

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2017

OR

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

For the transition period from _____ to _____
Commission File No. 001-36894

SOLAREEDGE TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

20-5338862
(IRS Employer
Identification No.)

1 HaMada Street
Herziliya Pituach 4673335, Israel
(Address of principal executive offices, zip code)

972 (9) 957-6620
(Registrant's telephone number, including area code)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller Reporting Company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, 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 checkmark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of May 1, 2017, there were 41,554,048 shares of the registrant's common stock, par value of \$0.0001 per share, outstanding.

SOLAREEDGE TECHNOLOGIES, INC.
FORM 10-Q
FOR THE QUARTER ENDED March 31, 2017
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PART I. FINANCIAL INFORMATION

ITEM 1 FINANCIAL STATEMENTS

SOLAREEDGE TECHNOLOGIES, INC.
AND ITS SUBSIDIARIES

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF MARCH 31, 2017

IN U.S. DOLLARS

UNAUDITED

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CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

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

	<u>March 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
	<u>Unaudited</u>	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 119,933	\$ 104,683
Restricted cash	991	897
Marketable Securities	81,800	74,465
Trade receivables, net	79,268	71,041
Prepaid expenses and other accounts receivable	26,561	21,347
Inventories	60,913	67,363
<u>Total</u> current assets	<u>369,466</u>	<u>339,796</u>
LONG-TERM ASSETS:		
Marketable securities	44,893	44,262
Property, equipment and intangible assets, net	37,933	37,381
Prepaid expenses and lease deposits	594	489
Deferred tax assets, net	4,084	2,815
<u>Total</u> long term assets	<u>87,504</u>	<u>84,947</u>
<u>Total</u> assets	<u>\$ 456,970</u>	<u>\$ 424,743</u>

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

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

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

	<u>March 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
	<u>Unaudited</u>	
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Trade payables, net	\$ 43,740	\$ 34,001
Employees and payroll accruals	11,767	13,018
Warranty obligations	12,895	13,616
Deferred revenues	1,025	1,202
Accrued expenses and other accounts payable	9,189	8,648
Total current liabilities	<u>78,616</u>	<u>70,485</u>
LONG-TERM LIABILITIES:		
Warranty obligations	48,230	44,759
Deferred revenues	20,902	18,660
Lease incentive obligation	1,987	2,061
Total long-term liabilities	<u>71,119</u>	<u>65,480</u>
COMMITMENTS AND CONTINGENT LIABILITIES		
STOCKHOLDERS' EQUITY:		
Common stock of \$0.0001 par value - Authorized: 125,000,000 shares as of March 31, 2017 (unaudited) and December 31, 2016; issued and outstanding: 41,532,545 and 41,259,391 shares as of March 31, 2017 (unaudited) and December 31, 2016, respectively	4	4
Additional paid-in capital	311,081	307,098
Accumulated other comprehensive loss	(25)	(324)
Accumulated deficit	(3,825)	(18,000)
Total stockholders' equity	<u>307,235</u>	<u>288,778</u>
Total liabilities and stockholders' equity	<u>\$ 456,970</u>	<u>\$ 424,743</u>

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

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

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

	Three months ended	
	March 31,	
	2017	2016
	<u>Unaudited</u>	
Revenues	\$ 115,054	\$ 125,205
Cost of revenues	76,378	84,471
Gross profit	<u>38,676</u>	<u>40,734</u>
Operating expenses:		
Research and development, net	11,458	8,709
Sales and marketing	10,775	8,826
General and administrative	4,439	3,460
<u>Total operating expenses</u>	<u>26,672</u>	<u>20,995</u>
Operating income	12,004	19,739
Financial income, net	1,410	2,029
Income before taxes on income	13,414	21,768
Tax benefit (taxes on income)	761	(969)
Net income	<u>\$ 14,175</u>	<u>\$ 20,799</u>
Net basic earnings per share of common stock	<u>\$ 0.34</u>	<u>\$ 0.52</u>
Net diluted earnings per share of common stock	<u>\$ 0.32</u>	<u>\$ 0.47</u>
Weighted average number of shares used in computing net basic earnings per share of common stock	<u>41,348,225</u>	<u>40,362,093</u>
Weighted average number of shares used in computing net diluted earnings per share of common stock	<u>43,837,505</u>	<u>44,577,901</u>

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

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

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

	Three months ended	
	March 31,	
	2017	2016
	Unaudited	
Net income	\$ 14,175	\$ 20,799
Other comprehensive income (loss):		
Available-for-sale securities:		
Changes in unrealized gains, net of tax benefit	28	87
Reclassification adjustments for losses included in net income	-	1
Net change	<u>28</u>	<u>88</u>
Cash flow hedges:		
Changes in unrealized gains, net of tax expense	909	668
Reclassification adjustments for gains and losses , net of tax expense included in net income	(395)	(33)
Net change	<u>514</u>	<u>635</u>
Foreign currency translation adjustments, net	<u>(243)</u>	<u>(13)</u>
Total other comprehensive income	<u>299</u>	<u>710</u>
Comprehensive income	<u>\$ 14,474</u>	<u>\$ 21,509</u>

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

U.S. dollars in thousands

	Three months ended	
	March 31,	
	2017	2016
	Unaudited	
<u>Cash flows provided by operating activities:</u>		
Net income	\$ 14,175	\$ 20,799
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization of property, equipment and intangible assets	1,520	993
Amortization of premiums on available-for-sale marketable securities	383	174
Stock-based compensation	3,612	2,632
Deferred tax assets, net	(1,333)	(100)
Realized losses on Cash Flow Hedges	-	2
Changes in assets and liabilities:		
Inventories	6,453	2,006
Prepaid expenses and other accounts receivable	(4,583)	6,682
Trade receivables, net	(8,070)	(9,413)
Trade payables	9,734	(16,853)
Employees and payroll accruals	(1,272)	(556)
Warranty obligations	2,750	5,765
Deferred revenues	2,060	2,496
Accrued expenses and other accounts payable	311	770
Lease incentive obligation	(74)	(55)
Net cash provided by operating activities	<u>25,666</u>	<u>15,342</u>
<u>Cash flows used in investing activities:</u>		
Purchase of property and equipment	(1,872)	(5,909)
Decrease (increase) in restricted cash	(94)	2,473
Increase in short and long-term lease deposits	(66)	(14)
Investment in available-for-sale marketable securities	(24,070)	(36,023)
Maturities of available-for-sale marketable securities	15,665	1,000
Net cash used in investing activities	<u>(10,437)</u>	<u>(38,473)</u>

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited) (Cont.)

U.S. dollars in thousands

	Three months ended March 31,	
	2017	2016
	<u>Unaudited</u>	
<u>Cash flows from financing activities:</u>		
Proceeds from issuance of shares upon exercise of options	371	1,167
Net cash provided by financing activities	371	1,167
Increase (decrease) in cash and cash equivalents	15,600	(21,964)
Cash and cash equivalents at the beginning of the period	104,683	106,150
Effect of exchange rate differences on cash and cash equivalents	(350)	(116)
Cash and cash equivalents at the end of the period	<u>119,933</u>	<u>84,070</u>

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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

NOTE 1:- GENERAL

- a. SolarEdge Technologies, Inc. (the “Company”) and its subsidiaries design, develop, and sell an intelligent inverter solution designed to maximize power generation at the individual photovoltaic (“PV”) module level while lowering the cost of energy produced by the solar PV system and providing comprehensive and advanced safety features. The Company’s products consist mainly of (i) power optimizers designed to maximize energy throughput from each and every module through constant tracking of Maximum Power Point individually per module, (ii) inverters which invert direct current (DC) from the PV module to alternating current (AC) and (iii) a related cloud-based monitoring platform, that collects and processes information from the power optimizers and inverters of a solar PV system to enable customers and system owners as applicable, to monitor and manage the solar PV systems. In addition, the Company has a storage solution that is used to increase energy independence and maximize self-consumption for homeowners by utilizing a battery that is sold separately by third party manufacturers, to store and supply power as needed (the “StorEdge solution”). The StorEdge solution is designed to provide smart energy functions such as maximizing self-consumption, Time-of-Use programming for desired hours of the day, and home energy backup solutions.

The Company and its subsidiaries sells its products worldwide directly to large solar installers and engineering, procurement and construction firms (“EPCs”), as well as through large distributors and electrical equipment wholesalers to smaller solar installers.

- b. Recent accounting pronouncements:

In July 2015, the FASB issued ASU No. 2015-11, Inventory (Topic 330): Simplifying the Measurement of Inventory (“ASU 2015-11”). The new standard applies only to inventory for which cost is determined by methods other than last-in, first-out and the retail inventory method, which includes inventory that is measured using first-in, first-out or average cost. Inventory within the scope of ASU 2015-11 is required to be measured at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. We adopted ASU 2015-11 during the first quarter of 2017, which did not have a material impact on our results of operations, cash flows or financial position.

- c. The significant accounting policies applied in the Company’s audited 2016 consolidated financial statements and notes thereto included in the Company’s Transition Report on Form 10-KT for transition period from July 1, 2016 to December 31, 2016 (the “2016 Form 10-KT”) are applied consistently in these financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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

NOTE 1:- GENERAL (Cont.)

d. Basis of Presentation:

The accompanying unaudited condensed consolidated interim financial statements have been prepared in accordance with Article 10 of Regulation S-X, "Interim Financial Statements" and the rules and regulations for Form 10-Q of the Securities and Exchange Commission (the "SEC"). Pursuant to those rules and regulations, the Company has condensed or omitted certain information and footnote disclosure it normally includes in its annual consolidated financial statements prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP").

In management's opinion, the Company has made all adjustments (consisting only of normal, recurring adjustments, except as otherwise indicated) necessary to fairly present its condensed consolidated financial position, results of operations and cash flows. The Company's interim period operating results do not necessarily indicate the results that may be expected for any other interim period or for the full fiscal year. These financial statements and accompanying notes should be read in conjunction with the 2016 consolidated financial statements and notes thereto included in the Company's Transition Report on Form 10-KT for transition period from July 1, 2016 to December 31, 2016 filed with the SEC on February 21, 2017. There have been no changes in the significant accounting policies from those that were disclosed in the audited consolidated financial statements for the transition period from July 1, 2016 to December 31, 2016 included in the 2016 Form 10-KT.

- e. The Company depends on two contract manufacturers and several limited or single source component suppliers. Currently, the Company has entered into an agreement with a third manufacturer and is in the process of transitioning manufacturing from one manufacturer to another. During this transition period the Company will mainly rely on one contract manufacturer. Reliance on these vendors makes the Company vulnerable to possible capacity constraints and reduced control over component availability, delivery schedules, manufacturing yields and costs.

These vendors collectively account for 66.4% and 61% of the Company's total trade payables as of March 31, 2017 (unaudited) and December 31, 2016, respectively.

The Company has the right to offset its payables to one of its contract manufacturers against vendor non-trade receivables. As of March 31, 2017 (unaudited), a total of \$2,037 of these receivables met the criteria for net recognition and were offset against the corresponding accounts payable balances for this contract manufacturer in the accompanying condensed Consolidated Balance Sheets.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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

NOTE 1:- GENERAL (Cont.)

f. Derivative financial instruments:

To protect against the increase in value of forecasted foreign currency cash flows resulting from salary and lease payments of its Israeli facilities denominated in the Israeli currency, the New Israeli Shekels (“NIS”), during the three months ended March 31, 2017, the Company instituted a foreign currency cash flow hedging program. The Company hedges portions of the anticipated payroll and lease payments denominated in NIS for a period of one to six months with hedging contracts. Accordingly, when the dollar strengthens against the foreign currencies, the decline in present value of future foreign currency expenses is offset by losses in the fair value of the hedging contracts. Conversely, when the dollar weakens, the increase in the present value of future foreign currency cash flows is offset by gains in the fair value of the hedging contracts. These hedging contracts are designated as cash flow hedges, as defined by ASC 815 and are all effective hedges.

As of March 31, 2017 (unaudited), the Company entered into forward contracts to sell U.S. dollars for NIS in the amount of \$9,391. These hedging contracts do not contain any credit-risk-related contingency features. See Note 4 for information on the fair value of these hedging contracts.

The fair value of the Company’s outstanding derivative instruments is as follows:

	Three months ended March 31, 2017 (unaudited)	Year ended December 31, 2016
Derivative assets:		
Derivatives designated as cash flow hedging instruments:		
Foreign exchange forward contracts	579	19
Total	\$ 579	\$ 19

The Company recorded the fair value of derivative assets and liabilities, net in “prepaid expenses and other accounts receivable” on the Company’s condensed consolidated balance sheets.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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

NOTE 1:- GENERAL (Cont.)

The net increase in unrealized gains (losses) recognized in “accumulated other comprehensive income (loss)” on derivatives, net of tax effect, is as follows:

	Three months ended March 31,	
	2017	2016
	(unaudited)	
Derivatives designated as cash flow hedging instruments:		
Foreign exchange forward contracts	<u>909</u>	<u>668</u>

The net gains reclassified from “accumulated other comprehensive income (loss)” into income (loss), are as follows:

	Three months ended March 31,	
	2017	2016
	(unaudited)	
Derivatives designated as cash flow hedging instruments:		
Foreign exchange forward contracts	<u>395</u>	<u>33</u>

The Company recorded in the financial expenses, a net loss of \$81 during the three months ended March 31, 2016 (unaudited), related to derivatives not qualified as hedging instruments.

No such expenses were recorded in the three months ended March 31, 2017 (unaudited).

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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

NOTE 1:- GENERAL (Cont.)

g. Accumulated other comprehensive income:

The following table summarizes the changes in accumulated balances of other comprehensive income (loss), net of taxes, for the three months ended March 31, 2017 (unaudited):

	Unrealized gains (losses) on available- for-sale marketable securities	Unrealized gains (losses) on cash flow hedges	Unrealized gains (losses) on foreign currency translation	Total
Beginning balance	\$ (136)	\$ 19	\$ (207)	\$ (324)
Other comprehensive income (loss) before reclassifications	28	909	(243)	694
Losses (gains) reclassified from accumulated other comprehensive income (loss)	-	(395)	-	(395)
Net current period other comprehensive income (loss)	<u>28</u>	<u>514</u>	<u>(243)</u>	<u>299</u>
Ending balance	<u>\$ (108)</u>	<u>\$ 533</u>	<u>\$ (450)</u>	<u>\$ (25)</u>

The following table summarizes the changes in accumulated balances of other comprehensive loss, net of taxes, for the three months ended March 31, 2016 (unaudited):

	Unrealized gains (losses) on available- for-sale marketable securities	Unrealized gains (losses) on cash flow hedges	Unrealized gains (losses) on foreign currency translation	Total
Beginning balance	\$ (81)	\$ 75	\$ (287)	\$ (293)
Other comprehensive income (loss) before reclassifications	87	668	(13)	742
Losses (gains) reclassified from accumulated other comprehensive income (loss)	1	(33)	-	(32)
Net current period other comprehensive income (loss)	<u>88</u>	<u>635</u>	<u>(13)</u>	<u>710</u>
Ending balance	<u>\$ 7</u>	<u>\$ 710</u>	<u>\$ (300)</u>	<u>\$ 417</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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

NOTE 1:- GENERAL (Cont.)

The following table provides details about reclassifications out of accumulated other comprehensive income (loss):

Details about Accumulated Other Comprehensive Income (Loss) Components	Amount Reclassified from Accumulated Other Comprehensive Income (Loss) Three months ended March 31, 2017	Affected Line Item in the Statements of Operations
Unrealized gains on cash flow hedges, net	58	Cost of revenues
	207	Research and development
	59	Sales and marketing
	71	General and administrative
	395	Total, before income taxes
	-	Income tax expense (benefit)
	395	Total, net of income taxes

For the three months period, ended March 31, 2016 (unaudited), \$33 was reclassified from accumulated other comprehensive income.

NOTE 2:- INVENTORIES

	March 31, 2017 <u>(unaudited)</u>	December 31, 2016
Raw materials	\$ 13,632	\$ 10,053
Finished goods	47,281	57,310
	<u>\$ 60,913</u>	<u>\$ 67,363</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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

NOTE 3:- WARRANTY OBLIGATIONS

Changes in the Company’s product warranty liability for the three months ended March 31, 2017 and 2016 were as follows:

	Three months ended	
	March 31,	
	2017	2016
	(unaudited)	
Balance, at beginning of period	\$ 58,375	\$ 40,894
Additions and adjustments to cost of revenues	5,498	8,002
Usage and current warranty expenses	(2,748)	(2,237)
Balance, at end of period	61,125	46,659
Less current portion	(12,895)	(13,510)
Long term portion	\$ 48,230	\$ 33,149

NOTE 4:- FAIR VALUE MEASUREMENTS

The Company applies ASC 820 (“Fair Value Measurements and Disclosures”), with respect to fair value measurements of all financial assets and liabilities.

Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or a liability.

A three-tiered fair value hierarchy is established as a basis for considering such assumptions and for inputs used in the valuation methodologies in measuring fair value:

- Level 1- Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2- Include other inputs that are directly or indirectly observable in the marketplace.
- Level 3- Unobservable inputs which are supported by little or no market activity.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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

NOTE 4:- FAIR VALUE MEASUREMENTS (Cont.)

The following table sets forth the Company's assets that were measured at fair value as of March 31, 2017 (unaudited) by level within the fair value hierarchy:

Description	Balance as of March 31, 2017	Fair value measurements		
		Level 1	Level 2	Level 3
Cash equivalents:				
Money market mutual funds	\$ 8,747	\$ 8,747	-	-
Derivative instruments asset	\$ 579	-	\$ 579	-
Short-term marketable securities:				
Corporate bonds	\$ 76,042	-	\$ 76,042	-
Governmental bonds	\$ 5,758	-	\$ 5,758	-
Long-term marketable securities:				
Corporate bonds	\$ 40,901	-	\$ 40,901	-
Governmental bonds	\$ 3,992	-	\$ 3,992	-

The following table sets forth the Company's assets that were measured at fair value as of December 31, 2016 by level within the fair value hierarchy:

Description	Balance as of December 31, 2016	Fair value measurements		
		Level 1	Level 2	Level 3
Cash equivalents:				
Money market mutual funds	\$ 6,510	\$ 6,510	-	-
Derivative instruments asset	\$ 19	-	\$ 19	-
Short-term marketable securities:				
Corporate bonds	\$ 71,719	-	\$ 71,719	-
Governmental bonds	\$ 2,746	-	\$ 2,746	-
Long-term marketable securities:				
Corporate bonds	\$ 39,279	-	\$ 39,279	-
Governmental bonds	\$ 4,983	-	\$ 4,983	-

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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

NOTE 4:- FAIR VALUE MEASUREMENTS (Cont.)

In addition to the assets described above, the Company's financial instruments also include cash and cash equivalents, restricted and short-term deposits, trade receivables, other accounts receivable, trade payables, accrued expenses and other payables. The fair value of these financial instruments was not materially different from their carrying values on March 31, 2017 due to the short-term maturity of these instruments.

NOTE 5:- COMMITMENTS AND CONTINGENT LIABILITIES

a. Guarantees:

As of March 31, 2017 (unaudited), contingent liabilities exist regarding guarantees in the amount of \$831, \$55 and \$176 in respect of office rent lease agreements, customs transactions and credit card limits, respectively.

b. Royalty and Governmental commitments:

As of March 31, 2017 (unaudited), the aggregate contingent liability to the Binational Industrial Research and Development Foundation (BIRD-F) amounted to approximately \$1,158 which amount would be payable by the Company if it ever did generate revenues from such project.

The Company's Israeli subsidiary receives research and development grants from the Office of the Chief Scientist (the OCS). In consideration for the research and development grants received from the OCS, the Company has undertaken to pay royalties as a percentage of revenues from products developed from research and development projects financed. If the Company will not generate sales of products developed with funds provided by the OCS, the Company is not obligated to pay royalties or repay the grants.

Royalties are payable at the rate of 4% to 4.5% from the time of commencement of sales of all of these products until the cumulative amount of the royalties paid equals 100% of the dollar-linked amounts of the grants received, plus interest at LIBOR rate.

As of March 31, 2017 (unaudited), the aggregate contingent liability to the OCS amounted to \$477.

c. Contractual purchase obligations:

The Company has contractual obligations to purchase goods and raw materials. These contractual purchase obligations relate to inventories held by contract manufacturers and purchase orders initiated by the contract manufacturers and suppliers, which cannot be canceled without penalty. The Company utilizes third parties to manufacture its products. In addition, it acquires raw materials or other goods and services, including product components, by issuing to suppliers authorizations to purchase based on its projected demand and manufacturing needs.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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

NOTE 5:- COMMITMENTS AND CONTINGENT LIABILITIES (Cont.)

As of March 31, 2017 (unaudited), the Company had non-cancelable purchase obligations totaling approximately \$77,542 out of which the Company already recorded a provision for loss in the amount of \$1,207.

d. Legal claims:

From time to time, the Company may be involved in various claims and legal proceedings. The Company reviews the status of each matter and assesses its potential financial exposure. If the potential loss from any claim or legal proceeding is considered probable and the amount can be reasonably estimated, the Company accrues a liability for the estimated loss. These accruals are reviewed at least quarterly and adjusted to reflect the impact of negotiations, settlements, rulings, advice of legal counsel and other information and events pertaining to a particular matter.

NOTE 6:- STOCK CAPITAL

a. Common Stock:

	Authorized		Issued and outstanding	
	Number of shares			
	March 31, 2017	December 31, 2016	March 31, 2017	December 31, 2016
	(unaudited)		(unaudited)	
Stock of \$0.0001 par value:				
Common stock	125,000,000	125,000,000	41,532,545	41,259,391

b. Stock Incentive plans:

The Company's 2007 Global Incentive Plan (the "2007 Plan") was adopted by the board of directors on August 30, 2007. On March 31, 2015, once the Company completed its Initial Public Offering ("IPO"), the 2007 Plan has been terminated and no further awards will be granted thereunder. All outstanding awards will continue to be governed by their existing terms and 379,358 available options for future grant were transferred to the Company's 2015 Global Incentive Plan (the "2015 Plan") and are reserved for future issuances under the 2015 plan.

The 2015 Plan became effective upon the consummation of the IPO. The 2015 Plan provides for the grant of options, RSUs and other share-based awards to directors, employees, officers and consultants of the Company and its Subsidiaries. As of March 31, 2017 (unaudited), a total of 5,890,087 (unaudited) shares of common stock were reserved for issuance under the 2015 Plan (the "Share Reserve").

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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

NOTE 6:- STOCK CAPITAL (Cont.)

The Share Reserve will automatically increase on January 1st of each year during the term of the 2015 Plan commencing on January 1st of the year following the year in which the 2015 Plan becomes effective in an amount equal to five percent (5%) of the total number of shares of capital stock outstanding on December 31st of the preceding calendar year; provided, however, that our board of directors may provide that there will not be a January 1st increase in the Share Reserve in a given year or that the increase will be less than five percent (5%) of the shares of capital stock outstanding on the preceding December 31st.

The aggregate maximum number of shares of common stock that may be issued on the exercise of incentive stock options is ten million (10,000,000).

As of March 31, 2017 (unaudited), an aggregate of 2,686,604 shares of common stock are still available for future grant under the 2015 Plan.

c. Options granted to employees and members of the board of directors:

A summary of the activity in the share options granted to employees and members of the board of directors for the three months ended March 31, 2017 (unaudited) and related information follows:

	Number of Options / RSUs	Weighted average exercise price	Weighted average remaining contractual term in years	Aggregate intrinsic Value
Outstanding as of December 31, 2016	4,864,469	5.05	6.24	39,585
Granted	445,680	14.64		
Exercised	(118,698)	2.91		
Forfeited or expired	(5,364)	4.50		
Outstanding as of March 31, 2017	<u>5,186,087</u>	<u>5.93</u>	<u>6.35</u>	<u>52,626</u>
Vested and expected to vest as of March 31, 2017	<u>5,056,663</u>	<u>5.83</u>	<u>6.31</u>	<u>51,749</u>
Exercisable as of March 31, 2017	<u>3,450,219</u>	<u>3.73</u>	<u>5.31</u>	<u>41,823</u>

The aggregate intrinsic value represents the total intrinsic value (the difference between the fair value of the Company's common stock as of the last day of each period and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options on the last day of each period. The total intrinsic value of options exercised during the three months ended on March 31, 2017 (unaudited) was \$1,419.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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

NOTE 6:- STOCK CAPITAL (Cont.)

The weighted average grant date fair values of options granted to employees and executive directors during the three months ended March 31, 2017 (unaudited) was \$7.94.

- d. A summary of the activity in the RSUs granted to employees and members of the board of directors for the three months ended March 31, 2017 (unaudited) is as follows:

	No. of RSUs	Weighted average grant date fair value
Unvested as of December 31, 2016	1,515,018	19.74
Granted	471,973	14.61
Vested	(144,372)	21.74
Forfeited	(39,219)	18.21
Unvested as of March 31, 2017	1,803,400	18.34

- e. Options and RSUs issued to non-employee consultants:

The Company has granted options and RSUs to purchase common shares to non-employee consultants as of March 31, 2017 (unaudited) as follows:

Issuance Date	Outstanding as of March 31, 2017	Exercise price	Exercisable as of March 31, 2017	Exercisable Through
July 31, 2008	33,333	0.87	33,333	July 31, 2018
October 24, 2012	3,000	2.46	3,000	October 24, 2022
January 23, 2013	3,333	3.03	3,333	January 23, 2023
January 27, 2014	2,748	3.51	1,443	January 27, 2024
May 1, 2014	3,250	3.51	1,917	May 1, 2024
September 17, 2014	9,615	3.96	6,284	September 17, 2024
October 29, 2014	3,668	5.01	222	October 29, 2024
August 19, 2015	15,940	0.00	-	
November 8, 2015	2,230	0.00	-	
April 18, 2016	1,875	0.00	-	
July 11, 2016	2,001	0.00	-	
September 21, 2016	4,000	15.34	500	September 21, 2026
September 21, 2016	6,125	0.00	-	
March 15, 2017	8,000	0.00	-	
March 15, 2017	8,000	13.70	-	March 15, 2027
March 27, 2017	4,000	0.00	-	
	111,118		50,032	

The Company had accounted for its options and RSUs granted to non-employee consultants under the fair value method of ASC 505-50.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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

NOTE 6:- STOCK CAPITAL (Cont.)

In connection with the grant of stock options and RSUs to non-employee consultants, the Company recorded stock compensation expenses in the three months ended March 31, 2017 (unaudited) and 2016 (unaudited) in the amounts \$127 and \$91, respectively.

f. Employee Stock Purchase Plan (“ESPP”):

The Company adopted an Employee Stock Purchase Plan (the “ESPP”) effective upon the consummation of the IPO. As of March 31, 2017 (unaudited), a total of 1,301,154 shares were reserved for issuance under this plan. The number of shares of common stock reserved for issuance under the ESPP will increase automatically on January 1st of each year, for ten years, by the lesser of 1% of the total number of shares of the Company’s common stock outstanding on December 31st of the preceding calendar year or 487,643 shares. However, the Company’s board of directors may reduce the amount of the increase in any particular year at their discretion, including a reduction to zero.

The ESPP is implemented through an offering every six months. According to the ESPP, eligible employees may use up to 10% of their salaries to purchase common stock shares up to an aggregate limit of \$10 per participant for every six months plan. The price of an ordinary share purchased under the ESPP is equal to 85% of the lower of the fair market value of the ordinary share on the subscription date of each offering period or on the purchase date

As of March 31, 2017 (unaudited), 83,319 common stock shares had been purchased under the ESPP.

As of March 31, 2017 (unaudited), 1,217,835 common stock shares were available for future issuance under the ESPP.

In accordance with ASC No. 718, the ESPP is compensatory and as such results in recognition of compensation cost.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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

NOTE 6:- STOCK CAPITAL (Cont.)

- g. Stock-based compensation expense for employees and consultants:

The Company recognized stock-based compensation expenses related to stock options and RSUs granted to employees and non-employees and ESPP in the condensed consolidated statement of operations for the three months ended on March 31, 2017 (unaudited) and 2016 (unaudited), as follows:

	Three months ended March 31, 2017	Three months ended March 31, 2016
Cost of revenues	\$ 493	\$ 246
Research and development	1,205	724
Selling and marketing	1,030	842
General and administrative	884	819
Total stock-based compensation expense	\$ 3,612	\$ 2,631

As of March 31, 2017 (unaudited), there was a total unrecognized compensation expense of \$42,557 related to non-vested equity-based compensation arrangements granted under the Company's Plans. These expenses are expected to be recognized during the period from Oct 1, 2016 through May 31, 2021.

NOTE 7:- BASIC AND DILUTED NET EARNINGS PER SHARE

Basic net earnings per share is computed by dividing the net earnings by the weighted-average number of shares of common stock outstanding during the period.

The total weighted average number of shares related to the outstanding stock options, excluded from the calculation of diluted net earnings per share due to their anti-dilutive effect was 590,115 and 0 for the three months ended March 31, 2017 (unaudited) and 2016 (unaudited), respectively.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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

NOTE 7:- BASIC AND DILUTED NET EARNINGS PER SHARE (Cont.)

The following table presents the computation of basic and diluted net earnings per share for the periods presented (in thousands, except per share data):

	Three months ended	
	March 31,	
	2017	2016
	(unaudited)	
Numerator:		
Net income	14,175	20,799
Denominator:		
Shares used in computing net earnings per share of common stock, basic	41,348,225	40,362,093
Effect of stock-based awards	2,489,280	4,215,808
Shares used in computing net earnings per share of common stock, diluted	43,837,505	44,577,901
Basic net income per share	\$ 0.34	\$ 0.52
Diluted net income per share	\$ 0.32	\$ 0.47

NOTE 8:- INCOME TAXES

- a. Taxes on income (tax benefit) are comprised as follows:

	Three months ended	
	March 31,	
	2017	2016
	Unaudited	
Current year taxes	\$ 1,069	\$ 1,069
Deferred tax income and others	(1,830)	(100)
Taxes on income (tax benefit)	\$ (761)	\$ 969

- b. Deferred income taxes:

Deferred income taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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

NOTE 8:- INCOME TAXES (Cont.)

Significant components of the Company's deferred tax liabilities and assets are as follows:

	March 31,	December
	2017	31,
	(Unaudited)	2016
Assets in respect of:		
Research and Development carryforward expenses- temporary differences	\$ 1,792	\$ 908
Stock based compensation	1,279	1,039
Other reserves	<u>1,013</u>	<u>868</u>
Net deferred tax assets	<u>\$ 4,084</u>	<u>\$ 2,815</u>

During fiscal year 2016, the Company determined that the positive evidence outweighs the negative evidence for deferred tax assets and concluded that these deferred tax assets are realizable on a "more likely than not" basis. This determination was mainly due to expected future results of positive operations and earnings history.

c. Uncertain tax positions:

The Company recognized a total liability for uncertain tax positions in the amount of \$264 as of March 31, 2017.

NOTE 9:- CONCENTRATION OF CREDIT RISK AND MAJOR CUSTOMERS

- a. For the three month period ended March 31, 2017 (unaudited) and 2016 (unaudited), the Company had one and two major customers that accounted for 12.74% and 26.71% of its condensed consolidated revenues, respectively.
- b. As of March 31, 2017 (unaudited), one customer accounted for approximately 16.57% of the Company's net accounts receivable and as of December 31, 2016, three major customers accounted for approximately 20.15% of the Company's net accounts receivable.

ITEM 2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

Statements contained in this Form 10-Q or statements incorporated by reference from documents we have filed with the Securities and Exchange Commission may contain forward-looking statements that are based on our management's expectations, estimates, projections, beliefs and assumptions in accordance with information currently available to our management. Forward-looking statements should be read in conjunction with our unaudited condensed consolidated financial statements and related notes included in Part 1, Item 1 of this report. This discussion contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements include information concerning our possible or assumed future results of operations, business strategies, technology developments, new products and services, financing and investment plans, dividend policy, competitive position, industry and regulatory environment, potential growth opportunities and the effects of competition. Forward-looking statements include statements that are not historical facts and can be identified by terms such as "anticipate," "believe," "could," "seek," "estimate," "expect," "intend," "may," "plan," "potential," "predict," "project," "should," "will," "would" or similar expressions and the negatives of those terms.

Forward looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward looking statements. Given these uncertainties, you should not place undue reliance on forward looking statements. Also, forward looking statements represent our management's beliefs and assumptions only as of the date of this filing. Important factors that could cause actual results to differ materially from our expectations include:

- our limited history of profitability, which may not continue in the future;
- our limited operating history, which makes it difficult to predict future results;
- future demand for solar energy solutions;
- changes to net metering policies or the reduction, elimination or expiration of government subsidies and economic incentives for on-grid solar electricity applications;
- the results of the 2016 U.S. presidential and congressional elections may create regulatory uncertainty for the clean energy sector and the solar energy sector in particular and may materially harm our business, financial condition and results of operations;
- federal, state and local regulations governing the electric utility industry with respect to solar energy;
- the retail price of electricity derived from the utility grid or alternative energy sources;
- interest rates and supply of capital in the global financial markets in general and in the solar market specifically;
- competition, including introductions of power optimizer, inverter and solar PV system monitoring products by our competitors;
- developments in alternative technologies or improvements in distributed solar energy generation;
- historic cyclicalities of the solar industry and periodic downturns;
- defects or performance problems in our products;

- our ability to forecast demand for our products accurately and to match production with demand;
- our dependence on ocean transportation to deliver our products in a cost effective manner;
- we depend on two contract manufacturers and several limited or single source component suppliers; we have recently entered into an agreement with an additional contract manufacturer and are in the process of ramping up manufacturing with the new manufacturer. During this ramp up period we will mainly rely on one contract manufacturer;
- capacity constraints, delivery schedules, manufacturing yields and costs of our contract manufacturers and availability of components;
- delays, disruptions and quality control problems in manufacturing;
- shortages, delays, price changes or cessation of operations or production affecting our suppliers of key components;
- business practices and regulatory compliance of our raw material suppliers;
- performance of distributors and large installers in selling our products;
- our customer's financial stability, creditworthiness and debt leverage ratio;
- our ability to retain key personnel and attract additional qualified personnel;
- our ability to effectively design, launch, market and sell new generations of our products and services;
- our ability to maintain our brand and to protect and defend our intellectual property;
- our ability to retain, and events affecting, our major customers;
- our ability to manage effectively the growth of our organization and expansion into new markets;
- fluctuations in currency exchange rates;
- unrest, terrorism or armed conflict in Israel;
- general economic conditions in our domestic and international markets; and
- consolidation in the solar industry among our customers and distributors; and
- the other factors set forth under "Item 1A. Risk Factors" in "Part II-OTHER INFORMATION" section of this report.

Except as required by law, we assume no obligation to update these forward-looking statements, or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future.

Overview

We have invented an intelligent inverter solution that has changed the way power is harvested and managed in a solar photovoltaic ("PV") system. Our direct current ("DC") optimized inverter system is designed to maximize power generation at the individual PV module level while lowering the cost of energy produced by the solar PV system and providing comprehensive and advanced safety features. Our systems allow for superior power harvesting and module management by deploying power optimizers at each PV module while maintaining a competitive system cost by using a simplified DC AC inverter. Our systems are monitored through our cloud-based monitoring platform that enables lower system operating and maintenance ("O&M") costs. We believe that these benefits, along with our comprehensive and advanced safety features, are highly valued by our customers.

Our revenues for the three months ended March 31, 2017 and 2016 were \$115.1 million and \$125.2 million, respectively. Gross margin was 33.6% and 32.5% for the three months ended March 31, 2017 and 2016, respectively. Net income was \$14.2 million and \$20.8 million for the three months ended March 31, 2017 and 2016, respectively.

As of March 31, 2017, we have shipped approximately 16.8 million power optimizers and 691,000 inverters. Approximately 427,000 installations, many of which may include multiple inverters, are currently connected to, and monitored through, our cloud-based monitoring platform. As of March 31, 2017, we have shipped approximately 4.7 GW of our DC optimized inverter systems. Our products are sold in approximately 53 countries, and are installed in solar PV systems in 100 countries.

As of March 31, 2017, approximately 241,000 indirect customers had registered with us through our cloud-based monitoring platform.

Key Operating Metrics

In managing our business and assessing financial performance, we supplement the information provided by the financial statements with other operating metrics. These operating metrics are utilized by our management to evaluate our business, measure our performance, identify trends affecting our business and formulate projections. We use metrics relating to shipments (inverters shipped, power optimizers shipped and megawatts shipped) to evaluate our sales performance and to track market acceptance of our products. We use metrics relating to monitoring (systems monitored) to evaluate market acceptance of our products and usage of our solution.

We provide the "megawatts shipped" metric, which is calculated based on nameplate capacity shipped, to show adoption of our system on a nameplate capacity basis. Nameplate capacity shipped is the maximum rated power output capacity of an inverter and corresponds to our financial results in that higher total capacities shipped are generally associated with higher total revenues. However, revenues increase with each additional unit, not necessarily each additional MW of capacity, sold. Accordingly, we also provide the "inverters shipped" and "power optimizers shipped" operating metrics.

	Three Months Ended March 31,	
	2017	2016
Inverters shipped	57,761	52,333
Power optimizers shipped	1,469,677	1,417,469
Megawatts shipped (1)	455	416

(1) Calculated based on the aggregate nameplate capacity of inverters shipped during the applicable period. Nameplate capacity is the maximum rated power output capacity of an inverter as specified by the manufacturer.

Results of Operations

The results of operations presented below should be reviewed in conjunction with the condensed consolidated financial statements and related notes included elsewhere in this report.

The following table sets forth selected consolidated statements of operations data for each of the periods indicated.

	Three Months Ended March 31,	
	2017	2016
	(In thousands)	
Revenues	\$ 115,054	\$ 125,205
Cost of revenues	76,378	84,471
Gross profit	38,676	40,734
Operating expenses:		
Research and development, net	11,458	8,709
Sales and marketing	10,775	8,826
General and administrative	4,439	3,460
Total operating expenses	26,672	20,995
Operating income	12,004	19,739
Financial income, net	1,410	2,029
Income before taxes on income	13,414	21,768
Taxes on income (tax benefit)	(761)	969
Net income	\$ 14,175	\$ 20,799

Comparison of the Three Months Ended March 31, 2017 and 2016

Revenues

	Three Months Ended March 31,		Three Months Ended March, 2016 to 2017	
	2017	2016	Change	
	(in thousands)			
Revenues	\$ 115,054	\$ 125,205	\$ (10,151)	(8.1)%

Revenues decreased by \$10.2 million, or 8.1%, for the three months ended March 31, 2017 as compared to the three months ended March 31, 2016, primarily due to reduced revenues in the U.S. market prompted by an average selling price erosion and a general slowdown in US residential installations in the quarter ended March 31, 2017. The number of power optimizers sold remained stable in the three months ended March 31, 2017 compared to the three months ended March 31, 2016. The number of inverters sold increased by approximately 3,200 units, or 5.9%, from approximately 54,500 units in the three months ended March 31, 2016 to approximately 57,700 units in the three months ended March 31, 2017. Our blended average selling price per watt for units shipped decreased by \$0.043, or 14.2%, in the three months ended March 31, 2017 as compared to the three months ended March 31, 2016, primarily due to (i) an increase in sales of commercial products that are characterized by lower average selling prices per watt; (ii) price erosion in the overall inverter market; (iii) a change in our customer mix, which included a higher portion of sales to large customers to whom we provide volume discounts.

Cost of Revenues and Gross Profit

	Three Months Ended March 31,		Three Months Ended March 31, 2016 to 2017	
	2017	2016	Change	
	(in thousands)			
Cost of revenues	\$ 76,378	\$ 84,471	\$ (8,093)	(9.6)%
Gross profit	\$ 38,676	\$ 40,734	\$ (2,058)	(5.1)%

Cost of revenues decreased by \$8.1 million, or 9.6%, in the three months ended March 31, 2017, as compared to the three months ended March 31, 2016, primarily due to (i) reductions in per unit production costs; (ii) reductions derived from increased efficiency in our supply chain; and (iii) decreased warranty expenses derived from increased efficiency in our products quality and reduction in per unit cost of replaced faulty products. These decreases were partially offset by increase in personnel-related costs resulting from an increase in our operations and support headcount and increase of depreciation of machines and automated assembly lines. Gross profit as a percentage of revenue increased from 32.5% in the three months ended March 31, 2016 to 33.6% in the three months ended March 31, 2017, primarily due to reductions in per unit production costs, increased efficiency in our supply chain and general economies of scale in our personnel-related costs and other costs associated with our support and operations departments.

Operating Expenses:

Research and Development, Net

	Three Months Ended March 31,		Three Months Ended March 31, 2016 to 2017	
	2017	2016	Change	
	(in thousands)			
Research and development, net	\$ 11,458	\$ 8,709	\$ 2,749	31.6%

Research and development, net increased by \$2.7 million, or 31.6%, in the three months ended March 31, 2017 as compared to the three months ended March 31, 2016, primarily due to an increase in personnel-related costs of \$1.9 million resulting from an increase in our research and development headcount. The increase in headcount reflects our continued investment in enhancing our existing products as well as activities associated with bringing new products to market. In addition, the use of external consultants, depreciation expenses and materials consumption increased by \$0.5 million, \$0.2 million and \$0.1 million, respectively, in the three months ended March 31, 2017 as compared to the three months ended March 31, 2016.

Sales and Marketing

	Three Months Ended March 31,		Three Months Ended March 31, 2016 to 2017	
	2017	2016	Change	
	(in thousands)			
Sales and marketing	\$ 10,775	\$ 8,826	\$ 1,949	22.1%

Sales and marketing expenses increased by \$1.9 million, or 22.1%, in the three months ended March 31, 2017 as compared to the three months ended March 31, 2016, primarily due to an increase in personnel-related costs of \$1.4 million related to an increase in headcount associated with supporting our sales in the U.S. and Europe. In addition, expenses related to trade shows and marketing activities, expenses related to external consultants and sub-contractors and expenses associated with our worldwide sales offices, travel and other overhead costs increased by \$0.2 million, \$0.2 million and \$0.1 million, respectively, in the three months ended March 31, 2017 as compared to the three months ended March 31, 2016.

General and Administrative

	Three Months Ended March 31,		Three Months Ended March 31, 2016 to 2017	
	2017	2016	Change	
	(in thousands)			
General and administrative	\$ 4,439	\$ 3,460	\$ 979	28.3%

General and administrative expenses increased by \$1.0 million, or 28.3%, in the three months ended March 31, 2017 as compared to the three months ended March 31, 2016, primarily due to an increase in doubtful debts in the amount of \$1.0 million mostly driven by one of our customers that declared bankruptcy, and \$0.2 million in expenses related to accounting, tax, legal and information systems consulting in the three months ended March 31, 2017 as compared to the three months ended March 31, 2016. These increases were offset by decrease of \$0.2 million in personnel-related costs due to decrease in management bonus payments.

	Three Months Ended March 31,		Three Months Ended March 31, 2016 to 2017	
	2017	2016	Change	
	(in thousands)			
Financial income , net	\$ 1,410	\$ 2,029	\$ (619)	(30.5)%

Financial income decreased by \$0.6 million in the three months ended March 31, 2017 as compared to the three months ended March 31, 2016, primarily due to a decrease of \$1.0 million in foreign exchange fluctuations between the Euro and the New Israeli Shekel against the U.S. Dollar in the three months ended March 31, 2017 as compared to the three months ended March 31, 2016. This was offset by an increase of \$0.3 million of interest income, net of accretion (amortization) of discount (premium) on marketable securities and a decrease of \$0.1 million in expenses related to hedging transactions in the three months ended March 31, 2017 as compared to the three months ended March 31, 2016.

Taxes on Income

	Three Months Ended March 31,		Three Months Ended March 31, 2016 to 2017	
	2017	2016	Change	
	(in thousands)			
Taxes on income (tax benefit)	\$ (761)	\$ 969	\$ (1,730)	N/A

Tax benefits were \$0.8 million in the three months ended March 31, 2017 compared to taxes on income of \$1.0 million in the three months ended March 31, 2016, primarily due to an increase of \$1.2 million in deferred tax asset in the three months ended March 31, 2017 and a \$0.5 million income related to previous years tax credit.

Net Income

	Three Months Ended March 31,		Three Months Ended March 31, 2016 to 2017	
	2017	2016	Change	
	(in thousands)			
Net income	\$ 14,175	\$ 20,799	\$ (6,624)	(31.9)%

As a result of the factors discussed above, net income decreased by \$6.6 million, or 31.9%, in the three months ended March 31, 2017 as compared to the three months ended March 31, 2016.

Liquidity and Capital Resources

The following table shows our cash flow from operating activities, investing activities and financing activities for the stated periods:

	Three Months Ended March 31,	
	2017	2016
	(in thousands)	
Net cash provided by operating activities	\$ 25,666	\$ 15,342
Net cash used in investing activities	(10,437)	(38,473)
Net cash provided by financing activities	371	1,167
Increase (decrease) in cash and cash equivalents	\$ 15,600	\$ (21,964)

As of March 31, 2017, our cash and cash equivalents were \$119.9 million. This amount does not include \$126.7 million invested in available-for-sale marketable securities and \$1.0 million of restricted cash (primarily held to secure bank guarantees securing office lease payments). We believe that cash provided by operating activities as well as our cash and cash equivalents will be sufficient to meet our anticipated cash needs for at least the next 12 months.

Operating Activities

For the three months ended March 31, 2017, cash provided by operating activities was \$25.7 million, derived mainly from a net income of \$14.2 million that included \$4.2 million of non-cash expenses, an increase of \$10.0 million in trade payables and other accounts payable, \$2.7 million in warranty obligations, \$2.1 million of deferred revenues and a decrease of \$6.5 million in inventories, which were offset by an increase of \$8.1 million in trade receivables, net, \$4.6 million in prepaid expenses and other receivables and a decrease of \$1.3 million in accruals for employees.

For the three months ended March 31, 2016, cash used in operating activities was \$15.3 million derived mainly from a net income of \$20.8 million that included \$3.7 million of non-cash expenses, an increase of \$5.8 million in warranty obligations, \$2.5 million in deferred revenues, a decrease of \$6.7 million in prepaid expenses and other receivables and \$2.0 million in inventories which was offset by an increase of \$9.4 million in trade receivables, and a decrease of \$16.2 million in trade payables and other accounts payable and \$0.6 million accruals for employees.

Investing Activities

During the three months ended March 31, 2017, net cash used in investing activities was \$10.4 million, of which \$24.1 million was invested in available-for-sale marketable securities, \$1.9 million related to capital investments in laboratory equipment, end of line testing equipment, automated assembly lines, manufacturing tools and leasehold improvements and \$0.1 million increase in restricted cash and short and long-term lease deposit. This was offset by \$15.7 million from the maturities of available-for-sale marketable securities.

During the three months ended March 31, 2016, net cash used in investing activities was \$38.5 million, of which \$36.0 million was invested in available-for-sale marketable securities, and \$5.9 million related to capital investments in laboratory equipment, end of line testing equipment, manufacturing tools and leasehold improvements. This was offset by a \$2.4 million decrease in restricted cash and \$1.0 million from the maturities of available-for-sale marketable securities.

Financing Activities

For the three months ended March 31, 2017, net cash provided by financing activities was \$0.4 million, all attributed to cash received from the exercise of employee and non-employee stock options.

For the three months ended March 31, 2016, net cash provided by financing activities was \$1.2 million, all attributed to cash received from the exercise of employee and non-employee stock options.

Debt Obligations

Revolving Line of Credit

In February 2015, we amended and restated a revolving line of credit agreement with Silicon Valley Bank, which permitted aggregate borrowings of up to \$40 million. The revolving line of credit terminated on December 31, 2016.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

ITEM 3 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk in the ordinary course of our business. Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily a result of fluctuations in foreign currency exchange rates, customer concentrations and interest rates. We do not hold or issue financial instruments for trading purposes.

Foreign Currency Exchange Risk

Approximately 30.5% and 18.7% of our revenues for the three months ended March 31, 2017 and 2016, respectively, were earned in non-U.S. Dollar denominated currencies, principally the Euro. Our expenses are generally denominated in the currencies in which our operations are located, primarily the U.S. Dollar and New Israeli Shekel, and to a lesser extent the Euro. Our New Israeli Shekel-denominated expenses consist primarily of personnel and overhead costs. Our consolidated results of operations and cash flows are, therefore, subject to fluctuations due to changes in foreign currency exchange rates and may be adversely affected in the future due to changes in foreign exchange rates. A hypothetical 10% change in foreign currency exchange rates during the three months ended March 31, 2017, between the Euro and the U.S. Dollar would increase or decrease our net income by \$2.6 million for the three months ended March 31, 2017. A hypothetical 10% change in foreign currency exchange rates during the three months ended March 31, 2017, between the New Israeli Shekel and the U.S. Dollar would increase or decrease our net income by \$1.5 million for the three months ended March 31, 2017.

For purposes of our consolidated financial statements, local currency assets and liabilities are translated at the rate of exchange to the U.S. Dollar on the balance sheet date and local currency revenues and expenses are translated at the exchange rate as of the date of the transaction or at the average exchange rate to the U.S. Dollar during the reporting period.

To date, we have used derivative financial instruments, specifically foreign currency forward contracts, to manage exposure to foreign currency risks by hedging a portion of our account receivable balances denominated in Euros expected to be paid within nine months. Our foreign currency forward contracts are expected to mitigate exchange rate changes related to the hedged assets. We do not use derivative financial instruments for speculative or trading purposes.

We had cash and cash equivalents of \$119.9 million and available-for-sale marketable securities with an estimated fair value of \$126.7 million on March 31, 2017, which securities were held for working capital purposes. We do not enter into investments for trading or speculative purposes. Since most of our cash and cash equivalents are held in U.S. Dollar-denominated money market funds, we believe that our cash and cash equivalents do not have any material exposure to changes in exchange rates.

Concentrations of Major Customers

Our trade accounts receivables potentially expose us to a concentration of credit risk with our major customers. As of March 31, 2017, one major customer accounted for approximately 16.6% of our consolidated trade receivables balance. We currently do not foresee a credit risk associated with this receivable.

ITEM 4 CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of March 31, 2017. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Based on that evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective and operating to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and to provide reasonable assurance that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

Based on an evaluation by our chief executive officer and chief financial officer, such officers concluded that there have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) that occurred during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1 LEGAL PROCEEDINGS

In the normal course of business, we may from time to time be named as a party to various legal claims, actions and complaints. It is impossible to predict with certainty whether any resulting liability from any such legal claims, actions or complaints would have a material adverse effect on our financial position, results of operations or cash flows.

ITEM 1A RISK FACTORS

There have been no material changes to the risk factors as described in Part I, Item 1A, "Risk Factors," in our Annual Report on Form 10-KT for the year ended Decemebr 31, 2016 other than the supplemental risk factor set forth below:

We rely on a limited amount of contract manufacturers and, for a period of time, will rely on one contract manufacturer for some manufacturing.

We depend on two contract manufacturers and several limited or single source component suppliers; we have recently entered into an agreement with a new contract manufacturer and are in the process of ramping up manufacturing with the new manufacturer. During this ramp up period we will mainly rely on one contract manufacturer. Any change in our relationship with our contract manufacturers or changes to contractual terms of our agreements with the contract manufacturers could adversely affect our financial condition and results of operations.

ITEM 2 UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(a) Recent Sales of Unregistered Securities

None.

(b) Use of Proceeds

On March 31, 2015, we consummated the initial public offering consisting of 8,050,000 shares of our common stock at a public offering price of \$18.00 per share. The offering terminated after the sale of all securities registered in the offering. Goldman, Sachs & Co. acted as joint book-running managers for the offering. Needham & Company, Canaccord Genuity Inc. and Roth Capital Partners acted as co-managers. As a result of the offering, we received total net offering proceeds of \$131.2 million, after deducting total expenses of \$13.7 million, consisting of underwriting discounts and commissions of \$10.1 million and offering related expenses paid by us of \$3.6 million. No payments for such expenses were made directly or indirectly to (i) any of our officers or directors or their associates, (ii) any persons owning 10% or more of any class of our equity securities, or (iii) any of our affiliates. The proceeds from the initial public offering have been used for general corporate purposes, including working capital and expansion of our business into additional markets.

ITEM 3 DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4 MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5 OTHER INFORMATION

We previously disclosed in our proxy statement for the 2016 Annual Meeting of Stockholders that we anticipated filing our proxy statement for the 2017 Annual Meeting of Stockholders within 120 days after the end of our fiscal year on June 30, 2016, and hold our 2017 Annual Meeting shortly thereafter. However, because we have recently changed our fiscal year end to December 31, we presently intend to hold our 2017 Annual Meeting of Stockholders (the "2017 Annual Meeting") at 47505 Seabridge Drive, Fremont, CA, on May 10, 2017, at 10 a.m. local time.

Exhibit No.	Description	Incorporation by Reference (where a report is indicated below, that document has been previously filed with the SEC and the applicable exhibit is incorporated by reference thereto)
10.1	2015 Global Incentive Plan	<i>Filed with this report.</i>
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a).	<i>Filed with this report.</i>
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a).	<i>Filed with this report.</i>
32.1	Certification of Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	<i>Filed with this report.</i>
32.2	Certification of Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	<i>Filed with this report.</i>
101.INS	XBRL Instance Document	<i>Filed with this report.</i>
101.SCH	XBRL Taxonomy Extension Schema Document	<i>Filed with this report.</i>
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	<i>Filed with this report.</i>
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	<i>Filed with this report.</i>
101.LAB	XBRL Taxonomy Extension Label Linkbase Document	<i>Filed with this report.</i>
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	<i>Filed with this report.</i>

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SOLAREEDGE TECHNOLOGIES, INC.

Date: May 10, 2017

/s/ Guy Sella
Guy Sella
Chief Executive Officer and Chairman of the Board
(Principal Executive Officer)

Date: May 10, 2017

/s/ Ronen Faier
Ronen Faier
Chief Financial Officer
(Principal Financial and Accounting Officer)

SOLAREEDGE TECHNOLOGIES, INC.

AMENDED AND RESTATED

2015 GLOBAL INCENTIVE PLAN

ORIGINALLY ADOPTED BY THE BOARD: MARCH 4, 2015

APPROVED BY THE STOCKHOLDERS: MARCH 10, 2015

EFFECTIVE DATE: MARCH 25, 2015

AMENDED AND RESTATED EFFECTIVE DATE: JANUARY 1, 2016

1. GENERAL.

(a) **Successor to and Continuation of Prior Plan.**

(i) The Plan is the successor to and continuation of the Company's 2007 Global Incentive Plan, as amended and together with attachments thereto (the "**Prior Plan**"). From and after 12:01 a.m. Eastern time on the Effective Date, no additional stock awards will be granted under the Prior Plan. All stock awards granted under the Prior Plan remain subject to the terms of the Prior Plan. All Awards granted on or after 12:01 a.m. Eastern Time on the Effective Date are subject to the terms of this Plan.

(ii) Any shares that would otherwise remain available for future grants under the Prior Plan as of 12:01 a.m. Eastern Time on the Effective Date will cease to be available under the Prior Plan at such time.

(iii) From and after 12:01 a.m. Eastern time on the Effective Date, a number of shares of Common Stock equal to the total number of shares of common stock subject to outstanding stock awards granted under the Prior Plan that (A) expire or terminate for any reason prior to exercise or settlement, (B) are forfeited because of the failure to meet a contingency or condition required to vest or issue such shares or repurchased at the original issuance price, or (C) are otherwise reacquired or are withheld (or not issued) to satisfy a tax withholding obligation in connection with an award or as consideration for the exercise or purchase price of an award (the "**Returning Shares**") will immediately be added to the Share Reserve (as further described in Section 3(a) below) as and when such shares become Returning Shares and become available for issuance pursuant to Stock Awards granted hereunder.

(iv) The Plan was subsequently amended and restated effective as of the Amended and Restated Effective Date, January 1, 2016. All Awards granted prior to such date shall continue to be governed by the terms of the Plan as in effect prior to such amendment and restatement. All Awards granted on or after the Amended and Restated Effective Date shall be governed by the Plan as set forth herein.

(b) **Eligible Award Recipients.** Employees, Directors, and Consultants are eligible to receive Awards.

(c) **Available Awards.** The Plan provides for the grant of the following Awards: (i) Incentive Stock Options; (ii) Nonstatutory Stock Options; (iii) Stock Appreciation Rights; (iv) Restricted Stock Awards; (v) Restricted Stock Unit Awards; (vi) Performance Stock Awards; (vii) Performance Cash Awards; and (viii) Other Stock Awards.

(d) **Purpose.** This Plan, through the granting of Awards, is intended to help the Company secure and retain the services of eligible award recipients, provide incentives for such persons to exert maximum efforts for the success of the Company and any Affiliate and provide a means by which the eligible recipients may benefit from increases in value of the Common Stock.

2. ADMINISTRATION.

(a) **Administration by Board.** The Board will administer the Plan. The Board may delegate administration of the Plan to a Committee or Committees, as provided in Section 2(c).

(b) **Powers of Board.** The Board will have the power, subject to, and within the limitations of, the express provisions of the Plan:

(i) To determine: (A) who will be granted Awards; (B) when and how each Award will be granted; (C) what type of Award will be granted; (D) the provisions of each Award (which need not be identical), including when a person will be permitted to exercise or otherwise receive cash or Common Stock under the Award; (E) the number of shares of Common Stock subject to, or the cash value of, an Award; and (F) the Fair Market Value applicable to a Stock Award.

(ii) To construe and interpret the Plan and Awards granted under it, and to establish, amend and revoke rules and regulations for administration of the Plan and Awards. The Board, in the exercise of these powers, may correct any defect, omission or inconsistency in the Plan or in any Award Document or in the written terms of a Performance Cash Award, in a manner and to the extent it will deem necessary or expedient to make the Plan or Award fully effective.

(iii) To settle all controversies regarding the Plan and Awards granted under it.

(iv) To accelerate, in whole or in part, or to extend, in whole or in part, the time during which an Award may be exercised or vest, or at which cash or shares of Common Stock may be issued.

(v) To suspend or terminate the Plan at any time. Except as otherwise provided in the Plan or an Award Document, suspension or termination of the Plan will not materially impair a Participant's rights under his or her then-outstanding Award without his or her written consent except as provided in subsection (viii) below.

(vi) To amend the Plan in any respect the Board deems necessary or advisable, including, without limitation, adopting amendments relating to Incentive Stock Options and nonqualified deferred compensation under Section 409A of the Code and/or making the Plan or Awards granted under the Plan exempt from or compliant with the requirements for Incentive Stock Options or exempt from or compliant with the requirements for nonqualified deferred compensation under Section 409A of the Code, subject to the limitations, if any, of applicable law. If required by applicable law or listing requirements, and except as provided in Section 10(a) relating to Capitalization Adjustments, the Company will seek stockholder approval of any amendment of the Plan that (A) materially increases the number of shares of Common Stock available for issuance under the Plan, (B) materially expands the class of individuals eligible to receive Awards under the Plan, (C) materially increases the benefits accruing to Participants under the Plan, (D) materially reduces the price at which shares of Common Stock may be issued or purchased under the Plan, (E) materially extends the term of the Plan, or (F) materially expands the types of Awards available for issuance under the Plan. Except as otherwise provided in the Plan (including subsection (viii) below) or an Award Document, no amendment of the Plan will materially impair a Participant's rights under an outstanding Award without the Participant's written consent.

(vii) To submit any amendment to the Plan for stockholder approval, including, but not limited to, amendments to the Plan intended to satisfy the requirements of (A) Section 162(m) of the Code regarding the exclusion of performance-based compensation from the limit on corporate deductibility of compensation paid to Covered Employees, (B) Section 422 of the Code regarding "incentive stock options" or (C) Rule 16b-3 of Exchange Act or any successor rule.

(viii) To approve forms of Award Documents for use under the Plan and to amend the terms of any one or more outstanding Awards, including, but not limited to, amendments to provide terms more favorable to the Participant than previously provided in the Award Documents for such Awards, subject to any specified limits in the Plan that are not subject to Board discretion. A Participant's rights under any Award will not be impaired by any such amendment unless the Company requests the consent of the affected Participant, and the Participant consents in writing. However, a Participant's rights will not be deemed to have been impaired by any such amendment if the Board, in its sole discretion, determines that the amendment, taken as a whole, does not materially impair the Participant's rights. In addition, subject to the limitations of applicable law, if any, the Board may amend the terms of any one or more Awards without the affected Participant's consent (A) to maintain the qualified status of the Award as an Incentive Stock Option under Section 422 of the Code, (B) to change the terms of an Incentive Stock Option, if such change results in impairment of the Award solely because it impairs the qualified status of the Award as an Incentive Stock Option under Section 422 of the Code, (C) to clarify the manner of exemption from, or to bring the Award into compliance with, Section 409A of the Code, or (D) to comply with other applicable laws or listing requirements.

(ix) Generally, to exercise such powers and to perform such acts as the Board deems necessary or expedient to promote the best interests of the Company and that are not in conflict with the provisions of the Plan and/or Award Documents.

(x) To adopt such procedures and sub-plans as are necessary or appropriate (A) to permit or facilitate participation in the Plan by persons eligible to receive Awards under the Plan who are not citizens of, subject to taxation by, or employed outside, the United States or (B) allow Awards to qualify for special tax treatment in a jurisdiction other than the United States. Board approval will not be necessary for immaterial modifications to the Plan or any Award Document that are required for compliance with the laws of the relevant jurisdiction.

(xi) To effect, with the consent of any adversely affected Participant, (A) the reduction of the exercise, purchase or strike price of any outstanding Stock Award; (B) the cancellation of any outstanding Stock Award and the grant in substitution thereof of a new (1) Option or SAR, (2) Restricted Stock Award, (3) Restricted Stock Unit Award, (4) Other Stock Award, (5) cash award and/or (6) award of other valuable consideration determined by the Board, in its sole discretion, with any such substituted award (x) covering the same or a different number of shares of Common Stock as the cancelled Stock Award and (y) granted under the Plan or another equity or compensatory plan of the Company; or (C) any other action that is treated as a repricing under generally accepted accounting principles.

(c) **Delegation to Committee.**

(i) **General.** The Board may delegate some or all of the administration of the Plan to a Committee or Committees. If administration of the Plan is delegated to a Committee, the Committee will have, in connection with the administration of the Plan, the powers theretofore possessed by the Board that have been delegated to the Committee, including the power to delegate to a subcommittee of the Committee any of the administrative powers the Committee is authorized to exercise (and references in this Plan to the Board will thereafter be to the Committee or subcommittee). Any delegation of administrative powers will be reflected in the charter of the Committee to which the delegation is made, or resolutions, not inconsistent with the provisions of the Plan, adopted from time to time by the Board or Committee (as applicable). The Committee may, at any time, abolish the subcommittee and/or revert in the Committee any powers delegated to any subcommittee. Unless otherwise provided by the Board, delegation of authority by the Board to a Committee, or to an Officer or employee pursuant to Section 2(d), does not limit the authority of the Board, which may continue to exercise any authority so delegated and may concurrently administer the Plan with the Committee and may, at any time, revert in the Board some or all of the powers previously delegated.

(ii) **Section 162(m) and Rule 16b-3 Compliance.** The Committee may consist solely of two or more Outside Directors, in accordance with Section 162(m) of the Code, or solely of two or more Non-Employee Directors, in accordance with Rule 16b-3 of the Exchange Act.

(d) **Delegation to an Officer or Employee.** The Board may delegate to one (1) or more Officers or employees the authority to do one or both of the following: (i) designate Employees who are not Officers to be recipients of Options and SARs (and, to the extent permitted by applicable law, other Stock Awards) and, to the extent permitted by applicable law, the terms of such Awards; and (ii) determine the number of shares of Common Stock to be subject to such Stock Awards granted to such Employees; provided, however, that the Board resolutions regarding such delegation will specify the total number of shares of Common Stock that may be subject to the Stock Awards granted by such Officer and that such Officer may not grant a Stock Award to himself or herself. Any such Stock Awards will be granted on a form that is substantially the same as the form of Stock Award Document approved by the Committee or the Board for use in connection with such Stock Awards, unless otherwise provided for in the resolutions approving the delegation authority. The Board may not delegate authority to an Officer who is acting solely in the capacity of an Officer (and not also as a Director) to determine the Fair Market Value (as defined below), except that an Officer may calculate or cause to have calculated the Fair Market Value based on a formula or guidelines established under the Plan or by the Board or Committee.

(e) **Effect of Board's Decision.** All determinations, interpretations and constructions made by the Board (or a duly authorized Committee, subcommittee, Officer or employee exercising powers delegated by the Board under this Section 2) in good faith will not be subject to review by any person and will be final, binding and conclusive on all persons.

3. SHARES SUBJECT TO THE PLAN.

(a) **Share Reserve.**

(i) Subject to Section 10(a) relating to Capitalization Adjustments, the aggregate number of shares of Common Stock that may be issued pursuant to Stock Awards from and after the Effective Date will not exceed 1,443,126 shares of Common Stock (the "**Share Reserve**") plus (A) any Returning Shares and (B) shares of Common Stock added as a result of the "evergreen" provision in Section 3(a)(ii).

(ii) The Share Reserve will automatically increase on January 1st of each year beginning in 2016 and ending with a final increase on January 1, 2025, in an amount equal to five percent (5%) of the total number of shares of Capital Stock outstanding on December 31st of the preceding calendar year. The Board may provide that there will be no January 1st increase in the Share Reserve for any such year or that the increase in the Share Reserve for any such year will be a smaller number of shares of Common Stock than would otherwise occur pursuant to the preceding sentence.

(iii) For clarity, the Share Reserve is a limitation on the number of shares of Common Stock that may be issued under the Plan. As a single share may be subject to grant more than once (e.g., if a share subject to a Stock Award is forfeited, it may be made subject to grant again as provided in Section 3(b) below), the Share Reserve is not a limit on the number of Stock Awards that can be granted.

(iv) Shares may be issued under the terms of this Plan in connection with a merger or acquisition as permitted by NASDAQ Listing Rule 5635(c), NYSE Listed Company Manual Section 303A.08, AMEX Company Guide Section 711 or other applicable rule, and such issuance will not reduce the number of shares available for issuance under the Plan.

(b) **Reversion of Shares to the Share Reserve.** If a Stock Award or any portion of a Stock Award (i) expires, is cancelled or forfeited or otherwise terminates without all of the shares covered by the Stock Award having been issued or (ii) is settled in cash (i.e., the Participant receives cash rather than stock), such expiration, cancellation, forfeiture, termination or settlement will not reduce (or otherwise offset) the number of shares of Common Stock that are available for issuance under the Plan. If any shares of Common Stock issued under a Stock Award are forfeited back to, reacquired at no cost by, or repurchased at cost by the Company because of the failure to meet a contingency or condition required to vest such shares in the Participant, then the shares that are forfeited, reacquired or repurchased will revert to and again become available for issuance under the Plan. Any shares retained and not issued by the Company in satisfaction of tax withholding obligations on a Stock Award or as consideration for the exercise or purchase price of a Stock Award will not reduce (or otherwise offset) the number of shares of Common Stock that are available for issuance under the Plan. Any shares reacquired by the Company (as distinguished from being retained without issuance by the Company) in satisfaction of tax withholding obligations on a Stock Award, as consideration for the exercise or purchase price of a Stock Award, or with the proceeds paid by the Participant under the terms of a Stock Award, will again become available for issuance under the Plan, but only if such reacquisition occurs during the period beginning on the Effective Date and ending on the tenth (10th) anniversary of the date on which the Company's stockholders initially approved the Plan.

(c) **Incentive Stock Option Limit.** Subject to Section 10(a) relating to Capitalization Adjustments, the aggregate maximum number of shares of Common Stock that may be issued on the exercise of Incentive Stock Options will be 10,000,000 shares of Common Stock.

(d) **Section 162(m) Limitations.** Subject to Section 10(a) relating to Capitalization Adjustments, at such time as the Company is subject to the applicable provisions of Section 162(m) of the Code, the following limitations will apply:

(i) A maximum of 1,500,000 shares of Common Stock subject to Options, SARs and Other Stock Awards whose value is determined by reference to an increase over an exercise or strike price of at least 100% of the Fair Market Value on the date any such Stock Award is granted may be granted under the Plan as “qualified performance-based compensation” under Section 162(m) of the Code to any one Participant during any calendar year. Grants in excess of the foregoing annual limit of any additional Options, SARs or Other Stock Awards whose value is determined by reference to an increase over an exercise or strike price of at least 100% of the Fair Market Value on the date any such Stock Award is granted will not satisfy the requirements for such “qualified performance-based compensation” unless such additional Stock Awards are separately approved by the Company’s stockholders in a manner that complies with the applicable requirements of Section 162(m) of the Code.

(ii) A maximum of 1,500,000 shares of Common Stock subject to Performance Stock Awards may be granted to any one Participant during any one calendar year (whether the grant, vesting or exercise is contingent upon the attainment during the Performance Period of the Performance Goals).

(iii) A maximum of USD \$3,000,000 may be granted as a Performance Cash Award to any one Participant during any one calendar year.

If a Performance Stock Award is in the form of an Option, it will count only against the Performance Stock Award limit. If a Performance Stock Award could (but is not required to) be paid out in cash, it will count only against the Performance Stock Award limit.

(e) **Source of Shares.** The stock issuable under the Plan will be shares of authorized but unissued or reacquired Common Stock, including shares repurchased by the Company on the open market or otherwise.

4. ELIGIBILITY.

(a) **Eligibility for Specific Stock Awards.** Incentive Stock Options may be granted only to employees of the Company or a “parent corporation” or “subsidiary corporation” thereof (as such terms are defined in Sections 424(e) and 424(f) of the Code). Stock Awards other than Incentive Stock Options may be granted to Employees, Directors and Consultants; provided, however, that Stock Awards may not be granted to Employees, Directors and Consultants who are providing Continuous Service only to any “parent” of the Company, as such term is defined in Rule 405 of the Securities Act, unless (i) the stock underlying such Stock Awards is treated as “service recipient stock” under Section 409A of the Code (for example, because the Stock Awards are granted pursuant to a corporate transaction such as a spin off transaction), or (ii) the Company, in consultation with its legal counsel, has determined that such Stock Awards are otherwise exempt from or comply with the distribution requirements of Section 409A of the Code.

(b) **Ten Percent Stockholders.** A Ten Percent Stockholder will not be granted an Incentive Stock Option unless the exercise price of such Option is at least 110% of the Fair Market Value on the date of grant and the Option is not exercisable after the expiration of five (5) years from the date of grant.

5. PROVISIONS RELATING TO OPTIONS AND STOCK APPRECIATION RIGHTS.

Each Option or SAR will be in such form and will contain such terms and conditions as the Board deems appropriate. All Options will be separately designated Incentive Stock Options or Nonstatutory Stock Options at the time of grant, and, if certificates are issued, a separate certificate or certificates will be issued for shares of Common Stock purchased on exercise of each type of Option. If an Option is not specifically designated as an Incentive Stock Option, or if an Option is designated as an Incentive Stock Option but some portion or all of the Option fails to qualify as an Incentive Stock Option under the applicable rules, then the Option (or portion thereof) will be a Nonstatutory Stock Option. The provisions of separate Options or SARs need not be identical; provided, however, that each Award Document will conform to (through incorporation of provisions hereof by reference in the applicable Award Document or otherwise) the substance of each of the following provisions:

(a) **Term.** Subject to Section 4(b) regarding Ten Percent Stockholders, no Option or SAR will be exercisable after the expiration of 10 years from the date of its grant or such shorter period specified in the Award Document.

(b) **Exercise Price.** Subject to Section 4(b) regarding Ten Percent Stockholders, the exercise or strike price of each Option or SAR will be not less than 100% of the Fair Market Value of the Common Stock subject to the Option or SAR on the date the Award is granted. Notwithstanding the foregoing, an Option or SAR may be granted with an exercise or strike price lower than 100% of the Fair Market Value of the Common Stock subject to the Award if such Award is granted pursuant to an assumption of or substitution for another option or stock appreciation right pursuant to a corporate transaction and in a manner consistent with the provisions of Section 409A of the Code and, if applicable, Section 424(a) of the Code. Each SAR will be denominated in shares of Common Stock equivalents.

(c) **Purchase Price for Options.** The purchase price of Common Stock acquired pursuant to the exercise of an Option may be paid, to the extent permitted by applicable law and as determined by the Board in its sole discretion, by any combination of the methods of payment set forth below. The Board will have the authority to grant Options that do not permit all of the following methods of payment (or otherwise restrict the ability to use certain methods) and to grant Options that require the consent of the Company to use a particular method of payment. The purchase price shall be denominated in U.S. dollars. The permitted methods of payment are as follows:

(i) by cash, check, bank draft or money order payable to the Company;

(ii) pursuant to a program developed under Regulation T as promulgated by the United States Federal Reserve Board or a successor regulation, or a similar rule in a foreign jurisdiction of domicile of a Participant, that, prior to or contemporaneously with the issuance of the stock subject to the Option, results in either the receipt of cash (or check) by the Company or the receipt of irrevocable instructions to pay the aggregate exercise price to the Company from the proceeds of sale of such stock;

(iii) by delivery to the Company (either by actual delivery or attestation) of shares of Common Stock;

(iv) if an Option is a Nonstatutory Stock Option, by a “net exercise” arrangement pursuant to which the Company will reduce the number of shares of Common Stock issuable upon exercise by the largest whole number of shares with a Fair Market Value that does not exceed the aggregate exercise price; provided, however, that the Company will accept cash or other payment from the Participant to the extent of any remaining balance of the aggregate exercise price not satisfied by such reduction in the number of whole shares to be issued. Shares of Common Stock will no longer be subject to an Option and will not be exercisable thereafter to the extent that (A) shares issuable upon exercise are used to pay the exercise price pursuant to the “net exercise,” (B) shares are delivered to the Participant as a result of such exercise, and (C) shares are withheld to satisfy tax withholding obligations; or

(v) in any other form of legal consideration that may be acceptable to the Board and specified in the applicable Award Document.

(d) **Exercise and Payment of a SAR.** To exercise any outstanding SAR, the Participant must provide written notice of exercise to the Company in compliance with the provisions of the Stock Appreciation Right Award Document evidencing such SAR. The appreciation distribution payable on the exercise of a SAR will be not greater than an amount equal to the excess of (A) the aggregate Fair Market Value (on the date of the exercise of the SAR) of a number of shares of Common Stock equal to the number of Common Stock equivalents in which the Participant is vested under such SAR (with respect to which the Participant is exercising the SAR on such date), over (B) the aggregate strike price of the number of Common Stock equivalents with respect to which the Participant is exercising the SAR on such date. The appreciation distribution may be paid in Common Stock, in cash, in any combination of the two or in any other form of consideration, as determined by the Board and contained in the Award Document evidencing such SAR.

(e) **Transferability of Options and SARs.** The Board may, in its sole discretion, impose such limitations on the transferability of Options and SARs as the Board determines. In the absence of such a determination by the Board to the contrary, the following restrictions on the transferability of Options and SARs will apply:

(i) **Restrictions on Transfer.** An Option or SAR will not be transferable except by will or by the laws of descent and distribution (or pursuant to subsections (ii) and (iii) below), and will be exercisable during the lifetime of the Participant only by the Participant. The Board may permit transfer of the Option or SAR in a manner that is not prohibited by applicable tax and securities laws. Except as explicitly provided herein, neither an Option nor a SAR may be transferred for consideration.

(ii) **Domestic Relations Orders.** Subject to the approval of the Board or a duly authorized Officer, an Option or SAR may be transferred pursuant to the terms of a domestic relations order, official marital settlement agreement or other divorce or separation instrument as permitted by U.S. Treasury Regulation 1.421-1(b)(2) or other applicable law. If an Option is an Incentive Stock Option, such Option may be deemed to be a Nonstatutory Stock Option as a result of such transfer.

(iii) **Beneficiary Designation.** Subject to the approval of the Board or a duly authorized Officer, a Participant may, by delivering written notice to the Company, in a form approved by the Company (or the designated broker), designate a third party who, on the death of the Participant, will thereafter be entitled to exercise the Option or SAR and receive the Common Stock or other consideration resulting from such exercise. In the absence of such a designation, the executor or administrator of the Participant's estate will be entitled to exercise the Option or SAR and receive the Common Stock or other consideration resulting from such exercise. However, the Company may prohibit designation of a beneficiary at any time, including due to any conclusion by the Company that such designation would be inconsistent with the provisions of applicable laws.

(f) **Vesting Generally.** The total number of shares of Common Stock subject to an Option or SAR may vest and therefore become exercisable in periodic installments that may or may not be equal. The Option or SAR may be subject to such other terms and conditions on the time or times when it may or may not be exercised (which may be based on the satisfaction of Performance Goals or other criteria) as the Board may deem appropriate. The vesting provisions of individual Options or SARs may vary. The provisions of this Section 5(f) are subject to any Option or SAR provisions governing the minimum number of shares of Common Stock as to which an Option or SAR may be exercised.

(g) **Termination of Continuous Service.** Except as otherwise provided in the applicable Award Document, or other agreement between the Participant and the Company, if a Participant's Continuous Service terminates (other than for Cause and other than upon the Participant's death or Disability), the Participant may exercise his or her Option or SAR (to the extent that the Participant was entitled to exercise such Award as of the date of termination of Continuous Service) within the period of time ending on the earlier of (i) the date three (3) months following the termination of the Participant's Continuous Service and (ii) the expiration of the term of the Option or SAR as set forth in the applicable Award Document. If, after termination of Continuous Service, the Participant does not exercise his or her Option or SAR within the applicable time frame, the Option or SAR will terminate.

(h) **Extension of Termination Date.** Except as otherwise provided in the applicable Award Document, or other agreement between the Participant and the Company, if the exercise of an Option or SAR following the termination of the Participant's Continuous Service (other than for Cause and other than upon the Participant's death or Disability) would be prohibited at any time solely because the issuance of shares of Common Stock would violate the registration requirements under the Securities Act, then the Option or SAR will terminate on the earlier of (i) the expiration of a total period of three (3) months (that need not be consecutive) after the termination of the Participant's Continuous Service during which the exercise of the Option or SAR would not be in violation of such registration requirements, and (ii) the expiration of the term of the Option or SAR as set forth in the applicable Award Document. In addition, unless otherwise provided in a Participant's applicable Award Document, or other agreement between the Participant and the Company, if the sale of any Common Stock received upon exercise of an Option or SAR following the termination of the Participant's Continuous Service (other than for Cause) would violate the Company's insider trading policy, and the Company does not waive the potential violation of the policy or otherwise permit the sale, or allow the Participant to surrender shares of Common Stock to the Company in satisfaction of any exercise price and/or any withholding obligations under Section 9(h), then the Option or SAR will terminate on the earlier of (i) the expiration of a period of months (that need not be consecutive) equal to the applicable post-termination exercise period after the termination of the Participant's Continuous Service during which the sale of the Common Stock received upon exercise of the Option or SAR would not be in violation of the Company's insider trading policy, or (ii) the expiration of the term of the Option or SAR as set forth in the applicable Award Document.

(i) **Disability of Participant.** Except as otherwise provided in the applicable Award Document, or other agreement between the Participant and the Company, if a Participant's Continuous Service terminates as a result of the Participant's Disability, the Participant may exercise his or her Option or SAR (to the extent that the Participant was entitled to exercise such Option or SAR as of the date of termination of Continuous Service), but only within such period of time ending on the earlier of (i) the date 12 months following such termination of Continuous Service, and (ii) the expiration of the term of the Option or SAR as set forth in the applicable Award Document. If, after termination of Continuous Service, the Participant does not exercise his or her Option or SAR within the applicable time frame, the Option or SAR (as applicable) will terminate.

(j) **Death of Participant.** Except as otherwise provided in the applicable Award Document, or other agreement between the Participant and the Company, if (i) a Participant's Continuous Service terminates as a result of the Participant's death, or (ii) the Participant dies within the period (if any) specified in this Plan or the applicable Award Document, or other agreement between the Participant and the Company, for exercisability after the termination of the Participant's Continuous Service (for a reason other than death), then the Option or SAR may be exercised (to the extent the Participant was entitled to exercise such Option or SAR as of the date of death) by the Participant's estate, by a person who acquired the right to exercise the Option or SAR by bequest or inheritance or by a person designated to exercise the Option or SAR upon the Participant's death, but only within the period ending on the earlier of (i) the date 18 months following the date of death, and (ii) the expiration of the term of such Option or SAR as set forth in the applicable Award Document. If, after the Participant's death, the Option or SAR is not exercised within the applicable time frame, the Option or SAR will terminate.

(k) **Termination for Cause.** Except as explicitly provided otherwise in a Participant's Award Document or other individual written agreement between the Company or any Affiliate and the Participant, if a Participant's Continuous Service is terminated for Cause, the Option or SAR will terminate upon the date on which the event giving rise to the termination for Cause first occurred, and the Participant will be prohibited from exercising his or her Option or SAR from and after the date on which the event giving rise to the termination for Cause first occurred (or, if required by law, the date of termination of Continuous Service). If a Participant's Continuous Service is suspended pending an investigation of the existence of Cause, all of the Participant's rights under the Option or SAR will also be suspended during the investigation period.

(i) **Non-Exempt Employees.** If an Option or SAR is granted to an Employee who is a non-exempt employee for purposes of the U.S. Fair Labor Standards Act of 1938, as amended, the Option or SAR will not be first exercisable for any shares of Common Stock until at least 6 months following the date of grant of the Option or SAR (although the Award may vest prior to such date). Consistent with the provisions of the U.S. Worker Economic Opportunity Act, (i) if such non-exempt Employee dies or suffers a Disability, (ii) upon a Change in Control in which such Option or SAR is not assumed, continued, or substituted, or (iii) upon the non-exempt Employee's retirement (as such term may be defined in the non-exempt Employee's applicable Award Document, in another agreement between the non-exempt Employee and the Company, or, if no such definition, in accordance with the Company's then current employment policies and guidelines), the vested portion of any Options and SARs may be exercised earlier than 6 months following the date of grant. The foregoing provision is intended to operate so that any income derived by a non-exempt Employee in connection with the exercise or vesting of an Option or SAR will be exempt from his or her regular rate of pay. To the extent permitted and/or required for compliance with the U.S. Worker Economic Opportunity Act to ensure that any income derived by a non-exempt Employee in connection with the exercise, vesting or issuance of any shares under any other Stock Award will be exempt from such employee's regular rate of pay, the provisions of this paragraph will apply to all Stock Awards and are hereby incorporated by reference into such Stock Award Documents.

6. PROVISIONS OF STOCK AWARDS OTHER THAN OPTIONS AND SARs.

(a) **Restricted Stock Awards.** Each Restricted Stock Award Document will be in such form and will contain such terms and conditions as the Board deems appropriate. To the extent consistent with the Company's bylaws, at the Board's election, shares of Common Stock may be (x) held in book entry form subject to the Company's instructions until any restrictions relating to the Restricted Stock Award lapse, or (y) evidenced by a certificate, which certificate will be held in such form and manner as determined by the Board. The terms and conditions of Restricted Stock Award Documents may change from time to time, and the terms and conditions of separate Restricted Stock Award Documents need not be identical. Each Restricted Stock Award Document will conform to (through incorporation of the provisions hereof by reference in the agreement or otherwise) the substance of each of the following provisions:

(i) **Consideration.** A Restricted Stock Award may be awarded in consideration for (A) cash, check, bank draft or money order payable to the Company, (B) past services to the Company or an Affiliate, or (C) any other form of legal consideration (including future services) that may be acceptable to the Board, in its sole discretion, and permissible under applicable law.

(ii) **Vesting.** Shares of Common Stock awarded under the Restricted Stock Award Document may be subject to forfeiture to the Company in accordance with a vesting schedule and subject to such conditions as may be determined by the Board.

(iii) **Termination of Participant's Continuous Service.** If a Participant's Continuous Service terminates, the Company may receive through a forfeiture condition or a repurchase right, any or all of the shares of Common Stock held by the Participant that have not vested as of the date of termination of Continuous Service under the terms of the Restricted Stock Award Document.

(iv) **Transferability.** Common Stock issued pursuant to an Award, and rights to acquire shares of Common Stock under the Restricted Stock Award Document, will be transferable by the Participant only upon such terms and conditions as are set forth in the Restricted Stock Award Document, as the Board determines in its sole discretion, so long as such Common Stock remains subject to the terms of the Restricted Stock Award Document.

(v) **Dividends.** A Restricted Stock Award Document may provide that any dividends paid on Restricted Stock will be subject to the same vesting and forfeiture restrictions as apply to the shares subject to the Restricted Stock Award to which they relate.

(b) **Restricted Stock Unit Awards.** Each Restricted Stock Unit Award Document will be in such form and will contain such terms and conditions as the Board deems appropriate. The terms and conditions of Restricted Stock Unit Award Documents may change from time to time, and the terms and conditions of separate Restricted Stock Unit Award Documents need not be identical. Each Restricted Stock Unit Award Document will conform to (through incorporation of the provisions hereof by reference in the Agreement or otherwise) the substance of each of the following provisions:

(i) **Consideration.** At the time of grant of a Restricted Stock Unit Award, the Board will determine the consideration, if any, to be paid by the Participant upon delivery of each share of Common Stock subject to the Restricted Stock Unit Award. The consideration to be paid (if any) by the Participant for each share of Common Stock subject to a Restricted Stock Unit Award may be paid in any form of legal consideration that may be acceptable to the Board, in its sole discretion, and permissible under applicable law.

(ii) Vesting. At the time of the grant of a Restricted Stock Unit Award, the Board may impose such restrictions on or conditions to the vesting of the Restricted Stock Unit Award as it, in its sole discretion, deems appropriate.

(iii) Payment. A Restricted Stock Unit Award may be settled by the delivery of shares of Common Stock, their cash equivalent, any combination thereof or in any other form of consideration, as determined by the Board and contained in the Restricted Stock Unit Award Document.

(iv) Additional Restrictions. At the time of the grant of a Restricted Stock Unit Award, the Board, as it deems appropriate, may impose such restrictions or conditions that delay the delivery of the shares of Common Stock (or their cash equivalent) subject to a Restricted Stock Unit Award to a time after the vesting of such Restricted Stock Unit Award.

(v) Dividend Equivalents. Dividend equivalents may be credited in respect of shares of Common Stock covered by a Restricted Stock Unit Award, as determined by the Board and contained in the Restricted Stock Unit Award Document. At the sole discretion of the Board, such dividend equivalents may be converted into additional shares of Common Stock covered by the Restricted Stock Unit Award in such manner as determined by the Board. Any additional shares covered by the Restricted Stock Unit Award credited by reason of such dividend equivalents will be subject to all of the same terms and conditions of the underlying Restricted Stock Unit Award Document to which they relate.

(vi) Termination of Participant's Continuous Service. Except as otherwise provided in the applicable Restricted Stock Unit Award Document, or other agreement between the Participant and the Company, such portion of the Restricted Stock Unit Award that has not vested will be forfeited upon the Participant's termination of Continuous Service.

(c) **Performance Awards.**

(i) Performance Stock Awards. A Performance Stock Award is a Stock Award (covering a number of shares not in excess of that set forth in Section 3(d) above) that is payable (including that may be granted, vest or exercised) contingent upon the attainment during a Performance Period of certain Performance Goals. A Performance Stock Award may, but need not, require the completion of a specified period of Continuous Service. The length of any Performance Period, the Performance Goals to be achieved during the Performance Period, and the measure of whether and to what degree such Performance Goals have been attained will be conclusively determined by the Committee (or, if not required for compliance with Section 162(m) of the Code, the Board, or an authorized Officer or employee), in its sole discretion. In addition, to the extent permitted by applicable law and the applicable Award Document, the Board may determine that cash may be used in payment of Performance Stock Awards.

(ii) **Performance Cash Awards.** A Performance Cash Award is a cash award (for a dollar value not in excess of that set forth in Section 3(d)(iii) above) that is granted and/or becomes payable contingent upon the attainment during a Performance Period of certain Performance Goals. A Performance Cash Award may also require the completion of a specified period of Continuous Service. At the time of grant of a Performance Cash Award, the length of any Performance Period, the Performance Goals to be achieved during the Performance Period, and the measure of whether and to what degree such Performance Goals have been attained will be conclusively determined by the Committee (or, if not required for compliance with Section 162(m) of the Code, the Board, or an authorized Officer or employee), in its sole discretion. The Board may specify the form of payment of Performance Cash Awards, which may be cash or other property, or may provide for a Participant to have the option for his or her Performance Cash Award, or such portion thereof as the Board may specify, to be paid in whole or in part in cash or other property.

(iii) **Board Discretion.** The Committee (or, if not required for compliance with Section 162(m) of the Code, the Board, or an authorized Officer or employee), retains the discretion to reduce or eliminate the compensation or economic benefit due upon attainment of Performance Goals and to define the manner of calculating the Performance Criteria it selects to use for a Performance Period.

(iv) **Section 162(m) Compliance.** Unless otherwise permitted in compliance with the requirements of Section 162(m) of the Code with respect to an Award intended to qualify as “performance-based compensation” thereunder, the Committee will establish the Performance Goals applicable to, and the formula for calculating the amount payable under, the Award no later than the earlier of (A) the date 90 days after the commencement of the applicable Performance Period, and (B) the date on which 25% of the Performance Period has elapsed, and in any event at a time when the achievement of the applicable Performance Goals remains substantially uncertain. Prior to the payment of any compensation under an Award intended to qualify as “performance-based compensation” under Section 162(m) of the Code, the Committee will certify in writing the extent to which any Performance Goals and any other material terms under such Award have been satisfied (other than in cases where such relate solely to the increase in the value of the Common Stock). Notwithstanding satisfaction of any completion of any Performance Goals, the number of shares of Common Stock, Options, cash or other benefits granted, issued, retainable and/or vested under an Award on account of satisfaction of such Performance Goals may be reduced by the Committee on the basis of such further considerations as the Committee, in its sole discretion, will determine. For avoidance of doubt, nothing in this Plan shall limit the discretion of the Board, the Committee or any other duly authorized delegate of the Board to grant Awards that do not comply with the requirements under Section 162(m) of the Code.

(d) **Other Stock Awards.** Other forms of Stock Awards valued in whole or in part by reference to, or otherwise based on, Common Stock, including the appreciation in value thereof (e.g., options or stock rights with an exercise price or strike price less than 100% of the Fair Market Value of the Common Stock at the time of grant) may be granted either alone or in addition to Stock Awards provided for under Section 5 and the preceding provisions of this Section 6. Subject to the provisions of the Plan, the Board will have sole and complete authority to determine the persons to whom and the time or times at which such Other Stock Awards will be granted, the number of shares of Common Stock (or the cash equivalent thereof) to be granted pursuant to such Other Stock Awards and all other terms and conditions of such Other Stock Awards.

7. GRANTS OF STOCK AWARDS TO NON-EMPLOYEE DIRECTORS.

In addition to any other Stock Awards that Directors may be granted from time to time under the Plan, each Director who at the time of grant is not either (i) an employee of the Company or any of its Subsidiaries, or (ii) a consultant performing material services for the Company or any of its Subsidiaries (“**Eligible Director**”), shall receive the following Stock Awards:

(a) **Initial Stock Award.** Upon or within an administratively reasonable period of time following the date that a Director commences service on the Board and satisfies the definition of an Eligible Director, the Committee shall approve the grant of initial Stock Awards to that Eligible Director. The Fair Market Value of the Stock Awards shall not exceed Four Hundred Fifty Thousand dollars (USD \$450,000) (“**Initial Grant**”). Subject to the terms of the Plan, the Compensation Committee shall determine in its sole discretion the type or types of Stock Awards made under an Initial Grant. The exercise price of any Option granted under the Initial Grant shall be one hundred percent (100%) of the Fair Market Value of the Company’s Common Stock subject to the option on the date the option is granted. The maximum term of any such Option shall be ten (10) years. The Initial Grant shall generally vest and become exercisable (if applicable) over a period of three (3) years in equal annual installments provided that the Director remains in Continuous Service during that period. The Initial Grant shall vest in full upon the occurrence of a Change in Control, provided that such Director is still in Continuous Service at such time. In all other respects, Stock Awards granted pursuant to an Initial Grant shall contain in substance the same terms and conditions as set forth in Section 5 with respect to Options or SARs and Section 6 with respect to other Stock Awards. If at the time a Director commences service on the Board, the Director does not satisfy the definition of an Eligible Director, such Director shall not be entitled to an Initial Grant at any time, even if such Director subsequently becomes an Eligible Director.

(b) **Annual Stock Award.** An annual grant of Stock Awards shall be made to each Director who either (1) is re-elected to the Board at the Company’s Annual General Meeting of Stockholders (“**Annual Meeting**”) or (2) is a continuing Director immediately after such Annual Meeting because the class in which such Director sits was not up for election, and in either case is an Eligible Director on the relevant grant date. The Fair Market Value of such Stock Awards shall not exceed Two Hundred Thousand Dollars (USD \$200,000) (“**Annual Grant**”). Subject to the terms of the Plan, the Compensation Committee shall determine in its sole discretion the type or types of Stock Awards made under an Annual Grant. The Committee shall approve the Annual Grant within an administratively reasonable period of time following the date of the Annual Meeting at which the Director is re-elected to serve on the Board or immediately after which continues to serve on the Board, as applicable. The exercise price of any Option granted under the Annual Grant shall be one hundred percent (100%) of the Fair Market Value of the Common Stock subject to the Option on the date the Option is granted. The maximum term of any such Option shall be ten (10) years. An Annual Grant shall generally vest and become exercisable (if applicable) on the earlier of the first anniversary of the grant date provided that the Director remains in Continuous Service during that period or the next regular Annual Meeting. The Annual Grant shall vest in full upon the occurrence of a Change in Control, provided that such Director is still in Continuous Service at such time. In all other respects, Stock Awards granted pursuant to an Annual Grant shall contain in substance the same terms and conditions as set forth in Section 5 with respect to Options or SARs and Section 6 with respect to other Stock Awards.

Each individual who is appointed as a Director between Annual Meetings and is an Eligible Director at the time of appointment will receive a Stock Award (“**Pro-Rata Grant**”). The Committee shall approve the grant of a Pro-Rata Award on or within an administratively reasonable period of time following the date on which such a Director commences service on the Board. The Fair Market Value of a Pro-Rata Grant shall not exceed the product of Sixteen Thousand Six Hundred Sixty Six dollars and sixty seven cents (USD \$16,666.67) and the number of full 30-day periods from the date of election or appointment to the Board until the scheduled date of the next Annual Meeting (if the next annual meeting has not yet been scheduled, assuming the next annual meeting is scheduled to be held on the same month and day as the immediately preceding annual meeting). In all other respects, Stock Awards granted pursuant to a Pro-Rata Grant shall contain in substance the same terms and conditions as an Annual Grant.

8. COVENANTS OF THE COMPANY.

(a) **Availability of Shares.** The Company will keep available at all times the number of shares of Common Stock reasonably required to satisfy then-outstanding Stock Awards.

(b) **Securities Law Compliance.** The Company will seek to obtain from each regulatory commission or agency having jurisdiction over the Plan such authority as may be required to grant Stock Awards and to issue and sell shares of Common Stock upon exercise of the Stock Awards; provided, however, that this undertaking will not require the Company to register under the Securities Act the Plan, any Stock Award or any Common Stock issued or issuable pursuant to any such Stock Award. If, after reasonable efforts and at a reasonable cost, the Company is unable to obtain from any such regulatory commission or agency the authority that counsel for the Company deems necessary for the lawful issuance and sale of Common Stock under the Plan, the Company will be relieved from any liability for failure to issue and sell Common Stock upon exercise of such Stock Awards unless and until such authority is obtained. A Participant will not be eligible for the grant of an Award or the subsequent issuance of cash or Common Stock pursuant to the Award if such grant or issuance would be in violation of any applicable securities law.

(c) **No Obligation to Notify or Minimize Taxes.** The Company will have no duty or obligation to any Participant to advise such holder as to the time or manner of exercising such Stock Award. Furthermore, the Company will have no duty or obligation to warn or otherwise advise such holder of a pending termination or expiration of an Award or a possible period in which the Award may not be exercised. The Company has no duty or obligation to, and does not undertake to, provide tax advice or to minimize the tax consequences of an Award to the holder of such Award.

9. MISCELLANEOUS.

(a) **Use of Proceeds from Sales of Common Stock.** Proceeds from the sale of shares of Common Stock pursuant to Stock Awards will constitute general funds of the Company.

(b) **Corporate Action Constituting Grant of Awards.** Corporate action constituting a grant by the Company of an Award to any Participant will be deemed completed as of the date that all necessary corporate action has occurred and all terms of the Award (including, in the case of stock options, the exercise price thereof) are fixed, unless otherwise determined by the Board, regardless of when the documentation evidencing the Award is communicated to, or actually received or accepted by, the Participant. In the event that the corporate records (e.g., Board consents, resolutions or minutes) documenting the corporate action constituting the grant contain terms (e.g., exercise price, vesting schedule or number of shares) that are inconsistent with those in the Award Document as a result of a clerical error in the papering of the Award Document, the corporate records will control and the Participant will have no legally binding right to the incorrect term in the Award Document.

(c) **Stockholder Rights.** No Participant will be deemed to be the holder of, or to have any of the rights of a holder with respect to, any shares of Common Stock subject to a Stock Award unless and until (i) such Participant has satisfied all requirements for exercise of, or the issuance of shares of Common Stock under, the Stock Award pursuant to its terms, and (ii) the issuance of the Common Stock subject to such Stock Award has been entered into the books and records of the Company.

(d) **No Employment or Other Service Rights.** Nothing in the Plan, any Award Document or any other instrument executed thereunder or in connection with any Award granted pursuant thereto will confer upon any Participant any right to continue to serve the Company or an Affiliate in the capacity in effect at the time the Award was granted or any other capacity or will affect the right of the Company or an Affiliate to terminate (i) the employment of an Employee with or without notice and with or without cause, including, but not limited to, Cause, (ii) the service of a Consultant pursuant to the terms of such Consultant's agreement with the Company or an Affiliate, or (iii) the service of a Director pursuant to the organizational documents of the Company or an Affiliate (including articles of incorporation and bylaws), and any applicable provisions of the corporate law of the state in which the Company or the Affiliate is incorporated, as the case may be.

(e) **Change in Time Commitment.** In the event a Participant's regular level of time commitment in the performance of his or her services for the Company and any Affiliates is reduced (for example, and without limitation, if the Participant is an Employee of the Company and the Employee has a change in status from a full-time Employee to a part-time Employee or takes an extended leave of absence), or the Participant's role or primary responsibilities are changed to a level that, in the Board's determination does not justify the Participant's unvested Awards, and such reduction or change occurs after the date of grant of any Award to the Participant, the Board has the right in its sole discretion to (i) make a corresponding reduction in the number of shares or cash amount subject to any portion of such Award that is scheduled to vest or become payable after the date of such change in time commitment, and (ii) in lieu of or in combination with such a reduction, extend the vesting or payment schedule applicable to such Award. In the event of any such reduction, the Participant will have no right with respect to any portion of the Award that is so reduced or extended.

(f) **Incentive Stock Option Limitations.** To the extent that the aggregate Fair Market Value (determined at the time of grant) of Common Stock with respect to which Incentive Stock Options are exercisable for the first time by any Optionholder during any calendar year (under all plans of the Company and any Affiliates) exceeds USD\$100,000 (or such other limit established in the Code) or otherwise does not comply with the rules governing Incentive Stock Options, the Options or portions thereof that exceed such limit (according to the order in which they were granted) or otherwise do not comply with such rules will be treated as Nonstatutory Stock Options, notwithstanding any contrary provision of the applicable Option Agreement(s).

(g) **Investment Assurances.** The Company may require a Participant, as a condition of exercising or acquiring Common Stock under any Stock Award, (i) to give written assurances satisfactory to the Company as to the Participant's knowledge and experience in financial and business matters and/or to employ a purchaser representative reasonably satisfactory to the Company who is knowledgeable and experienced in financial and business matters and that he or she is capable of evaluating, alone or together with the purchaser representative, the merits and risks of exercising the Stock Award, and (ii) to give written assurances satisfactory to the Company stating that the Participant is acquiring Common Stock subject to the Stock Award for the Participant's own account and not with any present intention of selling or otherwise distributing the Common Stock. The foregoing requirements, and any assurances given pursuant to such requirements, will be inoperative if (i) the issuance of the shares upon the exercise of a Stock Award or acquisition of Common Stock under the Stock Award has been registered under a then currently effective registration statement under the Securities Act, or (ii) as to any particular requirement, a determination is made by counsel for the Company that such requirement need not be met in the circumstances under the then applicable securities laws. The Company may, upon advice of counsel to the Company, place legends on stock certificates issued under the Plan as such counsel deems necessary or appropriate in order to comply with applicable securities laws, including, but not limited to, legends restricting the transfer of the Common Stock.

(h) **Withholding Obligations.** Unless prohibited by the terms of an Award Document, the Company may, in its sole discretion, satisfy any national, state, local or other tax withholding obligation relating to an Award by any of the following means or by a combination of such means: (i) causing the Participant to tender a cash payment; (ii) withholding shares of Common Stock from the shares of Common Stock issued or otherwise issuable to the Participant in connection with the Award; provided, however, that no shares of Common Stock are withheld with a value exceeding the minimum amount of tax required to be withheld by law (or such other amount as may be necessary to avoid classification of the Stock Award as a liability for financial accounting purposes); (iii) withholding cash from an Award settled in cash; (iv) withholding payment from any amounts otherwise payable to the Participant, including proceeds from the sale of shares of Common Stock issued pursuant to a Stock Award; or (v) by such other method as may be set forth in the Award Document.

(i) **Electronic Delivery.** Any reference herein to a “written” agreement or document will include any agreement or document delivered electronically, filed publicly at www.sec.gov (or any successor website thereto), or posted on the Company’s intranet (or other shared electronic medium controlled by the Company to which the Participant has access).

(j) **Deferrals.** To the extent permitted by applicable law, the Board, in its sole discretion, may determine that the delivery of Common Stock or the payment of cash, upon the exercise, vesting or settlement of all or a portion of any Award may be deferred and may establish programs and procedures for deferral elections to be made by Participants. Deferrals by Participants will be made in accordance with Section 409A of the Code (to the extent applicable to a Participant). Consistent with Section 409A of the Code, the Board may provide for distributions while a Participant is still an employee or otherwise providing services to the Company. The Board is authorized to make deferrals of Awards and determine when, and in what annual percentages, Participants may receive payments, including lump sum payments, following the Participant’s termination of Continuous Service, and implement such other terms and conditions consistent with the provisions of the Plan and in accordance with applicable law.

(k) **Compliance with Section 409A.** Unless otherwise expressly provided for in an Award Document, or other agreement between the Participant and the Company, the Plan and Award Documents will be interpreted to the greatest extent possible in a manner that makes the Plan and the Awards granted hereunder exempt from Section 409A of the Code, to the extent that Section 409A of the Code is applicable to an Award, and, to the extent not so exempt, in compliance with Section 409A of the Code. If the Board determines that any Award granted hereunder is subject to Section 409A of the Code, the Award Document evidencing such Award will incorporate the terms and conditions necessary to avoid the consequences specified in Section 409A(a)(1) of the Code, and to the extent an Award Document is silent on terms necessary for compliance, such terms are hereby incorporated by reference into the Award Document. Notwithstanding anything to the contrary in this Plan (and unless the Award Document specifically provides otherwise), if the shares of Common Stock are publicly traded, and if a Participant holding an Award that constitutes “deferred compensation” under Section 409A of the Code is a “specified employee” for purposes of Section 409A of the Code and the Participant is otherwise subject to Section 409A of the Code, no distribution or payment of any amount that is due because of a “separation from service” (as defined in Section 409A of the Code without regard to alternative definitions thereunder) will be issued or paid before the date that is six (6) months following the date of such Participant’s “separation from service” or, if earlier, the date of the Participant’s death, unless such distribution or payment can be made in a manner that complies with Section 409A of the Code, and any amounts so deferred will be paid in a lump sum on the day after such six (6) month period elapses, with the balance paid thereafter on the original schedule.

(i) **Clawback/Recovery.** All Awards granted under the Plan will be subject to recoupment in accordance with any clawback policy that the Company is required to adopt pursuant to the listing standards of any national securities exchange or association on which the Company’s securities are listed or as is otherwise required by the Dodd-Frank Wall Street Reform and Consumer Protection Act or other applicable law. In addition, the Board may impose such other clawback, recovery or recoupment provisions in an Award Document as the Board determines necessary or appropriate, including, but not limited to, a reacquisition right in respect of previously acquired shares of Common Stock or other cash or property upon the occurrence of Cause. No recovery of compensation under such a clawback policy will be an event giving rise to a right to resign for “good reason” or “constructive termination” (or similar term) under any agreement with the Company or an Affiliate.

10. ADJUSTMENTS UPON CHANGES IN COMMON STOCK; OTHER CORPORATE EVENTS.

(a) **Capitalization Adjustments.** In the event of a Capitalization Adjustment, the Board will appropriately and proportionately adjust: (i) the class(es) and maximum number of securities subject to the Plan pursuant to Section 3(a); (ii) the class(es) and maximum number of securities that may be issued pursuant to the exercise of Incentive Stock Options pursuant to Section 3(c); (iii) the class(es) and maximum number of securities that may be awarded to any person pursuant to Section 3(d); and (iv) the class(es) and number of securities or other property and value (including price per share of stock) subject to outstanding Stock Awards. The Board will make such adjustments, and its determination will be final, binding and conclusive.

(b) **Dissolution or Liquidation.** Except as otherwise provided in the Stock Award Document, or other agreement between the Participant and the Company, in the event of a dissolution or liquidation of the Company, all outstanding Stock Awards (other than Stock Awards consisting of vested and outstanding shares of Common Stock not subject to a forfeiture condition or the Company's right of repurchase) will terminate immediately prior to the completion of such dissolution or liquidation, and the shares of Common Stock subject to the Company's repurchase rights or subject to a forfeiture condition may be repurchased or reacquired by the Company notwithstanding the fact that the holder of such Stock Award is providing Continuous Service; provided, however, that the Board may, in its sole discretion, cause some or all Stock Awards to become fully vested, exercisable and/or no longer subject to repurchase or forfeiture (to the extent such Stock Awards have not previously expired or terminated) before the dissolution or liquidation is completed but contingent on its completion.

(c) **Change in Control.** The following provisions will apply to Awards in the event of a Change in Control unless otherwise provided in the instrument evidencing the Award or any other written agreement between the Company or any Affiliate and the Participant or unless otherwise expressly provided by the Board at the time of grant of an Award. In the event of a Change in Control, then, notwithstanding any other provision of the Plan, the Board will take one or more of the following actions with respect to each outstanding Award, contingent upon the closing or completion of the Change in Control:

(i) arrange for the surviving corporation or acquiring corporation (or the surviving or acquiring corporation's parent company) to assume or continue the Award or to substitute a similar award for the Award (including, but not limited to, an award to acquire the same consideration per share paid to the stockholders of the Company pursuant to the Change in Control);

(ii) arrange for the assignment of any reacquisition or repurchase rights held by the Company in respect of Common Stock issued pursuant to the Award to the surviving corporation or acquiring corporation (or the surviving or acquiring corporation's parent company);

(iii) accelerate the vesting, in whole or in part, of the Award (and, if applicable, the time at which the Award may be exercised) to a date prior to the effective time of such Change in Control as the Board will determine (or, if the Board will not determine such a date, to the date that is 5 days prior to the effective date of the Change in Control), with such Award terminating if not exercised (if applicable) at or prior to the effective time of the Change in Control, and with such exercise reversed if the Change in Control does not become effective;

(iv) arrange for the lapse, in whole or in part, of any reacquisition or repurchase rights held by the Company with respect to the Award;

(v) cancel or arrange for the cancellation of the Award, to the extent not vested or not exercised prior to the effective time of the Change in Control, in exchange for such cash consideration, if any, as the Board, in its reasonable determination, may consider appropriate as an approximation of the value of the canceled Award, taking into account the value of the Common Stock subject to the canceled Award, the possibility that the Award might not otherwise vest in full, and such other factors as the Board deems relevant; and

(vi) cancel or arrange for the cancellation of the Award, to the extent not vested or not exercised prior to the effective time of the Change in Control, in exchange for a payment, in such form as may be determined by the Board equal to the excess, if any, of (A) the value in the Change in Control of the property the Participant would have received upon the exercise of the Award immediately prior to the effective time of the Change in Control, over (B) any exercise price payable by such holder in connection with such exercise.

The Board need not take the same action or actions with respect to all Awards or portions thereof or with respect to all Participants. The Board may take different actions with respect to the vested and unvested portions of an Award.

In the absence of any affirmative determination by the Board at the time of a Change in Control, each outstanding Award will be assumed or an equivalent Award will be substituted by such successor corporation or a parent or subsidiary of such successor corporation (the "Successor Corporation"), unless the Successor Corporation does not agree to assume the Award or to substitute an equivalent Award, in which case the vesting of such Award will accelerate in its entirety (along with, if applicable, the time at which the Award may be exercised) to a date prior to the effective time of such Change in Control as the Board will determine (or, if the Board will not determine such a date, to the date that is 5 days prior to the effective date of the Change in Control), with such Award terminating if not exercised (if applicable) at or prior to the effective time of the Change in Control, and with such exercise reversed if the Change in Control does not become effective.

(d) **Acceleration of Awards upon a Change in Control.** An Award may be subject to additional acceleration of vesting and exercisability upon or after a Change in Control as may be provided in the Award Document for such Award or as may be provided in any other written agreement between the Company or any Affiliate and the Participant, but in the absence of such provision, no such acceleration will occur.

11. TERMINATION OR SUSPENSION OF THE PLAN.

The Board or the Compensation Committee may suspend or terminate the Plan at any time. The Plan will have no fixed expiration date; provided, however, that no Incentive Stock Option may be granted more than 10 years after the later of (i) the Adoption Date and (ii) the adoption by the Board of any amendment to the Plan that constitutes the adoption of a new plan for purposes of Section 422 of the Code. No Awards may be granted under the Plan while the Plan is suspended or after it is terminated.

12. EFFECTIVE DATE OF PLAN.

The Plan was originally adopted by the Board on March 4, 2015, approved by the stockholders on March 10, 2015 and came into existence on the Effective Date. The Plan, as amended and restated, was adopted by the Board effective as of January 1, 2016 and took effect as of that date.

13. CHOICE OF LAW.

The laws of the State of Delaware will govern all questions concerning the construction, validity and interpretation of this Plan, without regard to that state's conflict of laws rules.

14. DEFINITIONS.

As used in the Plan, the following definitions will apply to the capitalized terms indicated below:

(a) **"Adoption Date"** means March 4, 2015.

(b) **"Affiliate"** means, at the time of determination, any "parent" or "subsidiary" of the Company, as such terms are defined in Rule 405 of the Securities Act. The Board will have the authority to determine the time or times at which "parent" or "subsidiary" status is determined within the foregoing definition.

(c) **"Award"** means a Stock Award or a Performance Cash Award.

(d) **"Award Document"** means a written agreement between the Company and a Participant, or a written notice issued by the Company to a Participant, evidencing the terms and conditions of an Award.

(e) **"Board"** means the Board of Directors of the Company.

(f) **"Capital Stock"** means each and every class of common stock of the Company, regardless of the number of votes per share.

(g) **“Capitalization Adjustment”** means any change that is made in, or other events that occur with respect to, the Common Stock subject to the Plan or subject to any Stock Award after the Adoption Date without the receipt of consideration by the Company through merger, consolidation, reorganization, recapitalization, reincorporation, stock dividend, dividend in property other than cash, large nonrecurring cash dividend, stock split, liquidating dividend, combination of shares, exchange of shares, change in corporate structure or other similar equity restructuring transaction, as that term is used in Financial Accounting Standards Board Accounting Standards Codification Topic 718 (or any successor thereto). Notwithstanding the foregoing, the conversion of any convertible securities of the Company will not be treated as a Capitalization Adjustment.

(h) **“Cause”** will have the meaning ascribed to such term in any written agreement between the Participant and the Company or any Affiliate defining such term and, in the absence of such agreement, such term means, with respect to a Participant, the occurrence of any of the following events: (i) Participant’s failure substantially to perform his or her duties and responsibilities to the Company or any Affiliate or deliberate material violation of a policy of the Company or any Affiliate; (ii) Participant’s commission of any act of fraud, embezzlement, dishonesty or any other willful misconduct that has caused or is reasonably expected to result in injury to the Company or any Affiliate; (iii) unauthorized use or disclosure by Participant of any proprietary information or trade secrets of the Company or any other party to whom the Participant owes an obligation of nondisclosure as a result of his or her relationship with the Company or any Affiliate; or (iv) Participant’s willful breach of any of his or her obligations under any written agreement or covenant with the Company or any Affiliate. The determination as to whether a Participant is being terminated for Cause will be made in good faith by the Company and will be final and binding on the Participant. Any determination by the Company that the Continuous Service of a Participant was terminated with or without Cause for the purposes of outstanding Awards held by such Participant will have no effect upon any determination of the rights or obligations of the Company, any Affiliate or such Participant for any other purpose.

(i) **“Change in Control”** means the occurrence, in a single transaction or in a series of related transactions, of any one or more of the following events:

(i) any Exchange Act Person becomes the Owner, directly or indirectly, of securities of the Company representing more than 35% of the combined voting power of the Company’s then outstanding securities other than by virtue of a merger, consolidation or similar transaction. Notwithstanding the foregoing, a Change in Control will not be deemed to occur (A) on account of the acquisition of securities of the Company directly from the Company, (B) on account of the acquisition of securities of the Company by an investor, any affiliate thereof or any other Exchange Act Person that acquires the Company’s securities in a transaction or series of related transactions the primary purpose of which is to obtain financing for the Company through the issuance of equity securities or (C) solely because the level of Ownership held by any Exchange Act Person (the “Subject Person”) exceeds the designated percentage threshold of the outstanding voting securities as a result of a repurchase or other acquisition of voting securities by the Company reducing the number of shares outstanding, provided that if a Change in Control would occur (but for the operation of this sentence) as a result of the acquisition of voting securities by the Company, and after such share acquisition, the Subject Person becomes the Owner of any additional voting securities that, assuming the repurchase or other acquisition had not occurred, increases the percentage of the then outstanding voting securities Owned by the Subject Person over the designated percentage threshold, then a Change in Control will be deemed to occur;

(ii) there is consummated a merger, consolidation or similar transaction involving (directly or indirectly) the Company and, immediately after the consummation of such merger, consolidation or similar transaction, the stockholders of the Company immediately prior thereto do not Own, directly or indirectly, either (A) outstanding voting securities representing 65% or more of the combined outstanding voting power of the surviving Entity in such merger, consolidation or similar transaction or (B) 65% or more of the combined outstanding voting power of the parent of the surviving Entity in such merger, consolidation or similar transaction, in each case in substantially the same proportions as their Ownership of the outstanding voting securities of the Company immediately prior to such transaction;

(iii) there is consummated a sale, lease, license or other disposition of all or substantially all of the consolidated assets of the Company and its Subsidiaries, other than a sale, lease, license or other disposition of all or substantially all of the consolidated assets of the Company and its Subsidiaries to an Entity, more than 50% of the combined voting power of the voting securities of which are Owned by stockholders of the Company in substantially the same proportions as their Ownership of the outstanding voting securities of the Company immediately prior to such sale, lease, license or other disposition; or

(iv) individuals who, on the Adoption Date, are members of the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the members of the Board; provided, however, that if the appointment or election (or nomination for election) of any new Board member was approved or recommended by a majority vote of the members of the Incumbent Board then still in office, such new member will, for purposes of this Plan, be considered as a member of the Incumbent Board.

Notwithstanding the foregoing definition or any other provision of this Plan, (A) the term Change in Control will not include a sale of assets, merger or other transaction effected exclusively for the purpose of changing the domicile of the Company, and (B) the definition of Change in Control (or any analogous term) in an individual written agreement between the Company or any Affiliate and the Participant will supersede the foregoing definition with respect to Awards subject to such agreement; provided, however, that if no definition of Change in Control or any analogous term is set forth in such an individual written agreement, the foregoing definition will apply.

If required for compliance with Section 409A of the Code, in no event will a Change in Control be deemed to have occurred if such transaction is not also a "change in the ownership or effective control of" the Company or "a change in the ownership of a substantial portion of the assets of" the Company as determined under U.S. Treasury Regulation Section 1.409A-3(i)(5) (without regard to any alternative definition thereunder). The Board may, in its sole discretion and without a Participant's consent, amend the definition of "Change in Control" to conform to the definition of "Change in Control" under Section 409A of the Code, and the regulations thereunder.

- (j) “**Code**” means the U.S. Internal Revenue Code of 1986, as amended, including any applicable regulations and guidance thereunder.
- (k) “**Committee**” means a committee of one (1) or more Directors to whom authority has been delegated by the Board in accordance with Section 2(c).
- (l) “**Compensation Committee**” means the Compensation Committee of the Board.
- (m) “**Common Stock**” means the common stock of the Company.
- (n) “**Company**” means SolarEdge Technologies, Inc., a Delaware corporation.
- (o) “**Consultant**” means any person, including an advisor, who is (i) engaged by the Company or an Affiliate to render consulting or advisory services and is compensated for such services, or (ii) serving as a member of the board of directors of an Affiliate and is compensated for such services. However, service solely as a Director, or payment of a fee for such service, will not cause a Director to be considered a “Consultant” for purposes of the Plan. Notwithstanding the foregoing, a person is treated as a Consultant under this Plan only if a Form Registration Statement on Form S-8 or a successor form under the Securities Act is available to register either the offer or the sale of the Company’s securities to such person.
- (p) “**Continuous Service**” means that the Participant’s service with the Company or an Affiliate, whether as an Employee, Director or Consultant, is not interrupted or terminated. A change in the capacity in which the Participant renders service to the Company or an Affiliate as an Employee, Consultant or Director or a change in the Entity for which the Participant renders such service, provided that there is no interruption or termination of the Participant’s service with the Company or an Affiliate, will not terminate a Participant’s Continuous Service. For example, a change in status from an Employee of the Company to a Consultant of an Affiliate or to a Director will not constitute an interruption of Continuous Service. If the Entity for which a Participant is rendering services ceases to qualify as an Affiliate, as determined by the Board in its sole discretion, such Participant’s Continuous Service will be considered to have terminated on the date such Entity ceases to qualify as an Affiliate. To the extent permitted by law, the Board or the chief executive officer of the Company, in that party’s sole discretion, may determine whether Continuous Service will be considered interrupted in the case of (i) any leave of absence approved by the Board or chief executive officer, including sick leave, military leave or any other personal leave, or (ii) transfers between the Company, an Affiliate, or their successors. In addition, if required for exemption from or compliance with Section 409A of the Code, the determination of whether there has been a termination of Continuous Service will be made, and such term will be construed, in a manner that is consistent with the definition of “separation from service” as defined under U.S. Treasury Regulation Section 1.409A-1(h) (without regard to any alternative definition thereunder). A leave of absence will be treated as Continuous Service for purposes of vesting in a Stock Award only to such extent as may be provided in the applicable Award Document, the Company’s leave of absence policy, in the written terms of any leave of absence agreement or policy applicable to the Participant, or as otherwise required by law.

- (q) **“Covered Employee”** will have the meaning provided in Section 162(m)(3) of the Code.
- (r) **“Director”** means a member of the Board.
- (s) **“Disability”** means, with respect to a Participant, the inability of such Participant to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or that has lasted or can be expected to last for a continuous period of not less than 12 months as provided in Sections 22(e)(3) and 409A(a)(2)(C)(i) of the Code, and will be determined by the Board on the basis of such medical evidence as the Board deems warranted under the circumstances.
- (t) **“Effective Date”** means the date of the underwriting agreement between the Company and the underwriters(s) managing the initial public offering of the Common Stock, pursuant to which the Common Stock is priced for the initial public offering of the Company’s securities pursuant to a registration statement filed and declared effective pursuant to the Securities Act.
- (u) **“Employee”** means any person providing services as an employee of the Company or an Affiliate. However, service solely as a Director, or payment of a fee for such services, will not cause a Director to be considered an “Employee” for purposes of the Plan.
- (v) **“Entity”** means a corporation, partnership, limited liability company or other entity.
- (w) **“Exchange Act”** means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.
- (x) **“Exchange Act Person”** means any natural person, Entity or “group” (within the meaning of Section 13(d) or 14(d) of the Exchange Act), except that “Exchange Act Person” will not include (i) the Company or any Subsidiary of the Company, (ii) any employee benefit plan of the Company or any Subsidiary of the Company or any trustee or other fiduciary holding securities under an employee benefit plan of the Company or any Subsidiary of the Company, (iii) an underwriter temporarily holding securities pursuant to a registered public offering of such securities, (iv) an Entity Owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their Ownership of stock of the Company, or (v) any natural person, Entity or “group” (within the meaning of Section 13(d) or 14(d) of the Exchange Act) that, as of the Effective Date, is the Owner, directly or indirectly, of securities of the Company representing more than 50% of the combined voting power of the Company’s then outstanding securities.
- (y) **“Fair Market Value”** means, as of any date, the value of the Common Stock determined as follows:
- (i) If the Common Stock is listed on any established stock exchange or traded on any established market, the Fair Market Value of a share of Common Stock as of any date of determination will be, unless otherwise determined by the Board, the closing sales price for such stock as quoted on such exchange or market (or the exchange or market with the greatest volume of trading in the Common Stock) on the date of determination, as reported in a source the Board deems reliable.

(ii) Unless otherwise provided by the Board, if there is no closing sales price for the Common Stock on the date of determination, then the Fair Market Value will be the closing selling price on the last preceding date for which such quotation exists.

(iii) In the absence of such markets for the Common Stock, the Fair Market Value will be determined by the Board in good faith and in a manner that complies with Sections 409A and 422 of the Code.

(z) **“Incentive Stock Option”** means an option granted pursuant to Section 5 of the Plan that is intended to be, and that qualifies as, an “incentive stock option” within the meaning of Section 422 of the Code.

(aa) **“Non-Employee Director”** means a Director who either (i) is not a current employee or officer of the Company or an Affiliate, does not receive compensation, either directly or indirectly, from the Company or an Affiliate for services rendered as a consultant or in any capacity other than as a Director (except for an amount as to which disclosure would not be required under Item 404(a) of Regulation S-K promulgated pursuant to the Securities Act (“Regulation S-K”)), does not possess an interest in any other transaction for which disclosure would be required under Item 404(a) of Regulation S-K, and is not engaged in a business relationship for which disclosure would be required pursuant to Item 404(b) of Regulation S-K; or (ii) is otherwise considered a “non-employee director” for purposes of Rule 16b-3 of the Exchange Act.

(bb) **“Nonstatutory Stock Option”** means any option granted pursuant to Section 5 of the Plan that does not qualify as an Incentive Stock Option.

(cc) **“Officer”** means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act.

(dd) **“Option”** means an Incentive Stock Option or a Nonstatutory Stock Option to purchase shares of Common Stock granted pursuant to the Plan.

(ee) **“Option Agreement”** means an Award Document evidencing the terms and conditions of an Option grant. Each Option Agreement will be subject to the terms and conditions of the Plan.

(ff) **“Optionholder”** means a person to whom an Option is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Option.

(gg) **“Other Stock Award”** means an award based in whole or in part by reference to the Common Stock which is granted pursuant to the terms and conditions of Section 6(d).

(hh) **“Other Stock Award Document”** means an Award Document evidencing the terms and conditions of an Other Stock Award grant. Each Other Stock Award Document will be subject to the terms and conditions of the Plan.

(ii) **“Outside Director”** means a Director who either (i) is not a current employee of the Company or an “affiliated corporation” (within the meaning of U.S. Treasury Regulations promulgated under Section 162(m) of the Code), is not a former employee of the Company or an “affiliated corporation” who receives compensation for prior services (other than benefits under a tax-qualified retirement plan) during the taxable year, has not been an officer of the Company or an “affiliated corporation,” and does not receive remuneration from the Company or an “affiliated corporation,” either directly or indirectly, in any capacity other than as a Director, or (ii) is otherwise considered an “outside director” for purposes of Section 162(m) of the Code

(jj) **“Own,” “Owned,” “Owner,” “Ownership”** means a person or Entity will be deemed to “Own,” to have “Owned,” to be the “Owner” of, or to have acquired “Ownership” of securities if such person or Entity, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has or shares voting power, which includes the power to vote or to direct the voting, with respect to such securities.

(kk) **“Participant”** means a person to whom an Award is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Stock Award.

(ll) **“Performance Cash Award”** means an award of cash granted pursuant to the terms and conditions of Section 6(c)(ii).

(mm) **“Performance Criteria”** means the one or more criteria that the Board will select for purposes of establishing the Performance Goals for a Performance Period. The Performance Criteria that will be used to establish such Performance Goals may be based on any one of, or combination of, the following as determined by the Board: (1) profit before tax; (2) billings; (3) revenue; (4) net revenue; (5) earnings (which may include earnings before interest, taxes, depreciation and amortization, or some of them, or net earnings); (6) operating income; (7) operating margin; (8) operating profit; (9) controllable operating profit, or net operating profit; (10) net profit; (11) gross margin; (12) operating expenses or operating expenses as a percentage of revenue; (13) net income; (14) earnings per share; (15) total stockholder return calculated either solely with respect to the Company’s performance or relative to a benchmark; (16) market share; (17) return on assets or net assets; (18) the Company’s stock price; (19) growth in stockholder value relative to a pre-determined index; (20) return on equity; (21) return on invested capital; (22) cash flow (including free cash flow or operating cash flows); (23) cash conversion cycle; (24) economic value added; (25) individual confidential business objectives; (26) contract awards or backlog; (27) overhead or other expense reduction; (28) credit rating; (29) strategic plan development and implementation; (30) succession plan development and implementation; (31) improvement in workforce diversity; (32) customer indicators; (33) new product invention or innovation; (34) attainment of research and development milestones; (35) improvements in productivity; (36) achievement in quality product production and/or performance; and (37) bookings.

(nn) **“Performance Goals”** means, for a Performance Period, the one or more goals established by the Board or Committee for the Performance Period based upon the Performance Criteria. Performance Goals may be based on a Company-wide basis, with respect to one or more business units, divisions, Affiliates, or business segments, as appropriate, and in either absolute terms or relative to the performance of one or more comparable companies or the performance of one or more relevant indices. Performance Goals for financial Performance Criteria may be determined on either a GAAP or non-GAAP basis. Unless specified otherwise by the Board (i) in the Award Document at the time the Award is granted or (ii) in such other document setting forth the Performance Goals at the time the Performance Goals are established, the Board will appropriately make adjustments in the method of calculating the attainment of Performance Goals for a Performance Period as follows: (1) to exclude restructuring and/or other nonrecurring charges; (2) to exclude exchange rate effects; (3) to exclude the effects of changes to generally accepted accounting principles; (4) to exclude the effects of any statutory adjustments to corporate tax rates; (5) to exclude the effects of any “extraordinary items” as determined under generally accepted accounting principles; (6) to exclude the dilutive effects of acquisitions or joint ventures; (7) to assume that any business divested by the Company achieved performance objectives at targeted levels during the balance of a Performance Period following such divestiture; (8) to exclude the effect of any change in the outstanding shares of common stock of the Company by reason of any stock dividend or split, stock repurchase, reorganization, recapitalization, merger, consolidation, spin-off, combination or exchange of shares or other similar corporate change, or any distributions to common stockholders other than regular cash dividends; (9) to exclude the effects of stock based compensation and the award of bonuses under the Company’s bonus plans; (10) to exclude costs incurred in connection with potential acquisitions or divestitures that are required to be expensed under generally accepted accounting principles; (11) to exclude the goodwill and intangible asset impairment charges that are required to be recorded under generally accepted accounting principles and (12) to exclude the effect of any other unusual, non-recurring gain or loss or other extraordinary item. In addition, the Board retains the discretion to reduce or eliminate the compensation or economic benefit due upon attainment of Performance Goals and to define the manner of calculating the Performance Criteria it selects to use for such Performance Period. Partial achievement of the specified criteria may result in the payment or vesting corresponding to the degree of achievement as specified in the Stock Award Document or the written terms of a Performance Cash Award.

(oo) **“Performance Period”** means the period of time selected by the Board over which the attainment of one or more Performance Goals will be measured for the purpose of determining a Participant’s right to and the payment of a Stock Award or a Performance Cash Award. Performance Periods may be of varying and overlapping duration, at the sole discretion of the Board.

(pp) **“Performance Stock Award”** means a Stock Award granted under the terms and conditions of Section 6(c)(i).

(qq) **“Plan”** means this 2015 Global Incentive Plan of SolarEdge Technologies, Inc.

(rr) **“Restricted Stock Award”** means an award of shares of Common Stock which is granted pursuant to the terms and conditions of Section 6(a).

(ss) **“Restricted Stock Award Document”** means an Award Document evidencing the terms and conditions of a Restricted Stock Award grant. Each Restricted Stock Award Document will be subject to the terms and conditions of the Plan.

(tt) **“Restricted Stock Unit Award”** means a right to receive shares of Common Stock which is granted pursuant to the terms and conditions of Section 6(b).

(uu) **“Restricted Stock Unit Award Document”** means an Award Document evidencing the terms and conditions of a Restricted Stock Unit Award grant. Each Restricted Stock Unit Award Document will be subject to the terms and conditions of the Plan.

(vv) **“Securities Act”** means the U.S. Securities Act of 1933, as amended.

(ww) **“Stock Appreciation Right”** or **“SAR”** means a right to receive the appreciation on Common Stock that is granted pursuant to the terms and conditions of Section 5.

(xx) **“Stock Appreciation Right Award Document”** means an Award Document evidencing the terms and conditions of a Stock Appreciation Right grant. Each Stock Appreciation Right Award Document will be subject to the terms and conditions of the Plan.

(yy) **“Stock Award”** means any right to receive Common Stock granted under the Plan, including an Incentive Stock Option, a Nonstatutory Stock Option, a Restricted Stock Award, a Restricted Stock Unit Award, a Stock Appreciation Right, a Performance Stock Award, or any Other Stock Award.

(zz) **“Stock Award Document”** means an Award Document evidencing the terms and conditions of a Stock Award grant. Each Stock Award Document will be subject to the terms and conditions of the Plan.

(aaa) **“Subsidiary”** means, with respect to the Company, (i) any corporation of which more than 50% of the outstanding capital stock having ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether, at the time, stock of any other class or classes of such corporation will have or might have voting power by reason of the happening of any contingency) is at the time, directly or indirectly, Owned by the Company, and (ii) any partnership, limited liability company or other entity in which the Company has a direct or indirect interest (whether in the form of voting or participation in profits or capital contribution) of more than 50%.

(bbb) **“Ten Percent Stockholder”** means a person who Owns (or is deemed to Own pursuant to Section 424(d) of the Code) stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or any Affiliate.

END OF DOCUMENT

I, Guy Sella, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of SolarEdge Technologies, Inc.;

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 registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) 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 registrant 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 registrant, 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 registrant'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 registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant'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 registrant'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 registrant's internal control over financial reporting.

Date: May 10, 2017

/s/ Guy Sella

Guy Sella

Chief Executive Officer and Chairman of the Board

(Principal Executive Officer)

I, Ronen Faier, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of SolarEdge Technologies, Inc.;
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 registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) 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 registrant 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 registrant, 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 registrant'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 registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant'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 registrant'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 registrant's internal control over financial reporting.

Date: May 10, 2017

/s/ Ronen Faier

Ronen Faier
Chief Financial Officer
(Principal Financial Officer)

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Guy Sella, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of SolarEdge Technologies, Inc. for the quarterly period ended March 31, 2017 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of SolarEdge Technologies, Inc.

May 10, 2017

/s/ Guy Sella

Guy Sella

Chief Executive Officer and Chairman of the Board

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Ronen Faier, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of SolarEdge Technologies, Inc. for the quarterly period ended March 31, 2017 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of SolarEdge Technologies, Inc.

May 10, 2017

/s/ Ronen Faier

Ronen Faier
Chief Financial Officer