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

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# FORM 10-Q

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

**For the quarterly period ended June 30, 2019**

**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**

# SOLAREDGE TECHNOLOGIES, INC.

**(Exact name of registrant as specified in its charter)**

| | |
|---|---|
| **Delaware**<br>**(State or other jurisdiction of incorporation or organization)** | **20-5338862**<br>**(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)**

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

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Common stock, par value $0.0001 per share | SEDG | NASDAQ (Global Select Market) |

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

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T 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 | ☒ | Accelerated filer | ☐ |
| Non-accelerated filer | ☐ (Do not check if a smaller reporting company) | Smaller Reporting Company | ☐ |

Emerging growth company ☐

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 August 4, 2019, there were 47,971,049 shares of the registrant’s common stock, par value of $ 0.0001 per share, outstanding.

**SOLAREDGE TECHNOLOGIES, INC.**
**FORM 10-Q**
**FOR THE QUARTER ENDED JUNE 30, 2019**

**INDEX**

## PART I. FINANCIAL INFORMATION

## ITEM 1 FINANCIAL STATEMENTS

## SOLAREDGE TECHNOLOGIES, INC.
## AND ITS SUBSIDIARIES

## INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## AS OF JUNE 30, 2019

## IN U.S. DOLLARS

## UNAUDITED

## INDEX

## CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

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

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| | Unaudited | |
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | $ 176,575 | $ 187,764 |
| Short-term bank deposit | 5,961 | 9,870 |
| Restricted bank deposits | 1,060 | 824 |
| Marketable securities | 109,610 | 118,680 |
| Trade receivables, net | 237,804 | 173,579 |
| Prepaid expenses and other assets | 50,642 | 45,073 |
| Inventories, net | 148,892 | 141,519 |
| Total current assets | 730,544 | 677,309 |
| LONG-TERM ASSETS: | | |
| Marketable securities | 79,616 | 74,256 |
| Operating lease right-of-use assets | 36,788 | - |
| Property, plant and equipment, net | 140,200 | 119,329 |
| Deferred tax assets, net | 14,751 | 14,699 |
| Intangible assets, net and goodwill | 211,340 | 73,378 |
| Other long term assets | 8,455 | 5,501 |
| Total long term assets | 491,150 | 287,163 |
| Total assets | $ 1,221,694 | $ 964,472 |

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

## CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

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

| | June 30, 2019 Unaudited | December 31, 2018 |
|---|---|---|
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| CURRENT LIABILITIES: | | |
| Trade payables, net | $ 116,795 | $ 107,079 |
| Employees and payroll accruals | 34,555 | 29,053 |
| Current maturities of bank loans and accrued interest | 16,454 | 16,639 |
| Warranty obligations | 38,819 | 28,868 |
| Deferred revenues | 15,708 | 14,351 |
| Accrued expenses and other liabilities | 71,447 | 29,728 |
| Total current liabilities | 293,778 | 225,718 |
| LONG-TERM LIABILITIES: | | |
| Bank loans | 5,519 | 3,510 |
| Warranty obligations | 111,819 | 92,958 |
| Deferred revenues | 73,796 | 60,670 |
| Operating lease liabilities | 30,009 | - |
| Deferred tax liabilities, net | 8,663 | 1,499 |
| Other long term liabilities | 18,062 | 9,391 |
| Total long-term liabilities | 247,868 | 168,028 |
| COMMITMENTS AND CONTINGENT LIABILITIES | | |
| STOCKHOLDERS' EQUITY: | | |
| Common stock of $0.0001 par value - Authorized: 125,000,000 shares as of June 30, 2019 (unaudited) and December 31, 2018; issued and outstanding: 47,967,425 and 46,052,802 shares as of June 30, 2019 (unaudited) and December 31, 2018, respectively | 5 | 5 |
| Additional paid-in capital | 431,684 | 371,794 |
| Accumulated other comprehensive loss | (895) | (524) |
| Retained earnings | 243,277 | 191,133 |
| Total SolarEdge Technologies, Inc. stockholders' equity | 674,071 | 562,408 |
| Non-controlling interests | 5,977 | 8,318 |
| Total stockholders' equity | 680,048 | 570,726 |
| Total liabilities and stockholders' equity | $ 1,221,694 | $ 964,472 |

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

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

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

| | Three months ended June 30, 2019 | Three months ended June 30, 2018 | Six months ended June 30, 2019 | Six months ended June 30, 2018 |
|---|---|---|---|---|
| | Unaudited | | Unaudited | |
| Revenues | $ 325,010 | $ 227,118 | $ 596,881 | $ 436,989 |
| Cost of revenues | 214,340 | 145,172 | 400,101 | 275,446 |
| Gross profit | 110,670 | 81,946 | 196,780 | 161,543 |
| Operating expenses: | | | | |
| Research and development | 29,505 | 19,551 | 55,704 | 37,426 |
| Sales and marketing | 22,127 | 15,954 | 42,299 | 32,159 |
| General and administrative | 13,685 | 5,776 | 25,376 | 10,529 |
| Total operating expenses | 65,317 | 41,281 | 123,379 | 80,114 |
| Operating income | 45,353 | 40,665 | 73,401 | 81,429 |
| Financial expenses (income), net | (773) | 2,480 | 5,378 | 1,896 |
| Income before taxes on income | 46,126 | 38,185 | 68,023 | 79,533 |
| Taxes on income | 13,213 | 3,617 | 17,135 | 9,279 |
| Net income | $ 32,913 | $ 34,568 | $ 50,888 | $ 70,254 |
| Net loss attributable to non-controlling interests | 215 | - | 1,256 | - |
| Net income attributable to SolarEdge Technologies, Inc. | $ 33,128 | $ 34,568 | $ 52,144 | $ 70,254 |
| Net basic earnings per share of common stock attributable to SolarEdge Technologies, Inc. | $ 0.69 | $ 0.76 | $ 1.10 | $ 1.57 |
| Net diluted earnings per share of common stock attributable to SolarEdge Technologies, Inc. | $ 0.66 | $ 0.72 | $ 1.05 | $ 1.46 |
| Weighted average number of shares used in computing net basic earnings per share of common stock | 47,683,799 | 45,216,253 | 47,353,401 | 44,726,382 |
| Weighted average number of shares used in computing net diluted earnings per share of common stock | 49,940,034 | 48,291,280 | 49,358,280 | 47,984,817 |

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

## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

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

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | Unaudited | | Unaudited | |
| Net income | $ 32,913 | $ 34,568 | $ 50,888 | $ 70,254 |
| Other comprehensive income (loss): | | | | |
| Available-for-sale securities: | | | | |
| Changes in unrealized gains (losses), net of tax | 370 | (6) | 855 | (516) |
| Reclassification adjustments for losses included in net income | (29) | - | 91 | - |
| Net change | 341 | (6) | 946 | (516) |
| Foreign currency translation adjustments, net | (16) | 3 | (1,317) | (11) |
| Total other comprehensive income (loss) | 325 | (3) | (371) | (527) |
| Comprehensive income | $ 33,238 | $ 34,565 | $ 50,517 | $ 69,727 |
| Comprehensive income (loss) attributable to non-controlling interests | 545 | - | (304) | - |
| Comprehensive income attributable to SolarEdge Technologies, Inc. | $ 32,693 | $ 34,565 | $ 50,821 | $ 69,727 |

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

## CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (Unaudited)

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

| | SolarEdge Technologies, Inc. Stockholders' Equity | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Common stock | | | | | | | |
| | Number | Amount | Additional paid in Capital | Accumulated Other comprehensive Income (loss) | Retained earnings | Total | Non-controlling interests | Total stockholders' equity |
| Balance as of January 1, 2018 | 43,812,601 | $ 4 | $ 331,902 | $ (611) | $ 66,172 | $ 397,467 | $ - | $ 397,467 |
| | | | | | | | - | |
| Cumulative effect of adopting ASC 606 | - | - | - | - | (3,872) | (3,872) | - | (3,872) |
| Issuance of Common Stock upon exercise of employee and non-employees stock-based awards | 1,084,507 | * - | 4,605 | - | - | 4,605 | - | 4,605 |
| Equity based compensation expenses to employees and non-employee consultants | - | - | 6,849 | - | - | 6,849 | - | 6,849 |
| Other comprehensive loss adjustments | - | - | - | (524) | - | (524) | - | (524) |
| Net income | - | - | - | - | 35,686 | 35,686 | - | 35,686 |
| Balance as of March 31, 2018 (unaudited) | 44,897,108 | $ 4 | $ 343,356 | $ (1,135) | $ 97,986 | $ 440,211 | $ - | $ 440,211 |
| Issuance of Common Stock upon exercise of employee and non-employees stock-based awards | 601,306 | * - | 2,986 | - | - | 2.986 | - | 2,986 |
| Equity based compensation expenses to employees and non-employee consultants | - | - | 7,128 | - | - | 7,128 | - | 7,128 |
| Other comprehensive loss adjustments | - | - | - | (3) | - | (3) | - | (3) |
| Net income | - | - | - | - | 34,568 | 34,568 | - | 34,568 |
| Balance as of June 30, 2018 (unaudited) | 45,498,414 | $ 5 | $ 353,470 | $ (1,138) | $ 132,554 | $ 484,891 | $ - | $ 484,891 |

* Represents an amount lower than $1.

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

## CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (Unaudited)

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

| | SolarEdge Technologies, Inc. Stockholders' Equity | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Common stock | | | | | | | |
| | Number | Amount | Additional paid in Capital | Accumulated Other comprehensive loss | Retained earnings | Total | Non-controlling interests | Total stockholders' equity |
| Balance as of January 1, 2019 | 46,052,802 | $ 5 | $ 371,794 | $ (524) | $ 191,133 | $ 562,408 | $ 8,318 | $ 570,726 |
| | | | - | | | | | |
| Issuance of Common Stock upon exercise of employee and non-employees stock-based awards | 254,515 | * - | 309 | - | - | 309 | - | 309 |
| Equity based compensation expenses to employees and non-employee consultants | - | - | 9,704 | - | - | 9,704 | - | 9,704 |
| Consideration in common stock related to business combination | 1,194,046 | * - | 34,601 | - | - | 34,601 | - | 34,601 |
| Non-controlling interests related to business combination | - | - | - | - | - | - | 67,734 | 67,734 |
| Change to non-controlling interests | - | - | 977 | - | - | 977 | (2,964) | (1,987) |
| Other comprehensive loss adjustments | - | - | - | (696) | - | (696) | (849) | (1,545) |
| Net income | - | - | - | - | 19,016 | 19,016 | (1,041) | 17,975 |
| Balance as of March 31, 2019 (unaudited) | 47,501,363 | $ 5 | $ 417,385 | $ (1,220) | $ 210,149 | $ 626,319 | $ 71,198 | $ 697,517 |
| Issuance of Common Stock upon exercise of employee and non-employees stock-based awards | 466,062 | - | 3,455 | - | - | 3,455 | - | 3,455 |
| Equity based compensation expenses to employees and non-employee consultants | - | - | 11,372 | - | - | 11,372 | - | 11,372 |
| Change to non-controlling interests | - | - | (528) | - | - | (528) | (65,551) | (66,079) |
| Other comprehensive income adjustments | - | - | - | 325 | - | 325 | 545 | 870 |
| Net income | - | - | - | - | 33,128 | 33,128 | (215) | 32,913 |
| Balance as of June 30, 2019 (unaudited) | 47,967,425 | $ 5 | $ 431,684 | $ (895) | $ 243,277 | $ 674,071 | $ 5,977 | $ 680,048 |

* Represents an amount lower than $1

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

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

### U.S. dollars in thousands

| | Six months ended June 30, 2019 | Six months ended June 30, 2018 |
|---|---|---|
| | Unaudited | |
| Cash flows provided by operating activities: | | |
| Net income | $ 50,888 | $ 70,254 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation of property, plant and equipment | 8,147 | 4,981 |
| Amortization of intangible assets | 4,895 | 72 |
| Amortization of premium and accretion of discount on available-for-sale marketable securities | (12) | 1,014 |
| Stock-based compensation | 21,076 | 13,977 |
| Loss from disposal of assets | 552 | 64 |
| Realized loss from sale of available-for-sale marketable securities | 91 | - |
| Changes in assets and liabilities: | | |
| Inventories, net | 1,723 | (18,952) |
| Prepaid expenses and other assets | (2,574) | (2,135) |
| Trade receivables, net | (56,562) | (9,203) |
| Operating lease right-of-use assets and liabilities, net and effect of exchange rate differences | 1,466 | (148) |
| Deferred tax assets and liabilities, net | (1,960) | (3,018) |
| Trade payables, net | 5,493 | 12,143 |
| Employees and payroll accruals | 5,151 | 1,028 |
| Warranty obligations | 28,860 | 18,479 |
| Deferred revenues | 11,764 | 13,120 |
| Other liabilities | 28,236 | 6,194 |
| Net cash provided by operating activities | 107,234 | 107,870 |
| Cash flows from investing activities: | | |
| Business combination, net of cash acquired | (38,435) | - |
| Purchase of property, plant and equipment | (22,244) | (21,385) |
| Withdrawal from bank deposits | 3,909 | (342) |
| Investment in restricted bank deposits | (203) | (191) |
| Investment in available-for-sale marketable securities | (63,655) | (89,389) |
| Proceeds from sales and maturities of available-for-sale marketable securities | 68,407 | 46,825 |
| Net cash used in investing activities | $ (52,221) | $ (64,482) |

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

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

**U.S. dollars in thousands**

| | Six months ended June 30, 2019 | Six months ended June 30, 2018 |
|---|---|---|
| | Unaudited | |
| Cash flows from financing activities: | | |
| Repayment of bank loans, net | $ (4,675) | $ - |
| Proceeds from issuance of shares under stock purchase plan and upon exercise of stock-based awards | 3,764 | 7,591 |
| Change in non-controlling interests | (66,474) | - |
| Net cash provided by (used in) financing activities | $ (67,385) | $ 7,591 |
| Increase in cash and cash equivalents and restricted cash | (12,372) | 50,979 |
| Cash, cash equivalents and restricted cash at the beginning of the period | 187,764 | 163,163 |
| Effect of exchange rate differences on cash, cash equivalents and restricted cash | 1,183 | 398 |
| Cash, cash equivalents and restricted cash at the end of the period | $ 176,575 | $ 214,540 |
| Supplemental disclosure of non-cash activities: | | |
| Operating lease, right of use assets | $ 38,374 | $ - |

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

**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), (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 and (iv) 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 sell their products worldwide through large distributors and electrical equipment wholesalers to smaller solar installers, as well as directly to large solar installers and Engineering, Procurement and Construction firms (“EPCs”).

In July and October 2018, the Company completed the acquisitions ("Gamatronic Acquisition") of substantially all of the assets and activities of Gamatronic Electronic Industries Ltd. ("Gamatronic IL") and all of the outstanding shares of its wholly owned subsidiary Gamatronic (UK) Limited (“Gamatronic UK”), respectively. Both companies ("UPS Division") are providers and manufacturers of Uninterruptible Power Supplies ("UPS") devices.

On October 17, 2018, the Company completed the acquisition of 74.5% of the outstanding common shares and voting rights of Kokam Co., Ltd. (“Kokam”), a Korean company whose shares are traded on the Korean OTC market, a provider of Lithium-ion cells, batteries and energy storage solutions. From October 17, 2018 and through June 30, 2019, the Company increased its shareholdings of Kokam to 94.2%.

On January 24, 2019, the Company completed the acquisition of 56.8% of the outstanding common shares and voting rights of S.M.R.E S.p.A (“SMRE”), an Italian company whose shares were traded on the Italian AIM, a provider of innovative integrated powertrain technology and electronics for electric vehicles. Between January 24, 2019 and June 30, 2019, the Company increased its shareholdings of SMRE to 99.4% (see note 2).

b. New accounting pronouncements not yet effective:

In January 2017, the FASB issued ASU 2017-04, "Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment". ASU 2017-04 was issued to simplify how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. Step 2 measures a goodwill impairment loss by comparing the implied fair value of a reporting unit’s goodwill with the carrying amount of that goodwill. The amendments in ASU 2017-04 are effective for fiscal years, and interim periods within those years, beginning after December 15, 2019. The Company is in the process of evaluating the potential impact of this pronouncement.

**NOTE 1:- GENERAL (Cont.)**

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. ASU 2016-13 amends the impairment model to utilize an expected loss methodology in place of the currently used incurred loss methodology, which will result in a more timely recognition of losses. The Company will adopt Topic 326 effective January 1, 2020. The Company is currently assessing the impact that adopting this new accounting standard will have on its consolidated balance sheets, statements of operations and cash flows.

c. Recently issued and adopted pronouncements:

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2016-02 (Topic 842) "Leases". Topic 842 supersedes the lease requirements in Accounting Standards Codification (ASC) Topic 840, "Leases". Under Topic 842, lessees are required to recognize assets and liabilities on the balance sheet for most leases and provide enhanced disclosures. ASU No. 2016-02 is effective for interim and annual reporting periods beginning after December 15, 2018. In July 2018, the FASB issued amendments in ASU 2018-11, which provide a transition election to not restate comparative periods for the effects of applying the new standard. This transition election permits entities to change the date of initial application to the beginning of the earliest comparative period presented, or retrospectively at the beginning of the period of adoption through a cumulative-effect adjustment. The Company has elected to apply the standard retrospectively at the beginning of the period of adoption through a cumulative-effect adjustment. The Company has also elected certain relief options offered in ASU 2016-02 including certain available transitional practical expedients. The Company adopted Topic 842 effective January 1, 2019. The interim consolidated financial statements for the six months ended June 30, 2019 are presented under the new standard, while the comparative periods are not adjusted and continue to be reported in accordance with the Company’s historical accounting policy (See note 7).

d. Basis of Presentation:

The accompanying unaudited interim 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 disclosures in footnotes that 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.

The significant accounting policies applied in the annual consolidated financial statements of the Company as of December 31, 2018, contained in the Company’s Annual Report on Form 10-K filed with the SEC on February 28, 2019, have been applied consistently in these unaudited interim consolidated financial statements, except for the adoption of ASU No. 2016-02, “Leases (Topic 842) (see Note 1c).

**NOTE 1:- GENERAL (Cont.)**

The Company depends on two contract manufacturers and several limited or single source component suppliers, and is in the process of opening an additional site with one of those contract manufacturers. Reliance on these vendors makes the Company vulnerable to possible capacity constraints and reduced control over component availability, delivery schedules, manufacturing yields, and costs.

As of June 30, 2019 (unaudited) and December 31, 2018, two and three vendors collectively accounted for 57.2% and 58.8% of the Company's total trade payables, respectively.

The Company has the right to offset its trade payables to one of its contract manufacturers against vendor non-trade receivables. As of June 30, 2019 (unaudited), a total of $944 of these receivables met the criteria for net recognition and were off set against the corresponding trade payable balances for this contract manufacturer in the accompanying condensed consolidated balance sheets.

e. Accounting for share-based compensation:

Some of the RSUs granted are subject to certain performance criteria's ("PSUs"): accordingly, compensation expense for PSUs are recognized when it becomes probable that the related performance conditions have been satisfied.

f. Certain prior period amounts have been reclassified to conform to the current period presentation.

**NOTE 2:- BUSINESS COMBINATION**

**S.M.R.E**

On January 24, 2019, the Company completed the acquisition of 56.8% of the outstanding common shares and voting rights of SMRE, a provider of innovative integrated powertrain technology and electronics for electric vehicles for $73,036, net of cash acquired, out of which $42,240 was paid in cash and $34,601 was paid in shares of SolarEdge common stock (the "SMRE Acquisition").

As part of the SMRE Acquisition, the Company issued 334,096 PSUs that are subject to certain performance goals and a vesting period, in the aggregate amount of $13,444 which will be expensed in the condensed consolidated statements of operation in general and administrative expenses line item (see note 9).

As of January 24, 2019 (unaudited), the fair value of the 43.2% non-controlling interests in SMRE was estimated to be $67,733. The fair value of the non-controlling interests was valued based on and at the transaction price.

The primary reason for the SMRE Acquisition was to acquire technology and customer relationships and to expand and diversify the Company's business by entering into the electric vehicles market.

The Company determined that the SMRE Acquisition will be accounted for as a business combination in accordance with ASC 805 "Business Combinations".

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

**NOTE 2:- BUSINESS COMBINATION (Cont.)**

During the period from the SMRE Acquisition through June 30, 2019 (unaudited), the Company purchased additional common shares of SMRE in the open market and through a tender offer in a total amount of $65,945. As of June 30, 2019 (unaudited), the Company holds 99.4% of the outstanding common shares and voting rights of SMRE and such company's shares are delisted from the Italian Alternative Investment Market ("AIM").

The amounts of revenue and net loss of SMRE included in the Company's condensed consolidated statements of operations for the three and six months ended June 30, 2019 (unaudited):

| | Three months ended | Six months ended |
|---|---|---|
| | June 30, 2019 | |
| | Unaudited | |
| Revenue | $ 5,348 | $ 8,250 |
| Net loss | $ 5,388 | $ 7,267 |

The following table summarizes the preliminary estimated purchase price allocation of the business combination completed during the six months ended June 30, 2019 (unaudited):

| | |
|---|---|
| **Components of Purchase Price:** | |
| Cash | $ 42,240 |
| Less cash acquired | (3,805) |
| Common stock | 34,601 |
| Total purchase price | $ 73,036 |
| **Allocation of Purchase Price:** | |
| Total net identifiable assets | $ 7,947 |
| Total identifiable intangible assets, net and Goodwill (1) | 132,822 |
| **Non-controlling interest** | $ (67,733) |
| Total purchase price allocation (2) | $ 73,036 |

(1) The intangible assets consist primarily of technology, trade name and customer relationships.

(2) The Company expects to complete the preliminary estimated purchase price allocation during the measurement period of one year from January 24, 2019. Fair values that are still under review include, among others, values assigned to identifiable intangible assets, goodwill, deferred income taxes and contingent liabilities.

During the three and six months ended June 30, 2019 (unaudited), the Company recognized acquisition-related costs of $151 and $604, respectively.

The purchase price allocations for the business combinations completed during the year ended December 31, 2018 are still preliminary as of June 30, 2019 (unaudited).

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

**NOTE 2:- BUSINESS COMBINATION (Cont.)**

The following table represents the pro-forma (unaudited) condensed consolidated statements of operations as if all acquisitions completed during the year ended December 31, 2018 and the six months ended June 30, 2019 (unaudited), had been included in the condensed consolidated statements of operations of the Company for the three and six months ended June 30, 2019 (unaudited) and 2018 (unaudited):

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | Unaudited | | Unaudited | |
| Revenue | $ 325,010 | $ 248,541 | $ 597,953 | $ 480,325 |
| Net income | $ 32,913 | $ 27,009 | $ 49,523 | $ 55,663 |

The pro-forma results have been calculated after applying the Company's accounting policies and adjusting the results of all acquisitions to reflect the additional depreciation and amortization that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had been applied since the acquisitions date, together with the consequential tax effects.

The pro-forma results are based on estimates and assumptions, which the Company believes are reasonable. The pro-forma results are not the results that would have been realized had the acquisitions actually occurred on January 1, 2018 and 2019, and are not necessarily indicative of the Company's condensed consolidated statements of operations in future periods.

**NOTE 3:- INTANGIBLE ASSETS AND GOODWILL**

Acquired intangible assets and goodwill consisted of the following:

| | As of June 30, 2019 | As of December 31, 2018 |
|---|---|---|
| | (unaudited) | |
| Intangible assets with finite lived: | | |
| Current technology | $ 29,734 | $ 30,821 |
| Customer relationships | 3,742 | 3,857 |
| Trade names | 3,580 | 3,721 |
| Patents | 1,400 | 1,400 |
| Gross intangible assets | 38,456 | 39,799 |
| Less - accumulated amortization | (3,532) | (1,295) |
| **Total intangible assets, net** | 34,924 | 38,504 |
| Goodwill: | | |
| Goodwill from business combinations | 34,874 | 34,445 |
| Foreign currency translation | (1,213) | 429 |
| **Goodwill** | 33,661 | 34,874 |
| Intangible assets with finite lived, net and goodwill resulted from SMRE Acquisition | 142,755 | - |
| **Total Intangible assets with finite lived, net and goodwill** | $ 211,340 | $ 73,378 |

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

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

**NOTE 3:- INTANGIBLE ASSETS AND GOODWILL (Cont.)**

Amortization expenses for the three months ended June 30, 2019 (unaudited) and 2018 (unaudited) were $2,924 and $36, respectively.

Amortization expenses for the six months ended June 30, 2019 (unaudited) and 2018 (unaudited) were $4,895 and $72, respectively.

The reported amount of net acquisition-related intangible assets and goodwill can fluctuate due to the impact of changes in foreign currency exchange rates on intangible assets and goodwill not denominated in U.S. dollars.

Acquired finite-lived intangible assets are amortized on a straight-line basis or accelerated method over the estimated useful lives of the assets. The Company will amortize its finite-lived intangible assets over a period of 2-13 years.

**NOTE 4:- INVENTORIES**

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| | (unaudited) | |
| Raw materials | $ 63,013 | $ 39,380 |
| Work in process | 23,001 | 18,115 |
| Finished goods | 62,878 | 84,024 |
| | $ 148,892 | $ 141,519 |

**NOTE 5:- WARRANTY OBLIGATIONS**

Changes in the Company’s product warranty obligations for the six months ended June 30, 2019 (unaudited) and 2018 (unaudited) were as follows:

| | Six months ended June 30, | |
|---|---|---|
| | 2019 | 2018 |
| | (unaudited) | |
| Balance, at beginning of period | $ 121,826 | $ 78,811 |
| Additions and adjustments to cost of revenues | 46,288 | 27,546 |
| Usage and current warranty expenses | (17,476) | (9,066) |
| Balance at end of period | 150,638 | 97,291 |
| Less current portion | (38,819) | (18,964) |
| Long term portion | $ 111,819 | $ 78,327 |

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

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

**NOTE 6:- FAIR VALUE MEASUREMENTS**

In accordance with ASC 820, the Company measures its cash equivalents, foreign currency derivative contracts, and marketable securities, at fair value using the market approach valuation technique. Cash equivalents and marketable securities are classified within Level 1 or Level 2. This is because these assets are valued using quoted market prices or alternative pricing sources and models utilizing market observable inputs. Earn-out provision is classified within the Level 3 value hierarchy, as the valuation is based on unobservable inputs which are supported by little or no market activity.

The following table sets forth the Company's assets that were measured at fair value as of June 30, 2019 (unaudited) and December 31, 2018, by level within the fair value hierarchy:

| Description | Fair Value Hierarchy | Fair value measurements as of June 30, 2019 (unaudited) | Fair value measurements as of December 31, 2018 |
|---|---|---|---|
| **Measured at fair value on a recurring basis:** | | | |
| Assets: | | | |
| Cash equivalents: | | | |
| Money market mutual funds | Level 1 | $ 739 | $ 1,767 |
| Short-term marketable securities: | | | |
| Corporate bonds | Level 2 | 105,266 | 110,385 |
| Governmental bonds | Level 2 | 4,344 | 8,295 |
| Long-term marketable securities: | | | |
| Corporate bonds | Level 2 | 79,616 | 74,256 |
| Liabilities | | | |
| Long-term Earn-out provision | Level 3 | $ (885) | $ (332) |

**NOTE 7:- LEASES**

The Company leases offices, plants and vehicles under operating and finance leases. For leases with terms greater than 12 months, the Company records the related asset and liability at the present value of lease payments according to their term. Several of the Company's leases include renewal options and some have termination options that are factored into the Company's determination of the lease payments when appropriate. The Company estimates the incremental borrowing rate in order to discount the lease payments based on the information available at the lease commencement date.

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

**NOTE 7:- LEASES (cont.)**

The following table summarizes the Company's lease-related assets and liabilities recorded on the condensed consolidated balance sheet:

| | Classification on the condensed consolidated Balance Sheet | As of June 30, 2019 (unaudited) |
|---|---|---|
| Assets | | |
| Operating lease assets, net of lease incentive obligation | Operating lease right-of-use assets | $ 36,788 |
| Finance lease assets | Property, plant and equipment, net | 2,922 |
| Total lease assets | | $ 39,710 |
| Liabilities | | |
| Operating and finance leases short term | Accrued expenses and other current liabilities | $ 10,134 |
| Operating leases long term | Operating lease liabilities | 30,009 |
| Finance leases long term | Other non-current liabilities | 2,014 |
| Total lease liabilities | | $ 42,157 |
| Weighted average remaining lease term in years | | |
| Operating leases | | 4.90 |
| Finance leases | | 8.42 |
| Weighted average annual discount rate | | |
| Operating leases | | 1.45% |
| Finance leases | | 2.87% |

The following table presents certain information related to the lease costs for operating and finance leases:

| | Three months ended June 30, 2019 (unaudited) | Six months ended June 30, 2019 (unaudited) |
|---|---|---|
| Finance lease cost | | |
| Amortization of leased assets | $ 26 | $ 53 |
| Interest on lease liabilities | 15 | 31 |
| Operating lease cost | 2,384 | 4,615 |
| Total lease cost | $ 2,425 | $ 4,699 |

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

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

**NOTE 7:- LEASES (cont.)**

The following table presents supplemental cash flow information related to the lease costs for operating and finance leases:

| | Three months ended | Six months ended |
|---|---|---|
| | June 30, 2019 | |
| | (unaudited) | |
| Cash paid for amounts included in measurement of lease liabilities | | |
| Operating cash flows for operating leases | $ 2,384 | $ 4,615 |

The following table reconciles the undiscounted cash flows for each of the first five years and total of the remaining years of the operating and finance lease liabilities recorded on the condensed consolidated balance sheets (unaudited):

| | Operating Lease | Finance Leases |
|---|---|---|
| 2019 | $ 5,548 | $ 106 |
| 2020 | 9,289 | 211 |
| 2021 | 8,024 | 211 |
| 2022 | 7,278 | 196 |
| 2023 | 6,365 | 196 |
| Thereafter | 5,197 | 1,654 |
| Total lease payments | 41,701 | 2,574 |
| Less: amount of lease payments representing interest | (1,694) | (424) |
| Present value of future lease payments | 40,007 | 2,150 |
| Less: current obligations under leases | (9,998) | (136) |
| Long-term lease obligations | $ 30,009 | $ 2,014 |

**NOTE 8:- COMMITMENTS AND CONTINGENT LIABILITIES**

a. Guarantees:

As of June 30, 2019 (unaudited), contingent liabilities exist regarding guarantees in the amount of $1,963, $56, $180 and $13,353 in respect of office rent lease agreements, customs transactions, credit card limits and bank loans, respectively.

**NOTE 8:- COMMITMENTS AND CONTINGENT LIABILITIES (Cont.)**

b. 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.

As of June 30, 2019 (unaudited), the Company had non-cancellable purchase obligations totaling approximately $310,897 out of which the Company already recorded a provision for loss in the amount of $2,843.

As of June 30, 2019 (unaudited), the Company had contractual obligations for capital expenditures totaling approximately $45,420. These commitments reflect purchases of automated assembly lines and other machinery related to the Company’s manufacturing.

c. 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.

On May 8, 2019 (unaudited), the Company received notice that Huawei Technologies Co., Ltd., a Chinese entity, has filed three lawsuits in the Guangzhou intellectual property court against the Company's two Chinese subsidiaries and its equipment manufacturer in China. The lawsuits allege infringement of three patents and ask for an injunction of manufacture, use, sale and offer for sale, and damage awards of approximately $4.3 million. The Company believes that it has meritorious defenses to the claims asserted and intends to vigorously defend against these lawsuits.

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

**NOTE 9:- STOCK CAPITAL**

a. Common Stock:

| | Number of shares | | | |
|---|---|---|---|---|
| | Authorized | | Issued and outstanding | |
| | June 30, 2019 (unaudited) | December 31, 2018 | June 30, 2019 (unaudited) | December 31, 2018 |
| Stock of $0.0001par value: | | | | |
| Common stock | 125,000,000 | 125,000,000 | 47,967,425 | 46,052,802 |

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 was terminated and no further awards will be granted thereunder. All outstanding awards are continuing 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 June 30, 2019 (unaudited), a total of 10,383,357 shares of common stock were reserved for issuance under the 2015 Plan (the "Share Reserve").

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 determine 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 June 30, 2019 (unaudited), an aggregate of 8,686,589 shares of common stock are still available for future grant under the 2015 Plan.

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

**NOTE 9:- STOCK CAPITAL (Cont.)**

c. Options granted to employees and directors:

A summary of the activity in the share options granted to employees and directors for the six months ended June 30, 2019 (unaudited) and related information follows:

| | Number of Options | Weighted average exercise price | Weighted average remaining contractual term in years | Aggregate intrinsic Value |
|---|---|---|---|---|
| Outstanding as of December 31, 2018 | 2,401,893 | 11.04 | 6.19 | 58,323 |
| Granted | 267,852 | 36.15 | | |
| Exercised | (145,246) | 8.65 | | |
| Forfeited and expired | (10,625) | 14.51 | | |
| Outstanding as of June 30, 2019 | 2,513,874 | 13.84 | 6.14 | 122,227 |
| Vested and expected to vest as of June 30, 2019 | 2,479,232 | 13.70 | 6.11 | 59,508 |
| Exercisable as of June 30, 2019 | 1,864,999 | 9.02 | 5.34 | 99,673 |

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 six months ended June 30, 2019 (unaudited) was $5,865.

The weighted average grant date fair values of options granted to employees and executive directors during the six months ended June 30, 2019 (unaudited) was $19.83.

d. A summary of the activity in the RSUs (excluding PSUs) granted to employees and members of the board of directors for the six months ended June 30, 2019 (unaudited) is as follows:

| | Number of RSUs | Weighted average grant date fair value |
|---|---|---|
| Unvested as of December 31, 2018 | 2,807,232 | 34.40 |
| Granted | 480,022 | 43.85 |
| Vested | (487,906) | 32.49 |
| Forfeited | (145,142) | 36.27 |
| Unvested as of June 30, 2019 (unaudited) | 2,654,206 | 36.36 |

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

**NOTE 9:- STOCK CAPITAL (Cont.)**

As part of the SMRE Acquisition (unaudited), the Company granted 334,096 PSUs that are subject to certain performance goals and a vesting period. The PSUs grant date fair value is $40.24.

During the six months ended June 30, 2019 (unaudited), the Company recognized expenses in the amount of $1,680 related to PSU'S vesting that were expensed in the condensed consolidated statement of operations in general and administrative expenses line item.

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 June 30, 2019 (unaudited) as follows:

| Issuance Date | Outstanding as of June 30, 2019 | Exercise price | Exercisable as of June 30, 2019 | Options exercisable through |
|---|---|---|---|---|
| 2014 | 6,023 | $3.51 - $5.01 | 5,245 | October 29, 2024 |
| 2015 | 2,127 | $0.00 | - | |
| 2016 | 5,001 | $0.00 - $15.34 | - | September 21, 2026 |
| 2017 | 13,126 | $0.00 - $13.70 | - | March 15, 2027 |
| 2018 | 19,496 | $0.00 | - | |
| 2019 | 12,699 | $0.00 | - | |
| | 58,472 | | 5,245 | |

The Company had accounted for its options and RSUs granted to non-employee consultants under the fair value method of ASC 505-50 ("Equity-Based Payments to Non-Employees").

In connection with the grant of stock options and RSUs to non-employee consultants, the Company recorded stock compensation expenses during the six months ended June 30, 2019 (unaudited) and 2018 (unaudited) in the amount of $352 and $835, 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 June 30, 2019 (unaudited), a total of 2,199,808 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 June 30, 2019 (unaudited), 460,455 common stock shares had been purchased under the ESPP.

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

**NOTE 9:- STOCK CAPITAL (Cont.)**

As of June 30, 2019 (unaudited), 1,739,353 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.

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

The Company recognized stock-based compensation expenses related to stock options, RSUs and PSUs granted to employees and non-employee consultants and ESPP in the condensed consolidated statement of income for the three and six months ended June 30, 2019 (unaudited) and 2018 (unaudited), as follows:

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | Unaudited | | Unaudited | |
| Cost of revenues | $ 1,651 | $ 968 | $ 3,005 | $ 1,892 |
| Research and development | 4,176 | 2,605 | 7,666 | 4,987 |
| Selling and marketing | 2,722 | 2,094 | 5,126 | 4,298 |
| General and administrative | 2,823 | 1,461 | 5,279 | 2,800 |
| Total stock-based compensation expense | $ 11,372 | $ 7,128 | $ 21,076 | $ 13,977 |

As of June 30, 2019 (unaudited), there was a total unrecognized compensation expense of $113,848 related to non-vested equity-based compensation arrangements. These expenses are expected to be recognized during the period from July 1, 2019 through May 31, 2023.

**NOTE 10:- BASIC AND DILUTED NET EARNINGS PER SHARE**

Basic net earnings per share is computed by dividing the net earnings attributable to SolarEdge Technologies, Inc. by the weighted-average number of shares of common stock outstanding during the period.

Diluted net earnings per share is computed by giving effect to all potential shares of common stock, including stock options, to the extent dilutive, all in accordance with ASC No. 260, "Earnings Per Share."

334,096 and 289,796 shares were excluded from the calculation of diluted net earnings per share due to their anti-dilutive effect for the three and six months ended June 30, 2019 (unaudited), respectively.

No shares were excluded from the calculation of diluted net earnings per share due to their anti-dilutive effect for the three and six months ended June 30, 2018 (unaudited).

**NOTE 10:- BASIC AND DILUTED NET EARNINGS PER SHARE (Cont.)**

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

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | Unaudited | | Unaudited | |
| Basic EPS: | | | | |
| Numerator: | | | | |
| Net income | $ 32,913 | $ 34,568 | $ 50,888 | $ 70,254 |
| Net loss attributable to Non-controlling interests | 215 | - | 1,256 | - |
| Net income attributable to SolarEdge Technologies, Inc. | $ 33,128 | $ 34,568 | $ 52,144 | $ 70,254 |
| Denominator: | | | | |
| Shares used in computing net earnings per share of common stock, basic | 47,683,799 | 45,216,253 | 47,353,401 | 44,726,382 |
| Diluted EPS: | | | | |
| Numerator: | | | | |
| Net income | $ 32,913 | $ 34,568 | $ 50,888 | $ 70,254 |
| Net loss attributable to Non-controlling interests | 215 | - | 1,256 | - |
| Undistributed earnings reallocated to non-vested stockholders | (220) | - | (304) | - |
| Net income attributable to SolarEdge Technologies, Inc. | $ 32,908 | $ 34,568 | $ 51,840 | $ 70,254 |
| Denominator: | | | | |
| Shares used in computing net earnings per share of common stock, basic | 47,683,799 | 45,216,253 | 47,353,401 | 44,726,382 |
| Weighted average effect of dilutive securities: | | | | |
| Non-vested PSU'S | (334,096) | - | (289,796) | - |
| Effect of stock-based awards | 2,590,331 | 3,075,027 | 2,294,675 | 3,258,435 |
| Shares used in computing net earnings per share of common stock, diluted | 49,940,034 | 48,291,280 | 49,358,280 | 47,984,817 |

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

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

**NOTE 11:- INCOME TAXES**

a. Taxes on income are comprised as follows:

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | (unaudited) | | (unaudited) | |
| Current year taxes | $ 13,753 | $ 5,322 | $ 18,909 | $ 12,323 |
| Deferred tax income net, and others | (540) | (1,705) | (1,774) | (3,044) |
| Taxes on income | $ 13,213 | $ 3,617 | $ 17,135 | $ 9,279 |

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.

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

| | As of June 30, 2019 | As of December 31, 2018 |
|---|---|---|
| | (Unaudited) | |
| Deferred tax assets, net: | | |
| Research and Development carryforward expenses | $ 8,657 | $ 9,482 |
| Carryforward tax losses | 5,670 | 4,155 |
| Stock based compensation expenses | 4,056 | 3,160 |
| Allowance and other reserves | 7,242 | 5,811 |
| Total deferred tax assets | $ 25,625 | $ 22,608 |
| Deferred tax liabilities, net: | | |
| Intangible assets | (19,537) | (9,408) |
| Total deferred tax liabilities | $ (19,537) | $ (9,408) |
| Recorded as: | | |
| Deferred tax assets, net | $ 14,751 | $ 14,699 |
| Deferred tax liabilities, net | (8,663) | (1,499) |
| Net deferred tax assets | $ 6,088 | $ 13,200 |

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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

**NOTE 11:- INCOME TAXES (Cont.)**

c. Uncertain tax positions:

| | As of June 30, 2019 (Unaudited) | As of December 31, 2018 |
|---|---|---|
| Balance at January 1, | $ 8,499 | $ 579 |
| Increases related to current year tax positions | 1,216 | 8,499 |
| Decreases related to prior year tax positions | - | (579) |
| | $ 9,715 | $ 8,499 |

**NOTE 12:- CONCENTRATION OF CREDIT RISK AND MAJOR CUSTOMERS**

a. For the three months period ended June 30, 2019 (unaudited) and 2018 (unaudited), the Company had one major customer that accounted for 16.2% and 16.3% of its condensed consolidated revenues, respectively.

For the six month period ended June 30, 2019 (unaudited) and 2018 (unaudited), the Company had one major customer that accounted for 15.3% and 18.2% of its condensed consolidated revenues, respectively.

b. As of June 30, 2019 (unaudited) and as of December 31, 2018, two customers accounted for approximately 29.0% and 41.3%, respectively, of the Company’s net trade receivables.

**NOTE 13:- SEGMENT INFORMATION**

The Company's chief operating decision maker (“CODM”) is our Chief Executive Officer who makes resource allocation decisions and assesses performance based on financial information presented on a consolidated basis. Accordingly, the Company has determined that it has a single reportable segment - the solar segment.

Total segment assets include corporate assets, such as cash and cash equivalents, marketable securities and tax assets. Total segment assets reconciled to consolidated amounts are as follows:

| | As of June 30, 2019 (Unaudited) | As of December 31, 2018 |
|---|---|---|
| Solar | $ 1,135,483 | $ 888,672 |
| Non-Solar | 124,260 | 92,358 |
| Adjustments | (38,049) | (16,558) |
| Total assets | $ 1,221,694 | $ 964,472 |

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

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

**NOTE 14:- SUBSEQUENT EVENT**

In August 2019, the Company was served with a lawsuit by certain former shareholders of SMRE, against its Italian subsidiary that purchased the shares of SMRE in the tender offer which followed the SMRE Acquisition. The shareholders who tendered their shares are asking for the difference between the amount for which they tendered their shares (6 Euro per share) and 6.7 Euros per share, for awards of approximately $3 million. The Company believes it has meritorious defenses to the claims asserted and intends to vigorously defend against this lawsuit.

## 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 product development, financing and investment plans, 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 energy applications;
- changes in the U.S. trade environment, including the recent imposition of import tariffs;
- 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 photovoltaic ("PV") system monitoring products by our competitors;
- developments in alternative technologies or improvements in distributed solar energy generation;
- historic cyclicality 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;
- our dependence upon a small number of outside contract manufacturers and suppliers;
- 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 customers' 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;
- our ability to integrate acquired businesses;
- fluctuations in global currency exchange rates;
- unrest, terrorism or armed conflict in Israel;
- general economic conditions in our domestic and international markets;
- 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 are a leading provider of intelligent inverter solutions that has changed the way power is harvested and managed in a solar 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. Supporting increased PV proliferation, the SolarEdge system consists of power optimizers, inverters, communication and smart energy management solutions, and a cloud-based monitoring platform. SolarEdge's solutions addresses a broad range of solar market segments, from residential solar installations to commercial and small utility-scale solar installations.

In addition, in the past year, we have expanded our product offering, by acquiring the assets of Gamatronic Electronic Industries Ltd. ("Gamatronic"), a supplier of uninterruptable power supplies, also known as UPS products (the "Gamatronic Acquisition"); through the acquisition of Kokam Co. Ltd. ("Kokam"), a world provider of lithium ion batteries (the "Kokam Acquisition"); as well as our entry into the e-mobility market, through the acquisition of S.M.R.E S.p.A ("SMRE"), an Italian company providing innovative integrated powertrain technology and electronics for electric vehicles (the "SMRE Acquisition").

Our revenues for the three months ended June 30, 2019 and 2018 were $325.0 million and $227.1 million, respectively. Gross margin was 34.1% and 36.1% for the three months ended June 30, 2019 and 2018, respectively. Net income was $33.1 million and $34.6 million for the three months ended June 30, 2019 and 2018, respectively.

Our revenues for the six months ended June 30, 2019 and 2018 were $596.9 million and $437.0 million, respectively. Gross margin was 33.0% and 37.0% for the six months ended June 30, 2019 and 2018, respectively. Net income was $52.1 million and $70.3 million for the six months ended June 30, 2019 and 2018, respectively.

We are a leader in the global module-level power electronics ("MLPE") market according to GTM Research and as of June 30, 2019, we have shipped approximately 40.8 million power optimizers and 1.7 million inverters. Over 1.1 million installations, many of which may include multiple inverters, are currently connected to, and monitored through, our cloud-based monitoring platform. As of June 30, 2019, we have shipped approximately 13.1 GW of our DC optimized inverter systems.

**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 June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Inverters shipped | 160,117 | 113,767 | 290,789 | 213,413 |
| Power optimizers shipped | 3,730,519 | 2,737,524 | 6,759,621 | 5,213,068 |
| Megawatts shipped (1) | 1,335 | 985 | 2,479 | 1,785 |

(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 income data for each of the periods indicated.

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | (In thousands) | | (In thousands) | |
| Revenues | $ 325,010 | $ 227,118 | $ 596,881 | $ 436,989 |
| Cost of revenues | 214,340 | 145,172 | 400,101 | 275,446 |
| Gross profit | 110,670 | 81,946 | 196,780 | 161,543 |
| Operating expenses: | | | | |
| Research and development | 29,505 | 19,551 | 55,704 | 37,426 |
| Sales and marketing | 22,127 | 15,954 | 42,299 | 32,159 |
| General and administrative | 13,685 | 5,776 | 25,376 | 10,529 |
| Total operating expenses | 65,317 | 41,281 | 123,379 | 80,114 |
| Operating income | 45,353 | 40,665 | 73,401 | 81,429 |
| Financial expenses (income), net | (773) | 2,480 | 5,378 | 1,896 |
| Income before taxes on income | 46,126 | 38,185 | 68,023 | 79,533 |
| Taxes on income | 13,213 | 3,617 | 17,135 | 9,279 |
| Net income | $ 32,913 | $ 34,568 | $ 50,888 | $ 70,254 |
| Net loss attributable to non-controlling interests | 215 | - | 1,256 | - |
| Net income attributable to SolarEdge Technologies, Inc. | $ 33,128 | $ 34,568 | $ 52,144 | $ 70,254 |

***Comparison of the Three Months Ended June 30, 2019 and 2018***

*Revenues*

| | Three Months Ended June 30, | | Three Months Ended June 30, 2018 to 2019 | |
|---|---|---|---|---|
| | 2019 | 2018 | Change | |
| | (in thousands) | | | |
| Revenues | $ 325,010 | $ 227,118 | $ 97,892 | 43.1% |

Revenues increased by $97.9 million, or 43.1%, for the three months ended June 30, 2019 as compared to the three months ended June 30, 2018, primarily due to (i) an increase in the number of inverters and power optimizers sold, with significant growth in revenues coming from Europe, the United States (“U.S.”), Australia and Israel; and (ii) revenues from the new businesses we acquired over the past year, which includes sales of UPS units, batteries, storage systems, and products sold by SMRE, in the aggregate amount of $18.3 million. Revenues from outside of the U.S. comprised 61.6% of our revenues in the three months ended June 30, 2019, as compared to 47.8% in the three months ended June 30, 2018.

The number of power optimizers sold increased by approximately 0.8 million units, or 28.7%, from approximately 2.8 million units in the three months ended June 30, 2018 to approximately 3.6 million units in the three months ended June 30, 2019. The number of inverters sold increased by approximately 46,400 units, or 41.1%, from approximately 112,900 units in the three months ended June 30, 2018 to approximately 159,300 units in the three months ended June 30, 2019. In addition, we increased prices in the U.S. in the three months ended June 30, 2019 compared to the three months ended June 30, 2018, in order to reduce the impact of the increase in tariffs on goods made in China that became effective June 1, 2019. This increase was partially offset by the devaluation of the Euro and the Australian Dollar compared to the U.S. Dollar, negatively impacting our U.S. Dollar denominated average selling price (“ASP”). Overall, and primarily due to the factors detailed above, ASP per watt increased by 3.1% in the three months ended June 30, 2019 as compared to the three months ended June 30, 2018.

*Cost of Revenues and Gross Profit*

| | Three Months Ended June 30, | | Three Months Ended June 30, 2018 to 2019 | |
|---|---|---|---|---|
| | 2019 | 2018 | Change | |
| | (in thousands) | | | |
| Cost of revenues | $ 214,340 | $ 145,172 | $ 69,168 | 47.6% |
| Gross profit | $ 110,670 | $ 81,946 | $ 28,724 | 35.1% |

Cost of revenues increased by $69.2 million, or 47.6%, in the three months ended June 30, 2019, as compared to the three months ended June 30, 2018, primarily due to:

- an increase in the volume of products sold;
- inclusion of variable costs related to the assembly of UPS products and the manufacturing of Kokam and SMRE products in the aggregate amount of $11.3 million, which were not included in the cost of goods sold for the three months ended June 30, 2018, as those businesses were acquired after July 2018;
- increased warranty expenses and warranty accruals of $9.8 million associated primarily with the rapid increase of products in our install base;
- increased shipment and logistics costs of $7.0 million attributed to the growth in volume of products shipped and new customs tariff rules in the U.S.;
- increased personnel-related costs of $5.2 million connected to the expansion of our operations and support headcount which is growing in parallel to our growing install base worldwide and in connection with entering the UPS, battery and integrated powertrain technology businesses; and
- increase of amortization of intangible assets and cost of product adjustment of $3.3 million related to the Gamatronic Acquisition, the Kokam Acquisition and the SMRE Acquisition.

Gross profit as a percentage of revenue decreased from 36.1% in the three months ended June 30, 2018 to 34.1% in the three months ended June 30, 2019, primarily due to:

- lower gross profit from our UPS, battery business and SMRE products and underutilization of production facilities in Korea;
- increased warranty and support services expenses and accruals due to the increase in our install base;
- increased shipment and logistics costs resulted from our expedited growth; and
- amortization of intangible assets and cost of product adjustment related to the Gamatronic Acquisition, the Kokam Acquisition and the SMRE Acquisition.

These were partially offset by general economies of scale in our personnel-related costs and other costs associated with our support and operations departments.

*Research and Development*

| | Three Months Ended June 30, | | Three Months Ended June 30, 2018 to 2019 | |
|---|---|---|---|---|
| | 2019 | 2018 | Change | |
| | (in thousands) | | | |
| Research and development | $ 29,505 | $ 19,551 | $ 9,954 | 50.9% |

Research and development increased by $10.0 million, or 50.9%, in the three months ended June 30, 2019 as compared to the three months ended June 30, 2018, primarily due to:

- an increase in personnel-related costs of $7.8 million resulting from an increase in our research and development headcount as well as salary expenses associated with employee equity-based compensation. The increase in headcount reflects the inclusion of personnel costs from acquired businesses as well as our continuing investment in enhancements of existing products as well as research and development expenses associated with bringing new products to the market;

- increased expenses related to consultants and sub-contractors in an amount of $1.2 million;

- increased expenses related to material consumption costs in an amount of $0.5 million;

- increased depreciation expenses related to lab equipment in an amount of $0.4 million; and

- increased expenses related to other overhead cost and other expenses in an amount of $0.1 million.

*Sales and Marketing*

| | Three Months Ended June 30, | | Three Months Ended June 30, 2018 to 2019 | |
|---|---|---|---|---|
| | 2019 | 2018 | Change | |
| | (in thousands) | | | |
| Sales and marketing | $ 22,127 | $ 15,954 | $ 6,173 | 38.7% |

Sales and marketing expenses increased by $6.2 million, or 38.7%, in the three months ended June 30, 2019 as compared to the three months ended June 30, 2018, primarily due to:

- an increase in personnel-related costs of $4.6 million as a result of the inclusion of personnel costs from acquired businesses and an increase in headcount supporting our growth in the U.S., Europe, and Asia, as well as salary expenses associated with employee equity-based compensation;

- expenses related to marketing activities that increased by $0.8 million;

- expenses related to other overhead costs and travel costs that increased by $0.6 million; and

- expenses related to external consultants and sub-contractors and depreciation expenses that increased by $0.2 million.

*General and Administrative*

| | Three Months Ended June 30, | | Three Months Ended June 30, 2018 to 2019 | |
|---|---|---|---|---|
| | 2019 | 2018 | Change | |
| | (in thousands) | | | |
| General and administrative | $ 13,685 | $ 5,776 | $ 7,909 | 136.9% |

General and administrative expenses increased by $7.9 million, or 136.9%, in the three months ended June 30, 2019 as compared to the three months ended June 30, 2018, primarily due to:

- an increase in personnel-related costs of $4.9 million related to (i) increased headcount resulting from the acquisitions of Gamatronic, Kokam and SMRE and the expansions of our legal, finance, human resources and information technology departmentsy; and (ii) increased expenses related to equity-based compensation and changes in management compensation;

- an increase of $1.7 million in external consultants and sub-contractor expenses, mainly due to legal proceedings and various patent protection matters in which we are involved;

- an increase in costs related to doubtful debts of $0.7 million; and

- expenses related to other overhead costs, depreciation, public company related expenses and travel expenses, all of which increased by $0.6 million.

*Financial expenses (income), net*

| | Three Months Ended June 30, | | | | Three Months Ended June 30, 2018 to 2019 | | |
|---|---|---|---|---|---|---|---|
| | 2019 | | 2018 | | Change | | |
| | (in thousands) | | | | | | |
| Financial expenses (income), net | $ | (773) | $ | 2,480 | $ | (3,253) | N/A |

Financial income was $0.8 million in the three months ended June 30, 2019 compared to financial expenses of $2.5 million in the three months ended June 30, 2018.

The increase in financial income is primarily attributed to:

- a decrease of $6.3 million in foreign exchange expenses between the Euro, the New Israeli Shekel, the Australian Dollar and the South Korean Won against the U.S. Dollar; and

- an increase of $0.2 million in interest income and accretion (amortization) of discount (premium) on marketable securities.

The increase in financial income was offset by:

- a decrease of $2.0 million in income related to hedging transactions;

- an increase of $0.6 million in foreign exchange fluctuations of lease agreements' liabilities as part of the adoption of Accounting Standards Update No. 2016-02, (Topic 842) "Leases";

- an increase of $0.3 million in interest expenses related to advance payments received for performance obligations that extend for a period greater than one year, as part of the new revenue recognition standard adoption; and

- an increase of $0.3 million in bank charges and other financial expenses.

*Taxes on Income*

| | Three Months Ended June 30, | | | | Three Months Ended June 30, 2018 to 2019 | | |
|---|---|---|---|---|---|---|---|
| | 2019 | | 2018 | | Change | | |
| | (in thousands) | | | | | | |
| Taxes on income | $ | 13,213 | $ | 3,617 | $ | 9,596 | 265.3% |

Taxes on income increased by $9.6 million, or 265.3%, in the three months ended June 30, 2019 as compared to the three months ended June 30, 2018, primarily due to:

- an increase of $5.2 million in current tax expenses in Israel, mainly attributed to the termination of the two year tax exemption in Israel which ended on December 31, 2018;

- an increase of $2.6 million in current tax in the U.S. mainly attributed to an increase in Global Intangible Low Taxed Income (“GILTI”) tax;
- a decrease of $1.7 million deferred tax assets in Israel and the U.S.; and
- an increase of $1.1 million in current and prior year tax expenses in other jurisdictions.

The increase in these expenses was offset by an increase of $1.0 million in deferred tax assets, net (presented as tax benefit) in other jurisdictions, mainly related to deferred tax assets as a result of the Kokam and SMRE acquisitions.

*Net Income*

| | Three Months Ended June 30, | | | | Three Months Ended June 30, 2018 to 2019 | |
|---|---|---|---|---|---|---|
| | 2019 | | 2018 | | Change | |
| | (in thousands) | | | | | |
| Net income | $ | 32,913 | $ | 34,568 | $ (1,655) | (4.8)% |

As a result of the factors discussed above, net income decreased by $1.7 million, or 4.8%, in the three months ended June 30, 2019 as compared to the three months ended June 30, 2018.

***Comparison of the Six Months Ended June 30, 2019 and 2018***

*Revenues*

| | Six Months Ended June 30, | | | | Six Months Ended June 30, 2018 to 2019 | |
|---|---|---|---|---|---|---|
| | 2019 | | 2018 | | Change | |
| | (In thousands) | | | | | |
| Revenues | $ | 596,881 | $ | 436,989 | $ 159,892 | 36.6% |

Revenues increased by $159.9 million, or 36.6%, for the six months ended June 30, 2019 as compared to the six months ended June 30, 2018, primarily due to an increase in the number of PV related products sold, with significant growth in revenues coming from Europe, the U.S., Australia and Israel. Revenues from outside of the U.S. comprised 59.2% of our revenues for the six months ended June 30, 2019 compared to 45.7% for the six months ended June 30, 2018. The number of power optimizers sold increased by approximately 1.4 million units, or 27.2%, from approximately 5.2 million units in the six months ended June 30, 2018 to approximately 6.6 million units in the six months ended June 30, 2019. The number of inverters sold increased by approximately 79,900 units, or 37.8%, from approximately 211,500 units in the six months ended June 30, 2018 to approximately 291,400 units in the six months ended June 30, 2019. In the six months ended June 30, 2018 and 2019, the pricing environment remained stable for our prices denominated in local currencies in the countries in which we sell, except for the U.S., where we increased prices in the six months ended June 30, 2019 compared to the six months ended June 30, 2018 in order to reduce the impact of the increase in tariffs on goods made in China. However, the devaluation of the Euro and the Australian Dollar compared to the U.S. Dollar, negatively impacted our U.S. Dollar denominated ASP. In addition, revenues from sale of commercial products that are characterized with lower ASP per watt increased during the six months ended June 30, 2019 as compared to the six months ended June 30, 2018. Overall, and primarily due to the factors detailed above, our ASP per watt for units shipped decreased by $0.018, or 7.11%, in the six months ended June 30, 2019 as compared to the six months ended June 30, 2018.

*Cost of Revenues and Gross Profit*

| | Six Months Ended June 30, 2019 | Six Months Ended June 30, 2018 | Six Months Ended June 30, 2018 to 2019 Change | |
|---|---|---|---|---|
| | (In thousands) | | | |
| Cost of revenues | $ 400,101 | $ 275,446 | $ 124,655 | 45.3% |
| Gross profit | $ 196,780 | $ 161,543 | $ 35,237 | 21.8% |

Cost of revenues increased by $124.7 million, or 45.3%, in the six months ended June 30, 2019, as compared to the six months ended June 30, 2018, primarily due to:

- inclusion of variable costs related to the assembly of UPS products and the manufacturing of Kokam and SMRE products in the aggregate amount of $25.6 million, which were not included in the cost of goods sold for the six months ended June 30, 2018 as those businesses were acquired after July 2018;
- an increase in the volume of products sold;
- increased warranty expenses and warranty accruals of $18.7 million associated primarily with the rapid increase in our install base;
- increased personnel-related costs of $9.5 million related to the expansion of our operations and support headcount which is growing in parallel to our growing install base worldwide and in connection with entering the UPS, battery and integrated powertrain technology businesses;
- increased shipment and logistic costs of $8.9 million attributed, in part, to the growth in volumes shipped and new customs tariff rules in the U.S.; and
- increased of amortization of intangible assets and cost of product adjustment of $5.0 million related to the Gamatronic Acquisition, the Kokam Acquisition and the SMRE Acquisition.

Gross profit as a percentage of revenue decreased from 37.0% in the six months ended June 30, 2018 to 33.0% in the six months ended June 30, 2019, primarily due to:

- lower gross profit from our UPS, battery business and SMRE products and underutilization of production facilities;
- increased warranty and support services expenses and accruals due to the increase in our install base; and
- amortization of intangible assets and cost of product adjustment related to the Gamatronic Acquisition, the Kokam Acquisition and the SMRE Acquisition.

These were partially offset by general economies of scale in our personnel-related costs and other costs associated with our support and operations departments.

*Research and Development*

| | Six Months Ended June 30, 2019 | Six Months Ended June 30, 2018 | Six Months Ended June 30, 2018 to 2019 Change | |
|---|---|---|---|---|
| | (In thousands) | | | |
| Research and development | $ 55,704 | $ 37,426 | $ 18,278 | 48.8% |

Research and development increased by $18.3 million, or 48.8%, in the six months ended June 30, 2019 as compared to the six months ended June 30, 2018, primarily due to:

- an increase in personnel-related costs of $13.9 million resulting from an increase in our research and development headcount as well as salary expenses associated with employee equity compensation. The increase in headcount reflects the inclusion of personnel costs from acquired businesses in addition to our continuing investment in enhancements of existing products and research and development expenses associated with bringing new products to the market;
- increased expenses related to consultants and sub-contractors in an amount of $2.2 million;
- increased expenses related to material consumption costs in an amount of $1.0 million;
- increased depreciation expenses related to lab equipment in an amount of $0.7 million; and
- increased expenses related to other overhead cost in an amount of $0.5 million.

This increase is consistent with the Company's plans to expand its business, both organically and from its acquired companies.

*Sales and Marketing*

| | Six Months Ended June 30, | | | | Six Months Ended June 30, 2018 to 2019 | |
|---|---|---|---|---|---|---|
| | 2019 | | 2018 | | Change | |
| | | | (In thousands) | | | |
| Sales and marketing | $ | 42,299 | $ | 32,159 | $ 10,140 | 31.5% |

Sales and marketing expenses increased by $10.1 million, or 31.5%, in the six months ended June 30, 2019 as compared to the six months ended June 30, 2018, primarily due to:

- an increase in personnel-related costs of $7.0 million as a result of the inclusion of personnel costs from acquired businesses as well as from an increase in headcount supporting our growth in the U.S., Europe and Asia, as well as salary expenses associated with employee equity compensation;
- increased expenses related to marketing activity in an amount of $1.0 million;
- increased expenses related to other overhead costs and travel expenses in an amount of $1.0 million;
- increased expenses related to amortization and depreciation expenses in an amount of $1.0 million; and
- increased expenses related to external consultants and sub-contractor and other expenses in an amount of $0.1 million.

This increase is consistent with the Company’s growth in revenues which necessitates more sales and marketing infrastructure as well as increased expenses from the recently acquired companies.

*General and Administrative*

| | Six Months Ended June 30, | | | | Six Months Ended June 30, 2018 to 2019 | |
|---|---|---|---|---|---|---|
| | 2019 | | 2018 | | Change | |
| | | | (In thousands) | | | |
| General and administrative | $ | 25,376 | $ | 10,529 | $ 14,847 | 141.0% |

General and administrative expenses increased by $14.8 million, or 141.0%, in the six months ended June 30, 2019 as compared to the six months ended June 30, 2018, primarily due to:

- an increase in personnel costs of $8.5 million related to (i) increased headcount resulting from the acquisitions of Gamatronic, Kokam and SMRE and the expansions of our legal, finance, human resources and information technology departmentsy; and (ii) increased expenses related to equity-based compensation and changes in management compensation;
- increased expenses related to consultants and sub-contractors in an amount of $4.3 million due to legal proceedings in which we are involved and other legal expenses in relation to SMRE Acquisition costs;
- increased expenses related to other overhead costs and other expenses in an amount of $0.9 million;
- increased expenses related to doubtful debt in an amount of $0.6 million; and
- increased expenses related to depreciation expenses and public company related expenses in an amount of $0.5 million.

This increase is consistent with the Company’s plans to expand its business, both organically and from its acquired companies.

*Financial Expenses (Income), Net*

| | Six Months Ended June 30, | | Six Months Ended June 30, 2018 to 2019 | |
|---|---|---|---|---|
| | 2019 | 2018 | Change | |
| | (In thousands) | | | |
| Financial expenses (income), net | $ 5,378 | $ 1,896 | $ 3,482 | 183.6% |

Financial expenses increased by $3.5 million, or 183.6% in the six months ended June 30, 2019 compared to the six months ended June 30, 2018, primarily due:

- an increase of $1.5 million in foreign exchange fluctuations of lease agreements' liabilities as part of the adoption of Accounting Standards Update No. 2016-02, (Topic 842) "Leases";
- an increase of $1.1 million in interest expenses related to advance payments received for performance obligations that extend for a period greater than one year, as part of the new revenue recognition and lease accounting standards adoption;
- a decrease of $ 0.6 million in finance income related to hedging transactions;
- an increase of $0.5 million in foreign exchange fluctuations, mainly between the Euro, the New Israeli Shekel, the Australian Dollar and the South Korean Won against the U.S. Dollar; and
- an increase of $0.3 million in other financial expenses and bank charges.

The increase in these expenses was partially offset by an increase of $0.5 million in interest income and accretion (amortization) of discount (premium) on marketable securities.

*Taxes on Income*

| | Six Months Ended June 30, | | Six Months Ended June 30, 2018 to 2019 | |
|---|---|---|---|---|
| | 2019 | 2018 | Change | |
| | (In thousands) | | | |
| Taxes on income | $ 17,135 | $ 9,279 | $ 7,856 | 84.7% |

Taxes on income increased by $7.9 million, or by 84.7% in the six months ended June 30, 2019 compared to the six months ended June 30, 2018, primarily due to:

- an increase of $5.1 million in current tax expenses in Israel mainly attributed to the termination of the two year tax exemption in Israel which ended on December 31, 2018;
- a decrease of $3.4 million in deferred tax assets in Israel;
- an increase of $1.1 million in current and prior year tax expenses in other jurisdictions; and
- an increase of $0.6 million in current tax in the U.S.

The increase in these expenses was offset by:

- an increase of $1.9 million in deferred tax assets, net (presented as tax benefit) in other jurisdictions, mainly related to deferred tax assets as a result of the Kokam and SMRE acquisitions; and
- an increase of $0.4 million in deferred tax assets in the U.S.

*Net Income*

| | Six Months Ended June 30, | | Six Months Ended June 30, 2018 to 2019 | |
|---|---|---|---|---|
| | 2019 | 2018 | Change | |
| | (In thousands) | | | |
| Net income | $ 50,888 | $ 70,254 | $ (19,366) | (27.6)% |

As a result of the factors discussed above, net income decreased by $19.4 million, or 27.6% in the six months ended June 30, 2019 as compared to the six months ended June 30, 2018.

### 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 June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | (In thousands) | | | |
| Net cash provided by operating activities | $ 50,784 | $ 43,891 | $ 107,234 | $ 107,870 |
| Net cash used in investing activities | $ (35,176) | $ (61,971) | $ (52,221) | $ (64,482) |
| Net cash provided by (used in) financing activities | $ (64,755) | $ 2,986 | $ (67,385) | $ 7,591 |
| Increase (decrease) in cash, cash equivalents and restricted cash | $ (49,147) | $ (15,094) | $ (12,372) | $ 50,979 |

As of June 30, 2019, our cash, cash equivalents and restricted cash were $176.6 million. This amount does not include $189.2 million invested in available-for-sale marketable securities and $7.8 million invested in bank deposits and restricted bank deposits. 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 twelve months.

***Operating Activities***

For the six months ended June 30, 2019, cash provided by operating activities was $107.2 million, derived mainly from a net income of $50.9 million that included $32.8 million of non-cash expenses, an increase of $28.9 million in warranty obligations, $28.2 million in accrued expenses and other accounts payable, $11.8 million of deferred revenues, $5.5 million in trade payables, $5.1 million in accruals for employees, $1.5 in operating lease liabilities and a decrease of $1.7 million in inventories, which were offset by an increase of $56.6 million in trade receivables, net, and $2.6 million in prepaid expenses and other assets.

For the six months ended June 30, 2018, cash provided by operating activities was $107.9 million, derived mainly from a net income of $70.3 million that included $17.1 million of non-cash expenses, an increase of $18.5 million in warranty obligations, $18.2 million in trade payables, net and other accounts payable, $13.1 million of deferred revenues and $1.0 million in accruals for employees, which were offset by an increase of $19.0 million in inventories, $9.2 million in trade receivables, net, and $2.1 million in prepaid expenses and other assets.

***Investing Activities***

During the six months ended June 30, 2019, net cash used in investing activities was $52.2 million, of which $63.7 million was invested in available-for-sale marketable securities, $38.4 million was utilized for SMRE acquisition and $22.2 million related to capital investments in laboratory equipment, end of line testing equipment, automated assembly lines, manufacturing tools and leasehold improvements. This was offset by $68.4 million from proceeds from sales and the maturities of available-for-sale marketable securities and a decrease of $3.7 million in bank deposits.

During the six months ended June 30, 2018, net cash used in investing activities was $64.5 million, of which $89.4 million was invested in available-for-sale marketable securities, $21.4 million related to capital investments in laboratory equipment, end of line testing equipment, automated assembly lines, manufacturing tools and leasehold improvements and $0.5 million invested in bank and restricted deposits. This was offset by $46.8 million from the maturities of available-for-sale marketable securities.

***Financing Activities***

For the six months ended June 30, 2019, net cash used in financing activities was $67.4 million, of which $66.5 million related to the purchase of non-controlling interests in Kokam and SMRE and $4.7 million was used for repayment of loan obligations we acquired as part of the Kokam and SMRE Acquisitions. This was offset by $3.8 million attributed to cash received from the exercise of employee and non-employee stock options.

For the six months ended June 30, 2018, net cash provided by financing activities was $7.6 million, all attributed to cash received from the exercise of employee and non-employee stock options.

**Debt Obligations**

In October 2018, as part of the Kokam Acquisition, we acquired a number of bank loan obligations in an aggregate amount of $20.1 million (the “Kokam Loans”). The Kokam Loans mature in various installments through May 2021 and their annual interest rates are variable. As of June 30, 2019, the interest rates ranged from 2.9% to 4.1% and the aggregate Kokam Loans outstanding were $18.6 million.

In January 2019, as part of the SMRE Acquisition, we acquired a number of bank loans in an aggregate amount of $5.5 million (the “SMRE Loans”). The SMRE Loans mature in various installments through June 2026 and their annual interest rates are variable. As of June 30, 2019, the interest rates ranged from 0.8% to 3.5% and the aggregate SMRE Loans outstanding were $3.3 million.

**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 54.8% and 40.8% of our revenues for the six months ended June 30, 2019 and 2018, 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 and Korean Won. 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 six months ended June 30, 2019, between the Euro and the U.S. Dollar would increase or decrease our net income by $20.7 million for the six months ended June 30, 2019. A hypothetical 10% change in foreign currency exchange rates during the six months ended June 30, 2019, between the New Israeli Shekel and the U.S. Dollar would increase or decrease our net income by $6.7 million for the six months ended June 30, 2019. A hypothetical 10% change in foreign currency exchange rates during the six months ended June 30, 2019, between the Korean Won and the U.S. Dollar would increase or decrease our net income by $1.0 million for the six months ended June 30, 2019.

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.

We have in the past, and may in the future, use derivative financial instruments, specifically foreign currency forward contracts, to manage exposure to foreign currency risks by hedging a portion of our account receivable balances. Our foreign currency forward contracts are expected to mitigate exchange rate changes related to the hedged assets. During the six months ended June 30, 2019, we had no foreign currency forward transactions and as of June 30, 2019, we had no foreign currency forward contracts outstanding. We do not use derivative financial instruments for speculative or trading purposes.

As of June 30, 2019, we had cash and cash equivalents of $176.6 million and available-for-sale marketable securities with an estimated fair value of $189.2 million and $7.8 million invested in bank deposit and restricted bank deposits, which 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 June 30, 2019, two major customers accounted for approximately 29.0% of our consolidated trade receivables balance. We currently do not foresee a material, adverse credit risk associated with these receivables.

## 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 the end of the period covered by this report. 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

Following the adoption of the Accounting Standards Update No. 2016-02 (Topic 842) "Leases" on January 1, 2019, we implemented changes to our processes related to leases and the related control activities. There were significant changes to our internal control over financial reporting due to the adoption of this new standard.

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 May 2019, we were served with three lawsuits by Huawei Technologies Co., Ltd., a Chinese entity (“Huawei”), against the Company's two Chinese subsidiaries and its equipment manufacturer in China. The lawsuits, filed in the Guangzhou intellectual property court, allege infringement of three patents and ask for an injunction of manufacture, use, sale and offer for sale, and damage awards of approximately $4.3 million. We believe that we have meritorious defenses to the claims asserted by Huawei and intend to vigorously defend against these lawsuits.

In August 2019, we were served with a lawsuit by certain former shareholders of SMRE, against the Company’s Italian subsidiary that purchased the shares of SMRE in the tender offer which followed the SMRE Acquisition. The shareholders who tendered their shares are asking for the difference between the amount for which they tendered their shares (6 Euro per share) and 6.7 Euros per share, for awards of approximately $3 million. We believe that we have meritorious defenses to the claims asserted and intend to vigorously defend against this lawsuit.

In addition, as part of the normal course of business, we may from time to time be named as a party to various legal claims, actions and complaints (including as a result of initiating such legal claims, action or complaints on behalf of the Company). 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-K for the year ended December 31, 2018.

## ITEM 2 UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

## ITEM 3 DEFAULTS UPON SENIOR SECURITIES

None.

## ITEM 4 MINE SAFETY DISCLOSURES

Not applicable.

## ITEM 5 OTHER INFORMATION

None.

## ITEM 6 EXHIBITS

| 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) |
|---|---|---|
| 31.1 | Certification of Chief Executive Officer Pursuant to Rule 13a-14(a). | *Filed with this report.* |
| 31.2 | Certification of Chief Financial Officer Pursuant to Rule 13a-14(a). | *Filed with this report.* |
| 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 | *Filed with this report.* |
| 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 | *Filed with this report.* |
| 101.INS | XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document | *Filed with this report.* |
| 101.SCH | XBRL Taxonomy Extension Schema Document | *Filed with this report.* |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document | *Filed with this report.* |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document | *Filed with this report.* |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document | *Filed with this report.* |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document | *Filed with this report.* |
| 104 | The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2019 formatted in Inline XBRL | *Included in Exhibit 101.* |

## 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.

| | |
|---|---|
| | SOLAREDGE TECHNOLOGIES, INC. |
| Date: August 8, 2019 | /s/ Guy Sella |
| | Guy Sella<br>Chief Executive Officer and Chairman of the Board<br>*(Principal Executive Officer)* |
| Date: August 8, 2019 | /s/ Ronen Faier |
| | Ronen Faier<br>Chief Financial Officer<br>*(Principal Financial and Accounting Officer)* |

**Exhibit 31.1**

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: August 8, 2019

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

**Exhibit 31.2**

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: August 8, 2019

/s/ Ronen Faier

Ronen Faier
Chief Financial Officer
*(Principal Financial Officer)*

**Exhibit 32.1**

**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 June 30, 2019 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.

August 8, 2019

/s/ Guy Sella

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

**Exhibit 32.2**

**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 June 30, 2019 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.

August 8, 2019

/s/ Ronen Faier

Ronen Faier
Chief Financial Officer
*(Principal Financial Officer)*