability and intent to pay, which is based on a variety of factors, including the customer's historical payment experience.

2) Identify the performance obligations of the contract

The Company enters into contracts that can include multiple performance obligations. The Company accounts for individual products and services separately if they are distinct – i.e., if a product or service is separately identifiable from other promises in the contract and if a customer can benefit from it on its own or with other resources that are readily available to the customer.

3) Determine the transaction price

The transaction price is determined based on the consideration to which the Company will be entitled in exchange for transferring goods or services to the customer.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****U.S. dollars in thousands (except share and per share data)****NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

Payment terms and conditions vary by contract type. In instances where the timing of revenue recognition differs from the timing of invoicing, the Company determines its contracts generally to not include a significant financing component since the Company's selling prices are not subjected to billing terms nor is its purpose to receive financing from its customers or to provide customers with financing. In addition, the Company elected to apply the practical expedient to not adjust the promised amount of consideration for the effects of a significant financing component if the Company expects, at contract inception, that the period between when the Company will transfer a promised good or service to a customer and when the customer will pay for that good or service will be one year or less.

Revenue is measured based on the consideration specified in a contract with a customer, excluding taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction, that are collected by the Company from a customer.

- 4) Allocate the transaction price to the performance obligations in the contract

The Company allocates the transaction price to each performance obligation identified based on its relative standalone selling price ("SSP") out of the total consideration of the contract.

The Company uses judgment in determining the SSP. If the SSP is not observable through standalone transactions, the Company estimates the SSP taking into account available information such as geographic or regional specific factors, internal costs, profit objectives, and internally approved pricing guidelines related to the performance obligations.

The Company typically establishes a SSP range for its products and services, which is reassessed on a periodic basis or when facts and circumstances change. SSP for products and services can evolve over time due to changes in the Company's pricing practices that are influenced by intense competition, changes in demand for products and services, and economic factors, among others.

For a product where the SSP cannot be determined based on observable prices, given the same products are sold for a broad range of amounts (that is, the selling price is highly variable), the SSP included in a contract with multiple performance obligations is determined by applying a residual approach whereby all other performance obligations within a contract are first allocated a portion of the transaction price based upon their respective SSPs, with any residual amount of transaction price allocated to these product revenues.

- 5) Recognize revenue when (or as) the entity satisfies a performance obligation

The Company derives its cloud revenues from subscription services, which are comprised of subscription fees from granting customers access to the Company's cloud platforms, network connectivity and services fees for deployment of certain cloud platforms.

Revenue from subscription services is recognized either ratably over the contract period or based on usage, revenue from network connectivity is based on customer call usage and is recognized in the period the call is initiated, and services fees for deployment are amortized over average customer life.

Revenue from software licenses, support and maintenance services are recognized at the time the related performance obligation is satisfied by transferring the promised product or service to the customer. Software license revenues are recognized at the point in time when the software license is delivered and the customer obtains control of the asset. Support and maintenance service revenues are recognized ratably over the term of the underlying maintenance contract term. Renewals of maintenance contracts create new performance obligations that are satisfied over the term with the revenues recognized ratably over the period of the renewal.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****U.S. dollars in thousands (except share and per share data)****NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

Professional services revenues, except fees for deployment of certain cloud platforms, are recognized as services are performed.

Deferred revenues, which represent a contract liability, represent unrecognized fees collected mostly for maintenance, cloud and professional services. Deferred revenues are recognized as (or when) the Company performs under the contract. The amount of revenues recognized in the period that was included in the opening deferred revenues balance was approximately \$268,032 for the year ended December 31, 2022.

As of December 31, 2022, the aggregate amount of the total transaction price allocated in contracts with original duration greater than one year of the remaining performance obligations was approximately \$2,270,365. For performance obligations which are recognized over time, based on usage, the Company elected to disclose only the contractual minimum attributed to these performance obligations, as part of the remaining performance obligation disclosure.

As of December 31, 2022, the Company expects to recognize the majority of the revenue of remaining performance obligations over the next 24 months. Such remaining performance obligations represent unsatisfied or partially unsatisfied performance obligations pursuant to ASC 606. The Company has elected the optional exemption, which allows for the exclusion of the amounts for remaining performance obligations that are part of contracts with an original expected duration of one year or less.

m. Costs to Obtain Contracts:

The Company capitalizes certain sales commission as costs of obtaining a contract when they are incremental and if they are expected to be recovered. The Company applies judgment in estimating the amortization period by taking into consideration customer contract terms, history of renewals, expected length of customer relationship, as well as the useful life of the underlying technology and products. Amortization of sales commission expenses are included in Selling and Marketing expenses in the accompanying consolidated statements of income. For costs that the Company would have capitalized and amortized over one year or less, the Company has elected to apply the practical expedient and expense these contract costs as incurred. Costs to obtain contracts amortization expense for the years 2022, 2021 and 2020 were \$135,437, \$130,466 and \$100,219, respectively.

n. Research and development costs:

Research and development costs (net of grants and capitalized expenses) incurred in the process of software production are charged to expenses as incurred.

o. Income taxes:

To prepare the consolidated financial statements, the Company estimates its income taxes in each of the jurisdictions in which it operates, and in certain of these jurisdictions, it is calculated based on the Company's assumptions as to its entitlement to various benefits under the applicable tax laws in the jurisdiction. The entitlement to such benefits depends upon the Company's compliance with the terms and conditions set out in these laws.

The Company accounts for income taxes in accordance with ASC 740, "Income Taxes". ASC 740 prescribes the use of the liability method whereby deferred tax asset and liability account balances are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company provides a valuation allowance, if necessary, to reduce deferred tax assets to the amount that is more likely than not to be realized. Deferred tax assets and deferred tax liabilities are presented under long-term assets and long-term liabilities, respectively.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****U.S. dollars in thousands (except share and per share data)****NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

The Company implements a two-step approach to recognize and measure uncertain tax positions. The first step is to evaluate the tax position taken or expected to be taken in a tax return by determining if the weight of available evidence indicates that it is more likely than not that, on an evaluation of the technical merits, the tax position will be sustained on audit, including resolution of any related appeals or litigation processes. The second step is to measure the tax benefit as the largest amount that is more than 50% (on a cumulative basis) likely to be realized upon ultimate settlement.

The Company classifies interest and penalties on income taxes (which includes uncertain tax positions) as taxes on income.

The Company applies ASU 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes. This standard simplifies the accounting for income taxes by eliminating certain exceptions to the guidance in Topic 740 related to the approach for intra-period tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. ASU 2019-12 also simplifies aspects of the accounting for franchise taxes and enacted changes in tax laws or rates and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill and allocating consolidated income taxes to separate financial statements of entities not subject to income tax.

p. Non-royalty grants:

Non-royalty bearing grants from the Government of Israel for funding research and development projects are recognized at the time the Company is entitled to such grants on the basis of the related costs incurred and recorded as a deduction from research and development expenses.

q. Concentrations of credit risk:

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents, trade receivables, marketable securities and foreign currency derivative contracts.

The Company's cash and cash equivalents are invested in deposits and money market funds, mainly in dollars with major international banks. Deposits in the U.S. may be in excess of insured limits and are not insured in other jurisdictions. Generally, these deposits may be redeemed upon demand and therefore bear minimal risk.

The Company's trade receivables are derived from sales to customers generated from a multitude of markets in countries around the world. The Company performs ongoing credit evaluations of its customers and insures some of its receivables with a credit insurance company. The Company performs ongoing credit evaluations of its customers for the purpose of determining the appropriate allowance for credit losses.

The Company's marketable securities include investment in corporate debentures, U.S. Treasuries and U.S. government agencies. The Company's investment policy limits the amount that the Company may invest in any one type of investment per minimum credit rating or specific issuer, thereby reducing credit risk concentrations.

The Company enter into foreign currency forward and option contracts intended to protect cash flows resulting from payroll and facilities related expenses against the volatility in value of forecasted non-dollar currency. The derivative instruments hedge a portion of the Company's non-dollar currency exposure. See Note 10 for additional information.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****U.S. dollars in thousands (except share and per share data)****NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

## r. Severance pay:

The Israeli Severance Pay Law-1963 (the "Severance Pay Law") generally requires payment of severance pay upon dismissal of an employee or upon termination of employment in certain circumstances. The Company makes ongoing deposits into Israeli employees' pension plans to fund their severance liabilities. According to Section 14 of the Severance Pay Law, the Company deposits for employees employed by the Company since May 1, 2009 are made in lieu of the Company's severance liability, therefore no obligation is provided for in the financial statements. Severance Pay liabilities for employees employed by the Company prior to May 1, 2009, as well as employees with special contractual arrangements, are provided for in the financial statements based upon the latest monthly salary multiplied by the number of years of employment.

Severance pay expenses for 2022, 2021 and 2020 amounted to \$8,328, \$8,810 and \$9,649, respectively.

The Company also has other liabilities for severance pay in other jurisdictions.

The Company has multiple 401(k) defined contribution plans covering certain employees in the U.S. All eligible employees may elect to contribute a portion of their eligible compensation, generally not greater than an annual contribution of \$20.5 in 2022 and \$19.5 in 2021 and in 2020 (for certain employees over 50 years of age the maximum annual contribution was \$27 per year in 2022 and \$26 in 2021 and in 2020) of their total annual compensation to the plan through salary deferrals, subject to IRS limits. The Company, at its discretion, matches 50% of employee contributions to the plan up to a limit of 6-8% of their eligible compensation. In the years 2022, 2021 and 2020, the Company recorded an expense for all matching contributions in the amount of \$9,887; \$9,366 and \$8,893, respectively.

## s. Leases

Under Topic 842, the Company determines if an arrangement is a lease at inception. ROU assets and lease liabilities are recognized at commencement date based on the present value of remaining lease payments over the lease term. For this purpose, the Company considers only payments that are fixed and determinable at the time of commencement. As most of the Company leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The incremental borrowing rate is estimated to approximate the interest rate on a collateralized basis with similar terms and payments. The ROU asset is recorded net of any lease incentives received. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise such options. The Company's lease agreements may contain variable costs such as common area maintenance, insurance, real estate taxes or other costs. Variable lease costs are expensed as incurred on the consolidated statements of income.

The Company elected to combine its lease and non-lease components for car leases and to not recognize a lease liability and a right-of-use ("ROU") asset on the balance sheet for leases with a term of twelve months or less. The Company recognizes the associated lease payments in the consolidated statements of income on a straight-line basis over the lease term.

## t. Basic and diluted net earnings per share:

Basic net earnings per share are computed based on the weighted average number of ordinary shares outstanding during each year. Diluted net earnings per share are computed based on the weighted average number of ordinary shares outstanding during each year plus dilutive potential equivalent ordinary shares considered outstanding during the year, in accordance with ASC 260, "Earnings per Share".

As further described in Note 15, the Company entered into an exchangeable note hedge transaction and warrants transaction in 2017. While the exchangeable note hedge transaction is anti-dilutive and as such is not included in the computation of diluted earnings per share, the warrants transaction had a dilutive effect,

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****U.S. dollars in thousands (except share and per share data)****NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

and as such, was included in the computation of the diluted earnings per share. The number of shares related to the outstanding exchangeable note hedge transaction is 3,457,475.

On December 31, 2021, the Company entered into the First Supplemental Indenture according to which the Company irrevocably elected cash settlement for the principal and any premium due upon conversion to apply to all conversions of the 2017 Notes issued under the 2017 Notes with an Exchange Date (as defined in the 2017 Indenture) that occurs on or after December 31, 2021. As a result, the 2017 Notes do not have a dilutive effect for the year ended December 31, 2022. Prior to December 31, 2021, the Company had the intention and ability to settle the exchangeable senior notes issued in 2017 in cash, therefore the 2017 Notes did not have a dilutive effect for the years ended December 31, 2021 and 2020.

On December 31, 2021, the Company irrevocably elected to settle the principal of the exchangeable senior notes issued in 2020 in cash. As a result, the Company will use the if converted method for calculating any potential dilutive effect on diluted net income per share, if applicable. The conversion premium will have a dilutive impact on diluted net income per share only when the average market price of an ordinary share for a given period exceeds the conversion price of \$299.19 per share. As a result, 1,537,504 shares underlying the conversion option of the exchangeable senior notes issued in 2020 are not considered in the calculation of diluted net income per share in either 2020, 2021 or 2022, as the effect would be anti-dilutive.

The weighted average number of shares related to outstanding anti-dilutive options excluded from the calculations of diluted net earnings per share was 18,161,000, 4,754,000 and \$2,295,000 for the years 2022, 2021 and 2020, respectively.

u. Accounting for stock-based compensation:

The Company accounts for stock-based compensation in accordance with ASC 718, "Compensation - Stock Compensation" ("ASC 718"), which requires the measurement and recognition of stock base compensation expenses based on estimated fair values for all share-based payment awards made to employees and directors. ASC 718 requires companies to estimate the fair value of equity-based payment awards on the date of grant using an option-pricing model and account for forfeitures as they occur.

The Company recognizes compensation expenses for the value of its awards, which have graded vesting, based on the accelerated attribution method over the requisite service period of each of the awards. The Company accounts for forfeitures as they occur.

The Company estimates the fair value of stock options granted using the Black-Scholes-Merton option-pricing model, which requires a number of assumptions: the expected volatility is based upon actual historical stock price movements; the expected term of options granted is based upon historical experience and represents the period of time that options granted are expected to be outstanding; the risk-free interest rate is based on the yield from U.S. Federal Reserve zero-coupon bonds with an equivalent term; and the expected dividend rate (an annualized dividend yield) is based on the per share dividend declared by the Company's Board of Directors.

The Company measures the fair value of restricted stock based on the market value of the underlying shares at the date of grant. The fair value of certain performance share units with market-based performance conditions granted under the employee equity plan was estimated on the grant date using the Monte Carlo valuation methodology.

v. Fair value of financial instruments:

The Company applies ASC 820, "Fair Value Measurements and Disclosures" ("ASC 820") for valuing financial instruments. Under this standard, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. The Company measures its investments in money market funds classified as cash equivalents, marketable securities and its foreign currency derivative contracts at fair value.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****U.S. dollars in thousands (except share and per share data)****NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

In determining fair value, the Company uses various valuation approaches. ASC 820 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The hierarchy is broken down into three levels based on the inputs as follows:

- Level 1 - Valuations based on quoted prices in active markets for identical assets that the Company has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.
- Level 2 - Valuations based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.
- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of observable inputs can vary from investment to investment and is affected by a wide variety of factors, including, for example, the type of investment, the liquidity of markets and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment and the investments are categorized as Level 3.

The Company's marketable securities, exchangeable senior notes and foreign currency derivative contracts are classified within Level 2 (see Notes 3, 10 and 15).

The carrying amounts of cash and cash equivalents, short-term bank deposits, trade receivables and trade payables approximate their fair value due to the immediate or short-term maturities of these financial instruments.

w. Legal contingencies:

The Company is currently involved in various claims and legal proceedings. The Company reviews the status of each matter and assesses its potential financial exposure. If the potential loss from any claim or legal proceeding is considered probable and the amount can be reasonably estimated, the Company accrues a liability for the estimated loss.

x. Advertising expenses:

Advertising expenses are charged to expense as incurred. Advertising expenses for the years 2022, 2021 and 2020 were \$43,981; \$31,575 and \$14,134, respectively.

y. Treasury shares:

The Company repurchases its ordinary shares from time to time on the open market or in other transactions and holds such shares as treasury shares. The Company accounts for the cost to repurchase treasury shares as a reduction of shareholders' equity. The Company reissues treasury shares under the stock purchase plan, upon exercise of options and upon vesting of restricted stock units ("RSU"). Re-issuance of treasury shares is accounted for in accordance with ASC 505-30 in which gains are credited to additional paid-in capital and losses are charged to additional paid-in capital to the extent that previous net gains are included therein and otherwise to retained earnings.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****U.S. dollars in thousands (except share and per share data)****NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

## z. Business combination:

The Company applies the provisions of ASC 805, "Business Combination", and allocates the fair value of purchase consideration to the tangible assets acquired, liabilities assumed, and intangible assets acquired based on their estimated fair values. The excess of the fair value of purchase consideration over the fair values of these identifiable assets and liabilities is recorded as goodwill. When determining the fair values of assets acquired and liabilities assumed, management makes significant estimates and assumptions, especially with respect to intangible assets.

Significant estimates in valuing certain intangible assets include, but are not limited to, future expected cash flows from customer relationships, acquired technology and acquired trademarks from a market participant perspective, useful lives and discount rates. Management's estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates. Acquisition-related expenses are recognized separately from the business combination and are expensed as incurred.

Contingent consideration incurred in a business combination is included as part of the acquisition price and recorded at a probability weighted assessment of the fair value as of the acquisition date. The fair value of the contingent consideration is re-measured at each reporting period, with any adjustments in fair value recognized in earnings under general and administrative expenses.

The Company applies ASU No. 2021-08, Business Combination (Topic 805): Accounting for Contract Assets and Liabilities from Contracts with Customers, which requires an acquirer to recognize and measure contract assets and liabilities acquired in a business combination in accordance with revenue from ASC 606 rather than adjust them to fair value at the acquisition date.

## aa. Non-controlling interests:

The consolidated financial statements include the Company's accounts and the accounts of the Company's wholly- and majority-owned subsidiaries. Non-controlling interest positions of the Company's consolidated entities are reported as a separate component of consolidated equity from the equity attributable to the Company's shareholders.

In case of an increase in ownership of a subsidiary, the carrying amount of the non-controlling interest is adjusted to reflect the controlling interest's increased ownership interest in the subsidiary's net assets. Any difference between the consideration paid by the Company to a non-controlling interest holder (or contributed by the Company to the net assets of the subsidiary) and the adjustment to the carrying amount of the non-controlling interest in the subsidiary is recognized directly in equity and attributable to the controlling interest. In 2021, the Company acquired an additional 20% in the 2020 Subsidiary for a total consideration of approximately \$14,000.

## ab. Comprehensive income:

The Company accounts for comprehensive income in accordance with ASC 220, "Comprehensive Income". Comprehensive income generally represents all changes in shareholders' equity during the period except those resulting from investments by, or distributions to, shareholders. Other comprehensive income for the Company relates to gains and losses on hedging derivative instruments, unrealized gains and losses on available for sale marketable securities and changes in foreign currency translation adjustments.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

U.S. dollars in thousands (except share and per share data)

**NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

The following tables show the components of accumulated other comprehensive income, net of taxes, as of December 31, 2022, 2021 and 2020:

	<b>Year ended December 31, 2022</b>			
	<b>Unrealized gains (losses) on marketable securities</b>	<b>Unrealized gains (losses) on cash flow hedges</b>	<b>Foreign currency translation adjustment</b>	<b>Total</b>
Beginning balance	\$ (1,486)	\$ 3,932	\$ (42,185)	\$ (39,739)
Other comprehensive loss before reclassifications	(33,319)	(18,223)	(27,582)	(79,124)
Amounts reclassified from accumulated other comprehensive loss	419	7,189	—	7,608
Net current-period other comprehensive income	(32,900)	(11,034)	(27,582)	(71,516)
Ending balance	<u>\$ (34,386)</u>	<u>\$ (7,102)</u>	<u>\$ (69,767)</u>	<u>\$ (111,255)</u>

	<b>Year ended December 31, 2021</b>			
	<b>Unrealized gains (losses) on marketable securities</b>	<b>Unrealized gains (losses) on cash flow hedges</b>	<b>Foreign currency translation adjustment</b>	<b>Total</b>
Beginning balance	\$ 13,285	\$ 4,836	\$ (34,783)	\$ (16,662)
Other comprehensive (loss) income before reclassifications	(13,368)	5,024	(7,402)	(15,746)
Amounts reclassified from accumulated other comprehensive income (loss)	(1,403)	(5,928)	—	(7,331)
Net current-period other comprehensive income	(14,771)	(904)	(7,402)	(23,077)
Ending balance	<u>\$ (1,486)</u>	<u>\$ 3,932</u>	<u>\$ (42,185)</u>	<u>\$ (39,739)</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

U.S. dollars in thousands (except share and per share data)

**NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

	Year ended December 31, 2020			
	Unrealized gains (losses) on marketable securities	Unrealized gains (losses) on cash flow hedges	Foreign currency translation adjustment	Total
Beginning balance	\$ 4,131	\$ 2,351	\$ (39,781)	\$ (33,299)
Other comprehensive gain before reclassifications	11,249	4,954	4,998	21,201
Amounts reclassified from accumulated other comprehensive income (loss)	(2,095)	(2,469)	—	(4,564)
Net current-period other comprehensive loss	9,154	2,485	4,998	16,637
Ending balance	\$ 13,285	\$ 4,836	\$ (34,783)	\$ (16,662)

ac. Recently adopted accounting standards:

In August 2020, the FASB issued ASU 2020-06, which simplifies the guidance on the issuer's accounting for convertible debt instruments by removing the separation models for (1) convertible debt with a cash conversion feature and (2) convertible instruments with a beneficial conversion feature. As a result, entities will not separately present in equity an embedded conversion feature in such debt. Instead, they will account for a convertible debt instrument wholly as debt, unless certain other conditions are met. The elimination of these models will reduce reported interest expense and increase reported net income for entities that have issued a convertible instrument that was within the scope of those models before the adoption of ASU 2020-06. ASU 2020-06 also requires that the effect of potential share settlement be included in the diluted earnings per share calculation when an instrument may be settled in cash or share. This amendment removes current guidance that allows an entity to rebut this presumption if it has a history or policy of cash settlement. Furthermore, ASU 2020-06 requires the application of the if-converted method for calculating diluted earnings per share; the treasury stock method will be no longer available.

On January 1, 2022, the Company adopted ASU 2020-06 using the modified retrospective method. The Company recognized a cumulative effect of initially applying ASU 2020-06 as an adjustment to the January 1, 2022 opening balance of accumulated deficit. The Company combined the previously separated equity component with the liability component, which together is classified as debt, thereby eliminating the subsequent amortization of the debt discount as interest expense. Similarly, the portion of issuance costs previously allocated to equity was reclassified to debt and amortized as interest expense. Accordingly, the Company recorded as of January 1, 2022 an increase to retained earnings of approximately \$7,331, a decrease to additional paid-in capital of \$28,816, an increase to long-term debt of \$24,758, a decrease to deferred tax liabilities of \$2,937, and an increase in debt issuance costs of \$336. There will be an impact to earnings per share as a result of the adoption based on the if-converted method if the Company average share price will exceed the conversion price of \$299.19 of the 2020 Notes, then there will be an impact to earnings per share for the dilution impact above the conversion price as a result of the adoption based on the if-converted method. The prior period consolidated financial statements have not been retrospectively adjusted and continue to be reported under the accounting standards in effect for those periods.

**NOTE 3:- SHORT-TERM INVESTMENTS**

Short-term investments include marketable securities in the amount of \$1,012,286 and \$1,041,589 as of December 31, 2022 and 2021, respectively and short-term bank deposits in the amounts of \$29,657 and \$4,507 as of December 31, 2022 and 2021, respectively.

The following table summarizes amortized costs, gross unrealized gains and losses and estimated fair values of available-for-sale marketable securities as of December 31, 2022 and 2021:

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share and per share data)

	Amortized cost		Gross unrealized gains		Gross unrealized losses		Estimated fair value (Level 2 within the fair value hierarchy)	
	December 31,		December 31,		December 31,		December 31,	
	2022	2021	2022	2021	2022	2021	2022	2021
Corporate debentures	\$ 986,803	\$1,012,615	\$ 180	\$ 3,883	\$ (37,408)	\$ (5,560)	\$ 949,574	\$1,010,939
U.S. Treasuries	42,317	14,658	96	156	(984)	—	41,428	14,815
U.S. Government Agencies	22,238	16,005	12	—	(968)	(169)	21,284	15,835
	<u>\$ 1,051,358</u>	<u>\$1,043,278</u>	<u>\$ 288</u>	<u>\$ 4,039</u>	<u>\$ (39,360)</u>	<u>\$ (5,729)</u>	<u>\$1,012,286</u>	<u>\$1,041,589</u>

The scheduled maturities of available-for-sale marketable securities as of December 31, 2022 are as follows:

	Amortized cost	Estimated fair value
Due within one year	\$ 347,284	\$ 340,514
Due after one year through five years	704,074	671,772
	<u>\$ 1,051,358</u>	<u>\$ 1,012,286</u>

Investments with continuous unrealized losses for less than 12 months and 12 months or greater and their related fair values as of December 31, 2022 and 2021 are as indicated in the following tables:

	December 31, 2022					
	Investments with continuous unrealized losses for less than 12 months		Investments with continuous unrealized losses for 12 months or greater		Total Investments with continuous unrealized losses	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Corporate debentures	\$ 404,393	\$ (14,198)	\$ 508,180	\$ (23,210)	\$ 912,573	\$ (37,408)
U.S. Treasuries	32,501	(984)	—	—	32,501	(984)
U.S. Government Agencies	3,344	(157)	15,195	(811)	18,539	(968)
	<u>\$ 440,238</u>	<u>\$ (15,339)</u>	<u>\$ 523,375</u>	<u>\$ (24,021)</u>	<u>\$ 963,613</u>	<u>\$ (39,360)</u>

	December 31, 2021					
	Investments with continuous unrealized losses for less than 12 months		Investments with continuous unrealized losses for 12 months or greater		Total Investments with continuous unrealized losses	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Corporate debentures	\$ 494,731	\$ (4,413)	\$ 156,840	\$ (1,147)	\$ 651,571	\$ (5,560)
U.S. Treasuries	—	—	—	—	—	—
U.S. Government Agencies	15,835	(169)	—	—	15,835	(169)
	<u>\$ 510,566</u>	<u>\$ (4,582)</u>	<u>\$ 156,840</u>	<u>\$ (1,147)</u>	<u>\$ 667,406</u>	<u>\$ (5,729)</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

U.S. dollars in thousands (except share and per share data)

**NOTE 4:- PREPAID EXPENSES AND OTHER CURRENT ASSETS**

	<b>December 31,</b>	
	<b>2022</b>	<b>2021</b>
Government authorities	\$ 88,790	\$ 93,505
Interest receivable	869	4,992
Prepaid expenses	95,088	76,709
Other	20,007	9,398
	<u>\$ 204,754</u>	<u>\$ 184,604</u>

**NOTE 5:- PREPAID EXPENSES AND OTHER LONG-TERM ASSETS**

	<b>December 31,</b>	
	<b>2022</b>	<b>2021</b>
Deferred commission costs	\$ 138,861	\$ 138,343
Severance pay fund	11,967	13,180
Prepaid expenses	74,819	66,882
Other	5,849	6,039
	<u>\$ 231,496</u>	<u>\$ 224,445</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

U.S. dollars in thousands (except share and per share data)

**NOTE 6:- PROPERTY AND EQUIPMENT, NET**

	December 31,	
	2022	2021
Cost:		
Computers and peripheral equipment	\$ 231,714	\$ 207,843
Internal use software	247,763	191,697
Office furniture and equipment	6,460	6,585
Leasehold improvements	59,796	56,835
	<u>545,733</u>	<u>462,960</u>
Accumulated depreciation:		
Computers and peripheral equipment	186,146	162,487
Internal use software	147,657	109,501
Office furniture and equipment	5,103	3,529
Leasehold improvements	47,542	41,789
	<u>386,448</u>	<u>317,306</u>
Depreciated cost	<u>\$ 159,285</u>	<u>\$ 145,654</u>

Depreciation expense totaled \$71,460, \$65,411 and \$67,892 for the years ended December 31, 2022, 2021 and 2020, respectively.

The Company recorded a reduction of \$8,279 and \$12,322 to the cost and accumulated depreciation of fully depreciated equipment and leasehold improvements no longer in use for the years ended December 31, 2022 and 2021, respectively.

**NOTE 7:- OTHER INTANGIBLE ASSETS, NET**

## a. Finite-lived other intangible assets:

	December 31,	
	2022	2021
Original amounts:		
Core technology	\$ 674,729	\$ 665,555
Customer relationships, backlog and distribution network	296,712	288,755
Trademarks	44,899	44,440
	<u>1,016,340</u>	<u>998,750</u>
Accumulated amortization:		
Core technology	503,421	428,880
Customer relationships, backlog and distribution network	270,280	246,609
Trademarks	33,034	27,883
	<u>806,735</u>	<u>703,372</u>
Other intangible assets, net	<u>\$ 209,605</u>	<u>\$ 295,378</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

U.S. dollars in thousands (except share and per share data)

**NOTE 7:- OTHER INTANGIBLE ASSETS, NET (Cont.)**

b. Amortization expense amounted to \$105,086, \$118,681 and \$114,134 for the years ended December 31, 2022, 2021 and 2020, respectively.

c. Estimated amortization expense:

For the year ended December 31,

2023	\$ 91,333
2024	70,720
2025	24,368
2026	16,179
2027	5,723
Thereafter	1,282
	<u>\$ 209,605</u>

**NOTE 8:- GOODWILL**

Following the Company's acquisitions in 2022 and 2021, as described in Note 1b, the changes in the carrying amount of goodwill allocated to reportable segments for the years ended December 31, 2022 and 2021 are as follows:

	<b>Year ended December 31, 2022</b>		
	<b>Customer Engagement</b>	<b>Financial Crime and Compliance</b>	<b>Total</b>
As of January 1, 2022	\$ 1,257,149	\$ 349,607	\$ 1,606,756
Acquisitions (*)	27,763		27,763
Functional currency translation adjustments	(15,302)	(2,099)	(17,401)
As of December 31, 2022	<u>\$ 1,269,610</u>	<u>\$ 347,508</u>	<u>\$ 1,617,118</u>

(\*) Including adjustment of \$(276) resulting from finalization of purchase price allocations with respect to 2021.

	<b>Year ended December 31, 2021</b>		
	<b>Customer Engagement</b>	<b>Financial Crime and Compliance</b>	<b>Total</b>
As of January 1, 2021	\$ 1,153,023	\$ 350,229	\$ 1,503,252
Acquisitions	108,183	(427)	107,756
Functional currency translation adjustments	(4,057)	(195)	(4,252)
As of December 31, 2021	<u>\$ 1,257,149</u>	<u>\$ 349,607</u>	<u>\$ 1,606,756</u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share and per share data)

## NOTE 9:- ACCRUED EXPENSES AND OTHER LIABILITIES

	December 31,	
	2022	2021
Payroll and related expenses	\$ 197,480	\$ 232,578
Accrued expenses	141,144	112,856
Government authorities	171,217	140,443
Other	13,610	1,670
	<u>\$ 523,451</u>	<u>\$ 487,547</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****U.S. dollars in thousands (except share and per share data)****NOTE 10:- DERIVATIVE INSTRUMENTS**

The Company's risk management strategy includes the use of derivative financial instruments to reduce the volatility of earnings and cash flows associated with changes in foreign currency exchange rates.

ASC 815, "Derivatives and Hedging" ("ASC 815"), requires the Company to recognize all of its derivative instruments as either assets or liabilities on the balance sheet at fair value. The accounting for changes in the fair value (i.e., gains or losses) of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and further, on the type of hedging relationship. For those derivative instruments that are designated and qualify as hedging instruments, an entity must designate the hedging instrument, based upon the exposure being hedged, as a fair value hedge, cash flow hedge or a hedge of a net investment in a foreign operation.

Gains and losses on derivatives instruments that are designated and qualify as a cash flow hedge (i.e., hedging the exposure to variability in expected future cash flows that are attributable to a particular risk), are recorded in accumulated other comprehensive income (loss) and reclassified into the statement of income in the same accounting period in which the designated forecasted transaction or hedged item affects earnings.

The Company entered into option and forward contracts to hedge a portion of anticipated New Israeli Shekel ("NIS"), Indian Rupee ("INR") and Philippine peso ("PHP") payroll and benefit payments. These derivative instruments are designated as cash flow hedges, as defined by ASC 815 and accordingly are measured at fair value. These transactions are effective and, as a result, gain or loss on the derivative instruments are reported as a component of accumulated other comprehensive income (loss) and reclassified as payroll expenses, facility expenses or finance expenses, respectively, at the time that the hedged income/expense is recorded.

	Notional amount		Fair value (Level 2 within the fair value hierarchy)	
	December 31,		December 31,	
	2022	2021	2022	2021
Forward contracts				
expenses NIS	111,253	125,884	(7,862)	4,164
expenses INR	46,406	44,013	(1,379)	828
expenses PHP	11,235	705	651	(5)
	\$ 168,894	\$ 170,602	\$ (8,590)	\$ 4,987

The Company currently hedges its exposure to the variability in future cash flows for a maximum period of one year. As of December 31, 2022, the Company expects to reclassify all of its unrealized gains and losses from accumulated other comprehensive income to earnings during the next twelve months.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

U.S. dollars in thousands (except share and per share data)

**NOTE 10:- DERIVATIVE INSTRUMENTS (Cont.)**

The fair value of the Company's outstanding derivative instruments at December 31, 2022 and 2021 is summarized below:

Balance sheet line item	Fair value of derivative instruments	
	December 31,	
	2022	2021
<b>Derivative assets:</b>		
Foreign exchange forward contracts    Prepaid expenses and other current assets	651	4,992
<b>Derivative liabilities:</b>		
Foreign exchange forward contracts    Accrued expenses and other liabilities	\$ (9,241)	\$ (5)

The effect of derivative instruments in cash flow hedging relationship on income and other comprehensive income for the years ended December 31, 2022, 2021 and 2020 is summarized below:

	Amount of gain (loss) recognized in other comprehensive income on derivative, net of tax (effective portion)		
	Year Ended December 31,		
	2022	2021	2020
<b>Derivatives in foreign exchange cash flow hedging relationships:</b>			
Forward contracts	\$ (18,223)	\$ 4,993	\$ 5,901
Option contracts	—	31	(947)
	<u>\$ (18,223)</u>	<u>\$ 5,024</u>	<u>\$ 4,954</u>

Derivatives in foreign exchange cash flow hedging relationships for the years ended December 31, 2022, 2021 and 2020 is summarized below:

	Statements of income line item	Amount of gain (loss) reclassified from other comprehensive income into income (expenses), net of tax (effective portion)		
		Year Ended December 31,		
		2022	2021	2020
Option contracts to hedge payroll and facility expenses	Cost of revenues and operating expenses	\$ —	\$ (771)	\$ (490)
Forward contracts to hedge payroll and facility expenses	Cost of revenues, operating expenses and financial expenses	7,189	(5,157)	(1,979)
		<u>\$ 7,189</u>	<u>\$ (5,928)</u>	<u>\$ (2,469)</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****U.S. dollars in thousands (except share and per share data)****NOTE 11:- LEASES**

The Company has entered into various non-cancelable operating lease agreements for certain office spaces and motor vehicles. The leases have original lease periods expiring between 2023 and 2037. The Company does not assume renewals in its determination of the lease term unless the renewals are considered as reasonably assured.

The operating lease cost for the year ended December 31, 2022 was \$19,115.

Supplemental cash flow information related to leases was as follows:

	Year ended December 31, 2022
Cash payments related to operating lease	\$ 16,686
New right-of-use assets obtained in exchange for operating lease obligations	39,084

Maturities of lease liabilities were as follows:

	Operating Leases
2023	\$ 17,841
2024	15,562
2025	13,867
2026	13,482
2027	13,214
Thereafter	70,268
Total lease payments	144,234
Less imputed interest	(31,447)
Total	<u>\$ 112,787</u>

Supplemental balance sheet information related to leases was as follows:

	Year ended December 31, 2022
Current maturities of operating leases	13,525
Long-term operating leases	99,262
Total operating lease liabilities	\$ 112,787
Weighted-average remaining operating lease term	10.82
Weighted-average discount rate of operating leases	4.96 %

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****U.S. dollars in thousands (except share and per share data)****NOTE 12:- COMMITMENTS AND CONTINGENT LIABILITIES**

## a. Commitments:

The Company is also obligated under certain agreements with its suppliers to purchase licenses and hosting services. These non-cancelable obligations as of December 31, 2022 are \$97,279.

## b. Legal proceedings:

From time to time the Company or its subsidiaries may be involved in legal proceedings and/or litigation arising in the ordinary course of business. While the outcome of these matters cannot be predicted with certainty, the Company does not believe it will have a material effect on its consolidated financial position, results of operations, or cash flows.

## c. Bank Guarantees:

The Company obtained bank guarantees as of December 31, 2022 of \$3,893, primarily in connection with office lease agreements.

**NOTE 13:- TAXES ON INCOME**

## a. Israeli taxation:

## 1. Corporate tax:

Commencing 2012, NICE Ltd. and its Israeli subsidiary elected the Preferred Enterprise regime to apply under the Law for the Encouragement of Capital Investments (the "Investment Law"). The election is irrevocable.

In December 2016, the Israeli Knesset passed a number of changes to the Investments Law regimes. These changes came into law in May 2017, effective beginning January 1, 2017, upon the passing into law of Regulations promulgated by the Finance Ministry to implement the "Nexus Principles" based on OECD guidelines published as part of the Base Erosion and Profit Shifting (BEPS) project. Such Regulations provide rules for implementation of the new beneficial Preferred Technology Enterprise tax regime.

The Company believes it qualifies as a Preferred Technology Enterprise and accordingly is eligible for a tax rate of 12% on its qualifying preferred technology income, as defined in such regulations, beginning from tax year 2017 and onwards. The Company expects that it will continue to qualify as a Preferred Technology Enterprise in subsequent tax years.

Income not eligible for Preferred Enterprise or Preferred Technology Enterprise benefits is taxed at the regular corporate tax rate, which remains 23% in 2022 (23% in 2021 and 2020).

Prior to 2012, most of NICE Ltd. and its Israeli subsidiary's income was exempt from tax or subject to reduced tax rates under the Investment Law. Upon distribution of exempt income, the distributing company was subject to reduced corporate tax rates ordinarily applicable to such income under the Investment Law. Currently, income subjected to a reduced tax rate under the Preferred Enterprise and Preferred Technology Enterprise Regime will be freely distributable as dividends, subject to a 20% withholding tax (or lower, under an applicable tax treaty). However, upon the distribution of a dividend from such Preferred Income to an Israeli company, no withholding tax will be imposed.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****U.S. dollars in thousands (except share and per share data)****NOTE 13:- TAXES ON INCOME (Cont.)**

In September 2013, and pursuant to a temporary Israeli government tax relief, the Company made an election to pay reduced corporate tax on undistributed exempt income, generated under the Investment Law and accumulated by the company until December 31, 2011 and be entitled to distribute a dividend, without being required to pay additional corporate tax, from such income. NICE Ltd. duly released its and its Israeli subsidiary's tax-exempted income through 2011. In addition, under this election the Company was required to make and complete certain qualified investments in Israeli "industrial projects" (as defined in the Law), by December 31, 2018, which the Company believes it has done. In December 2020, in the context of a multi-year settlement with the Israeli Tax Authorities, the Israeli subsidiary paid a reduced corporate tax rate on its 2012 tax-exempted earnings. Further to the 2013 election and recent 2020 settlement, neither NICE Ltd. nor its Israeli subsidiary would have a tax liability upon future distributions of any previously tax-exempted earnings.

2. Foreign Exchange Regulations:

Under the Foreign Exchange Regulations, NICE Ltd. and its Israeli subsidiary calculate their tax liability in U.S. Dollars according to certain orders. The tax liability, as calculated in U.S. Dollars, is translated into NIS according to the exchange rate as of December 31st of each year.

3. Tax benefits under the Israeli Law for the Encouragement of Industry (Taxation), 1969:

NICE Ltd. and its Israeli subsidiary believe they each currently qualify as an "Industrial Company" as defined by the Investment Law and, as such, are entitled to certain tax benefits including deduction of public offering expenses in three equal annual installments and amortization of cost of purchased know-how and patents for tax purposes over 8 years.

b. Income taxes on non-Israeli subsidiaries:

Non-Israeli subsidiaries are taxed according to the tax laws in their respective country of residence. The Company's consolidated tax rate depends on the geographical mix of where its profits are earned. In 2022, the Company's U.S. subsidiaries are subject to combined federal and state income taxes of approximately 24.9% and its subsidiaries in the U.K. and India are subject to corporation tax at a rate of approximately 19% and 17.5%, respectively. Neither Israeli income taxes, foreign withholding taxes nor deferred income taxes were provided in relation to undistributed earnings of the Company's foreign subsidiaries. This is because the Company has the intent and ability to reinvest these earnings indefinitely in the foreign subsidiaries and therefore those earnings are continually redeployed in those jurisdictions. As of December 31, 2022, the amount of undistributed earnings of non-Israeli subsidiaries, which is considered indefinitely reinvested, was \$1,348,664 with a corresponding unrecognized deferred tax liability of \$179,608. If these earnings were distributed to Israel in the form of dividends or otherwise, the Company would be subject to additional Israeli income taxes, subject to an adjustment for foreign tax credits, and foreign withholding taxes.

c. U.S. Tax:

On December 22, 2017, the United States enacted the Tax Cuts and Jobs Act (the "U.S. Tax Reform" or "TCJA"), a comprehensive tax legislation that includes several key tax changes to the taxation of business entities, among which is the change to IRS Section 174, that went into effect for taxable years beginning after December 31, 2021, requiring research and development expenses to be capitalized and amortized over a period of either five or fifteen years. Prior to this change, the research and development expenses could be fully expensed, as incurred, for tax purposes.

The final impact of the TCJA may differ due to, among other things, possible changes in the interpretations and assumptions made by the Company as a result of additional information, additional guidance or finalization of law and regulations that will be issued by the U.S. Department of Treasury, the IRS or other

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**U.S. dollars in thousands (except share and per share data)****NOTE 13:- TAXES ON INCOME (Cont.)**

standard-setting bodies, and which may impact the Company's future financial statements, and will be accounted for when such guidance is issued.

d. Net operating loss carryforward:

As of December 31, 2022, the Company and certain of its subsidiaries had tax loss carry-forwards totaling in aggregate approximately \$216,493, which can be carried forward and offset against taxable income. Approximately \$121,424 of these carry-forward tax losses have no expiration date, with the balance expiring between the years 2023 and 2041.

Utilization of U.S. net operating losses may be subject to substantial annual limitation due to the "change in ownership" provisions of the Internal Revenue Code of 1986 and similar state provisions. The annual limitation may result in the expiration of net operating losses before utilization.

e. Deferred tax assets and liabilities:

Deferred taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts recorded for tax purposes. Significant components of the Company's deferred tax assets and liabilities are as follows :

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****U.S. dollars in thousands (except share and per share data)****NOTE 13:- TAXES ON INCOME (Cont.)**

	<b>December 31,</b>	
	<b>2022</b>	<b>2021</b>
Deferred tax assets:		
Net operating losses carryforward and tax credits	\$ 51,924	\$ 50,551
Intra-entity transfer of certain intangible assets (*)	17,252	18,986
Operating leases liabilities	22,878	22,454
Share based payments	38,206	28,721
Research and development costs	62,695	21,643
Reserves, allowances and other	54,774	47,405
Deferred tax assets before valuation allowance	247,729	189,760
Valuation allowance	(12,569)	(10,464)
Deferred tax assets	<u>235,160</u>	<u>179,296</u>
Deferred tax liabilities:		
Acquired intangibles	(43,385)	(59,678)
Operating lease right-of-use assets	(20,160)	(19,001)
Acquired deferred revenue	(565)	(1,907)
Internal use software and other fixed assets	(24,766)	(16,835)
Prepaid compensation expenses	(36,724)	(30,788)
Debt	—	(2,937)
Other	(7)	(333)
Deferred tax liabilities	<u>(125,607)</u>	<u>(131,479)</u>
Deferred tax assets, net	<u>\$ 109,553</u>	<u>\$ 47,817</u>

(\*) During the years ended December 31, 2021 and 2020, the Company completed intra-entity transfers of certain intangible assets to a different tax jurisdiction. As a result of the transfers, the Company utilized net operating losses carried forward, incurred a tax expense on capital gain, released valuation allowances and recorded a deferred tax asset.

	<b>December 31,</b>	
	<b>2022</b>	<b>2021</b>
Deferred tax assets	\$ 116,889	\$ 55,246
Deferred tax liabilities	(7,336)	(7,429)
Deferred tax assets, net	<u>\$ 109,553</u>	<u>\$ 47,817</u>

The Company has provided valuation allowances in respect of certain deferred tax assets resulting from tax loss carry forwards and other reserves and allowances due to uncertainty concerning their realization.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****U.S. dollars in thousands (except share and per share data)****NOTE 13:- TAXES ON INCOME (Cont.)**

f. A reconciliation of the Company's effective tax rate to the statutory tax rate in Israel is as follows:

	<b>Year Ended December 31,</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
Income before taxes on income, as reported in the consolidated statements of income	\$ 345,332	\$ 240,619	\$ 237,188
Statutory tax rate in Israel	23.0 %	23.0 %	23.0 %
Preferred Enterprise / Preferred Technology Enterprise benefits (*)	(3.3)%	(2.2)%	(3.8)%
Changes in valuation allowance	0.5 %	1.0 %	0.5 %
Earnings taxed under foreign law	0.7 %	0.2 %	(0.5)%
Tax settlements and other adjustments	0.4 %	(1.8)%	(0.6)%
Intangible assets transfer	— %	(1.7)%	0.1 %
Other	1.7 %	(1.3)%	(1.5)%
Effective tax rate	<u>23.0 %</u>	<u>17.2 %</u>	<u>17.2 %</u>

(\*) The effect of the benefit resulting from the "Preferred Enterprise/Preferred Technology Enterprise benefits" status on net earnings per ordinary share is as follows

	<b>Year Ended December 31,</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
Basic	\$ 0.18	\$ 0.08	\$ 0.15
Diluted	\$ 0.19	\$ 0.08	\$ 0.14

g. Income before taxes on income is comprised as follows:

	<b>Year Ended December 31,</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
Domestic	\$ 102,500	\$ 53,703	\$ 87,008
Foreign	242,832	186,916	150,180
	<u>\$ 345,332</u>	<u>\$ 240,619</u>	<u>\$ 237,188</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****U.S. dollars in thousands (except share and per share data)****NOTE 13:- TAXES ON INCOME (Cont.)**

h. Taxes on income (tax benefit) are comprised as follows:

	<b>Year Ended December 31,</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
Current	\$ 132,129	\$ 80,903	\$ 74,096
Deferred	(52,742)	(39,507)	(33,254)
	<u>79,387</u>	<u>41,396</u>	<u>40,842</u>
Domestic	28,853	16,171	15,995
Foreign	50,534	25,225	24,847
	<u>\$ 79,387</u>	<u>\$ 41,396</u>	<u>\$ 40,842</u>

Of which:

	<b>Year Ended December 31,</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
Domestic taxes:			
Current	\$ 29,576	\$ 27,400	\$ 22,323
Deferred	(723)	(11,229)	(6,328)
	<u>28,853</u>	<u>16,171</u>	<u>15,995</u>
Foreign taxes:			
Current	102,553	53,503	51,773
Deferred	(52,019)	(28,278)	(26,926)
	<u>50,534</u>	<u>25,225</u>	<u>24,847</u>
Taxes on income	<u>\$ 79,387</u>	<u>\$ 41,396</u>	<u>\$ 40,842</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****U.S. dollars in thousands (except share and per share data)****NOTE 13:- TAXES ON INCOME (Cont.)**

## i. Uncertain tax positions:

A reconciliation of the beginning and ending balances of the total amounts of uncertain tax position is as follows:

	<b>December 31,</b>	
	<b>2022</b>	<b>2021</b>
Uncertain tax positions, beginning of year	\$ 77,047	\$ 73,256
Increases in tax positions for prior years	2,729	3,190
Increases in tax positions for current year	6,031	9,248
Settlements	—	—
Expiry of the statute of limitations	(5,802)	(8,647)
Uncertain tax positions, end of year	<u>\$ 80,005</u>	<u>\$ 77,047</u>

The Company accrued \$22,285 and \$14,495 due to interest and penalties related to uncertain tax positions as of December 31, 2022 and 2021, respectively.

During the course of 2019, upon receipt of an information letter, the Company's United Kingdom Subsidiary Group elected to register for the United Kingdom Profits Diversion Compliance Facility, covering the years 2015-2018. During December 2021 and 2022, this was extended to include the years 2019 and 2020 respectively. NICE Ltd. is currently in the process of routine Israeli income tax audits for the tax years 2017 through 2019, and on February 25, 2021 received an Order of Final Assessment from the Israeli Tax Authorities for the tax year 2014 in the sum of \$16,000, on February 28, 2022 received an Order of Final Assessment for the tax year 2015 in the sum of \$14,675 and on February 20, 2023 received an Order of Final Assessment for the tax year 2016 in the sum of \$8,784 (refer to Note 19). As of December 31, 2022, U.S. federal income tax returns filed by the Company's U.S. subsidiaries for the tax years prior to 2019 are no longer subject to general audit. To the extent the Company or its subsidiaries generated net operating losses or tax credits in closed tax years, future use of the net operating loss or tax credit carry forward balance would be subject to examination within the relevant statute of limitations for the year in which it was utilized. The Company and its subsidiaries are still subject to other income tax audits for the tax years of 2011 through 2021.

**NOTE 14:- SHAREHOLDERS' EQUITY**

- a. The ordinary shares, par value NIS 1.0 per share, of the Company are traded on the Tel-Aviv Stock Exchange and its American Depositary Shares ("ADSs"), each representing one fully paid ordinary share, are traded on The NASDAQ Stock Market.
- b. Share option plan:

## 2016 Share Incentive Plan

In February 2016 the Company adopted the 2016 Share Incentive Plan (the "2016 Plan"). The Company adopted the 2016 Plan to provide incentives to employees, directors, consultants and/or contractors by rewarding performance and encouraging behavior that will improve the Company's profitability.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****U.S. dollars in thousands (except share and per share data)****NOTE 14:- SHAREHOLDERS' EQUITY (Cont.)**

Under the 2016 Plan, the Company's employees, directors, consultants and/or contractors may be granted any equity-related award, including: any type of an option to acquire the Company's ordinary shares; share appreciation right; share and/or restricted share award ("RSA"); restricted stock unit ("RSU") and/or other share unit; and/or other share-based award and/or other right or benefit under the 2016 Plan, including any such equity-related award that is a performance-based award (each an "Award").

Generally, under the terms of the 2016 Plan, unless determined otherwise by the administrator of the 2016 Plan, 25% of an Award granted becomes exercisable on the first anniversary of the date of grant and 6.25% becomes exercisable once every quarter during the subsequent three years. Specifically with respect to RSUs and options granted with an exercise price equal to the nominal value of an ordinary share ("par value options"), unless determined otherwise by the Board of Directors, 25% of the RSUs and the par value options granted become vested on each of the four consecutive annual anniversaries following the date of grant.

Certain executive officers are entitled to acceleration of vesting of Awards in the event of a change of control, subject to certain conditions. Awards with a vesting period expire six years after the date of grant. Pursuant to a resolution of the Company's Board of Directors dated February 4, 2014, options that are performance-based and that were granted during calendar year 2014 and thereafter shall expire seven years following the date of grant. The maximum number of shares that may be subject to Awards granted under each of the Plans is calculated each calendar year as 3% of the Company's issued and outstanding share capital as of December 31 of the preceding calendar year (pursuant to an amendment of the 2016 Plan approved by the Board of Directors on October 2, 2019). Such amount is reset for each calendar year. Awards are non-transferable except by will or the laws of descent and distribution.

Options granted under the 2016 Plan are granted at an exercise price equal to the average of the closing prices of one ADR as quoted on the NASDAQ market during the 30 consecutive calendar days preceding the date of grant, unless determined otherwise by the administrator of the 2016 Plan (including par value options).

The Company's Board of Directors also adopted an addendum to the 2016 Plan for Awards granted to residents of Israel (the "Addendum") and resolved to elect the "Capital Gains Route" (as defined in Section 102(b)(2)) of the Israeli Income Tax Ordinance-5721-1961 ("Tax Ordinance") for the grant of Awards to Israeli grantees. There is also a U.S. addendum under the 2016 Plan that applies to non-qualified stock options for purposes of U.S. tax laws.

During 2022, the Company granted 1,070,401 options and restricted share units under the 2016 Plan (which constituted 1.68% of the Company issued and outstanding share capital as of December 31, 2021).

Pursuant to the terms of the acquisitions of, Nexidia, inContact, Guardian Analytics and ContactEngine, the Company assumed or replaced unvested options, RSAs and RSUs and converted them or replaced them with the Company's options, RSAs and RSUs, as applicable, based on an agreed exchange ratio. Each assumed or replaced option, RSA and RSU is subject to the same terms and conditions, including vesting, exercisability and expiration, as originally applied to any such option, RSA and RSU immediately prior to the acquisition.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****U.S. dollars in thousands (except share and per share data)****NOTE 14:- SHAREHOLDERS' EQUITY (Cont.)**

The fair value of the Company's stock options granted to employees and directors for the years ended December 31, 2022, 2021 and 2020 was estimated using the following assumptions:

	<b>2022</b>	<b>2021</b>	<b>2020</b>
Expected volatility	29.45%-34.11%	26.21%-27.87%	0.00%-25.79%
Risk free interest rate	1.78%-4.15%	0.30%-0.93%	0.00%-0.86%
Expected dividend	\$ —	—	—
Expected term (in years)	3.5	3.5	3.5

A summary of the Company's stock options activity and related information for the year ended December 31, 2022, is as follows:

	<b>Number of options</b>	<b>Weighted- average exercise price</b>	<b>Weighted- average remaining contractual term (in years)</b>	<b>Aggregate intrinsic value</b>
Outstanding at January 1, 2022	1,108,652	21.20	4.42	313,083
Granted	386,219	13.90		
Exercised	(213,951)	3.58		
Cancelled	(1,007)	27.76		
Forfeited	(99,941)	0.43		
Outstanding at December 31, 2022	<u>1,179,972</u>	<u>23.76</u>	<u>4.31</u>	<u>200,905</u>
Exercisable at December 31, 2022	<u>436,520</u>	<u>57.66</u>	<u>2.90</u>	<u>60,737</u>

The weighted-average grant-date fair value of options granted during the years 2022, 2021 and 2020 was \$198.41, \$243.34 and \$192.44, respectively.

The total intrinsic value of options exercised, and restricted shares vested during the years 2022, 2021 and 2020 was \$178,693, \$189,408 and \$180,234, respectively.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

U.S. dollars in thousands (except share and per share data)

**NOTE 14:- SHAREHOLDERS' EQUITY (Cont.)**

The options outstanding under the Company's stock option plans as of December 31, 2022, have been separated into ranges of exercise price as follows:

<b>Ranges of exercise price</b>	<b>Options outstanding as of December 31, 2022</b>	<b>Weighted average remaining contractual term (Years)</b>	<b>Weighted average exercise price \$</b>	<b>Options Exercisable as of December 31, 2022</b>	<b>Weighted average exercise price of options exercisable \$</b>
\$ 0.27 - 0.32	1,006,545	4.52	0.29	276,744	0.29
\$ 6.82 - 7.18	1,521	1.04	7.03	1,521	7.03
\$ 20.44 - 24.99	2,159	4.98	21.73	2,157	21.73
\$ 38.06 - 54.51	3,534	3.45	45.48	3,215	44.59
\$ 79.21 - 96.74	47,259	0.97	88.69	47,259	88.69
\$ 151.63 - 224.18	95,378	3.79	187.19	82,048	185.52
\$ 232.20	23,576	4.32	232.20	23,576	232.20
	<b>1,179,972</b>	<b>4.31</b>	<b>23.76</b>	<b>436,520</b>	<b>57.66</b>

A summary of the Company's RSU and the Company's RSA activities and related information for the year ended December 31, 2022, is as follows:

	<b>Number of RSU and RSA (*)</b>
Outstanding at January 1, 2022	1,609,009
Granted	684,182
Vested	(626,815)
Forfeited	(142,153)
Outstanding at December 31, 2022	<u>1,524,223</u>

(\*) NIS 1.0 par value, which represents approximately \$0.29.

The weighted-average grant-date fair value of restricted shares granted during the year 2022 was \$221.49.

As of December 31, 2022, the total compensation cost related to non-vested awards not yet recognized was approximately \$286,034, which is expected to be recognized over a period of up to four years.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****U.S. dollars in thousands (except share and per share data)****NOTE 14:- SHAREHOLDERS' EQUITY (Cont.)**

The total equity-based compensation expense related to all of the Company's equity-based awards recognized for the years ended December 31, 2022, 2021 and 2020 was comprised as follows:

	<b>Year ended December 31,</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
Cost of revenues	\$ 18,535	\$ 17,879	\$ 11,313
Research and development, net	39,747	28,558	13,668
Selling and marketing	57,114	42,021	30,262
General and administrative	73,492	67,914	48,221
Total stock-based compensation expenses	<u>\$ 188,888</u>	<u>\$ 156,372</u>	<u>\$ 103,464</u>

## c. Treasury shares:

On February 12, 2020, our Board of Directors authorized a program to repurchase up to \$200,000 of our issued and outstanding ordinary shares and ADRs, which commenced following completion of the repurchase program that was authorized by our Board of Directors in 2017. On November 9, 2022, our Board of Directors authorized an additional program to repurchase up to \$250,000 of our issued and outstanding ordinary shares and ADRs, which commenced following completion of the program that was authorized in 2020. Repurchases may be made from time to time in the open market or in privately negotiated transactions in accordance with applicable securities laws and regulations. The timing and amount of the repurchase transactions will be determined by management and may depend on a variety of factors including market conditions, alternative investment opportunities and other considerations.

These programs do not obligate us to acquire any particular amount of ordinary shares and ADRs and each program may be modified or discontinued at any time without prior notice.

**NOTE 15:- DEBT***Loan and revolving Credit Agreement*

In 2016, the Company entered into a Credit Agreement with certain lenders, pursuant to which a loan of \$475,000 was provided to the Company.

In January 2017, the Company prepaid a principal amount of \$260,000, which resulted in \$5,300 amortization of debt issuance costs. In November 2020, the Company prepaid the remaining principal amount of \$215,000, which resulted in \$725 amortization of debt issuance costs.

The loan bore interest through maturity at a variable rate based upon, at the Company's option every interest period, either (a) the LIBOR rate for Eurocurrency borrowing or (b) an Alternate Base Rate ("ABR"), which is the highest of (i) the administrative agent's prime rate, (ii) one-half of 1.00% in excess of the overnight U.S. Federal Funds rate, and (iii) 1.00% in excess of the one-month LIBOR, plus in each case, an applicable margin. The applicable margin for Eurocurrency loans ranges, based on the applicable total net leverage ratio, from 1.25% to 2.00% per annum and the applicable margin for ABR loans ranges, based on the applicable total net leverage ratio, from 0.25% to 1.00% per annum.

Debt issuance costs of \$10,158 attributable to the loan were amortized as interest expense over the contractual term of the loan using the effective interest rate.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****U.S. dollars in thousands (except share and per share data)****NOTE 15:- DEBT (Cont.)**

Interest expense related to the liability for the year ended December 31, 2020 were as follows:

	<b>Year Ended 12/31/2020</b>
Amortization of debt issuance costs	\$ 1,687
Interest expense	3,848
Total interest expense recognized	<u>\$ 5,535</u>
Effective interest rate	<u>2.11 %</u>

Pursuant to the Credit Agreement, the Company was also granted a revolving credit facility that entitled the Company to borrow up to \$75,000 with interest payable on the borrowed amount set at the same terms as the term loan, as well as a quarterly commitment fee on unfunded amounts ranging from 0.25% to 0.5%, subject to the achievement of certain leverage levels.

Debt issuance costs of \$1,667 attributable to the revolving credit loan were capitalized and amortized as interest expense over the contractual term of the agreement on a straight-line basis. Following the loan prepayment in November 2020 (as mentioned above), the Credit Agreement was terminated, resulting in the recognition of the remaining \$325 amortization of Credit Agreement issuance costs.

*Exchangeable Senior Notes and Hedging Transactions**2017 Notes*

In January 2017, the Company issued \$287,500 aggregate principal amount of 2017 Notes due 2024.

In the event that the last reported sale price of the company's ADS for at least 20 trading days (whether consecutive or not) during the period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the exchange price ("Share Price Condition") or in the event of the satisfaction of certain other conditions, during set periods, as defined in the indenture governing the Notes, the holders of the exchangeable senior notes will have the option to exchange the Notes for (at the Company's election) (i) cash, (ii) ADSs or (iii) a combination thereof.

As of December 31, 2022, and 2021, the Share Price Condition for the 2017 Notes was triggered and, accordingly, the net carrying amount of these 2017 Notes was presented in current liabilities.

The Company may provide additional ADSs upon conversion if there is a "Make-Whole Fundamental Change" in the Company as defined in the indenture governing the 2017 Notes. The 2017 Notes are not redeemable by the Company prior to the maturity date apart from certain cases as set forth in the indenture governing the notes.

On December 31, 2021, the Company entered into the First Supplemental Indenture. In accordance with the First Supplemental Indenture, the Company irrevocably elected cash settlement for the principal and any premium due upon conversion (as defined in the 2017 Indenture) to apply to all conversions of 2017 Notes with an Exchange Date (as defined in the 2017 Indenture) that occurs on or after December 31, 2021.

As a result of the requirement to deliver cash to settle the principal and any premium due upon conversion, on December 31, 2021, the Company reclassified from equity to liability the conversion option (a derivative) fair value of \$292,940. The conversion option will be no longer eligible for ASC 815 scope exception. Therefore, a derivative accounting for the conversion option was required.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****U.S. dollars in thousands (except share and per share data)****NOTE 15:- DEBT (Cont.)**

Debt issuance costs of \$5,791 attributable to the 2017 Notes are amortized as interest expense over the contractual term of the notes using the effective interest rate.

Interest is payable on the debentures semi-annually at the cash coupon rate, however, the remaining debt discount is being amortized as additional non-cash interest expense using an effective annual interest rate equal to the Company's estimated nonconvertible debt borrowing rate at the time of issuance.

The Company received notices for conversion of \$195,342 and \$2,039 of principal amount of the 2017 Notes in 2021 and 2022, respectively, for which \$177,308 and \$20,132 were settled in 2021 and 2022, respectively. The Company paid the note holders the conversion value of the notes in cash. The cash conversion premium payment upon conversion of the 2017 Notes was offset by cash under the convertible bond hedge transaction (a derivative) entered into in connection with the offering of the 2017 Notes. As a result of the conversions, the Company recorded in 2021 and 2022, respectively a \$13,969 and \$1,206 loss on extinguishment of debt.

*2020 Notes*

On August 2020, the Company issued \$460,000 aggregate principal amount of exchangeable senior notes (the "2020 Notes" and together with the 2017 Notes, the "Notes") due 2025.

In the event that the Share Price Condition is satisfied or in the event of the satisfaction of certain other conditions, during set periods, set forth in the indenture governing the 2020 Notes, the holders of the exchangeable senior notes will have the option to exchange the Notes for (at the Company's election) (i) cash, (ii) ADSs or (iii) a combination thereof.

On December 31, 2021, the Company irrevocably elected that all conversions occurring on or after December 31, 2021, will be settled pursuant to a Combination Settlement (as defined in the 2020 Indenture) with a Specified Dollar Amount (as defined in the 2020 Indenture) no less than \$1,000 per \$1,000 principal amount of 2020 Notes. Generally, under this settlement method, the conversion value corresponding to the principal amount will be converted in cash, and the conversion value over the principal amount will be settled, at the Company's election, in cash or shares or a combination thereof.

The 2020 Notes are redeemable by the Company on or after September 21, 2023 upon the fulfillment of the Share Price Condition for cash in relation to the principal amount, and the conversion value over the principal amount will be settled, at the Company's election, in (i) cash, (ii) ADSs or (iii) a combination thereof, apart from certain cases as set forth in the indenture governing the Notes.

The 2020 Notes do not bear interest, however, the remaining debt discount is being amortized as additional non-cash interest expense using an effective annual interest rate.

Debt issuance costs of \$8,574 attributable to the 2020 Notes are amortized as interest expense over the contractual term of the 2020 Notes using the effective interest rate.

The Company may provide additional ADSs upon conversion if there is a "Make-Whole Fundamental Change" in the Company as defined in the indenture governing the 2020 Notes.

The following table summarizes some key facts and terms regarding the outstanding Notes:

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

U.S. dollars in thousands (except share and per share data)

**NOTE 15:- DEBT (Cont.)**

	<b>Due 2025</b>	<b>Due 2024</b>
Issuance date	August 27, 2020	January 18, 2017
Maturity date	September 15, 2025	January 15, 2024
Effective conversion date	June 15, 2025	September 15, 2023
Principal amount	\$460,000	\$90,055
Cash coupon rate (per annum)	—%	1.25%
Conversion rate effective (per \$1000 principal amount)	\$3.34	\$12.05
Effective conversion price (per ADS)	\$299.19	\$82.96

The carrying values of the liability and equity components of the Notes are reflected in the Company's accompanying consolidated balance sheets as follows:

	<b>2020 Notes</b>		<b>2017 Notes</b>	
	<b>December 31,</b>		<b>December 31,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Principal	\$ 460,000	\$ 460,000	\$ 90,055	\$ 110,187
Conversion option (Level 2)	—		122,323	\$ 292,940
Less:				
Debt issuance costs, net of amortization	(4,618)	(5,975)	(335)	(780)
Unamortized discount	—	(24,758)	(2,751)	(6,401)
Net liability carrying amount	<u>\$ 455,382</u>	<u>\$ 429,267</u>	<u>\$ 209,292</u>	<u>\$ 395,946</u>
Equity component - net carrying value	<u>\$ —</u>	<u>\$ 32,746</u>	<u>\$ —</u>	<u>\$ —</u>

As of December 31, 2022, the estimated fair value of the 2017 Notes and the 2020 Notes which the Company has classified as Level 2 financial instruments are \$207,169 (\$405,410 as of December 31, 2021) and \$433,113 (\$554,410 as of December 31, 2021), respectively.

The estimated fair value was determined based on the quoted bid price of the exchangeable senior notes in an over-the-counter market on the last trading day of the reporting period. As of December 31, 2022, the difference between the net carrying amount of the 2020 Notes and estimated fair value is mainly due to the interest increase in global markets.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****U.S. dollars in thousands (except share and per share data)****NOTE 15:- DEBT (Cont.)**

Interest expense related to the Notes is reflected on the accompanying consolidated statements of income as follows:

	2020 Notes			2017 Notes		
	Year Ended December 31,			Year Ended December 31,		
	2022	2021	2020	2022	2021	2020
Amortization of debt issuance costs	\$ 1,693	\$ 1,485	\$ 492	\$ 303	\$ 608	\$ 820
Non-cash amortization of debt discount	—	6,471	2,165	2,587	5,986	7,483
Interest expense	—	—	—	1,127	1,891	3,594
Loss in respect of convertible loan extinguishment	—	—	—	1,206	13,969	—
Total interest expense recognized	\$ 1,693	\$ 7,956	\$ 2,657	\$ 5,223	\$ 22,454	\$ 11,897
Effective interest rate	0.37 %	1.87 %	1.87 %	4.65 %	4.68 %	4.68 %

*Exchangeable notes hedge transactions*

In connection with the pricing of the 2017 Notes, the Company has entered into privately negotiated exchangeable note hedge transactions with some of the initial purchasers and/or their respective affiliates (the "Option Counterparties").

Subject to customary anti-dilution adjustments substantially similar to those applicable to the 2017 Notes, the exchangeable note hedge transactions cover the number of ADSs will initially underline the 2017 Notes.

The note hedge transactions are expected generally to reduce cash payments the Company is required to make in excess of the principal amount, in each case, upon any exchange of the 2017 Notes.

A portion of the call-options can be settled upon a surrender of the same amounts of Notes by a holder. As stated above, the Company irrevocably elected cash settlement to apply to all conversions of 2017 Notes with an Exchange Date (as defined in the 2017 Indenture) that occurs on or after December 31, 2021.

Conversion notices received on and after December 31, 2021 relating to the 2017 Notes will be fully settled in cash, and amounts paid in excess of the principal amount will be offset by an equal receipt of cash under the convertible bond hedge.

Concurrently with the Company's entry into the exchangeable note hedge transactions, the Company has entered into warrant transactions with the Option Counterparties relating to the same number of ADSs (3,457,475), with a strike price of \$101.82 per ADS, subject to customary anti-dilution adjustments.

The warrants are exercisable for a period of three months as of the 2017 Notes' maturity date.

The warrants are classified to equity in accordance with U.S. GAAP. The warrants have a dilutive effect as the market price per ordinary share exceeds the applicable exercise price of the warrants, as measured under the terms of the warrant transactions.

As a result of the irrevocable cash election, on December 31, 2021, the Company reclassified from equity to derivative asset the remaining bond hedge fair value of \$292,940 (Level 2)

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

U.S. dollars in thousands (except share and per share data)

**NOTE 16:- REPORTABLE SEGMENTS AND GEOGRAPHICAL INFORMATION**

## a. Reportable segments:

ASC 280, "Segment Reporting" establishes standards for reporting information about operating segments. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The Company's chief operating decision maker is its Chief Executive Officer.

	<b>Year ended December 31, 2022</b>			
	<b>Customer Engagement (1)</b>	<b>Financial Crime and Compliance</b>	<b>Not allocated</b>	<b>Total</b>
Revenues	\$ 1,768,804	\$ 412,490	\$ —	2,181,294
Operating income	\$ 343,892	\$ 159,298	\$ (168,017)	335,173
	<b>Year ended December 31, 2021</b>			
	<b>Customer Engagement (1)</b>	<b>Financial Crime and Compliance</b>	<b>Not allocated</b>	<b>Total</b>
Revenues	\$ 1,572,176	\$ 348,974	\$ —	1,921,150
Operating income	\$ 316,760	\$ 104,080	\$ (156,931)	263,909
	<b>Year ended December 31, 2020</b>			
	<b>Customer Engagement (1)</b>	<b>Crime and Compliance (2)</b>	<b>Not allocated</b>	<b>Total</b>
Revenues	\$ 1,347,511	\$ 300,505	\$ —	1,648,016
Operating income	\$ 268,010	\$ 93,272	\$ (119,235)	242,047

- (1) Includes the results of companies which were acquired in the years 2022, 2021 and 2020 and are being integrated within the Customer Engagement segment.
- (2) Includes the results of companies which were acquired in the year 2020 and have been integrated within the Financial Crime and Compliance segment.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****U.S. dollars in thousands (except share and per share data)****NOTE 16:- REPORTABLE SEGMENTS AND GEOGRAPHICAL INFORMATION (Cont.)**

The following table presents property and equipment as of December 31, 2022 and 2021, based on operational segments:

	<b>December 31,</b>	
	<b>2022</b>	<b>2021</b>
Customer Engagement	\$ 125,781	\$ 118,557
Financial Crime and Compliance	32,070	25,378
Non-allocated	1,434	1,719
	<u>159,285</u>	<u>\$ 145,654</u>

## b. Geographical information:

Total revenues from external customers on the basis of the Company's geographical areas are as follows:

	<b>Year Ended December 31,</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
Americas, principally the US	\$ 1,802,192	\$ 1,566,807	\$ 1,353,278
EMEA (*)	245,198	236,122	180,177
Israel	4,484	3,839	4,368
Asia Pacific	129,420	114,382	110,193
	<u>\$ 2,181,294</u>	<u>\$ 1,921,150</u>	<u>\$ 1,648,016</u>

The following presents property and equipment and operating lease right-of-use assets as of December 31, 2022 and 2021, based on geographical areas:

	<b>December 31,</b>	
	<b>2022</b>	<b>2021</b>
Americas, principally the US	\$ 127,289	\$ 138,285
EMEA (*)	4,669	6,987
Israel	112,702	69,767
Asia Pacific	17,518	15,670
	<u>\$ 262,178</u>	<u>\$ 230,709</u>

(\*) Includes Europe, the Middle East (excluding Israel) and Africa.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

U.S. dollars in thousands (except share and per share data)

**NOTE 17:- SELECTED STATEMENTS OF INCOME DATA**

## a. Research and development, net:

	<b>Year Ended December 31,</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
Total costs	\$ 364,654	\$ 319,083	\$ 261,105
Less - grants and participations	(2,414)	(2,118)	(2,347)
Less - capitalization of software development costs	(56,167)	(45,778)	(40,576)
	<u>\$ 306,073</u>	<u>\$ 271,187</u>	<u>\$ 218,182</u>

## b. Financial expenses and other, net:

	<b>Year Ended December 31,</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>Financial income:</b>			
Interest and amortization/accretion of premium/discount on marketable securities, net	\$ 13,659	\$ 13,751	\$ 17,596
Interest	4,720	200	1,543
	<u>18,379</u>	<u>13,951</u>	<u>19,139</u>
<b>Financial expenses:</b>			
Interest	(1,127)	(10,061)	(7,770)
Loss in respect of debt extinguishment	(1,206)	(13,969)	—
Debt issuance costs amortization	(1,996)	(610)	(3,650)
Exchangeable senior notes amortization of discount	(2,587)	(5,708)	(9,648)
Exchange rates differences	(301)	(4,131)	(41)
Other	(2,774)	(2,958)	(2,731)
	<u>(9,991)</u>	<u>(37,437)</u>	<u>(23,840)</u>
Other (expenses) Income, net	<u>1,771</u>	<u>196</u>	<u>(158)</u>
	<u>\$ 10,159</u>	<u>\$ (23,290)</u>	<u>\$ (4,859)</u>

## c. Net earnings per share:

The following table sets forth the computation of basic and diluted net earnings per share:

## 1. Numerator:

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

U.S. dollars in thousands (except share and per share data)

**NOTE 17:- SELECTED STATEMENTS OF INCOME DATA (Cont.)**

	<b>Year Ended December 31,</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
Net income to ordinary shareholders	\$ 265,945	\$ 199,223	\$ 196,346
2. Denominator (in thousands):			
	<b>Year Ended December 31,</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
Denominator for basic net earnings per share:			
Weighted average number of shares (thousand)	63,790	63,189	62,710
Effect of dilutive securities:			
Add - employee stock options and RSU	894	1,605	1,611
Warrants issued in the exchangeable notes transaction	1,781	2,102	1,635
Denominator for diluted net earnings per share - adjusted weighted average shares (thousand)	66,465	66,896	65,956

**NOTE 18:- RELATED PARTY BALANCES AND TRANSACTIONS**

In 2021, the Company acquired an additional 20% in the 2020 Subsidiary for a total consideration of approximately \$14,000. The amount paid to the 2020 Subsidiary's CEO in connection with this purchase was \$4,850. As of December 31, 2022 and 2021, the 2020 Subsidiary's CEO holds 12.04% of the 2020 Subsidiary, which reflects \$5,373 and \$5,186 of the non-controlling amount on the balance sheet as of December 31, 2022 and 2021, respectively.

**NOTE 19:- SUBSEQUENT EVENTS**

During February 2023, the Company received formal requests to exchange 2017 Notes in an aggregated principal amount of \$1,535. The Company is required to settle all these requests in cash, during the second quarter of 2023. See Note 15 for further information regarding the 2017 Notes.

On February 20, 2023, NICE Ltd received. an Order of Final Assessment for the 2016 tax year, in the sum of \$8,784, from the Israeli Tax Authorities. The Company has provided an amount it believes is sufficient for what it believes will be the final settlement amount within its provision for income taxes and our tax estimates.

On February 23, 2023, the Company announced plans to fully execute in its entirety the \$250,000 share repurchase program announced in the fourth quarter by the end of 2023(See Note 14c for additional information).

## SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

### NICE LTD.

By: /s/ Barak Eilam

Barak Eilam

Chief Executive Officer

Date: March 30, 2023

**Description of Securities Registered under Section 12 of the Securities Exchange Act of 1934 (the "Exchange Act")**

American Depositary Shares ("ADSs") are listed on the NASDAQ Global Select Market and are registered under Section 12(b) of the Exchange Act. The following contains a description of the rights of the ADS holders. Shares underlying the ADSs are held by JPMorgan Chase Bank, N.A., as depositary (the "Depositary"). The Depositary will issue the ADSs. The term "Custodian" shall mean the Tel Aviv, Israel office of Bank Leumi Le-Israel Ltd., as agent of the Depositary. The Depositary's corporate trust office is located at 4 New York Plaza, Floor 12, New York, New York 10004, Attention: Depositary Receipts Group (the "Corporate Trust Office").

The rights of ADS holders are governed by the Fourth Amended and Restated Deposit Agreement among NICE Ltd., the Depositary, and the owners and holders from time to time of American Depositary Receipts, or ADRs (or the "Deposit Agreement"), a form of which has been filed as Exhibit (a) to the registration statement on Form F-6 (Registration No. 333-203623) filed with the Securities and Exchange Commission (the "SEC") on April 24, 2015. Set forth below is a summary of the Deposit Agreement. This summary is not complete and is qualified in its entirety by the Deposit Agreement.

**American Depositary Receipts ("ADRs")**

ADRs, evidencing a specified number of ADSs are issuable by the Depositary pursuant to the Deposit Agreement. Each ADS represents one ordinary share, par value NIS 1.00 per share, deposited with the Custodian or the Depositary. An ADR may represent any number of ADSs. Only persons in whose names ADRs are registered on the books of the Depositary will be treated by us and the Depositary as owners and holders of ADSs.

ADRs may be in either physical certificated form or in book entry form issued through the Direct Registration System, which is the system for the uncertificated registration of ownership of securities established by the Depositary Trust Company and utilized by the Depositary. Pursuant to the Direct Registration System, the Depositary may record the ownership of ADRs without the issuance of a certificate, which ownership shall be evidenced by periodic statements issued by the Depositary to the holders entitled thereto.

**Deposit and Withdrawal of Ordinary Shares**

Our ordinary shares that are represented by the ADSs, or evidence of rights thereto, will be deposited with the Custodian or the Depositary and registered in the name of the Depositary (or its nominee) or the Custodian (or its nominee), which will be the holder of record of all such ordinary shares on behalf of the holders of ADRs. Subject to the terms and conditions of the Deposit Agreement, upon deposit of ordinary shares with the Custodian or the Depositary, the Depositary will issue ADSs and execute and deliver the applicable ADR or ADRs.

The Depositary has agreed that, upon deposit with the Depositary or the Custodian of our ordinary shares accompanied by (i) an appropriate agreement or assignment or other instrument of transfer or endorsement in form reasonably satisfactory to the Depositary or the Custodian and any certifications as may be required by the Depositary or the Custodian and (ii) proxies entitling the Custodian, Depositary or their respective nominees to vote such deposited shares, the Depositary will execute and deliver at its Corporate Trust Office, upon payment of the fees, charges and taxes provided in the Deposit Agreement, to or upon the written order of the person or persons entitled thereto, an ADR registered in the name of such person or persons for the number of ADSs issuable in respect of such deposit. Deposited ordinary shares will be held by the Depositary or the Custodian for the account of the Depositary. To the extent that the provisions of or governing the underlying ordinary shares make delivery of certificates impracticable, the underlying ordinary shares may be deposited by such delivery thereof as the Depositary or the Custodian may reasonably accept, including, without limitation, by causing them to be credited to an account maintained by the Custodian for such purpose with us or an accredited intermediary, such as a bank, acting as a registrar for the shares, together with delivery of the documents, payments and delivery order referred to the Custodian or the Depositary.

Upon surrender of ADRs at the Corporate Trust Office of the Depositary and upon payment of the taxes, charges and fees provided in the Deposit Agreement and subject to its terms, an ADR holder is entitled to delivery, to or upon its order, at the Corporate Trust Office of the Depositary, of ordinary shares in respect of the deposited ordinary shares and any other documents of title evidenced by the surrendered ADRs. The ADR holder will bear the risk and expense for the forwarding of a certificated ADR in form satisfactory to the Depositary or proper instructions and documentation in the case of an uncertificated ADR, and other documents of title to the Corporate Trust Office of the Depositary.

## **Dividends, Other Distributions and Rights**

The Depositary is required to convert or cause to be converted into U.S. dollars, to the extent that in its judgment it can do so on a reasonable basis and can transfer the resulting U.S. dollars to the United States, all cash dividends and other cash distributions denominated in a currency other than U.S. dollars that it receives in respect of the deposited ordinary shares, and to distribute the amount received, net of any fees, charges and expenses incurred by the Depositary in connection with conversion, to the holders of ADRs. The amount distributed will be reduced by any amounts to be withheld by us or the Depositary for applicable taxes net of expenses of conversion into U.S. dollars. If the Depositary determines that any foreign currency received by it cannot be so converted on a reasonable basis and transferred, or if any required approval or license of any government or agency is denied or not obtained within a reasonable period of time, the Depositary may distribute such foreign currency received by it or hold such foreign currency uninvested and without liability for interest thereon for the respective accounts of the ADR holders. If any conversion of foreign currency, in whole or in part, cannot be effected for distribution to some of the holders of ADRs entitled thereto, the Depositary may make such conversion and distribution in U.S. dollars to the extent permissible to such holders of ADRs and may distribute the balance of the currency received by the Depositary to, or hold such balance uninvested and without liability for interest thereon for, the respective accounts of such holders of ADRs.

If any distribution upon any ordinary shares deposited or deemed deposited under the Deposit Agreement consists of a dividend in, or free distribution of, additional ordinary shares, the Depositary shall, unless otherwise instructed by us, distribute to the holders of outstanding ADRs, on a pro rata basis, additional ADRs that represent the number of additional ordinary shares received as such dividend or free distribution, subject to the terms and conditions of the Deposit Agreement. The Depositary may withhold any such delivery of ordinary shares if it has not received satisfactory assurances from us that such distribution does not require registration under the U.S. Securities Act of 1933, as amended (the "Securities Act"). In lieu of delivering fractional ADRs in the event of any such distribution, the Depositary will sell the amount of additional ordinary shares represented by the aggregate of such fractions and will distribute the net proceeds to holders of ADRs. If additional ADRs are not so distributed, each ADR shall thereafter also represent the additional ordinary shares distributed together with the ordinary shares represented by such ADR prior to such distribution.

If we offer, or cause to be offered, to holders of ordinary shares any rights to subscribe for additional ordinary shares or any rights of any other nature, subject to our memorandum of association and articles of association, applicable laws and regulations, the Depositary shall have discretion as to the procedures to be followed in making such rights available to any holder of ADRs or in disposing of such rights and making the net proceeds available to such holder. If the Depositary reasonably determines that it is lawful and feasible to make such rights available to all holders of ADRs or certain holders of ADRs but not others, the Depositary may make such rights available to those holders of ADRs to whom it reasonably determines the distribution to be lawful and feasible in proportion to the number of ADSs held by them by means of warrants or otherwise. If making such rights available to all or certain holders of ADRs is reasonably determined by the Depositary not to be lawful or feasible, the Depositary may sell such rights or warrants or other instruments in proportion to the number of ADSs held by owners to whom it has determined it may not lawfully and feasibly make such rights available, and allocate the proceeds of such sales (net of expenses, taxes and any other applicable charges) for the account of the holders of ADRs otherwise entitled thereto upon an averaged or other practicable basis without regard to any distinctions among such holders because of exchange restrictions, or the date of delivery of any ADR or ADRs, or otherwise. The net proceeds so allocated to the holders of ADRs entitled thereto will be distributed to the extent practicable as in the case of a distribution of cash. If, by the terms of the rights offering or for any other reason, the Depositary may not either (i) make such rights available to any holders of ADRs or (ii) dispose of such rights and make the proceeds available to such holders, then the Depositary will allow the rights to lapse.

The Depositary will not offer rights to holders of ADRs unless both the rights and the securities to which such rights relate are either exempt from registration under the Securities Act with respect to a distribution to such holders or are registered under the provisions of such Act. If a holder of ADRs requests distribution of warrants or other instruments, notwithstanding that there has been no such registration under the Securities Act, the Depositary will not make such a distribution unless it has received an opinion from our recognized counsel in the United States, upon which the Depositary may rely, that such distribution to such holder is exempt from such registration. We are not obligated to file any registration statement in order to permit United States holders to participate in any such rights distribution.

If the Depositary reasonably determines that any distribution of property (other than cash), ordinary shares or rights to subscribe therefor cannot be made proportionately among the holders of the ADRs entitled thereto, or that any such distribution is not feasible for any reason, including any requirement that we or the Depositary are obligated to withhold any taxes or other governmental charges or that such securities must be registered under the Securities Act in order to be distributed, the Depositary may dispose of all or a portion of such property, ordinary shares or rights in such amounts and in such manner, including by public or private sale, as the Depositary reasonably deems equitable and practicable, and the Depositary will

distribute the net proceeds of any such sale, after deduction of the fees of the Depositary as provided in the Deposit Agreement, to the ADR holders entitled thereto as in the case of a cash distribution.

The Depositary shall not be responsible for any reasonable failure to determine that it may be lawful or feasible to make such rights available to holders of ADRs in general or any holder in particular.

If a holder of ADRs requests the distribution of warrants or other instruments in order to exercise the rights allocable to the ADSs of such holder, the Depositary will make such rights available to such holder upon written notice from us to the Depositary that we have elected in our sole discretion to permit such rights to be exercised and such holder has executed such documents as we have determined in our sole discretion are reasonably required under applicable law. Upon instruction pursuant to such warrants or other instruments to the Depositary from such holder to exercise such rights, upon payment by such holder to the Depositary for the account of such holder of an amount equal to the purchase price of the ordinary shares to be received upon the exercise of the rights, and upon payment of the fees of the Depositary as set forth in such warrants or other instruments, the Depositary shall, on behalf of such holder, exercise the rights and purchase the ordinary shares, and we shall cause the ordinary shares so purchased to be delivered to the Depositary on behalf of such holder. As agent for such holder, the Depositary will cause the ordinary shares so purchased to be deposited under the Deposit Agreement and shall issue and deliver to such holder legended ADRs, restricted as to transfer under applicable securities laws.

The Depositary will not offer to the holders of ADRs any rights to subscribe for additional ordinary shares or rights of any other nature, unless and until such a registration statement is in effect with respect to the rights and the securities to which they relate, or unless the offering and sale of such securities to the holders of such ADRs are exempt from registration under the provisions of the Securities Act and an opinion of counsel satisfactory to the Depositary and us has been obtained. If we intend to distribute a dividend payable at the election of the holders of ordinary shares in cash or in additional ordinary shares, we will give notice thereof to the Depositary at least 30 days prior to the proposed distribution stating whether or not we wish to make such elective distribution to be made available to holders of ADRs. Upon receipt of notice indicating that we wish such elective distribution to be made available to the holders of ADRs, the Depositary will consult with us to determine, and we will assist the Depositary in its determination, whether it is lawful and reasonably practicable to make such elective distribution available to the holders of ADRs. The Depositary will make such elective distribution available to the holders of ADRs only if (i) we have timely requested that the elective distribution be made available to the holders of ADRs, (ii) the Depositary has determined that such distribution is reasonably practicable and (iii) the Depositary has received satisfactory documentation including, without limitation, any legal opinions of counsel in any applicable jurisdiction that the Depositary in its reasonable discretion may request, at our expense. If the above conditions are not satisfied, the Depositary will, to the extent permitted by law, distribute to the holders of ADRs, on the basis of the same determination as is made in the local market in respect of the ordinary shares for which no election is made, either (x) cash or (y) additional ADRs representing such additional ordinary shares. If the above conditions are satisfied, the Depositary will establish a record date and establish procedures to enable the holders of ADRs to elect the receipt of the proposed dividend in cash or in additional ADRs.

Upon any change in par value, share split, consolidation or any cancellation or other reclassification of ordinary shares, or upon any share distribution or other distribution of securities or property not distributed to owners of the ADRs, or upon any sale of all or substantially all of our assets, recapitalization, reorganization, merger, consolidation, liquidation, receivership or bankruptcy, the Depositary may, in its discretion, and shall if reasonably requested by us, amend the ADRs or distribute additional or amended ADRs (with or without calling the ADRs for exchange) or cash, securities or property (on the record date set by the Depositary therefor) to reflect any such transaction in respect of the underlying ordinary shares, and the Depositary is authorized to surrender any of the underlying ordinary shares in order to facilitate such transaction and sell by public or private sale any property received in connection with any such transaction, and to the extent the Depositary does not so amend the ADRs or make a distribution to owners of the ADRs to reflect any of the foregoing, or the net proceeds thereof, whatever cash, securities or property results from any of the foregoing shall constitute the deposited securities and each ADS shall, to the extent not prohibited by applicable law, automatically represent its pro rata interest in the deposited securities.

#### **Record Dates**

Whenever any cash dividend or other cash distribution shall become payable, any distribution other than cash shall be made, or rights shall be issued with respect to the ordinary shares, or whenever the Depositary shall receive notice of any meeting of holders of the ordinary shares or shareholders generally, the Depositary shall fix a record date for the ADSs, which shall be, to the extent practicable, the same record date applicable to the ordinary shares, after obtaining, if practicable, our consent if such record date is different from the record date applicable to the ordinary shares, for the determination of the holders of ADRs who are entitled to receive such dividend, distribution or rights, or net proceeds of the sale thereof, or to give instructions for the exercise of voting rights at any such meeting, subject to the provisions of the Deposit Agreement.

## **Reports and Other Communications**

We will furnish to the Depositary all notices of shareholders' meetings and other reports and communications that are made generally available to the holders of ordinary shares. We will furnish any such reports and communications to the Depositary in English. Except to the extent otherwise available online or through the SEC's EDGAR system, the Depositary will make such notices, reports and communications available for inspection by ADR holders at its Corporate Trust Office when furnished by us pursuant to the Deposit Agreement. Upon our request, the Depositary will arrange for the mailing such notices, reports and communications to ADR holders at our expense.

## **Voting of the Underlying Ordinary Shares**

Upon receipt of notice of any meeting or solicitation of consents or proxies of holders of ordinary shares, the Depositary shall, as soon as practicable thereafter, mail to holders of ADRs registered on the books of the Depositary a notice in English containing (a) such information as is contained in such notice received by the Depositary, (b) a statement that each holder of ADRs at the close of business on a specified record date will be entitled, subject to the applicable provisions of law and our articles of association, to instruct the Depositary as to the exercise of the voting rights, if any, pertaining to the ordinary shares represented by the ADSs evidenced by such holder's ADRs, and (c) a statement as to the manner in which such instructions may be given. Upon the written request of a holder of ADRs on such record date received on or before the date established by the Depositary for such purpose (the "Instruction Date"), the Depositary has agreed to endeavor, insofar as practicable and subject to the applicable provisions of law, the Deposit Agreement, our memorandum of association and articles of association, to vote or cause to be voted the ordinary shares represented by the ADSs in accordance with such instructions. We have agreed, without increasing our obligations or potential liability to the holders of ADRs, to provide notice, to the extent practicable, of any meeting of holders of ordinary shares or shareholders generally to the Depositary sufficiently in advance of such meeting in order to enable the Depositary to vote or cause to be voted the ordinary shares represented by ADSs in accordance with the Deposit Agreement.

If no instructions are received by the Depositary from any holder of ADRs with respect to any of the ordinary shares represented by the ADSs evidenced by such holder's ADRs on or before the date established by the Depositary for such purpose, except to the extent not legally permissible, such holder will be deemed to have instructed the Depositary to vote such ordinary shares in accordance with the recommendations of our Board of Directors as advised by us in writing, except that the Depositary shall not vote that amount of such ordinary shares with respect to any matter as to which we inform the Depositary (and we agree to provide that information as promptly as practicable in writing, if applicable) that (x) we do not wish the Depositary to vote those ordinary shares or (y) the matter materially and adversely affects the rights of holders of ordinary shares.

The Depositary shall not vote any ordinary shares other than in accordance with instructions received by holders of ADRs or as provided in the immediately preceding paragraph.

There can be no assurance that holders of ADRs generally or any holder of ADRs in particular will receive the notice described above sufficiently prior to the Instruction Date to ensure that the Depositary will vote the ordinary shares in accordance with the provisions set forth above.

## **Inspection of Transfer Books**

The Depositary will maintain at its Corporate Trust Office, facilities for the execution and delivery, registration, registration of transfers, and surrender of ADRs and books for the registration of ADRs and transfers of ADRs, which will include the Direct Registration System, that at reasonable times will be open for inspection by us and the holders of ADRs, provided that such inspection shall not be for the purpose of communicating with holders of ADRs in the interest of a business or object other than our business or a matter related to the Deposit Agreement or the ADRs.

## **Amendment and Termination of the Deposit Agreement**

The form of the ADRs and any provisions of the Deposit Agreement may at any time be amended by agreement in writing between us and the Depositary, in any respect that we deem necessary or desirable. If the amendment adds or increases fees or charges (other than taxes and other governmental charges, registration fees, cable, telex or facsimile transmission costs, delivery costs or other such expenses), or prejudices a material existing right of ADR holders, it will only become effective thirty days after the Depositary notifies ADR holders of the amendment. At the time an amendment becomes effective, ADR holders are considered, by continuing to hold their ADRs, to agree to the amendment and to be bound by the Deposit Agreement as

amended. In no event may any amendment impair the right of any ADR holder to surrender his ADR and receive therefore the ordinary shares and other property represented thereby, except in order to comply with mandatory provisions of applicable law.

The Depository may, and whenever we direct the Depository, it shall, terminate the Deposit Agreement by giving notice of such termination to the holders of all ADRs then outstanding at least thirty (30) days prior to the date fixed in such notice of such termination, provided that if the Depository (i) shall have resigned, then notice of such termination by the Depository shall not be provided to the ADR holders unless a successor depository shall not have been appointed and accepted its appointment within 60 days of the date of such resignation, or (ii) shall have been removed, then notice of such termination by the Depository shall not be provided to the ADR holders unless a successor depository shall not be operating on the 90th day after our notice of removal was first provided to the Depository.

If any ADRs remain outstanding after the date of termination, the Depository thereafter will discontinue the registration of transfer of ADRs, will suspend the distribution of dividends to the holders thereof and will not give any further notices or perform any further acts under the Deposit Agreement, except that the Depository will continue (i) the collection of dividends and other distributions pertaining to the ordinary shares and any other property represented by such ADRs, (ii) the sale of rights or property, as provided in the Deposit Agreement, and (iii) the delivery of ordinary shares, together with any dividends or other distributions received with respect thereto and the net proceeds of the sale of any rights or other property, after deducting certain applicable fees, expenses and taxes, in exchange for surrendered ADRs. At any time after the expiration of one year from the date of termination, the Depository may sell the ordinary shares and any other property represented by such ADRs and hold the uninvested net proceeds, together with any other cash then held, unsegregated and without liability for interest, for the pro rata benefit of the holders of ADRs that have not theretofore surrendered their ADRs. After making such sale, the Depository shall be discharged from all obligations under the Deposit Agreement, except to account for net proceeds and other cash (after deducting certain applicable fees of the Depository, expenses and taxes) and except for certain obligations as set forth in the Deposit Agreement. Upon the termination of the Deposit Agreement, we will also be discharged from all obligations under the Deposit Agreement, except for certain obligations to the Depository.

#### **Liability of Holders for Taxes, Duties or Other Charges**

Any tax or other governmental charge with respect to ADRs or any deposited ordinary shares represented by any ADR shall be payable by the holder of such ADR to the Depository. The Depository may refuse to effect transfer of such ADR or any withdrawal of deposited ordinary shares represented by such ADR until such payment is made, and may withhold any dividends or other distributions or may sell for the account of the holder any part or all of the deposited ordinary shares represented by such ADR and may apply such dividends or distributions or the proceeds of any such sale in payment of any such tax or other governmental charge and the holder of such ADR shall remain liable for any deficiency.

#### **Transfer of American Depositary Receipts**

The ADRs are transferable on the books of the Depository, except during any period when the transfer books of the Depository are closed, or if any such action is deemed necessary or advisable by us or the Depository at any time or from time to time because of any requirement of law or of any government or governmental body or commission or under any provision of the Deposit Agreement. The surrender of outstanding ADRs and withdrawal of deposited ordinary shares may not be suspended, subject only to:

- (1) temporary delays caused by closing the transfer books of the Depository or our transfer books, the deposit of ordinary shares in connection with voting at a shareholders' meeting or the payment of dividends,
- (2) the payment of fees, taxes and similar charges, and
- (3) compliance with the United States or foreign laws or governmental regulations relating to the ADRs or to the withdrawal of the deposited ordinary shares.

The Depository shall not knowingly accept for deposit under the Deposit Agreement any ordinary shares required to be registered under the provisions of the Securities Act, unless a registration statement is in effect as to such ordinary shares. As a condition to the execution and delivery, registration of transfer, share split, combination or surrender of any ADR or withdrawal of ordinary shares, the Depository, the Custodian or the registrar may require payment from the person presenting the ADR or the depositor of the ordinary shares of a sum sufficient to reimburse it for any tax or other governmental charge and any stock transfer or registration fee with respect thereto, payment of any applicable fees payable by the holders of ADRs, may require the production of proof satisfactory to the Depository as to the identity and genuineness of any signature and may also require compliance with any regulations the Depository may establish consistent with the provisions of the Deposit Agreement. The Depository may refuse to execute and deliver ADRs, register the transfer of any ADR or make any distribution on, or related to,

ordinary shares until it or the Custodian has received proof of citizenship or residence, exchange control approval or other information as it may deem necessary or proper.

## **General**

Neither we nor the Depositary nor any of our respective directors, employees, agents or affiliates will be liable to the holders of ADRs if by reason of any present or future law or regulation of the United States or any other country or of any government or regulatory authority or any stock exchange, any provision, present or future, of our memorandum and articles of association or any circumstance beyond our control, we or the Depositary or any of our respective directors, employees, agents or affiliates is prevented or forbidden from performing its obligations or exercising its discretion under the Deposit Agreement or is subject to any civil or criminal penalty on account of performing its obligations. Our obligations and the obligations of the Depositary under the Deposit Agreement are expressly limited to performing such obligations specifically set forth in the Deposit Agreement without gross negligence or willful misconduct.

# NICE-Systems LTD.

## 2016 SHARE INCENTIVE PLAN

### A. NAME AND PURPOSE

1. **Name:** This plan, as amended from time to time, shall be known as the “NICE Systems Ltd. 2016 Share Incentive Plan”.

2. **Purpose:** The purpose and intent of the Plan is to provide incentives to employees, directors, consultants and/or contractors of the Company, by providing them with opportunities to purchase Shares, pursuant to a plan approved by the Board which is designed to enable the Company to issue equity related awards.

Incentives under the Plan will only be issued to Grantees (as defined below) subject to the applicable law in their respective country of residence for Tax or other purposes.

### B. DEFINITIONS

“**Administrator**” means (i) the Board, or (ii) the Company’s Compensation Committee or a committee of the Board appointed by the Board for the purpose of the administration of the Plan, if appointed, to the extent acting in accordance with specific authorization and guidelines provided by the Board for such purpose and subject to any restriction under applicable law.

“**Adoption Date**” means the Date of Grant, or any other date of commencement of vesting of an Award, for the purposes of the Plan, that is determined by the Administrator for a given grant of an Award.

“**Affiliate**” means any company in which NICE-Systems Ltd. holds, directly or indirectly, at least 10% of the issued share capital or voting power.

“**Award**” means any equity related award, including any type of an Option and/or Share Appreciation Right and/or Share and/or Restricted Share and/or Restricted Share Unit and/or other Share unit and/or other Share-based award and/or other right or benefit under the Plan, including any such equity related award that is a Performance Based Award.

“**Board**” means the Board of Directors of the Company.

“**Cause**” means, unless otherwise defined in the Notice of Grant, (i) breach of the Grantee’s duty of loyalty towards the Company, or (ii) breach of the Grantee’s duty of care towards the Company, or (iii) the commission of any flagrant criminal offense by the Grantee, or (iv) the commission of any act of fraud, embezzlement or dishonesty towards the Company by the Grantee, or (v) any unauthorized use or disclosure by the Grantee of confidential information or trade secrets of the Company, or (vi) any other intentional misconduct by the Grantee (by

act or omission) adversely affecting the business or affairs of the Company in a material manner, or (vii) any act or omission by the Grantee which would allow for the termination of the Grantee's employment without severance pay, according to the Israeli Severance Pay Law, 1963, or any similar provision of law in the jurisdiction in which the Grantee is employed-

**“Cessation of Service”** means (i) the cessation of the employee-employer relationship between the Grantee, who was an employee of the Company on the Date of Grant of any Awards to him or her, and the Company, for any reason; or (ii) the cessation of service of a Grantee, who was a director of the Company on the Date of Grant of any Awards to him or her, as a director of the Company, for any reason; or (iii) the termination or expiration of an agreement between the Company and a Grantee who was a consultant or contactor of the Company on the Date of Grant of any Awards to him or her, for any reason.

**“Change of Control”** means the first to occur of the following:

(i) any Person (within the meaning of Section 3(a)(9) of the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), except that such term shall not include (A) the Company, (B) a trustee or other fiduciary holding securities under an employee benefit plan of the Company, (C) an underwriter temporarily holding securities pursuant to an offering of such securities, or (D) a corporation owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of Ordinary Shares of the Company), is or becomes the “beneficial owner” (determined in accordance with Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company (not including securities beneficially owned by such Person that were acquired directly from the Company) representing either: (A) 50% or more of the combined voting power of the Company's then outstanding securities, or (B) 25% or more of the combined voting power of the Company's then outstanding securities, provided such Person appoints, recommends or designates at least two nominees to serve on the Board, and such nominees are elected or appointed to serve on the Board, whether in addition to the individuals defined in paragraph (ii) below or in their place; and excluding any Person who becomes such a beneficial owner in connection with a transaction described in clause (A) of paragraph (iii) below; or

(ii) the following individuals cease for any reason (other than their death) to constitute a majority of the number of directors of the Company then serving: individuals who, on the date hereof, constitute the members of the Board and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of the Company) whose appointment or election by the Board or nomination by the Board for election by the Company's shareholders was approved or recommended by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors on the date hereof or whose appointment, election or nomination for election was previously so approved or recommended; or

(iii) there is consummated a merger or consolidation of the Company or any direct or indirect subsidiary of the Company with any other corporation, other than (A) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof), at least 50% of the combined voting power of the securities of the Company or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation, or (B) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no Person is or becomes the beneficial owner, directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its affiliates) representing 25% or more of the combined voting power of the Company's then outstanding securities; or

(iv) the shareholders of the Company approve a plan of complete liquidation or dissolution of the Company or there is consummated an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets, other than a sale or disposition by the Company of all or substantially all of the Company's assets to an entity, at least 25% of the combined voting power of the voting securities of which are owned by shareholders of the Company in substantially the same proportions as their ownership of the Company immediately prior to such sale.

**“Companies Law”** means the Israeli Companies Law, 1999, as amended from time to time.

**“Company”** means NICE-Systems Ltd., a company organized under the laws of the State of Israel, or any Affiliate thereof.

**“Corporate Transaction”** means the occurrence, in a single transaction or in a series of related transactions, of any one or more of the following events:

(i) a sale or other disposition of all or substantially all, as determined by the Board in its discretion, of the consolidated assets of the Company and its subsidiaries;

(ii) a sale or other disposition of at least fifty percent (50%) of the outstanding securities of the Company;

(iii) a merger, consolidation or similar transaction following which the Company is not the surviving corporation;

(iv) a merger, consolidation or reorganization following which the Company is the surviving corporation but the Ordinary Shares of the Company outstanding immediately preceding the merger, consolidation or reorganization are converted or exchanged by virtue of the merger, consolidation or reorganization into other property, whether in the form of securities, cash or otherwise; or

(v) With respect to an executive officer of the Company, who is directly subordinate to the CEO, in any of the above events (in subsections i-iv) the word "Company" may be replaced therein by "Business Unit". A "**Business Unit**" shall mean a business unit of the Company, whether organized as a wholly owned entity or in any other form of unit in the Company if and to the extent so determined and deemed suitable and appropriate under the circumstances by the Administrator.

Notwithstanding the aforesaid, with respect to acceleration of vesting, the definitions of Corporate Transaction in sub sections (ii)-(iv) above, shall not include events that would not also be deemed to be a "Change of Control". Whether a transaction is a "Corporate Transaction" as defined above, shall be finally and conclusively determined by the Administrator in its absolute discretion.

"**Date of Grant**" means the effective date of grant of an Award, as detailed in Section 5.1 below.

"**Date of Cessation**" means the effective date of a Cessation of Service (i.e.: (i) if the Grantee is an employee of the Company - the date on which the employee-employer relationship between the Grantee and the Company ceases to exist; (ii) if the Grantee is a contractor or consultant - the date on which the consulting or contractor agreement between the Grantee and the Company expires; or (iii) if the Grantee is a director - the date on which the Grantee ceases to serve as a director of the Company. "**Disability**" means, unless otherwise defined in the Notice of Grant, the inability to engage in any substantial gainful occupation for which the Grantee is suited by education, training or experience, by reason of any medically determinable physical or mental impairment that is expected to result in such person's death or to continue for a period of six (6) consecutive months or more. "**Exercise Conditions**" means a Vesting Period and/or Performance Conditions.

"**Exercise Price**" means (i) the purchase price per Share subject to an Award, or (ii) the nominal value per Share to be paid upon the vesting of an Award that does not require exercise by the Grantee, to the extent the Grantee is required to pay such nominal value hereunder, as applicable.

"**Exercised Share**" means a Share issued upon exercise of an Award or vesting of an Award, as applicable, or, if applicable, a freely transferable Share issued to a Grantee not resulting from another type of Award.

"**Grantee**" means the person to whom an Award shall be granted under the Plan.

"**Notice of Exercise**" means a written notice of exercise of an Award, delivered by a Grantee to the Company.

"**Notice of Grant**" means a written notice of the grant of an Award, accompanied by an applicable agreement between the Company and the Grantee relating to the terms of grant of

said Award.

“**Option**” means an option to purchase a Share or Shares.

“**Performance Based Award**” means a performance based Award as defined in Section 10.1 below.

“**Performance Conditions**” as defined in Section 10.1 below.

“**Plan**” means this “NICE-Systems Ltd. 2016 Share Incentive Plan”, as amended from time to time.

“**Representative**” means any third party designated by the Company for the purpose of the exercise of Awards, as provided in Section 8.2 below.

“**Restricted Share**” means a Share issued under the Plan to a Grantee for such consideration, if any, and subject to such restrictions as established by the Company, as detailed in Section 9A below.

“**RSU**” means Restricted Share Unit, as defined in Section 9 below.

“**Sale**” means the sale of all or substantially all of the issued and outstanding share capital of the Company.

“**Share**” means an Ordinary Share, nominal value of NIS 1.00 each of the Company.

“**Share Appreciation Right (SAR)**” means a right entitling the Grantee to Shares, measured by appreciation in value of a Share during the period from the Adoption Date or Date of Grant to date of exercise of such right, as detailed in Section 9B below.

“**Stock Market**” means a stock exchange or an electronic securities trading system (such as NASDAQ).

“**Successor Entity Award**” means securities of any successor entity, as provided in Section 11.4 below.

“**Tax**” means any and all federal, provincial, state and local taxes of any applicable jurisdiction, and other governmental fees, charges, duties, impositions and liabilities of any kind whatsoever, including social security, national health insurance or similar compulsory payments, together with all interest, linkage for inflation, penalties and additions imposed with respect to such amounts.

“**Vesting Period**” of an Award means, for the purpose of the Plan and its related instruments, the period between the Adoption Date and the date on which (i) the Grantee may exercise the Award into Exercised Shares; or (ii) if said Award does not require the Grantee to exercise it, the date on which the Award vests into an Exercised Share; or (iii) the date on which a Share

(not resulting from another type of Award) may be freely transferred by the Grantee (subject to any other restrictions prescribed herein or by law).

### C. GENERAL TERMS AND CONDITIONS OF THE PLAN

#### 3. **Administration:**

3.1 The Plan will be administered by the Administrator, subject to applicable law, including but not limited to the instructions of the Companies Law.

3.2 Subject to the general terms and conditions of the Plan, the Administrator shall have the full authority in its discretion, from time to time and at any time, to determine (i) the Grantees under the Plan, (ii) the number of Shares subject to each Award, the type of Award, and the Exercise Price per Share, (iii) the time or times at which the same shall be granted, (iv) the schedule and conditions, including Performance Conditions (as defined in Section 10 below), if applicable, on which Awards may vest or be exercised and on which Shares shall be paid for, (v) the method of payment for Shares purchased pursuant to any Award, (vi) the method for satisfaction of any tax withholding obligation arising in connection with an Award, including by the withholding, delivery or sale of Shares, (vii) rules and provisions, as may be necessary or appropriate to permit eligible Grantees resident or employed in any specific jurisdiction to participate in the Plan and/or to receive preferential tax treatment in their country of residence, with respect to Awards granted hereunder, and/or (viii) any other matter which is necessary or desirable for, or incidental to, the administration of the Plan.

3.3 The Administrator may, from time to time, adopt such rules and regulations for carrying out the Plan, as it may deem necessary. No member of the Administrator shall be liable for any act or determination made in good faith with respect to the Plan or any Award granted.

3.4 The interpretation and construction by the Administrator of any provision of the Plan or of any Award thereunder shall be final and conclusive and binding on all parties who have an interest in the Plan or any Award or Exercised Share, unless otherwise determined by the Board.

3.5 Notwithstanding anything to the contrary herein, any Award granted under the Plan to an Office Holder (as such term is defined under the Companies Law) shall be subject to the terms of the Company's Executives & Directors Compensation Policy, unless otherwise determined by the Administrator and approved in accordance with the provisions of the Companies Law.

#### 4. **Eligible Grantees:**

4.1 The Administrator, at its discretion, may grant Awards to any employee, director, consultant and/or contractor of the Company. Anything in the Plan to the contrary

notwithstanding, all grants of Awards shall be authorized and implemented only in accordance with the provisions of applicable law.

4.2 The grant of an Award to a Grantee hereunder, shall neither entitle such Grantee to participate, nor disqualify him from participating, in any other grant of Awards pursuant to the Plan or any other incentive plan of the Company.

## 5. **Date of Grant and Shareholder Rights:**

5.1 Date of Grant. Subject to Sections 7.1 and 7.2 hereof and to any applicable law, the Date of Grant shall be the date the Administrator resolves to grant such Award, or any later date, if so specified by the Administrator in its determination relating to the grant of such Award. It is clarified, that the event that a specific grant of an Award requires an additional corporate approval under any applicable laws or regulations, the Administrator is authorized to determine that for the purposes of vesting of such award and the determination of the exercise price, the Date of Grant shall be deemed to be the date of the Administrator's resolution). The Company shall promptly give the Grantee a Notice of Grant following the Date of Grant.

5.2 Shareholder Rights. A Grantee holding of an Award shall have no shareholder rights with respect to the Shares subject to such Award until such Grantee (i) shall have exercised such Award or such Award has vested, as applicable, and (ii) shall have all restrictions applicable to any Shares issued to him removed, if applicable; and (iii) has paid the applicable Exercise Price, if any; and (iv) has become the record holder of the Exercised Shares.

## 6. **Reserved Shares:**

6.1 The maximum number of Shares that may be subject to Awards granted under the Plan shall be an amount per calendar year, commencing on the 2016 calendar year, equal to 3% of the Company's total issued and outstanding Share capital as of the 31<sup>st</sup> of December of the preceding calendar year (but for the sake of clarity, excluding treasury shares), subject to adjustments as provided in Section 11 hereof. The amount stated above shall be re-set for each calendar year. It is clarified, that any balance of such amount not utilized in a certain calendar year cannot be utilized in any following calendar year.

Notwithstanding the above, for the 2016 calendar year the aforementioned amount will be reduced by the number of Shares subject to Awards granted by the Company during the 2016 calendar year under the "NICE-Systems Ltd. 2008 Share Incentive Plan".

Notwithstanding the above, equity-based awards assumed, substituted or granted by the Company as part of or in connection with a corporate transaction (including, without limitation, awards assumed or substituted from an entity merged into or with the Company or any of its Affiliates, acquired by the Company or any of its Affiliates, or otherwise involved in a similar corporate transaction) shall not count against the number of shares reserved and available for issuance pursuant to the Plan.

6.2 Without derogating from the foregoing in Section 6.1, in the event that Shares under the Plan, in respect of which the right of a Grantee to hold or purchase or be issued the same, shall for any reason, terminate, expire or otherwise cease to exist, such Shares shall again be available for grant through Awards during the calendar year on which they've terminated, expired or otherwise ceased to exist under the Plan, and under any sub-plans of the Plan, as the Administrator may determine at its own discretion, from time to time. Notwithstanding the above, Shares withheld or reacquired by the Company in satisfaction of tax withholding obligations pursuant to Section 14.2 below shall not be taken into account for the purposes of calculating the maximum number of Shares that may be subject to Awards pursuant to Section 6.1 above.

6.3 Without derogating from the foregoing, the Committee shall have full authority in its discretion to determine that the Company may issue, for the purposes of the Plan, previously issued Shares that are held by the Company, from time to time, as Dormant Shares (as such term is defined in the Companies Law).

6.4 Notwithstanding the foregoing, (i) a Grantee may elect, or (ii) the Company may determine at its sole and absolute discretion, at the time of exercise (or vesting) of an Award, that the Company shall issue, in lieu of Ordinary Shares, an equal number of the Company's American Depositary Receipts ("ADRs"), each of which represents one American Depositary Share which, in turn, represents one Share. It is clarified, that Awards may not be exercised for a combination of Shares and ADRs.

## 7. **Required Approvals; Notice of Grant; Vesting:**

7.1 The implementation of the Plan and the granting of any Award under the Plan shall be subject to the Company's procurement of all approvals and permits required by applicable laws or regulatory authorities having jurisdiction over the Plan, the Awards granted under it, and the Shares issued pursuant to it.

7.2 The Notice of Grant shall state, *inter alia*, the number of Shares subject to each Award, the type of Award, the vesting schedule, the dates when the Award may be exercised and/or will vest (as applicable), any restrictions upon transfer or sale of Shares (if applicable), the Exercise Price, the tax treatment to which the Award is subject and such other terms and conditions as the Administrator at its discretion may prescribe, provided that they are consistent with the Plan.

7.3 Vesting of Awards. Unless determined otherwise by the Administrator, the Vesting Period shall be such that all Awards shall be fully vested on the first business day following the passing of four (4) years from the Adoption Date, such that twenty five percent (25%) of the Shares subject to the Awards shall vest on each of the four consecutive annual anniversaries following the Adoption Date, provided however, that the Administrator may also determine longer or shorter vesting periods, and that a certain portion of such Awards may also

be subject to vesting Performance Conditions. Specifically with respect to Options (other than Options granted at an exercise price equal to their nominal value) and, unless determined otherwise by the Administrator, the Vesting Period shall be such that that all Awards shall be fully vested on the first business day following the passing of four (4) years from the Adoption Date, such that twenty five percent (25%) of the Shares subject to the Awards shall vest on the first anniversary of the Adoption Date, and 6.25% of the Shares subject to the Awards shall vest on the last day of each consecutive calendar quarter following the first anniversary of the Adoption Date (a total of 12 calendar quarters). .

Notwithstanding the foregoing, if the term of an Option or SAR, as applicable, would expire when trading in the Shares is prohibited by law or the Company's internal policies applicable thereto (such as an insider trading policy), except in connection with a Grantee's cessation by the Company for Cause, then the term of such Option or SAR, as applicable, shall expire upon the later of: (i) the thirtieth (30) day after the expiration of such prohibition; and (ii) the applicable Option or SAR, as applicable, expiration date.

Unless determined otherwise by the Administrator, a period in which the Grantee shall not be employed by the Company, or in which the Grantee shall have taken an unpaid leave of absence that is longer than 30 consecutive days (excluding a leave for military reserves duty or the mandatory maternity leave determined by law), or in which the Grantee shall not serve as a director, consultant or contractor of the Company, , shall not be included in the Vesting Period. Notwithstanding the aforesaid, it is hereby clarified that the Vesting Period shall continue in any of the foregoing events that is the result of a Grantee's Disability, subject to the provisions of the Plan relating to Disability.

#### 7.4 Acceleration of Vesting.

(a) Anything herein to the contrary in the Plan notwithstanding, the Administrator shall have full authority to determine at any time any provisions regarding the acceleration of the Vesting Period of any Award (including, without limitation, accelerating the vesting schedule of any outstanding unvested Award upon an event of a Change of Control or Corporate Transaction), or the cancellation of all or any portion of any outstanding restrictions or Exercise Conditions with respect to any Award or Share upon certain events or occurrences, and to include such provisions in the Notice of Grant on such terms and conditions as the Administrator shall deem appropriate.

(b) Without deviating from the generality of the foregoing, the Board shall have full authority to determine with respect to Awards granted to certain executive officers of the Company, that in the event of the occurrence of both (i) a Change of Control or a Corporate Transaction, and (ii) either (A) the receipt of a notice of the Cessation of Services of the Grantee by the Company (i.e., not voluntarily by the Grantee), other than for Cause, within 12 months following the closing of said Change of Control or Corporate Transaction (regardless of the effective Date of Cessation), or (B) a demotion (or a notice thereof) in such Grantee's position

or any other material adverse change in such Grantee's functions, duties or responsibilities, initiated by the Company or the Board within 12 months following the closing of said Change of Control or Corporate Transaction; then all or a portion of the Awards granted to said Grantee and not yet exercised or expired will immediately become fully vested and/or exercisable (as applicable), and, that upon the occurrence thereof, any Performance Conditions with respect to such Awards shall be deemed to be wholly satisfied. It is clarified, that in the event of Cessation of Services, acceleration of vesting, as aforementioned, shall occur on the date that Cessation of Services becomes effective. The Administrator may discriminate among Grantees and among Awards made to a Grantee in exercising its discretion pursuant to this Section 7.4(b).

(c) With respect to Awards that the Administrator determines are subject to acceleration of vesting as aforementioned in this Section 7.4, in no event shall such acceleration rights be amended or altered in any way as a result of a Change of Control or any Corporate Transaction, and such rights shall continue to apply in any event of assumption or substitution of such Awards by any successor entity.

## 8. **Options:**

8.1 Exercise Price. The Exercise Price per Share subject to each Option shall be determined by the Administrator in its sole and absolute discretion, subject to applicable law and to guidelines adopted by the Board, from time to time. In the event the Exercise Price is not determined by the Administrator, and provided the Company's shares are listed on any Stock Market, the Exercise Price of an Option shall be equal to the average of the closing prices of one ADR of the Company, as quoted on the NASDAQ market, during the 30 consecutive calendar days preceding the Date of Grant.

If the Shares are not listed on a Stock Market, or representative quotes are not otherwise available, the Exercise Price shall mean the amount determined by the Administrator in good faith, to be the fair market value per Share.

8.2 Exercise of Options. Options shall be exercisable pursuant to the terms under which they were awarded and subject to the terms and conditions of the Plan. The exercise of an Option shall be made by a written Notice of Exercise delivered by the Grantee to the Company at its principal executive office, and/or to a Representative, in such form and method as may be determined by the Company, specifying the number of Shares to be purchased and accompanied by the payment of the Exercise Price, at the Company's or the Representative's principal office, and containing such other terms and conditions as the Administrator shall prescribe from time to time.

Each payment for Exercised Shares shall be in respect of a whole number of Shares, and shall be effected in cash or by a bank's check payable to the order of the Company, or such other method of payment acceptable to the Company.

8.3 Net Exercise. Notwithstanding the provisions of Section 8.2 above, the Board may determine that instead of issuing one Exercised Share as a result of the exercise of each one Option (subject to adjustments under Section 11 herein), any Options shall be exercised using the following method (the “**Net Exercise**”):

(a) The Company shall issue to the Grantee a number of Shares having an aggregate Market Value (as defined below) equal to the Benefit Amount (the “**Net Exercise Shares**”);

For the purposes of this section:

(i) The “**Benefit Amount**” shall mean the difference between:

(A) the product of (x) the Market Value and (y) the number of Shares subject to the Options for which a Notice of Exercise has been delivered to the Company; and

(B) the product of (x) the Exercise Price and (y) the number of Shares subject to the Options for which a Notice of Exercise has been delivered to the Company.

(ii) “**Market Value**” shall mean the closing price for a Share on the last trading day prior to the date of exercise, as reported or quoted on NASDAQ (or on any other Stock Market on which Shares are traded, if so determined by the Administrator).

(b) The Grantee shall not be required to pay to the Company any sum with respect to the exercise of such Options, other than a sum equal to the aggregate nominal value of the Net Exercise Shares (which shall be paid in a manner provided in Section 8.2 above) (the “**Nominal Value Sum**”). The Board, in its sole discretion, shall determine procedures from time to time for payment of such nominal value by the Grantee or for collection of such amount from the Grantee by the Company. However, the Company shall have the full authority in its discretion to determine at any time that the Nominal Value Sum shall not be paid and that the Company shall capitalize applicable profits or take any other action to ensure that it meets any requirement of applicable law regarding issuance of Shares for consideration that is lower than the nominal value of such Shares;

(c) In any event, no fractional Shares will be issued to the Grantee and the number of Shares granted to the Grantee under the Plan shall be rounded off (upward or downward, as the Administrator shall determine) to the nearest whole number.

8.4 Term of Options. Unless otherwise determined by the Administrator, anything herein to the contrary notwithstanding, but without derogating from the provisions of Section 8.6 below, if any Option has not been exercised and the Shares subject thereto not paid for within six (6) years after the Date of Grant (or any shorter or longer period set forth in the

Notice of Grant), such Option and the right to acquire such Shares shall terminate, all interests and rights of the Grantee in and to the same shall *ipso facto* expire, and the Shares subject to such Options shall again be available for grant through Options under the Plan, any sub-plans of the Plan, as provided for in Section 6 herein.

8.5 The exercise of the Options shall be subject to any applicable law, including when applicable, the limitations in connection with the use of nonpublic information.

8.6. Cessation of Service.

(a) Employees. In the event of a Cessation of Service, all Options theretofore granted to such Grantee when such Grantee was an employee of the Company, unless determined otherwise by the Administrator, shall terminate as follows:

(i) All such Options that are not vested on the Date of Cessation shall terminate immediately, except as detailed in sub-section (iii) below.

(ii) If the Grantee's Cessation of Service is by reason of such Grantee's Disability, such Options (to the extent vested at the Date of Cessation) shall be exercisable by the Grantee or the Grantee's guardian, legal representative, estate or other person to whom the Grantee's rights are transferred by will or by laws of descent or distribution, at any time until the lapse of twelve (12) months from the Date of Cessation (but in no event after the expiration date of such Options), and shall thereafter terminate.

(iii) If the Grantee's Cessation of Service is by reason of such Grantee's death, then: (A) the vesting of the Grantee's Options which are not vested and exercisable as of the Date of Cessation shall be accelerated and such Options shall become immediately vested (and all Performance Conditions shall be deemed to have been achieved) and exercisable as of the Date of Cessation; and (B) such Options (to the extent vested at the Date of Cessation due to sub-section (A) or otherwise) shall be exercisable by the Grantee or the Grantee's guardian, legal representative, estate or other person to whom the Grantee's rights are transferred by will or by laws of descent or distribution, at any time until the lapse of twelve (12) months from the Date of Cessation (but in no event after the expiration date of such Options), and shall thereafter terminate.

(iv) If the Grantee's Cessation of Service is due to any reason other than those stated in Sections 8.6(a)(ii), 8.6(a)(iii) and 8.6(a)(v) herein, such Options (to the extent vested on the Date of Cessation) shall be exercisable at any time until the lapse of three (3) months from the Date of Cessation (but in no event after the expiration date of such Options), and shall thereafter terminate; provided, however, that if the Grantee dies within such period, such Options (to the extent vested on the Date of Cessation) shall be exercisable by the Grantee's legal representative, estate or other person to whom the Grantee's rights are

transferred by will or by laws of descent or distribution at any time until the lapse of twelve (12) months from the Date of Cessation (but in no event after the expiration date of such Options), and shall thereafter terminate.

(v) Notwithstanding the aforesaid, if the Grantee's Cessation of Service is for Cause, all of the Options whether vested or not shall *ipso facto* expire immediately and be of no legal effect.

(vi) Whether the Cessation of Service of a particular Grantee is by reason of "Disability" for the purposes of paragraph 8.6(a) hereof, or is for Cause as set forth in paragraph 8.6(a)(v) hereof, shall be finally and conclusively determined by the Administrator in its absolute discretion.

(vii) Notwithstanding the aforesaid, under no circumstances shall any Option be exercisable after the specified expiration of the term of such Option.

(b) Directors, Consultants and Contractors. In the event of Cessation of Service of a Grantee, who is a director, consultant or contractor of the Company, the provisions of Section 8.6(a) above shall apply, *mutatis mutandis*.

(c) Notwithstanding the foregoing provisions of this Section 8.6, the Administrator shall have the discretion, exercisable either at the time an Option is granted or thereafter, to:

(i) Extend the period of time for which the Option is to remain exercisable following the Date of Cessation to such greater period of time, as the Administrator shall deem appropriate, but in no event beyond the specified expiration of the term of the Option; and/or

(ii) Permit the Option to be exercised, during the applicable exercise period following the Date of Cessation, not only with respect to the number of Shares for which such Option is exercisable at the Date of Cessation but also with respect to one or more additional installments which would have vested under the Option had the Grantee continued his or her employment or engagement with the Company.

(d) Notwithstanding the foregoing provisions of this Section 8.6, unless determined otherwise by the Administrator, "Cessation of Service" shall not include: (i) a change in status from an employee, director, consultant and/or contractor to another such status, provided that the individual remains in the service of the Company in any one of such capacities as an employee, director, consultant and/or contractor; and (ii) the transfer of a Grantee from the employment or service of the Company to the employment or service of an Affiliate, or from the employment or service of an Affiliate to the employment or service of the Company or another Affiliate.

8.7 Re-pricing of Options. Subject to applicable law, the Administrator shall have full authority to, at any time and from time to time, (i) grant in its discretion to the holder of an outstanding Option, in exchange for the surrender and cancellation of such Option, a new Option having an Exercise Price lower than provided in the Option so surrendered and canceled and containing such other terms and conditions as the Administrator may prescribe in accordance with the provisions of the Plan, or (ii) effectuate a decrease in the Exercise Price (see Section 8.1 above) of outstanding Options.

## **9. Restricted Share Units:**

9.1 Subject to the sole and absolute discretion and determination of the Administrator, the Administrator may decide to grant under the Plan, Restricted Share Unit(s) (“**RSU(s)**”). A RSU is a right to receive a Share of the Company, under certain terms and conditions, for a consideration of no more than the underlying Share’s nominal value. Upon the lapse of the Exercise Conditions of a RSU, such RSU shall automatically vest into an Exercised Share of the Company (subject to adjustments under Section 11 herein) and the Grantee shall pay to the Company its nominal value. The Board, in its sole discretion, shall determine procedures from time to time for payment of such nominal value by the Grantee or for collection of such amount from the Grantee by the Company. However, the Company shall have the full authority in its discretion to determine at any time that said nominal value shall not be paid and that the Company shall capitalize applicable profits or take any other action to ensure that it meets any requirement of applicable law regarding issuance of Shares for consideration that is lower than the nominal value of such Shares.

9.2 Unless determined otherwise by the Administrator, in the event of a Cessation of Service, all RSUs theretofore granted to such Grantee when such Grantee was an employee, director, consultant or contractor of the Company, as the case may be, that are not vested on the Date of Cessation, shall terminate immediately and have no legal effect.

9.3 Unless other provided herein, all other terms and conditions of the Plan applicable to Options, shall apply to RSUs, *mutatis mutandis*. It is clarified, that without deviating from the foregoing in Sub-Section 9.2, the provisions of Section 8.6 herein shall, *mutatis mutandis*, apply to RSUs in any event of Cessation of Service.

## **9A. Restricted Shares.**

9A.1 Restricted Share Awards may be granted upon such terms and conditions, as the Administrator shall determine.

9A.2 Purchase Price. No monetary payment (other than payments made for applicable Taxes) shall be required as a condition of receiving Shares pursuant to a grant of Restricted Shares. Notwithstanding the foregoing, the Grantee shall furnish consideration in the form of cash having a value not less than the nominal value of the Shares subject to an award of

Restricted Shares. The Board, in its sole discretion, shall determine procedures from time to time for payment of such nominal value by the Grantee or for collection of such amount from the Grantee by the Company. However, the Company shall have the full authority in its discretion to determine at any time that said nominal value shall not be paid and that the Company shall capitalize applicable profits or take any other action to ensure that it meets any requirement of applicable law regarding issuance of Shares for consideration that is lower than the nominal value of such Shares.

9A.3 Vesting and Restrictions on Transfer. Shares issued pursuant to any Restricted Shares may (but need not) be made subject to Exercise Conditions as described herein, as shall be established by the Administrator and set forth in the applicable Notice of Grant evidencing such Award. During any restriction period in which Shares acquired pursuant to an award of Restricted Shares remain subject to Exercise Conditions, such Shares may not be sold, exchanged, transferred, pledged, assigned or otherwise disposed of unless otherwise provided in the Plan. Upon request by the Company, each Grantee shall execute any agreement evidencing such transfer restrictions prior to the receipt of Shares hereunder and shall promptly present to the Company any and all certificates representing Shares acquired hereunder for the placement on such certificates of appropriate legends evidencing any such transfer restrictions.

9A.4 Voting Rights; Dividends and Distributions. Except as provided in this section and any Notice of Grant, during any restriction period applicable to Shares subject to an award of Restricted Shares, the Grantee shall have all of the rights of a shareholder of the Company holding Shares, including the right to vote such Shares and to receive all dividends and other distributions paid with respect to such Shares. However, in the event of a dividend or distribution paid in Shares or other property or any other adjustment made upon a change in the capital structure of the Company as described in Section 11.1, any and all new, substituted or additional securities or other property (other than normal cash dividends) to which the Grantee is entitled by reason of the Grantee's award of Restricted Shares shall be immediately subject to the same Exercise Conditions as the Shares subject to the award of Restricted Shares with respect to which such dividends or distributions were paid or adjustments were made.

9A.5 Cessation of Service. Unless otherwise provided by the Administrator, in the event of Cessation of Service of a Grantee, for any reason, whether voluntary or involuntary (including the Grantee's death or disability), then the Grantee shall forfeit to the Company any Shares acquired by the Grantee pursuant to an award of Restricted Shares which remain subject to Exercise Conditions as of the Date of Cessation.

9A.6 All other terms and conditions of the Plan applicable to Options, shall apply to Restricted Shares, *mutatis mutandis*. It is clarified, that without deviating from the foregoing in Section 9A.5, the provisions of Section 8.6 herein shall, *mutatis mutandis*, apply to Restricted Shares in any event of Cessation of Service.

## **9B. Share Appreciation Rights.**

9B.1 SARs may be granted upon such terms and conditions, as the Administrator shall determine.

9B.2 Exercise Price. The exercise price for each SAR shall be established in the discretion of the Administrator.

9B.3 Exercisability and Term of SARs. SARs shall be exercisable at such time or times, or upon such event or events, and subject to such terms, conditions, performance criteria and restrictions as shall be determined by the Administrator and set forth in the Notice of Grant evidencing such SAR; provided, however, that no SAR shall be exercisable after the expiration of six (6) years after the effective date of grant of such SAR.

9B.4 Exercise of SARs. Upon the exercise of a SAR, the Grantee shall be entitled to receive payment of an amount for each Share with respect to which the SAR is exercised equal to the excess, if any, of (i) the closing price for a Share on the last trading day prior to the date of exercise, as reported or quoted on NASDAQ, over (ii) the exercise price. Payment of such amount shall be made solely in Shares, based on the said closing price, in a lump sum following the date of exercise of the SAR. It is clarified, that a SAR shall be deemed exercised on the date on which the Company receives Notice of Exercise from the Grantee.

9B.5 All other terms and conditions of the Plan applicable to Options, shall apply to SARs, *mutatis mutandis*.

## 10. **Performance Based Awards:**

10.1 Subject to the sole and absolute discretion and determination of the Administrator, the Administrator may decide to grant Awards under the Plan, the exercise or vesting of which, as applicable, shall be conditional upon the performance of the Company and/or an Affiliate and/or a division or other business unit of the Company or of an Affiliate and/or upon the performance of the Grantee, over such period and measured against such objective criteria as shall be determined by the Administrator and notified to the Grantee (“**Performance Based Award(s)**”). In granting each Performance Based Award, the Administrator shall establish in writing the applicable performance period (“**Performance Period**”), performance formula (“**Performance Formula**”) and one or more performance goals (“**Performance Goal(s)**”) which, when measured at the end of the Performance Period, shall determine on the basis of said Performance Formula the extent to which the Performance Based Award has vested and/or become exercisable (collectively, the “**Performance Conditions**”). It is clarified, that Performance Conditions may be determined for an Award either in addition to, or in substitution for, a Vesting Period.

10.2 After a Performance Based Award has been granted, the Administrator may, in appropriate circumstances, amend any Performance Condition, at its sole and absolute discretion. Without derogating from the above, if the Administrator determines that a change in the business,

operations, corporate structure or capital structure of the Company or the manner in which the Company or an Affiliate conducts its business, or other events or circumstances render a Performance Condition to be unsuitable, the Administrator may modify such Performance Condition in whole or in part, as the Administrator deems appropriate. If a Grantee is promoted, demoted or transferred to a different business unit or function during a Performance Period, the Administrator may determine that the Performance Condition or Performance Period are no longer appropriate and may: (i) adjust, change or eliminate the Performance Condition or the applicable Performance Period as it deems appropriate to make such conditions and period comparable to the initial conditions and period; or (ii) make a cash payment to the Grantee in an amount determined by the Administrator.

10.3 If, in consequence of the applicable Performance Conditions being met a Performance Based Award becomes vested and/or exercisable in respect of some, but not all of the number of Shares underlying such Award it shall thereupon lapse and cease to be exercisable in respect of the balance of the Shares over which it was held.

10.4 Performance Conditions shall not be automatically waived merely due to an event of (i) a Cessation of Service, (ii) a Corporate Transaction, (iii) any other adjustment under Section 11 below, or (iv) a Sale under Section 11.5 below.

10.5 Measurement of Performance Goals. Performance Goals shall be established by the Administrator on the basis of targets to be attained with respect to one or more measures of business or financial performance that shall have the same meanings as used in the Company's financial statements, or, if such terms are not used in the Company's financial statements, they shall have the meaning applied pursuant to generally accepted accounting principles, or as used generally in the Company's industry ("**Performance Measures**"). For purposes of the Plan, the Performance Measures applicable to a Performance Based Award shall be calculated in accordance with generally accepted accounting principles, excluding the effect (whether positive or negative) of any change in accounting standards or any extraordinary, unusual or nonrecurring item, as determined by the Administrator, occurring after the establishment of the Performance Goals applicable to the Performance Based Award including by way of example but without limitation the following: (a) asset write-downs or impairment charges; (b) litigation or claim judgments or settlements; (c) the effect of changes in tax laws, accounting principles or other laws or provisions affecting reported results; (d) accruals for reorganization and restructuring programs; (e) acquisitions or divestitures; and (f) foreign exchange gains and losses. Each such adjustment, if any, shall be made solely for the purpose of providing a consistent basis from period to period for the calculation of Performance Measures in order to prevent the dilution or enlargement of the Grantee's rights with respect to a Performance Based Award. Performance Measures may be one or more of the following, as determined by the Administrator: revenue; sales; expenses; operating income; gross margin; operating margin; earnings before any one or more of: share-based compensation expense, interest, taxes, depreciation and amortization; pre-tax profit; net operating income; net income;

economic value added; free cash flow; operating cash flow; share price; earnings per share; return on shareholder equity; return on capital; return on assets; return on investment; employee satisfaction; employee retention; balance of cash, cash equivalents and marketable securities; market share; customer satisfaction; product development; research and development expenses; completion of an identified special project; completion of a joint venture or other Corporate Transaction and any other performance goals as determined by the Administrator.

10.6 Term of Performance Based Options. Unless otherwise determined by the Administrator, anything herein to the contrary notwithstanding, and without derogating from the generality of the provisions of Section 8.4 and the provisions of Section 8.6 above, if any Performance Based Options granted have not been exercised and the Shares subject thereto not paid for within seven (7) years after the Date of Grant, such Performance Based Awards and the right to acquire such Shares shall terminate, all interests and rights of the Grantee in and to the same shall *ipso facto* expire, and the Shares subject to such Performance Based Awards shall again be available for grant under the Plan, any sub-plans of the Plan, as provided for in Section 6 herein.

10.7 All other terms and conditions of the Plan applicable to Awards, shall apply to Performance Based Awards, *mutatis mutandis*.

## 11. **Adjustments, Liquidation and Corporate Transaction:**

11.1 Adjustments. Subject to any required action under any applicable law, the number of Shares subject to each outstanding Award, and the number of Shares which have been authorized for issuance under the Plan but as to which no Awards have yet been granted or which have been returned to the Plan upon cancellation or expiration of an Award, as well as the price per share of Shares subject to each outstanding Award, shall be proportionately adjusted, as the Board deems necessary or appropriate, for any increase or decrease in the number of issued Shares resulting from a share split, reverse share split, stock dividend, combination or reclassification of the Shares, or any other increase or decrease in the number of issued Shares effected without receipt of consideration by the Company, such that an adjustment is appropriate in order to prevent dilution or enlargement of the rights of a Grantee under the Plan.; provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been “effected without receipt of consideration.” Except as expressly provided in this Section 11, no issuance by the Company of shares of any class, or securities convertible into shares of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of Shares subject to an Award.

Except as expressly provided in this Section 11, the grant of Awards under the Plan shall in no way affect the right of the Company to distribute bonus shares, to offer rights to purchase its securities, or to distribute dividends.

11.2 Adjustments to Options’ Exercise Price due to Distribution of Dividends. If the

Company distributes cash dividends with respect to all Shares issued to its shareholders, and the record date for determining the right to receive such dividends (the “Determining Date”) is earlier than the Exercise Date of any Options granted hereunder, then the Exercise Price for each Option granted but not exercised prior to the Determining Date, shall be reduced by an amount equal to the gross amount of the dividend per Share distributed. If such distribution is in a currency different than the currency in which the Exercise Price is stated, said amount of reduction will be calculated in the same currency as the Exercise Price according to the representative rate of exchange as of the Determining Date, if applicable. Unless determined otherwise by the Board, the Exercise Price shall not be reduced to less than the nominal value of a Share. It is clarified that, no adjustment shall be made due to the distribution of cash dividends, with respect to RSUs and Options granted with an Exercise Price of up to the nominal value of a Share.

11.3 Liquidation. Unless otherwise provided by the Board, in the event of the proposed dissolution or liquidation of the Company, all outstanding Awards will terminate immediately prior to the consummation of such proposed action. In such case, the Board may declare that any Award shall terminate as of a date fixed by the Board and give each Grantee the right to exercise his Award or have it vested, including Award that would not otherwise vest or be exercisable.

11.4 Corporate Transaction.

(a) In the event of a Corporate Transaction (as defined under sub-Section (i-iv) of the Corporate Transaction definition above), immediately prior to the effective date of such Corporate Transaction, each Award may, among other things, at the sole and absolute discretion of the Board, either:

(i) Be substituted for a Successor Entity Award such that the Grantee may exercise the Successor Entity Award or have it become vested, as the case may be, for such number and class of securities of the successor entity which would have been issuable to the Grantee in consummation of such Corporate Transaction, had the Award vested or been exercised (as applicable), immediately prior to the effective date of such Corporate Transaction, given the exchange ratio or consideration paid in the Corporate Transaction, the Vesting Period and Performance Conditions (if any) of the Awards and such other terms and factors that the Administrator determines to be relevant for purposes of calculating the number of Successor Entity Awards granted to each Grantee; or

(ii) Be assumed by any successor entity such that the Grantee may exercise the Award or have his/her Award vest (as applicable), for such number and class of securities of the successor entity which would have been issuable to the Grantee in consummation of such Corporate Transaction, had the Award vested or been exercised immediately prior to the effective date of such Corporate Transaction, given the exchange ratio or consideration paid in the Corporate Transaction, the Vesting Period and Performance

Conditions (if any) of the Awards and such other terms and factors that the Board determines to be relevant for this purpose.

(iii) Determine that the Awards shall be cashed out for a consideration equal to the difference between the price per share received by the shareholders of the Company in the Corporate Transaction and the Exercise Price, purchase price, or nominal value, as the case may be, of such Award.

In the event of a clause (i) or clause (ii) action, appropriate adjustments shall be made to the Exercise Price per Share to reflect such action.

(b) Immediately following the consummation of the Corporate Transaction and subject to the Board exercising one of the alternatives under sub-Section (a) above, all outstanding Awards shall terminate and cease to be outstanding, except to the extent assumed by a successor entity.

(c) Notwithstanding the foregoing, and without derogating from the power of the Board or Administrator pursuant to the provisions of the Plan, the Board shall have full authority and sole discretion to determine that any of the provisions of Sections 11.4(a)(i) or 11.4(a)(ii) above shall apply in the event of a Corporate Transaction in which the consideration received by the shareholders of the Company is not solely comprised of securities of a successor entity, or in which such consideration is solely cash or assets other than securities of a successor entity.

11.5 Sale. Subject to any provision in the Articles of Association of the Company and to the Board's sole and absolute discretion, in the event of a Sale, each Grantee shall be obligated to participate in the Sale and sell his or her Shares and/or Awards in the Company, provided, however, that each such Share or Award shall be sold at a price equal to that of any other Ordinary Share sold under the Sale (and, unless determined otherwise by the Board, less the applicable Exercise Price), while accounting for changes in such price due to the respective terms of any such Award, and subject to the absolute discretion of the Board.

For purposes of a Sale, whether "all or substantially all of the issued and outstanding share capital of the Company is to be sold", shall be finally and conclusively determined by the Board in its absolute discretion.

11.6 The grant of Awards under the Plan shall in no way affect the right of the Company to adjust, reclassify, reorganize or otherwise change its capital or business structure or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets.

## 12. **Limitations on Transfer:**

12.1 Unless determined otherwise by the Administrator, no Award shall be assignable or transferable by the Grantee to whom granted otherwise than by will or the laws of descent and distribution, and an Award shall vest or may be exercised (as applicable) during the lifetime of the Grantee only by such Grantee or by such Grantee's guardian or legal representative. The terms of such Award shall be binding upon the beneficiaries, executors, administrators, heirs and successors of such Grantee. Any ADRs or Shares acquired upon exercise or vesting of Awards shall be transferable only in accordance with applicable securities and other local laws, and may be subject to substantial statutory or regulatory restrictions on transfer, except to the extent exemptions (whether by registration or otherwise) are available.

12.2 Underwriter's Lock-up and Limitations on the Use of Nonpublic Information. The Grantee's rights to sell Exercised Shares may be subject to certain limitations (including a lock-up period), as will be requested by the Company or its underwriters, from time to time, or upon a specific occurrence, and the Grantee unconditionally agrees and accepts any such limitations. Furthermore, the Grantee's right to sell Exercised Shares is subject to applicable law, including in connection with limitation relating to the use of non-public information, if and when applicable.

### **13. Term and Amendment of the Plan:**

13.1 Unless determined otherwise by the Administrator, The Plan shall continue until the expiration of ten (10) years from the date the Plan was adopted by the Board. All Awards outstanding at the time of termination, as aforementioned, shall continue to have full force and effect in accordance with the provisions of the Plan and the documents evidencing such Awards.

13.2 Subject to applicable laws and regulations, the Board in its discretion may, at any time and from time to time, amend, alter, extend or terminate the Plan, as it deems advisable, including without limitation, change the vesting and exercise periods. In addition, the Administrator may adopt, as part of the Plan and based on it, sub-plans, in order to comply with all relevant and applicable laws and regulations of the country of residence of any Grantees.

13.3 Amendment of Awards. The Administrator, at any time, and from time to time, may amend the terms of any one or more Awards; provided, however, that the rights under any Award shall not be impaired by any such amendment unless the Grantee consents in writing (it being understood that no action taken by the Administrator that is expressly permitted under the Plan, shall constitute an amendment of an Award for the purpose hereof). Notwithstanding the foregoing, subject to the limitations of applicable law, if any, and without an affected Grantee's consent, the Administrator may amend the terms of any one or more Awards if necessary to bring the Award into compliance with any applicable tax legislation, rule, regulation or guidance.

#### **14. Withholding and Tax Consequences:**

14.1 All Tax consequences and obligations arising from the grant, vesting, or exercise of any Award (as applicable), or the subsequent disposition of, Shares subject thereto or from any other event or act (of the Company or of the Grantee) hereunder, shall be borne solely by the Grantee, and the Grantee shall indemnify the Company and hold it harmless against and from any and all liability for any such Tax, including without limitation, monetary liabilities relating to the necessity to withhold, or to have withheld, any such Tax payment from any payment made to the Grantee. Notwithstanding the above, the Company's obligation to deliver Shares upon the exercise or vesting of any Awards granted under the Plan shall be subject to the satisfaction of all applicable Tax withholding requirements as governed by applicable law or practice.

14.2 Withholding in Shares. The Company shall have the right, but not the obligation, to deduct from the Shares issuable to a Grantee upon the exercise or vesting of an Award, or to accept from the Grantee the tender of, a number of whole Shares having a fair market value, as determined by the Company, that will enable the Company to satisfy any Tax withholding obligations of the Company.

14.3 The Company shall not be required to release any Shares (or Share certificate) to a Grantee until all required payments have been fully made or secured.

14.4 The Grantee shall, if requested at any time by the Company, provide to the Company within 10 calendar days of such request, any information regarding the transfer or other disposition of Shares reasonably required by the Company in order for the Company to comply with applicable local laws and regulations or to obtain any benefits thereunder.

#### **15. Miscellaneous:**

15.1 Continuance of Employment. Neither the Plan nor the grant of an Award thereunder shall impose any obligation on the Company to continue the employment or service of any Grantee. Nothing in the Plan or in any Award granted thereunder shall confer upon any Grantee any right to continue in the employ or service of the Company for any period of specific duration, or interfere with or otherwise restrict in any way the right of the Company to terminate such employment or service at any time, for any reason, with or without cause.

15.2 Notwithstanding anything to the contrary in the Plan, it is hereby clarified, that any income attributed (or deemed to be attributed) to the Grantee as a result of the Plan, the grant, vesting or exercise of Awards thereunder, or the sale of Exercised Shares, shall not be taken into account for the purpose of calculating the Grantee's eligibility for any rights deriving from the employee-employer or service provider-client relationship between the Grantee and the Company.

15.3 Governing Law. The Plan and all instruments issued thereunder or in

connection therewith, shall be governed by, and interpreted in accordance with, the laws of the State of Israel, excluding the choice of law rules thereof.

15.4 Application of Funds. Any proceeds received by the Company from the sale of Shares pursuant to the exercise or vesting of Awards granted under the Plan, as applicable, shall be used for general corporate purposes of the Company.

15.5 Multiple Agreements. The terms of each Award may differ from other Awards granted under the Plan at the same time, or at any other time. The Administrator may also grant more than one grant of Awards to a given Grantee during the term of the Plan, either in addition to, or in substitution for, one or more Awards previously granted to that Grantee. The grant of multiple Awards may be evidenced by a single Notice of Grant or multiple Notices of Grant, as determined by the Administrator.

15.6 Non-Exclusivity of the Plan. The adoption of the Plan by the Board shall not be construed as amending, modifying or rescinding any previously approved incentive arrangement or as creating any limitations on the power of the Board to adopt such other incentive arrangements as it may deem desirable, including, without limitation, the granting of share-based Awards otherwise than under the Plan, and such arrangements may be either applicable generally or only in specific cases.

15.7 Claw-back/Recovery. All Awards granted under the Plan will be subject to recoupment in accordance with the Executives & Directors Compensation Policy, as amended from time to time. In addition, the Board may impose such other claw-back, recovery or recoupment provisions in the Notice of Grant or in a claw-back policy as the Board determines necessary or appropriate. Any such policy adoption or amendment shall in no event require the prior consent of any Grantee. In the event that an Award is subject to more than one such policy, the policy with the most restrictive claw-back or recoupment provisions shall govern such Award, subject to applicable law.

15.8 Data Privacy. As a condition of receipt of any Award, each Grantee explicitly and unambiguously consents to the collection, use, and transfer, in electronic or other form, of personal data as described in this section by and among, as applicable, the Company for the exclusive purpose of implementing, administering, and managing the Plan and Awards and the Grantee's participation in the Plan, including the transfer of such data from such employee's country of residence to other countries, all at the Company's discretion.

16. The provisions of the Plan shall not be construed as deviating from any applicable laws, rules and regulations.

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**NICE-Systems LTD.**

**ADDENDUM TO THE 2016 SHARE INCENTIVE PLAN  
FOR ISRAELI GRANTEES**

**1. General**

1.1 This addendum (the “**Addendum**”) shall apply only to Grantees who are residents of the State of Israel or those who are deemed to be residents of the State of Israel for tax purpose and are subject to taxation by the Israeli Income Tax s (collectively, “**Israeli Grantees**”). The provisions specified hereunder shall form an integral part of the Nice-Systems Ltd. 2016 Share Incentive Plan (the “**Plan**”), which applies to the grant of Awards.

1.2 This Addendum is to be read as a continuation of the Plan and only modifies the terms of Awards granted to Israeli Grantees so that they comply with the requirements set by the Israeli law in general, and in particular with the provisions of the Israeli Tax Ordinance (as defined below), as may be amended or replaced from time to time. It is clarified, that this Addendum does not add to or modify the Plan in respect of any other category of Grantees.

1.3 The Plan and this Addendum are complimentary to each other and shall be deemed as one. In any case of contradiction with respect to Awards granted to Israeli Grantees, whether explicit or implied, between the provisions of this Addendum and the Plan, the provisions set out in this Addendum shall prevail.

1.4 Any capitalized term not specifically defined in this Addendum shall be construed according to the definition or interpretation given to it in the Plan.

**2. Definitions**

“**102 Award**” means a grant of an Award to an Israeli employee, director or other office holder of the Company, other than to a Controlling Shareholder, pursuant to the provisions of Section 102 of the Tax Ordinance, the 102 Rules, and any other regulations, rulings, procedures or clarifications promulgated thereunder, or under any other section of the Tax Ordinance that will be relevant for such issuance in the future.

“**102(c) Award**” means a 102 Award that will not be subject to a Taxation Route, as detailed in Section 102(c) of the Tax Ordinance.

“**3(i) Award**” means a grant of an Option or RSU to an Israeli consultant, contractor or a Controlling Shareholder of the Company pursuant to the provisions of Section 3(i) of the Tax Ordinance and the rules and regulations promulgated thereunder, or any other section of the Tax Ordinance that will be relevant for such issuance in the future.

**“Beneficial Grantee”** means the Grantee for the benefit of whom the Trustee holds an Award in Trust.

**“Capital Gains Route”** means the capital gains tax route under Section 102(b)(2) of the Tax Ordinance.

**“Controlling Shareholder”** means a “controlling shareholder” of the Company, as such term is defined in Section 32(9)(a) of the Tax Ordinance.

**“Minimum Trust Period”** means the minimum period of time required under a Taxation Route for Awards and/or Exercised Shares to be held in Trust in order for the Beneficial Grantee to enjoy to the fullest extent the tax benefits afforded under such Taxation Route, as prescribed at any time by Section 102 of the Tax Ordinance.

**“Ordinary Income Route”** means the ordinary income route under Section 102(b)(1) of the Tax Ordinance.

**“Rights”** means rights issued in respect of Exercised Shares, including bonus shares.

**“102 Rules”** means the Israeli Income Tax Rules (Tax Relief in Issuance of Shares to Employees), 2003.

**“Taxation Route”** means each of the Ordinary Income Route or the Capital Gains Route.

**“Tax Ordinance”** means the Israeli Income Tax Ordinance [New Version], 1961, as amended.

**“Trust”** means the holding of an Award or Exercised Share by the Trustee in Trust for the benefit of the Beneficial Grantee, pursuant to the instructions of a Taxation Route.

**“Trustee”** means a trustee designated by the Administrator in accordance with the provisions of Section 3 below and, with respect to 102 Awards, approved by the Israeli Tax Authorities.

### **3. Administration:**

3.1 Subject to the general terms and conditions of the Plan, the Tax Ordinance, and any other applicable laws and regulations, the Administrator shall have the full authority in its discretion, from time to time and at any time, to determine:

(a) With respect to grants of 102 Awards - whether the Company shall elect the Ordinary Income Route or the Capital Gains Route for grants of 102 Awards, and the identity of the trustee who shall be granted such 102 Awards in accordance with the provisions of the Plan and the then prevailing Taxation Route.

In the event the Administrator determines that the Company shall elect one of the Taxation Routes for grants of 102 Awards, all grants of 102 Awards made following such election, shall be subject to the elected Taxation Route and the Company shall be entitled to change such election only following the lapse of one year from the end of the tax year in which 102 Awards are first granted under the then prevailing Taxation Route or following the lapse of any shorter or longer period, if provided by law; and

(b) With respect to the grant of 3(i) Awards - whether or not 3(i) Awards shall be granted to a trustee in accordance with the terms and conditions of the Plan, and the identity of the trustee who shall be granted such 3(i) Awards in accordance with the provisions of the Plan.

3.2 Notwithstanding the aforesaid, the Administrator may, from time to time and at any time, grant 102(c) Awards.

#### **4. Grant of Awards and Issuance of Shares:**

Subject to the provisions of the Tax Ordinance and applicable law:

(a) All grants of Awards to Israeli employees, directors and office holders of the Company, other than to a Controlling Shareholder, shall be of 102 Awards; and

(b) All grants of Awards to Israeli consultants, contractors or Controlling Shareholders of the Company shall be of 3(i) Awards.

#### **5. Trust:**

##### **5.1 General.**

(a) In the event Awards are deposited with a Trustee, the Trustee shall hold each such Award and any Exercised Shares in Trust for the benefit of the Beneficial Grantee.

(b) In accordance with Section 102, the tax benefits afforded to 102 Awards (and any Exercised Shares) in accordance with the Ordinary Income Route or Capital Gains Route, as applicable, shall be contingent upon the Trustee holding such 102 Awards for the applicable Minimum Trust Period.

(c) With respect to 102 Awards granted to the Trustee, the following shall apply:

(i) A Grantee granted 102 Awards shall not be entitled to sell the Exercised Shares or to transfer such Exercised Shares (or such 102 Awards) from the Trust prior to the lapse of the Minimum Trust Period; and

(ii) Any and all Rights shall be issued to the Trustee and held thereby

until the lapse of the Minimum Trust Period, and such Rights shall be subject to the Taxation Route which is applicable to such Exercised Shares.

(d) Notwithstanding the aforesaid, Exercised Shares or Rights may be sold or transferred, and the Trustee may release such Exercised Shares or Rights from Trust, prior to the lapse of the Minimum Trust Period, provided however, that tax is paid or withheld in accordance with Section 102 of the Tax Ordinance and Section 7 of the 102 Rules, and any other provision in any other section of the Tax Ordinance and any regulation, ruling, procedure and clarification promulgated thereunder, that will be relevant, from time to time.

(e) The Company shall register the Exercised Shares issued to the Trustee pursuant to the Plan, in the name of the Trustee for the benefit of the Israeli Grantees, in accordance with any applicable laws, rules and regulations, until such time that such Shares are released from the Trust as herein provided.

If the Company shall issue any certificates representing Exercised Shares deposited with the Trustee under the Plan, then such certificates shall be deposited with the Trustee, and shall be held by the Trustee until such time that such Exercised Shares are released from the Trust as herein provided.

(f) Subject to the terms hereof, at any time after the Awards are exercised or vested, with respect to any Exercised Shares the following shall apply:

(i) Upon the written request of any Beneficial Grantee, the Trustee shall release from the Trust the Exercised Shares issued, on behalf of such Beneficial Grantee, by executing and delivering to the Company such instrument(s) as the Company may require, giving due notice of such release to such Beneficial Grantee, provided, however, that the Trustee shall not so release any such Exercised Shares to such Beneficial Grantee unless the latter, prior to, or concurrently with, such release, provides the Trustee with evidence, satisfactory in form and substance to the Trustee, that payment of all taxes, if any, required to be paid upon such release has been secured.

(ii) Alternatively, subject to the terms hereof, provided the Shares are listed on a Stock Market, upon the written instructions of the Beneficial Grantee to sell any Exercise Shares, the Company and/or the Trustee shall use their reasonable efforts to effect such sale and shall transfer such Shares to the purchaser thereof concurrently with the receipt of, or after having made suitable arrangements to secure, the payment of the proceeds of the purchase price in such transaction. The Company and/or the Trustee, as applicable, shall withhold from such proceeds any and all taxes required to be paid in respect of such sale, shall remit the amount so withheld to the appropriate tax authorities and shall pay the balance thereof directly to the Beneficial Grantee, reporting to such Beneficial Grantee the amount so withheld and paid to said tax authorities.

5.2 Voting Rights. Unless determined otherwise by the Administrator, as long as the Trustee holds the Exercised Shares, the voting rights at the Company's general meeting attached to such Exercised Shares will remain with the Trustee. However, the Trustee shall not be obligated to exercise such voting rights at general meetings nor notify the Grantee of any Shares held in the Trust, of any meeting of the Company's shareholders.

Without derogating from the above, with respect to 102 Awards, such shares shall be voted in accordance with the provisions of Section 102 and any rules, regulations or orders promulgated thereunder.

5.3 Dividends. Subject to any applicable law, tax ruling or guidelines of the Israeli Tax Authority, as applicable, for so long as Shares deposited with the Trustee on behalf of a Beneficial Grantee are held in Trust, the cash dividends paid or distributed with respect thereto shall be distributed directly to such Beneficial Grantee, subject further to any applicable taxation on distribution of dividends, and when applicable subject to the provisions of Section 102 of the Tax Ordinance, the 102 Rules and the regulations or orders promulgated thereunder.

5.4 Notice of Exercise. With respect to a 102 Award held in the Trust, a copy of any Notice of Exercise shall be provided to the Trustee, in such form and method as may be determined by the Trustee in accordance with the requirements of Section 102 of the Tax Ordinance.

## **6. Notice of grant:**

6.1 The Notice of Grant shall state, *inter alia*, whether the Awards granted to Israeli Grantees are 102 Awards (and in particular whether the 102 Awards are granted under the Ordinary Income Route, the Capital Gains Route or as 102(c) Awards), or 3(i) Awards. Each Notice of Grant evidencing a 102 Award shall be subject to the provisions of the Tax Ordinance applicable to such awards.

6.2 Furthermore, each Grantee of a 102 Award under a Taxation Route shall be required: (i) to execute a declaration stating that he or she is familiar with the provisions of Section 102 of the Tax Ordinance and the applicable Taxation Route; and (ii) to undertake not to sell or transfer the Awards and/or the Exercised Shares prior to the lapse of the applicable Minimum Trust Period, unless he or she pays all taxes that may arise in connection with such sale and/or transfer.

## **7. Sale:**

In the event of a Sale described in Section 11.5 of the Plan, with respect to Shares held in Trust the following procedure will be applied: The Trustee will transfer the Shares held in Trust and sign any document in order to effectuate the transfer of Shares, including share transfer deeds, provided, however, that the Trustee receives a notice from the Board, specifying that: (i) all or substantially all of the issued outstanding share capital of the Company is to be

sold, and therefore the Trustee is obligated to transfer the Shares held in Trust under the provisions of Section 11.5 of the Plan; and (ii) the Company is obligated to withhold at the source all taxes required to be paid upon release of the Shares from the Trust and to provide the Trustee with evidence, satisfactory to the Trustee, that such taxes indeed have been paid; and (iii) the Company is obligated to transfer the consideration for the Shares (less applicable tax and compulsory payments) directly to the Grantees.

## **8. Limitations of Transfer:**

In addition to the provisions of Section 12 of the Plan, as long as Awards and/or Shares are held by the Trustee on behalf of the Grantee, all rights of the Grantee over the Shares are personal, can not be transferred, assigned, pledged or mortgaged, other than by will or pursuant to the laws of descent and distribution.

## **9. Taxation:**

9.1 Without derogating from the provisions of Section 14 of the Plan, the provisions of Section 14.1 of the Plan shall apply also to actions taken by the Trustee. Accordingly, without derogating from the provisions of Section 14.1 of the Plan, the Grantee shall indemnify the Trustee and hold it harmless against and from any and all liability for any such Tax, including without limitation, monetary liabilities relating to the necessity to withhold, or to have withheld, any such Tax from any payment made to the Grantee.

9.2 The Trustee shall not be required to release any Share (or Share certificate) to a Grantee until all required Tax payments have been fully made or secured.

9.3 With regards to 102 Awards, any provision of Section 102 of the Tax Ordinance, the 102 Rules and the regulations or orders promulgated thereunder, which is necessary in order to receive and/or to preserve any Tax treatment pursuant to Section 102 of the Tax Ordinance, which is not expressly specified in the Plan or in this Addendum, shall be considered binding upon the Company and the Israeli Grantee.

9.4 Guarantee. In the event a 102(c) Award is granted to a Grantee, if the Grantee's employment or service is terminated, for any reason, such Grantee shall provide the Company, to its full satisfaction, with a guarantee or collateral securing the future payment of all Taxes required to be paid upon the sale of the Exercised Shares received upon exercise of such 102(c) Award, all in accordance with the provisions of Section 102 of the Tax Ordinance, the 102 Rules and the regulations or orders promulgated thereunder.

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## **APPENDIX "A"**

**NICE-Systems LTD.**

**ADDENDUM TO THE 2016 SHARE INCENTIVE PLAN**  
**FOR GRANTEES WHO ARE CITIZENS OF THE UNITED STATES OR RESIDENT**  
**ALIENS**

Notwithstanding anything to the contrary contained in the Plan, for an Award granted to a Grantee who is subject to federal income tax under the laws of the United States, the following requirements shall apply:

1. The Exercise Price of an Option shall be equal to the average of the closing prices of one ADR of the Company, as quoted on the NASDAQ market, during the 30 consecutive calendar days preceding the Date of Grant, or, in the sole discretion of the Administrator, based on any other method of valuation that is consistently applied and is in compliance with Section 1.409A-1(b)(5) of the US Treasury Regulations.

2. Such Award shall be made, construed and administered in all respects to comply with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the "**US Code**"). Without limiting the generality of the foregoing, and notwithstanding Section 11.2 of the Plan to the contrary, or otherwise, the exercise price per share under any Option shall not be reduced after such Option is granted if such reduction would cause noncompliance with the requirements of Section 409A.

3. Such Award shall be made, construed and administered in all respects to comply with the performance based compensation requirements of Section 162(m) of the US Code, including compliance with any shareholder approval rules (if any). Without limiting the generality of the foregoing, and notwithstanding certain provisions of the Plan to the contrary, including, without limitation, sections 8.6(a)(iii) and 10.2 of the Plan, no modification of, or deemed compliance with, the Performance Based Awards requirements shall be made if such modification or deemed compliance would cause noncompliance with the performance based compensation rules of Section 162(m) of the US Code.

4. Such Award shall be made, construed and administered in all respects to comply with the change in control golden parachute payment requirements and limitations of Section 280G of the US Code. Without limiting the generality of the foregoing, and notwithstanding certain provisions of the Plan to the contrary, including, without limitation, Section 7.4 of the Plan, no acceleration of vesting (or other change in the Award) shall be permitted to the extent the acceleration (or other change in the Award) would cause noncompliance with the requirements of Section 280G of the US Code, unless otherwise determined by the Administrator.

**Significant Subsidiaries**

The following is a list of our significant subsidiaries and other subsidiaries, including the name and country of incorporation or residence. Each of our subsidiaries listed below is wholly-owned.

<b>Name of Subsidiary</b>	<b>Country of Incorporation or Residence</b>
NICE Systems Australia PTY Ltd.	Australia
inContact Bolivia S.R.L.	Bolivia
NICE Systems Technologies Brasil LTDA	Brazil
NICE Systems Canada Ltd.	Canada
NICE Systems China Ltd.	China
Future Care Services s.r.o. Czech Republic	Czech Republic
NICE France S.A.R.L.	France
NICE Systems GmbH	Germany
NICE APAC Ltd.	Hong Kong
NICE Systems Kft	Hungary
NICE Interactive Solutions India Private Ltd.	India
NICE Technologies Ltd.	Ireland
Actimize Ltd.	Israel
NICE Enterprise Ltd.	Israel
NICE Japan Ltd.	Japan
NICE Technologies Mexico S.R.L.	Mexico
NICE Netherlands B.V.	Netherlands
NICE inContact Philippines Inc.	Philippines
NICE Systems (Singapore) Pte. Ltd.	Singapore
NICE Switzerland AG	Switzerland
NICE Technologies Sole Proprietorship LLC	United Arab Emirates
Actimize UK Limited	United Kingdom
Brand Embassy Ltd.	United Kingdom
NICE Systems Technologies UK Limited	United Kingdom
NICE Systems UK Ltd.	United Kingdom
Actimize Inc.	United States
Alacra LLC	United States
AtlasRX LLC	United States
inContact Inc.	United States
Mattersight Corporation	United States
Nexidia Inc.	United States
NICE Systems Inc.	United States
NICE Systems Latin America, Inc.	United States
NICE Systems Technologies Inc.	United States
NICE US LP	United States

Certification of Principal Executive Officer pursuant to 17 CFR 240.13a-14(a),  
as adopted pursuant to §302 of the Sarbanes-Oxley Act

I, Barak Eilam, certify that:

1. I have reviewed this annual report on Form 20-F of NICE Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d – 15(f)) for the company and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

By: /s/ Barak Eilam  
Barak Eilam  
Chief Executive Officer

Date: March 30, 2023

Certification of Principal Financial Officer pursuant to 17 CFR 240.13a-14(a),  
as adopted pursuant to §302 of the Sarbanes-Oxley Act

I, Beth Gaspich, certify that:

1. I have reviewed this annual report on Form 20-F of NICE Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d – 15(f)) for the company and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

By: /s/ Beth Gaspich  
Beth Gaspich  
Chief Financial Officer

Date: March 30, 2023

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 20-F of NICE Ltd. (the "Company") for the year ended December 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Barak Eilam, Chief Executive Officer of the Company, certifies, pursuant to 18 U.S.C. sec. 1350, as adopted pursuant to sec. 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Barak Eilam

Barak Eilam  
Chief Executive Officer

March 30, 2023

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 20-F of NICE Ltd. (the "Company") for the year ended December 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Beth Gaspich, Chief Financial Officer of the Company, certifies, pursuant to 18 U.S.C. sec. 1350, as adopted pursuant to sec. 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Beth Gaspich

Beth Gaspich  
Chief Financial Officer

March 30, 2023

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in the Registration Statements on Form S-8 (Registration Nos. 333-166364, 333-168100, 333-171165, 333-162795, 333-162110, 333-06784, 333-08146, 333-11842, 333-09350, 333-11154, 333-111112, 333-111113, 333-134355, 333-144589, 333-145981, 333-153230, 333-177510, 333-179408, 333-181375, 333-191176, 333-199904, 333-210341, 333-210343, 333-210344, 333-214584, 333-210341, 333-210343, 333-210344, 333-214584, 333-226930, 333-228911 and 333-249186) of our reports dated March 30, 2023, with respect to the consolidated financial statements of NICE Ltd. and its subsidiaries and the effectiveness of internal control over financial reporting of NICE Ltd. included in this Annual Report on Form 20-F for the year ended December 31, 2022.

Tel Aviv, Israel  
March 30, 2023

/s/ KOST, FORER, GABBAY & KASIERER

KOST, FORER, GABBAY & KASIERER  
A Member of EY Global