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

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER  
PURSUANT TO RULE 13a-16 OR 15d-16 OF  
THE SECURITIES EXCHANGE ACT OF 1934

For the month of: **November 2021**

Commission File Number: **001-36903**

**KORNIT DIGITAL LTD.**

(Translation of Registrant's name into English)

**12 Ha'Amal Street**

**Park Afek**

**Rosh Ha'Ayin 4824096 Israel**

(Address of Principal Executive Office)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F

Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

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## CONTENTS

This Report of Foreign Private Issuer on Form 6-K (this “**Form 6-K**”) is being furnished by Kornit Digital Ltd. (“**Kornit**”) to the Securities and Exchange Commission (the “**SEC**”) for the sole purposes of: (i) furnishing, as Exhibit 99.1 to this Form 6-K, the unaudited interim consolidated financial statements of Kornit as of, and for the nine month period ended, September 30, 2021 (the “**Financial Statements**”); and (ii) furnishing, as Exhibit 99.2 to this Form 6-K, Management’s Discussion and Analysis of Financial Condition and Results of Operations, which discusses and analyzes Kornit’s financial condition and results of operations as of, and for the nine month period ended, September 30, 2021.

Attached hereto as Exhibit 101 are the Financial Statements, formatted in XBRL (eXtensible Business Reporting Language), consisting of the following sub-exhibits:

<b>Exhibit Number</b>	<b>Document Description</b>
EX-101.INS	Inline XBRL Taxonomy Instance Document
EX-101.SCH	Inline XBRL Taxonomy Extension Schema Document
EX-101.CAL	Inline XBRL Taxonomy Calculation Linkbase Document
EX-101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
EX-101.LAB	Inline XBRL Taxonomy Label Linkbase Document
EX-101.PRE	Inline XBRL Taxonomy Presentation Linkbase Document

The XBRL related information in Exhibit 101 to this Form 6-K shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability under that section and shall not be incorporated by reference into any filing or other document pursuant to the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing or document.

The contents of this Report of Foreign Private Issuer on Form 6-K are incorporated by reference in the Company’s registration statements on Form F-3 (SEC File No. 333-248784), filed with the SEC on September 14, 2020, and on Form S-8 (SEC File Nos. 333-237346, 333-230567, 333-223794, 333-217039, 333-214015, 333-203970 and 333-254749), filed with the SEC on March 25, 2021, March 23, 2020, March 28, 2019, March 20, 2018, March 30, 2017, October 6, 2016 and May 7, 2015, respectively.

**SIGNATURES**

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.

**KORNIT DIGITAL LTD.**

Date: November 16, 2021

By: /s/ Alon Rozner  
Name: Alon Rozner  
Title: Chief Financial Officer

## Exhibit Index

<b>Exhibit No.</b>	<b>Description</b>
99.1	<a href="#">Unaudited condensed interim consolidated financial statements of the Company as of, and for, the nine month period ended September 30, 2021.</a>
99.2	<a href="#">Management's Discussion and Analysis of Financial Condition and Results of Operations of the Company as of, and for the nine month period ended, September 30, 2021.</a>
EX-101.INS	Inline XBRL Taxonomy Instance Document
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KORNIT DIGITAL LTD. AND ITS SUBSIDIARIES  
INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
AS OF SEPTEMBER 30, 2021  
UNAUDITED  
U.S. DOLLARS IN THOUSANDS  
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**KORNIT DIGITAL LTD. AND ITS SUBSIDIARIES****INTERIM CONSOLIDATED BALANCE SHEETS (Unaudited)**

U.S. dollars in thousands

	<b>September 30, 2021</b>	<b>December 31, 2020</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 96,668	\$ 125,777
Short-term bank deposits	241,103	224,804
Marketable securities	25,920	13,718
Trade receivables, net	49,866	51,566
Inventories	55,344	52,487
Other accounts receivable and prepaid expenses	11,148	9,178
<b>Total current assets</b>	<b>480,049</b>	<b>477,530</b>
<b>LONG-TERM ASSETS:</b>		
Marketable securities	93,816	71,636
Deposits and other long-term assets	471	395
Severance pay fund	342	337
Deferred taxes	7,054	5,096
Property, plant and equipment, net	38,401	29,255
Operating lease right-of-use assets	22,122	21,053
Intangible assets, net	10,479	7,221
Goodwill	25,447	16,466
<b>Total long-term assets</b>	<b>198,132</b>	<b>151,459</b>
<b>Total assets</b>	<b>\$ 678,181</b>	<b>\$ 628,989</b>

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

**KORNIT DIGITAL LTD. AND ITS SUBSIDIARIES****INTERIM CONSOLIDATED BALANCE SHEETS (Unaudited)**

U.S. dollars in thousands, except share and per share data

	<u>September 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Trade payables	\$ 30,630	\$ 32,016
Employees and payroll accruals	22,238	15,022
Deferred revenues and advances from customers	11,719	27,019
Operating lease liabilities	4,461	3,957
Other payables and accrued expenses	22,116	11,613
<b>Total current liabilities</b>	<b>91,164</b>	<b>89,627</b>
<b>LONG TERM LIABILITIES:</b>		
Accrued severance pay	1,327	1,214
Operating lease liabilities	18,856	18,688
Other long-term liabilities	1,699	443
<b>Total long-term liabilities</b>	<b>21,882</b>	<b>20,345</b>
<b>SHAREHOLDERS' EQUITY:</b>		
Ordinary shares of NIS 0.01 par value – Authorized: 200,000,000 shares at September 30, 2021 and December 31, 2020, respectively; Issued and Outstanding: 46,477,324 shares and 45,988,613 shares at September 30, 2021 and December 31, 2020, respectively	123	121
Additional paid in capital	520,884	488,208
Accumulated other comprehensive income	1,600	2,733
Retained earnings	42,528	27,955
<b>Total shareholders' equity</b>	<b>565,135</b>	<b>519,017</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 678,181</b>	<b>\$ 628,989</b>

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

**KORNIT DIGITAL LTD. AND ITS SUBSIDIARIES**

**INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)**

U.S. dollars in thousands, except per share data

	Nine months ended September 30,	
	2021	2020
Revenues		
Products	\$ 206,682	\$ 103,536
Services	27,776	17,504
Total revenues	<u>234,458</u>	<u>121,040</u>
Cost of revenues		
Products	98,457	50,117
Services	26,477	20,066
Total cost of revenues	<u>124,934</u>	<u>70,183</u>
Gross profit	<u>109,524</u>	<u>50,857</u>
Operating expenses		
Research and development, net	30,736	22,213
Sales and marketing	40,716	25,375
General and administrative	24,972	18,957
Total operating expenses	<u>96,424</u>	<u>66,545</u>
Operating income (loss)	<u>13,100</u>	<u>(15,688)</u>
Finance income, net	<u>2,635</u>	<u>4,427</u>
Income (loss) before taxes on income (tax benefit)	15,735	(11,261)
Taxes on income (tax benefit)	<u>1,162</u>	<u>(577)</u>
Net income (loss)	<u>\$ 14,573</u>	<u>\$ (10,684)</u>
Basic net earnings (losses) per share	<u>\$ 0.32</u>	<u>\$ (0.26)</u>
Diluted net earnings (losses) per share	<u>\$ 0.30</u>	<u>\$ (0.26)</u>

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



**KORNIT DIGITAL LTD. AND ITS SUBSIDIARIES**

**INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (Unaudited)**

U.S. dollars in thousands

	Nine months ended September 30,	
	2021	2020
Net income (loss)	\$ 14,573	\$ (10,684)
Other comprehensive income:		
Change in unrealized gains (losses) on marketable securities:		
Unrealized gains (losses) arising during the period, net of tax on income (tax benefit) of \$(94) and \$154, respectively	(1,149)	1,907
Gains reclassified into net income (loss)	(32)	(462)
Net change	(1,181)	1,445
Change in unrealized gains (losses) on cash flow hedges:		
Unrealized gains (losses) arising during the period, net of tax on income (tax benefit) of \$(2) and \$11, respectively	(27)	130
Losses (gains) reclassified into net income (loss)	75	(130)
Net change	48	-
Foreign currency translation adjustment	-	161
Total other comprehensive income (loss), net of tax	(1,133)	1,606
Comprehensive income (loss)	\$ 13,440	\$ (9,078)

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

**KORNIT DIGITAL LTD. AND ITS SUBSIDIARIES**
**INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (Unaudited)**

U.S. dollars in thousands, except share data

	Ordinary shares		Additional paid in capital	Accumulated other comprehensive income (loss)	Retained earnings	Total Shareholders' equity
	Number of shares outstanding	Amount				
Balance at January 1, 2021	45,988,613	\$ 121	\$ 488,208	\$ 2,733	\$ 27,955	\$ 519,017
Exercise of options and vesting of restricted stock units	488,711	2	4,139	-	-	4,141
Share-based compensation	-	-	10,969	-	-	10,969
Warrants to customers	-	-	17,568	-	-	17,568
Other comprehensive loss	-	-	-	(1,133)	-	(1,133)
Net income	-	-	-	-	14,573	14,573
Balance at September 30, 2021	46,477,324	\$ 123	\$ 520,884	\$ 1,600	\$ 42,528	\$ 565,135
	Ordinary shares		Additional paid in capital	Accumulated other comprehensive income (loss)	Retained earnings	Total Shareholders' equity
	Number of shares outstanding	Amount				
Balance at January 1, 2020	40,684,340	\$ 105	\$ 304,617	\$ 843	\$ 32,738	\$ 338,303
Issuance of ordinary shares in a public offering, net of issuance costs in an amount of \$739	4,689,941	14	162,531	-	-	162,545
Exercise of options and vesting of restricted stock units	257,235	1	4,941	-	-	4,942
Share-based compensation	-	-	7,310	-	-	7,310
Warrants to customers	-	-	3,564	-	-	3,564
Other comprehensive income	-	-	-	1,606	-	1,606
Net loss	-	-	-	-	(10,684)	(10,684)
Balance at September 30, 2020	45,631,516	\$ 120	\$ 482,963	\$ 2,449	\$ 22,054	\$ 507,586

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

**KORNIT DIGITAL LTD. AND ITS SUBSIDIARIES**
**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)**

U.S. dollars in thousands	Nine months ended September 30,	
	2021	2020
Net income (loss)	\$ 14,573	\$ (10,684)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	4,945	3,411
Fair value of warrants deducted from revenues	17,568	3,564
Share-based compensation	10,969	7,310
Amortization of premium and accretion of discount on marketable securities, net	(1,620)	248
Realized gain on sale of marketable securities	(32)	(503)
Change in operating assets and liabilities:		
Trade receivables, net	1,713	(7,933)
Other accounts receivables and prepaid expenses	(1,853)	(1,615)
Inventories	(3,765)	(9,529)
Operating lease right-of-use assets and liabilities, net	(397)	-
Deferred taxes	(1,866)	(823)
Deposits and long-term assets	(76)	38
Trade payables	(2,400)	571
Employees and payroll accruals	8,878	4,318
Deferred revenues and advances from customers	(15,350)	7,663
Other payables and accrued expenses	10,479	2,120
Accrued severance pay, net	108	81
Other long-term liabilities	1,256	48
Loss from sale and disposal of property and Equipment	-	75
Foreign currency translation loss on intercompany balances with foreign subsidiaries	-	(294)
Net cash provided by (used in) operating activities	43,130	(1,934)
<u>Cash flows from investing activities:</u>		
Purchase of property, plant and equipment	(9,422)	(10,758)
Capitalization of software development costs	-	(121)
Proceeds from sale of property, plant and equipment	-	4
Cash paid in connection with acquisition, net of cash acquired	(14,991)	(15,059)
Investment in (proceeds from) bank deposits	(16,299)	43,192
Proceeds from sale of marketable securities	-	58,532
Proceeds from maturity of marketable securities	10,304	20,006
Investment in marketable securities	(44,310)	(18,542)
Net cash provided by (used in) investing activities	(74,718)	77,254
<u>Cash flows from financing activities:</u>		
Exercise of employee stock options	4,141	4,942
Payments related to shares withheld for taxes	(1,662)	(82)
Proceeds from public offering, net of issuance costs	-	162,720
Net cash provided by financing activities	2,479	167,580
Foreign currency translation adjustments on cash and cash equivalents	-	37
Increase (decrease) in cash and cash equivalents	(29,109)	242,937
Cash and cash equivalents at the beginning of the period	125,777	40,743
Cash and cash equivalents at the end of the period	\$ 96,668	\$ 283,680

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

**KORNIT DIGITAL LTD. AND ITS SUBSIDIARIES****INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)**

U.S. dollars in thousands

	<b>Nine months ended September 30,</b>	
	<b>2021</b>	<b>2020</b>
<u>Supplemental disclosure of non-cash investing and financing activities:</u>		
Property and equipment acquired in credit	\$ 1,907	\$ 382
Inventory transferred to be used as property and equipment	\$ 931	\$ 823
Issuance expenses on credit	\$ -	\$ 739
Lease liabilities arising from obtaining right-of-use assets	\$ 1,517	\$ 2,769

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

## KORNIT DIGITAL LTD. AND ITS SUBSIDIARIES

### NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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U.S. dollars in thousands, except share and per share data

#### NOTE 1:- GENERAL

- a. Kornit Digital Ltd. (the "Company") was incorporated in 2002 under the laws of the State of Israel. The Company and its subsidiaries develop, design and market digital printing solutions for the global printed textile industry. The Company's and its subsidiaries' solutions are based on their proprietary digital textile printing systems, ink and other consumables, associated software and value-added services.
- b. The Company established wholly owned subsidiaries in Israel, the United States, Germany, Hong Kong, Japan and the United Kingdom. The Company's subsidiaries are engaged primarily in services, sales, and marketing, except for the Israeli subsidiary which is engaged primarily in research and development and manufacturing.
- c. The Company depends on four major suppliers to supply certain components for the production of its products. If one of these suppliers fails to deliver or delays the delivery of the necessary components, the Company will be required to seek alternative sources of supply. A change in these suppliers could result in manufacturing delays, which could cause a possible loss of sales and, consequently, could adversely affect the Company's results of operations and financial position.

#### NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

- a. Unaudited interim consolidated financial statements:

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") for interim financial information. In the opinion of management, the unaudited interim consolidated financial statements include all adjustments of a normal recurring nature necessary for a fair presentation of the Company's consolidated financial statements.

The balance sheet at December 31, 2020 has been derived from the audited consolidated financial statements of the Company at that date but does not include all information and footnotes required by U.S. GAAP for complete financial statements.

The accompanying unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and accompanying notes for the year ended December 31, 2020, included in the Company's Annual Report on Form 20-F filed with the U.S. Securities and Exchange Commission ("SEC") on March 25, 2021. The significant accounting policies applied in the Company's audited 2020 consolidated financial statements and notes thereto included in the Annual Report are applied consistently in these unaudited interim consolidated financial statements.

**NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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

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**NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

b. Use of estimates:

The preparation of the unaudited interim consolidated financial statements in conformity with U.S. GAAP requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the interim consolidated financial statements and the reported amounts of revenues and expenses during the period. The Company's management believes that the estimates, judgments and assumptions used are reasonable based upon information available at the time they are made. Actual results could differ from those estimates.

On an ongoing basis, the Company's management evaluates estimates, including those related to intangible assets and goodwill, tax assets and liabilities, fair values of stock-based awards, inventory write-offs, warranty provision, allowance for credit losses and provision for rebates and returns. Such estimates are based on historical experience and on various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities.

The duration, scope and effects of the ongoing COVID-19 pandemic, government and other third-party responses to it, and the related macroeconomic effects, including to the Company's business and the business of the Company's suppliers and customers are uncertain, rapidly changing and difficult to predict. As a result, the Company's accounting estimates and assumptions may change over time in response to this evolving situation. Such changes could result in future impairments of intangibles, long-lived assets, inventories, incremental credit losses on receivables and marketable securities, or an increase in the Company's insurance liabilities as of the time of a relevant measurement event.

**NOTE 3:- BUSINESS COMBINATIONS**

- a. On August 10, 2021, the Company consummated the acquisition, pursuant to an asset purchase agreement, of certain assets of Voxel8 Inc., an advanced additive manufacturing technology for textiles, which allows for digital fabrication of functional features with zonal control of material properties, in addition to utilizing high-performance elastomers adhering to inkjet technology. Under the agreement the Company purchased the associated assets for a total consideration of \$14,991 in cash.

In addition, the Company incurred acquisition-related costs in a total amount of \$194. Acquisition-related costs include legal, accounting, consulting fees and other external costs directly related to the acquisition. These transaction costs were included in general and administrative expenses in the consolidated statements of operations.

The main reasons for this acquisition are to strengthen the Company ability to explore potential existing and new lucrative markets such as functional apparel and footwear, as well as to be able to offer versatility of decorative capabilities enabling the production of various functional applications on textile substrates.

**KORNIT DIGITAL LTD. AND ITS SUBSIDIARIES****NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

U.S. dollars in thousands, except share and per share data

**NOTE 3:- BUSINESS COMBINATIONS (Cont.)**

The Voxel8 acquisition was accounted for as a business combination in accordance with ASC 805 “Business Combinations”. ASC No. 805 requires recognition of assets acquired, liabilities assumed, and any non-controlling interest at the acquisition date, measured at their fair values as of that date. The excess of the fair value of the purchase price over the fair values of the identifiable assets and liabilities is recorded as goodwill. Such valuations require management to make significant estimates and assumptions, especially with respect to intangible assets. Acquisition related costs are expensed to the statement of operations in the period incurred.

Under business combination accounting principles, the total purchase price was allocated to Voxel8’s net tangible and intangible assets based on their estimated fair values as set forth below. The excess of the purchase price over the net tangible and identifiable intangible assets was recorded as goodwill which is deductible for tax purposes,

The preliminary fair value estimates for the intangible assets acquired for Voxel8 acquisition were based upon preliminary calculations and valuations, and the estimates and assumptions for this acquisition are subject to change as the Company obtains additional information during the respective measurement period to the information that was existed as of the acquisition date (up to one year from the respective acquisition dates). The following table summarizes the purchase price allocation of Voxel8 Acquisition:

	<u>Fair value</u>	<u>Amortization period (years)</u>
Tangible Assets, net	\$ 1,448	
Intangible assets:		
Technology - Materials	1,795	6.5
Technology - Systems	1,767	8.5
Harvard License	1,000	8.5
Goodwill	<u>8,981</u>	Infinite
Total purchase price	<u>\$ 14,991</u>	

Pro forma results of operations related to this acquisition have not been prepared because they are not material to the Company's consolidated statements of operations.

**KORNIT DIGITAL LTD. AND ITS SUBSIDIARIES**
**NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

U.S. dollars in thousands, except share and per share data

**NOTE 4:- MARKETABLE SECURITIES**

The following tables summarize our marketable securities by significant investing categories:

	<b>September 30, 2021</b>			
	<b>Amortized cost</b>	<b>Gross unrealized gain</b>	<b>Gross unrealized loss</b>	<b>Fair value</b>
<b>Matures within one year:</b>				
Corporate debentures	\$ 23,688	\$ 209	\$ -	\$ 23,897
Government debentures	2,007	16	-	2,023
	<u>25,695</u>	<u>225</u>	<u>-</u>	<u>25,920</u>
<b>Matures after one year through four years:</b>				
Corporate debentures	83,016	869	(257)	83,628
Government debentures	10,210	29	(51)	10,188
	<u>93,226</u>	<u>898</u>	<u>(308)</u>	<u>93,816</u>
<b>Total</b>	<u>\$ 118,921</u>	<u>\$ 1,123</u>	<u>\$ (308)</u>	<u>\$ 119,736</u>
	<b>December 31, 2020</b>			
	<b>Amortized Cost</b>	<b>Gross unrealized gain</b>	<b>Gross unrealized loss</b>	<b>Fair value</b>
<b>Matures within one year:</b>				
Corporate debentures	\$ 13,106	\$ 210	\$ -	\$ 13,316
Government debentures	402	-	-	402
	<u>13,508</u>	<u>210</u>	<u>-</u>	<u>13,718</u>
<b>Matures after one year through four years:</b>				
Corporate debentures	63,611	1,815	(3)	65,423
Government debentures	6,145	79	(11)	6,213
	<u>69,756</u>	<u>1,894</u>	<u>(14)</u>	<u>71,636</u>
<b>Total</b>	<u>\$ 83,264</u>	<u>\$ 2,104</u>	<u>\$ (14)</u>	<u>\$ 85,354</u>

Investments with continuous unrealized losses for less than 12 months and 12 months or greater and their related fair values were as follows:

	<b>September 30, 2021</b>					
	<b>Less than 12 months</b>		<b>12 months or greater</b>		<b>Total</b>	
	<b>Fair value</b>	<b>Unrealized losses</b>	<b>Fair value</b>	<b>Unrealized losses</b>	<b>Fair value</b>	<b>Unrealized losses</b>
Corporate debentures	\$ 42,248	\$ (257)	\$ -	\$ -	\$ 42,248	\$ (257)
Government debentures	8,649	(51)	-	-	8,649	(51)
	<u>50,897</u>	<u>(308)</u>	<u>-</u>	<u>-</u>	<u>50,897</u>	<u>(308)</u>
<b>Total</b>	<u>\$ 50,897</u>	<u>\$ (308)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,897</u>	<u>\$ (308)</u>



**KORNIT DIGITAL LTD. AND ITS SUBSIDIARIES**

**NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

U.S. dollars in thousands, except share and per share data

**NOTE 4:- MARKETABLE SECURITIES (Cont.)**

	December 31, 2020					
	Less than 12 months		12 months or greater		Total	
	Fair value	Unrealized Losses	Fair value	Unrealized Losses	Fair value	Unrealized Losses
Corporate debentures	\$ 3,821	\$ (3)	\$ -	\$ -	\$ 3,821	\$ (3)
Government debentures	3,002	(11)	-	-	3,002	(11)
<b>Total</b>	<b>\$ 6,823</b>	<b>\$ (14)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,823</b>	<b>\$ (14)</b>

**NOTE 5:- FAIR VALUE MEASUREMENTS**

The Company measures its marketable securities and foreign currency derivative contracts at fair value. Marketable securities and foreign currency derivative contracts are classified within Level II as the valuation inputs are based on quoted prices and market observable data of similar instruments.

The below table sets forth the Company's assets and liabilities that were measured at fair value as of September 30, 2021 and December 31, 2020 by level within the fair value hierarchy.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	As of September 30, 2021			
	Level 1	Level 2	Level 3	Total
Assets:				
Marketable securities	\$ -	\$ 119,736	\$ -	\$ 119,736
Foreign currency derivative contracts	-	62	-	62
<b>Total financial assets</b>	<b>\$ -</b>	<b>\$ 119,798</b>	<b>\$ -</b>	<b>\$ 119,798</b>
	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Assets:				
Marketable securities	\$ -	\$ 85,354	\$ -	\$ 85,354
Foreign currency derivative contracts	-	-	-	-
<b>Total financial assets</b>	<b>\$ -</b>	<b>\$ 85,354</b>	<b>\$ -</b>	<b>\$ 85,354</b>

**KORNIT DIGITAL LTD. AND ITS SUBSIDIARIES****NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

U.S. dollars in thousands, except share and per share data

**NOTE 6:- INVENTORIES**

	<u>September 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Raw materials and components	\$ 23,919	\$ 18,026
Finished products (*)	31,425	34,461
	<u>\$ 55,344</u>	<u>\$ 52,487</u>

(\*) Including amounts of \$5,578 and \$10,628 as of September 30, 2021 and December 31, 2020, respectively, with respect to inventory delivered to customers for which revenue was not yet recognized.

Inventory write-offs amounted to \$4,223 and \$2,554 during the nine months ended September 30, 2021 and 2020, respectively.

**NOTE 7:- DERIVATIVES AND HEDGING ACTIVITIES**

The Company follows FASB ASC No. 815, "Derivatives and Hedging" which requires companies to recognize all of their derivative instruments as either assets or liabilities in the statement of financial position at fair value. Accounting for changes in fair value (i.e., gains or losses) of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging transaction and further, on the type of hedging transaction. For those derivative instruments that are designated and qualify as hedging instruments, a company must designate the hedging instrument, based upon the exposure being hedged, as a fair value hedge, cash flow hedge, or a hedge of a net investment in a foreign operation. Due to the Company's global operations, it is exposed to foreign currency exchange rate fluctuations in the normal course of its business. The Company used derivative financial instruments, specifically foreign currency forward and option contracts ("Hedging Contracts"), to manage exposure to foreign currency risks, by hedging a portion of the Company's forecasted expenses denominated in New Israeli Shekels expected to incur within a year. The effect of exchange rate changes on foreign currency hedging contracts is expected to partially offset the effect of exchange rate changes on the underlying hedged item.

For derivative instruments that are designated and qualify as a cash flow hedge (i.e., hedging the exposure to variability in expected future cash flows that is attributable to a particular risk), the gain or loss on the derivative instrument is reported as a component of other comprehensive income (loss) and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Gains or losses from contracts that were not designated as hedging instruments are recognized in "financial income, net".

## a. Derivative instruments notional amounts

The following table summarizes the notional amounts for hedged items, when transactions are designated as hedge accounting:

	<u>September 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Cash flow hedge	<u>\$ 9,276</u>	<u>\$ -</u>

**KORNIT DIGITAL LTD. AND ITS SUBSIDIARIES**

**NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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

**NOTE 7:- DERIVATIVES AND HEDGING ACTIVITIES (Cont.)**

b. Derivative instrument outstanding

As of September 30, 2021, and December 31, 2020, the fair value of the Company's outstanding forward and option contracts amounted to \$62 and \$0 which is included within "Other payables and accrued expenses" in the balance sheets.

c. Derivative instrument gains and losses

During the nine months ended September 30, 2021 and 2020, the company recorded pretax expenses of \$9 and \$24, respectively from derivatives designated in cash flow hedging relationships.

The Company's outstanding derivatives designated as cash flow hedging instruments, and their related gains and losses, are reported in the statement of cash flows as cash flows from operating activities.

The maximum length of time over which the Company hedges its exposure to the variability in future cash flows for forecasted transactions is less than 12 months.

The estimated net amount of the existing unrealized loss that is reported in accumulated other comprehensive income at the reporting date that is expected to be reclassified into earnings within the next 12 months is \$48.

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

a. Charges:

As of September 30, 2021, the Company has a line of credit with an Israeli bank for total borrowings of up to \$2 million. This line of credit is unsecured and available provided that the Company maintains a 30% ratio of total tangible shareholders' equity to total tangible assets, and that the total credit use will be less than 70% of the Company and its subsidiaries' receivables. Interest rates across this credit line varied from 0.3% to Prime (Israel Interbank Offered Rate) +0.7% (currently 2.3%) as of September 30, 2021.

As of September 30, 2021, the Company has not utilized its line of credit.

b. Purchase commitments:

As of September 30, 2021, the Company has purchase commitments from vendors in an amount of \$54,683. These commitments are due primarily within one year.

c. Litigation:

From time to time, the Company is involved in various legal proceedings, claims and litigation that arise in the normal course of business. It is the opinion of management that the ultimate outcome of these matters will not have a material adverse effect on the Company's financial position, results of operations or cash flows.

**KORNIT DIGITAL LTD. AND ITS SUBSIDIARIES****NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

U.S. dollars in thousands, except share and per share data

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

## d. Royalty Commitments:

Under the Company's agreement for purchasing print heads and other products, which was amended in 2016, the Company is obligated to pay 2.5% royalties of its annual ink revenues up to an annual maximum amount of \$625.

Royalty expenses for the nine months ended September 30, 2021 and 2020 were \$469 each.

## e. Guarantees:

As of September 30, 2021, the Company provided five bank guarantees in a total amount of \$575 for its rented facilities.

**NOTE 9:- EARNINGS (LOSSES) PER SHARE**

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

	<b>Nine months ended September 30,</b>	
	<b>2021</b>	<b>2020</b>
Numerator for basic and diluted net earnings (losses) per share:		
Net income (loss)	\$ 14,573	\$ (10,684)
Weighted average shares outstanding:		
Denominator for basic earnings (losses) per share	46,200,884	41,059,090
Effect of dilutive securities:		
Share options, warrants and restricted share units	1,645,193	-
Denominator for diluted earnings (losses) per share	47,846,077	41,059,090
Basic earnings (losses) per share	<u>\$ 0.32</u>	<u>\$ (0.26)</u>
Diluted earnings (losses) per share	<u>\$ 0.30</u>	<u>\$ (0.26)</u>

No shares related to the outstanding options and RSUs were excluded from the calculation of diluted earnings per share due to their anti-dilutive effect for the nine months ended September 30, 2021. During the nine months ended September 30, 2020, the Company was in a loss position and therefore all its securities were antidilutive.

**KORNIT DIGITAL LTD. AND ITS SUBSIDIARIES**

**NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

U.S. dollars in thousands, except share and per share data

**NOTE 10:- SHAREHOLDERS' EQUITY**

a. Company's shares:

1. Ordinary shares:

Each ordinary share confers equal rights to dividends and bonus shares, and to participate in the distribution of surplus assets upon liquidation in proportion to the par value of that share regardless of any premium paid thereon, all subject to the provisions of the Company's articles of association. Each ordinary share confers its holder the right to participate in the general meeting of the Company and one vote in the voting.

2. On September 16, 2020, the Company closed a follow on and secondary offering where 2,999,999 ordinary shares were sold in the transaction to the public for an aggregate net proceeds of \$161,981, net of underwriting discounts, commissions and offering expenses. In addition, 1,689,942 ordinary shares issued pursuant to exercise of warrants, were sold by the Company's global customer. The Company did not receive any of the proceeds from the sale of these ordinary shares.

b. Share option and RSU's plans:

A summary of the Company's share option activity for the nine months ended September 30, 2021 and related information is as follows:

	<u>Number of shares upon exercise</u>	<u>Weighted average exercise price</u>	<u>Weighted- average remaining contractual term (in years)</u>	<u>Aggregate intrinsic value</u>
Outstanding as of January 1, 2021	686,456	\$ 18.66	6.87	\$ 48,375
Granted	5,005	125.25	-	-
Exercised	(217,547)	19.04	-	11,951
Forfeited	(21,935)	19.12	-	-
Outstanding as of September 30, 2021	<u>451,979</u>	<u>\$ 19.60</u>	<u>6.08</u>	<u>\$ 56,296</u>
Exercisable at end of period	<u>296,525</u>	<u>\$ 15.32</u>	<u>5.38</u>	<u>\$ 38,203</u>

As of September 30, 2021, the Company had \$2,069 of unrecognized compensation expense related to non-vested stock options expected to be recognized over a weighted average period of 1.95 years.

**KORNIT DIGITAL LTD. AND ITS SUBSIDIARIES****NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

U.S. dollars in thousands, except share and per share data

**NOTE 10:- SHAREHOLDERS' EQUITY (Cont.)**

A summary of the Company's RSUs activity is as follows:

	<b>Nine months ended September 30, 2021</b>
Unvested as of January 1, 2021	834,321
Granted	242,685
Vested	(271,164)
Forfeited	(71,884)
Unvested as of September 30, 2021	<u>733,958</u>

The weighted average fair values at grant date of RSUs granted during the nine months ended September 30, 2021 was \$108.90

As of September 30, 2021, the Company had \$39,023 of unrecognized compensation expense related to RSUs expected to be recognized over a weighted average period of 2.85 years.

The Company's Board of Directors has approved Equity Incentive Plans pursuant to which the Company is authorized to issue to employees, directors and officers of the Company and its subsidiaries (the "optionees") options to purchase ordinary shares of NIS 0.01 par value each, at an exercise price equal to at least the fair market value of the ordinary shares at the date of grant. 25% of total options are exercisable one year after the date determined for each optionee and a further 6.25% become exercisable at the end of each subsequent three-month period over the following 3 years.

Under the Equity Incentive Plans, beginning in 2017, the Company grants Restricted Stock Units ("RSUs"). The RSUs generally vest over a period of four years of employment. Options and RSUs that have vested are exercisable for up to 10 years from the grant date of the options or RSU to each employee. Options and RSUs that are cancelled or forfeited before expiration become available for future grants.

As of September 30, 2021, an aggregate of 4,111,196 ordinary shares are available for future grants.

**KORNIT DIGITAL LTD. AND ITS SUBSIDIARIES****NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

U.S. dollars in thousands, except share and per share data

**NOTE 10:- SHAREHOLDERS' EQUITY (Cont.)**

- c. The following table sets forth the total share-based compensation expense included in the consolidated statements of operations for the nine months ended September 30, 2021 and 2020:

	<b>Nine months ended September 30,</b>	
	<b>2021</b>	<b>2020</b>
Cost of products	\$ 1,000	\$ 772
Cost of services	750	568
Research and development, net	1,810	1,243
Sales and marketing	3,651	2,150
General and administrative	3,758	2,577
<b>Total share-based compensation expense</b>	<b>\$ 10,969</b>	<b>\$ 7,310</b>

On January 10, 2017, the Company signed a master purchase agreement with Amazon Inc. (the "Agreement") under which 2,932,176 warrants to purchase ordinary shares of the Company at an exercise price of \$13.04 per share were issued to Amazon as a customer incentive. The warrants are subject to vesting as a function of payments for purchased products and services of up to \$150 million over a five year period beginning on May 1, 2016, with the shares vesting incrementally each time Amazon makes a payment totaling \$5 million to the Company. On September 16, 2020 Amazon Inc. exercised 2,162,463 warrants in a cashless manner and sold the 1,689,942 ordinary shares received upon exercise. As of September 30, 2021, 769,713 warrants are exercisable under the Agreement.

On September 14, 2020, the Company signed an amendment to the master purchase agreement (the "Amended Agreement") with Amazon Inc. under which an additional 3,401,028 warrants to purchase ordinary shares of the Company at an exercise price of \$59.26 per share were issued to Amazon as a customer incentive. The warrants are subject to vesting as a function of payments for purchased products and services of up to \$400 million over a five-year period beginning in January 2021, with the shares vesting incrementally each time Amazon makes a payment totaling \$5 million to the Company. As of September 30, 2021, 427,559 warrants are exercisable under the Amended Agreement.

The Company recognized a reduction to revenues of \$17,568 and \$3,564 during the nine months ended September 30, 2021, and 2020, respectively, due to the accounting impact of Amazon's warrants.

**KORNIT DIGITAL LTD. AND ITS SUBSIDIARIES**

**NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

U.S. dollars in thousands, except share and per share data

**NOTE 11:- ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)**

The following table summarizes the changes in accumulated balances of other comprehensive income (loss), net of taxes:

	Unrealized gain (loss) on marketable securities	Unrealized gain on cash flow hedges	Foreign currency translation adjustment	Total
	<b>Unaudited</b>			
Nine months ended September 30, 2021:				
Beginning balance	\$ 1,933	\$ -	\$ 800	\$ 2,733
Other comprehensive income (loss) before reclassifications	(1,149)	(27)	-	(1,176)
Amounts reclassified from accumulated other comprehensive income	(32)	75	-	43
Net current period other Comprehensive income (loss)	(1,181)	48	-	(1,133)
Ending Balance	<u>\$ 752</u>	<u>\$ 48</u>	<u>\$ 800</u>	<u>\$ 1,600</u>

**NOTE 12:- REVENUE RECOGNITION**

Revenue disaggregated by revenue source for the nine months ended September 30, 2021 and 2020, consists of the following:

	<b>Nine months ended September 30,</b>	
	<b>2021</b>	<b>2020</b>
Systems	\$ 139,979	\$ 55,266
Ink and consumables	66,703	48,270
Services	14,620	10,566
Service contracts and software subscriptions	13,156	6,938
Total revenue	<u>\$ 234,458</u>	<u>\$ 121,040</u>



**KORNIT DIGITAL LTD. AND ITS SUBSIDIARIES****NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

U.S. dollars in thousands, except share and per share data

**NOTE 12:- REVENUE RECOGNITION (Cont.)**

The following table presents revenue disaggregated by geography based on customer location:

	<b>Nine months ended September 30,</b>	
	<b>2021</b>	<b>2020</b>
U.S	\$ 157,523	\$ 71,471
EMEA	52,745	31,581
Asia Pacific	17,129	10,624
Other	7,061	7,364
<b>Total revenue</b>	<b>\$ 234,458</b>	<b>\$ 121,040</b>

Remaining performance obligations represents contracted revenues that have not yet been recognized, which includes deferred revenues and non-cancelable contracts that will be invoiced and recognized as revenue in future periods. The following table represents the remaining performance obligations as of September 30, 2021, which are expected to be satisfied and recognized in future periods:

	<b>Remainder of 2021</b>	<b>2022</b>	<b>2023 and thereafter</b>
Product	\$ 12,672	\$ -	\$ -
Services	2,769	3,735	400
<b>Total</b>	<b>\$ 15,441</b>	<b>\$ 3,735</b>	<b>\$ 400</b>

Contract liabilities include amounts received from customers for which revenue has not yet been recognized. Contract liabilities amounted to \$11,824 and \$27,156 as of September 30, 2021 and December 31, 2020, respectively and are presented under deferred revenues and advances from customers and other long-term liabilities. During the nine months ended September 30, 2021, the Company recognized revenues in the amount of \$16,535 which have been included in the contract liabilities at January 1, 2021.

Provision for returns amounted to \$2,238 and \$1,759 as of September 30, 2021 and December 31, 2020, respectively.

## KORNIT DIGITAL LTD. AND ITS SUBSIDIARIES

### NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands, except share and per share data

#### NOTE 13:- TAXES ON INCOME

- a. The main reconciling items between the theoretical and actual tax rate during the nine months ended September 30, 2021, derives mainly from: tax expense related to the Company's foreign subsidiaries income at different tax rates, deferred tax benefit recognized in Israel related to current losses at Preferred Enterprise reduced tax rates and permanent differences.
- b. The Company is currently subject to a tax audit for the years 2013 to 2019 by the Israeli Tax Authority, or ITA. In respect of the years 2013-2014, the Company has been issued a tax order, concerning which it appealed to the district court. The ITA also issued assessments for the years 2015 until 2019, on which the Company filed an objection, and the ITA has to determine whether to accept the objection or issue a tax order for the years 2015-2019 as well. The Company's management, based on a legal opinion received from its legal counsels, believes that it has adequately provided for any reasonably foreseeable outcome related to the ITA tax audits. Nevertheless, the ITA may disagree with its positions taken in its tax returns for any other years as well, and the Company may be subject to additional tax liabilities, which could have a material adverse effect on the Company's results of operations.

The U.S and German subsidiaries received final tax assessment through 2014 and 2016, respectively, and the Hong Kong, UK and Japan subsidiaries have not received a final tax assessment since inception.

#### NOTE 14:- TRANSACTIONS WITH RELATED PARTIES

The Company's policy is to enter into transactions with related parties on terms that, on the whole, are no less favorable than those available from unaffiliated third parties. Based on the Company's experience in the business sectors in which it operates and the terms of its transactions with unaffiliated third parties, the Company believes that all of the transactions described below met this policy at the time they occurred.

1. Fritz Companies Israel T. Ltd. ("Fritz")

Fritz is a logistics company which is owned, in part, by the Chairman of the Board since March 2018. The Company has an ongoing logistic contract with Fritz. During the nine months ended September 30, 2021 and 2020 logistic service fees amounted to \$3,481 and \$2,659, respectively. As of September 30, 2021, and December 31, 2020, the Company had trade payables balances due to this related party in amounts of \$587 and \$1,546, respectively.

2. Accord Insurance Agency Ltd. ("Accord")

The Company maintains a business relationship with Accord Insurance Agency Ltd., or Accord, a company which is an insurance agency that is owned in part and controlled, by the Chairman of the Board. Accord is the Company's insurance agent for most of its insurance policies. During the nine months ended September 30, 2021 and 2020 total premium under the contracts was \$289 and \$742, respectively.

3. Priority Software Ltd. ("Priority")

Priority is the Company's ERP solution provider, which is owned, in part, by a few of the Company's Board members. During the nine months ended September 30, 2021 and 2020 maintenances fees and additional licenses acquired amounted to \$172 and \$61 respectively. As of September 30, 2021 and December 31, 2020, the Company had trade payables balances due to this related party in amount of \$0 and \$65, respectively.

4. Tritone Technologies Ltd. ("Tritone")

On September 13, 2020, the Company entered into a sublease agreement with Tritone Technologies Ltd., whose CEO is a director of the Company and whose one of its shareholders is an equity fund controlled by the chairman of the Board, for the sublease of 192 square meters in Rosh Ha'Ayin. The term of the lease is 24 months until September 12, 2022, with an option to extend the term by additional 12 months. The rent under the sublease is approx. \$2 per month. The sublease agreement is carried out on a "back-to-back" basis, as the Company pays over the rent that it receives directly to its landlord. As of September 30, 2021 and December 31, 2020, the Company had a trade receivable balance due from this related party in an amount of \$5 and \$3, respectively.

5. Magalcom Ltd. ("Magalcom")

The Company entered into a transaction with Magalcom which is owned, in part and controlled, by the Chairman of the Board, for the replacement of communication equipment in its conference rooms. Total consideration to be paid to Magalcom pursuant to this transaction is approximately \$650. During the nine months ended September 30, 2021 and 2020 service fees amounted to \$518 and \$0 respectively. As of September 30, 2021 and December 31, 2020, the Company had a trade payables balance due to this related party in an amount of \$404 and \$9, respectively.

**KORNIT DIGITAL LTD.**  
**OPERATING AND FINANCIAL REVIEW AND PROSPECTS OF**  
**FINANCIAL CONDITION AND RESULTS OF OPERATIONS**  
**For the Nine Months Ended September 30, 2021**

**Comparison of Period to Period Results of Operations**

	Nine Months Ended September 30,	
	2021	2020
(in thousands)		
Revenues		
Products	\$ 206,682	\$ 103,536
Services	27,776	17,504
Total revenues	<u>234,458</u>	<u>121,040</u>
Cost of revenues		
Products	98,457	50,117
Services	26,477	20,066
Total cost of revenues	<u>124,934</u>	<u>70,183</u>
Gross profit	<u>109,524</u>	<u>50,857</u>
Operating expenses:		
Research and development, net	30,736	22,213
Sales and marketing	40,716	25,375
General and administrative	24,972	18,957
Total operating expenses	<u>96,424</u>	<u>66,545</u>
Operating income (loss)	13,100	(15,688)
Financial income, net	2,635	4,427
Income (loss) before taxes on income (tax benefit)	<u>15,735</u>	<u>(11,261)</u>
Taxes on income (tax benefit)	1,162	(577)
Net income (loss)	<u>\$ 14,573</u>	<u>\$ (10,684)</u>

	Nine Months Ended September 30,	
	2021	2020
(as a % of revenues)		
Revenues		
Products	88.2%	85.5%
Services	11.8	14.5
Total revenues	<u>100.0</u>	<u>100.0</u>
Cost of revenues		
Products	42.0	41.4
Services	11.3	16.6
Total cost of revenues	<u>53.3</u>	<u>58.0</u>
Gross profit	<u>46.7</u>	<u>42.0</u>
Operating expenses:		
Research and development, net	13.1	18.3
Sales and marketing	17.4	21.0
General and administrative	10.6	15.7
Total operating expenses	<u>41.1</u>	<u>55.0</u>
Operating income (loss)	5.6	(13.0)
Financial income, net	1.1	3.7
Income (loss) before taxes on income (tax benefit)	<u>6.7</u>	<u>(9.3)</u>
Taxes on income (tax benefit)	0.5	(0.5)
Net income (loss)	<u>6.2%</u>	<u>(8.8)%</u>

## Geographic Breakdown of Revenues

The following table sets forth the geographic breakdown of revenues from sales to customers located in the regions indicated below for the periods indicated:

	Nine Months Ended September 30,			
	2021		2020	
	\$	%	\$	%
	(\$ in thousands)			
U.S	\$ 157,523	67.2%	\$ 71,471	59.0%
EMEA	52,745	22.5	31,581	26.1
Asia Pacific	17,129	7.3	10,624	8.8
Other	7,061	3.0	7,364	6.1
Total revenues	\$ 234,458	100.0%	\$ 121,040	100.0%

## Comparison of the Nine Months Ended September 30, 2021 and 2020

### Revenues

Revenues increased by \$113.5 million, or 93.7%, to \$234.5 million in the nine months ended September 30, 2021, from \$121.0 million in the nine months ended September 30, 2020, which is net of \$17.6 million and \$3.6 million, the fair value of warrants associated with revenues recognized from Amazon, in the nine months ended September 30, 2021 and 2020, respectively. The increase in revenues resulted from: a 38.2% increase in ink and other consumables revenues to \$66.7 million in the nine months ended September 30, 2021 from \$48.3 million in the nine months ended September 30, 2020; a 58.6% increase in service revenues to \$27.8 million in the nine months ended September 30, 2021, from \$17.5 million in the nine months ended September 30, 2020, and an increase of 153.3% in systems revenues to \$140.0 million in the nine months ended September 30, 2021, from \$55.3 million in the nine months ended September 30, 2020. The results for the nine months ended September 30, 2020 reflected the impact of the COVID-19 pandemic, which began shortly before the end of the first quarter of 2020 and resulted in significant deferrals of orders.

### Cost of Revenues and Gross Profit

Cost of revenues increased by \$54.7 million, or 78.0%, to \$124.9 million in the nine months ended September 30, 2021, from \$70.2 million in the nine months ended September 30, 2020. Gross profit increased by \$58.6 million, or 115.4%, to \$109.5 million in the nine months ended September 30, 2021, from \$50.9 million in the nine months ended September 30, 2020. Gross margin increased to 46.7% in the nine months ended September 30, 2021, compared to 42.0% in the nine months ended September 30, 2020 during which we faced the impact of COVID-19 on revenues and certain costs. Inventory write-offs amounted to \$4.2 million in the nine months ended September 30, 2021 compared to \$2.6 million in the nine months ended September 30, 2020.

Operating Expenses

	Nine Months Ended September 30,					
	2021		2020		Change	
	Amount	% of Revenues	Amount	% of Revenues	Amount	%
(\$ in thousands)						
<b>Operating expenses:</b>						
Research and development, net	\$ 30,736	13.1%	\$ 22,213	18.3%	\$ 8,523	38.4%
Sales and marketing	40,716	17.4	25,375	21.0	15,341	60.5
General and administrative	24,972	10.6	18,957	15.7	6,015	31.7
Total operating expenses	\$ 96,424	41.1%	\$ 66,545	55.0%	\$ 29,879	44.9%

*Research and Development, net.* Research and development net expenses increased by 38.4% in the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020. The increase was mainly attributable to an increase of \$5.2 million in salaries and related personnel expenses and share based compensation as a result of an increase in the number of employees with higher seniority, compared to the nine months ended September 30, 2020. In addition, the increase reflected an increase of \$1.1 million in materials consumed for R&D activities and an increase of \$1.2 million in consulting services. As a percentage of total revenues, our research and development expenses decreased from 18.3% in the nine months ended September 30, 2020 to 13.1% in the nine months ended September 30, 2021, mainly due to the increase in revenues in the nine months ended September 30, 2021 compared to the revenues in the nine months ended September 30, 2020.

*Sales and Marketing.* Sales and marketing expenses increased by 60.5% in the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020. This increase was primarily due to an increase of \$7.1 million in salaries and related personnel expenses and share-based compensation expenses due to a higher number of employees and variable compensation payout during the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020, and increase of \$4.6M in marketing activities due to higher volume of activities. As a percentage of total revenues, our sales and marketing expenses decreased during this period from 21.0% in the nine months ended September 30, 2020 to 17.4% in the nine months ended September 30, 2021, mainly due to the increase in revenues in the nine months ended September 30, 2021 compared to the revenues in the nine months ended September 30, 2020.

*General and Administrative.* General and administrative expenses increased by 31.7% in the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020. This primarily resulted from an increase of \$3.5 million in salaries, related personnel expenses and share-based compensation expenses mainly due to additional personnel and an increase of \$1.2 million in consulting services. As a percentage of total revenues, our general and administrative expenses decreased from 15.7% in the nine months ended September 30, 2020 to 10.6% in the nine months ended September 30, 2021 mainly due to the increase in revenues in the nine months ended September 30, 2021 compared to the revenues in the nine months ended September 30, 2020.

*Financial income, net*

Finance income, net totaled \$2.6 million in the nine months ended September 30, 2021, compared to \$4.4 million in the nine months ended September 30, 2020. The \$1.8 million decrease resulted mainly from a decrease to \$3.0 million interest on marketable securities and bank deposits in the nine months ended September 30, 2021, compared to \$3.6 million in the nine months ended September 30, 2020, and by a decrease to \$0.2 million of currency exchange losses in the nine months ended September 30, 2021, compared to \$0.7 million of currency exchange gains in the nine months ended September 30, 2020.

## Taxes on Income

Taxes on income amounted to \$1.2 million in the nine months ended September 30, 2021, compared to tax benefit of \$0.6 million in the nine months ended September 30, 2020. The change from tax benefit to taxes on income is due to moving from loss to income.

We are currently subject to a tax audit for the years 2013 to 2019 by the Israeli Tax Authority, or ITA. In respect of the years 2013 to 2014, we have been issued a tax order, which we are appealing to the district court. The ITA also issued assessments for the years 2015 to 2019, to which we have filed an objection, and the ITA has to determine whether to accept the objection or issue a tax order. Based on a legal opinion we received from our legal counsels, we believe that we have adequately provided for any reasonably foreseeable outcome related to the ITA tax audits. Nevertheless, the ITA may disagree with our positions taken in our tax returns for any other years as well, and we may be subject to additional tax liabilities, which could have a material adverse effect on our results of operations.

## Liquidity and Capital Resources

As of September 30, 2021, we had approximately \$96.7 million in cash and cash equivalents, \$241.1 million in short term deposits and \$119.7 million in short-term and long-term marketable securities, which, in the aggregate, totaled \$457.5 million. We fund our operations mostly with cash raised via our equity financings, including our January 2017, September 2019 and September 2020 follow-on offerings, as well as, secondarily, cash generated from our operations.

As of September 30, 2021, we had a line of credit with an Israeli bank for total borrowings of up to \$2.0 million. This line of credit is unsecured and available provided that we maintain a 30% ratio of total tangible shareholders' equity to total tangible assets and that the total credit use will be less than 70% of our receivables. Interest rates across this credit line varied from 0.3% to Prime (Israel Interbank Offered Rate) +0.7% (currently 2.3% as of September 30, 2021).

Based on our current business plans, we believe that our cash flows from operating activities and our existing cash resources will be sufficient to fund our projected cash requirements for at least the next 12 months without drawing on our lines of credit or using cash on hand. Our future capital requirements will depend on many factors, including our rate of revenue growth, the timing and extent of spending to support product development efforts, the expansion of our sales and marketing activities, and the timing of introductions of new solutions and the continuing market acceptance of our solutions as well as other business development efforts.

The following table presents the major components of net cash flows for the periods presented:

	Nine Months Ended September 30,	
	2021	2020
	(in thousands)	
Net cash provided by (used in) operating activities	\$ 43,130	\$ (1,934)
Net cash provided by (used in) investing activities	(74,718)	77,254
Net cash provided by financing activities	2,479	167,580

### Net Cash Provided by Operating Activities

#### Nine Months Ended September 30, 2021

Net cash provided by operating activities in the nine months ended September 30, 2021 was \$43.1 million.

Net cash provided by operating activities consisted of net income of \$14.6 million, as adjusted upwards in an amount of \$31.8 million for non-cash line items, including fair value of warrants deducted from revenues, stock-based compensation expenses, depreciation, amortization of intangible assets and amortization of premium on marketable securities, offset, in part, by other adjustments not included hereunder in an amount of \$3.3 million.

During the nine months ended September 30, 2021, our accounts receivable decreased by \$1.7 million, reflecting the strong collection of customers debts. Number of days receivables were outstanding for the nine months ended September 30, 2021 decreased to 58 days, compared to 112 days for the nine months ended September 30, 2020.

During the same period, deferred revenues and advances from customers decreased by \$15.3 million, thereby reducing cash provided by operating activities by that amount, while other payables and accrued expenses increased by \$10.5 million, reflecting the increase in business volume, which increased cash provided by operating activities by that amount.

#### *Nine Months Ended September 30, 2020*

Net cash used in operating activities in the nine months ended September 30, 2020 was \$1.9 million.

Net cash used in operating activities consisted of net loss of \$10.7 million, as adjusted upwards in an amount of \$13.7 million for non-cash line items, including stock-based compensation expenses, fair value of warrants deducted from revenues, depreciation, amortization of intangible assets, amortization of premium on marketable securities and realized gain on sale of marketable securities and foreign currency translation gain on inter-company balances with foreign subsidiaries, as offset, in part, by other adjustments not included hereunder in an amount of \$4.9 million.

During the nine months ended September 30, 2020, our accounts receivable increased by \$7.9 million reflecting the increase in our revenues, which decreased cash used in operating activities by that amount. Number of days receivables were outstanding for the nine months ended September 30, 2020 increased to 112 days, compared to 93 days for the nine months ended September 30, 2019.

During the same period, our inventory increased by \$9.5 million compared to the year ended December 31, 2019, which decreased cash used in operating activities by that amount. This inventory increase was primarily due to the impact of COVID-19 on revenues (as products that were not sold accumulated as inventory).

#### ***Net Cash provided by (Used in) Investing Activities***

##### *Nine Months Ended September 30, 2021*

Net cash used in investing activities was \$74.7 million for the nine months ended September 30, 2021, which was primarily attributable to net purchase of marketable securities and increase in bank deposits of \$50.3 million, cash paid in connection with acquisition net of cash acquired of \$15 million and investment of \$9.4 million in property and equipment.

##### *Nine Months Ended September 30, 2020*

Net cash provided by investing activities was \$77.3 million for the nine months ended September 30, 2020, which was primarily attributable to net proceeds from sale of marketable securities and withdrawals from bank deposits of \$103.2 million offset, in part, by cash paid in connection with acquisition net of cash acquired of \$15.1 million investment of \$10.9 million in property and equipment.

## ***Net Cash Provided by Financing Activities***

### *Nine Months Ended September 30, 2021*

Net cash provided by financing activities was \$2.5 million for the nine months ended September 30, 2021, which was primarily attributable to proceeds from exercise of employee stock options.

### *Nine Months Ended September 30, 2020*

Net cash provided by financing activities was \$167.6 million for the nine months ended September 30, 2020, which was primarily attributable to proceeds from our September 2020 public offering of ordinary shares, net of issuance costs.

## **Cautionary Statement Regarding Forward-Looking Statements**

Certain information herein may be deemed to be “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are those that predict or describe future events or trends and that do not relate solely to historical matters. You can generally identify forward-looking statements as statements containing the words “may,” “will,” “could,” “should,” “expect,” “anticipate,” “intend,” “estimate,” “believe,” “project,” “plan,” “assume” or other similar expressions, or negatives of those expressions, although not all forward-looking statements contain these identifying words.

These forward-looking statements may include, but are not limited to, statements regarding our future strategy, future operations, projected financial position, proposed products, estimated future revenues, projected costs, future prospects, the future of our industry and results that might be obtained by pursuing management’s current plans and objectives.

These forward-looking statements may include, but are not limited to, statements relating to our objectives, plans and strategies, statements that contain projections of results of operations or of financial condition and all statements (other than statements of historical facts) that address activities, events or developments that we expect, project, believe, anticipate, intend or project will or may occur in the future. The statements that we make regarding the following matters are forward-looking by their nature:

- our expectations regarding the further duration of the global COVID-19 pandemic and its impact on our operations, financial position and cash flows, and those of our customers and suppliers;
- our plans to develop, introduce and sell new or improved products and product enhancements, including specifically our Poly Pro and Presto products;
- our expectations regarding the expansion of our servable addressable market;
- our objective to increase sales to large accounts with multi-system delivery plans;
- our expectations regarding our future gross margins and operating expenses;
- our expectations regarding our growth and overall profitability;
- our expectations regarding the impacts of variability on our future revenues;
- our expectations regarding drivers of our future growth, including anticipated sales growth, penetration of new markets, and expansion of our customer base;
- our plans to continue our expansion into new product markets;
- our plans to continue to invest in research and development to introduce new systems and improved solutions;
- our plans regarding our distribution strategy for our products;



- our expectations concerning the timing for completion of the development of our new, modern manufacturing facility in Kiryat Gat, Israel;
- our expectations regarding the success of our new products and systems;
- the expected impact of new accounting pronouncements on our results of operations;
- the impact of government laws and regulations;
- our expectations regarding our anticipated cash requirements for the next 12 months;
- our plans to expand our international operations;
- our plans to file and procure additional patents relating to our intellectual property rights and the adequate protection of these rights; and
- our plans to pursue strategic acquisitions or invest in complementary companies, products or technologies.

The preceding list is not intended to be an exhaustive list of all of our forward-looking statements. The forward-looking statements are based on our beliefs, assumptions and expectations of future performance, taking into account the information currently available to us. These statements are only predictions based upon our current expectations and projections about future events. There are important factors that could cause our actual results, levels of activity, performance or achievements to differ materially from the results, levels of activity, performance or achievements expressed or implied by the forward-looking statements. In particular, you should consider the risks described in our Annual Report on Form 20-F for the year ended December 31, 2020, which is on file with the Securities and Exchange Commission (“SEC”), and the other risk factors discussed from time to time by our company in reports filed or furnished to the SEC.

You should not rely upon forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that the future results, levels of activity, performance and events and circumstances reflected in the forward-looking statements will be achieved or will occur.