

**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, 2023

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.

(Exact name of Registrant as specified in its charter)

N/A

(Translation of Registrant's name into English)

Israel

(Jurisdiction of incorporation or organization)

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

(Address of principal executive offices)

**Tali Mirsky
Corporate VP, General Counsel and Corporate Secretary
Tel: +972-9-7753151
E-mail: 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>American Depositary Shares, each representing one Ordinary Share, par value one New Israeli Shekel per share</u>	<u>NICE</u>	<u>NASDAQ Global Select Market</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: **62,870,669 Ordinary Shares, par value NIS 1.00 per share (which excludes 11,904,158 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 (including Artificial Intelligence), 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 conflicts in the Middle East, 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, all references to “SGD” are to Singapore Dollar, and all references to “COP” are to Colombian Peso. 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 could enable our competitors to better adapt to new market trends, emerging technologies including Artificial Intelligence (“AI”), or customer requirements, or devote more resources to the marketing and sale of their products and services.

Additional competition from existing and new potential entrants to our markets, including new technology vendors competing in specific areas of our business or specific industry verticals, 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.

Additionally, prices of our offerings may decrease throughout the market due to competitive pressures, including by adoption of different approaches to pricing or different pricing models, which may be necessary in light of the potential of conversational AI-based solutions to shift the market from agent-based pricing to interaction-based pricing, or alternatively during times of economic difficulty. This could have a negative effect on our gross profit and results of operations.

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, Platform as a Service (“PaaS”) vendors, pure digital as well as pure Conversational-AI 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 and/or platforms. Moreover, as the investment in, and the shift to the use of Generative AI technologies continue to grow, we may experience increased competition by vertical solutions’ players expanding their portfolios in the digital CX market. We may also experience increased competition if large horizontal analytics providers and domain specific competitors in adjacent markets enter or increase their presence in the Financial Crime and Compliance markets. 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, especially if they will enable our competitors to offer a competitive comprehensive platform solution.

As we expand into new markets and geographies, we are faced with new challenges, including new competition, which may possess specific assets, relationships, know-how, technologies, and/or different pricing strategies, 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.

Our inability to respond to the rapid technological changes and frequent new products, services and business models introductions in the markets in which we operate and address the related risks, 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, services, business models introductions and evolving industry standards. These changes 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 are making investments in AI based capabilities to enhance our offerings. AI technologies are rapidly evolving and may present several risks, including factual errors or inaccuracies in the work product developed with AI, ethical risks related to biases in the algorithm or programming, privacy and security concerns as well as risks related to confidentiality and intellectual property rights. The use of AI tools or any failure to address the responsible use of AI technology may result in potential financial or reputational harm.

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, as well as investments in AI and Generative AI related initiatives. 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 develop new products and services that are in demand, or should customer adoption of new technologies be slower than we anticipate, or should our competitors introduce new and enhanced products incorporating AI more rapidly and/or successfully than us, the competitive position of our offerings may be adversely affected and 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, that we will be successful in the development, adoption, and implementation of new technologies, products and applications, including in relation to products incorporating AI, that such new products and applications will achieve market acceptance and be competitive in technology and price and responsive to customer needs, or that the introduction of new products, services or technological developments by others, including AI based technologies, will not render our products and services obsolete or require adjustments in our products and services and/or business model in order to address the impact of such technological developments in relevant markets. Moreover, the market acceptance of AI-based products and services may expedite certain AI related trends in those markets. Such trends, if adopted on a large scale, may reduce the demand for certain solutions and

limit the revenues generated from our offerings. If any of the above occurs, our business, financial condition and results of operations could be materially adversely affected.

We may not be able to maintain and further expand the growth and/or profitability of 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 solutions as well as AI-based offerings 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.

Some of our products and solutions utilize the cloud services of AI accelerators which, due to growing market demand for AI-based offerings, may become difficult to get access to or to obtain on commercially reasonable terms. The inability to obtain access to the required capacity for AI processing could limit our ability to deliver and expand growth in our AI-based offerings. This limitation could also result in deterioration of our cloud profitability.

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.

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, maintain and grow revenues from existing customers, 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 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 our product portfolio caters to the changing demands in alternative communication channels and we have experienced growth in our digital channel solutions, there can be no assurance that customers will adopt our solution for other communication channels to compensate for such possible decline in demand for our voice solutions. Therefore, a significant decline in the voice solutions market may have a material adverse effect on revenues generated from our voice solutions, which 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 or on terms we find reasonable. 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 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.

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, which may include Large Language Models (LLMs) or other AI based-offerings as components of and/ or integration with 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, inaccuracies, 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, ethical issues, inaccurate content, or unintentional bias may derive from the use of our AI incorporated products or unauthorized use of AI technologies and may also result in potential legal or reputational harm. In addition, our customers may inadvertently use our services in ways that may cause a disruption in services for other customers attempting to use our services. Moreover, our customers could incorrectly implement or misuse our products or services, which could result in client dissatisfaction and harm our reputation and brand. Correcting and repairing such errors, inaccuracies, failures, misleading content 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, validation of content, insurance and contractual terms, we cannot assure that we will be able to eliminate or successfully limit our liability for any failure of, or inaccuracies in, our solutions, including with respect to responsible use of products and services incorporating AI capabilities. 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 compromised, 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 or confidential 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 incidents 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 incidents. 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 incidents, including as a result of intentional misconduct, or fraud by computer hackers, employee error, malfeasance or otherwise which may result in someone obtaining unauthorized access to, or use of, our systems, products and services, our customers' data or our data, including our intellectual property and other confidential business information, in order to derive a financial benefit or for other purposes. 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 after a security incident 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. Such vulnerability may further increase as a result of the use of products and services incorporating AI capabilities. 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 attack 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 incident 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 incidents 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 incidents, 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 incidents, 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 529 U.S. patents and 40 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 intellectual property ownership and third-party licenses, including copyrights of AI output, 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 may 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 and data protection 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) have enacted and are continuing to adopt 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"), local laws and regulations and certain state laws in the U.S. on privacy and data protection, such as the California Consumer Privacy Act ("CCPA"), as amended by the California Privacy Rights Act ("CPRA"), the Colorado Privacy Act, the Connecticut Data Privacy Act, the Utah Consumer Privacy Act, and the Virginia Consumer Data Protection Act, as well as the Israeli Privacy Law and the regulations promulgated thereunder (the "Israeli Privacy Law"), 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 laws, rules and regulations, 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 required or 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. We also serve customers in the public safety and other government entities. 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. Other example may include customers' requirements with respect to sovereign cloud platform. 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, products and services, our operation 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, U.K. and other territories in relation to data privacy and protection, AI, anti-bribery and anti-corruption, foreign investment, import and export, sanctions, labor, tax and environmental and social issues. For information on the market risks relating to data privacy and protection, please see Item 3, "Risks Relating to Regulatory Environment" in this annual report.

Certain states and countries have already taken steps towards, proposed, or implemented, laws and regulations relating to AI, including in the United States and the upcoming regulations of the European Parliament. As the regulatory landscape continues to evolve, our investment in products and services incorporating AI may result in enhanced governmental or regulatory scrutiny. Compliance with the regulatory requirements, as well as with related requirements by our customers, may be onerous, time consuming and expensive and may require adjustments in our products and services. Any failure to comply with such requirements may result in reputation or financial harm and may affect our business, financial condition or results of operations.

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, including macroeconomic factors that may impact customer usage of our solutions, 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.

In addition, changes in non-core business factors including taxes and foreign exchange may also cause variation in quarterly 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 other 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 additional taxes or if additional taxes are imposed on us, such additional taxes could have a material adverse effect on our results of operations and financial condition.

The Organization for Economic Co-operation and Development, an international association of 38 countries including the United States, has proposed changes to numerous long-standing tax principles, namely, its Pillar Two framework, which imposes a global minimum corporate tax rate of 15%. In December 2022, the EU member states adopted a directive that complements the Pillar Two framework. Certain countries in which we operate have enacted legislation to adopt the Pillar Two framework (e.g., United Kingdom), and several other countries are also considering changes to their tax laws to implement this framework. The first component of the Pillar Two framework is expected to be effective for us in calendar year 2024 with a second component expected to be effective in fiscal year 2025. When and how this framework is adopted or enacted by the various countries in which we do business could increase tax complexity and uncertainty and may adversely affect our provision for income taxes in the United States and other non-U.S. jurisdictions.

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 2020 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 2020 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 2020 Notes for ADSs;
- Hedging or arbitrage trading activity involving ADSs by holders of the 2020 Notes;
- Currency exchange rate fluctuations;
- Earnings releases by us, our partners or our competitors;
- General financial, economic and market conditions;
- Political changes, unrest in regions (including the ongoing war in Israel), 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 2020 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 price of the ordinary shares and the ADSs, which may fluctuate significantly, will directly affect the market price for the 2020 Notes.

We expect that the market price of the ordinary shares and the ADSs will affect the market price of the 2020 Notes. This may result in greater volatility in the market price of the 2020 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 2020 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 2020 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 2020 Notes may delay or prevent an otherwise beneficial attempt to acquire our company.

The fundamental change prepayment rights of the noteholders under the 2020 Notes, which would allow noteholders to require that we prepay all or a portion of their 2020 Notes upon the occurrence of a fundamental change, and the provisions under the 2020 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 resulting from a shift or reduction in expenditures driven by AI and Generative AI solutions. If any of the above occurs, and our customers or partners do not adopt our solutions, significantly reduce their spending, or significantly delay or fail to make payments to us, our business, results of operations, and financial condition could 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 disruption resulting from the war in Israel and related conflicts in the Middle East and restrictions related to the conflict between Russia and 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 war in Israel and related conflicts in the Middle East and the conflict between Russia and Ukraine, could result in geopolitical instability and adversely affect the global economy or specific markets. The intensity and duration of these conflicts are difficult to predict.

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 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 is competition to recruit and retain highly skilled employees in the technology industry due to market conditions and the millennial workforce continuing to value multiple company experiences over long tenure. As a result, we may be required to offer exclusive compensation packages in order to retain and recruit certain key employees with particular expertise.

In certain locations in which we have development centers, including low-cost countries such as India, the rate of attrition is typically higher than other locations and could have a negative impact on our ability to retain our employees in such centers, timely develop our products and solutions, and/or 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 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 and Justice 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 has emerged as a leader in cloud, analytics, digital and AI 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. Subsequently, NICE became an industry leader, helping organizations innovate with AI-powered cloud platforms, designed to unify all data and capabilities for ultimate business results. Since 2019, as consumer expectations dramatically shifted to digital CX, NICE vastly extended the reach of its offering with a series of acquisitions of leading Digital & AI Customer Experience solutions, expanding its business reach beyond the contact center, providing organizations with AI-powered digital and self-service solutions to address customers' evolving 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. We possess the complete set of must-have AI assets necessary to command our markets: largest collection of unique historical and current data, most relevant knowledge elements and unmatched domain expertise. Our solutions help organizations of all sizes create extraordinary and trusted customer experiences, prevent financial crime, and improve criminal justice evidence management.

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 AI-powered cloud platforms 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.

Our strategy is based on serving rapidly expanding, specialized markets that require feature-rich solutions, with robust, comprehensive cloud platforms that are spearheaded by AI as an overarching catalyst, propelling our unique AI-driven vectors of growth: using AI differentiation to expand our cloud win rates, positioning AI as the bedrock for driving rapid expansion into digital, utilizing AI to fuel massive platform-adoption and leveraging AI as a lucrative source for new domain-specific use-cases.

In the Customer Engagement market, we enable organizations to transform experiences with specialized AI-powered solutions aimed at augmenting employee activities with smart copiloting capabilities, delivering seamless automated customer self-service using conversational AI, orchestrating journeys across multiple channels and intents, meeting consumers wherever they choose to begin their journey, providing them with the knowledge element they need, and creating smarter personalized customer interactions. We help organizations transform their workforce experience with AI-powered solutions aimed at guiding and engaging employees, optimizing operations and automating processes to deliver seamless transition between automated service and human-assisted interactions. We are also digitally transforming the evidence process from police investigators and district attorneys to court and correction facilities, providing a single, streamlined view of the truth as the core of our Public Safety and Justice business, which is part of our Customer Engagement segment.

In the Financial Crime and Compliance market, we protect financial services organizations, with solutions that identify risks and help prevent money laundering and fraud, as well as help ensure financial markets compliance in real-time. With our holistic, data and entity-centric approach, we help financial services organizations address the new dynamic of financial crime threats, which are significantly growing in the digital era.

NICE is at the forefront of several industry technological disruptions that have greatly accelerated in the last several years: the growing acceptance and adoption of specialized AI-powered solutions combining domain-specific use-cases, Generative AI and LLMs, 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, 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 criminal justice organizations to innovate and thrive with industry-leading cloud platforms that use domain-specific data and AI powered solutions.

We rely on multiple key assets to drive our growth:

- Our market-leading open cloud platforms which natively embed AI, analytics and automation, and are purpose-built for our specific domains, scale up to any sized organization, offer a comprehensive application suite for complete functionality, and are protected by a broad array of patents.
- Our extensive portfolio of applications that address organizational needs across all our areas of domain expertise.
- Our broad array of proprietary technologies and algorithms in the domains of Generative AI, LLMs, automation, analytics, machine learning, speech-to-text, natural language processing, personality-based routing and others. Our native AI models are based on years of industry-specific data and domain expertise, consistently using machine learning for generating actionable insights.
- Our access to vast amount of CX data, derived from billions of domain-specific interactions of all types, enriching our applications and enabling us to build hundreds of CX purpose-built AI models.
- 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 advanced data security and compliance capabilities that deliver trusted enterprise software across all our markets, including FedRAMP authorization to the relevant business lines, with 30 authorized applications, native PCI, supported by the most advanced SOC in the industry.
- Our flexible delivery model that allows our customers to benefit from a wide range of both cloud and on-premises solutions.
- Our solutions' market coverage of all 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 broad 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 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.
- Our outcome-oriented white-glove services that enable our customers achieve greater efficiency, higher revenue, and lower operating costs with our solutions.

Industry and Technology Trends

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

- **AI is disrupting businesses across all industries.** AI is reshaping the way organizations are conducting their businesses across all functions, allowing them to increase the velocity of strategic decision-making to overcome complexity. Recent advancements in AI technology, have made AI a strategic imperative for organizations of all sizes. Those advancements include conversational AI that enables intelligent human-friendly communication, fully aligned with brand values and knowledge, and Generative AI that is forging new frontiers in content and code creation while democratizing once highly specialized skills across the organization. AI is also turbo-charging employee capabilities to amplify skilled labor, and creating personalized, humanized connections, infusing real-time decisioning and predictive tools.
- **Large Language Models are transforming interfaces and interactions,** changing the way knowledge is accessed and used by consumers and impacting how employees conduct day to day tasks. Generative AI enables new use-cases helping create smart, personalized, and timely consumer and employee experiences.

- **Consumers and organizations are embracing digital transformation at an accelerated pace.** To remain competitive, organizations need to provide digital solutions to address consumers' digital interactions and self-service needs, digital banking compliance challenges, and digitalization of evidence management. Digital transformation is driving a convergence of siloed systems and disjointed technology stacks, replacing them with a single infrastructure based on an open foundational platform that provides complete functionality and seamlessly integrated workflows.
- **Organizations of all sizes are adopting open cloud platforms as the foundation for their applications to allow faster innovation cycles and better business agility.** 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 and gain centralized, valuable business insights from the efficient sharing of their own data among different suite functions.

Customer Engagement trends that are driving demand for our solutions:

- **Growing demand for domain-specific AI-infused solutions that create better customer experiences, while maintaining enterprise-grade security and scalability standards.** AI solutions purpose-built for CX use-cases, while also incorporating Generative AI technology and LLMs, play a pivotal role in revolutionizing the CX domain, particularly in elevating the efficiency of customer service agents, and delivering smarter, more engaging self-service experiences. By incorporating AI-powered products, organizations empower their agents with tools that automate routine tasks, allowing them to allocate more time and attention to complex customer issues. Generative AI enables agents and customers to access dynamic and context-aware information, enabling quicker and more accurate responses. AI-driven intelligent conversational bots provide self-service capabilities, which improve customer experience as well as reduce the cost to service consumers.
- **Customer service organizations are looking for AI-powered solutions that automate work processes in order to increase efficiency and productivity while reducing costs.** These solutions significantly reduce the number of manual and time-consuming tasks agents and employees need to perform, freeing them to spend time in added-value activities. Organizations are looking for smart ways to identify opportunities to fully automate both human-assisted and autonomous processes at scale.
- **Knowledge Management (KM) is becoming increasingly critical in AI management,** serving as a foundational element that ensures AI systems are effectively guided and aligned with an organization's brand identity and values. By integrating KM practices, organizations can establish robust guardrails for AI, ensuring that these technologies operate within predefined parameters that reflect the brand's ethos and customer engagement strategies. KM enables organizations to continuously refine and update AI models with relevant, accurate information, ensuring AI solutions remain responsive to evolving customer needs and market trends.
- **Increased use of advanced digital channels, especially self-service, as first choice by consumers for interaction with organizations.** The nature of these advanced digital channels such as chats, 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. Organizations need to make sure they offer seamless, effective and human-like self-service capabilities leveraging conversational intelligent virtual agents (IVAs) that deliver an integrated and high-quality experience, while maintaining the appropriate levels of staffing, quality management and internal efficiencies.
- **Organizations need to enable their employees the flexibility to work from anywhere and keep them highly engaged, while enabling supervisors to monitor the performance of their agents.** To do that successfully, organizations are continually looking for ways to simplify daily employee activities, engage

and motivate them to ensure their productivity and satisfaction is maintained, while supervisors gain visibility and are able to plan, evaluate, coach and drive performance, in ways that allow transparency and increase productivity.

- **Proactive (outbound) customer engagement interactions are growing relative to reactive (inbound) customer engagement interactions.** 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 or to solve basic service problems for contact centers.
- **CX markets remain focused on reducing labor costs.** Service organizations are burdened by soaring labor-driven costs, often exceeding 90% of total expenditures, and are therefore ripe for a massive shift of spend from labor to technology, replacing manual labor with specialized AI automation solutions.
- **Growing volume of digital evidence, contained in multiple disjointed systems, labor intensive 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 and courts - are looking to digital transformation as a way to overcome the challenges of digital evidence silos and disjointed work processes. Through digital transformation, stakeholders can work smarter and more efficiently within their own agency, and effectively share digital evidence throughout the criminal justice system.
- **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 evidence reproduction requests. Training new staff to handle the wide range of emergency calls is a significant cost burden. 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 helps improve and retain employees, resulting in more effective emergency incident handling, higher staff retention, and lower turnover-related costs.

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

- **Growing demand for embedded AI across all fraud, financial crime and risk management controls.** Financial services organizations are transforming to ensure 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 leverage purpose-built advanced AI to ensure regulatory compliance and provide exceptional customer experiences while stopping financial fraud and preventing the laundering of illicit funds.
- **Generative AI and LLMs are being sought out and tested to streamline and further automate financial crime investigation processes and 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.
- **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. In addition, the surge in consumer scams that lead to account takeover and authorized fraud threaten an organization’s reputation and their customer satisfaction, 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. Financial institutions are seeking advanced AI solutions to help address these threats, and ultimately protect their firm and their customers.
- **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 AI 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 and 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.
- **AI and 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. AI and 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.
- **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 using NICE’s unique domain-specific AI capabilities and our foundational platform, applications and data assets.

We continue to lead fast-growing vast markets that also manifest unique favorable attributes: they require constant problem solving that typically transcends economic fluctuations; they present complex challenges that require feature-rich solutions, preventing commoditization and giving rise to high barriers of entry that keep potential competitors at bay; they provide an abundance of opportunities fueled by the distinctive lag of technology adoption; and they are burdened by soaring labor-driven costs, often exceeding 90% of total expenditures, ripe for the massive shift of spend from labor to automation.

NICE is well-positioned across all markets, given our unique set of assets: we are categorically recognized as one of the top leaders in every market we operate in; we offer complete, robust and dominant platforms; we deliver a wide-ranging portfolio; we own the most critical data elements that form the foundation for AI; and we established wide-reaching global ecosystem. On top of it all, we are a highly profitable company, with strong balance sheet, acting as a springboard for our organic and inorganic growth.

In the Customer Engagement business, we intend to continue to leverage CXone to further grow our leadership in the CX market. We plan to achieve this through strategic AI-powered product launches fueled by organic developments and acquisitions. Furthermore, we intend to continue to evolve as the global leader in all major markets and segments for managing customer service interactions – hold the largest market share for CCaaS and WEM solutions; provide a significant share of next gen digital engagements; be the most adopted self-service conversational AI provider in the CX market, providing purpose-built AI for CX solutions; become the leading provider of AI copilot capabilities for augmenting CX employees at all levels, offer the most extensive customer-experience marketplace platform and data; and continue to expand into international markets in both the high-end and the mid to low end of the markets we serve. In Public Safety and Justice, we intend to cement and increase our leadership in the digital transformation of the US Justice System, becoming the de facto platform for workflow management across the Criminal Justice system. We will do so by leveraging our Evidential platform for handling massive amount of digital evidence and cases with streamlined workflows; using AI to further uncover insights and automate Justice processes; and delivering effective justice from the overwhelming amounts of evidence for every stakeholder in the Criminal Justice eco-system.

In our Financial Crime and Compliance business, we intend to expand to be the largest and leading cloud provider of financial crime and compliance solutions in all segments and across all major markets – further embedding AI across our portfolio while leveraging the X-Sight platform to cloudify the high end of the market; enhancing Xceed to be the cloud platform of choice in the mid-market; leveraging our unparalleled collective intelligence to provide a more holistic view of digital identity risk; and better monetizing data, based on advanced AI capabilities.

Leading our markets with domain-specific AI solutions

We intend to continue augmenting our AI leadership across all our markets, as AI establishes itself an overarching catalyst, propelling NICE's four vectors of AI growth strategy:

- **AI fuels our cloud win rate** - We are witnessing an enterprise cloud inflection point, where the lion's share of large-scale cloud transitions is about to take place. AI is enhancing our differentiation, substantially expanding our cloud win rates and displacements.
- **AI as the bedrock of rapid expansion into digital** - NICE's digital solutions encompass the range of digital channels. AI is a strong contributing factor for migration from legacy digital vendors to NICE, contributing to the growth in volume of digital engagements managed by our platforms.
- **AI fusion powers our platform adoption** – Enterprises are pivoting from multiple point solutions to building and simplifying their tech stack by standardizing on a single platform. This trend is now gaining a significant boost because it is the only viable way to implement AI that works and requires well designed AI-embedded platforms that were built with specific domains and use-cases in mind.
- **AI as endless source for lucrative new use-cases** – Organizations are coming to a clear realization that generic Generative AI and LLM solutions are not providing the expected results. NICE's specialized AI, with its thousands of constantly evolving and expanding models, based on billions of interactions, is fast becoming a true viable option for addressing the complex use-cases of our markets.

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 Platform Suite** – across all markets, we provide one of the industry’s most comprehensive set of integrated, scalable, world class applications. Our ability to provide our customers with a full range of capabilities, for organizations of various sizes that can provide for 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 Engagement** - we enable organizations to deliver experiences in every possible digital way across the full customer journey, keeping them engaged and informed, leveraging smart self-service, conversational AI and knowledge across multiple channels to solve for service needs, as well as providing secure digital banking, and helping public safety organizations shift to digital interaction and digital evidence environments.
- **AI** – we accelerate business transformation with purpose-built AI-embedded natively across our platforms, making our applications and business processes smarter. Our domain expertise, proprietary data, advanced technology, and pre-built AI models create industry-leading solutions for all our market segments.
- **Large Language Models and Generative AI** – we leverage LLMs and Generative AI to help consumers and employees access knowledge and interact with each other effortlessly and safely, while improving employee productivity and customer experience.
- **Data** - recognizing the power of data, we consider data as a key component and a strategic asset across our portfolio and leverage it as a basis for our purpose-built AI solutions. 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, reduce cost, 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 and advanced purpose-built AI capabilities 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. AI serves as a strong differentiator and catalyst for cloud migration and our platform adoption.

In our Customer Engagement business, we intend to continue being a leader in the CCaaS market with CXone, one of the industry's most comprehensive suite of integrated, scalable, world-class CX applications with embedded purpose-built AI delivered on a single open cloud platform. CXone enables rapid innovation, agility and scalability, and continue to extend our offering around the goal of providing high-quality, proactive, personalized experiences for consumers, organizations and service agents based on our leading cloud native CX platform, CXone, digital capabilities and NICE Enlighten AI, our purpose-built AI for the customer engagement market. With CXone, 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 purpose-built AI-powered integrated applications, used for understanding consumers, employees and business needs and preferences, and leveraging that information to create orchestrated journeys that cover every interaction. We intend to continue enhancing our NICE Enlighten AI solutions with the latest advancements in LLM, incorporating Generative AI capabilities to deliver purpose-built copilot, self-service and management capabilities. 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 AI-powered 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 Evidencentral cloud digital evidence management platform enables public safety, law enforcement and criminal justice agencies to transform to unified digital evidence workflows by managing incident 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 and deliver faster, fairer justice processes.

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 further embedding 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 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, LLMs, 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 migrate to the cloud

Our leading cloud platforms and domain expertise, along with our flexible migration 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 cloud migrations, 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 a smooth transition for our customers.

Continuing to cross-sell and 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 who complement 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 Customer Engagement market and expand our reach beyond the boundaries of the contact center 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 generative purpose-built AI and data-driven self-service and providing agents with knowledge and tools to successfully resolve any need in real-time. We intend to achieve this by:

- Infusing AI, analytics 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 AI 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 capabilities including digital collaboration, agent assistants, AI-powered copiloting capabilities, real-time guidance, to assist agents, using conversational context and knowledge-based information.
- Empowering our customers to anticipate business demands with smarter, AI-based forecasting and scheduling tools, and providing their workforce with AI- enhanced training and analytics tools to help them gain the accountability, transparency and flexibility they need around their performance, as part of our holistic WEM suite that enhances both agent engagement and customer experiences.
- 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 purpose-built for CX use-cases, 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.
- 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 presence across all verticals, regions and market segments with CXone, AI innovation and enhanced data to help organizations 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, machine-learning data-driven, 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.
- Empowering our customers to increase their operations teams' productivity by providing more purpose-built Generative AI offerings within X-Sight AI and Xceed to enable faster and more accurate investigations.
- 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, the exponential usage of digital and the growing maturity of Generative AI capabilities, 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, secure, 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 manage all interactions, channels, data and knowledge in one place, we have extended the reach of our offering with CXone and our advanced data and AI platform, NICE Enlighten AI, to allow organizations understand, engage and interact with their customers throughout their entire journey, creating smart, connected, self-service and human-assisted digital interactions, leveraging the power of AI.

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, AI routing, digital engagement, journey orchestration, knowledge management, voice of the customer, complete workforce engagement and automation, all on an open cloud foundation. CXone consolidates all communication channels, applications, data and knowledge, bringing together both platform and external data, to deliver a full view of the customer experience. CXone is designed to support any sized 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 reality, customer journeys extend well beyond traditional contact center interactions, and CXone is our leading AI-powered CX platform that provides the benefits of a modern native cloud architecture and delivers a complete suite of customer engagement applications. 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 **CX purpose-built AI**, NICE Enlighten, is embedded across our entire platform and suite of applications. It uses our proprietary data to understand CX intents, behaviors and different types of characteristics, analyzes every interaction and allows proactive identification of the needs of consumers, agents and CX leaders, as well as the ability to act on them in real time. In addition, it incorporates LLMs as a conversational interface to humanize the experience.

On the consumer side, NICE Enlighten is trained on extensive conversational data to understand multi-level consumer intents and learn from an organization's top-performing employee-assisted interactions to discover and deliver on automation opportunities for self-service and bots.

On the agent side, NICE Enlighten augments agents in real-time to reduce friction, keeping them informed and prepared by surfacing knowledge at the right time and auto-composing responses, and connecting agents with consumers on a personal level to optimize outcomes. It redefines the quality and coaching process to be based on agents' soft skill behaviors measured on all interactions.

On the Business side, NICE Enlighten identifies optimization opportunities across the platform, with access to all native and connected CXone applications, enabling CX leaders to act on business insights with a click of a button.

Our **Entry Points** solutions enable organizations to build scalable and effective digital experience and empower consumers with smart AI-based self-service that is purpose-built for CX, enabling them to address their needs in a human-like conversational way. We allow organizations to meet their consumers wherever their journey start, provide the right knowledge management tools to drive knowledge at any point of their 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 and Proactive Engagement** 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. Our proactive engagement capabilities enhance the overall experience by anticipating needs and initiating contact before issues arise, ensuring a seamless and preemptive service approach. Consumers can easily and effortlessly move between channels, while maintaining the full context and a sense of a

single consistent journey. 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 **Digital and 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 NICE 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 intelligent bots that are able to comprehend human conversations through a powerful conversational AI platform that learns and improves over time, leveraging Generative AI and LLMs.

Our solutions and tools designed for **Employee Augmentation** and automation enable contact center agents and supervisors 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 employees have the right content and context delivered to them through smart knowledge management that is available in real-time. We guide and alert employees to specific behavioral insights so they can take immediate action to improve resolution, and increase employee potential with a personalized virtual companion to guide them through any type of service request and a set of tools to complete mundane and manual processes for them.

Our **Workforce Engagement and Analytics** 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 AI-powered Quality Management solution, 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 turn the 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.

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 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 leveraging AI to attack 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.

These demands, the evolving regulatory landscape and market dynamics coupled with consumers' desire for frictionless digital transactions require organizations to transform and modernize their financial crime programs.

NICE Actimize provides the market-leading purpose-built AI-based cloud platforms and solutions for detecting and preventing financial crimes and ensuring compliance, with proven AI capabilities for real-time and cross-channel fraud prevention, anti-money laundering and capital markets compliance. We enable financial institutions to effectively adapt to

changing threats, provide excellent customer experiences and grow their business, all while protecting their organization, safeguarding their customers, and ensuring the integrity of the financial services industry.

Our Platforms' and Solutions' Core Capabilities

- **Our AI 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 AI 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 X-Sight and Xceed AI offerings** apply advanced AI techniques fueled by insights we receive in working collaboratively with our large world-class client base to provide rich intelligence to optimize machine learning prevention and detection analytics in our portfolio of solutions as well use Generative AI and automation to cut down analysts time when investigating financial crimes. 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 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 vast coverage of** 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 that bring complementary capabilities, to integrate with our CXone platform and extend its functionality. DEVone partner offerings are listed in 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 and 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 on 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 that 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 industry accepted standards, such as ISO 27001. For additional information on information security, please see Item 16K, “Cybersecurity“ in this annual report.

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 529 U.S. patents and 40 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, 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, StatsViewer, ScheduleViewer, VoApps, Directdrop voicemail and Directdrop voicemail logo, LiveVox, LiveVox Logo, Human Call Initiator, HCI and HTI.

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, Cyber-Related Security and AI

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 E.U., 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. In addition, as the regulatory landscape continues to evolve, new laws, rules and regulations governing the use of AI technologies may also apply. For more information on data privacy and cyber security related concerns and legislation, including the GDPR and upcoming regulations governing AI, 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 related to information security and incident response, as well as 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 data privacy, cyber-security and AI and to 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 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 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 country of incorporation or residence. Each of our subsidiaries listed below is wholly owned by us.

<u>Name of Subsidiary</u>	<u>Country of Incorporation or Residence</u>
NICE Systems Australia PTY Ltd.	Australia
NICE Systems Technologies Brasil LTDA	Brazil
NICE Systems Canada Ltd.	Canada
NICE Interactive Solutions India Private Ltd.	India
Actimize Ltd.	Israel
NICE Japan Ltd.	Japan
NICE Technologies Mexico S.R.L.	Mexico
NICE Netherlands B.V.	Netherlands
NICE Systems (Singapore) Pte. Ltd.	Singapore
NICE Technologies Sole Proprietorship LLC	United Arab Emirates
Actimize UK Limited	United Kingdom
NICE Systems Technologies UK Limited	United Kingdom
NICE Systems UK Ltd.	United Kingdom
Actimize Inc.	United States
inContact Inc.	United States
NICE Systems Inc.	United States
NICE Systems Technologies Inc.	United States
LiveVox Inc.	United States

Item 4.D Property, Plants and Equipment

We have leased offices and facilities in several countries, which include the following headquarter offices:

- Our Israeli headquarters in Ra'anana occupies approximately 165,000 square feet.
- Our North American headquarters in Hoboken, New Jersey, occupies approximately 60,000 square feet;
- Our EMEA headquarters in London, occupies approximately 10,000 square feet; and
- Our APAC headquarters in Singapore occupies approximately 5,600 square feet.

Additional material leased facilities consist of the following:

- Americas facilities located in –
 - Atlanta, Georgia - and office that occupies approximately 17,000 square feet;
 - 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 . There are also additional APAC offices located in Bengaluru, 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 AI-powered cloud platforms 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.

Our strategy is based on serving rapidly expanding, specialized markets that require feature-rich solutions, with robust, comprehensive cloud platforms that are spearheaded by AI as an overarching catalyst, propelling our unique AI-driven vectors of growth: using AI differentiation to expand our cloud win rates, positioning AI as the bedrock for driving rapid expansion into digital, utilizing AI to fuel massive platform-adoption and leveraging AI as a lucrative source for new domain-specific use-cases.

In the Customer Engagement market, we enable organizations to transform experiences with specialized AI-powered solutions aimed at augmenting employee activities with smart copiloting capabilities, delivering seamless automated customer self-service using conversational AI, orchestrating journeys across multiple channels and intents, meeting consumers wherever they choose to begin their journey, providing them with the knowledge element they need, and creating smarter personalized customer interactions. We help organizations transform their workforce experience with AI-powered solutions aimed at guiding and engaging employees, optimizing operations and automating processes to deliver seamless transition between automated service and human-assisted interactions. We are also digitally transforming the evidence process from police investigators and district attorneys to court and correction facilities, providing a single, streamlined view of the truth as the core of our Public Safety and Justice business, which is part of our Customer Engagement segment.

In the Financial Crime and Compliance market, we protect financial services organizations, with solutions that identify risks and help prevent money laundering and fraud, as well as help ensure financial markets compliance in real-time. With our holistic, data and entity-centric approach, we help financial services organizations address the new dynamic of financial crime threats, which are significantly growing in the digital era.

NICE is at the forefront of several industry technological disruptions that have greatly accelerated in the last several years: the growing acceptance and adoption of specialized AI-powered solutions combining domain-specific use-cases, Generative AI and LLMs, 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, 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 criminal justice organizations to innovate and thrive with industry-leading cloud platforms that use domain-specific data and AI powered solutions.

We rely on multiple key assets to drive our growth:

- Our market-leading open cloud platforms which natively embed AI, analytics and automation, and are purpose-built for our specific domains, scale up to any sized organization, offer a comprehensive application suite for complete functionality, and are protected by a broad array of patents.

- Our extensive portfolio of applications that address organizational needs across all our areas of domain expertise.
- Our broad array of proprietary technologies and algorithms in the domains of Generative AI, LLMs, automation, analytics, machine learning, speech-to-text, natural language processing, personality-based routing and others. Our native AI models are based on years of industry-specific data and domain expertise, consistently using machine learning for generating actionable insights.
- Our access to vast amount of CX data, derived from billions of domain-specific interactions of all types, enriching our applications and enabling us to build hundreds of CX purpose-built AI models.
- 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 advanced data security and compliance capabilities that deliver trusted enterprise software across all our markets, including FedRAMP authorization to the relevant business lines, with 30 authorized applications, native PCI, supported by the most advanced SOC in the industry.
- Our flexible delivery model that allows our customers to benefit from a wide range of both cloud and on-premises solutions.
- Our solutions' market coverage of all 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 broad 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 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.
- Our outcome-oriented white-glove services that enable our customers achieve greater efficiency, higher revenue, and lower operating costs with our solutions.

Recent Acquisitions

From time to time we complete acquisitions and investments. Some of them are not considered material to our business and operations. During 2023, we completed several acquisitions for total consideration of approximately \$446.9 million. During 2022, we completed an acquisition for total cash consideration of approximately \$30 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. 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).

During the fourth quarter of each of the fiscal years ended December 31, 2023, 2022 and 2021, 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.

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, 2023, 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 (as defined in Item 10, "Additional Information - Material Contracts - Notes and 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 the 2017 Notes (as defined in Item 10, "Additional Information - Material Contracts - Notes and Indenture") 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.

Additionally, in December 2021, we made an irrevocable election to settle the principal amount of the 2020 Notes (as defined in Item 10, "Additional Information - Material Contracts - Notes and Indenture") 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, we 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. We recognized a cumulative effect of initially applying ASU 2020-06 as an adjustment to the January 1, 2022 opening balance of accumulated deficit. 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 \$7,331, 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 we 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 (see Note 15 to our Consolidated Financial Statements included elsewhere in this annual report).

Recently Issued Accounting Standards Not Yet Adopted

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures. This standard updates reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses and information used to assess segment performance on an interim and annual basis. This update is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The adoption of ASU 2023-07 is not expected to have a significant impact on our consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09 "Income Taxes (Topics 740): Improvements to Income Tax Disclosures", which expands the disclosure requirements for income taxes, primarily related to the rate

reconciliation and income taxes paid. This guidance is effective for the fiscal years beginning after December 15, 2024. Early adoption is permitted. The adoption of ASU 2023-09 is not expected to have a significant impact on our consolidated financial statements.

Results of Operations

The following table sets forth our selected consolidated statements of income for the years ended December 31, 2022 and 2023, expressed as a percentage of total revenues (totals may not add up due to rounding).

	2023	2022
Revenue:		
Cloud	66.5 %	59.4 %
Services	27.0	29.8
Product	6.5	10.8
	<u>100.0</u>	<u>100.0</u>
Cost of revenue:		
Cloud	23.3	21.7
Services	7.9	8.4
Product	1.1	1.2
	<u>32.3</u>	<u>31.3</u>
Gross profit	67.7	68.7
Operating expenses:		
Research and development, net	13.6	14.0
Selling and marketing	25.2	28.0
General and administrative	10.6	11.3
Total operating expenses	<u>49.4</u>	<u>53.2</u>
Operating income	18.3	15.5
Financial income and other, net	<u>(0.9)</u>	<u>(0.5)</u>
Income before taxes	19.2	15.8
Taxes on income	<u>5.0</u>	<u>3.6</u>
Net income	<u><u>14.2</u></u>	<u><u>12.2</u></u>

Comparison of Years Ended December 31, 2023 and 2022

For a comparison of our results for the years ended 2022 and 2021, please refer to Item 5 in our annual report on Form 20-F for the year ended 2022, filed with the SEC on March 30, 2023.

Our revenues increased by approximately \$196.2 million, or 9%, from \$2,181.3 million in the year ended December 31, 2022 to \$2,377.5 million in the year ended December 31, 2023. The increase consisted of a \$205.3 million increase in Customer Engagement revenue, which was partially offset by a \$9.1 million decrease in Financial Crime and Compliance revenue.

The revenue growth of our Customer Engagement business segment in 2023 is attributed to the increased demand for our cloud platform CXone from new customers and ongoing expansion within our installed customer base, driven by further penetration into both large enterprises and the mid-market.

The revenue decrease in our Financial Crime and Compliance business segment in 2023 is primarily attributed to a decrease in product revenue, which was partially offset by an increase in cloud revenue due to increased adoption of our cloud platforms X-Sight and Xceed.

	Years Ended December 31,		Percentage
	(In millions)		Change
	2023	2022	2022-2023
Cloud revenue	\$ 1,581.8	\$ 1,295.3	22.1 %
Service revenue	641.4	650.1	(1.3)
Product revenue	154.3	235.9	(34.6)
Total revenue	\$ 2,377.5	\$ 2,181.3	9.0 %

Our cloud revenue in 2023 increased by 22.1%, or \$286.5 million, to \$1,581.8 million compared to \$1,295.3 million in 2022, 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 and increasing international cloud adoption, 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 66.5% of our total revenue in 2023, as part of our cloud-first strategy of increasing cloud revenue as a percentage of our total revenue.

Our service revenue in 2023 decreased by 1.3%, or \$8.7 million, to \$641.4 million compared to \$650.1 million in 2022, 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 2023 decreased by 34.6%, or \$81.6 million, to \$154.3 million compared to \$235.9 million in 2022, as demand decreased for on-premises products in 2023 compared to 2022, primarily in the Financial Crime and Compliance business segment, 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
	2023	2022	2022-2023
United States, Canada and Central and South America (“Americas”)	\$ 1,986.6	\$ 1,802.2	10.2 %
Europe, the Middle East and Africa (“EMEA”)	248.0	249.7	(0.7)
Asia-Pacific (“APAC”)	142.9	129.4	10.5
Total revenues	\$ 2,377.5	\$ 2,181.3	9.0 %

Revenue in Americas increased in 2023 by 10.2%, or \$184.4 million, to \$1,986.6 million compared to \$1,802.2 million in 2022, mainly due to an increase in cloud revenue for our cloud platforms, primarily from CXone.

Revenue in EMEA decreased in 2023 by 0.7%, or \$1.7 million, to \$248.0 million compared to \$249.7 million in 2022, primarily attributed to the decrease in product revenue from the Financial Crime and Compliance segment, largely offset by an increase in cloud revenue in both business segments.

Revenue in APAC increased in 2023 by 10.5%, or \$13.5 million, to \$142.9 million compared to \$129.4 million in 2022. The increase in revenue in 2023 is primarily attributed to the increase in cloud revenue in the Customer Engagement segment and an increase in service revenue in the Financial Crime and Compliance segment.

Cost of Revenue

	Years Ended December 31,		Percentage
	(In millions)		Change
	2023	2022	2022-2023
Cost of cloud revenue	\$ 553.7	\$ 472.8	17.1 %
Cost of service revenue	188.9	183.9	2.7
Cost of product revenue	25.6	26.9	(4.8)
Total cost of revenue	\$ 768.2	\$ 683.7	12.4 %

Our cost of cloud revenue in 2023 increased by \$80.9 million, or 17.1% compared to 2022, 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 2023.

Our cost of service revenue in 2023 increased by \$5.0 million, or 2.7%, compared to 2022 and slightly increased as a percentage of service revenue compared to 2022.

Our cost of product revenue in 2023 decreased by \$1.3 million, or 4.8%, compared to 2022 and increased as a percentage of product revenue compared to 2022, mainly due to decreased scale in our product business in 2023.

Gross Profit

	Years Ended December 31,		Percentage
	(In millions)		Change
	2023	2022	2022-2023
Gross profit on cloud revenue	\$ 1,028.2	\$ 822.5	25.0 %
as a percentage of cloud revenue	65.0 %	63.5 %	
Gross profit on service revenue	452.5	466.2	(2.9)
as a percentage of service revenue	70.5 %	71.7 %	
Gross profit on product revenue	128.6	208.9	(38.5)
as a percentage of product revenue	83.3 %	88.6 %	
Total gross profit	\$ 1,609.3	\$ 1,497.6	7.5 %
as a percentage of total revenue	67.7 %	68.7 %	

Our cloud gross profit was \$1,028.2 in 2023 compared to \$822.5 in 2022, representing an increase of \$205.7 million, or 25.0%. Our cloud gross profit as percentage of cloud revenue increased to 65.0% in 2023 compared to 63.5% in 2022. The increase in cloud gross profit and margin is mainly attributed to scaling in our cloud business, further adoption of higher margin software offerings within our cloud platforms and efficiencies in our internal operations.

Our services gross profit was \$452.5 in 2023 compared to \$466.2 in 2022, representing a decrease of \$13.7 million, or 2.9%, 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 70.5% in 2023 compared to 71.7% in 2022.

Our product gross profit was \$128.6 in 2023 compared to \$208.9 in 2022, representing a decrease of \$80.3 million, or 38.5%, which is mainly attributed to the execution of our strategy as a cloud first company. Our product gross margin decreased to 83.3% in 2023 compared to 88.6% in 2022, mainly due to the change in product revenue mix sold as compared to the prior year.

Operating Expenses

	Years Ended December 31,		Percentage
	(In millions)		Change
	2023	2022	2022-2023
Research and development, net	\$ 322.7	\$ 306.1	5.4 %
Selling and marketing	599.1	609.8	(1.8)%
General and administrative	252.3	246.5	2.4 %
Total operating expenses	\$ 1,174.1	\$ 1,162.4	1.0 %

Research and Development, Net. Net research and development expenses increased by \$16.6 million to \$322.7 million in 2023 compared to \$306.1 million in 2022, and represented 13.6% and 14.0% of revenues in 2023 and 2022, respectively. The increase in research and development expenses is attributed mainly to an increase in headcount to further drive innovation in our AI based solutions and expand our cloud platforms and capabilities.

Selling and Marketing Expenses. Selling and marketing expenses decreased by \$10.7 million to \$599.1 million in 2023 compared to \$609.8 million in 2022, which represented 25.2% and 28.0% of total revenues in 2023 and 2022, respectively. The decrease in selling and marketing expenses is attributed primarily to a decrease in marketing costs, stock-based compensation costs and fully amortized intangible assets. The decrease was partially offset by an increase in selling costs to obtain contracts and an increase in our go-to-market headcount.

General and Administrative Expenses. General and administrative expenses in 2023 were \$252.3 million compared to \$246.5 million in 2022, which represented 10.6% of total revenues in 2023, as compared to 11.3% of total revenues in 2022. 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
	2023	2022	2022-2023
Financial income and other, net	(22.5)	(10.2)	120.6 %

Financial Expense income and Other, net. Financial income and other, net, increased by \$12.3 million to income of \$22.5 million in 2023 compared to \$10.2 million in 2022. The increase in financial income and other, net is attributable primarily to an increase in interest income earned from our cash and investment portfolio.

Taxes on Income. Total tax expenses were \$119.4 million in 2023 and \$79.4 million in 2022. Our effective tax rate was 26.1% in 2023 and 23.0% in 2022.

The increase in 2023 of \$40.0 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 U.S. market-based income with a higher income tax rate and to a change in certain tax positions.

The majority of our income in Israel continues to benefit from reduced tax rates, which was 12% in 2023 and 2022, pursuant to our Preferred Technology Enterprise programs, as discussed in Note 13 of our Consolidated Financial Statements included elsewhere in this annual report under the caption "Taxes on Income".

Net Income. Net income increased by \$72.4 million to \$338.3 million in 2023 compared to \$265.9 million in 2022. The increase in 2023 resulted primarily from an increase in our revenue, gross profit, operating income 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, 2023, we had \$1,407.8 million of cash equivalents and in short-term investments, which included \$511.8 million in cash and cash equivalents, and \$896.0 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, 2023, we had \$1,407.8 million of cash and cash equivalents and short-term investments, as compared to \$1,571.5 million at December 31, 2022.

Cash provided by operating activities was \$561.4 million and \$479.7 million in 2023 and 2022, respectively. Net cash from operations in 2023 consisted primarily of net income of \$338.3 million, adjusted for non-cash activities such as depreciation and amortization of \$167.4 million, stock-based compensation of \$176.7 million, an increase in deferred taxes of \$66.6 million as well as working capital changes derived from a decrease in deferred revenues of \$45.9 million and a decrease in accrued expenses and other liabilities of \$55.7 million, partially offset by an increase in trade receivables of \$34.3 million. 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 used in investing activities was \$293.6 million and \$152.4 million in 2023 and 2022, respectively. In 2023, net cash used in investing activities consisted primarily of payment for acquisitions in the aggregate amount of \$415.2 million, purchase of property and equipment of \$29.2 million and capitalization of internal use software costs of \$55.0 million, partially offset by net proceeds from investment in marketable securities and short-term bank deposits of \$205.8 million. 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 and equipment of \$31.9 million and capitalization of internal use software costs of \$50.0 million.

Net cash used in financing activities was \$290.3 million and \$164.5 million in 2023 and 2022, respectively.

In 2023, net cash used in financing activities was attributed primarily to repurchase of our ordinary shares of \$288.4 million and repayment of long-term debt in the amount of \$2.6 million, which were partially offset by proceeds from the issuance of shares upon the exercise of options of \$2.6 million. In 2022, net cash used in financing activities was attributed primarily to repayment of long-term debt in the amount of \$20.1 million and repurchase of our ordinary shares of \$144.9 million, which were partially offset by proceeds from the issuance of shares upon the exercise of options of \$1.0 million.

Contractual and Other Obligations

Set forth below are our material contractual obligations and other commercial commitments as of December 31, 2023 (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 *	\$ 669,900	\$ 209,900	\$ 460,000	\$ —	\$ —
Operating Leases	146,782	17,962	32,907	29,155	66,758
Unconditional Purchase Obligations	\$ 425,702	\$ 105,843	\$ 170,181	\$ 149,678	\$ —
Severance Pay**	\$ 17,078				
Total Contractual Cash Obligations	\$ 1,259,462	\$ 333,705	\$ 663,088	\$ 178,833	\$ 66,758
Uncertain Income Tax Positions ***	\$ 90,124				

* 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. See Note 15 to our consolidated financial statements included elsewhere in this annual report for further details. In January 2024, the 2017 Notes fully matured, and the entire aggregate principal amount of \$87,432 was settled in cash (see Note 19 to our consolidated financial statements).

** 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 included elsewhere in this annual report for further information regarding our liability under ASC 740.

Other Commercial Commitments	Amount of Commitment Expiration Per Period				
	Total Amounts Committed	Less than 1 year	1- 3 years	3- 5 years	More than 5 years
Guarantees*	\$ 2,986	\$ 794	\$ 2,192	\$ —	\$ —

* 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 19, 2024, 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

Name	Age	Position	Audit Committee Member	Compensation Committee Member	Internal Audit Committee Member	Mergers and Acquisitions Committee Member	Nominations Committee Member	Outside Director*
David Kostman	59	Chairman of the Board of Directors				X	X	
Rimon Ben-Shaoul	79	Director	X			X		
Dan Falk	79	Director	X	X	X	X	X	X
Yocheved Dvir	71	Director	X	X	X			X
Yehoshua Ehrlich	74	Director		X		X		
Leo Apotheker	70	Director		X		X		
Joe Cowan	75	Director	X			X		
Zehava Simon	65	Director	X	X	X			X

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

Members of Management

Name	Age	Position
Barak Eilam	48	Chief Executive Officer
Beth Gaspich	58	Chief Financial Officer
Barry Cooper	53	President, CX
Craig Costigan	63	Chief Executive Officer, NICE Actimize
Yaron Hertz	53	President, NICE Americas
Darren Rushworth	56	President, CE International
Awan Roy	53	Vice President, Head of NICE India
Shiri Neder	48	Executive Vice President, Human Resources
Tali Mirsky	51	Corporate Vice President, General Counsel and Corporate Secretary
Gil Vassoly	50	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 currently chairman of the board of Synchron AB, Harvest and Eudonet, and a member of the board of Schneider SE and MercuryGate. Mr. Apotheker was the Co-Chief Executive Officer of Burgundy Technology Acquisition Corp until recently and from 2012 to 2014, he was the Managing Partner and co-founder of Efficiency Capital SAS, a growth capital advisory firm. 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. Mr. Apotheker also previously served as the chairman of the board of Unit4, a leading Dutch software company and a member of the board of Taulia Inc. 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. Mr. Cowan is currently a director of Auburn University Foundation, StartProto and MachineMetrics, private entities. Until recently, Mr. Cowan served as a director of Drishti Technologies Inc, ChannelAdvisor Inc and SAI Global. From 2013 until 2017, Mr. Cowan was the CEO and director of Epicor. During 2013, Mr. Cowan also served as President of DataDirect Networks, Inc. He also served as a director of DataDirect Networks, Inc. between 2011 and 2013. 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. 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 19 persons for 2023 (including compensation accrued for such year) consisted of approximately \$8.7 million in salary, fees, bonus, commissions and directors' fees and approximately \$1 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 2023, our officers and directors received, in the aggregate, (i) options to purchase 72,615 ordinary shares, which include 50,676 options with an exercise price equal to the par value of the ordinary shares (the “par value options”), and (ii) 185,343 restricted share units, under our equity-based compensation plans. The options (other than the par value options) have a weighted average price of \$206.5 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 \$124,000). The special annual fee is subject to adjustment for changes in the Israeli consumer price index after September 2012. At the Company’s 2023 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 2023, based on the total of salary costs, bonus cost and equity costs for equity granted and expensed by the Company in 2023 (“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, 2023, 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, 2023, with respect to equity granted in 2023 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 - \$1,042; Bonus Costs - \$1,125; Equity Costs - \$6,697 expense recorded in 2023 for equity granted in 2023; and \$15,627 expense recorded in 2023 for equity granted in previous years.
- ii. Barry Cooper – President, CX. Salary Costs - \$532; Bonus Costs - \$533; Equity Costs - \$3,729 expense recorded in 2023 for equity granted in 2023 and \$4,194 expense recorded in 2023 for equity granted in previous years.
- iii. Yaron Hertz – President, NICE Americas. Salary Costs - \$510; Bonus Costs - \$401; Equity Costs - \$3,263 expense recorded in 2023 for equity granted in 2023 and \$3,595 expense recorded in 2023 for equity granted in previous years.
- iv. Darren Rushworth– President, CE International. Salary Costs - \$801; Bonus Costs \$418; Equity Costs - \$1,808 expense recorded in 2023 for equity granted in 2023 and \$2,272 expense recorded in 2023 for equity granted in previous years.
- v. Craig Costigan – CEO, NICE Actimize. Salary Costs - \$495; Bonus Costs - \$526; Equity Costs - \$1,866 expense recorded in 2023 for equity granted in 2023 and \$2,273 expense recorded in 2023 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, 2023, we had 8,384 employees worldwide, which represented an increase of approximately 5.8% from December 31, 2022, 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:

Category of Activity	At December 31,		
	2023	2022	2021
Customer Support*	3,012	2,794	2,603
Sales and Marketing	1,746	1,678	1,471
Research and Development	2,780	2,643	2,303
General and Administrative	846	811	725
Total	8,384	7,926	7,102
Geographic Location			
Americas	3,674	3,439	3,112
EMEA	1,526	1,509	1,480
APAC	3,184	2,978	2,510
Total	8,384	7,926	7,102

* 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 35 temporary employees and obtained services from 1,501 consultants (not included in the numbers set forth above) during 2023.

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 19, 2024, our directors and executive officers then-serving beneficially owned an aggregate of 340,737 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 \$82.09 per share and the options will expire between 2024 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 19, 2024.

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. Different terms related to vesting of Awards may apply with respect to Awards granted in relation to equity grants assumed pursuant to acquisition transactions. 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 19, 2024, options and restricted share units to purchase 2,876,265 ordinary shares were outstanding under the 2016 Plan at a weighted average exercise price of \$9.84.

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 19, 2024, assumed Guardian Analytics' stock options to purchase 2,888 shares of NICE were outstanding under the Guardian Plan, at a weighted average exercise price of \$32.26. 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 19, 2024, assumed Nexidia options to purchase 381 shares of NICE were outstanding under the Nexidia Plan, at a weighted average exercise price of \$6.84. 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 19, 2024, assumed inContact options and restricted share units to purchase 1,037 shares of NICE were outstanding under the inContact Plan, at a weighted average exercise price of \$42.04. 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 19, 2024. None of our shareholders has any different voting rights than any other shareholder.

Name and Address	Number of Shares	Percent of Shares Beneficially Owned ⁽¹⁾
Capital Research Global Investors	4,980,331 (2)	7.9 %
BlackRock, Inc.	3,226,820 (3)	5.1 %

(1) Based upon 63,058,665 ordinary shares issued and outstanding as of March 19, 2024.

(2) The information is based upon Amendment No. 4 to Schedule 13G filed with the SEC by Capital Research Global Investors (“CRGI”) on February 9, 2024.

(3) The information is based upon Amendment No. 2 to Schedule 13G filed with the SEC by BlackRock, Inc. on February 1, 2023.

On February 9, 2024, FMR LLC filed Amendment No. 1 to 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 19, 2024, we had 42 registered ADS holders of record in the United States, with our ADS holders holding in total approximately 61% 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.

A. 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.

B. Significant Changes

There are no significant changes that occurred since December 31, 2023, except as otherwise disclosed in this annual report and in the annual consolidated financial statements included in this annual report. In January 2024, the 2017 Notes matured and were settled in the amount of \$87.4 million.

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, 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 6C., "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 current Compensation Policy was approved by our shareholders at our 2023 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 office 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 and references the Company's compensation recovery policy adopted pursuant to the recent NASDAQ listing rules in response to Exchange Act Rule 10D-1.

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 were 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.

On December 31, 2021, the Company entered into the First Supplemental Indenture. In accordance with the First Supplemental Indenture, the Company settled certain exchangeable notes by way of a Cash Settlement (as defined in the 2017 Indenture).

The 2017 Notes fully matured on January 15, 2024 and were settled in cash in the amount of \$87.4 million.

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 2023 and 2024. 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, 2023, 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, which 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 2023 and 2024.

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. Eligibility for benefits under the Industry Encouragement Law is not contingent upon the approval of any governmental authority. 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% (as described below). 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. Individuals may also be required to pay surtax with respect to dividends received, as further explained below. 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.

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 (as discussed below).

Surtax

Subject to the provisions of any applicable tax treaty, individuals who are subject to tax in Israel (whether or not any such individual is an Israeli resident) are also subject to a surtax at the rate of 3% on annual income (including, but not limited to, dividends, interest and capital gains) exceeding NIS 721,560 for 2024, which amount is linked to the annual change in the Israeli consumer price index.

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.

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. 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.

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 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")

As a global corporation, we are subject to income, non-income and transactional tax regimes in the United States and various other jurisdictions, which are unsettled and may be subject to significant change. On December 22, 2017, the United States enacted the Tax Cuts and Jobs Act (the "TCJA"), a comprehensive tax law that included several key tax changes to the taxation of business entities, among which is the change to Section 174 of the Code, 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 U.S. federal income tax purposes.

The final impact of the TCJA may differ due to, among other things, possible changes in the interpretations and assumptions made by us 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, 2023, 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 \$209.21 million. The fair value adjustment of those contracts was approximately \$719 thousand. 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, 2023, against the relevant functional currency.

	Functional currencies					
	(In U.S. dollars in millions)					
	USD	GBP	CAD	MXN	AUD	SGD
Foreign currencies						
USD	\$ —	\$ 1	\$ 19	\$ (2)	\$ 1	\$ 8
GBP	\$ 3	\$ —	\$ —	\$ —	\$ —	\$ —
EUR	\$ 21	\$ 20	\$ —	\$ —	\$ —	\$ —
CAD	\$ 20	\$ —	\$ —	\$ —	\$ —	\$ —
AUD	\$ 2	\$ —	\$ —	\$ —	\$ —	\$ —
MXN	\$ 5	\$ —	\$ —	\$ —	\$ —	\$ —
CHF	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
JPY	\$ (6)	\$ —	\$ —	\$ —	\$ —	\$ —
INR	\$ (7)	\$ —	\$ —	\$ —	\$ —	\$ —
SGD	\$ (15)	\$ —	\$ —	\$ —	\$ —	\$ —
HKD	\$ (6)	\$ —	\$ —	\$ —	\$ —	\$ —
NIS	\$ (16)	\$ —	\$ —	\$ —	\$ —	\$ —
PHP	\$ (3)	\$ —	\$ —	\$ —	\$ —	\$ —
BRL	\$ 6	\$ —	\$ —	\$ —	\$ —	\$ —
Other currencies	\$ 2	\$ —	\$ —	\$ —	\$ —	\$ —

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	\$ (5)	\$ (2)	\$ (7)
1-3 years	\$ (8)	\$ (4)	\$ (12)
3-5 years	\$ (7)	\$ (4)	\$ (11)
Over 5 years	\$ (13)	\$ (4)	\$ (17)
Total	\$ (33)	\$ (14)	\$ (47)

* Other currencies include the following currencies: AUD, EUR, GBP, INR, JPY, PHP, COP 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, 2023, is \$87.4 million.

Our outstanding debt obligations, the corresponding interest rates, currency and repayment schedules as of December 31, 2023, are set forth in the table below in U.S. dollar equivalent terms (in millions).

Currency	Amount	Interest rate	2024	2025
(In millions)				
Fixed Rate:				
USD	\$ 669.9	0%-1.25%	\$ 209.9	\$ 460.0
Total:	\$ 669.9		\$ 209.9	\$ 460.0
Debt issuance costs, net of amortization	(2.9)			
Unamortized discount	(0.1)			
Total:	\$ 666.9			

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, 2023, 82.6% 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, 2023, 17.4% 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, 2023, is 1.68 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 9.1% of the marketable securities portfolio are rated as AAA; securities representing 18.7% of the marketable securities portfolio are rated as AA; securities representing 67.4% of the marketable securities portfolio are rated as A; securities representing 3.7% of the marketable securities portfolio are rated as BBB+ securities representing 0.5% of the marketable securities portfolio are rated as BBB and securities representing 0.5 % of the marketable securities portfolio are rated as BBB- after being downgraded during 2022.

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):

	Amortized Cost				Estimated fair value			
	Up to 1 year	1-3 years	4-7 years	Total	Up to 1 year	1-3 years	4-7 years	Total
Corporate debentures	236.8	422.9	176.0	835.8	233.8	413.6	173.1	820.5
U.S. treasuries	10.4	31.9	8.8	51.2	10.3	31.4	8.9	50.6
U.S. government agencies	—	2.8	—	2.8	—	2.8	—	2.8
Total	247.2	457.6	184.8	889.8	244.1	447.8	182.0	873.9

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 2023, we received a payment in the amount of approximately \$1 million from the Depositary as reimbursement for expenses we incurred in 2023 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, 2023. 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, 2023, 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:

<u>Services Rendered</u>	<u>2023 Fees</u>	<u>2022 Fees</u>
Audit (1)	\$ 1,150	\$ 1,012
Audit-related (2)	\$ 95	\$ 73
Tax (3)	\$ 438	\$ 484
All Other Fees	\$ —	\$ —
Total	\$ 1,683	\$ 1,569

- (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 2022 and 2023 (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 2023, 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				246,682,595
February 1 - February 28	67,876	220.25	67,876	231,732,928
March 1 - March 31	241,416	206.12	241,416	181,971,396
April 1 - April 30			—	
May 1 - May 31	335,732	183.47	335,732	120,374,875
June 1 - June 30	14,324	200.79	14,324	117,498,774
July 1 - July 31	3,500	204.71	3,500	116,782,272
August 1 - August 31	333,251	198.26	333,251	50,710,707
September 1 - September 30	132,613	176.65	132,613	27,285,198
October 1 - October 31	42,307	169.63	42,307	20,108,461
November 1 - November 30	128,632	177.66	128,632	297,255,790
December 1 - December 31	197,628	197.30	197,628	258,264,136
Total	1,497,279	192.63	1,497,279	1,668,667,132

On November 9, 2022, our Board of Directors authorized a program to repurchase up to \$250 million of our issued and outstanding ordinary shares and ADRs. The Company fully executed the \$250 million share repurchase program before the end of 2023. On November 15, 2023, our Board of Directors authorized an additional program to repurchase up to \$300 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 2022. 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.

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.

Item. 16K. Cybersecurity

Cybersecurity forms an integral part of our risk management practices. We have established and maintain a Cybersecurity Risk Program which has been developed to assess, identify and manage material risks from cybersecurity threats. Our program is inclusive of related information security policies and procedures to protect the confidentiality, integrity, and availability of the information contained within our systems, products, and services, and to assess, identify, manage, and address cybersecurity risks. Our internal cybersecurity policies and procedures incorporate industry best practices and are assessed annually as part of our Cybersecurity Risk Program review. These policies and procedures include information security policies, incident response procedure, risk assessment procedures and a vendor management policy.

We have verified our information security management policies and procedures and received certifications in accordance with the ISO 27001:2013 information security management standard and ISO 27701:2019 privacy management standard as well as other certifications such as FedRAMP, SOC 2 Type II Applications, PCI DSS, and HITRUST for specific business lines.

We utilize multiple third-party experts to support our program, to advise us on best practices and assist us in evaluating and enhancing our cybersecurity practices. These experts include threat monitoring service providers, cyber software and managed service providers, penetration testing firms, forensic investigators, cybersecurity consultants, and legal counsel specializing in the cyber domain.

We regularly conduct cybersecurity risk assessments and audits, both internally and through the engagement of third parties. These processes include regular scanning of our information systems for vulnerabilities, including by conducting penetration testing, and we maintain tools to detect unusual or unauthorized activities that may affect our systems, products, and services. We also retain the services of a reputable third-party firm for threat monitoring and detection.

We require that employees, contractors, partners, and vendors understand their cybersecurity responsibilities. All of our employees conduct an annual cybersecurity training and other on-going cybersecurity awareness exercises.

We maintain third party risk management process in order to identify, assess and mitigate the risks associated with our third-party service providers. As part of this process, we impose contractual obligations related to information security and require that our third-party partners maintain adequate security measures and controls to ensure the security of our data.

Our incident response policy provides guidelines for the handling and reporting of cybersecurity incidents. In the event of a potential cybersecurity incident, our Security Operations Center (SOC) conducts an initial assessment and, depending on the severity of the incident, provides a report regarding the incident to our Corporate VP Information Security. The Corporate VP Information Security then consults with other internal and external parties, depending upon the nature and/or severity of the incident, including members of our Cyber Incident Response Team (CIRT) and our General Counsel. Depending on the assessed potential materiality of an incident, notification may be given to our Chief Financial Officer, Chief Executive Officer, the Chair of the Board’s Internal Audit Committee, and the Chairman of our Board of Directors.

Additional guidelines covered under our incident response policy include steps for incident identification, containment, eradication, recovery, and lessons learned activities.

Our Cybersecurity Risk Program is run by our Corporate VP Information Security who reports to our Chief Financial Officer. Our Corporate VP Information Security has significant experience assessing and managing cybersecurity programs and risks and has extensive cybersecurity knowledge. Members of the corporate cybersecurity team are responsible for implementing and maintaining the cybersecurity program and practices for the Company. Other cybersecurity teams and professionals within our Company have the responsibility to implement and maintain cybersecurity processes within their business lines. Such teams and individuals work in coordination with our corporate cybersecurity team and under the guidance of our Corporate VP Information Security. The corporate cybersecurity team works closely with the SOC team, which serves as the central hub for monitoring and responding to security incidents and is trained to support our management in incident related matters.

Our management is committed to maintaining a robust cybersecurity program, which includes supplying the necessary resources to sustain the program, including people, tools, processes, procedures, and education. Cybersecurity risks and controls are evaluated and reviewed regularly by our senior management, including as part of our internal audits that are presented to the Internal Audit Committee of the Board of Directors. Our Board of Directors has ultimate oversight of cybersecurity risk management as part of its general oversight function. Our Board of Directors receives and reviews updates, reports and presentations related to cybersecurity threats and trends as well as to our cybersecurity program.

Through the date of filing this annual report, cybersecurity threats, including as a result of any previous cybersecurity incidents, have not materially affected our business strategy, results of operations, or financial condition. If a material cybersecurity incident will occur in the future, it may have an adverse effect on our business or financial condition. For information on the market risks relating to cybersecurity, please see Item 3 “Risks Relating to Information and Product Security and Intellectual Property” in this annual report.

PART III

Item 17. Financial Statements.

Not Applicable.

Item 18. Financial Statements.

See pages F-1 through F-55 of this annual report attached hereto.

Item 19. Exhibits.

Exhibit No.	Description
<u>1.1</u>	<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>
<u>1.2</u>	<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>
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).
<u>2.2</u>	<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>
<u>2.3</u>	<u>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).</u>
<u>2.4</u>	<u>Description of Securities (filed as Exhibit 2.4 to NICE Ltd.'s Annual Report on Form 20-F filed with the SEC on March 30, 2023, and incorporated herein by reference).</u>
<u>4.1</u>	<u>NICE Ltd.'s Executives & Directors Compensation Policy (filed as Exhibit A in Exhibit 99.1 of NICE's Report on Form 6-K filed with the SEC on June 8, 2023, and incorporated herein by reference).</u>
<u>4.2</u>	<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>
<u>4.3</u>	<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>
<u>4.4</u>	<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>
<u>4.5</u>	<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>
<u>4.6</u>	<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>
<u>4.7</u>	<u>NICE Ltd. 2016 Share Incentive Plan (filed as Exhibit 4.7 to NICE Ltd.'s Annual Report on Form 20-F filed with the SEC on March 30, 2023, and incorporated herein by reference).</u>
<u>8.1</u>	<u>List of significant subsidiaries.</u>
<u>12.1</u>	<u>Certification by the Chief Executive Officer of NICE Ltd., pursuant to Section 302 of the Sarbanes-Oxley Act 2002.</u>
<u>12.2</u>	<u>Certification by the Chief Financial Officer of NICE Ltd., pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>

- [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.](#)
[NICE Ltd. Policy for Recovery of Erroneously Awarded Compensation.](#)

[97.1](#)

101 The following financial information from NICE Ltd.'s Annual Report on Form 20-F for the year ended December 31, 2023, formatted in Inline XBRL ("iXBRL"): (i) Consolidated Balance Sheets at December 31, 2023 and 2022; (ii) Consolidated Statements of Income for the years ended December 31, 2023, 2022 and 2021; (iii) Statements of Changes in Shareholders' Equity and Comprehensive Income for the years ended December 31, 2023, 2022 and 2021; (iv) Consolidated Statements of Cash Flows for the years ended December 31, 2023, 2022 and 2021; and (v) Notes to Consolidated Financial Statements.

NICE LTD. AND ITS SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2023

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, 2023, and 2022, 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, 2023, 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, 2023, and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023, 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, 2023, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 27, 2024, 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 matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate 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 matters 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 matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.



Revenue Recognition

*Description
of the
Matter*

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.

Business Combination

*Description
of the
Matter*

As described in Note 1 to the consolidated financial statements, during 2023, the Company completed its acquisition of LiveVox Holding Inc. for total consideration of \$424.1 million. The transaction was accounted for as a business combination.

Auditing the Company's accounting for its acquisition of LiveVox Holding Inc. was complex due to the significant estimation required by management in determining the fair value of the identified intangible assets, which principally consisted of technology intangible asset in the amount of \$137.5 million (hereinafter, "the Intangible Asset"). The significant estimation was primarily due to the judgmental nature of the inputs to the valuation models used to measure the fair value of this Intangible Asset, as well as the sensitivity of the respective fair value to the underlying significant assumptions. The Company used the discounted cash flow method of the income approach to measure the fair value of this Intangible Asset. The significant assumptions used to estimate the fair value of the Intangible Asset included, among others, discount rate, projected revenue growth rates and royalty rate. These significant assumptions are forward-looking and could be affected by future economic and market conditions.

*How We
Addressed
the Matter
in Our
Audit*

We obtained an understanding, evaluated the design, and tested the operating effectiveness of controls over the Company's process for accounting of acquisition of intangible assets. For example, we tested controls over management's review of the valuation of intangible assets, including the review of the valuation model and significant assumptions used in the valuation.

To test the fair value of this acquired intangible asset, our audit procedures included, among others, evaluating the Company's use of valuation methodologies, evaluating the prospective financial information, and testing the completeness and accuracy of underlying data supporting the significant assumptions and estimates. For example, we compared the significant assumptions to current industry, market and economic trends, historical results of the acquired business and to other relevant factors.

We involved our valuation professionals to assist in evaluation of the methodology used by the Company and certain assumptions included in the fair value estimates. For example, our valuation professionals performed independent comparative calculations to estimate the acquired entity discount rate.

/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 27, 2024



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, 2023, based on criteria established in 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, 2023, 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, 2023 and 2022, 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, 2023, and the related notes and our report dated March 27, 2024, 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 27, 2024

CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands (except share and per share data)

	December 31,	
	2023	2022
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 511,795	\$ 529,596
Short-term investments	896,044	1,041,943
Trade receivables (net of allowance for credit losses of \$16,712 and \$9,253 at December 31, 2023 and 2022, respectively)	585,154	518,517
Debt hedge option	121,922	122,323
Prepaid expenses and other current assets	197,967	204,754
<u>Total current assets</u>	<u>2,312,882</u>	<u>2,417,133</u>
LONG-TERM ASSETS:		
Prepaid expenses and other long-term assets	219,332	231,496
Property and equipment, net	174,414	159,285
Deferred tax assets	178,971	116,889
Operating lease right-of-use assets	104,565	102,893
Other intangible assets, net	305,501	209,605
Goodwill	1,821,969	1,617,118
<u>Total long-term assets</u>	<u>2,804,752</u>	<u>2,437,286</u>
<u>Total assets</u>	<u>\$ 5,117,634</u>	<u>\$ 4,854,419</u>

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)

	December 31,	
	2023	2022
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Trade payables	\$ 66,036	\$ 56,019
Deferred revenues and advances from customers	302,649	338,930
Current maturities of operating leases liabilities	13,747	13,525
Debt	209,229	209,292
Accrued expenses and other liabilities	528,660	523,451
Total current liabilities	1,120,321	1,141,217
LONG-TERM LIABILITIES:		
Deferred revenues and advances from customers	52,458	57,211
Accrued severance pay	17,078	16,446
Deferred tax liabilities	8,596	7,336
Debt	457,081	455,382
Operating leases	102,909	99,262
Other long-term liabilities	4,691	22,142
Total long-term liabilities	642,813	657,779
COMMITMENTS AND CONTINGENT LIABILITIES		
SHAREHOLDERS' EQUITY:		
Share capital-		
Ordinary shares of NIS 1 par value:		
Authorized: 125,000,000 shares at December 31, 2023 and 2022; Issued: 74,774,827 and 74,774,827 shares at December 31, 2023 and 2022, respectively; Outstanding: 62,870,669 and 63,634,991 shares at December 31, 2023 and 2022, respectively	18,961	18,961
Additional paid-in capital	2,123,487	1,951,035
Treasury shares at cost – 11,904,158 and 11,139,836 Ordinary shares at December 31, 2023 and 2022, respectively	(1,005,104)	(743,054)
Accumulated other comprehensive loss	(59,110)	(111,255)
Retained earnings	2,262,898	1,926,398
Total attributable to NICE Ltd.'s shareholders	3,341,132	3,042,085
Non-controlling interests	13,368	13,338
Total shareholders' equity	3,354,500	3,055,423
Total liabilities and shareholders' equity	\$ 5,117,634	\$ 4,854,419

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,		
	2023	2022	2021
Revenue:			
Cloud	\$ 1,581,825	\$ 1,295,323	\$ 1,018,624
Services	641,387	650,116	660,083
Product	154,296	235,855	242,443
<u>Total revenue</u>	<u>2,377,508</u>	<u>2,181,294</u>	<u>1,921,150</u>
Cost of revenue:			
Cloud	553,654	472,805	410,671
Services	188,890	183,938	191,137
Product	25,629	26,945	22,648
<u>Total cost of revenue</u>	<u>768,173</u>	<u>683,688</u>	<u>624,456</u>
Gross profit	<u>1,609,335</u>	<u>1,497,606</u>	<u>1,296,694</u>
Operating expenses:			
Research and development, net	322,708	306,073	271,187
Selling and marketing	599,114	609,833	536,192
General and administrative	252,286	246,527	225,406
<u>Total operating expenses</u>	<u>1,174,108</u>	<u>1,162,433</u>	<u>1,032,785</u>
Operating income	435,227	335,173	263,909
Financial expenses (income) and other, net	<u>(22,473)</u>	<u>(10,159)</u>	<u>23,290</u>
Income before taxes on income	457,700	345,332	240,619
Taxes on income	<u>119,399</u>	<u>79,387</u>	<u>41,396</u>
Net income	<u>338,301</u>	<u>265,945</u>	<u>199,223</u>
Basic earnings per share	<u>\$ 5.32</u>	<u>\$ 4.17</u>	<u>\$ 3.15</u>
Diluted earnings per share	<u>\$ 5.11</u>	<u>\$ 4.00</u>	<u>\$ 2.98</u>
Weighted average number of shares (in thousands) used in computing:			
Basic earnings per share	<u>63,590</u>	<u>63,790</u>	<u>63,189</u>
Diluted earnings per share	<u>66,265</u>	<u>66,465</u>	<u>66,896</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,		
	2023	2022	2021
Net income	\$ 338,301	\$ 265,945	\$ 199,223
Change in foreign currency translation adjustment	13,810	(27,582)	(7,402)
Available-for-sale investments:			
Change in net unrealized gains (losses)	18,029	(33,319)	(13,368)
Less - reclassification adjustment for net losses (gains) realized and included in net income	12,271	419	(1,403)
Net change (net of tax effect of (\$4,130), \$4,483 and \$2,012)	30,300	(32,900)	(14,771)
Cash flow hedges:			
Change in unrealized gains (losses)	(5,300)	(18,223)	5,024
Less - reclassification adjustment for net gains (losses) realized and included in net income	13,335	7,189	(5,928)
Net change (net of tax effect of (\$1,096), \$1,505 and \$123)	8,035	(11,034)	(904)
Total other comprehensive income (loss)	52,145	(71,516)	(23,077)
Comprehensive income	\$ 390,446	\$ 194,429	\$ 176,146

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, 2023	\$ 18,961	\$ 1,951,035	\$ (743,054)	\$ (111,255)	\$ 1,926,398	\$ 13,338	\$ 3,055,423
Stock-based compensation	—	183,302	—	—	—	—	183,302
Issuance of treasury shares under share-based compensation plan (733,472 ordinary shares)	—	(23,923)	26,496	—	—	—	2,573
Treasury shares purchase	—	—	(288,546)	—	—	—	(288,546)
Other comprehensive income	—	—	—	52,145	—	—	52,145
Equity awards assumed for acquisitions	—	13,073	—	—	—	—	13,073
Dividends Paid to non-controlling interest	—	—	—	—	—	(1,771)	(1,771)
Net income attributable to Nice Shareholders	—	—	—	—	336,500	—	336,500
Net loss attributable to non-controlling interests	—	—	—	—	—	1,801	1,801
Balance as of December 31, 2023	<u>\$ 18,961</u>	<u>\$ 2,123,487</u>	<u>\$ (1,005,104)</u>	<u>\$ (59,110)</u>	<u>\$ 2,262,898</u>	<u>\$ 13,368</u>	<u>\$ 3,354,500</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, 2022	\$ 18,961	\$ 1,817,710	\$ (625,810)	\$ (39,739)	\$ 1,653,963	\$ 12,874	\$ 2,837,959
Adoption of ASU 2020-06 (Note 2k)	—	(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

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Year ended December 31,		
	2023	2022	2021
<u>Cash flows from operating activities:</u>			
Net income	\$ 338,301	\$ 265,945	\$ 199,223
Adjustments required to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	167,360	176,546	184,092
Share-based compensation	176,658	182,704	153,030
Accrued severance pay, net	789	1,171	597
Amortization of premium, discount and accrued interest on marketable securities	2,480	8,322	11,867
Deferred taxes, net	(66,620)	(52,618)	(39,316)
Changes in operating assets and liabilities:			
Trade receivables, net	(34,292)	(129,712)	(85,778)
Prepaid expenses and other current assets	73,052	(31,673)	(79,624)
Trade payables	3,426	19,923	(389)
Accrued expenses and other current liabilities	(55,703)	33,684	64,179
Operating lease right-of-use assets	12,518	20,393	15,075
Deferred revenue	(45,947)	6,417	30,770
Realized loss on marketable securities, net	12,271	—	—
Operating lease liabilities	(11,100)	(26,191)	(18,011)
Amortization of discount on long-term debt	4,615	4,582	14,469
Loss from extinguishment of debt	53	1,206	13,969
Change in fair value of contingent consideration	(18,258)	—	—
Other	1,827	(984)	(2,337)
Net cash provided by operating activities	<u>561,430</u>	<u>479,715</u>	<u>461,816</u>
<u>Cash flows from investing activities:</u>			
Purchase of property and equipment	(29,205)	(31,893)	(24,771)
Purchase of investments	(230,263)	(396,297)	(322,129)
Proceeds from sales of marketable investments	436,044	355,560	270,645
Payments for business acquisitions, net of cash acquired	(415,185)	(29,724)	(142,804)
Capitalization of internal use software costs	(54,974)	(49,997)	(42,440)
Net cash used in investing activities	<u>(293,583)</u>	<u>(152,351)</u>	<u>(261,499)</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,		
	2023	2022	2021
<u>Cash flows from financing activities:</u>			
Proceeds from issuance of shares upon exercise of options	2,570	953	4,426
Purchase of treasury shares	(288,443)	(144,944)	(73,180)
Dividends paid to non-controlling interest	(1,771)	(376)	(1,754)
Purchase of subsidiaries shares from non-controlling interest	—	—	(14,000)
Repayment of debt	(2,628)	(20,132)	(177,308)
Net cash used in financing activities	(290,272)	(164,499)	(261,816)
Effect of exchange rate changes on cash	2,643	(8,425)	(2,112)
Net change in cash, cash equivalents and restricted cash	(19,782)	154,440	(63,611)
Cash, cash equivalents and restricted cash at the beginning of the year	533,096	378,656	442,267
Cash, cash equivalents and restricted cash at the end of the year	<u>\$ 513,314</u>	<u>\$ 533,096</u>	<u>\$ 378,656</u>
Reconciliation of cash, cash equivalents and restricted cash reported in the consolidated balance sheet:			
Cash and cash equivalents	\$ 511,795	\$ 529,596	\$ 378,656
Restricted cash included in other current assets	1,519	3,500	—
Total cash, cash equivalents and restricted cash shown in the statement of cash flows	<u>\$ 513,314</u>	<u>\$ 533,096</u>	<u>\$ 378,656</u>
<u>Supplemental disclosure of cash flows activities:</u>			
<u>Cash paid during the year for:</u>			
Income taxes	\$ 210,445	\$ 123,586	\$ 97,258
Interest	1,221	2,974	688
<u>Non-cash activities:</u>			
Change in fair value of contingent consideration	(18,258)	—	—
Increase in accrued expenses and other liabilities with respect to purchase of treasury shares	103	—	4

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 AI-powered cloud platforms 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.

The Company's strategy is based on serving rapidly expanding, specialized markets that require feature-rich solutions, with robust, comprehensive cloud platforms that are spearheaded by AI as an overarching catalyst, propelling our unique AI-driven vectors of growth: using AI differentiation to expand the Company cloud win rates, positioning AI as the bedrock for driving rapid expansion into digital, utilizing AI to fuel massive platform-adoption and leveraging AI as a lucrative source for new domain-specific use-cases.

In the Customer Engagement market, The Company enables organizations to transform experiences with specialized AI-powered solutions aimed at augmenting employee activities with smart copiloting capabilities, delivering seamless automated customer self-service using conversational AI, orchestrating journeys across multiple channels and intents, meeting consumers wherever they choose to begin their journey, providing them with the knowledge element they need, and creating smarter personalized customer interactions. The Company helps organizations transform their workforce experience with AI-powered solutions aimed at guiding and engaging employees, optimizing operations and automating processes to deliver seamless transition between automated service and human-assisted interactions. The Company is also digitally transforming the evidence process from police investigators and district attorneys to court and correction facilities, providing a single, streamlined view of the truth as the core of our Public Safety and Justice business, which is part of the Company Customer Engagement segment.

In the Financial Crime and Compliance market, the Company protects financial services organizations, with solutions that identify risks and help prevent money laundering and fraud, as well as help ensure financial markets compliance in real-time. With the Company's holistic, data and entity-centric approach, the Company helps financial services organizations address the new dynamic of financial crime threats, which are significantly growing in the digital era.

The Company is at the forefront of several industry technological disruptions that have greatly accelerated in the last several years: the growing acceptance and adoption of specialized AI-powered solutions combining domain-specific use-cases, Generative AI and large language models (LLMs), 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, 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 The Company's unique domain expertise, enables customer service, financial crime prevention and criminal justice organizations to

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share and per share data)

NOTE 1:- GENERAL (Cont.)

innovate and thrive with industry-leading cloud platforms that use domain-specific data and AI powered solutions.

b. Acquisitions:

1. Acquisitions in 2023:

- a. On December 2023, the Company completed an acquisition of LiveVox Inc. (“LiveVox”), a leading AI-driven proactive outreach provider. The Company acquired LiveVox for a total consideration of \$424,117.

Upon consummation of the acquisition, LiveVox became a wholly-owned subsidiary of the Company. The acquisition was accounted for as a business combination. This method requires, among other things, that assets acquired, and liabilities assumed in the business combination be recognized at their fair values as of the acquisition date.

The following table presents details of the identified intangible assets acquired as of the date of the acquisition:

	Fair Value	Estimated useful life (in years)
Net tangible assets and liabilities assumed	\$ 63,575	
Trademarks	4,930	5
Technology	137,462	5
Customer relationships	31,957	5
Goodwill	186,193	
Total	\$ 424,117	

Goodwill generated from this business combination is primarily attributable to synergies between the Company's and LiveVox's respective products and services. The goodwill is not deductible for income tax purposes.

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 2023, 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).

During 2023, the Company acquired certain additional companies, which were accounted for as business combinations for a total consideration of \$22,815. 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 preliminary recorded \$13,247 of identifiable intangible assets based on their estimated fair values, and \$10,682 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.)

2. Acquisitions in 2022:

- a. On November 14, 2022, the Company completed an acquisition for a total consideration of \$50,381 as follow: \$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 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 acquired company respective products and services. The goodwill is not deductible for income tax purposes.

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 estimated fair value of assets acquired and liabilities assumed from the acquisition completed during 2022 was based upon preliminary calculations and valuations. These estimates were finalized during 2023 as part of the measurement period and the resulting change in fair value for the twelve months ended December 31, 2023 was non-cash income of \$18,258 included as a change in the fair value of contingent consideration under general and administrative operating expenses in the consolidated statements of income. This was primarily driven by lower expected performance measurements of the acquired entity as determined in the purchase agreement.

The fair value of the contingent consideration arrangement was classified within Level 3 and was determined using a probability-based scenario analysis approach. The resulting probability-weighted contingent consideration amounts were discounted based on the Company's estimated cost of debt.

3. 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share and per share data)

NOTE 1:- GENERAL (Cont.)

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 preliminary recorded \$20,036 of identifiable intangible assets based on their estimated fair values, and \$38,590 of residual goodwill, from these acquisitions.

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.

4. Acquisitions related costs:

During 2023, 2022 and 2021, acquisition related costs amounted to \$13,987, \$48 and \$1,761, 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").

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share and per share data)

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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.

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, 2023 and 2022, 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:

	Years
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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share and per share data)

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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:

	Years
Core technology	4 – 8
Customer relationships	3 – 9
Trademarks	3 – 12
Customer backlog	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 2023, 2022 and 2021, 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).

For each of the three years in the period ended December 31, 2023, 2022 and 2021, no impairment was identified.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share and per share data)

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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 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.

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 does 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.

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 (See Note 15 "Debt" for further details).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share and per share data)

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

I. 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.

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.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share and per share data)

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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.

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 \$299,598 for the year ended December 31, 2023.

As of December 31, 2023, 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 \$2,544,325. 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, 2023, 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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share and per share data)

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

lected 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 2023, 2022 and 2021 were \$142,699, \$135,437 and \$130,466, 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.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share and per share data)

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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 with the largest proportion denominated in the US dollar. 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.

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 2023, 2022 and 2021 amounted to \$10,917, \$8,328 and \$8,810, 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 \$22.5 in 2023 and \$19.5 in both 2022 and 2021 (for certain employees over 50 years of age the maximum annual contribution was \$30 per year in 2023 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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share and per share data)

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

compensation. In the years 2023, 2022 and 2021, the Company recorded an expense for all matching contributions in the amount of \$11,599; \$9,887 and \$9,366, 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, 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, 2023 and 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.

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 2021, 2022 or 2023, 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 4,096, 18,161 and 4,754 for the years 2023, 2022 and 2021, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share and per share data)

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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.

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, foreign currency derivative contracts, exchangeable notes hedge and its contingent consideration arrangement at fair value.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share and per share data)

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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 fair value of the contingent consideration arrangement was classified within Level 3 and was determined using a probability-based scenario analysis approach. The resulting probability-weighted contingent consideration amounts were discounted based on the Company's estimated cost of debt.

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 arising in the ordinary course of business. 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 2023, 2022 and 2021 were \$50,740; \$43,981 and \$31,575, 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.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share and per share data)

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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 (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.

The following tables show the components of accumulated other comprehensive income, net of taxes, as of December 31, 2023, 2022 and 2021:

	Year ended December 31, 2023			
	Unrealized gains (losses) on marketable securities	Unrealized gains (losses) on cash flow hedges	Foreign currency translation adjustment	Total
Beginning balance	\$ (34,386)	\$ (7,102)	\$ (69,767)	\$ (111,255)
Other comprehensive loss before reclassifications	18,029	(5,300)	13,810	26,539
Amounts reclassified from accumulated other comprehensive loss	12,271	13,335	—	25,606
Net current-period other comprehensive loss	30,300	8,035	13,810	52,145
Ending balance	\$ (4,086)	\$ 933	\$ (55,957)	\$ (59,110)

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, 2022			
	Unrealized gains (losses) on marketable securities	Unrealized gains (losses) on cash flow hedges	Foreign currency translation adjustment	Total
Beginning balance	\$ (1,486)	\$ 3,932	\$ (42,185)	\$ (39,739)
Other comprehensive income 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	\$ (34,386)	\$ (7,102)	\$ (69,767)	\$ (111,255)

	Year ended December 31, 2021			
	Unrealized gains (losses) on marketable securities	Unrealized gains (losses) on cash flow hedges	Foreign currency translation adjustment	Total
Beginning balance	\$ 13,285	\$ 4,836	\$ (34,783)	\$ (16,662)
Other comprehensive (income) loss before reclassifications	(13,368)	5,024	(7,402)	(15,746)
Amounts reclassified from accumulated other comprehensive income	(1,403)	(5,928)	—	(7,331)
Net current-period other comprehensive income	(14,771)	(904)	(7,402)	(23,077)
Ending balance	\$ (1,486)	\$ 3,932	\$ (42,185)	\$ (39,739)

ac. Recently issued accounting standards, not yet adopted:

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures. This standard updates reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses and information used to assess segment performance on an interim and annual basis. This update is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The adoption of ASU 2023-07 is not expected to have a significant impact on the Company's consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09 "Income Taxes (Topics 740): Improvements to Income Tax Disclosures", which expands the disclosure requirements for income taxes, primarily related to the rate reconciliation and income taxes paid. This guidance is effective for the fiscal years beginning after December 15, 2024. Early adoption is permitted. The adoption of ASU 2023-09 is not expected to have a significant impact on the Company's consolidated financial statements.

NOTE 3:- SHORT-TERM INVESTMENTS

Short-term investments include marketable securities in the amount of \$873,976 and \$1,012,286 as of December 31, 2023 and 2022, respectively and short-term bank deposits in the amounts of \$22,068 and \$29,657 as of December 31, 2023 and 2022, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share and per share data)

NOTE 3:- SHORT-TERM INVESTMENTS (Cont.)

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, 2023 and 2022:

	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,	
	2023	2022	2023	2022	2023	2022	2023	2022
Corporate debentures	\$ 835,856	\$ 986,803	\$ 1,299	\$ 180	\$ (16,582)	\$ (37,408)	\$ 820,573	\$ 949,574
U.S. Treasuries	51,207	42,317	93	96	(741)	(984)	50,559	41,428
U.S. Government Agencies	2,841	22,238	3	12	—	(968)	2,844	21,284
	<u>\$ 889,904</u>	<u>\$1,051,358</u>	<u>\$ 1,395</u>	<u>\$ 288</u>	<u>\$ (17,323)</u>	<u>\$ (39,360)</u>	<u>\$ 873,976</u>	<u>\$1,012,286</u>

The scheduled maturities of available-for-sale marketable securities as of December 31, 2023 are as follows:

	Amortized cost	Estimated fair value
Due within one year	\$ 531,021	\$ 518,153
Due after one year through five years	358,883	355,823
	<u>\$ 889,904</u>	<u>\$ 873,976</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, 2023 and 2022 are as indicated in the following tables:

	December 31, 2023					
	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	\$ 103,904	\$ (993)	\$ 541,497	\$ (15,589)	\$ 645,401	\$ (16,582)
U.S. Treasuries	12,369	(127)	29,249	(614)	41,618	(741)
	<u>\$ 116,273</u>	<u>\$ (1,120)</u>	<u>\$ 570,746</u>	<u>\$ (16,203)</u>	<u>\$ 687,019</u>	<u>\$ (17,323)</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share and per share data)

NOTE 3:- SHORT-TERM INVESTMENTS (Cont.)

	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>

NOTE 4:- PREPAID EXPENSES AND OTHER CURRENT ASSETS

	December 31,	
	2023	2022
Government authorities	\$ 90,455	\$ 88,790
Interest receivable	1,124	869
Prepaid expenses	90,017	95,088
Other	16,371	20,007
	<u>\$ 197,967</u>	<u>\$ 204,754</u>

NOTE 5:- PREPAID EXPENSES AND OTHER LONG-TERM ASSETS

	December 31,	
	2023	2022
Deferred commission costs	\$ 129,687	\$ 138,861
Severance pay fund	11,808	11,967
Prepaid expenses	74,421	74,819
Other	3,416	5,849
	<u>\$ 219,332</u>	<u>\$ 231,496</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,	
	2023	2022
Cost:		
Computers and peripheral equipment	\$ 249,677	\$ 231,714
Internal use software	309,383	247,763
Office furniture and equipment	3,148	6,460
Leasehold improvements	41,897	59,796
	<u>604,105</u>	<u>545,733</u>
Accumulated depreciation:		
Computers and peripheral equipment	204,631	186,146
Internal use software	194,262	147,657
Office furniture and equipment	78	5,103
Leasehold improvements	30,720	47,542
	<u>429,691</u>	<u>386,448</u>
Depreciated cost	<u>\$ 174,414</u>	<u>\$ 159,285</u>

Depreciation expense totaled \$74,907; \$71,460 and \$65,411 for the years ended December 31, 2023, 2022 and 2021, respectively.

The Company recorded a reduction of \$34,692 and \$8,279 to the cost and accumulated depreciation of fully depreciated equipment and leasehold improvements no longer in use for the years ended December 31, 2023 and 2022, respectively.

NOTE 7:- OTHER INTANGIBLE ASSETS, NET

a. Finite-lived other intangible assets:

	December 31,	
	2023	2022
Original amounts:		
Core technology	\$ 821,835	\$ 674,729
Customer relationships and backlog	334,881	296,712
Trademarks	50,072	44,899
	<u>1,206,788</u>	<u>1,016,340</u>
Accumulated amortization:		
Core technology	581,930	503,421
Customer relationships and backlog	281,032	270,280
Trademarks	38,325	33,034
	<u>901,287</u>	<u>806,735</u>
Other intangible assets, net	<u>\$ 305,501</u>	<u>\$ 209,605</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 \$92,445; \$105,086 and \$118,681 for the years ended December 31, 2023, 2022 and 2021, respectively.

c. Estimated intangible asset amortization expense:

For the year ended December 31,

2024	\$ 110,478
2025	63,243
2026	57,831
2027	38,658
2028	34,829
Thereafter	462
	<u>\$ 305,501</u>

NOTE 8:- GOODWILL

Following the Company's acquisitions in 2023 and 2022, as described in Note 1b, the changes in the carrying amount of goodwill allocated to reportable segments for the years ended December 31, 2023 and 2022 are as follows:

	<u>Year ended December 31, 2023</u>		
	<u>Customer Engagement</u>	<u>Financial Crime and Compliance</u>	<u>Total</u>
As of January 1, 2023	\$ 1,269,610	\$ 347,508	\$ 1,617,118
Acquisitions	194,990	1,885	196,875
Functional currency translation adjustments	7,006	970	7,976
As of December 31, 2023	<u>\$ 1,471,606</u>	<u>\$ 350,363</u>	<u>\$ 1,821,969</u>

	<u>Year ended December 31, 2022</u>		
	<u>Customer Engagement</u>	<u>Financial Crime and Compliance</u>	<u>Total</u>
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.

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,	
	2023	2022
Payroll and related expenses	\$ 200,820	\$ 197,480
Accrued expenses	162,953	141,144
Government authorities	162,306	171,217
Other	2,581	13,610
	<u>\$ 528,660</u>	<u>\$ 523,451</u>

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,	
	2023	2022	2023	2022
Forward contracts				
expenses NIS	107,940	111,253	253	(7,862)
expenses INR	62,023	46,406	147	(1,379)
expenses PHP	11,577	11,235	302	651
	<u>\$ 181,540</u>	<u>\$ 168,894</u>	<u>\$ 702</u>	<u>\$ (8,590)</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share and per share data)

NOTE 10:- DERIVATIVE INSTRUMENTS (Cont.)

The Company currently hedges its exposure to the variability in future cash flows, generally for a maximum period of one year. As of December 31, 2023, the Company expects to reclassify all of its unrealized gains and losses from accumulated other comprehensive income to earnings during the next fifteen months.

The fair value of the Company's outstanding derivative instruments at December 31, 2023 and 2022 is summarized below:

		Fair value of derivative instruments	
		December 31,	
Balance sheet line item		2023	2022
<u>Derivative assets:</u>			
Foreign exchange forward contracts	Prepaid expenses and other current assets	\$ 702	\$ 651
<u>Derivative liabilities:</u>			
Foreign exchange forward contracts	Accrued expenses and other liabilities	\$ —	\$ (9,241)

The effect of derivative instruments in cash flow hedging relationship on income and other comprehensive income for the years ended December 31, 2023, 2022 and 2021 is summarized below:

	Amount of gain (loss) recognized in other comprehensive income on derivative, net of tax (effective portion)		
	Year Ended December 31,		
	2023	2022	2021
<u>Derivatives in foreign exchange cash flow hedging relationships:</u>			
Forward contracts	\$ (5,300)	\$ (18,223)	\$ 4,993
Option contracts	—	—	31
	<u>\$ (5,300)</u>	<u>\$ (18,223)</u>	<u>\$ 5,024</u>

Derivatives in foreign exchange cash flow hedging relationships for the years ended December 31, 2023, 2022 and 2021 is summarized below:

		Amount of gain (loss) reclassified from other comprehensive income into income (expenses), net of tax (effective portion)		
		Year Ended December 31,		
		2023	2022	2021
	Statements of income line item			
Option contracts to hedge payroll and facility expenses	Cost of revenues and operating expenses	\$ —	\$ —	\$ (771)
Forward contracts to hedge payroll and facility expenses	Cost of revenues, operating expenses and financial expenses	13,335	7,189	(5,157)
		<u>\$ 13,335</u>	<u>\$ 7,189</u>	<u>\$ (5,928)</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 2024 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, 2023 was \$23,053.

Supplemental cash flow information related to leases was as follows:

	Year ended December 31, 2023
Cash payments related to operating lease	\$ 18,469
New right-of-use assets obtained in exchange for operating lease obligations	11,257

Maturities of lease liabilities were as follows:

	Operating Leases
2024	\$ 17,962
2025	16,430
2026	16,477
2027	15,521
2028	13,634
Thereafter	66,758
Total lease payments	146,782
Less imputed interest	(30,126)
Total	<u>\$ 116,656</u>

Supplemental balance sheet information related to leases was as follows:

	Year ended December 31, 2023
Current maturities of operating leases	13,747
Long-term operating leases	102,909
Total operating lease liabilities	\$ 116,656
Weighted-average remaining operating lease term	9.80
Weighted-average discount rate of operating leases	5.2 %

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, 2023 are \$425,702.

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, 2023 of \$2,986, 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 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 2023 (23% in 2022 and 2021).

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share and per share data)

NOTE 13:- TAXES ON INCOME (Cont.)

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 2023, the Company's U.S. subsidiaries are subject to combined federal and state income taxes of approximately 25.1% and its subsidiaries in the U.K. and India are subject to corporation tax at a rate of approximately 23.5% and 34.9%, 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, 2023, the amount of undistributed earnings of non-Israeli subsidiaries, which is considered indefinitely reinvested, was \$1,767,539 with a corresponding unrecognized deferred tax liability of \$227,648. 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 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, 2023, the Company and certain of its subsidiaries had tax loss carry-forwards totaling in aggregate approximately \$316,962, which can be carried forward and offset against taxable income. Approximately \$238,065 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share and per share data)

NOTE 13:- TAXES ON INCOME (Cont.)

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 :

	December 31,	
	2023	2022
Deferred tax assets:		
Net operating losses carryforward and tax credits	\$ 96,079	\$ 51,924
Intra-entity transfer of certain intangible assets (*)	14,563	17,252
Operating leases liabilities	18,820	22,878
Share based payments	37,110	38,206
Research and development costs	112,311	62,695
Reserves, allowances and other	55,124	54,774
Deferred tax assets before valuation allowance	334,007	247,729
Valuation allowance	(19,818)	(12,569)
Deferred tax assets	314,189	235,160
Deferred tax liabilities:		
Acquired intangibles	(75,396)	(43,385)
Operating lease right-of-use assets	(15,813)	(20,160)
Acquired deferred revenue	—	(565)
Internal use software and other fixed assets	(18,650)	(24,766)
Prepaid compensation expenses	(33,936)	(36,724)
Other	(19)	(7)
Deferred tax liabilities	(143,814)	(125,607)
Deferred tax assets, net	\$ 170,375	\$ 109,553

(*) During the years ended December 31, 2023 and 2022, 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.

	December 31,	
	2023	2022
Deferred tax assets	\$ 178,971	\$ 116,889
Deferred tax liabilities	(8,596)	(7,336)
Deferred tax assets, net	\$ 170,375	\$ 109,553

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:

	Year Ended December 31,		
	2023	2022	2021
Income before taxes on income, as reported in the consolidated statements of income	\$ 457,700	\$ 345,332	\$ 240,619
Statutory tax rate in Israel	23.0 %	23.0 %	23.0 %
Preferred Enterprise / Preferred Technology Enterprise benefits (*)	(6.8)%	(3.3)%	(2.2)%
Changes in valuation allowance	1.6 %	0.5 %	1.0 %
Earnings taxed under foreign law	(0.9)%	0.7 %	0.2 %
Tax settlements and prior years adjustments	4.4 %	0.4 %	(1.8)%
Intangible assets transfer	— %	— %	(1.7)%
Other	4.7 %	1.7 %	(1.3)%
Effective tax rate	26.1 %	23.0 %	17.2 %

(*) The effect of the benefit resulting from the "Preferred Enterprise/Preferred Technology Enterprise benefits" status on net earnings per ordinary share is as follows

	Year Ended December 31,		
	2023	2022	2021
Basic	\$ 0.49	\$ 0.18	\$ 0.08
Diluted	\$ 0.47	\$ 0.19	\$ 0.08

- g. Income before taxes on income is comprised as follows:

	Year Ended December 31,		
	2023	2022	2021
Domestic	\$ 195,203	\$ 102,500	\$ 53,703
Foreign	262,497	242,832	186,916
	\$ 457,700	\$ 345,332	\$ 240,619

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:

	Year Ended December 31,		
	2023	2022	2021
Current	\$ 182,789	\$ 132,129	\$ 80,903
Deferred	(63,390)	(52,742)	(39,507)
	<u>119,399</u>	<u>79,387</u>	<u>41,396</u>
Domestic	51,334	28,853	16,171
Foreign	68,065	50,534	25,225
	<u>\$ 119,399</u>	<u>\$ 79,387</u>	<u>\$ 41,396</u>

Of which:

	Year Ended December 31,		
	2023	2022	2021
Domestic taxes:			
Current	\$ 50,414	\$ 29,576	\$ 27,400
Deferred	920	(723)	(11,229)
	<u>51,334</u>	<u>28,853</u>	<u>16,171</u>
Foreign taxes:			
Current	132,375	102,553	53,503
Deferred	(64,310)	(52,019)	(28,278)
	<u>68,065</u>	<u>50,534</u>	<u>25,225</u>
Taxes on income	<u>\$ 119,399</u>	<u>\$ 79,387</u>	<u>\$ 41,396</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:

	December 31,	
	2023	2022
Uncertain tax positions, beginning of year	\$ 80,005	\$ 77,047
Increases in tax positions for prior years	1,262	2,729
Increases in tax positions for current year	11,712	6,031
Expiry of the statute of limitations	(2,855)	(5,802)
Uncertain tax positions, end of year	<u>\$ 90,124</u>	<u>\$ 80,005</u>

The Company accrued \$38,347 and \$22,285 due to interest and penalties related to uncertain tax positions as of December 31, 2023 and 2022, 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. and its foreign affiliates in Hungary and in the United Kingdom ("Foreign Affiliates") are undergoing routine Israeli income tax audits for the tax years 2011 through 2021. On December 30, 2020, February 28, 2022 and on February 20, 2023 NICE Ltd. received a final assessments by way of Tax Decrees ("Tax Decrees") from the Israel Tax Authority ("ITA") with respect to its fiscal years 2014 through 2016 for an aggregate amount of tax of approximately NIS 154,869 (equivalent to approximately \$43,127). On March 22, 2023, August 20, 2023, and on December 7, 2023 NICE Ltd.'s Foreign Affiliates received Tax Decrees from the ITA with respect to its fiscal years 2011 through 2015, for an aggregate amount of tax of approximately NIS 399,891 (equivalent to approximately \$111,360). On December 28, 2022, NICE Ltd. received an assessment from the ITA with respect to its fiscal years 2017 ("Assessment"), for an aggregate amount of tax of approximately NIS 53,033 (equivalent to approximately \$14,769) On December 6, 2023, NICE Ltd. received an assessment from the ITA with respect to its fiscal years 2018 through 2021, for an aggregate amount of tax of approximately NIS 47,320 (equivalent to approximately \$13,177). Nice Ltd. and its affiliates had filed number of appeals and objections in relation to the different assessments and decrees mentioned above with the district court of Tel Aviv. In addition, the ITA, NICE Ltd and NICE Ltd.'s Foreign Affiliates are in discussions in an effort to resolve these matters in a mutually agreeable manner. We believe our recorded unrecognized tax benefits are sufficient to cover the resolution of the ITA's Tax Decreases and the Assessments.

As of December 31, 2023, U.S. federal income tax returns filed by the Company's U.S. subsidiaries for the tax years prior to 2020 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 2022.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**U.S. dollars in thousands (except share and per share data)****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.

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 2023, the Company granted 1,171,880 options and restricted share units under the 2016 Plan (which constituted 1.86% of the Company issued and outstanding share capital as of December 31, 2023).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share and per share data)

NOTE 14:- SHAREHOLDERS' EQUITY (Cont.)

Pursuant to the terms of certain acquisitions, 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.

The fair value of the Company's stock options granted to employees and directors for the years ended December 31, 2023, 2022 and 2021 was estimated using the following assumptions:

	2023	2022	2021
Expected volatility	33.35%-35.67%	29.45%-34.11%	26.21%-27.87%
Risk free interest rate	3.6%-4.68%	1.78%-4.15%	0.3%-0.93%
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, 2023, is as follows:

	Number of options	Weighted- average exercise price	Weighted- average remaining contractual term (in years)	Aggregate intrinsic value
Outstanding at January 1, 2023	1,179,972	23.76	4.31	200,905
Granted	344,450	13.40		
Exercised	(217,760)	11.18		
Cancelled	(761)	2.80		
Forfeited	(52,107)	0.30		
Outstanding at December 31, 2023	<u>1,253,794</u>	<u>24.08</u>	<u>4.25</u>	<u>221,610</u>
Exercisable at December 31, 2023	<u>461,353</u>	<u>57.61</u>	<u>2.96</u>	<u>67,013</u>

The weighted-average grant-date fair value of options granted during the years 2023, 2022 and 2021 was \$171.43; \$198.41 and \$243.34, respectively.

The total intrinsic value of options exercised, and restricted shares vested during the years 2023, 2022 and 2021 was \$138,202; \$178,693 and \$189,408, 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, 2023, have been separated into ranges of exercise price as follows:

Ranges of exercise price	Options outstanding as of December 31, 2023	Weighted average remaining contractual term (Years)	Weighted Average Exercise Price \$	Options Exercisable as of December 31, 2023	Weighted average exercise price of options exercisable \$
\$ 0.25 - 0.32	1,088,701	4.45	0.29	312,719	0.29
\$ 6.72 -6.95	381	1.07	6.84	381	6.84
\$ 20.44 - 24.99	2,117	3.98	21.69	2,117	21.69
\$ 38.06 - 54.51	2,470	3.02	47.70	2,469	47.70
\$ 96.74 - 151.63	58,032	1.27	133.44	58,032	133.44
\$ 197.42 - 232.2	102,093	3.92	215.25	85,635	216.93
	<u>1,253,794</u>	<u>4.25</u>	<u>24.08</u>	<u>461,353</u>	<u>57.61</u>

A summary of the Company's RSU and the Company's RSA activities and related information for the year ended December 31, 2023, is as follows:

	Number of RSU and RSA (*)
Outstanding at January 1, 2023	1,524,223
Granted	827,430
Vested	(515,712)
Forfeited	(132,792)
Outstanding at December 31, 2023	<u>1,703,149</u>

(*) NIS 1.0 par value, which represents approximately \$0.27.

The weighted-average grant-date fair value of restricted shares granted during the year 2023 was \$187.73.

As of December 31, 2023, the total compensation cost related to non-vested awards not yet recognized was approximately \$254,834, 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, 2023, 2022 and 2021 was comprised as follows:

	Year ended December 31,		
	2023	2022	2021
Cost of revenues	\$ 18,904	\$ 18,535	\$ 17,879
Research and development, net	38,047	39,747	28,558
Selling and marketing	48,022	57,114	42,021
General and administrative	78,329	73,492	67,914
Total stock-based compensation expenses	<u>\$ 183,302</u>	<u>\$ 188,888</u>	<u>\$ 156,372</u>

c. Treasury shares:

On February 12, 2020, our Board of Directors authorized a program to repurchase up to \$200,000 of the Company issued and outstanding ordinary shares and ADRs, which commenced following completion of the repurchase program that was authorized by the Company Board of Directors in 2017. On November 9, 2022, the Company Board of Directors authorized an additional program to repurchase up to \$250,000 of the Company issued and outstanding ordinary shares and ADRs, which commenced following completion of the program that was authorized in 2020. On November 15, 2023, the Company Board of Directors authorized an additional program to repurchase up to \$300,000 of the Company issued and outstanding ordinary shares and ADRs, which commenced following completion of the repurchase program that was authorized by the Company Board of Directors in 2022.

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

*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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share and per share data)

NOTE 15:- DEBT (Cont.)

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, 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.

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 \$2,039 and \$2,626 of principal amount of the 2017 Notes in 2022 and 2023, respectively, for which \$20,132 and \$2,623 were settled in 2022 and 2023, 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 2022 and 2023, respectively a \$1,206 and \$53 loss on extinguishment of debt.

The 2017 Notes fully matured on January 15, 2024 and were settled in cash (see Note 19 "Subsequent Events").

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share and per share data)

NOTE 15:- DEBT (Cont.)

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 as of December 31, 2023:

	Due 2025	Due 2024
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	\$87,432
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 of the Notes are reflected in the Company's accompanying consolidated balance sheets as follows:

	2020 Notes		2017 Notes	
	December 31,		December 31,	
	2023	2022	2023	2022
Principal	\$ 460,000	\$ 460,000	\$ 87,432	\$ 90,055
Conversion option (Level 2)	—		121,922	\$ 122,323
Less:				
Debt issuance costs, net of amortization	(2,919)	(4,618)	(14)	(335)
Unamortized discount	—		(111)	(2,751)
Net liability carrying amount	<u>\$ 457,081</u>	<u>\$ 455,382</u>	<u>\$ 209,229</u>	<u>\$ 209,292</u>

As of December 31, 2023, the estimated fair value of the 2017 Notes and the 2020 Notes which the Company has classified as Level 2 financial instruments are \$208,833 (\$207,169 as of December 31, 2022) and \$437,368 (\$433,113 as of December 31, 2022), respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share and per share data)

NOTE 15:- DEBT (Cont.)

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, 2023, 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.

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,		
	2023	2022	2021	2023	2022	2021
Amortization of debt issuance costs	\$ 1,699	\$ 1,693	\$ 1,485	\$ 316	\$ 303	\$ 608
Non-cash amortization of debt discount	—	—	6,471	2,600	2,587	5,986
Interest expense	—	—	—	1,101	1,127	1,891
Loss in respect of convertible loan extinguishment	—	—	—	53	1,206	13,969
Total interest expense recognized	\$ 1,699	\$ 1,693	\$ 7,956	\$ 4,070	\$ 5,223	\$ 22,454
Effective interest rate	0.37 %	0.37 %	1.87 %	4.65 %	4.65 %	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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share and per share data)

NOTE 15:- DEBT (Cont.)

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).

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. Selected reportable segment data includes the results of companies which were acquired in the years 2023, 2022 and 2021 respectively in the applicable segment.

	Year ended December 31, 2023			
	Customer Engagement	Financial Crime and Compliance	Not allocated	Total
Revenues	\$ 1,974,090	\$ 403,418	\$ —	\$ 2,377,508
Operating income	\$ 456,793	\$ 129,023	\$ (150,589)	\$ 435,227
	Year ended December 31, 2022			
	Customer Engagement	Financial Crime and Compliance	Not allocated	Total
Revenues	\$ 1,768,804	\$ 412,490	\$ —	\$ 2,181,294
Operating income	\$ 343,892	\$ 159,298	\$ (168,017)	\$ 335,173
	Year ended December 31, 2021			
	Customer Engagement	Financial Crime and Compliance	Not allocated	Total
Revenues	\$ 1,572,176	\$ 348,974	\$ —	\$ 1,921,150
Operating income	\$ 316,760	\$ 104,080	\$ (156,931)	\$ 263,909

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, 2023 and 2022, based on operational segments:

	December 31,	
	2023	2022
Customer Engagement	\$ 132,824	\$ 125,781
Financial Crime and Compliance	39,943	32,070
Non-allocated	1,647	1,434
	<u>174,414</u>	<u>\$ 159,285</u>

b. Geographical information:

Total revenues from external customers on the basis of the Company's geographical areas are as follows:

	Year Ended December 31,		
	2023	2022	2021
Americas, principally the US	\$ 1,986,634	\$ 1,802,192	\$ 1,566,807
EMEA (*)	244,523	245,198	236,122
Israel	3,508	4,484	3,839
Asia Pacific	142,843	129,420	114,382
	<u>\$ 2,377,508</u>	<u>\$ 2,181,294</u>	<u>\$ 1,921,150</u>

The following presents property and equipment and operating lease right-of-use assets as of December 31, 2023 and 2022, based on geographical areas:

	December 31,	
	2023	2022
Americas, principally the US	\$ 128,065	\$ 127,289
EMEA (*)	10,145	4,669
Israel	122,940	112,702
Asia Pacific	17,829	17,518
	<u>\$ 278,979</u>	<u>\$ 262,178</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:

	Year Ended December 31,		
	2023	2022	2021
Total costs	\$ 386,745	\$ 364,654	\$ 319,083
Less - grants and participations	(2,441)	(2,414)	(2,118)
Less - capitalization of software development costs	(61,596)	(56,167)	(45,778)
	<u>\$ 322,708</u>	<u>\$ 306,073</u>	<u>\$ 271,187</u>

b. Financial expenses and other, net:

	Year Ended December 31,		
	2023	2022	2021
Financial income:			
Interest and amortization/accretion of premium/discount on marketable securities, net	\$ 13,813	\$ 13,659	\$ 13,751
Interest income	20,260	4,720	200
	<u>34,073</u>	<u>18,379</u>	<u>13,951</u>
Financial expenses:			
Interest expense	(1,101)	(1,127)	(10,061)
Loss in respect of debt extinguishment	(53)	(1,206)	(13,969)
Debt issuance costs amortization	(2,015)	(1,996)	(610)
Exchangeable senior notes amortization of discount	(2,600)	(2,587)	(5,708)
Exchange rates differences	(3,297)	(301)	(4,131)
Other	(2,412)	(2,774)	(2,958)
	<u>(11,478)</u>	<u>(9,991)</u>	<u>(37,437)</u>
Other (expenses) Income, net	<u>(122)</u>	<u>1,771</u>	<u>196</u>
	<u>\$ 22,473</u>	<u>\$ 10,159</u>	<u>\$ (23,290)</u>

c. Net earnings per share:

The following table sets forth the computation of basic and diluted net earnings per share:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share and per share data)

NOTE 17:- SELECTED STATEMENTS OF INCOME DATA (Cont.)

1. Numerator:

	Year Ended December 31,		
	2023	2022	2021
Net income to ordinary shareholders	\$ 338,301	\$ 265,945	\$ 199,223

2. Denominator (in thousands):

	Year Ended December 31,		
	2023	2022	2021
Denominator for basic net earnings per share:			
Weighted average number of shares (thousand)	63,590	63,790	63,189
Effect of dilutive securities:			
Add - employee stock options and RSU	995	894	1,605
Warrants issued in the exchangeable notes transaction	1,680	1,781	2,102
Denominator for diluted net earnings per share - adjusted weighted average shares (thousand)	\$ 66,265	66,465	66,896

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, 2023 and 2022, the 2020 Subsidiary's CEO holds 12.04% of the 2020 Subsidiary, which reflects \$5,385 and \$5,373 of the non-controlling amount on the balance sheet as of December 31, 2023 and 2022, respectively.

NOTE 19:- SUBSEQUENT EVENTS

On January 2024, the Company settled in cash the entire 2017 Notes in an aggregate principal amount of \$87,432 (See Note 15 "Debt" for further information regarding the 2017 Notes).

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 27, 2024

Significant Subsidiaries

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

Name of Subsidiary	Country of Incorporation or Residence
NICE Systems Australia PTY Ltd.	Australia
NICE Systems Technologies Brasil LTDA	Brazil
NICE Systems Canada Ltd.	Canada
NICE Interactive Solutions India Private Ltd.	India
Actimize Ltd.	Israel
NICE Japan Ltd.	Japan
NICE Technologies Mexico S.R.L.	Mexico
NICE Netherlands B.V.	Netherlands
NICE Systems (Singapore) Pte. Ltd.	Singapore
NICE Technologies Sole Proprietorship LLC	United Arab Emirates
Actimize UK Limited	United Kingdom
NICE Systems Technologies UK Limited	United Kingdom
NICE Systems UK Ltd.	United Kingdom
Actimize Inc.	United States
inContact Inc.	United States
NICE Systems Inc.	United States
NICE Systems Technologies Inc.	United States
LiveVox Inc.	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 27, 2024

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 27, 2024

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, 2023 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 27, 2024

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, 2023 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 27, 2024

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, 333-249186 and 333-270969) of our reports dated March 27, 2024, 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, 2023.

Tel Aviv, Israel
March 27, 2024

/s/ KOST, FORER, GABBAY & KASIERER

KOST, FORER, GABBAY & KASIERER
A Member of EY Global

NICE LTD.
POLICY FOR RECOVERY OF ERRONEOUSLY AWARDED COMPENSATION

NICE Ltd. (the “*Company*”) has adopted this Policy for Recovery of Erroneously Awarded Compensation (the “*Clawback Policy*”), effective as of October 2, 2023 (the “*Effective Date*”). Capitalized terms used in this Clawback Policy but not otherwise defined herein are defined in Section 11.

1. Persons Subject to Clawback Policy

This Clawback Policy shall apply to and be binding and enforceable on current and former Officers. In addition, the Committee and the Board may apply this Clawback Policy to persons who are not Officers, that are designated in writing by the Committee and the Board in advance of any Restatement that may require recovery of Erroneously Awarded Compensation from such person, and such application shall apply in the manner determined by the Committee and the Board in their sole discretion.

2. Compensation Subject to Clawback Policy

This Clawback Policy shall apply to Incentive-Based Compensation received on or after the Effective Date. For purposes of this Clawback Policy, the date on which Incentive-Based Compensation is deemed “received” shall be determined under the Applicable Rules, which generally provide that Incentive-Based Compensation is “received” in the Company’s fiscal period during which the relevant Financial Reporting Measure is attained or satisfied, without regard to whether the grant, vesting or payment of the Incentive-Based Compensation occurs after the end of that period.

3. Recovery of Compensation

In the event that the Company is required to prepare a Restatement, the Company shall recover, reasonably promptly and in accordance with Section 4 below, the portion of any Incentive-Based Compensation that is Erroneously Awarded Compensation, unless the Committee and the Board have reasonably determined that recovery from the relevant current or former Officer would be Impracticable. Recovery shall be required in accordance with the preceding sentence regardless of whether the applicable Officer engaged in misconduct or otherwise caused or contributed to the requirement for the Restatement and regardless of whether or when restated financial statements are filed by the Company. For clarity, the recovery of Erroneously Awarded Compensation under this Clawback Policy will not give rise to any Officer’s right to voluntarily terminate employment for “good reason” or due to a “constructive termination” (or any similar term of like effect) under any plan, program or policy of or agreement with the Company or any of its affiliates.

4. Manner of Recovery; Limitation on Duplicative Recovery

The Committee and the Board shall, in its sole discretion, determine the manner of recovery of any Erroneously Awarded Compensation, which may include, without limitation, reduction or cancellation by the Company or an affiliate of the Company of [vested?] Incentive-Based Compensation or Erroneously Awarded Compensation, reimbursement or repayment by any person subject to this Clawback Policy, and, to the extent permitted by law, an offset of the Erroneously Awarded Compensation against other compensation payable by the Company or an affiliate of the Company to such person. Notwithstanding the foregoing, unless otherwise prohibited by the Applicable Rules, to the extent this Clawback Policy provides for recovery of

Erroneously Awarded Compensation already recovered by the Company pursuant to Section 304 of the Sarbanes-Oxley Act of 2002 or Other Recovery Arrangements, the amount of Erroneously Awarded Compensation already recovered by the Company from the recipient of such Erroneously Awarded Compensation may be credited to the amount of Erroneously Awarded Compensation required to be recovered pursuant to this Clawback Policy from such person.

5. Administration

This Clawback Policy shall be administered, interpreted and construed by the Committee, which is authorized to make all determinations necessary, appropriate or advisable for such purpose. The Board may re-vest in itself the authority to administer, interpret and construe this Clawback Policy in accordance with applicable law and the Applicable Rules, and in such event references herein to the “Committee” shall be deemed to be references to the Board. Subject to any permitted review by the applicable national securities exchange or association pursuant to the Applicable Rules, all determinations and decisions made by the Committee pursuant to the provisions of this Clawback Policy shall be final, conclusive and binding on all persons, including the Company and its affiliates and employees. The Committee may delegate administrative duties with respect to this Clawback Policy to one or more directors or employees of the Company, as permitted under applicable law, including any Applicable Rules.

6. Interpretation

This Clawback Policy shall be interpreted and applied in a manner that is consistent with the requirements of the Applicable Rules, and to the extent this Clawback Policy is inconsistent with such Applicable Rules, it shall be deemed amended to the minimum extent necessary to ensure compliance therewith.

7. No Indemnification; No Liability

Notwithstanding the terms of any of the Company’s organizational documents, any corporate policy or any contract, the Company shall not indemnify or insure any person against the loss of any Erroneously Awarded Compensation pursuant to this Clawback Policy, nor shall the Company directly or indirectly pay or reimburse any person for any premiums for third-party insurance policies that such person may elect to purchase to fund such person’s potential obligations under this Clawback Policy. None of the Company, an affiliate of the Company (excluding any person subject to the recovery of Erroneously Awarded Compensation hereunder) or any member of the Committee or the Board shall have any liability to any person as a result of actions taken under this Clawback Policy.

8. Application; Enforceability

Except as otherwise determined by the Committee or the Board, the adoption of this Clawback Policy does not limit, and is intended to apply in addition to, any Other Recovery Arrangements. Without limiting the foregoing, in the event of a conflict between this Clawback Policy and Other Recovery Arrangements (including the Compensation Policy), the latter shall prevail, except with respect to the recovery of any portion of Incentive-Based Compensation that is Erroneously Awarded Compensation that would not be recoverable under such Other Recovery Arrangements, in which case this Clawback Policy shall prevail. Subject to Section 4, the remedy specified in this Clawback Policy shall not be exclusive and shall be in addition to every other right or remedy at law or in equity that may be available to the Company or an affiliate of the Company or is otherwise required by applicable law and regulations.

9. Severability

The provisions in this Clawback Policy are intended to be applied to the fullest extent of the law; provided, however, to the extent that any provision of this Clawback Policy is found to be unenforceable or invalid under any applicable law, such provision will be applied to the maximum extent permitted, and shall automatically be deemed amended in a manner consistent with its objectives to the extent necessary to conform to any limitations required under applicable law or the Applicable Rules.

10. Amendment and Termination

The Board or the Committee may amend, modify or terminate this Clawback Policy in whole or in part at any time and from time to time in its sole discretion. This Clawback Policy will terminate automatically when the Company does not have a class of securities listed on a national securities exchange or association in the U.S.

11. Definitions

“**Applicable Rules**” means Section 10D of the Exchange Act, Rule 10D-1 promulgated thereunder, the listing rules of the national securities exchange or association on which the Company’s securities are listed, and any applicable rules, standards or other guidance adopted by the Securities and Exchange Commission or any national securities exchange or association on which the Company’s securities are listed.

“**Board**” means the Board of Directors of the Company.

“**Compensation Policy**” means the Company’s compensation policy for officers and directors, as adopted in accordance with the Israeli Companies Law 5759-1999 and as in effect from time to time.

“**Committee**” means the Compensation Committee of the Board or, in the absence of such a committee, a majority of the independent directors serving on the Board.

“**Erroneously Awarded Compensation**” means the amount of Incentive-Based Compensation received by a current or former Officer that exceeds the amount of Incentive-Based Compensation that would have been received by such current or former Officer based on a restated Financial Reporting Measure, as determined on a pre-tax basis in accordance with the Applicable Rules. For Incentive-based Compensation based on (or derived from) stock price or total shareholder return where the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in the applicable Restatement, the amount shall be determined by the Committee based on a reasonable estimate of the effect of the Restatement on the stock price or total shareholder return upon which the Incentive-based Compensation was determined (in which case the Company shall maintain documentation of such determination of that reasonable estimate and provide such documentation to the NASDAQ).

“**Exchange Act**” means the Securities Exchange Act of 1934, as amended.

“**Financial Reporting Measure**” means any measure determined and presented in accordance with the accounting principles used in preparing the Company’s financial statements, and any measures that are derived wholly or in part from such measures, including GAAP and non-GAAP financial measures. Stock price and total shareholder return (and any measures that are derived wholly or in part from stock price or total shareholder return) shall for purposes of this Clawback Policy be considered Financial Reporting Measures. A financial reporting

measure need not be presented within the financial statements or included in a filing with the Securities and Exchange Commission.

“**GAAP**” means United States generally accepted accounting principles.

“**Impracticable**” means (a) the direct expense paid to third parties to assist in enforcing recovery would exceed the Erroneously Awarded Compensation; provided that the Company has (i) made reasonable attempt(s) to recover the Erroneously Awarded Compensation, (ii) documented such reasonable attempt(s) and (iii) provided such documentation to the relevant listing exchange or association, (b) the recovery would violate the Company’s home country laws adopted prior to November 28, 2022; provided that the Company has (i) obtained an opinion of home country counsel, acceptable to the relevant listing exchange or association, that recovery would result in such a violation and (ii) provided such opinion to the relevant listing exchange or association, or (c) recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and the regulations thereunder.

“**Incentive-Based Compensation**” means, with respect to a Restatement, any compensation that is granted, earned, or vested based wholly or in part upon the attainment of one or more Financial Reporting Measures and received by a person: (a) after such person began service as an Officer; (b) who served as an Officer at any time during the performance period for that incentive-based compensation; (c) while the Company has a class of securities listed on a national securities exchange or association; and (d) during the applicable Three-Year Period.

“**Officer**” means the Company’s president, principal financial officer, principal accounting officer (or if there is no such accounting officer, the controller), any vice-president of the Company in charge of a principal business unit, division, or function (such as sales, administration, or finance), any other officer who performs a policy-making function, or any other person (including any executive officer of the Company’s affiliates) who performs similar policy-making functions for the Company. The term “Officer” includes, without limitation, those officers identified by the Company in any disclosure made pursuant to the requirements of Regulation S-K Item 401(b) or Form 20-F, as applicable.

“**Other Recovery Arrangements**” means any clawback, recoupment, forfeiture or similar policies or provisions of the Company or its affiliates, including any such policies or provisions of such effect contained in any employment agreement, bonus plan, incentive plan, equity-based plan or award agreement thereunder or similar plan, program or agreement of the Company or an affiliate or required under applicable law (including, without limitation, the Compensation Policy).

“**Restatement**” means an accounting restatement to correct the Company’s material noncompliance with any financial reporting requirement under securities laws, including restatements that correct an error in previously issued financial statements (a) that is material to the previously issued financial statements or (b) that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period.

“**Three-Year Period**” means, with respect to a Restatement, the three completed fiscal years immediately preceding the date that the Board, a committee of the Board, or the officer or officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare such Restatement, or, if earlier, the date on which a court, regulator or other legally authorized body directs the Company to prepare such Restatement. The “Three-Year Period” also includes any transition period (that results from a change in the Company’s fiscal year) within or immediately following the three completed fiscal years identified in the preceding sentence. However, a transition

period between the last day of the Company's previous fiscal year end and the first day of its new fiscal year that comprises a period of nine to 12 months shall be deemed a completed fiscal year.

