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

FORM 20-F

(Mark One)

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

OR

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

For the fiscal year ended December 31, 2024

OR

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

OR

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

Commission file number 001-36903

KORNIT DIGITAL LTD.
(Exact name of Registrant as specified in its charter)

Israel
(Jurisdiction of incorporation or organization)

12 Ha'Amal St.
Rosh-Ha'Ayin 4809246, Israel
(Address of principal executive offices)

Lauri Hanover, Chief Financial Officer
Kornit Digital Ltd.
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(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Ordinary shares, par value NIS 0.01 per share	KRNT	The Nasdaq Stock Market LLC

Securities registered or to be registered pursuant to Section 12(g) of the Act: **None**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

46,051,461 ordinary shares, par value NIS 0.01 per share (which excludes 4,984,877 Treasury shares), as of December 31, 2024

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

☒ **Yes** ☐ **No**

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

☐ **Yes** ☒ **No**

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

☒ **Yes** ☐ **No**

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

☒ **Yes** ☐ **No**

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

Large accelerated filer: ☒	Accelerated filer: ☐	Non-accelerated filer: ☐ Emerging growth company: ☐

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

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

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

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

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

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

☒ U.S. GAAP ☐ International Financial Reporting Standards as issued by the International Accounting Standards Board ☐ Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. ☐ Item 17 ☐ Item 18

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

☐ **Yes** ☒ **No**

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain information included or incorporated by reference in this annual report on Form 20-F 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, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are often characterized by the use of forward-looking terminology such as "may," "will," "expect," "anticipate," "estimate," "continue," "believe," "should," "intend," "project" or other similar words, but are not the only way these statements are identified.

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 plans to develop, introduce and sell new or improved products and product enhancements, including specifically our Apollo, Atlas Max Plus, Atlas Max Poly, Presto Max, Smart curing systems, Rapid Size Shifter pallets and Kornit^{X};
- our expectations regarding our future gross margins and operating expenses;
- our expectations regarding our growth and overall profitability;
- our expectations concerning sales to, and revenues to be generated from, significant customers, including Amazon;
- our expectations regarding challenging global macro-economic conditions, such as changes in consumer demand, relatively high interest rates and any inflationary conditions, which could adversely impact the budgets of our customers and potential customers for capital expenditures and, consequently, our revenues, profitability and cash flows;
- our expectations regarding the impact of variability on our future revenues;
- our expectations regarding drivers of our future growth, including anticipated sales growth, penetration of new product markets, and expansion of our customer base;
- our expectations relating to new business models;
- our plans regarding our distribution strategy for our products;
- our goals with respect to the environmental impact of our operations and products;
- our expectations concerning competition;
- our expectations regarding the success of our new systems and other products;
- 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;

- our expectations as to whether our operations will remain resistant to potential adverse effects of Israel's war and military conflicts against the terrorist organizations Hamas and Hezbollah, and, intermittently, Iran and the Houthi terrorist organization in Yemen;

- our expectations regarding the effects of changes to our organization and our operating model; and

- our plans to pursue strategic acquisitions or invest in complementary companies, products or technologies and our expectations as to the success of those acquisitions and investments.

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 those expressed or implied by the forward-looking statements. In particular, you should consider the risks described in "ITEM 3.D. Risk Factors" and the additional information contained in "ITEM 4 Information on the Company" and "ITEM 5. Operating and Financial Review and Prospects."

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.

USE OF TRADE NAMES

Throughout this annual report, we refer to various trademarks, service marks and trade names that we use in our business. "Kornit Digital", the "K" logo and other trademarks or service marks of Kornit Digital Ltd. appearing in this annual report are the property of Kornit Digital Ltd. We have several other registered trademarks, service marks and pending applications relating to our solutions. Although we have omitted the "®" and "™" trademark designations for such marks in this annual report, all rights to such trademarks are nevertheless reserved. Other trademarks and service marks appearing in this annual report are the property of their respective holders. We do not intend our use or display of other companies' tradenames, trademarks or service marks to imply a relationship with, or endorsement or sponsorship of us by, these other companies.

CERTAIN ADDITIONAL TERMS AND CONVENTIONS

In this annual report, unless the context otherwise requires:

- references to "Kornit," "Kornit Digital," "our company," "the Company," "the registrant," "we," "us," and "our" refer to Kornit Digital Ltd.;

- references to "ordinary shares", "our shares" and similar expressions refer to the Company's ordinary shares, par value NIS 0.01 per share;

- references to "dollars", "U.S. dollars", "U.S. $" and "$" are to United States Dollars;

- references to "shekels" and "NIS" are to New Israeli Shekels, the Israeli currency;

- references to "GAAP" are to U.S. Generally Accepted Accounting Principles;

- references to our "articles" are to our Articles of Association, as amended;

- references to the "Companies Law" are to the Israeli Companies Law, 5759-1999, as amended;

- references to the "Securities Act" are to the U.S. Securities Act of 1933, as amended;

- references to the "Exchange Act" are to the U.S. Securities Exchange Act of 1934, as amended;

- references to "Nasdaq" are to the Nasdaq Stock Market; and

- references to the "SEC" are to the United States Securities and Exchange Commission.

PART I

ITEM 1. Identity of Directors, Senior Management and Advisers.

Not Applicable.

ITEM 2. Offer Statistics and Expected Timetable.

Not Applicable.

ITEM 3. Key Information.

A. [Reserved]

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

Our business involves a high degree of risk. Please carefully consider the risks we describe below in addition to the other information set forth in this annual report and in our other filings with the SEC. These risks could materially and adversely affect our business, financial condition and results of operations. See "Cautionary Note Regarding Forward-Looking Statements."

The following is a summary of the principal risks that could materially adversely affect our business, results of operations, and financial condition, all of which are more fully described below. This summary should be read in conjunction with the other information discussed in this Item 3.D, and should not be relied upon as an exhaustive summary of the material risks facing our business. Please carefully consider all of the information discussed in this Item 3.D. "Risk Factors" and elsewhere in this annual report for a more thorough description of these and other risks.

Summary of Risks Related to Our Business and Our Industry

- Our success is dependent on adoption of digital textile printing in place of existing methods of printing.
- We are dependent on our ability to timely introduce new products that are accepted by the market and increase our market share.
- We face increased competition from a wide variety of market participants.

- Our significant reliance on a small number of significant customers, including Amazon.

- The adverse impact of unfavorable macro-economic conditions, such as relatively high interest rates and any lingering inflationary conditions, on the budgets for capital expenditures of our customers and potential customers, which may continue to have material adverse consequences for our revenues, financial position, and cash flows.

- Our significant reliance on suppliers, including single-source suppliers, and our reliance on third-party manufacturers.

- Overcapacity in the global printed fashion and textile industries has caused and may continue to cause our customers to underutilize existing printing systems that they have purchased from us and to reduce their orders for new systems. That could similarly cause us to underutilize our new ink manufacturing facility.

- Our expected reliance, for a significant portion of our future long-term revenues, on our All-Inclusive Click (AIC™) model, under which we retain ownership of our systems, while our customers operate the systems and are charged a fixed fee per impression, has certain accompanying risks.

- Significant disruptions of our information technology systems or breaches of our data security could adversely affect our business.

- New and reciprocal import tariffs imposed by the United States and other countries could increase the prices we pay for raw materials and adversely impact demand for our products in countries in which our affected customers operate.

- The scrutiny that may be applied to sustainability practices of companies such as ours.

- Our expanding international operations are accompanied by costs, operational risks and required regulatory compliance in many jurisdictions.

- We may not be able to successfully acquire and integrate other companies and technologies, necessary for our growth, and to finance such acquisitions.

- We may be subject to significant tax liabilities as a result of audits of our tax returns.

Summary of Risks Related to Intellectual Property

- We may be unable to protect our patents and trademarks from infringement, and avoid infringing the intellectual property rights of others.

Summary of Risks Related to Our Ordinary Shares

- Volatility of our share price.

- Increased costs as a public company as a result of new compliance initiatives.

Summary of Risks Related to Our Operations in Israel

- Israeli government tax benefits we receive may be terminated if we cease to qualify for them.

- Israel's war against the terrorist organizations Hamas and Hezbollah and, intermittently, Iran and the Houthi terrorist organization in Yemen, may adversely affect our operations.

- Terms of our Israeli research and development grants restrict our ability to transfer manufacturing operations or technology outside of Israel.

Risks Related to Our Business and Our Industry

If the market's rate of adoption of digital textile printing does not develop as we anticipate, our sales may not grow as expected and our share price could decline.

The global printed textile industry remains dominated by analog printing processes, the most common of which are screen printing and carousel printing. The development of the digital textile printing market has been slower than we anticipated. If the global printed textile market does not more broadly accept digital printing as an alternative to analog printing, our revenues may be adversely affected and our share price could suffer. Widespread adoption of digital textile printing depends on, among other things, the willingness and ability of businesses in the printed textile industry to replace their existing analog printing systems with digital printing systems. These businesses may decide that digital printing processes are less reliable, less cost-effective, of lower quality, or otherwise less suitable for their commercial needs than analog printing processes. For example, screen printing currently tends to be faster and less expensive than digital printing on a cost per print basis for larger production runs. Even if businesses are persuaded as to the benefits of digital printing, we do not know whether potential buyers of digital printing systems will delay their investment decisions. As a result, we may not correctly estimate demand for our solutions, which could cause us to fail to meet market expectations for our business.

Our results of operations depend in part on achieving market acceptance for our new products.

Our ability to develop innovative new systems and products is important to our business strategy and competitive position. Difficulties or delays in research, development, production or commercialization of new systems and products could adversely impact our sales and competitive position. Market acceptance of our new systems depends, among other things, on the systems demonstrating a real advantage over existing solutions, the success of our sales and marketing teams in creating awareness of the system, the sales price and the return on investment of the system relative to alternative systems, customer recognition of the value of our technology, the effectiveness of our marketing campaigns, and the general willingness of potential customers to try new technologies. If the market does not accept our new system, our business, results of operations and financial condition will be adversely affected.

If our customers use alternative ink and consumables and/or alternative spare parts in our systems, our gross margin could decline significantly, and our business could be harmed.

Our business model is favorably impacted by recurring sales of our ink and other consumables and spare parts for our existing and growing installed base of systems. Third-party ink and other consumables and spare parts might be less expensive or otherwise more appealing to our customers than our ink and other consumables and spare parts. Significant sales of third-party inks and other consumables and spare parts to our customers would adversely impact our revenues and adversely impact our gross margins and overall profitability. In addition, the use of third-party ink could cause our print heads to clog or otherwise malfunction since our systems are set up to operate at the highest throughput level only when using our original ink and other consumables. We have sought to prevent this in part by protecting the innovations underlying our ink and other consumables through patents and other forms of intellectual property protections. Use of third-party ink and other consumables would also void the warranty over our systems. We also include an RFID mechanism with our ink tanks. These steps may be challenged. Any reduction in our ability to market and sell our ink and other consumables and spare parts for use in our systems may adversely impact our future revenues and our overall profitability.

We face increased competition and if we do not compete successfully, our revenues and demand for our solutions could decline.

The principal competition for our direct-to-garment (DTG) systems comes from manufacturers of industrial DTG printers, analog screen-printing systems, and digital hybrid systems such as M&R Printing Equipment, ROQ and Brother. We also face some competition in this market from Aeoon, Seiko Epson Corporation, Ricoh Company Ltd, Oveljet and several smaller competitors that offer industrial level production capacity through multiple entry level systems. More recently, there has been an increase in the adoption of commercial level direct-to-film (DTF) printing methodologies, a sub-segment of traditional heat transfer, which are intended to replace direct-to-garment printing for specific applications such as multiple placements. Our main competitors in direct-to-film printing are M&R, Mimaki, Adelco and Brother.

Our competitors in the Direct-to-Fabric market include: Atexco, EFI Regiani, Epson, Durst and several other smaller competitors. The principal competition for our Kornit^{X} global fulfillment network (GFN) offering which enables on-demand production of textiles and other goods, comes from a variety of virtual marketplaces that are offering certain fulfillment services or applications, or purpose-built direct API connectivity to specific fulfillers.

Current and future competitors may be able to respond more quickly to changes in customer demands and devote greater resources to the development, promotion and sale of their printers and ink and other consumables than we can. Our current and potential competitors in both the direct-to-garment and direct-to-fabric markets may also develop and market new technologies that render our existing solutions unmarketable or less competitive. In addition, if these competitors develop products with similar or superior functionality to our solutions at prices comparable to or lower than ours, we may be forced to decrease the prices of our solutions in order to remain competitive, which could reduce our gross margins.

A significant portion of our sales is concentrated among a small number of customers, and our business would be adversely affected by a decline in sales to, or the loss of, those customers.

During the years ended December 31, 2024 and 2023, our ten largest customers accounted for approximately 60% and 49% of our revenues, respectively. During those same years, out of the foregoing group of largest customers, Amazon Corporate LLC, a subsidiary of Amazon.com, Inc., which we collectively refer to as Amazon, accounted for approximately 30% and 20% of our revenues, respectively. Given the concentration of our revenues with these customers, the loss of either Amazon or another one of our significant customers, or variability in their order flows, could materially adversely affect our revenues and results of operations.

Macro-economic headwinds caused by inflation, relatively high interest rates and limited credit availability have been adversely impacting our revenues and profitability, and may continue to do so.

Our business depends on overall demand within the global printed fashion and textile industries, the economic health of our current and prospective clients and worldwide economic conditions. Adverse economic conditions, including inflation, which was high in recent years, on the prices of goods and services have impacted the capital budgets of our customers and potential customers, who have less money to invest in our systems. Higher interest rates, which were implemented by central banks to curb inflation, while having been reduced to a certain extent recently, have worsened credit/financing conditions for our customers and adversely impacted their ability to purchase our products. These factors have also delayed or lengthened our sales cycles, have inhibited our international expansion, have led to longer collection cycles for payments due from our customers, and may potentially result in an increase in customer bad debt. As a result of these conditions, customers have found it harder to obtain financing to fund their purchase of our systems. While the long-term implications of macroeconomic events on our business, results of operations and overall financial position remain uncertain, in the short term these headwinds have challenged our business. We have experienced declines in systems revenues and a slower growth rate in services revenues (although consumables revenues have grown), which has led to recent overall declines in our revenues.

In addition to exerting the foregoing impact, macro-economic headwinds may amplify a number of risks for us, including, but not limited to, the following:

- our ability to increase sales of new, enhanced systems to existing customers may be hindered due to more cautious purchasing and investment strategies by corporate customers, in addition to systems overcapacity at some customers;
- reduced economic activity, which could lead to a recession, could negatively impact consumer discretionary spending on garments and apparel, which in turn could severely impact our business operations, financial condition, and liquidity;
- our customer success efforts, our ability to enter into new markets and to acquire new customers may be impeded, in part due to potentially lower conversion rates and delays and lengthening of our sales cycles; and
- there may be an increase in our credit losses reserves as customers face economic hardship and collectability becomes more uncertain, including due to a higher risk of bankruptcies.

The full impact of economic and other headwinds on our business and our future performance may also have the effect of heightening any of our other risk factors described in this annual report and is difficult to predict how long those headwinds will continue. As such, there is risk that any expectations for our business and guidance we provide to the market may be incorrect.

Our quarterly results of operations have fluctuated in the past and may fluctuate in the future due to variability in our revenues.

Our revenues and other results of operations have fluctuated from quarter to quarter in the past and could continue to fluctuate in the future. Our revenues depend in part on the sale and delivery of our systems, and we cannot predict with certainty when sales transactions for our systems will close or when we will be able to recognize the revenues from such sales, which generally occurs upon delivery of our systems. Customers that we expect to purchase our systems may delay doing so due to timing of obtaining regulatory permits, site readiness, or a change in their priorities or business plans, including as a result of adverse general economic conditions that may disproportionately impact the ability of the small-mid size businesses that constitute a significant portion of our customer base to expend capital or access financing sources. Such conditions could also force us to reduce our prices or limit our ability to profit from economies of scale, which could harm our gross margins. As a result of these factors, we may fail to meet market expectations for any given quarter if sales that we expect for that quarter are delayed until subsequent quarters or canceled. The closing of one or more large transactions in a particular quarter may make it more difficult for us to meet market expectations in subsequent quarters, and our failure to close one or more large transactions in a particular quarter could adversely impact our revenues and margins for that quarter. In addition, we may experience slower growth in our gross margins as our new systems gain commercial acceptance. Our gross margins may also fluctuate based on the regions in which sales of these systems occur.

Our customers generally purchase our ink and other consumables on an as-needed basis, and delays in making such purchases by a number of customers could result in a meaningful shift of revenues from one quarter to the next. Moreover, we typically maintain inventories of ink and other consumables sufficient to cover our average sales for at least one quarter ahead. These inventories may not match customers' demands for any given quarter, which could cause shortages or excesses in our ink and other consumables inventory and result in fluctuations of our quarterly revenues. To the extent that we have excess ink and consumables inventory that we are unable to sell due to expiration dates, we may have to write off such inventory. These inventory requirements may also limit our ability to profit from economies of scale in the production of our ink and other consumables. The ongoing military conflicts involving Israel have caused us to increase our inventory levels in the principal regions in which our sales occur, in order to prevent a potential failure by us to supply our customers if our Israeli facilities and supply line were to be damaged or discontinued (as applicable), thereby heightening the foregoing risks associated with excess inventory.

Furthermore, we base our current and future expense levels on our revenue forecasts and operating plans, and our costs are relatively fixed in the short term, due in part to extended supply and logistics lead times required for ordering certain components of our systems either directly by us or by our contracted manufacturers. Although we took decisive actions to reduce our cost structure over the last two years, we may nevertheless not be able to reduce our costs sufficiently to compensate for an unexpected shortfall in revenues during a particular future quarter, and even a relatively small decrease in revenues could disproportionately and adversely affect our financial results for that quarter. The variability and unpredictability of these and other factors could result in our failing to meet financial expectations for a given period.

Our contractual arrangements with Amazon, a significant customer, contain a number of material undertakings by us and other agreements the impact of which cannot be fully predicted in advance.

In January 2017, we entered into a master purchase agreement with an affiliate of Amazon.com, Inc. governing sales of our systems and ink and other consumables at agreed-upon prices that vary based on sales volumes. We also agreed to provide maintenance services and extended warranties to Amazon at agreed prices. The term of the agreement was five years beginning on May 1, 2016, and extends automatically for additional one-year periods unless terminated by Amazon. Pursuant to the master purchase agreement, we have issued to an affiliate of Amazon warrants to acquire up to 3,401,028 of our ordinary shares at a purchase price of $59.26 per share, of which 1,943,445 were vested and exercisable as of December 31, 2024. These warrants vest over a five-year period that began in January 2021 based on payments made by Amazon in connection with the purchase of goods and services from us. The value of the warrants that are currently outstanding is based on their fair value as of the grant date of September 14, 2020.

Our contractual agreements with Amazon contain a number of material undertakings and other arrangements:

- Our revenues are presented net of the relative value of the warrants in each particular period related to the revenues recognized. The warrants are reported as a reduction of revenue in the Company’s income statement when related revenues are recognized.

- We have agreed to provide a rebate to Amazon based on the number of systems and amount of ink and other consumables Amazon orders in a given 12-month period. The timing and scale of any such rebate may be difficult to predict and may cause fluctuations in our quarterly revenues, gross profit and operating profit.

- We are required to notify Amazon 12 months in advance if we intend to stop supporting one of the products or services that we supply to Amazon and to continue to manufacture the product or provide such service during such 12-month period. Subject to certain exceptions, we are required to continue to supply ink in such quantities as Amazon requires for at least 36 months after the earlier of (1) the end of the term of the master purchase agreement or (2) 18 months following the purchase of the last product sold pursuant to the agreement.

- We are required to deliver our products and services to Amazon and to comply with a service level agreement. If we fail to meet the requirements under such service level agreement, Amazon will receive credits against its cost for those delayed products or services.

The impact of the provisions listed above cannot be fully predicted in advance and could, in certain circumstances, adversely impact our business or results of operations, or the manner in which investors or analysts assess and perceive our performance. Additionally, to the extent Amazon determines to change the level and/or timing of its consumable and service orders under the master purchase agreement or we agree with Amazon on changes to the agreement, or Amazon elects not to renew the agreement, our financial results may be adversely affected.

If our relationships with suppliers, especially with single source suppliers of components, were to terminate, our business could be harmed.

We maintain an inventory of parts to facilitate the timely assembly of our systems, production of our ink and other consumables, and servicing our installed base. Most components are available from multiple suppliers, although certain components used in our systems and ink and other consumables, such as our print heads and certain chemicals included in our inks, are only available from single or limited sources as described below.

- The print heads for our systems are supplied by a sole supplier, FujiFilm Dimatix, Inc., or FDMX. We entered into an agreement with FDMX in 2015, pursuant to which FDMX sells us certain off-the-shelf print heads and additional products, all of which FDMX regularly sells to providers of inkjet systems. Under the agreement, as last amended on January 1, 2025, the initial term of the agreement will expire on December 31, 2025, and the agreement will automatically renew for an additional two-year period, unless either party notifies the other party at least 90 days prior to expiration of the initial term that it does not want such a renewal. The agreement provides that FDMX may increase the prices of the products that we purchase from it upon 180-days' prior notice at any time, subject to certain conditions. The agreement further provides that FDMX may, at its option, discontinue products supplied under the agreement, provided that we are given one-year notice of the planned discontinuance and are provided with an end-of-sale purchase program.

  In the event FDMX discontinues manufacturing the print head, we would be required to qualify a new print head for our systems (based only on whatever knowledge we have gained from qualifying print heads in the past). In order to minimize the risk of any impact from a disruption or discontinuation in the supply of print heads, raw materials or other components from limited source suppliers, we maintain an additional inventory of such components, in addition to the end-of-life purchase program that would be available to us if the products we purchase from FDMX were discontinued. Nevertheless, such inventory may not be sufficient to enable us to continue supplying our products for a longer period, should we need to locate and qualify a new supplier.

- A chemical used in some of our inks is supplied by B.G. (Israel) Technologies Ltd., or BG Bond, a subsidiary of Ashtrom Ltd., a large public Israeli industrial company. The chemicals were previously supplied under a definitive agreement which has expired, and currently we purchase these chemicals on a purchase order basis. For most of our inks, another chemical is supplied by Brenntag a reseller of The Dow Chemical Company, a multinational producer of chemicals and other compounds. We currently purchase these chemicals on a purchase order basis.

- A raw material used in the production of our intensifier for the Atlas family of products and Apollo, is supplied by Lamberti S.p.A. We purchase this material on a purchase order basis.

- Dispersing agents used in some of our inks are supplied by BASF SE, which to our knowledge is the only source of supply of those agents. We purchase these dispersing agents from BASF on a purchase order basis. We maintain safety stock of these chemicals in an amount which will allow us to continue our manufacturing in case of discontinuation.

- Several raw materials and pigments used in some of our inks are supplied by Heubach Group, which was acquired by Sudarshan Chemical Industries in 2024. We currently purchase these raw materials and pigments on a purchase order basis. We maintain safety stock of these raw materials and pigments in an amount which will allow us to continue our manufacturing for several fiscal quarters in case of discontinuation. We are currently in the process of entering into a long-term supply agreement with Heubach Group.

- Certain parts of the control system of our systems are supplied by sole suppliers, Yaskawa Europe Technology Ltd., an affiliate of Yaskawa Electric Corporation, or Yaskawa, and Beckhoff Automation Limited. Our turnkey suppliers (Flex and Sanmina- SCI Israel Medical Systems Ltd.), which assemble the control system on our behalf, purchase those control system parts from Yaskawa and Beckhoff. We also purchase additional, spare control system parts from Yaskawa and Beckhoff for our service department on a purchase order basis.

- Some of our printing systems are compatible with a dryer that we purchase from Adelco Screen Process, or Adelco, which fulfills most of the demand for that dryer. The dryer is supplied under an April 2019 agreement that we entered into with Adelco.

The loss of any of these suppliers, or of a supplier for which there are limited other sources, could result in the delay of the manufacture and delivery of our systems or inks and other consumables.

Other risks resulting from our reliance on suppliers include:

- if we experience an increase in demand for our solutions, our suppliers may be unable to provide us with the components that we need in order to meet that increased demand in a timely manner;

- our suppliers may encounter financial hardships unrelated to our demand for components, which could inhibit their ability to fulfill our orders and meet our requirements;

- we may experience production delays related to the evaluation and testing of products from alternative suppliers;

- we may be subject to price fluctuations due to a lack of long-term supply arrangements for key components;

- we or our suppliers may lose access to critical services and components, resulting in an interruption in the manufacture, assembly and shipment of our systems or inks and other consumables; and

- fluctuations in demand for components that our suppliers manufacture for others may affect their ability or willingness to deliver components to us in a timely manner.

If any of these risks materializes, the costs associated with developing alternative sources of supply or assembly in a timely manner could have a material adverse effect on our ability to meet demand for our solutions; our ability to generate revenues could be impaired, market acceptance of our solutions could be adversely affected, and customers may instead purchase or use alternative products. We may not be able to find new or alternative components of a requisite quality or we may find that we are unable to reconfigure our systems and manufacturing processes in a timely manner if the necessary components become unavailable. As a result, we could incur increased production costs, experience delays in the delivery of our solutions and suffer harm to our reputation, which may have an adverse effect on our business and results of operations.

Overcapacity in the global printed fashion and textile industries has caused and may continue to cause our customers to underutilize existing printing systems that they have purchased from us and to reduce their orders for new systems. That could similarly cause us to underutilize our new ink manufacturing facility. Such a trend could reduce our operating margins and have a material adverse effect on our financial performance.

It is difficult to predict future demand for printing in the global printed fashion and textile industries in which we operate, which makes it challenging for our customers to estimate future requirements for production capacity and avoid periods of overcapacity. Fluctuations in the growth rate of our customers' businesses relative to the growth rate in demand for our printing systems also can lead to overcapacity for our customers and contribute to cyclicality in the market for our systems.

Capacity expansion projects have long lead times and require capital commitments based on forecasted product trends and demand well in advance of production orders from customers. In recent years, we have made significant capital investments to expand our systems and materials capacity to address forecasted future demand patterns, including our investment in our ink manufacturing facility in Kiryat Gat. These capacity additions may exceed the near-term demand requirements for our products, including both systems and consumables, leading to overcapacity situations and underutilization of our manufacturing facilities.

As many of our manufacturing costs are fixed, these costs cannot be reduced in proportion to the reduced revenues experienced during periods of underutilization. Underutilization of our manufacturing facilities can adversely affect our gross margin and other operating results. If demand for our products experiences a prolonged decrease, we may be required to close or idle facilities and write down our long-lived assets or shorten the useful lives of underutilized assets and accelerate depreciation, which would increase our expenses.

Our expected reliance, for an increasing portion of our future long-term revenues, on our All-Inclusive Click (AIC™) model, under which we retain ownership of our systems, while our customers operate the systems and are charged a fixed fee per impression, bears certain accompanying risks.

In 2024, we introduced our All-Inclusive Click (AIC™) model, designed to provide our customers with a predictable, scalable, and cost-effective approach to digital printing. Under this model, we retain ownership of our printing systems, while our customers operate the systems and are charged a fixed fee per impression produced. While we believe this pay-per-use model enables us to capture an additional portion of our potential market, consisting of customers who would not otherwise be willing or able to commit to the capital expenditure for purchasing our new systems outright, it nevertheless also could have certain adverse consequences for our business and results of operations, including, without limitation, any of the following:

- *Potential Damage to Customer Relationships:* in certain circumstances, including changes in labor cost, market trends and/or the availability of alternative technology, the cumulative cost to our AIC™ customers could be more expensive than had the customers purchased our systems outright, which could lead to customer dissatisfaction, and potentially damage our business relationship with those customers, or to their adoption of other printing technologies instead of ours.

- *Potential Returns of AIC™ Systems*: To the extent the cumulative cost of usage of systems becomes overly burdensome to our customers, due to macro-economic conditions, alternative technologies or otherwise, that could lead to the return of those systems to us, which will require us to find new customers for those systems, which we may not be able to do in a timely manner or at all.

- *Churn Rate*: Customers may switch to our competitors offering more favorable per-use rates, leading to higher churn rates.

- *Potential payment defaults*

- *Operational Costs*: Support and maintenance costs related to usage by our customers of our systems could exceed expectations and/or strain our resources, leading to interruptions in the usability of our systems that are designated for our AIC™ program, or adversely affect profitability.

- *Consumables Costs*: The cost of consumables, which are included in the per-use rates offered by us, may rise, adversely affecting our profitability.

- *Complexity in Pricing*: Determining the right price per use can be complicated, and setting prices too high may deter customers from using our systems, while setting them too low may adversely affect our profit margins.

- *Fraud and Misuse*: There is a greater risk of fraudulent activity with our systems that are used in the pay-per-impression model or misuse of the pay-per-impression service when customers are not investing in ownership of our systems.

To mitigate the foregoing risks, it is essential that we carefully design the pricing structure of our pay-per impression business model, monitor usage of our systems closely under that model, and establish strong customer engagement strategies to enhance loyalty and satisfaction. To the extent we do not successfully implement each of the foregoing safeguards related to that business model, our results of operations and financial condition could be adversely affected in a material manner.

Our move towards a higher proportion of direct sales in place of indirect sales may have adverse consequences.

Our go-to-market strategy consists of a hybrid model of indirect and direct sales, depending on the specific territory into which we are selling. We continually evaluate that strategy in the geographies we serve in an effort to best serve our direct or indirect customers. When we shift towards a direct sales model in relevant territories, we may experience an initial disruption to our sales efforts in those jurisdictions as we transition from our previous sales structure. In addition, a shift to a direct sales model might result in a short-term impact on our results of operations, including due to separation fees, the acquisition of inventory that requires a step up in basis and other such accounting impacts and costs associated with increased headcount and related expenses.

Our Kiryat Gat ink manufacturing facility was constructed on lands leased by us from the Israel Lands Administration, or ILA, under a long term (49 years) lease agreement. If we are unable to continue to lease such lands, we would be unable to use the facility and our results of operations and future prospects will suffer as a result.

In November 2018, we entered into a development agreement, which we refer to as the Development Agreement, with the ILA for the construction of our ink manufacturing facility in Kiryat Gat on lands leased from the ILA. Construction was concluded at the end of 2021, and we officially opened the facility on January 26, 2022. Following the completion of the construction and our receipt of all required approvals from the ILA, we entered into a long-term lease agreement with the ILA, or the Lease Agreement, for a period of 49 years and which may be renewed for an additional 49 years, which agreement has replaced the Development Agreement. The Development Agreement provided, and the Lease Agreement provides, that if our company were a "foreign subject," which includes being under foreign control (i.e., a majority of our ordinary shares held by non-Israelis), that would constitute a fundamental breach under the agreement. We followed (in the case of each of the Development Agreement and the Lease Agreement) a specific standard process for seeking approval from the ILA for our entering into the agreement. However, because of our potential status as a "foreign subject," given that our shares are traded on Nasdaq and are held by multiple shareholders whose identities are unknown, the ILA would be entitled to terminate that agreement if it determines that our company is a "foreign subject". If the Lease Agreement is terminated, we would be unable to use the new Kiryat Gat facility constructed on that property, which would have a material adverse effect on our results of operations.

Disruption of operations at our manufacturing site or those of third-party manufacturers could prevent us from filling customer orders on a timely basis.

We manufacture our ink and other consumables at our facility in Kiryat Gat, Israel. We rely on contract manufacturing services provided by Flex, and Sanmina-SCI Israel Medical Systems Ltd. which are also in Israel, to assemble our printing and curing systems. We expect that almost all of our revenues in the near term will be derived from the systems and ink and other consumables manufactured at these facilities.

The loss of any of these contract manufacturers could result in the delay of the assembly and delivery of our systems. If that occurs or these contract manufacturers cease to provide manufacturing services for any reason, the costs associated with developing alternative sources of assembly in a timely manner could have a material adverse effect on our ability to meet demand for our solutions. Our ability to generate revenues could be impaired, market acceptance of our solutions could be adversely affected, and customers may instead purchase or use alternative products.

If operations in any of these facilities were to be disrupted due to a major equipment failure or power failure lasting beyond the capabilities of backup generators or other events outside of our reasonable control (including due to a military attack against Israel during its ongoing military conflicts), our manufacturing capacity could be shut down for an extended period, we could experience a loss of raw materials or finished goods inventory and our ability to operate our business would be harmed. While we have increased our inventory levels in global regions in order to hedge against a potential stoppage of our ability to supply our customers from Israel due to the recent military conflicts involving Israel, there is nevertheless no guarantee as to the sufficiency of those increased levels. In addition, in any such event, the repair or reconstruction of our or our third-party manufacturers' manufacturing facilities and storage facilities could take a significant amount of time. During this period, we or our third-party manufacturers would be unable to manufacture some or all of our systems or we may not be able to produce adequate volumes of our ink and other consumables.

Significant disruptions of our information technology systems or breaches of our data security could adversely affect our business.

We have invested in advanced protective systems to reduce our cybersecurity and data protection risks, some of which have been installed and others that are still in the process of installation. In addition, we back up our data regularly. We have designated a special committee of executives to assess, among others, our cybersecurity and data protection risks and develop and implement a data security policy. We also created an annual program to ensure our data safety. This program includes self-evaluations, auditing, tests, and third-party evaluation. Based on information provided to us by the suppliers of our protective systems, we believe that our level of protection is in keeping with the customary practices of peer technology companies. We also maintain back-up files for much of our information, as a means of assuring that a breach or cyber-attack does not necessarily cause the loss of that information. We furthermore review our protections and remedial measures periodically in order to ensure that they are adequate, and, accordingly, we carry customary levels of cybersecurity and data protection insurance coverage.

Despite these protective systems and remedial measures, techniques used to obtain unauthorized access are constantly changing, are becoming increasingly more sophisticated and often are not recognized until after an exploitation of information has occurred. We may be unable to anticipate these techniques or implement sufficient preventative measures, and we therefore cannot assure you that our preventative measures will be successful in preventing compromise and/or disruption of our information technology systems and related data. We furthermore cannot be certain that our remedial measures will fully mitigate the adverse financial consequences of any cyber-attack or incident.

A significant breach, interruption, destruction or breakdown of our information technology, or IT, systems and/or infrastructure by persons with authorized or unauthorized access could negatively impact our business and operations. We could also experience business interruption, information theft and/or reputational damage from cyber-attacks, which may compromise our systems and lead to data leakage either internally or at our third-party suppliers or customers. Both data that has been inputted into our main IT platform, which covers records of customers, end-users of our systems, transactions, financial data, employees, pricing and other data reflected in our results of operations, as well as data related to our proprietary rights (such as research and development, and other intellectual property- related data, including: ink formulas; source code for our systems, software and cloud services; undisclosed plans; and email lists), are subject to material cyber security risks. Our IT systems have been, and are expected to continue to be, the target of malware and other cyber-attacks. To date, we are not aware of any loss of, or disruption to, material information as a result of any such malware or cyber-attack. To the extent that a cyber-attack is successful, we could incur significant expense, depending on the severity of the attack, and that attack could have a material adverse effect on our results of operations.

Import tariffs, taxes, customs duties and other trading regulations imposed by the U.S. government and retaliatory responses from other countries, could significantly increase the prices we pay for raw materials that are critical to our ability to manufacture our systems, and could also adversely impact the economies of countries in which our customers operate, thereby reducing demand for our systems and consumables in those countries.

Import tariffs, taxes, customs duties and other trading regulations imposed by the U.S. government on foreign countries, or by foreign countries on the U.S., could directly or indirectly significantly increase the prices we pay for raw materials that are critical to our ability to manufacture our systems. In particular, the current U.S. administration has expressed a desire to impose substantial new or increased tariffs on goods imported from certain trade partners, such as the EU and China, which have resulted, and may continue to result, in reciprocal tariffs on goods exported from the United States to such trade partners. We may be unable to locate suppliers to provide the necessary raw materials for our products on an economical basis in the amounts we require. That could result in an increase in the cost of raw materials and components used in certain of our systems, which could, in turn, increase our cost of goods sold.

Trade barriers and other governmental action related to tariffs around the world also have the potential to hurt the global printed fashion and textile industries in which our customers operate, by decreasing demand for our customers' products. New tariffs could also more broadly adversely impact the country-specific or regional economies in which we operate and into which we offer our systems and consumables. Those adverse effects could, in turn, decrease our customers' demand for our printing systems and consumables, and result in a decrease in our revenues.

Any widespread imposition of new or increased tariffs could, therefore, both increase the cost of producing, and reduce the demand for, our products, and any such cost increases will either require us to increase prices (which could reduce our sales) or could negatively impact our profit margins, and could, therefore, have a material adverse effect on our financial condition, results of operations and cash flows.

We and our customers are subject to extensive environmental, health and safety laws and regulations which, if not met, could have a material adverse effect on our business, financial condition and results of operations.

Our manufacturing and development facilities use chemicals and produce waste materials, which require us to hold business licenses that may include conditions set by the Ministry of Environmental Protection for the operations of such facilities. We are also subject to extensive environmental, health and safety laws and regulations governing, among other things, the use, storage, registration, handling and disposal of chemicals and waste materials, the presence of specified substances in electrical products, air, water and ground contamination, air emissions and the clean-up of contaminated sites. In the future we may incur expenditure of significant amounts in the event of non-compliance and/or remediation. Furthermore, requirements of environmental laws have adversely affected and may continue to adversely affect the ability of our customers to install and use our systems in a timely manner. If we fail to comply with such laws or regulations, we may be subject to fines and other civil, administrative or criminal sanctions, including the revocation of our toxin permit, business permits, or other permits and licenses necessary to continue our business activities. In addition, we may be required to pay damages or civil judgments in respect of third-party claims, including those relating to personal injury, including exposure to hazardous substances that we use, store, handle, transport, manufacture or dispose of, or property damage. Some environmental, health and safety laws and regulations allow for strict, joint and several liability for remediation costs, regardless of comparative fault. We may be identified as a potentially responsible party under such laws. In addition, our customers may encounter delays in obtaining or be unable to obtain regulatory permits to operate our systems in their facilities, which may result in cancellation or delay of orders of our systems.

The export of our products internationally subjects us to environmental laws and regulations concerning the import and export of chemicals and hazardous substances. In the European marketplace, electrical and electronic equipment is required to comply with the Directive on Waste Electrical and Electronic Equipment, or WEEE, which aims to prevent waste by encouraging reuse and recycling, and the Directive on Restriction of Use of Certain Hazardous Substances, or RoHS, which restricts the use of ten hazardous substances in electrical and electronic products. Additionally, we are required to comply with certain laws, regulations and directives such as the United States Toxic Substances Control Act, or TSCA, and the Registration, Evaluation, Authorization and Restriction of Chemical Substances, or REACH. These laws and regulations may require the testing and registration of some chemicals that we ship along with, or that form a part of, our systems and other products. If we fail to comply with these or similar laws and regulations, we may be required to make significant expenditures to reformulate the chemicals that we use in our products and materials or incur costs to register such chemicals to gain and/or regain compliance. Additionally, we could be subject to significant fines or other civil and criminal penalties should we not achieve such compliance.

Any such developments could have a material adverse effect on our business, financial condition and results of operations. Environmental, health and safety laws and regulations may also change from time to time. Complying with any new requirements may involve substantial costs and could cause significant disruptions to our research, development, manufacturing, and sales.

Achieving satisfactory compliance levels with respect to the environmental impact of our operations and products could result in our incurring additional costs, and our failure to achieve such levels could adversely impact our reputation, employee retention, and willingness of customers to do business with us.

Investor advocacy groups, certain institutional investors, investment funds, lenders and other market participants, shareholders, and customers have focused increasingly on the environmental, social, and governance (ESG) or "sustainability" practices of companies. These parties have ascribed increased importance to the implications of the social cost of their investments. While we have not implemented significant new ESG initiatives, we continue to monitor developments in this area and assess how ESG-related considerations may impact our business, operations, and long-term strategy. Our approach remains focused on ensuring that any ESG-related initiatives we undertake align with our business objectives, regulatory developments, and stakeholder expectations. As ESG standards and disclosure requirements evolve, we will continue to evaluate opportunities to enhance our approach in a manner that is practical and value-driven for our company and shareholders.

A failure or perceived failure by us to set appropriate goals and prioritize ESG practices could negatively impact our reputation, employee retention, and the willingness of our customers to do business with us.

Exchange rate fluctuations between the U.S. dollar and the Israeli shekel, the Euro and other non-U.S. currencies may negatively affect our earnings.

The U.S. dollar is our functional and reporting currency. However, a significant portion of our operating expenses are incurred in Israeli shekels, or NIS. As a result, we are exposed to the risk that the NIS may appreciate relative to the dollar, or, if the NIS instead devalues relative to the dollar, that the inflation rate in Israel may exceed such rate of devaluation of the NIS, or that the timing of such devaluation may lag behind inflation in Israel. In any such event, the dollar cost of our operations in Israel would increase and our dollar-denominated results of operations would be adversely affected. To protect against an increase in the dollar-denominated value of expenses paid in NIS during the year, we have instituted a foreign currency cash flow hedging program, which seeks to hedge a portion of the economic exposure associated with our anticipated NIS-denominated expenses using derivative instruments. We expect that the substantial majority of our revenues will continue to be denominated in U.S. dollars for the foreseeable future and that a significant portion of our expenses will continue to be denominated in NIS. We cannot provide any assurances that our hedging activities will be successful in protecting us in full from adverse impacts from currency exchange rate fluctuations since we only plan to hedge a portion of our foreign currency exposure, and we cannot predict any future trends in the rate of inflation in Israel or the rate of devaluation (if any) of the NIS against the dollar. The NIS depreciated relative to the U.S. dollar by 4.0%, 9.7% and 0.4% in 2022, 2023 and 2024, respectively. Because the NIS- U.S. dollar currency exchange rate is often reflective of economic, political and military developments in Israel, the United States and the rest of the world, future movements of that exchange rate are hard to predict. The annual rate of inflation in Israel amounted to 5.3%, 3.0%, and 3.2% in 2022, 2023, and 2024, respectively. If the dollar cost of our operations increases, our dollar-measured results of operations will be adversely affected. See "ITEM 11. Quantitative and Qualitative Disclosures about Market Risk-Foreign Currency Risk."

In addition, a material portion of our leases are denominated in currencies other than the U.S. dollar, mainly in NIS. In accordance with a lease accounting standard, which became effective on January 1, 2019, the associated lease liabilities will be remeasured using the current exchange rate in future reporting periods, which may result in material foreign exchange gains or losses. See Note 2, "Significant Accounting Policies", to the consolidated financial statements included in Item 18 of this annual report for more details.

Our business could suffer if we are unable to attract and retain key employees.

Our success depends upon the continued service and performance of our senior management and other key personnel. Our senior executive team is critical to the management of our business and operations, as well as to the development of our strategies. The loss of the services of any of these personnel could delay or prevent the continued successful implementation of our growth strategy, or our commercialization of new applications for our systems and ink and other consumables or could otherwise affect our ability to manage our company effectively and to carry out our business plan. Members of our senior management team may resign at any time. High demand exists for senior management and other key personnel in our industry. There can be no assurance that we will be able to continue to retain such personnel. We have recently experienced changes in senior personnel, notably, our EVP operations in December 2023 (replaced in July 2024), our Chief Marketing Officer (replaced in March 2024), our EVP corporate development in June 2024, our EVP R&D in December 2024 (replaced in January 2025) and certain changes in our regional presidents' roles. To the extent that we experience additional frequent changes in our leadership team (or the leadership teams of our subsidiaries) going forward, that could adversely affect our performance in a material manner.

Our growth and success also depend on our ability to attract and retain additional highly qualified scientific, technical, sales, managerial, operational, HR, marketing and finance personnel. We compete to attract qualified personnel, and, in some jurisdictions in which we operate, the existence of non-competition agreements between prospective employees and their former employers may prevent us from hiring those individuals or subject us to lawsuits from their former employers. While we attempt to provide competitive compensation packages to attract and retain key personnel, some of our competitors have greater resources and more experience than we have, making it difficult for us to compete successfully for key personnel. At our primary location in Israel, the ongoing war has resulted in the calling into active duty of reservists, thereby reducing the available workforce for key personnel. On the other hand, country-wide economic activity has slowed for periods of the war, thereby reducing demand for skilled human capital in the Israeli market. If we cannot attract and retain sufficiently qualified technical employees for our research and development operations on acceptable terms, we may not be able to continue to competitively develop and commercialize our solutions or new applications for our existing systems. Further, any failure to effectively integrate new personnel could prevent us from successfully growing our company.

Under applicable employment laws, we may not be able to enforce covenants not to compete and therefore may be unable to prevent our competitors from benefiting from the expertise of some of our former employees.

We generally enter into non-competition agreements with our employees. These agreements prohibit our employees, if they cease working for us, from competing directly with us or working for our competitors or clients for a limited period. We may be unable to enforce these agreements under the laws of the jurisdictions in which our employees work and it may be difficult for us to restrict our competitors from benefiting from the expertise that our former employees or consultants developed while working for us. For example, Israeli labor courts have required employers seeking to enforce non-compete undertakings of a former employee to demonstrate that the competitive activities of the former employee will harm one of a limited number of material interests of the employer that have been recognized by the courts, such as the secrecy of a company's trade secrets or other intellectual property. If we cannot demonstrate that such interests will be harmed, we may be unable to prevent our competitors from benefiting from the expertise of our former employees or consultants and our ability to remain competitive may be diminished. As to our U.S. operations, on the U.S. federal level, there was movement in 2023 by federal agencies to make noncompete agreements unenforceable in general. The Federal Trade Commission, or FTC, implemented a rule on April 23, 2024 to ban employers nationwide from using non-compete agreements with their employees and independent contractors. On August 20, 2024, a federal district court issued an order stopping the FTC from enforcing the rule. The FTC has appealed against that decision and in the meantime, the district court's decision does not prevent the FTC from addressing noncompete restrictions through case-by-case enforcement actions. In addition, the General Counsel of the National Labor Relations Board issued a memo in March 2023 opining that many types of non-compete and non-solicitation restrictions unlawfully interfere with employees' protected rights under Section 7 of the National Labor Relations Act. If any of these proposed new U.S. federal restrictions become and/or remain effective, or if any state in which we have operations continues to expand restrictions or bans the use of non-compete restrictions, that could adversely impact our ability to protect our investment in our key employees in our U.S. locations, and harm our competitive position.

We have a significant presence in international markets and plan to continue to expand our international operations, which exposes us to a number of risks that could affect our future growth.

We have a worldwide sales, marketing and support infrastructure that is comprised of independent distributors and value-added resellers, and our own personnel resulting in a global sales, marketing and support presence, including in North America, Western and Eastern Europe, the Asia Pacific region and Latin America. We continue to evaluate our overall workforce in all areas, including sales, applications development, field support, marketing and engineering and, in some cases, establish new relationships with agents, distributors or channel partners, particularly in markets where we currently do not have a sales or customer support presence. As we continue to expand our international sales and operations, we are subject to a number of risks, including the following:

- greater difficulty in enforcing contracts and accounts receivable collection, as well as longer collection periods;
- increased expenses incurred in establishing and maintaining office space and equipment for our international operations;
- fluctuations in exchange rates between the U.S. dollar and foreign currencies in markets where we do business;
- greater difficulty in recruiting local experienced personnel, and the costs and expenses associated with such activities;
- general economic and political conditions in these foreign markets;
- management communication and integration problems resulting from cultural and geographic dispersion;
- the impact of Russia's ongoing war against Ukraine and trade and monetary sanctions in response to such developments on the markets in which we operate;
- exposure to material disruptions to the global supply chain and to international shipping routes caused by Houthi attacks on marine vessels traversing the Red Sea;
- risks associated with trade restrictions and foreign legal requirements, including the importation, certification, and localization of our solutions required in foreign countries, such as high import taxes in Brazil and other Latin American markets where we sell our products;
- greater risk of unexpected changes in regulatory practices, tariffs (including, without limitation, U.S.-China reciprocal tariffs), and tax laws and treaties;
- the uncertainty of protection for intellectual property rights in some countries;

- greater risk of a failure of employees to comply with both U.S. and foreign laws, including antitrust regulations, the U.S. Foreign Corrupt Practices Act, or FCPA, the European Union General Data Protection Regulation, or GDPR (which broadened the scope of personal privacy laws to protect the rights of European Union citizens and requires organizations to report on data breaches promptly and obtain the consent of individuals on how their data can be used), the California Consumer Privacy Act, or CCPA (which imposes enhanced disclosure requirements for us vis-à-vis our interactions with customers that are residents of California), and any trade regulations ensuring fair trade practices; and

- heightened risk of unfair or corrupt business practices in certain regions and of improper or fraudulent sales arrangements that may impact financial results and result in restatements of, or irregularities in, financial statements.

Any of these risks could adversely affect our international operations, reduce our revenues from outside the United States or increase our operating costs, adversely affecting our business, reputation, results of operations and financial condition and growth prospects. There can be no assurance that all of our employees and channel partners will comply with the formal policies that we have in place and/or will implement them or will adhere to all applicable laws and regulations. Violations of laws or key control policies by our employees and channel partners could result in delays in revenue recognition, financial reporting misstatements, fines, penalties or the prohibition of the importation or exportation of our products and services and could have a material adverse effect on our business and results of operations.

We manufacture and sell products that may create exposure to product liability, warranty liability, or personal injury claims and litigation that may harm our business and results of operations.

Product quality and safety issues could negatively impact consumer confidence in our brand and our business. Our products may not successfully achieve applicable safety standards or customers' expectations regarding safety or quality. Our products may contain or, be alleged to contain, components containing hazardous materials that may present certain health, safety, or quality concerns. Additionally, from time to time, system errors and/or deficiencies may be discovered in the design, manufacturing, assembling, labeling and product formulations of our systems, parts, ink, and other consumables, and associated software. Hazardous materials, errors, and/or deficiencies may also be identified in materials, components, and systems produced by others and used with or incorporated into our products. Some of these issues may not be apparent until after certain products are installed or used by customers, including in circumstances where a product is first introduced, or a new version is released. We expect that these errors or defects will be found from time to time in new or enhanced systems after commencement of commercial distribution or upon software upgrades.

To the extent that any error, deficiency, or hazardous component (which presents a safety concern) exists in any of our products and is not discovered and corrected before a product is introduced to the market, such product could be unsafe and/or could cause damage, including property damage, personal injury, or death. In such circumstances, the actual, potential, or perceived product safety concerns and/or defects in the manufacturing or design, a failure to warn of dangers inherent in the product, negligence, or strict liability could expose us to litigation relating to product liability, warranty liability, or personal injury, as well as government enforcement actions.

Such litigation could force us to incur significant expenses, divert management's time and attention, subject us to adverse publicity, and damage our reputation and competitive position. A successful assertion of a claim against us may result in potentially significant monetary damages, penalties, or fines and adversely affect sales of our products. Although we carry insurance policies covering this type of liability, these policies may not provide sufficient protection should a claim be asserted against us. In addition, costs or payments made in connection with warranty and product liability claims and system recalls could adversely affect our financial condition and results of operations in a material manner. Product liability claims, injuries, defects, or other problems experienced by other companies in the digital printing industry could lead to unfavorable market conditions for the industry as a whole.

We have acquired businesses and may acquire other businesses and/or companies, which could require significant management attention, disrupt our business, dilute shareholder value, and adversely affect our results of operations.

As part of our business strategy, we have acquired businesses and may acquire or make investments in other complementary companies, products or technologies. If we are unsuccessful at integrating such acquisitions or the technologies associated with such acquisitions, our revenues and results of operations may be adversely affected. Any integration process may require significant time and resources, and we may not be able to manage the process successfully. We may not be able to find suitable acquisition candidates, and we may not be able to complete such acquisitions on favorable terms, if at all. If we complete other acquisitions, we may not ultimately strengthen our competitive position or achieve our goals, and any acquisitions we complete could be viewed negatively by our customers, analysts and investors. In addition, we may not successfully evaluate or utilize the acquired technology or personnel, or accurately forecast the financial impact of an acquisition transaction, including accounting charges. We may have to pay cash, incur debt or issue equity securities to pay for any such acquisition, each of which could adversely affect our financial condition or the value of our ordinary shares. The sale of equity or issuance of debt to finance any such acquisitions could result in dilution to our shareholders. The incurrence of indebtedness would result in increased fixed obligations and could also include covenants or other restrictions that would impede our ability to manage our operations.

We may be subject to additional tax liabilities in the future as a result of audits of our tax returns.

We are subject to income taxes principally in Israel, United States, Germany, Hong-Kong, United Kingdom, and Japan. Significant judgment is required in evaluating our uncertain tax positions and determining our provision for income taxes, and if the relevant tax authority does not agree with the positions that we take, we could be subject to tax audit and face significant tax liabilities, which could have a material adverse effect on our results of operations. We were recently subject to such a tax audit for the years 2020 to 2021 by the Israeli Tax Authority, or ITA, in respect of which we ultimately reached a settlement with the ITA. We account for income taxes in accordance with ASC 740, “Income Taxes.” ASC 740, which prescribes the use of the liability method, whereby deferred tax asset and liability account balances are determined based on differences between financial reporting and tax basis of assets and liabilities are measured using the enacted tax rates that will be in effect when the differences are expected to reverse.

We account for uncertain tax positions in accordance with ASC 740-10 two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position taken or expected to be taken in a tax return by determining if the weight of available evidence indicates that it is more likely than not that, on an evaluation of the technical merits, the tax position will be sustained on audit, including resolution of any related appeals or litigation processes. The second step is to measure the tax benefit as the largest amount that is more than 50% (cumulative probability) likely to be realized upon ultimate settlement. We currently maintain reserves for uncertain tax positions. If the potential tax liabilities in respect of which we have taken these reserves exceed the amount of those reserves, that may have a material adverse effect on our results of operations. For more information on our tax positions please refer to Note 14 to our financial statements that appear in Item 18 of this annual report.

We are subject to risks associated with the provision of Kornit^{X} cloud-based software

Kornit^{X} is a subscription software service for the management of on-demand production. We do not expect the Kornit^{X} offering to have a material impact on our overall results of operations in the very near term; however, we believe that it nonetheless exposes us to several potential risks, including the following:

- software bugs and defects that adversely impact our customer’s production processes;
- unauthorized access, data breaches and/or loss of customer data, including data regarding payment methods;
- use of unauthorized open-source software or other infringements of third-party intellectual property;

- challenges providing support to software users; and
- challenges related to our required delivery of the service level agreements under the virtual supplier model that we utilize for our Kornit^{X} offering.

If any of the foregoing risks materializes, our reputation may be adversely impacted, which could, in turn, adversely impact sales of our products and diminish customer confidence in us.

We are subject to litigation. Any current or future lawsuits to which we are subject may have a significant adverse effect on our financial condition or profitability.

We are currently subject to securities class action litigation (as described below in "ITEM 8.A Financial Information- Legal Proceedings-Securities Class Action Lawsuit") and could be subject to further litigation in the future.

We can provide no assurance as to the outcome of any current or future lawsuits, and any such actions may result in judgments against us for significant damages. Resolution of any such matters can be prolonged and costly, and the ultimate results or judgments are uncertain due to the inherent uncertainty in litigation and other proceedings. Moreover, our potential liabilities are subject to change over time due to new developments, changes in settlement strategy or the impact of evidentiary requirements. Regardless of the outcome, litigation has resulted in the past, and may result in the future, in significant legal expenses and require significant attention and resources of management. As a result, any present or future litigation could result in losses, damages and expenses that have a significant adverse effect on our financial condition and profitability.

Risks Related to Intellectual Property

If we are unable to obtain patent protection for our solutions or otherwise protect our intellectual property rights, our business could suffer.

The success of our business depends on our ability to protect our proprietary technology and other intellectual property and to enforce our rights in that intellectual property. We attempt to protect our intellectual property under patent, trademark, copyright and trade secret laws, and through a combination of confidentiality procedures, contractual provisions and other methods, all of which offer only limited protection.

As of December 31, 2024, we owned 54 issued patents in the United States and 27 provisional or pending U.S. patent applications, along with 41 pending non-U.S. patent applications. We also had 42 patents issued in non-U.S. jurisdictions, and 5 pending Patent Cooperation Treaty patent applications, which are counterparts of our U.S. patent applications. The non-U.S. jurisdictions in which we have issued patents or pending applications are China, the European Union or European countries of the European Union including 3 Unitary Patents, Mexico, Israel, Canada, Australia, South Africa, Japan and India. We may file additional patent applications in the future. The process of obtaining patent protection is expensive, time-consuming, and uncertain, and we may not be able to pursue all necessary or desirable patent applications at a reasonable cost or in a timely manner all the way through to the successful issuance of a patent. We may choose not to seek patent protection for certain innovations and may choose not to pursue patent protection in certain jurisdictions. Furthermore, it is possible that our patent applications may not issue as granted patents, that the scope of our issued patents will be insufficient or not have the coverage originally sought, that our issued patents will not provide us with any competitive advantages, and that our patents and other intellectual property rights may be challenged by others through administrative processes or litigation resulting in patent claims being narrowed, invalidated, or unenforceable. In addition, issuance of a patent does not guarantee that we have an absolute right to practice the patented invention. Our policy is to require our employees (and our consultants and service providers, including third-party manufacturers of our systems and components, that develop intellectual property included in our systems) to execute written agreements in which they assign to us their rights in potential inventions and other intellectual property created within the scope of their employment (or, with respect to consultants and service providers, their engagement to develop such intellectual property), but we cannot assure you that we have adequately protected our rights in every such agreement or that we have executed an agreement with every such party. Finally, in order to benefit from the protection of patents and other intellectual property rights, we must monitor and detect infringement and pursue infringement claims in certain circumstances in relevant jurisdictions, all of which are costly and time-consuming. As a result, we may not be able to obtain adequate protection or to effectively enforce our issued patents or other intellectual property rights.

In addition to patents, we rely on trade secret rights, copyrights, trademarks, and other rights to protect our proprietary intellectual property and technology. Despite our efforts to protect our proprietary intellectual property and technology, unauthorized parties, including our employees, consultants, service providers or customers, may attempt to copy aspects of our solutions or obtain and use our trade secrets or other confidential information. We generally enter into confidentiality agreements with our employees, consultants, service providers, vendors, channel partners and customers, and generally limit access to and distribution of our proprietary information and proprietary technology through certain procedural safeguards. These agreements may not effectively prevent unauthorized use or disclosure of our intellectual property or technology and may not provide an adequate remedy in the event of unauthorized use or disclosure of our intellectual property or technology. We cannot assure that the steps taken by us will prevent misappropriation of our intellectual property or technology or infringement of our intellectual property rights. In addition, the laws of some foreign countries where we sell or distribute our solutions do not protect intellectual property rights and technology to the same extent as the laws of the United States, and these countries may not enforce these laws as diligently as government agencies and private parties in the United States. Based on the 2024 report on intellectual property rights protection and enforcement published by the Office of the United States Trade Representative, such countries included Argentina, Chile, China, India, Indonesia, Russia, and Venezuela (designated as priority watch list countries).

If we are unable to protect our trademarks from infringement, our business prospects may be harmed.

We own trademarks that identify “Kornit”, “Kornit Digital”, “NeoPigment”, the “K” logo and “Konnect” logo, and we have an additional trademark registration for the “Custom Gateway” logo, among others, and have registered these trademarks in certain key markets. We further own trademark registrations and applications for VOXEL8, VOXEL8 logo, ACTIVEIMAGE, ACTIVELAB and ACTIVEMIX in certain key markets. Although we take steps to monitor the possible infringement or misuse of our trademarks, third parties may violate our trademark rights. Any unauthorized use of our trademarks could harm our reputation or commercial interests. Efforts to enforce our trademarks may be expensive and time-consuming and may not effectively prevent infringement.

We may not register our trademark rights in all the markets in which we sell our products, and our application to register our trademarks in various jurisdictions may be opposed by third parties (as has occurred in the past), which could require investment of additional time and resources on our part in order to secure registration of those rights. If we do not succeed, our trademarks will be exposed to infringement in a particular jurisdiction, which could have various adverse effects on our operations in that jurisdiction.

We may become subject to claims of intellectual property infringement by third parties or claims by third parties that our intellectual party rights are invalid and may be required to indemnify our distributors or other third parties against such claims, which, regardless of their merit, could result in litigation, distract our management and materially adversely affect our business, results of operations and financial condition.

We have in the past and may in the future become subject to third-party claims that assert that our solutions, services and intellectual property infringe, misappropriate or otherwise violate third-party intellectual property or other proprietary rights. We, in turn, will seek to assert the validity of our intellectual property rights by any legal means that we deem necessary or appropriate in response to any actual or perceived threats.

Intellectual property disputes can be costly and disruptive to our business operations by diverting the attention and energies of management and key technical personnel, and by increasing our costs of doing business. Even if a claim is not directly against us, our agreements with distributors generally require us to indemnify them against losses from claims that our products infringe third-party intellectual property rights and entitle us to assume the defense of any claim as part of the indemnification undertaking. Our assumption of the defense of such a claim may result in similar costs, disruption and diversion of management attention to that of a claim that is asserted directly against us. We may not prevail in any such dispute or litigation, and an adverse decision in any legal action involving intellectual property rights could harm our intellectual property rights and the value of any related technology or limit our ability to execute our business.

Adverse outcomes in intellectual property disputes could:

- require us to redesign our technology or force us to enter into costly settlement or license agreements on terms that are unfavorable to us;
- prevent us from manufacturing, importing, using, or selling some or all of our solutions;
- disrupt our operations or the markets in which we compete;
- impose costly damage awards;
- require us to indemnify our distributors and customers; and
- require us to pay royalties.

We may become subject to claims for remuneration or royalties for assigned service invention rights by our employees, which could result in litigation and adversely affect our business.

A significant portion of our intellectual property has been developed by our employees in the course of their employment for us. Under the Israeli Patent Law, 5727-1967, or the Patent Law, inventions conceived by an employee in the course and as a result of or arising from his or her employment with a company are regarded as "service inventions," which belong to the employer, absent a specific agreement between the employee and employer giving the employee proprietary rights. The Patent Law also provides under Section 134 that if there is no agreement between an employer and an employee as to whether the employee

is entitled to consideration for service inventions, and to what extent and under which conditions, the Israeli Compensation and Royalties Committee, or the Committee, a body constituted under the Patent Law, shall determine these issues. Section 135 of the Patent Law provides criteria for assisting the Committee in making its decisions. According to case law handed down by the Committee, an employee's right to receive consideration for service inventions is a personal right and is entirely separate from the proprietary rights in such invention. Therefore, this right must be explicitly waived by the employee. A decision handed down in May 2014 by the Committee clarifies that the right to receive consideration under Section 134 can be waived and that such waiver can be made orally, in writing or by behavior like any other contract. The Committee will examine on a case-by-case basis, the general contractual framework between the parties, using interpretation rules of the general Israeli contract laws. Further, the Committee has not yet determined one specific formula for calculating this remuneration, nor the criteria or circumstances under which an employee's waiver of his right to remuneration will be disregarded. Similarly, it remains unclear whether waivers by employees in their employment agreements of the alleged right to receive consideration for service inventions would be declared as void being a depriving provision in a standard contract. We generally enter into assignment-of-invention agreements with our employees pursuant to which such individuals assign to us all rights to any inventions created in the scope of their employment or engagement with us. Although our employees have agreed to assign to us service invention rights and have specifically waived their right to receive any special remuneration for such service inventions beyond their regular salary and benefits, we may face claims demanding remuneration in consideration for assigned inventions.

Risks Related to Our Ordinary Shares

Our share price may be volatile.

The market price of our ordinary shares has been volatile in recent years. It may continue to fluctuate substantially as a result of many factors, including:

- actual or anticipated variations in our and/or our competitors' results of operations and financial condition;
- variance in our financial performance from the expectations of market analysts;
- announcements by us or our competitors of significant business developments, changes in service provider relationships, acquisitions, strategic relationships or expansion plans;
- changes in the prices of our solutions;
- our future repurchases, if any, of our ordinary shares pursuant to our current share repurchase programs and/or any other share repurchase program which may be approved in the future;
- our sale of ordinary shares or other securities in the future;
- market conditions in our industry;
- changes in key personnel;
- the trading volume of our ordinary shares;
- changes in the estimation of the future size and growth rate of our markets; and
- general economic and market conditions.

In addition, in recent years, the stock markets have sometimes experienced extreme price and volume fluctuations. Broad market and industry factors may materially harm the market price of our ordinary shares, regardless of our operating performance. In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been instituted against that company. We, too, along with certain of our current and former executives, and, in one case, our directors, the underwriters for our November 2021 follow-on public offering and Amazon, have been made subject to such securities class action litigation, which alleges that we made misrepresentations and omissions in our public statements and disclosures in violation of the Exchange Act and Rule 10b-5 promulgated thereunder. If these actions or any similar litigation against us are not dismissed or settled at their early stages, we could incur substantial costs and our management's attention and resources could be diverted.

We have never paid cash dividends on our share capital, and we do not anticipate paying any cash dividends in the foreseeable future.

We have never declared or paid cash dividends on our share capital, nor do we anticipate paying any cash dividends on our share capital in the foreseeable future. We currently intend (subject to any extraordinary market conditions that might arise) to retain all available funds and any future earnings to fund the development and growth of our business. As a result, capital appreciation, if any, of our ordinary shares should be investors' principal expected source of gain for the foreseeable future. To the extent that volatile or depressed market conditions reduce the trading price of our ordinary shares substantially for an extended period of time, we have in the past used and may continue in the future using a portion of our cash reserves for share repurchases. In addition to considerations related to corporate finance, Israeli law limits our ability to declare and pay dividends and may subject our dividends to Israeli withholding taxes.

There are risks associated with our share repurchase programs.

Our board of directors approved our new share repurchase program in September 2024, under which we can repurchase up to $100 million of our outstanding ordinary shares. Under the new program, purchases can be made by way of a variety of methods, including open market purchases, privately negotiated transactions or otherwise, all in accordance with U.S. securities laws and regulations, including Rule 10b-18 under the Exchange Act. We have affected share repurchases under the new share repurchase program by way of an accelerated share repurchase agreement with Goldman Sachs International, under which we repurchased $75 million of the $100 million authorized under the new program through the assistance of Goldman Sachs, in large repurchases that occurred in November 2024, December 2024 and February 2025— totaling 2,467,206 ordinary shares, in the aggregate. Our share repurchase program may reduce the public float of shares available for trading on a daily basis and may cause volatility in the price of our ordinary shares. Our repurchases may be limited, suspended, or terminated at any time without prior notice. There can be no assurance that we will repurchase any specific amount of ordinary shares under our share repurchase program or that any future repurchases will have a positive impact on our share price or profitability. Important factors that could cause us to discontinue or decrease our share repurchases include, among others, unfavorable market conditions, the market price of our ordinary shares, the nature of other investment or strategic opportunities presented to us, the rate of dilution of our equity compensation programs, our ability to make appropriate, timely, and beneficial decisions as to when, how, and whether to purchase shares under the share repurchase program, the tax consequences of any repurchases (including the potential impact of the 1% excise tax on certain share repurchases), and the availability of funds necessary to continue purchasing shares. If we curtail or suspend our share repurchase program, our share price may be negatively affected.

As a foreign private issuer whose shares are listed on the Nasdaq Global Select Market, we may follow certain home country corporate governance practices instead of otherwise applicable SEC and Nasdaq requirements, which may result in less protection than is accorded to investors under rules applicable to domestic U.S. issuers.

As a foreign private issuer whose shares are listed on the Nasdaq Global Select Market, we are permitted to follow certain home country corporate governance practices instead of those otherwise required under the corporate governance standards for U.S. domestic issuers. We currently follow Israeli home country practices with regard to (i) the quorum requirement for shareholder meetings (25%, which is less than the one-third minimum required under the Nasdaq rules), (ii) the independent director oversight requirement for director nominations (the board as a whole, rather than an entirely independent nominating committee or only the independent directors, handles this under Israeli law), and (iii) shareholder approval for the issuance of ordinary shares or other securities to officers, directors, employees or consultants under an equity compensation plan or arrangement, or for the adoption of, or a material amendment to, such a plan or arrangement (Israeli law only requires shareholder approval generally for a grant under a plan or arrangement for directors or the chief executive officer). See “ITEM 16G. Corporate Governance.” Furthermore, we may in the future elect to follow Israeli home country practices in lieu of the Nasdaq requirements on other matters, such as the requirement to hold separate executive sessions of independent directors or to obtain shareholder approval for certain dilutive events (such as for issuances that will result in a change of control of the company, certain transactions other than a public offering involving issuances of a 20% or more interest in the company and certain acquisitions of the stock or assets of another company). Accordingly, our shareholders may not be afforded the same protection as provided under Nasdaq corporate governance rules. Following our home country governance practices as opposed to the requirements that would otherwise apply to a United States company listed on Nasdaq may provide less protection than is accorded to investors of domestic issuers. See “ITEM 16G. Corporate Governance.”

As a foreign private issuer, we are not subject to the U.S. proxy rules and are exempt from filing certain Exchange Act reports.

As a foreign private issuer, we are exempt from a number of requirements under U.S. securities laws that apply to public companies that are not foreign private issuers. In particular, we are exempt from the rules and regulations under the Exchange Act related to the furnishing and content of proxy statements, and our officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we are not required under the Exchange Act to file annual and current reports and financial statements with the SEC as frequently or as promptly as U.S. domestic companies whose securities are registered under the Exchange Act and we are generally exempt from filing quarterly reports with the SEC under the Exchange Act. These exemptions and leniencies will reduce the frequency and scope of information and protections to which you are entitled as an investor.

We would lose our foreign private issuer status if a majority of our directors or executive officers are U.S. citizens or residents, and we fail to meet additional requirements necessary to avoid loss of foreign private issuer status. Although we have elected to comply with certain U.S. regulatory provisions, our loss of foreign private issuer status would make such provisions mandatory. The regulatory and compliance costs to us under U.S. securities laws as a U.S. domestic issuer may be significantly higher. If we are not a foreign private issuer, we will be required to file periodic reports and registration statements on U.S. domestic issuer forms with the SEC, which are more detailed and extensive than the forms available to a foreign private issuer. We would also be required to follow U.S. proxy disclosure requirements, including the requirement to disclose more detailed information about the compensation of our senior executive officers on an individual basis. We may also be required to modify certain of our policies to comply with governance practices associated with U.S. domestic issuers. In addition, we would lose our ability to rely upon exemptions from certain corporate governance requirements on U.S. stock exchanges that are available to foreign private issuers. Such additional required compliance would involve additional costs.

The market price of our ordinary shares could be negatively affected by future sales of our ordinary shares.

Future sales by us or our shareholders of a substantial number of ordinary shares in the public market, or the perception that these sales might occur, could cause the market price of our ordinary shares to decline or could impair our ability to raise capital through a future sale of, or to pay for acquisitions using, our equity securities.

Amazon is entitled to certain registration rights with respect to the 3,401,028 ordinary shares underlying new warrants that we issued to its affiliate on September 14, 2020, pursuant to a transaction agreement that we entered into with Amazon on that day. All shares sold pursuant to an offering covered by a registration statement will be freely transferable except if purchased by an affiliate. See "ITEM 10.C- Material Contracts- Agreements with Amazon-Transaction Agreement and Warrant" in this annual report.

In addition, 2,580,694 ordinary shares are issuable under currently vested and exercisable share options and unvested restricted share units, or RSUs, in the aggregate, granted to employees and office holders as of December 31, 2024. We have filed registration statements on Form S-8 under the Securities Act registering our potential issuance of those ordinary shares under our share incentive plans, of which, as of December 31, 2024, there were options and RSUs to purchase an aggregate of 4,696,089 shares outstanding. Shares included in such registration statements may be freely sold in the public market upon issuance, except for shares held by affiliates who have certain restrictions on their ability to sell.

As a public company, we are required to devote substantial time towards maintaining the effectiveness of our internal controls and to other compliance initiatives and corporate governance practices.

We incur significant legal, accounting and other expenses as a public company. Applicable U.S. securities laws and regulations and the listing requirements of the Nasdaq Stock Market impose various requirements on public companies, including the establishment and maintenance of effective disclosure and financial controls and corporate governance practices. Our management and other personnel continue to devote a substantial amount of time to these compliance initiatives.

In particular, we are required to comply with the SEC's rules implementing Sections 302 and 404 of the Sarbanes-Oxley Act, which require management to certify financial and other information in our annual reports and provide an annual management report on the effectiveness of control over financial reporting. Additionally, as we are no longer an emerging growth company and qualify as a large accelerated filer, we must include an attestation report on internal control over financial reporting issued by our independent registered public accounting firm.

To maintain the effectiveness of our disclosure controls and procedures and our internal control over financial reporting, we expect that we will need to continue enhancing existing, and implement new, financial reporting and management systems, procedures and controls to manage our business effectively and support our growth in the future. The process of evaluating our internal control over financial reporting requires an investment of substantial time and resources, including by our Chief Financial Officer and other members of our senior management. As a result, this process may divert internal resources and take a significant amount of time and effort to complete. Additionally, as part of management assessments of the effectiveness of our internal control over financial reporting required by Section 404(a) of the Sarbanes-Oxley Act, our management may conclude that our internal control over financial reporting is not effective due to our failure to cure any identified material weakness or otherwise, which would require us to employ remedial actions to implement effective controls. If we identify material weaknesses in our internal control over financial reporting, if we are unable to comply with the requirements of Section 404(a) or 404(b) in a timely manner or to assert that our internal control over financial reporting is effective, or if our independent registered public accounting firm is unable to express an opinion or issues an adverse opinion in its attestation as to the effectiveness of our internal control over financial reporting required by Section 404(b), investors may lose confidence in the accuracy and completeness of our financial reports and the trading price of our ordinary shares could be negatively affected. We could also become subject to investigations by the stock exchange on which our securities are listed, the SEC or other regulatory authorities, which could require additional financial and management resources.

Irrespective of compliance with Sections 404(a) and 404(b), any failure of our internal controls could have a material adverse effect on our stated results of operations and harm our reputation. In order to implement changes to our internal control over financial reporting triggered by a failure of those controls, we could experience higher than anticipated operating expenses, as well as higher independent auditor fees during and after the implementation of these changes.

Our U.S. shareholders may suffer adverse tax consequences if we are classified as a passive foreign investment company.

Generally, if for any taxable year 75% or more of our gross income is passive income, or at least 50% of the average quarterly value of our assets (which may be determined in part by the market value of our ordinary shares, which is subject to change) are held for the production of, or produce, passive income, we would be characterized as a passive foreign investment company, or PFIC, for U.S. federal income tax purposes. Based on historic and certain estimates of our gross income, gross assets and market capitalization (which may fluctuate from time to time) and the nature of our business, we believe we were not a PFIC for the taxable year ended December 31, 2024. Because PFIC status is based on our income, assets and activities for the entire taxable year, it is not possible to determine whether we will be characterized as a PFIC for our 2025 taxable year until after the close of the year. Furthermore, because the value of our gross assets is likely to be determined in part by reference to our market capitalization, a decline in the value of our ordinary shares may result in our becoming a PFIC. There can be no assurance that we will not be considered a PFIC for any taxable year. If we are characterized as a PFIC, our U.S. shareholders may suffer adverse tax consequences, including having gains realized on the sale of our ordinary shares treated as ordinary income, rather than as capital gain, the loss of the preferential rate applicable to dividends received on our ordinary shares by individuals who are U.S. Holders (as defined in "ITEM 10.E Taxation and Government Programs-U.S. Federal Income Taxation"), and having interest charges apply to distributions by us and the proceeds of sales of our ordinary shares. Certain elections exist that may alleviate some of the adverse consequences of PFIC status and would result in an alternative treatment (such as mark-to-market treatment) of our ordinary shares. For a more detailed discussion, see "ITEM 10.E Taxation and Government Programs - U.S. Federal Income Taxation - Passive Foreign Investment Company Considerations."

Certain U.S. holders of our ordinary shares may suffer adverse tax consequences if we or any of our non-U.S. subsidiaries are characterized as a "controlled foreign corporation", or a CFC, under Section 957(a) of the Internal Revenue Code of 1986, as amended, or the Code.

A non-U.S. corporation is considered a CFC if more than 50 percent of (1) the total combined voting power of all classes of stock of such corporation entitled to vote, or (2) the total value of the stock of such corporation; is owned, or is considered as owned by applying certain constructive ownership rules, by United States shareholders who own stock representing 10% or more of the vote or 10% or more of the value on any day during the taxable year of such non-U.S. corporation ("10% U.S. Shareholders"). Generally, a 10% U.S. Shareholder of a CFC is required to include currently in gross income such 10% U.S. Shareholder's share of the CFC's "Subpart F income", a portion of the CFC's earnings to the extent the CFC holds certain U.S. property, and certain other items under the Tax Cuts and Jobs Act of 2017, or the Tax Act. Such 10% U.S. Shareholders are subject to current U.S. federal income tax with respect to such items, even if the CFC has not made an actual distribution to such shareholders. "Subpart F income" includes, among other things, certain passive income (such as income from dividends, interests, royalties, rents and annuities or gain from the sale of property that produces such types of income) and certain sales and services income arising in connection with transactions between the CFC and a person related to the CFC.

Certain changes to the CFC constructive ownership rules introduced by the Tax Act may cause one or more of our non-U.S. subsidiaries to be treated as CFCs, may also impact our CFC status and, thus, may affect holders of our common shares that are United States shareholders. For 10% U.S. Shareholders, this may result in adverse U.S. federal income tax consequences, such as current U.S. taxation of Subpart F income and of any such shareholder's share of our accumulated non-U.S. earnings and profits (regardless of whether we make any distributions), taxation of amounts treated as global intangible low-taxed income under Section 951A of the Code with respect to such shareholder, and being subject to certain reporting requirements with the U.S. Internal Revenue Service. Any 10% U.S. Shareholder should consult its own tax advisors regarding the U.S. tax consequences of acquiring, owning, or disposing our common shares and the impact of the Tax Act, especially the changes to the rules relating to CFCs.

If equity research analysts do not publish research or reports about our business or if analysts, including short sellers, issue unfavorable commentary or downgrade our ordinary shares, the price of our ordinary shares could decline. Additionally, we may fail to meet publicly announced financial guidance or other expectations about our business, which would cause our ordinary shares to decline in value.

The trading market for our ordinary shares relies in part on the research and reports that equity research analysts publish about us, our business and our markets. The price of our ordinary shares could decline if one or more securities analysts downgrade our ordinary shares or if one or more of those analysts issue other unfavorable commentary or cease publishing reports about us or our business. The market price for our ordinary shares has been in the past, and may be in the future, materially and adversely affected by allegations made in reports issued by short sellers regarding our business model, our management and our financial accounting. If our financial results for a particular period do not meet our guidance or if we reduce our guidance for future periods, the market price of our ordinary shares may decline.

Risks Related to Our Operations in Israel

Our headquarters, manufacturing and other significant operations are located in Israel and, therefore, our results may be adversely affected by political, economic and military instability in Israel.

Our headquarters, research and development and manufacturing facility, and the primary manufacturing facilities of our third-party manufacturers, are located in Israel. In addition, the majority of our key employees, officers and directors are residents of Israel.

Israel has been engaged in a war with Hamas, a terrorist organization based in the Gaza Strip on Israel's southern border, and until recently, was similarly engaged in a military conflict with Hezbollah, a terrorist organization based in Lebanon on Israel's northern border, in each case since October 7, 2023. Each such terrorist group has been sponsored by Iran. Iran itself, and other Iranian-sponsored terrorist organizations in the Middle East, including the Houthi terrorist militia in Yemen, have also launched aerial strikes against Israel, and Israel has responded with counter-attacks. The future intensity and duration of the war and additional hostilities are difficult to predict, as are the related economic implications on our business and operations and on Israel's economy in general.

The duration of the war thus far has led to a downgrade in Israel's credit rating by rating agencies such as the downgrade by Moody's of Israel's credit rating from A1 to Baa1, as well as the downgrade of its outlook rating from "stable" to "negative," while S&P Global lowered Israel's long-term credit rating from A+ to A and downgraded its short-term credit rating from A-1+ to A-1, with a "negative" outlook on the long-term rating.

As of the date of this annual report, none of our facilities or infrastructure have been damaged nor have our supply chains been significantly impacted since the war broke out. However, an even further prolonged or intensified war could result in further military reserve duty call-ups as well as irregularities to our supply chain and our ability to ship products from Israel, which could disrupt our operations.

Our commercial insurance does not cover losses that may occur as a result of an event associated with the security situation in the Middle East, as well as acts of terror. Although the Israeli government is currently committed to covering the reinstatement value of direct damages that are caused by terrorist attacks or acts of war, we cannot assure you that this government coverage will be maintained, or if maintained, will be sufficient to compensate us fully for damages incurred. Any losses or damage incurred by us could have a material adverse effect on our business. While we have commenced implementation of a business continuity plan which provides for alternative sites outside of Israel, there can be no assurance that such plan will be successful. Any armed conflict involving Israel could adversely affect our operations and results of operations.

Several countries, principally in the Middle East, restrict doing business with Israel and Israeli companies. While some of these countries are eliminating these constraints, additional countries may impose restrictions on doing business with Israel and Israeli companies if hostilities in Israel or political instability in the region continues or increases. Although the recent Abraham Accords have enhanced Israel's relations with certain countries in the Middle East (*i.e*., the United Arab Emirates, Bahrain, Morocco and Sudan), an ongoing state of hostility vis-à-vis other countries, varying in degree and intensity, has caused security and economic challenges for Israel. In addition, there have been increased efforts by activists to cause companies and consumers to boycott Israeli goods based on Israeli government policies. Such actions, particularly if they become more widespread, may adversely impact our ability to sell and service our solutions.

The shipping and delivery of our systems and ink and other consumables from our manufacturing facilities and those of our third-party manufacturers in Israel could also be delayed or interrupted by political, economic, military, and other events outside of our reasonable control, including labor strikes at ports in Israel or at ports of destination, military attacks on transportation facilities or vessels, and severe weather events. In addition to attacking Israel, the Houthi terrorist militia in Yemen has also been attacking ships in the Red Sea as part of the current hostilities in an effort to deter ships from reaching the southern Israeli port of Eilat. We have implemented business contingency plans to mitigate the risk that we may be prevented from delivering or providing our systems, consumables and services from our Israeli facilities to various global regions in which our customers are located, by increasing inventory levels for our systems and consumables in those localized regions. Nevertheless, even those increased inventory levels could turn out to be insufficient to meet our customer needs should our Israeli capabilities be damaged or shut down due to the ongoing military conflicts involving Israel. If delivery and installation of our products is delayed or prevented by any such events, our revenues could be materially and adversely impacted.

The tax benefits that are available to us under Israeli law require us to meet various conditions and may be terminated or reduced in the future, which could increase our costs and taxes.

We are eligible for certain tax benefits provided to "Benefited Enterprises" under the Israeli Law for the Encouragement of Capital Investments, 1959, or the Investments Law, until 2018. Beginning in January 2019, and with respect to our taxable results from 2019 onwards, we and our Israeli subsidiary are furthermore eligible to apply the terms of the Investments Law as they relate to a "Preferred Enterprise," or PE, and/or a "Preferred Technological Enterprise," or PTE. In order to remain eligible for the tax benefits for Benefited Enterprises for our Israeli subsidiary's taxable results until 2018, and for its taxable results from 2019 onwards with respect to a PE or PTE, we must continue to meet certain conditions stipulated in the Investments Law and its regulations, as amended. If these tax benefits are reduced, cancelled, or discontinued, our Israeli taxable income would be subject to regular Israeli corporate tax rates and we may be required to refund any tax benefits that we have already received, plus interest and penalties thereon. The statutory corporate tax rate for Israeli companies is 23% from January 1, 2018, and onward. Additionally, if we increase our activities outside of Israel through acquisitions or otherwise through our Israeli subsidiary, our existing or expanded activities might not be eligible for inclusion in existing or future Israeli tax benefit programs. The Israeli government may furthermore independently determine to reduce, phase out, or eliminate entirely the benefit programs under the Investments Law, regardless of whether we then qualify for benefits under those programs at the time, which would also adversely affect our global tax rate and our results of operations. See "ITEM 5. Operating and Financial Review and Prospects- Taxation and Israeli Government Programs Applicable to our Company - Law for the Encouragement of Capital Investments, 5719-1959."

We have received and may receive further Israeli government grants for certain research and development activities. The terms of those grants restrict our ability to transfer manufacturing operations or technology outside of Israel.

Our research and development efforts have been financed in part through grants from the Israeli National Authority for Technological Innovation, or the Innovation Authority (previously known as the Israeli Office of the Chief Scientist). Prior to 2015, we received various grants from the Innovation Authority, all of which we repaid. In 2021, 2022, 2023, and 2024, we received new commitments from the Innovation Authority for non-royalty bearing grants to reimburse us for up to 55% of our research and development expenses in connection with certain projects, in amounts of NIS 2 million, NIS 3.6 million, NIS 2.6 million, and NIS 1.2 million, respectively (approximately $0.7 million, $1 million, $0.7 million, and $0.3 million), in the aggregate. To date, we have received from the Innovation Authority NIS 4 million (approximately $1.1 million) of this new committed amount. We must comply with the requirements of the Encouragement of Research, Development and Technological Innovation in the Industry Law, 5744-1984 (formerly known as the Law for the Encouragement of Research and Development in Industry 5744-1984), and related regulations, collectively referred to as the Innovation Law, in connection with that new funding and any past funding that we had received from the Innovation Authority.

When a company develops know-how, technology or products and related services using grants provided by the Innovation Authority, the terms of those grants and the Innovation Law, among others, restrict the transfer outside of Israel of (i) such Innovation Authority-supported know-how (including by a way of license for research and development purposes), (ii) manufacturing or manufacturing rights of such products, and (iii) such technologies, without the prior approval of the Innovation Authority. We may not receive those approvals.

The restrictions set forth under the Innovation Law, to which we are subject (even after repaying grants we have received) include:

- *Transfer of know-how outside of Israel*. Transfer of the know-how that was developed with the funding of the Innovation Authority outside of Israel requires prior approval of the Innovation Authority, and, if approved, will require the payment of a redemption fee, which cannot exceed 600% of the grant amount plus interest. Upon payment of such fee, the know-how and the production rights for the products supported by such funding cease to be subject to the Innovation Law.

- *Local manufacturing obligation.* The terms of the grants under the Innovation Law require that the manufacturing of products resulting from the Innovation Authority funded programs are carried out in Israel, unless a prior written approval of the Innovation Authority is obtained. Such approval may be given in special circumstances and upon the fulfillment of certain conditions set forth in the Innovation Law, including payment of increased royalties. Such approval is not required for the transfer of less than 10% of the manufacturing capacity in the aggregate, and in such an event, a notice to the Innovation Authority is required.

- *Certain reporting obligations*. A recipient of a grant or a benefit under the Innovation Law is required to notify the Innovation Authority of events enumerated in the Innovation Law.

These restrictions and requirements for payment may impair our ability to sell our technology assets outside of Israel or to outsource or transfer manufacturing activities with respect to any product or technology outside of Israel; however, they do not restrict the export of our products that incorporate know-how funded by the Innovation Authority. Furthermore, the consideration available to our shareholders in a sale transaction involving the actual transfer outside of Israel of technology or know-how developed with funding by the Innovation Authority pursuant to a merger or similar transaction may be reduced by any amounts that we are required to pay to the Innovation Authority. Failure to comply with the requirements under the Innovation Law may subject us to mandatory repayment of grants received by us, together with interest and penalties, as well as expose us to criminal proceedings.

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

Israeli corporate law regulates mergers, requires tender offers for acquisitions of shares above specified thresholds, requires special approvals for transactions involving directors, officers or significant shareholders and regulates other matters that may be relevant to such types of transactions. For example, a tender offer for all of a company's issued and outstanding shares can only be completed if the acquirer receives positive responses from the holders of at least 95% of the issued share capital, otherwise, the acquirer may not own more than 90% of a company's issued and outstanding share capital. Completion of the tender offer also requires approval of a majority in number of the offerees that do not have a personal interest in the tender offer, unless at least 98% of the company's outstanding shares are tendered. Furthermore, the shareholders, including those who indicated their acceptance of the tender offer (unless the acquirer stipulated in its tender offer that a shareholder that accepts the offer may not seek appraisal rights), may, at any time within six months following the completion of the tender offer, petition an Israeli court to alter the consideration for the acquisition. See "Articles of Association - Acquisitions under Israeli Law" in Exhibit 2.2 to this annual report.

Our articles provide that our directors (other than external directors, to the extent there are any serving at the time) are elected on a staggered basis, such that a potential acquirer cannot readily replace our entire board of directors at a single annual general shareholder meeting.

Furthermore, Israeli tax considerations may make potential transactions unappealing to us or to our shareholders whose country of residence does not have a tax treaty with Israel exempting such shareholders from Israeli tax. For example, Israeli tax law does not recognize tax-free share exchanges to the same extent as U.S. tax law. With respect to mergers involving an exchange of shares, Israeli tax law allows for tax deferral in certain circumstances but makes the deferral contingent on the fulfillment of a number of conditions, including, in some cases, a holding period of two years from the date of the transaction during which sales and dispositions of shares of the participating companies are subject to certain restrictions. Moreover, with respect to certain share swap transactions in which the sellers receive shares in the acquiring entity that are publicly traded on a stock exchange, the tax deferral is limited in time, and when such time expires, the tax becomes payable even if no disposition of such shares has occurred. In order to benefit from the tax deferral, a pre-ruling from the Israel Tax Authority, or the ITA, might be required.

It may be difficult to enforce a judgment of a U.S. court against us or our officers and directors, to assert U.S. securities laws claims in Israel or to serve process on our officers and directors.

We are incorporated in Israel. The majority of our directors and executive officers reside outside of the United States, and most of our assets and most of the assets of these persons are located outside of the United States. Therefore, a judgment obtained against us, or any of these persons, including a judgment based on the civil liability provisions of the U.S. federal securities laws, may not be collectible in the United States and may not be enforced by an Israeli court. It also may be difficult for you to effect service of process on these persons in the United States or to assert U.S. securities law claims in original actions instituted in Israel. Israeli courts may refuse to hear a claim based on an alleged violation of U.S. securities laws reasoning that Israel is not the most appropriate forum in which to bring such a claim. In addition, even if an Israeli court agrees to hear a claim, it may determine that Israeli law and not U.S. law is applicable to the claim. If U.S. law is found to be applicable, the content of applicable U.S. law must be proven as a fact by expert witnesses, which can be a time consuming and costly process. Certain matters of procedure will also be governed by Israeli law. There is little binding case law in Israel that addresses the matters described above. As a result of the difficulty associated with enforcing a judgment against us in Israel, you may not be able to collect any damages awarded by either a U.S. or foreign court. It may be difficult to enforce a judgment of a U.S. court against us, our officers and directors or the Israeli experts named in this prospectus supplement in Israel or the United States, to assert U.S. securities laws claims in Israel or to serve process on our officers and directors and these experts.

Your rights and responsibilities as a shareholder are governed by Israeli law, which differs in some material respects from the rights and responsibilities of shareholders of U.S. companies.

The rights and responsibilities of the holders of our ordinary shares are governed by our articles and by Israeli law. These rights and responsibilities differ in some material respects from the rights and responsibilities of shareholders in U.S.-based corporations. In particular, a shareholder of an Israeli company has a duty to act in good faith and in a customary manner in exercising its rights and performing its obligations towards the company and other shareholders, and to refrain from abusing its power in the company, including, among other things, in voting at a general meeting of shareholders on matters such as amendments to a company’s articles of association, increases in a company’s authorized share capital, mergers and acquisitions and related party transactions requiring shareholder approval. In addition, a shareholder who is aware that it possesses the power to determine the outcome of a shareholder vote or to appoint or prevent the appointment of a director or executive officer in the company has a duty of fairness toward the company. There is limited case law available to assist us in understanding the nature of this duty or the implications of these provisions. These provisions may be interpreted to impose additional obligations and liabilities on holders of our ordinary shares that are not typically imposed on shareholders of U.S. corporations.

ITEM 4. Information on the Company.

A. History and Development of the Company

Our History

Our legal name is Kornit Digital Ltd., and we were incorporated under the laws of the State of Israel on January 16, 2002. We shipped our first system in 2005. In April 2015, we completed our initial public offering, or IPO. Our ordinary shares began trading on the Nasdaq Global Select Market, under the symbol “KRNT,” on April 2, 2015.

We are subject to the Israeli Companies Law, 5759-1999. Our principal executive offices are located at 12 Ha’Amal Street, Rosh Ha’Ayin 4809246, Israel, and our telephone number is +972-3-908-5800. Our website address is www.kornit.com (the information contained therein or linked thereto shall not be considered incorporated by reference in this annual report).

Our agent for service of process in the United States is Kornit Digital North America Inc., located at 480 South Dean Street Englewood, NJ 07631, and its telephone number is (262) 518-0200.

As a company whose ordinary shares are registered under the Exchange Act, we report publicly to the SEC. The SEC maintains an Internet site (http:// www.sec.gov) that contains reports and other information regarding issuers that file electronically with the SEC.

Principal Capital Expenditures

Capital expenditures in the years ended December 31, 2022, 2023 and 2024 were approximately $18.0 million, $7.0 million, and $15.1 million, respectively, and were principally used for the purchase of property, plant and equipment and, in 2024, for the production of equipment for lease. The aggregate amount for 2021 and 2022 included approximately $2.5 million paid for the land for our new 6,637 square meter ink manufacturing and storage facility in Kiryat Gat, Israel, which we opened on January 26, 2022. The total cost for land, construction of the facility, design and installation of the production line, was approximately NIS 69 million (approximately $22 million). We used cash on hand to finance the construction of that facility.

On April 5, 2022, we completed the acquisition of Lichtenau, Germany-based Tesoma GmbH, or Tesoma. Tesoma is globally recognized for the high-quality engineering and performance of its cutting-edge textile curing solutions. The total cash consideration for this acquisition was 15.4 million Euros. In February 2025, after having integrated Tesoma's customer service, and research and development, teams into our overall business operations, we commenced the transition of Tesoma's production activities to our third-party manufacturer. Consequently, production activities at Tesoma's German facility were discontinued as of March 15, 2025.

We did not make any capital expenditures for the acquisition of interests in other companies in 2023 or 2024, nor have we done so thus far in 2025.

B. Business Overview

We are a leading global developer and provider of innovative digital solutions for the printed textile industry. We aim to transform the industry by shifting demand generators and fulfillers from outdated and stagnant analog processes to innovative digital processes. Our solutions are designed to enable our customers to remain relevant, reduce waste, and adapt to shifting supply chain dynamics.

We focus on the rapidly growing high throughput DTG (direct to garment) and Direct to Fabric segments of the printed textile industry. Our solutions include our proprietary digital printing systems, ink, and other consumables, associated software and value-added services. These solutions allow for printing large scale, short to medium runs, of complex images and designs directly on finished garments and fabrics. Our customers include fulfillers and demand generators, such as brands, licensors, and content creators, primarily within the fashion, apparel and home décor segments of the industry.

We have developed and are offering a broad portfolio of differentiated digital printing solutions for the DTG market that provide answers to challenges faced by participants in the global printed textile industry. Our DTG solutions utilize our patented wet-on-wet printing methodology, which eliminates the common practice of separately coating and drying textiles prior to printing. This methodology also enables printing on a wide range of untreated fabrics, including cotton, wool, polyester, blends, lycra, and denim. Our patented NeoPigment ink and other consumables have been specially formulated to be compatible with our systems and overcome the quality-related challenges that pigment-based inks have traditionally faced when used in digital printing. Our software solutions simplify workflows in the printing process, by offering a complete solution from web order intake through graphic job preparation and execution.

Building on the expertise and capabilities that we have accumulated in developing and offering differentiated solutions for the industrial DTG market, we also offer an industrial digital printing solution, the Presto MAX, which targets the on-demand Direct-to-Fabric market. While the DTG market generally involves printing on finished garments, the Direct-to-Fabric market is focused on printing on fabrics that are subsequently converted into finished garments, home décor and other items. The Presto MAX, like our predecessor Direct-to-Fabric products, the Presto and Allegro, utilizes our proprietary wet-on-wet printing methodology and houses an integrated drying and curing system. It offers a single-step, eco-friendly, stand-alone industrial Direct-to-Fabric digital textile printing solution.

Consumers today have grown accustomed to shopping online with a vast selection of products advertising rapid shipping times; however, fulfillers and demand generators have historically relied on antiquated, pollutive, and labor-intensive production methods. With the rise of social media, consumers also increasingly expect that both their online and in-store shopping experiences will reflect the latest apparel trends, which are evolving more rapidly than ever before. To meet these consumer demands, many fulfillers and demand generators have faced rising inventories, higher variable costs, more unsold finished goods, and lower pricing.

When compared with analog methods of production, our solutions significantly reduce production lead times and enable our customers to produce smaller quantities of individually printed designs more effectively, sustainably, and cost-efficiently. Our solutions are also differentiated from other digital methods of production because they eliminate the need to pre-treat fabrics prior to printing, thereby offering our customers the ability to digitally print high quality images and designs on a variety of fabrics in a streamlined and environmentally friendly manner.

We have an attractive business model, with our growing installed base of systems driving recurring sales of ink and other consumables. Our ink and other consumables are specially formulated to enable our systems to operate at the highest throughput level while adhering to high print quality requirements.

We intend to capitalize on the continued growth of the DTG market by expanding our diverse global customer base, focusing particularly on fast-growing web-to-print businesses. We similarly strive to capture a greater share of the growing market for Direct-to-Fabric, which has emerged as a transformative technology within the apparel industry. Besides reaching new customers, we also seek to increase our sales to existing customers, particularly sales of our ink and other consumables. At the same time, we are pursuing new high-volume customers, including new customers in the screen replacement market, which should help drive an increase in the sale of ink and other consumables. We also expect to extend our serviceable addressable market by introducing new features and functionality that enhance the capabilities of our systems and inks and enable our systems to print on new types of media. We plan to accomplish these goals by investing in our direct sales force, developing new applications for our systems, introducing new solutions, and growing our relationships with channel partners. We constantly explore the possibility of adding new business models and concepts designed to grow our business and cater to our customers' needs.

Our go-to-market strategy consists of a hybrid model of indirect and direct sales, with a trend towards adopting a direct sales model in certain key markets. We have historically generated a significant portion of our sales through a global network of independent agents, distributors and value-added resellers that we refer to as our channel partners. Our channel partners, in turn, sell the solutions they purchase from us to customers for whom we provide installation services, or sell and install our solutions on their own. Our channel partners work closely with our sales force and assist us by identifying potential sales targets, closing new business, and maintaining relationships with, and, in certain jurisdictions, providing support directly to our customers.

Maintenance and support for our systems is performed either by our own service organization or by service engineers employed by our distributors. This varies among the four regions we serve, depending on the infrastructure we have established in each region. We provide professional services directly to some of our customers in all regions. Our customers can renew maintenance and support contracts for additional periods by purchasing a maintenance and support package that covers remote support, software upgrades and onsite yearly maintenance or they can choose to rely on our support on a non-contractual time and material basis

The General Textile Industry

Textile is a flexible material formed using various processes, including weaving, knitting, crocheting, or felting. Textile is conventionally used in a broad range of applications including fashion, apparel, footwear and home decor. According to a report published by Statista in October 2024, the value of the global apparel retail market was approximately $1.73 trillion in 2023 and is forecasted to grow to $2.04 trillion in 2029, reflecting a compound annual growth rate (CAGR) of 2.6% between 2025 and 2029. Factors including rising income per capita, favorable demographics and shifting consumer trends are expected to drive long-term demand in the apparel market.

The global printed textile industry involves printing on fabric rolls, finished garments and unsewn pieces of cut fabric at various stages along the value chain in the production of goods for fashion, apparel, and home decoration. According to Future Market Insights (FMI), the global digital textile printing market is set to experience substantial growth over the forecast period, with a projected compound annual growth rate (CAGR) of 12.1% from 2024 to 2034. This remarkable growth is expected to drive the market from USD 2,989.6 million in 2024 to a forecasted USD 8,897.3 million by 2034, indicating strong demand for advanced printing technologies in the textile industry.

Industry trends

E-Commerce

The global e-commerce market has undergone significant growth in the past two decades, expanding in the U.S. from only ~2% of total retail sales in 2003 to 16.2% in late 2024 according to the U.S. census bureau. The shift in retail sales channels has transformed how consumers purchase goods across industries, but many global retail brands have faced pressures as their traditional supply chains were not designed to serve e-commerce markets. Advanced technologies like virtual reality, 3D modeling, and artificial intelligence are being increasingly integrated to enhance online shopping. Concurrently, the creator economy is expanding, with social media and e-commerce platforms enabling creators to monetize their digital content. In 2024, e-commerce apparel sales are projected to reach $457 billion, accounting for 26% of the overall apparel market, and reflecting a 12% increase from 2023.

Social Media

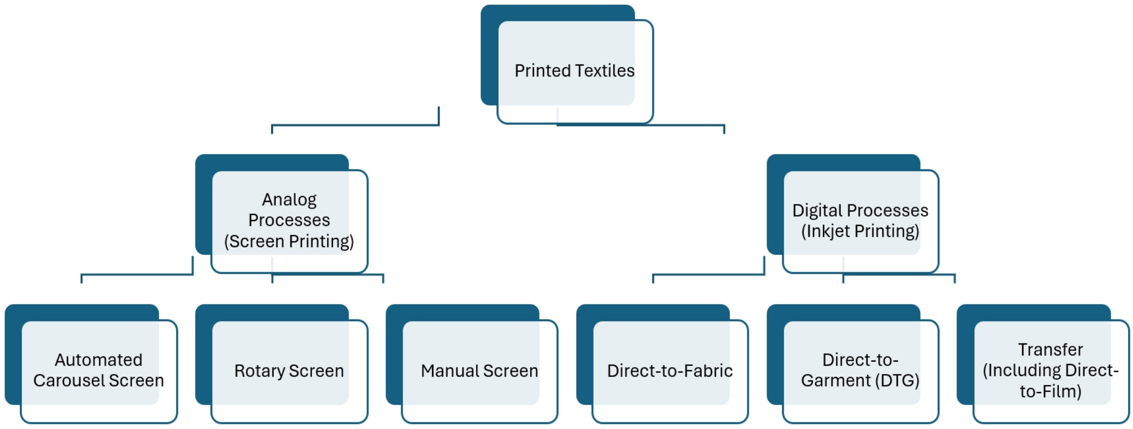
Social media platforms, merging media and network categories, have significantly impacted the retail landscape, influencing communication, consumer trends, and brand perception. As of October 2024, 5.22 billion users (63.8% of the global population) were active on social media, with over 304 million users in the U.S. alone, according to DataReportal and Statista. This widespread use has enabled small and micro brands, often established by individuals or organizations with social influence, to achieve rapid recognition and growth, challenging traditional players to be more agile and responsive. Additionally, the convergence of gaming and social media, with games like Fortnite, Minecraft, and Roblox, highlights the evolution of online games into robust social media networks and interactive marketplaces, offering an alternative to traditional social media platforms.

Sustainability

The need to reduce or contain the ecological footprint of the textile and apparel industry is affecting the entire industrial system. The urgency for change has flowed through from political and environmental activists and scientists, into mainstream government regulators, and business leadership across the globe. A sustainable industrial system requires the formulation of new strategies and thinking, integrated into business and operational frameworks around sustainable manufacturing, supply chain design, sustainability performance measurement and ongoing management. While industrial production is considered part of the problem, it is now also considered as part of the solution. From a practical point of view, companies are focusing their sustainability strategies to include technological improvements that enable cleaner production, pollution prevention, and other sustainable manufacturing practices.

Overview of Textile Printing Processes

The graphic and accompanying description below present various textile printing processes:

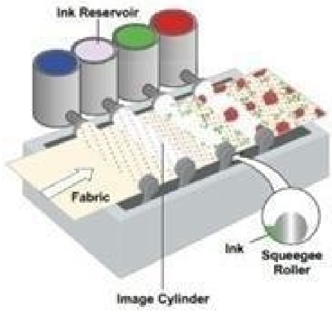


Screen printing is the most commonly used printing process for textiles. The two primary methods of screen printing are rotary screen printing and automated carousel screen printing.

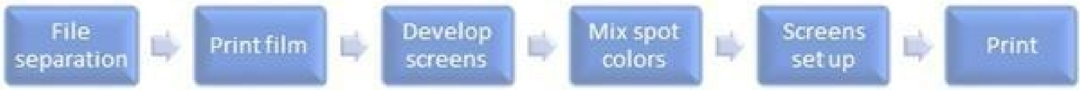
The following chart summarizes the key steps involved in the analog printing process:

Rotary Screen Printing Rotary screen printing is commonly used to print on outerwear, underwear, sportswear, upholstery, and linens. It involves multiple, time-consuming process steps. Rolls of fabric pass through rotating cylinders that are engraved with the image or design to be printed. Each cylinder then applies ink of a different color, which forms part of the image or design. This process is generally used to print a pattern on a fabric roll that is then cut and sewn into finished products. Rotary screen engraving is a costly process that takes between four and five hours per cylinder and is frequently done offsite. Preparation of colors typically takes an additional 30 minutes and the setup of the printer itself typically takes nearly 1.5 hours. The process can require up to seven people. The maximum size of an image or design is limited based on the circumference of the cylinders, which is typically no more than 60 centimeters.

The following diagram depicts the analog rotary screen printing process:



Automated Carousel Screen Printing. Automated carousel screen printing is commonly used to print on finished garments and cut pieces. In automated carousel screen printing, a blade or squeegee squeezes printing paste or ink through mesh stencils onto fabric. The process typically employs a series of printing stations arranged in a carousel. At each station, one color of ink is pressed through specially prepared mesh stencils, or screens, on to the textile surface. Between color stations, there are also flash drying stations and cool-down stations to ensure that deposited ink does not inadvertently mix with the next color to be applied. Preparation of the mesh stencils is a specialized process, and its complexity is a function of the number of discrete color separations and screens that need to be prepared for a given design. The process of color separations, film production, and screen exposure and alignment typically takes approximately 1.5 hours for six colors. Once the screens and color separations are complete, preparation of the carousel typically takes between 40 and 60 minutes. After being manually loaded, the textile moves along the carousel from station to station where each color is applied separately. Unlike rotary screen printing, carousel screen printing does not require fixing the image or design with steam or hot air and, in most cases, does not require washing and drying the textile afterward.



Digital Printing Processes

Digital textile printing uses specially engineered inkjet heads, rather than screens and cylinders or mesh stencils, to print images and designs directly onto fabrics. As such, the use of digital technology eliminates multiple complicated, costly, and time-consuming steps, such as screen preparation or cylinder engraving, preparation of pastes or inks, and screen or cylinder alignment.

Most fabrics need to be pre-treated before printing by submerging them in a solution that is designed specifically for the type of fabric and ink being used. This coating process is essential for achieving the desired chemical reaction between the ink and the fabric. The fabric is dried following pre-treatment. After the ink drops are applied, the printed fabric undergoes a process of fixation that is also specific to the type of fabric and ink being used. Digital textile printing generally uses either dye-based or pigment-based ink.

The digital textile printing market principally includes two types of printing processes:

Direct-to-Garment (DTG) In DTG printing, an inkjet printer prints directly on the textile. DTG printing allows for printing images and designs onto finished textiles, such as t-shirts that have already been sewn and dyed. The following chart summarizes the key steps involved in the DTG printing process:

Direct-to-Fabric In Direct-to-Fabric printing, rolls of fabric pass in-line through wide-format inkjet printers that are utilized to directly print images and designs onto rolling fabric. The following chart summarizes the key steps involved in the Direct-to-Fabric printing process:

Recent technological developments in digital printing have supported the adoption of digital printing by the global printed textile industry, including by custom decorators, online businesses, brand owners and contract printers. As a result of consumer and macro trends, which were accelerated due to the COVID-19 pandemic, we believe that these businesses offer a significant and rapidly growing market for digital printing solutions.

How Digital Textile Printing Addresses Industry Needs

The following characteristics of digital textile printing are driving the shift from analog to digital textile printing:

Manufacturing flexibility. Digital textile printing gives manufacturers the ability to print short runs, with personalization capabilities, in a cost-effective manner with a minimum order quantity of one unit. Unlike screen printing, digital printing costs remain the same when printing a single unit or multiple units. This allows printers to execute orders one by one without needing to accumulate large demand for a design before printing. In a post-COVID-19 world, manufacturing flexibility plays an essential role in building brands' resilience. Companies must rethink their sourcing strategies while implementing cutting-edge supply chain management, and building in greater flexibility, in order to keep products at pace with customer demand.

Design flexibility. Digital textile printing enables a larger variety of artwork to be imprinted, without limitations on number of colors per design and high-resolution imaging.

Integration with advanced workflow environments. Digital textile printing is better suited for the transition of the production floor environment to full digitization, including connectivity to cloud networking elements and productivity analytics software solutions.

Reduced time between design and production. The digital textile printing process allows for samples to be quickly produced, evaluated, and modified, which permits brand owners to increase the frequency and variety of replenishment cycles in response to fashion trends.

Decreased risk of excess inventory. The costly and time-consuming upfront setup required in analog production methods is avoided when using digital printing technologies. By enabling the cost-efficient production of a smaller quantity of garments, digital printing mitigates excess inventory risk and improves profitability. Stocking blank garments or fabric and decorating them only when demand is identified significantly reduces the amount of inventory at risk. This reduces working capital requirements, thereby enabling the emergence of numerous online businesses focused on the sale of printed textiles.

Reduced labor and physical space requirements. Digital textile printing requires significantly less labor to print an equivalent output due to the significant reduction in process steps. The combination of labor savings and a smaller floor footprint, coupled with lower energy consumption and a lack of environmental impact, enables manufacturers to move production closer to consumers in a cost-effective manner. The textile business is very seasonal and the need to retain employees bears a heavy financial burden. The move to digital printing significantly reduces the need for manpower and allows for a more flexible cost structure.

Sustainability. Digital textile printing significantly reduces industrial water consumption and discharge of toxic chemicals by eliminating the need to wash screens for color changes and repeated use. We estimate that this results in reduced environmental impact and in turn enables manufacturers to comply with regulatory and brand guidelines at a location of their choosing, in many cases in populated areas which are not industrial in nature. In addition, digital textile printing opens up opportunities to optimize processes and reduce the carbon footprint and energy expense used to decorate garments and fabrics.

Our Products

Our DTG solutions utilize our patented wet-on-wet printing methodology that eliminates the common practice of separately coating and drying textiles prior to printing. This methodology also enables printing on a wide range of untreated natural, synthetic, blends and man-made fabrics, including cotton, wool, polyester and lycra, and with throughputs ranging from 40 to approximately 400 garments per hour, depending on system type, garment type and operational capabilities. Our industrial and mass production DTG solutions are suited to the needs of a variety of customers, from smaller industrial operators with limited budgets to mass producers with complex manufacturing requirements. Products in this category are designed to print directly on finished garments such as shirts, sweatshirts, polos, fleeces, and more. Our primary systems within our DTG business include the Atlas MAX Plus, Atlas MAX Poly and Apollo.

In April 2021, we supplemented our original DTG printing solutions with our Kornit MAX technology, which enables exemplary retail print quality and durability standards, together with enhanced production speed. The breakthrough technological innovation has been achieved thanks to new additional process and consumables capabilities, enabling optimal control over print quality and durability on a significantly larger media variety.

Kornit introduced the XDI technology that allows layered 3D printing. This capability is available as part of Kornit's unique MAX printing engine. Kornit XDi brings a new dimension to digital printing by enabling the printing of multiple layers to create 3D-effects. XDi's unique premium applications open new markets for our customers and offer creative freedom powered by a simple, single-step, digital and sustainable process. Our customers are now able to do much more with their printing equipment and enter into higher margin premium markets.

In July 2022, we introduced the Atlas MAX Poly, which extended our technological capabilities in high quality printing on polyester even further by leveraging the Kornit MAX technology and incorporating it as part of our proprietary polyester printing process, which is based on the NeoPigment® Olympia ink set. The Atlas MAX Poly harnesses an innovative low temperature curing ink set alongside a new process and consumables to deliver highest quality digital printing on dyed polyester as well as delivering improved productivity rates. These new capabilities expanded our opportunity within the sports and athleisure spaces. This platform is also equipped with Neon applications and a proprietary consumable called ProGuard, which acts as a barrier between the fabric and print and promotes the inhibition of dye migration. In addition, this solution improves print quality on polyester cotton blends.

Apollo was launched in January 2024. The Apollo is a digital mass production platform, designed to be capable of printing up to approximately 400 shirts per hour, and handled by a single operator. The Apollo leverages the MAX technology, and the Eco-Rapid ink set and consumables. The printing technology is boosted by automation of loading and unloading, as well as integrated smart curing. Kornit's RIP (Raster Image Processor) solution – K-RIP, is integrated into the Apollo, enabling it to print spot colors and specific Pantones with ease. We intend to continue developing and adding additional features to Apollo to further enhance flexibility, quality, and productivity.

Kornit’s new energy-efficient Smart Curing solutions includes Orion for mid-level production, and Titan for higher-capacity volumes - both optimized for compatibility with Kornit Atlas MAX systems and based on field-proven solutions developed by Tesoma. The Lunar smart curing platform brings the same capabilities to Kornit’s Apollo solution. These highly efficient curing systems sync production and finish for an end-to-end process that reduces both energy consumption and total cost of ownership (TCO). Smart curing systems allow integration between our different Max platforms to the curing system, increasing print quality, energy efficiency and flexibility.

During 2023 we launched our Rapid Size Shifter (RSS) Pallet for our Atlas Max platform. RSS is a single adjustable pallet for multiple applications and product sizes. The RSS increases the speed and productivity of on-demand direct-to-garment production with a single pallet platform that addresses a wide range of applications, from T-shirts with or without neck tags and hoodies, to children’s apparel. This solution also reduces the downtime associated with pallet changes and streamlined production for accelerated time-to-market.

In June 2024, we launched the new Atlas MAX Plus system which uses Kornit’s proven Atlas MAX platform to bring increased productivity of up to150 garments per hour. With integrated Smart Curing, Rapid Size Shifter pallets, and qualiset, the offering takes smart production capabilities a step forward introducing production flexibility, autonomous calibration, consistency.

Building on the expertise and capabilities that we have accumulated in developing and offering differentiated solutions for the industrial DTG market, we also offer industrial digital printing solutions which target the on-demand Direct-to-Fabric market. Our Direct-to-Fabric products are designed to deliver printing on rolls of fabric that are subsequently converted into finished goods. Our Direct-to-Fabric capabilities cater to different market segments such as fashion and home décor. Like our DTG products, our Direct-to-Fabric solutions are designed to print on a wide range of fabrics. Our digital Direct-to-Fabric printing products also use our wet-on-wet patent and are a leading single-step, eco-friendly, stand-alone industrial Direct-to-Fabric digital textile printing products available on the market. Our system within our Direct-to-Fabric business include the Presto MAX. Our Presto MAX platform brings unique capabilities to the market allowing our customers to digitally print on dyed fabrics, utilizing our white NeoPigment® ink, both as a spot color and as a base. Presto MAX also allows printing using Neon colors to achieve expanded color gamut and a wide variety of applications. Presto MAX also includes Kornit’s innovative XDi technology allowing 3D-effects and enabling our customers to penetrate higher margin premium markets. During the last quarter of 2024, we commenced the final test stage of our “Vivido” ink set. The Vivido is expected to enable the printing of deep and natural blacks while reducing ink consumption and improving hand feel. Additionally, Kornit is anticipated to launch the Qualiset system also as part of the Presto MAX platform, which facilitates automatic machine calibrations ensuring quality and consistency.

Our series of ink sets for DTG systems, includes NeoPigment®, NeoPigment® Rapid, NeoPigment® Eco-Rapid and NeoPigment® Olympia. The first two ink sets are designed for Kornit legacy products, while the Eco-Rapid is the most advanced ink set designed for retail quality. These three ink sets are available in seven colors (W+CMYKRG) and a complementary binding agent. NeoPigment® Olympia is designed for our polyester printing system, the Avalanche Poly Pro and the Atlas MAX Poly, and is available in five colors (W+CMYK), with an enhancer for the Avalanche Poly Pro and 7 colors (W+CMYKNyNp) on the Atlas MAX Poly. For our roll-to-roll systems, we offer the NeoPigment® Robusto ink set, which consists of up to nine colors (W+CMYKRGNyNp) in several different configurations.

We also offer customers maintenance and support services, as well as value-added services and application consulting, aimed at optimizing the number of impressions printed by our systems.

Our Software Solutions

Our DTG systems arrive with our QuickP Production software embedded. The software manages the system operation and prepares image files for printing. QuickP Production is a simple to use solution that allows users to control key operating parameters, such as print resolution, perform maintenance and calibration procedures and import image files and prepare them for print.

As part of Apollo, we have included K-RIP, an embedded RIP (Raster Image Processor) solution, which is capable of supporting various types of files, including PDF files, and matches specific colors (such as spot colors and Pantones) with Kornit's inks. It supports integration with an API workflow, which boosts the ability to automate the production floor.

Kornit Konnect, our cloud-based, software analytics connectivity platform enables businesses to maximize productivity of their digital printing solutions. In its first phase, Kornit Konnect enables businesses to monitor production, analyze data, become insights-driven and manage their fleet, in order to eliminate blind spots. It includes a fleet management dashboard, data driven benchmarks, actual production costs, and cost structures per job, making it easy for businesses to learn more, react faster and perform better.

In August 2020, we acquired Custom Gateway, a global provider of cloud-based software workflow solutions for both B2B and B2C business models. Custom Gateway's solution enables Kornit to offer customers an end-to-end solution for on-demand production.

KornitX's technology, which is based on our acquisition of Custom Gateway, connects front end, web-based demand generators such as on-line stores and on-line brands as well as licensors with a digitized fulfillment process, enabling a digitized on-demand manufacturing process. With the KornitX production floor solution, orders are routed and managed to facilitate efficient on-demand production on a mass scale.

Our Services

Our service offering consists of system upgrade kits, maintenance and support, consulting and professional services. We continue to expand our services capabilities and aim to increase the number of customers that rely on our service for their systems. As of December 31, 2024, we had service contracts in place with approximately 34% of our industrial and mass production installed base.

AIC™ – All-Inclusive Click business model

In early 2024, the Company formally introduced the All-Inclusive Click (AIC™) model, which is designed to provide customers with a predictable, scalable, and cost-effective approach to digital printing. Under this model, Kornit retains ownership of the system, while the customer operates the system and is charged a fixed fee per impression produced. The fixed fee paid by customers covers system usage, ink, consumables, and service, eliminating the need for extensive capital investment. Customers commit to a minimum annual volume of impressions at the fixed price, typically over a five-year contractual period with successive one-year automatic renewals.

If a customer surpasses its minimum volume commitment, incremental impressions are billed at a reduced rate, creating a strong incentive to optimize system usage and scale production. This structure directly aligns our revenue growth with the operational success of customers, in-turn enhancing and deepening the relationship.

The AIC™ model is targeted at businesses seeking to expand their digital production capabilities without incurring upfront capital expenditure. Additionally, we believe that the model opens new market opportunities by attracting customers who may have previously been hesitant to adopt digital printing due to uncertainty in the unit economics of digital production. Customers exploring this model can now directly compare their existing unit production costs to AIC's fixed price per impression while only needing to make assumptions on labor costs.

Kornit recognizes revenue from AIC™ over time as impressions are generated, which differs from our traditional selling model where the sale of a system is recognized at the time of delivery. Systems under the AIC™ model are reported as property, plant and equipment, net on our balance sheet and are depreciated over seven years.

Currently, AIC™ is available for the Apollo and Atlas MAX systems.

Our Strategy for Growth

Our strategy includes three key pillars which are as follows:

Expand in Growth Markets

We plan to continue growing our customer base by targeting new customers in markets that are adjacent to those in which we have been operating. These markets include geographies where we have identified multiple leading global fulfillers or demand generators which are producing without cost-efficient and sustainable solutions to meet changing consumer preferences. Our strategy of expanding into key markets also includes reallocating our resources selectively to better penetrate the bulk apparel market for athleisure and home décor in addition to new segments including footwear and technical apparel.

Maximize Impressions

We are focused on increasing sales to existing customers by introducing new digital printing applications, developing new features and functionality of our systems, offering new system upgrade products to make it easier for customers to renew their fleets and update their installed base to the latest technology available, offering customers empowerment programs inclusive of basic and advanced training, with a goal of enabling our customers to increase utilization of their systems. With our move into solution selling, we are focusing on providing our customers with value added services including training programs, proactive services, production consulting and end-to-end workflow improvements. Through these value-added services, we can increase system availability and utilization, end-user product quality, and increase impressions, thereby requiring more ink and other consumables purchases as well as potential investment in new systems as our customers require additional capacity.

Extend our leadership position through acquisitions and strategic partnerships

We seek to continue to differentiate ourselves and extend our leadership position. We may supplement our internal efforts with selective inorganic initiatives such as acquisitions and strategic partnerships to enhance our positioning. For example, our acquisition of Polymeric Imaging in 2015 expanded our ink technology capabilities, our acquisitions of the digital DTG printing assets of SPSI in 2016 enabled us to strengthen our direct sales channel and gain access to a large screen-printing customer base, the acquisition of business assets from Hirsch in 2019 helped us transition to a full direct sales model in North America, and our acquisition of Tesoma in 2022 provided us the ability to integrate the curing step of the DTG printing process directly into our solutions via the Apollo.

Our Customers

Our diverse global customer base consisted of approximately 865 active customers as of December 31, 2024. Our installed base serves a variety of customers, operating through different business models.

Self-Fulfillment. Companies that produce printed textiles and sell their own designs.

Hybrid Printers. Companies that produce printed textiles both in-house and outsource to third party fulfillment providers.

Third Party Fulfillment Centers. Companies serving as third party fulfillment for printed textile retailers.

Government Regulation

We are subject to various local, state, federal and international laws, regulations, and agencies that affect businesses generally, and our business in particular. These include:

- Israeli environmental, health and safety regulations, including conditions set by the Israeli Ministry of Environmental Protection for the operation of our manufacturing and development facilities which use chemicals and produce waste materials, as further detailed below;

- the U.S. Foreign Corrupt Practices Act and the U.S. Anti-Money Laundering Act, as well as similar laws in Israel, UK and the European Union;

- laws pertaining to the hiring, treatment, safety and discharge of employees;

- import/ export control regulations related to chemicals and hazardous substances, as described below;

- Israeli tax regulations, as described under "ITEM 5. Operating and Financial Review and Prospects- Taxation and Israeli Government Programs Applicable to Our Company" below; and

- CE regulations for the European market.

Israeli Environmental, Health and Safety Regulations. Our manufacturing and development facilities use chemicals and produce waste materials, which require us to hold business licenses that may include conditions set by the Israeli Ministry of Environmental Protection for the operations of such facilities. We are also subject to extensive environmental, health and safety laws and regulations governing, among other things, the use, storage, registration, handling and disposal of chemicals and waste materials, the presence of specified substances in electrical products, air, water and ground contamination, air emissions and the clean-up of contaminated sites. In the future we may incur expenditures of significant amounts in the event of non-compliance and/or remediation, whether fines or other civil, administrative or criminal sanctions, including the revocation of our toxin permit, business permits, or other permits and licenses necessary to continue our business activities. In addition, we may be required to pay damages or civil judgments in respect of third-party claims, including those relating to personal injury, including exposure to hazardous substances that we use, store, handle, transport, manufacture or dispose of, or property damage. Some environmental, health and safety laws and regulations allow for strict, joint and several liability for remediation costs, regardless of comparative fault. We may be identified as a potentially responsible party under such laws. In addition, our customers may need to obtain regulatory permits to operate our systems in their facilities.

Import/Export Control Regulation of Chemicals and Hazardous Substances. The export of our products internationally subjects us to environmental laws and regulations concerning the import and export of chemicals and hazardous substances. In the European marketplace, electrical and electronic equipment is required to comply with the Directive on Waste Electrical and Electronic Equipment, or WEEE, which aims to prevent waste by encouraging reuse and recycling, and the Directive on Restriction of Use of Certain Hazardous Substances, or RoHS, which restricts the use of ten hazardous substances in electrical and electronic products. Additionally, we are required to comply with certain laws, regulations and directives such as the United States Toxic Substances Control Act, or TSCA, and the Registration, Evaluation, Authorization and Restriction of Chemical Substances, or REACH. These laws and regulations may require the testing and registration of some chemicals that we ship along with, or that form a part of, our systems and other products. If we fail to comply with these or similar laws and regulations, we may be required to make significant expenditures to reformulate the chemicals that we use in our products and materials or incur costs to register such chemicals to gain and/or regain compliance. Additionally, we could be subject to significant fines or other civil and criminal penalties should we not achieve such compliance.

C. Organizational Structure

Our corporate structure consists of Kornit Digital Ltd., our Israeli parent company, and six wholly-owned subsidiaries: (1) Kornit Digital Technologies Ltd., which was incorporated on July 5, 2006 under the laws of the State of Israel, (2) Kornit Digital North America Inc., which was incorporated on September 12, 2007 under the laws of the State of Delaware, (3) Kornit Digital Europe GmbH, which was incorporated on April 20, 2011 under the laws of Germany, (4) Kornit Digital Asia Pacific Limited, which was incorporated on November 18, 2009 under the laws of Hong Kong, (5) Kornit Digital UK Ltd., which was incorporated on August 30, 2017 under the laws of England and Wales, and (6) Kornit Digital Japan KK which was incorporated on March 9, 2020 under the laws of Japan.

Tesoma GmbH (a German company, whose production activities were recently transferred to our third-party manufacturer) is wholly owned by Kornit Digital Technologies Ltd.

Custom Gateway, which currently operates under the name Kornit Digital/KornitX, was incorporated on May 5, 2010 under the laws of England and Wales, and is wholly owned by Kornit Digital UK Ltd. Custom Gateway Limited has several subsidiaries.

Kornit (Shanghai) Digital Co., Ltd., which was incorporated on December 8, 2021, is wholly owned by Kornit Digital Asia Pacific Limited.

D. Property, Plant and Equipment

Our corporate headquarters are located in Rosh Ha'Ayin, Israel in an office and research and development facility consisting of approximately 125,658 square feet. The lease for this office expires in December 2028, with an option for us to extend the lease for an additional two years.

In January 2022, we announced the official opening of a new, modern, ink manufacturing facility in Kiryat Gat, Israel. We own the property and the building at this facility (subject to a 49-year lease agreement with the ILA, which will renew for an additional 49 years). Our capital expenditures for 2021 and 2022 included approximately $2.5 million paid for the land for our new 71,440 square foot ink manufacturing and storage facility in Kiryat Gat, Israel. The total cost for land, construction of the facility, design, and installation of the production line, was approximately NIS 69 million (approximately $22 million). We used cash on hand to finance the construction of that facility.

Our U.S. headquarters are located in Englewood, New Jersey. We have entered into a lease for these headquarters, which includes approximately 15,845 square feet of offices and a warehouse. The lease for this location expires in February 2028. We maintain additional sales, support and marketing offices in: Dusseldorf, Germany; Hong Kong; the United Kingdom and Japan. We also maintain a disaster recovery site in Milwaukee, Wisconsin, where we are able to manufacture the fixation agent for some of our printers and ink.

In November 2022, we entered into a new agreement for the lease of 18,256 square feet, in addition to our existing 14,057 square feet, for our office in Dusseldorf, Germany, which we have been using as an experience center. The lease will expire in 2028, with an option to extend the lease for two additional five-year periods.

ITEM 4A. Unresolved Staff Comments.

None.

ITEM 5. Operating and Financial Review and Prospects.

The information contained in this section should be read in conjunction with our financial statements for the year ended December 31, 2024 and related notes and the information contained elsewhere in this annual report. Our financial statements have been prepared in accordance with U.S. GAAP. This discussion contains forward-looking statements that are subject to known and unknown risks and uncertainties. As a result of many factors, such as those set forth under "ITEM 3.D. Risk Factors" and "Cautionary Note Regarding Forward-Looking Statements," our actual results may differ materially from those anticipated in these forward-looking statements.

Overview

We develop, design and market innovative digital printing solutions for the global printed textile industry. Our vision is to revolutionize this industry by facilitating the transition from analog processes to digital methods of production that address contemporary supply, demand, and environmental dynamics. Our solutions are designed to enable our customers to remain relevant, reduce waste, and adapt to shifting supply chain dynamics. We focus on the high throughput DTG, DTG Mass Production and Direct-to-Fabric segments of the printed textile industry. Our solutions include our proprietary digital printing systems, ink, and other consumables, associated software and value-added services that allow for printing large scale short and longer runs of complex images and designs directly on finished garments and fabrics. Our customers include fulfillers and demand generators, such as brands, licensors, and content creators, primarily within the fashion, apparel and home décor segments of the industry.

Consumers today have grown accustomed to shopping online with a vast selection of products advertising rapid shipping times; however, fulfillers and demand generators have historically relied on antiquated, pollutive, and labor-intensive production methods. With the rise of social media, consumers also increasingly expect that both their online and in-store shopping experiences will reflect the latest apparel trends, which are evolving more rapidly than ever before. To meet these consumer demands, many fulfillers and demand generators have faced rising inventories, higher variable costs, more unsold finished goods, and lower pricing.

When compared with analog methods of production, our solutions significantly reduce production lead times and enable our customers to produce smaller quantities of individually printed designs more effectively, sustainably, and cost-efficiently. Our solutions are also differentiated from other digital methods of production because they eliminate the need to pre-treat fabrics prior to printing, thereby offering our customers the ability to digitally print high quality images and designs on a variety of fabrics in a streamlined and environmentally friendly manner.

We have developed and offer a broad portfolio of differentiated digital printing solutions for the DTG market that provide answers to challenges faced by participants in the global printed textile industry. Our DTG solutions utilize our patented wet-on-wet printing methodology, which eliminates the common practice of separately coating and drying textiles prior to printing. This methodology also enables printing on a wide range of untreated fabrics, including cotton, wool, polyester, lycra, and denim. Our patented NeoPigment® ink and other consumables, have been specially formulated to be compatible with our systems and overcome the quality-related challenges that pigment-based inks have traditionally faced when used in digital printing. Our software solutions simplify workflows in the printing process, by offering a complete solution from web order intake through graphic job preparation and execution.

Building on the expertise and capabilities that we have accumulated in developing and offering differentiated solutions for the industrial DTG market, we also offer an industrial digital printing solution, the Presto MAX, which targets the on-demand Direct-to-Fabric market. While the DTG market generally involves printing on finished garments, the Direct-to-Fabric market is focused on printing on fabrics that are subsequently converted into finished garments, home décor, and other items. The Presto MAX, like our predecessor Direct-to-Fabric products, the Presto and the Allegro, utilize our proprietary wet-on-wet printing methodology and house an integrated drying and curing system. It offers the sole single-step, eco-friendly, stand-alone industrial Direct-to-Fabric digital textile printing solution available on the market, following its predecessors the Presto and the Allegro. We primarily sell the Presto MAX to innovative web-based businesses operating on-demand models that require a high degree of variety and limited quantity orders, as well as to fabric converters, which source large quantities of fabric and convert the untreated fabrics into finished materials to be sold to garment and home décor manufacturers. We believe that with the Presto MAX we are well positioned to take advantage of the growing trend towards customized fashion, home décor and on-demand fabric printing, where there is an increased focus on sustainable production. We began selling the Presto MAX commercially in 2021, two years after having introduced our Direct-to-Fabric digital textile printing solution, the Presto in 2019.

Our go-to-market strategy consists of a hybrid model of indirect and direct sales, with a trend towards adopting a direct sales model in certain key markets. We have historically generated a significant portion of our sales through a global network of independent distributors and value-added resellers that we refer to as our channel partners. Our channel partners, in turn, sell the solutions they purchase from us to customers for whom we provide installation services, or sell and install our solutions on their own. Our channel partners work closely with our sales force and assist us by identifying potential sales targets, closing new business, and maintaining relationships with, and, in certain jurisdictions, providing support directly to our customers.

Maintenance and support for our systems is performed either by our own service organization or by service engineers employed by our distributors. This varies among the four regions that we serve, depending on the infrastructure we have established in each region. We provide professional services directly to some of our customers in all regions. Our customers can renew maintenance and support contracts for additional periods by purchasing a maintenance and support package that covers remote support, software upgrades and onsite yearly maintenance or they can choose to rely on our support on a non-contractual time and material basis.

We have an attractive business model, with our installed base of systems driving recurring sales of ink and other consumables. Our ink and other consumables are specially formulated to enable our systems to operate at the highest throughput level while adhering to high print quality requirements. We constantly explore the possibility of adding new business models and concepts designed to grow our business and cater to our customers' needs.

We intend to capitalize on the continued growth of the DTG market by expanding our diverse global customer base, focusing particularly on fast-growing web-to-print businesses. We also seek to increase our sales to existing customers, particularly sales of our ink and other consumables. At the same time, we are pursuing new high-volume customers, including new customers in the screen replacement market with the Apollo, which should help drive an increase in the sale of ink and other consumables. We also expect to extend our serviceable addressable market by introducing new features and functionality that enhance the capabilities of our systems and inks, and enable our systems to print on new types of media. We plan to accomplish these goals by investing in our direct sales force, developing new applications for our systems, introducing new solutions, and growing our relationships with channel partners.

Recent Developments

Share Repurchase Programs

On September 10, 2024, we announced that our board of directors has authorized a new program for our repurchase of up to $100 million of our ordinary shares from time to time (our prior $75 million repurchase program that was initially approved in December 2022 and was extended in July 2023 and January 2024 had already expired prior to that time, in July 2024, and repurchases could no longer be made under it).

In order to facilitate our repurchase of ordinary shares under our new share repurchase program, on November 10, 2024, we entered into an accelerated share repurchase agreement with Goldman Sachs International, or Goldman Sachs, to repurchase $75 million of our ordinary shares. Please see "Item 16E Purchases of Equity Securities by the Issuer and Affiliated Purchasers" for more information concerning our share repurchase programs.

A. Operating Results

The information contained in this section should be read in conjunction with our audited financial statements for the years ended December 31, 2022, 2023, and 2024 and related notes and the information contained in "ITEM 18. Financial Statements". Our financial statements have been prepared in accordance with US GAAP.

Components of Statement of Operations

Revenues

Systems, Ink and Other Consumables, Value Added Services

We generate revenues from the sale of our systems, ink and other consumables, and services, including software subscriptions and transaction-based revenues. Our growing installed base generates recurring revenues from ink and other consumables sales. We do not, however, consider period-to-period changes in our total installed base to be a helpful metric in assessing our performance because we sell a number of different systems that have significantly different throughput characteristics and average selling prices. Our installed base does not, therefore, serve to indicate revenues from future systems sales, however, because we have not experienced material changes in the prices at which we sell ink and other consumables, we believe the amount of the increase in revenues from ink and other consumables generated each period from our growing installed base is a key measure of success for our recurring revenues strategy.

We generate the services portion of our revenues from the provision of post-warranty service contracts, spare parts to our distributors and customers, system upgrades, time and material-based services, software subscriptions and transaction-based revenues.

We have historically sold our products directly and through independent distributors who resell them to customers. Sales by our distributors accounted for approximately 13% and 9% of our revenues during 2023 and 2024, respectively.

We recognize revenues in accordance with ASC No. 606, "Revenue from Contracts with Customers". As such, we recognize revenue under the core principle that transfer of control to our customers should be depicted in an amount reflecting the consideration we expect to receive in revenue. Therefore, we identify a contract with a customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to each performance obligation in the contract and recognize revenues when, or as, we satisfy a performance obligation.

We periodically provide customer incentive programs, including product discounts, volume-based rebates, and warrants, which are accounted for as variable consideration that is deducted from revenue in the period in which the revenue is recognized. These reductions to revenue are made based upon reasonable and reliable estimates that are determined by historical experience and the specific terms and conditions of the incentive.

Our business is seasonal. Either the third or fourth quarter has historically been our strongest quarter in terms of revenues, and the first quarter has been our weakest. This seasonality coincides with spending in anticipation of the holidays towards the end of the year, especially in the United States and Europe. Since sales of ink and other consumables generate higher gross margins than systems sales, gross margin in the third or fourth quarter tends to be higher than gross margin in the first quarter, when our customers typically reduce their system utilization rates significantly, and therefore purchase less ink and other consumables.

See "Critical Accounting Estimates-Revenue Recognition".

Geographic Breakdown of Revenues

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

	2022		2023		2024	
	$	**%**	**$**	**%**	**$**	**%**
			(in thousands except percentages)			
U.S.	$ 138,515	51.0%	123,550	56.2%	$ 115,034	56.4%
EMEA	93,243	34.3	60,706	27.6	50,089	24.6
Asia Pacific	24,396	9.0	22,006	10.0	21,509	10.6
Other	15,364	5.7	13,524	6.2	17,193	8.4
Total revenues	$ 271,518	100%	219,786	100%	$ 203,825	100%

The change in the revenues by geographic region set forth in the above table reflects the general trends for our revenues for 2024 compared to 2023, as described below under "C***omparison of the Years Ended December 31, 2024 and 2023-Revenues".***

Shipping and handling

Shipping and handling fees that are charged to our customers are recognized as revenue in the period shipped and the related costs for providing these services are recorded as a cost of revenues.

Cost of Revenues and Gross Profit

Cost of revenues consists primarily of payments to the third-party contract manufacturers who assemble our systems and who are responsible for ordering most of the components for those systems. Cost of revenues also includes components for our systems for which we are responsible, such as print heads, as well as raw materials for ink and other consumables. Cost of revenues includes personnel expenses, such as operation and supply chain employees, and related overhead for the manufacturing of our systems, as well as expenses for service personnel involved in the installation and support of our systems, shipping and handling fees, amortization of intangible assets, and overhead for the manufacturing process of ink and other consumables.

Gross profit is revenues less cost of revenues. Gross margin is gross profit expressed as a percentage of total revenues. Our gross margin has historically fluctuated from period to period as a result of changes in the mix of the systems that we sell and the amount of revenues that we derive from ink and other consumables versus systems. In general, we generate higher gross margins from our high throughput systems compared with entry level systems. In addition, customers that purchase our high throughput systems generally use larger quantities of ink and other consumables, which generate higher margins than sales of systems.

We currently offer maintenance and support for all our systems sold in the United States. We seek to increase the number of customers that rely on us to provide maintenance and support for their systems by expanding our maintenance and support capabilities. In addition to driving gross margin improvement, we believe this provides us with an opportunity to work directly with customers with the goal of reducing system down-time, educating customers on how to optimally use our systems to drive increased utilization and growth in impressions printed, expanding the variety of print applications, as well as increasing sales of post-warranty service contracts and other professional application development services. We are seeking to generate increased revenues from our services offering, including increasing sales of post-warranty service contracts, selling upgrade kits, and providing other professional services, to leverage the fixed cost component associated with our service organization and increase the contribution margin.

Operating Expenses

Our operating expenses are classified into three categories: research and development expenses, net, sales and marketing expenses, and general and administrative expenses. For each category, the largest component is generally personnel costs, consisting of salaries and related personnel expenses, including share-based compensation expenses. Operating expenses also include allocated overhead costs for facilities, including rent payments under our facility leases.

Research and Development Expenses, net. The largest component of our research and development expenses, net of government grants, is salaries and related personnel expenses for our research and development employees. Research and development expenses also include, purchases of laboratory supplies; expenses related to beta testing of our systems; amortization of intangible assets; and allocated overhead costs for facilities, including rent payments under our facilities leases. We record all research and development expenses as they are incurred, except for development expenses, which are capitalized in accordance with ASC 350-40. Our current research and development efforts are primarily focused on our next generation of Direct-to-Fabric and DTG systems. We are also investing in the development of new ink formulas for our new systems, in order to expand the range of fabrics on which we can print and improve color quality and diversification of our high-resolution images and designs. We are improving our software solutions to simplify workflows in the printing process, by offering a complete solution from web order intake through graphic job preparation and execution.

Sales and Marketing Expenses. The largest component of our sales and marketing expenses is salaries and related personnel expenses for our marketing, sales and other sales-support employees. Sales and marketing expenses also include trade shows, other advertising and promotions, including distributor open houses and media advertising; sales-based commissions, allowance for credit loss and allocated overhead costs for facilities, including rent payments under our facilities leases. We market our solutions using a combination of internal marketing professionals and our network of channel partners.

General and Administrative Expenses. The largest component of our general and administrative expenses is salaries and related personnel expenses for our executive officers, financial staff, information technology staff, and human resources staff. General and administrative costs also include fees for accounting and legal services, insurance and costs for facilities, including rent payments under our facilities leases, partially allocated to other departments.

Finance Income, Net

Finance income, net consists of interest income, foreign currency exchange gains or losses and bank fees. Foreign currency exchange changes reflect gains or losses related to changes in the value of our non-U.S. dollar denominated financial assets, primarily cash and cash equivalents, and trade payables and receivables. As of December 31, 2024, we did not have any indebtedness for borrowed amounts. Interest income consists of interest earned on our cash, cash equivalents, short-term bank deposits and marketable securities, offset by amortization of premium on marketable securities. We expect interest income to vary depending upon our average investment balances and market interest rates during each reporting period.

Taxes on Income

The corporate tax rate in Israel has been 23% for 2018 and all subsequent years. However, as discussed in greater detail below under "Taxation and Israeli Government Programs Applicable To Our Company - Israeli Tax Considerations and Government Programs," we and our wholly owned Israeli subsidiary, Kornit Digital Technologies Ltd., which we refer to as Kornit Technologies, are entitled to various tax benefits under the Israeli Law for the Encouragement of Capital Investments, 1959, or the Investment Law.

We consolidate the two separate results of our Israeli operations only for tax purposes such that net operating loss carryforwards of Kornit Technologies generated from 2014 onwards can be used to offset our taxable income. Kornit Technologies currently has enough carryforward net operating losses to offset our taxable income.

Beginning in January 2019, and with respect to its taxable results from 2019 onwards, our Israeli subsidiary further elected to apply the terms of the Investments Law as per its "Preferred Technological Enterprise," or PTE, status. In each of 2022, 2023, and 2024, our effective tax rate was the blended rate of our Israeli tax and those of our non-Israeli subsidiaries in their respective jurisdictions of organization.

Comparison of Period-to-Period Results of Operations

In this section we provide data, as well as discussion and analysis, with respect to our results of operations for the last two years. While our statements of operations in Item 18 of this annual report cover each of the three years ended December 31, 2022, 2023, and 2024, the data, and discussion and analysis, in this Item 5.A do not address the year ended December 31, 2022, or a comparison of our results of operations for that year compared with our results of operations for the year ended December 31, 2023. In order to view that data, and discussion and analysis, please see "ITEM 5. Operating and Financial Review and Prospects - A. Operating Results - Comparison of Period-to-Period Results of Operations - Comparison of the Years Ended December 31, 2022 and 2023" in our Annual Report on Form 20-F for the year ended December 31, 2023, which we filed with the SEC on March 28, 2024.

Comparison of the Years Ended December 31, 2023 and 2024

The following tables present a comparison of the various components of our results of operations for the years ended December 31, 2023 and 2024, both in absolute amounts and as a percentage of our revenues in those respective years.

	Year Ended December 31,	
	2023	**2024**
	(in thousands)	
Revenues		
Products	$ 161,045	$ 148,086
Services	58,741	55,739
Total revenues	219,786	203,825
Cost of revenues		
Products	91,516	61,697
Services	61,313	50,366
Total cost of revenues	152,829	112,063
Gross profit	66,957	91,762
Operating expenses:		
Research and development, net	50,060	41,578
Sales and marketing	66,836	58,413
General and administrative	37,592	29,086
Total operating expenses	154,488	129,077
Operating loss	(87,531)	(37,315)
Financial income, net	24,150	22,350
Loss before taxes on income	(63,381)	(14,965)
Taxes on income	970	1,835
Net loss	$ (64,351)	$ (16,800)

	Year Ended December 31,	
	2023	**2024**
	(as a % of revenues)	
Revenues		
Products	73.3%	72.7%
Services	26.7	27.3
Total revenues	100	100
Cost of revenues		
Products	41.6	30.3
Services	27.9	24.7
Total cost of revenues	69.5	55.0
Gross profit	30.5	45.0
Operating expenses:		
Research and development, net	22.8	20.4
Sales and marketing	30.4	28.7
General and administrative	17.1	14.3
Total operating expenses	70.3	63.3
Operating loss	(39.8)	(18.3)
Finance income, net	11.0	11.0
Loss before taxes on income	(28.8)	(7.3)
Taxes on income	0.4	0.9
Net loss	(29.2)%	(8.2)%

Revenues

Revenues decreased by $16.0 million, or 7.3%, to $203.8 million in 2024 from $219.8 million in 2023, which is net of $13.8 million and $3.3 million, in 2023 and 2024, respectively, in fair value of the warrants associated with revenues recognized from Amazon. The decline in revenues was primarily driven by a 32.3% decrease in systems revenues to $33.2 in 2024 from $49 million in 2023 and a 5.1% decrease in service revenues to $55.7 million in 2024 from $58.7 million in 2023 offset in part by a 2.5% increase in ink and other consumables revenues to $114.9 million in 2024 from $112 million in 2023. The decrease in systems revenues was attributable to macro-economic headwinds and other pressures, which continued to impact customers' systems purchasing decisions and the decline in service revenues was due principally to lower sales of AtlasMAX upgrades in 2024.

Cost of Revenues and Gross Profit

Cost of revenues decreased by $40.7 million, or 26.7%, to $112.1 million in 2024 from $152.8 million in 2023. Gross profit increased by $24.8 million, or 37.0%, to $91.8 million in 2024 from $67 million in 2023. Gross margin increased to 45.0% in 2024 compared with 30.5% in 2023. The increase in gross profit and gross margin reflects the higher proportion of comparatively higher gross margin ink and consumables revenue in our sales mix, lower charges related to the fair value of warrants deducted from revenues, and cost base reductions resulting from the restructuring.

Operating Expenses

	Year Ended December 31,					
	2023		2024		Change	
	Amount	% of Revenues	Amount	% of Revenues	Amount	%
	($ in thousands)					
Operating expenses:						
Research and development, net	$ 50,060	22.8%	$ 41,578	20.4%	$ (8,482)	(16.9)%
Sales and marketing	66,836	30.4	58,413	28.7	(8,423)	(12.6)
General and administrative	37,592	17.1	29,086	14.3	(8,506)	(22.6)
Total operating expenses	$ 154,488	70.3%	$ 129,077	63.4%	$ (25,411)	(16.4)%

Research and Development, net. Research and development, or R&D, expenses, net of government grants, decreased by 16.9% in 2024 compared with 2023. The decrease in net R&D expenses was due primarily to the reduction in work force (as described in "Item 6.D. Employees" below), as well as a decrease in materials used as compared with 2023. As a percentage of total revenues, our R&D expenses decreased to 20.4% in 2024 from 22.8% in 2023.

Sales and Marketing. Sales and marketing expenses decreased by 12.6% in 2024 compared with 2023. This decrease was due primarily to the reduction in the average number of employees (as described in "Item 6.D. Employees" below), as well as lower spending on events and other marketing activities. As a percentage of total revenues, our sales and marketing expenses decreased to 28.7% in 2024 from 30.4% in 2023.

General and Administrative. General and administrative expenses decreased by 22.6% in 2024 compared with 2023. This was due primarily to the reduction in personnel (as described in "Item 6.D. Employees" below) . As a percentage of total revenues, our general and administrative expenses decreased to 14.3% in 2024 from 17.1% in 2023.

Financial Income, Net

Financial income, net, totaled $22.4 million in 2024 compared with $24.2 million in 2023. The $1.8 million decrease was due primarily to lower average balances and interest rates on our bank deposits and marketable securities. Financial expenses in 2024 declined to $1.7 million from $3.7 million in 2023 due mainly to lower exchange rate differences.

Taxes on Income

Taxes on income amounted to $1.8 million in 2024, compared with $1.0 million in 2023. The change was due mainly to (i) the valuation allowance recorded in 2023 against deferred tax assets, and (ii) prior years' taxes. For more information, please see Note 14 to our consolidated financial statements that appear in Item 18 of this Annual Report.

For more information concerning our income tax expenses, please see the risk factor in Item 3.D above that begins "***We may be subject to additional tax liabilities in the future as a result of audits of our tax returns.***"

Taxation and Israeli Government Programs Applicable to Our Company

Israeli Tax Considerations and Government Programs

The following is a brief summary of the material Israeli tax laws applicable to us, and certain Israeli Government programs that benefit us.

General Corporate Tax Structure in Israel

Israeli companies are generally subject to corporate tax on their taxable income. Since 2018, the corporate tax rate has been 23%. However, the effective tax rate payable by a company that derives income from an Approved Enterprise, a Benefited Enterprise, a Preferred Enterprise, a Special Preferred Enterprise, a Preferred Technology Enterprise or Special Preferred Technology Enterprise (as discussed below) may be considerably less. Capital gains derived by an Israeli company are generally subject to the prevailing corporate tax rate.

Law for the Encouragement of Industry (Taxes), 5729-1969

The Law for the Encouragement of Industry (Taxes), 5729-1969, generally referred to as the Industry Encouragement Law, provides several tax benefits for "Industrial Companies". The Israeli companies are an "Industrial Company" as defined by the Israeli Law for the Encouragement of Industry (Taxation), 1969.

The Industry Encouragement Law defines an "Industrial Company" as a company resident in Israel, which was incorporated in Israel and of which 90% or more of its income in any tax year, other than income from certain government loans, is derived from an "Industrial Enterprise" located in Israel or in the "Area", in accordance with the definition under section 3A of the Israeli Income Tax Ordinance (New Version) 1961, or the Ordinance, and owned by it. An "Industrial Enterprise" is defined as an enterprise which is held by an Industrial Company whose principal activity in any given tax year is industrial production.

The following tax benefits, among others, are available to Industrial Companies:

- amortization of the cost of purchased know-how, patents and rights to use a patent or know-how that were purchased in good faith and are used for the development or promotion of the Industrial Enterprise, over an eight-year period commencing on the year in which such rights were first exercised;

- under limited conditions, an election to file consolidated tax returns with related Israeli Industrial Companies controlled by it; and

- expenses related to a public offering are deductible in equal amounts over three years, commencing in the year of the offering.

Eligibility for benefits under the Industry Encouragement Law is not subject to receipt of prior approval from any governmental authority.

There can be no assurance that we will continue to qualify as an Industrial Company or that the benefits described above will be available in the future.

Law for the Encouragement of Capital Investments, 5719-1959

The Law for the Encouragement of Capital Investments, 5719-1959, generally referred to as the Investment Law, provides certain incentives for capital investments in production facilities (or other eligible assets) by "Industrial Enterprises" (as defined under the Investment Law).

The Investment Law has been amended several times over the recent years, with the three most significant changes effective as of April 1, 2005, or the 2005 Amendment, as of January 1, 2011, or the 2011 Amendment and as of January 1, 2017, or the 2017 Amendment. Pursuant to the 2005 Amendment, tax benefits granted in accordance with the provisions of the Investment Law prior to its revision by the 2005 Amendment remain in force but any benefits granted subsequently are subject to the provisions of the 2005 Amendment. Similarly, the 2011 Amendment introduced new benefits to replace those granted in accordance with the provisions of the Investment Law in effect prior to the 2011 Amendment. However, companies entitled to benefits under the Investment Law as in effect prior to January 1, 2011 were entitled to choose to continue to enjoy such benefits, provided that certain conditions are met, or elect instead, irrevocably, to forego such benefits and have the benefits of the 2011 Amendment apply. We have examined the possible effect of these provisions of the 2011 Amendment on our financial statements and have decided not to opt to apply the new benefits under the 2011 Amendment and the 2017 Amendment for our company, and for our Israeli subsidiary we elected to apply the benefit under the 2011 Amendment. The 2017 Amendment introduces new benefits for Technological Enterprises, alongside the existing tax benefits.

The following discussion is a summary of the Investment Law following its most recent amendments:

Tax Benefits Subsequent to the 2005 Amendment

The 2005 Amendment applies to new investment programs and investment programs commencing after 2004, but does not apply to investment programs approved prior to April 1, 2005, referred to as Approved Enterprises. The 2005 Amendment provides that terms and benefits included in any certificate of approval that was granted before the 2005 Amendment became effective (April 1, 2005) will remain subject to the provisions of the Investment Law as in effect on the date of such approval. Pursuant to the 2005 Amendment, the Israeli Authority for Investments and Development of the Industry and Economy, or the Investment Center, will continue to grant Approved Enterprise status to qualifying investments. The 2005 Amendment, however, limits the scope of enterprises that may be approved by the Investment Center by setting criteria for the approval of a facility as an Approved Enterprise.

The 2005 Amendment provides that Approved Enterprise status will only be necessary for receiving cash grants. As a result, it was no longer necessary for a company to obtain the advance approval of the Investment Center in order to receive the tax benefits previously available under the alternative benefits track. Instead, a company may claim the tax benefits offered by the Investment Law directly in its tax returns, provided that its facilities meet the criteria for tax benefits set forth in the 2005 Amendment. Companies or programs under the new provisions receiving these tax benefits are referred to as Benefited Enterprises. A company that has a Benefited Enterprise may, at its discretion, approach the Israel Tax

Authority for a pre-ruling confirming that it is in compliance with the provisions of the Investment Law, as amended.

Tax benefits are available under the 2005 Amendment to production facilities (or other eligible facilities) which are generally required to derive 25% or more of their business income from export to specific markets with a population of at least 14 million in 2012 (such export criteria will further be increased in the future by 1.4% per annum). In order to receive the tax benefits, the 2005 Amendment states that a company must make an investment which meets certain conditions set forth in the amendment for tax benefits, including exceeding a minimum investment amount specified in the Investment Law. Such investment entitles a company to receive a “Benefited Enterprise” status with respect to the investment, and may be made over a period of no more than three years ending in the year in which the company requested to have the tax benefits apply to its Benefited Enterprise. Where a company requests to have the tax benefits apply to an expansion of existing facilities, only the expansion will be considered to be a Benefited Enterprise and the company’s effective tax rate will be the weighted average of the applicable rates. In such case, the minimum investment required in order to qualify as a Benefited Enterprise must exceed a certain percentage of the value of the company’s production assets before the expansion.

The extent of the tax benefits available under the 2005 Amendment to qualifying income of a Benefited Enterprise depends on, among other things, the geographic location within Israel of the Benefited Enterprise. The location will also determine the period for which tax benefits are available. Such tax benefits include an exemption from corporate tax on undistributed income for a period of between two to ten years, depending on the geographic location of the Benefited Enterprise within Israel, and a reduced corporate tax rate of between 10% to 25% for the remainder of the benefits period, depending on the level of foreign investment in the company in each year. The benefits period is limited to 12 years from the year the company first chose to have the tax benefits apply.

A company qualifying for tax benefits under the 2005 Amendment which pays a dividend out of income derived by its Benefited Enterprise during the tax exemption period will be subject to deferred corporate tax in respect of the gross amount of the dividend distributed (grossed-up to reflect the pre-tax income that it would have had to earn in order to distribute the dividend) at the corporate tax rate which would have otherwise been applicable. Dividends paid to Israeli shareholders out of income attributed to a Benefited Enterprise (or out of dividends received from a company whose income is attributed to a Benefited Enterprise) are generally subject to withholding tax at source at the rate of 15% (in the case of non-Israeli shareholders - subject to the receipt in advance of a valid certificate from the ITA allowing for a reduced tax rate, 15%, or such lower rate as may be provided in an applicable tax treaty). The reduced rate of 15% is limited to dividends and distributions out of income derived during the benefits period and actually paid at any time up to 12 years thereafter. After this period, the withholding tax is applied at a rate of up to 30%, or at a lower rate under an applicable tax treaty (subject to the receipt in advance of a valid certificate from the ITA allowing for a reduced tax rate). In the case of a Foreign Investors' Company (as such term is defined in the Investment Law), the 12-year limitation on reduced withholding tax on dividends does not apply.

During the years 2010 to 2019, we were entitled to a tax exemption for undistributed income ("Trapped Profits") and a reduced tax rate under the Benefited Enterprise programs under the Investment Law. Our company enjoyed these tax benefits until 2019. On November 15, 2021, a new amendment of the Investment Law was enacted harshening the rules with respect to determining the profits from which a dividend was distributed and providing that part of any dividend distribution will be deemed as distributed from the Trapped Profits, according to a certain formula. The Israeli government agreed to grant a relief of 30%-60% on the amount of tax which should have been paid on distributable earnings in order to encourage companies to pay the reduced taxes during the next 12 months (the "Temporary Order"). In November 2022, we applied the Temporary Order to our exempt profits accrued prior to 2022.

Tax Benefits under the 2011 Amendment

The 2011 Amendment canceled the availability of the benefits granted to companies in accordance with the provisions of the Investment Law prior to 2011 and, instead, introduced new benefits for income generated by a "Preferred Company" through its "Preferred Enterprise" (as such terms are defined in the Investment Law) as of January 1, 2011. The definition of a Preferred Company includes an industrial company that was incorporated in Israel, which is not wholly owned by a governmental entity, and which has, among other things, Preferred Enterprise status and is controlled and managed from Israel. Pursuant to the 2011 Amendment, a Preferred Company is entitled to a reduced corporate flat tax rate of 15% with respect to its preferred income derived by its Preferred Enterprise in 2011 and 2012, unless the Preferred Enterprise is located in a certain development zone, in which case the rate will be 10%. Such corporate tax rate was reduced to 12.5% and 7%, respectively, in 2013 and increased to 16% and 9%, respectively, in 2014 and through 2016. Pursuant to the 2017 Amendment, in 2017 and thereafter, the corporate tax rate for a Preferred Enterprise which is located in a specified development zone was decreased to 7.5%, while the reduced corporate tax rate for other development zones remains 16%. Income derived by a Preferred Company from a 'Special Preferred Enterprise' (as such term is defined in the Investment Law) would be entitled, during a benefits period of 10 years, to further reduced tax rates of 8%, or to 5% if the Special Preferred Enterprise is located in a certain development zone. As of January 1, 2017, the definition of "Special Preferred Enterprise" includes less stringent conditions.

The tax benefits under the 2011 Amendment also include accelerated depreciation and amortization for tax purposes.

Dividends paid to Israeli shareholders out of preferred income attributed to a Preferred Enterprise or to a Special Preferred Enterprise are generally subject to withholding tax at source at the rate of 20% (in the case of non-Israeli shareholders - subject to the receipt in advance of a valid certificate from the ITA allowing for a reduced tax rate, 20% or such lower rate as may be provided in an applicable tax treaty). However, if such dividends are paid to an Israeli company, no tax is required to be withheld (although, if subsequently distributed to individuals or a non-Israeli company, withholding of 20% or such lower rate as may be provided in an applicable tax treaty will apply).

The 2011 Amendment also provided transitional provisions to address companies already enjoying existing tax benefits under the Investment Law. These transitional provisions provide, among other things, that unless an irrevocable request is made to apply the provisions of the Investment Law as amended in 2011 with respect to income to be derived as of January 1, 2011: (i) the terms and benefits included in any certificate of approval that was granted to an Approved Enterprise which chose to receive grants and certain tax benefits before the 2011 Amendment became effective will remain subject to the provisions of the Investment Law as in effect on the date of such approval, and subject to certain conditions; (ii) terms and benefits included in any certificate of approval that was granted to an Approved Enterprise which had participated in an alternative benefits track before the 2011 Amendment became effective will remain subject to the provisions of the Investment Law as in effect on the date of such approval, provided that certain conditions are met; and (iii) a Benefited Enterprise can elect to continue to benefit from the benefits provided to it before the 2011 Amendment came into effect, provided that certain conditions are met. Kornit Technologies has filed a notification that it wishes to apply the new benefits under the 2011 Amendment.

New Tax benefits under the 2017 Amendment that became effective on January 1, 2017.

The 2017 Amendment provides new tax benefits for two types of “Technology Enterprises”, as described below, and is in addition to the other existing tax beneficial programs under the Investment Law.

The 2017 Amendment provides that a technology company satisfying certain conditions will qualify as a Preferred Technology Enterprise and will thereby enjoy a reduced corporate tax rate of 12% on income that qualifies as “Preferred Technology Income”, as defined in the Investment Law. The tax rate is further reduced to 7.5% for a Preferred Technology Enterprise located in development zone “A”. These corporate tax rates shall apply only with respect to the portion of the Preferred Technology Income derived from R&D developed in Israel. In addition, a Preferred Technology Company will enjoy a reduced corporate tax rate of 12% on capital gain derived from the sale of certain “Benefitted Intangible Assets” (as defined in the Investment Law) to a related foreign company if the Benefitted Intangible Assets were acquired from a foreign company on or after January 1, 2017 for at least NIS 200 million, and the sale receives prior approval from the National Authority for Technological Innovation (previously known as the Israeli Office of the Chief Scientist), referred to as the Israel Innovation Authority (“IIA”) .

The 2017 Amendment further provides that a technology company satisfying certain conditions will qualify as a “Special Preferred Technology Enterprise” and will thereby enjoy a reduced corporate tax rate of 6% on “Preferred Technology Income” regardless of the company’s geographic location within Israel. In addition, a Special Preferred Technology Enterprise will enjoy a reduced corporate tax rate of 6% on capital gain derived from the sale of certain “Benefitted Intangible Assets” to a related foreign company if the Benefitted Intangible Assets were either developed by the Special Preferred Technology Enterprise or acquired from a foreign company on or after January 1, 2017, and the sale received prior approval from the IIA. A Special Preferred Technology Enterprise that acquires Benefitted Intangible Assets from a foreign company for more than NIS 500 million will be eligible for these benefits for at least ten years, subject to certain approvals as specified in the Investment Law.

Dividends distributed to Israeli shareholders by a Preferred Technology Enterprise or a Special Preferred Technology Enterprise, paid out of Preferred Technology Income, are generally subject to withholding tax at source at the rate of 20% (in the case of non-Israeli shareholders - subject to the receipt in advance of a valid certificate from the ITA allowing for a reduced tax rate, 20%, or such lower rate as may be provided in an applicable tax treaty). However, if such dividends are paid to an Israeli company, no tax is required to be withheld (although, if such dividends are subsequently distributed from such Israeli company to individuals or a non-Israeli company, withholding tax at a rate of 20% or such lower rate as may be provided in an applicable tax treaty will apply). If such dividends are distributed to a foreign parent company holding, solely or together with another foreign company, at least 90% of the shares of the distributing company and other conditions are met, the withholding tax rate will be 4% (or a lower rate under a tax treaty, if applicable, subject to the receipt in advance of a valid certificate from the ITA allowing for a reduced tax rate).

We believe that we and our Israeli subsidiary meet the conditions for "Preferred Technological Enterprises", and accordingly are eligible for the tax rate of 12% on income that qualifies as "Preferred Technology Income", as defined in the Law. The tax rate for Preferred Technological Enterprises located in development zone A is 7.5%.

From time to time, the Israeli Government has discussed reducing the benefits available to companies under the Investment Law. The termination or substantial reduction of any of the benefits available under the Investment Law could materially increase our tax liabilities.

B. Liquidity and Capital Resources

As of December 31, 2024, we had $35 million in cash and cash equivalents, $206 million in short term deposits and $271 million in marketable securities, which, in the aggregate, total $512 million.

Our cash requirements have principally been for working capital, capital expenditures and acquisitions, and in 2023 and 2024, our cash was also used for repurchasing our ordinary shares. Historically, we have funded our working capital requirements, primarily for inventory, accounts receivable and capital expenditures, from cash flows provided by our operating activities, investments in our equity securities, and cash and cash equivalents on hand. We have funded our acquisitions from the proceeds of our public offerings, including, most recently, our November 2021 follow-on offering, and from cash on hand.

In 2024 our capital expenditures included investment in equipment under lease, and in both 2024 and 2023, other expenditures were directed towards improvements and expansion of our worldwide locations and corporate facilities, and investment and improvements in our information technology.

The most significant elements of our working capital requirements are for inventory, accounts receivable and trade payables. We partially fund the procurement of the components of our systems that are assembled by our third-party manufacturers. Our inventory strategy includes maintaining inventory of systems and inks and other consumables at levels that we expect to sell during the successive three-month period based on anticipated customer demand. In order to hedge against the potential discontinuation of supply of inventory from our main facilities due to the ongoing military conflicts involving Israel, we increased our inventory levels in the primary global regions in which our sales occur. Our accounts receivable decreased in 2024 primarily due to collection efforts. Our trade payables increased in 2024 due mainly to an increase in materials purchases.

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. 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, the timing of introductions of new solutions and the continuing market acceptance of our solutions, as well as other business development efforts including acquisitions. We believe that our current cash reserves will suffice for any such acquisitions, although there can be no assurance that we will not need to seek additional equity or debt financing in order to cover the cost of such potential acquisitions.

We provide below a summary of our consolidated statement of cash flows for the last two years. While our statements of cash flows in Item 18 of this annual report include cash flow data for each of the three years ended December 31, 2022, 2023, and 2024, the data and discussion contained in this Item 5.B is limited to a comparison of our liquidity and capital resources- including cash flows- for the years ended December 31, 2023 and 2024. For a discussion of our cash flows for the year ended December 31, 2022, and a comparison of those cash flows with those for the year ended December 31, 2023, please see "Item 5. Operating and Financial Review and Prospects-B. Liquidity and Capital Resources" in our Annual Report on Form 20-F for the year ended December 31, 2023, which we filed with the SEC on March 28, 2024.

The following table presents the major components of net cash flows for our last two fiscal years:

		Year Ended December 31,	
		2023	2024
		(in thousands)	
Net cash provided by (used in) operating activities	$	(34,682)	48,725
Net cash provided by investing activities		26,212	31,488
Net cash used in financing activities		(56,522)	(84,815)

Net Cash Provided by (Used in) Operating Activities

Year Ended December 31, 2024

Net cash provided by operating activities in the year ended December 31, 2024 was $48.7 million.

Net cash provided by operating activities in 2024 reflected a net loss of $16.8 million, the elimination of non-cash expense line items, such as share-based compensation expenses of $21.8 million, restructuring expenses of $1.2 million, depreciation and amortization of $13.0 million and the fair value of warrants deducted from revenues of $3.3 million, and a decrease of accounts receivable of $28.2 million, a decrease in inventory of $3.0 million, and an increase in trade payables of $2.2 million. These changes were only partly offset by a decrease in accrued expenses and other liabilities of $9.0 million.

The decrease in trade receivables, net reflects lower days sales outstanding, or DSO, of 116 days for the year ended December 31, 2024, compared with 155 days for the year ended December 31, 2023.

The decrease in accrued expenses and other liabilities, as well as in trade payables, and the increase in inventory, were due primarily to lower business activities, including reduced systems sales throughout the year.

Year Ended December 31, 2023

Net cash used in operating activities in the year ended December 31, 2023 was $34.7 million.

Net cash used in operating activities in 2023 reflects a net loss of $64.4 million and the elimination of non-cash expense line items, such as share-based compensation expenses of $22.6 million, restructuring expenses of $19.1 million, depreciation and amortization of $14.7 million and the fair value of warrants deducted from revenues of $13.8 million. These adjustments were offset by the elimination of certain non-cash changes to our operating assets and liabilities, which, when eliminated, had a net impact of increasing the cash used in our operating activities, including an increase of accounts receivables of $19.2 million, a decrease in accrued expenses and other liabilities of $10.5 million and a decrease in trade payables of $6.5 million, partially offset by an increase in inventory, net of $11.0 million.

The increase in accounts receivables reflects a higher portion of receivables with extended payment terms, with days sales outstanding, or DSO, increasing to 155 days for the year ended December 31, 2023, compared with 91 days for the year ended December 31, 2022.

The decrease in accrued expenses and other liabilities, as well as in trade payables, and the increase in inventory, were due primarily to lower business activities, including reduced systems sales throughout the year.

Net Cash Provided by Investing Activities

Year Ended December 31, 2024

Net cash provided by investing activities in the year ended December 31, 2024, was $31.5 million. Net cash provided by investing activities for the year ended December 31, 2024, was primarily attributable to proceeds from short-term bank deposits and marketable securities of $109.3 million, only partly offset, by $62.7 million investments in marketable securities and purchase of property, plant and equipment, including equipment under lease, of $15.9 million.

Year Ended December 31, 2023

Net cash provided by investing activities in the year ended December 31, 2023, was $26.2 million. Net cash provided by investing activities for the year ended December 31, 2023, was primarily attributable to proceeds from short-term bank deposits and marketable securities of $67.2 million, partly offset by the purchase of property, plant and equipment of $7.0 million and the $34.0 million investment in marketable securities.

Net Cash Used in Financing Activities

Year Ended December 31, 2024

Net cash used in financing activities was $84.8 million for the year ended December 31, 2024 and was primarily attributable to the repurchase of ordinary shares in an amount of $84.1 million.

Year Ended December 31, 2023

Net cash used in financing activities was $56.5 million for the year ended December 31, 2023 and was primarily attributable to the repurchase of ordinary shares in an amount of $55.8 million.

C. Research and development, patents and licenses, etc.

For a description of our research and development programs and the amounts that we have incurred over the last three years pursuant to those programs, please see “ITEM 5. Operating and Financial Review and Prospects- A. Operating Results- Components of Statement of Operations- Operating Expenses- Research and Development Expenses, net” and “ITEM 5. Operating and Financial Review and Prospects- A. Operating Results- Comparison of Period to Period Results of Operations- Comparison of the Years Ended December 31, 2023 and 2024- Operating Expenses-- Research and Development, net” and the corresponding portions of our Annual Report on Form 20-F for the year ended December 31, 2023, which we filed with the SEC on March 28, 2024.

D. Trend Information

Our results of operations and financial condition may be affected by various trends and factors discussed in “ITEM 3.D Risk Factors,” including “***If the market for digital textile printing does not develop as we anticipate, our sales may not grow as quickly as expected and our share price could decline***”, and “***Macro-economic headwinds caused by inflation, relatively high interest rates and limited credit availability have been adversely impacting our revenues and profitability, and may continue to do so”,*** and in “ITEM 4.B Business Overview-Industry Overview.”

Additional trends that could potentially impact our results of operations and financial condition include changes in political, military or economic conditions in Israel and in the Middle East, and (given the rising level of cyber-attacks globally and targeting of Israeli companies), any potential cyber-attack on our IT systems. We believe that any such trends could have a material effect on our results of operations, liquidity, or financial condition or could cause our reported financial information not to be necessarily indicative of future operating results or financial condition.

E. Critical Accounting Estimates

Our consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States (U.S. GAAP). These accounting principles are more fully described in Note 2 to our consolidated financial statements included elsewhere in this annual report and require us to make certain estimates, judgments and assumptions. We believe that the estimates, judgments and assumptions upon which we rely are reasonable based upon information available to us at the time that these estimates, judgments and assumptions are made. These estimates, judgments and assumptions can affect the reported amounts of assets and liabilities as of the date of the financial statements, as well as the reported amounts of revenues and expenses during the periods presented. To the extent there are material differences between these estimates, judgments or assumptions and actual results, our financial statements will be affected. We believe that the accounting policies discussed below are critical to our financial results and to the understanding of our past and future performance, as these policies relate to the more significant areas involving management's estimates and assumptions. We consider an accounting estimate to be critical if: (1) it requires us to make assumptions because information was not available at the time, or it included matters that were highly uncertain at the time we were making our estimate; and (2) changes in the estimate could have a material impact on our financial condition or results of operations.

We believe that the following significant accounting policies are the basis for the most significant judgments and estimates used in the preparation of our consolidated financial statements.

Revenue Recognition

We generate revenues from sales of systems, consumables and services. We generate revenues from sale of our products directly to end-users and indirectly through independent distributors, all of whom are considered end-users. We recognize revenue under the core principle that transfer of control to our customers should be depicted in an amount reflecting the consideration we expect to receive in revenue. Therefore, we identify a contract with a customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to each performance obligation in the contract, and recognize revenues when, or as, we satisfy a performance obligation.

Revenues from products, which consist of systems and consumables, are recognized at the point in time when control has transferred, in accordance with the agreed-upon delivery terms.

Revenues from services are derived mainly from the sale of print heads, spare parts, upgrade kits, software subscription and service contracts. Our print heads, spare parts and upgrade kits revenues are recognized at the point in time when control has transferred, in accordance with the agreed-upon delivery terms. Service contracts and software subscriptions are recognized over time, on a straight-line basis, over the period of the service.

For multiple performance obligations arrangements, such as selling a system with a service contract, installation and training, we account for each performance obligation separately, as it is distinct. The transaction price is allocated to each distinct performance obligation on a relative stand-alone selling price, or SSP, basis, and revenue is recognized for each performance obligation when control has passed, or service has been rendered. In most cases, we are able to establish SSP based on the observable prices of services sold separately in comparable circumstances to similar customers and for products based on our best estimates of the price at which we would have sold the product regularly on a stand-alone basis. We reassess the SSP on a periodic basis or when facts and circumstances change.

We do not account for training and installation as a separate performance obligation due to its immateriality in the context of our contracts. Accordingly, revenues from training and installation are recognized upon the delivery of our systems.

We periodically provide customer incentive programs in the form of product discounts, volume-based rebates and warrants, which are accounted for as variable consideration that are deducted from revenue in the period in which the revenue is recognized. These reductions to revenue are made based upon reasonable and reliable estimates that are determined according to historical experience and the specific terms and conditions of the incentive.

In cases in which old systems are traded in as part of sales of new systems, the fair value of the old systems is recorded as inventory, provided that such value can be recoverable.

Inventories

Inventories are measured at the lower of cost or net realizable value. Cost is first-in, first-out cost basis. Inventory costs consist of material, direct labor and overhead. We periodically assess inventory for obsolescence and excess and reduce the carrying value by an amount equal to the difference between its cost and the estimated net realizable value based on assumptions about future demand and historical sales patterns. This valuation requires us to make judgments, based on currently available information, about the likely method of disposition, such as through sales and expected recoverable values of each disposition category. These assumptions about future disposition of inventory are inherently uncertain and changes in our estimates and assumptions may cause us to realize material write-downs in the future.

As of December 31, 2024, we had $60.3 million of inventory, of which $32.5 million consisted of raw materials and components and $27.8 million consisted of completed systems, ink and other consumables. We recorded inventory write-offs of $11.4 million, $22.0 million, and $4.6 million for the years ended December 31, 2022, 2023, and 2024, respectively.

Recently Issued and Adopted Accounting Pronouncements

For a summary of recent accounting pronouncements applicable to our consolidated financial statements see Note 2, “Significant Accounting Policies” to the Consolidated Financial Statements included in Part III, Item 18 of this Annual Report on Form 20-F.

ITEM 6. Directors, Senior Management and Employees.

A. Directors and Senior Management

The following table sets forth the name, age and position of each of our executive officers and directors as of the date of this annual report:

Name	Age	Position
Executive Officers		
Ronen Samuel	56	Chief Executive Officer and Director
Lauri Hanover	65	Chief Financial Officer
Daniel Gazit	53	Chief Product Officer
Kobi Mann	45	Chief Technology Officer
Directors (who are not also executive officers)		
Yuval Cohen(3)	62	Chairman of the Board of Directors
Ofer Ben-Zur(3)	60	Director
Naama Halevi Davidov(1)(3)	54	Director
Stephen Nigro(1)(2)(3)	65	Director
Dov Ofer(1)(2)(3)	71	Director
Gabi Seligsohn(2)(3)	58	Director

(1) Member of our audit committee.
(2) Member of our compensation committee.
(3) Independent director under the Nasdaq Stock Market rules.

Executive Officers

Ronen Samuel has served as our Chief Executive Officer since August 2018 and as a director since August 2019. Prior to joining our company, Mr. Samuel served in various capacities at Hewlett -Packard, or HP, over the course of the previous 18 years. Most recently, he served as Vice President and General Manager of HP Indigo and WebPress EMEA. Prior to that, Mr. Samuel led HP's Asia Pacific and Japan region for seven years. He was also engaged in Strategic Marketing while at HP, working closely with Research and Development to define future products. While at HP, Mr. Samuel also served in various capacities as product/project manager. Prior to his career in printing technology, Mr. Samuel spent seven years in the Israeli Air Force, rising to the rank of major while serving as a fighter pilot and leading the establishment of Israel's second Apache Squadron. Mr. Samuel received an M.B.A. from Northwestern University's Kellogg School of Management and received an undergraduate Business and Law degree from The Interdisciplinary Center in Herzliya, Israel.

Lauri Hanover has served as our Chief Financial Officer since November 2022. Ms. Hanover also served as a director from March 2015 until August 2023 (and until August 2019 as an external director under the Companies Law). From April 2021 to November 2022, Ms. Hanover served as Senior Vice President, Community Agriculture and prior to that served as Senior Vice President and Chief Financial Officer of Netafim Ltd., a global leader in smart irrigation systems, since August 2013. From 2009 to 2013, she served as Chief Financial Officer and Executive Vice President of the Tnuva Group, Israel's largest food manufacturer. From 2008 to 2009, Ms. Hanover served as Chief Executive Officer of Gross, Kleinhendler, Hodak, Halevy and Greenberg & Co., an Israeli law firm. From 2004 to 2007, she served as Chief Financial Officer and Senior Vice President of Lumenis Ltd. (Nasdaq: LMNS), a medical laser device company. From 2000 to 2004, Ms. Hanover served as the Chief Financial Officer and Corporate Vice President of NICE Systems Ltd. (Nasdaq: NICE), an interaction analytics company, and from 1997 to 2000, as Chief Financial Officer and Executive Vice President of Sapiens International Corporation N.V. (Nasdaq: SPNS), a provider of software solutions for the insurance industry. From 1981 to 2007, she served in a variety of financial management positions at Scitex Corporation Ltd., a developer and manufacturer of inkjet printers, and at Philip Morris Inc. (Altria), a leading consumer goods manufacturer. Ms. Hanover holds a B.A. from the University of Pennsylvania, a B.S. in Economics from The Wharton School of the University of Pennsylvania, and an M.B.A. from New York University.

Daniel Gazit has served as our Chief Product Officer since November 2022. Daniel joined Kornit as vice president and general manager of the Direct-to-Fabric business in 2019, and later led the Global Customer success organization. Daniel has more than 20 years' experience leading large-scale customer facing and operational organizations in the high-tech industry. Prior to joining Kornit, Daniel held the position of VP Professional Service and Delivery at TEOCO and served as the vice president of global services at Comverse. His prior experience includes various business, technical and operational leadership positions in global high-tech organizations. Daniel holds a B.Sc. in industrial engineering and management from Tel-Aviv University.

Kobi Mann has served as our Chief Technology Officer since January 2020, prior to which he had held the position of VP Consumables & Application development since September 2017. Kobi Mann joined Kornit in 2004 as an R&D Chemist and has held core technology roles. As one of Kornit's founders he brings over 17 years of experience in the field of Inkjet Technology. Kobi has played a critical role in the design and the execution of core projects and processes in the company. During his tenure at Kornit, he has managed and led R&D Chemistry, technology groups, transfer to production, print heads and QA as well as led Kornit's Ink plant design. Prior to his executive position, Kobi held several managerial positions including Business Development of Consumables and Director of Global Application, an area he established in Kornit. Kobi holds a B.Sc. Chemistry and Executive MBA - both from Bar Ilan University in Israel.

Directors

Yuval Cohen has served as the Chairman of our board of directors since August 2011. Mr. Cohen is the founding and managing partner of Fortissimo Capital, a private equity fund established in 2004 and our former controlling shareholder. From 1997 through 2002, Mr. Cohen was a General Partner at Jerusalem Venture Partners ("JVP"), an Israeli-based venture capital fund. Prior to joining JVP, he held executive positions at various Silicon Valley companies, including DSP Group, Inc. (Nasdaq: DSPG), and Intel Corporation (Nasdaq: INTC). Currently, Mr. Cohen serves as chairman of the board of directors of each of Radware Ltd. (Nasdaq: RDWR) and Cellcom Israel Ltd. (TASE: CEL), and is expected to be appointed to the board of directors of Stratasys Ltd. (Nasdaq: SSYS) on March 31, 2025. He also serves on the board of directors of several privately held portfolio companies of Fortissimo Capital. Mr. Cohen holds a B.Sc. in Industrial Engineering from Tel Aviv University in Israel and an M.B.A. from Harvard Business School.

Ofer Ben-Zur is a co-founder of our company and has served as director since 2002. From April 2014 to July 2016, Mr. Ben-Zur served as our President and Chief Technology Officer. From 2002 to April 2014, Mr. Ben-Zur served as our Chief Executive Officer, as well as the manager of our department of research and development. Currently Mr. Ben-Zur serves as the CEO and founder of Tritone Technologies, an Israeli start up specializing in Additive Manufacturing of metals. Mr. Ben-Zur holds a B.Sc. in Mechanical Engineering from the Technion - Israel Institute of Technology, an M.Sc. in Mechanical Engineering from Tel Aviv University, and an M.B.A. from Bradford University.

Naama Halevi Davidov has served as a member of our board of directors since August 2023. She served as Chief Financial Officer of XM Cyber since May 2022. In addition, Dr. Halevi Davidov has served as a member of the board of directors of Kaltura (Nasdaq: KLTR) since July 2021, and as a member of the board of directors of Actelis Networks (Nasdaq: ASNS) since May 2022; Over the past 20 years, Dr. Halevi Davidov has served as a CFO for several global technology companies. Dr. Halevi Davidov is a Certified Public Accountant in Israel. She holds a Ph.D. in Strategy from Tel Aviv University, an M.B.A from Tel Aviv University and B.A in Accounting and Economics from Tel Aviv University.

Stephen Nigro has served as a member of our board of directors since August 2019, after having served as a strategic advisor to our company from April through August 2019. Mr. Nigro retired in early 2019 after 37 years at Hewlett-Packard, or HP, most recently serving as President of HP's 3D printing business, where he created and scaled a new technology and business, serving as a driving force towards HP's leadership in both the plastic and metal 3D printing markets. Mr. Nigro currently is a director at Desktop Metals (NYSE:DM). He also serves on the Oregon Economic Development Committee and is a member of iUrbanTeen, Executive Council which promotes STEM education to underrepresented teens. Prior to heading HP's 3D printing business, Mr. Nigro served as Senior Vice President of HP Imaging and Printing Business, where he was responsible for leading HP's World Wide HP 2D printing business. Prior to that position, Mr. Nigro led the World Wide Inkjet and Graphics Business, which served the consumer, business, and Graphics segments, with both inkjet and LEP printing solutions. Mr. Nigro was involved in initiating several matters at HP, including: delivery of the first HP color inkjet solution to the market; setting up HP's Inkjet Supplies operation in Singapore; development of HP's first off-axis inkjet platform; HP's move into the low-end consumer printing market, delivering a new low-end inkjet platform; creation and scaling of the HP Graphics printing business; the connected printing strategy introducing big data and a new Instant Ink business model; and the creation of the HP 3D printing business. Mr. Nigro spent time at HP's locations in San Diego, California; Corvallis, Oregon; Singapore; Palo Alto; and Vancouver, Washington. Mr. Nigro holds a bachelor's degree in mechanical engineering from the University of California at Santa Barbara and a master's degree in electrical engineering from Stanford University.

Dov Ofer has served as a member of our board of directors since March 2015 and is a member of our audit and compensation committees. From 2007 to 2013, Mr. Ofer served as Chief Executive Officer of Lumenis Ltd. (Nasdaq: LMNS), a medical laser device company. From 2005 to 2007, he served as Corporate Vice President and General Manager of HP Scitex (formerly a subsidiary of Scailex Corporation Ltd. (TASE: SCIX)), a producer of large format printing equipment. From 2002 to 2005, Mr. Ofer served as President and Chief Executive Officer of Scitex Vision Ltd. Prior to joining Scitex, Mr. Ofer held various managerial positions in the emerging Israeli high-tech sector and participated in different mergers and acquisitions within the industry. Currently, Mr. Ofer serves as chairman of Magen Eco-Energy RCA Ltd., Chairman of Scodix Ltd., Chairman of Stratasys Ltd. (Nasdaq: SSYS) and Director of Copprint. He holds a B.A. in Economics from the Hebrew University in Israel as well as an M.B.A. from the University of California Berkeley.

Gabi Seligsohn has served as a member of our board of directors since May 2015. He also served as our Chief Executive Officer from April 2014 through July 2018, and led our successful IPO in April 2015. From August 2006 until August 2013, Mr. Seligsohn served as the President and Chief Executive Officer of Nova Measuring Instruments Ltd., or Nova (Nasdaq: NVMI), a designer, developer and producer of optical metrology solutions. From 1998 until 2006, Mr. Seligsohn served in several leadership positions in Nova. Mr. Seligsohn currently serves as a senior advisor to PSG private equity and works as an advisor to several privately held technology companies. He holds an LL.B. from the University of Reading.

Arrangements Concerning Election of Directors; Family Relationships

Our board of directors consists of seven directors. We are not a party to, and are not aware of, any voting agreements among our shareholders. In addition, there are no family relationships among our executive officers or senior management members.

B. Compensation

The aggregate cash compensation recorded and equity-based compensation and other compensation expensed by us and our subsidiaries for our directors and executive officers with respect to the year ended December 31, 2024 was $6.1 million. The foregoing sum includes approximately $0.2 million set aside or accrued to provide pension, severance, retirement or similar benefits or expenses.

The forgoing aggregate compensation includes cash fees recorded and equity compensation expensed for two of our former directors, Jae Hyun (Jay) Lee and Yehoshua (Shuki) Nir, who served during 2024, from the start of the year through October 10, 2024 and December 31, 2024, respectively.

The following table presents the grant dates, number of options, RSUs and PSUs, and related exercise prices and expiration dates of options and RSUs granted to our directors and executive officers for the year ended December 31, 2024:

Grant Date	Number of Options	Number of RSUs	Number of PSUs	Exercise Price (per Share) of Options	Expiration Date of Options
March 14, 2024	-	39,466	-	-	-
July 11, 2024	-	104,526	-	-	-
August 12, 2024	65,036	39,967	151,700	$ 16.48	August 12, 2034
August 29, 2024	-	49,168	-	-	-

Director Compensation

Under the Companies Law, the compensation of our directors (including reimbursement of expenses) requires the approval of our compensation committee, the subsequent approval of the board of directors and, unless exempted under the regulations promulgated under the Companies Law, the approval of the shareholders at a general meeting as described in “C. Board Practices-Approval of Related Party Transactions under Israeli Law - Disclosure of Personal Interests of an Office Holder and Approval of Certain Transactions.” Where the director is also a controlling shareholder, the requirements for approval of transactions with controlling shareholders apply, as described below under “Approval of Related Party Transactions under Israeli Law - Disclosure of Personal Interests of a Controlling Shareholder and Approval of Certain Transactions.”

Our directors are entitled to cash compensation as follows:

All of our non-employee directors receive annual fees and per-meeting fees for their service on our board and its committees as follows:

- annual fees in an amount of $45,000, and $95,000 for the chairman of the Board;
- annual committee chair retainer - Audit: $20,000; Compensation: $15,000; any other committee - up to $15,000; and
- annual committee member retainer - Audit: $10,000; Compensation: $7,500; Any other committee: up to a maximum of $7,500.

In addition, commencing with our 2020 annual general meeting of shareholders, we provide for annual RSU grants to our non-employee directors. The number of RSUs granted to each director is linked to a fixed value- $115,000 for each non-employee director. The actual number of RSUs to be granted each year with the foregoing $115,000 value is determined based on the closing price of our ordinary shares on the Nasdaq Global Select Market on the date of our annual shareholder meeting. Our RSU grant agreements for non-employee directors are subject to the following additional terms:

- the RSUs are granted to each non-employee director as of the date of each annual shareholder meeting;
- the RSUs vest in their entirety on the earlier of (x) the first anniversary of the grant or (y) the next annual general meeting of shareholders, provided the director continues to serve as a director of our company at such date;
- the RSUs, to the extent then unvested, become fully vested (a) immediately prior to the consummation of a Change of Control (as defined under our 2015 Plan or 2025 Plan, as applicable (as described below)) in which the director is required to resign from or is otherwise terminated from service as a director, or (b) upon termination of service of such director occurring immediately after the consummation of a Change of Control; and
- the RSUs are otherwise subject to the terms of the 2015 Plan (for grants through 2024) or the 2025 Plan (for grants during or after 2025).

Executive Officer Compensation

The table below outlines the compensation granted to our five most highly compensated office holders during or with respect to the year ended December 31, 2024, in the disclosure format of Regulation 21 of the Israeli Securities Regulations (Periodic and Immediate Reports), 1970. We refer to the five individuals for whom disclosure is provided herein as our “Covered Executives.”

For purposes of the table and the summary below, and in accordance with the above-mentioned securities regulations, “compensation” includes base salary, variable compensation, equity-based compensation, retirement or termination payments, benefits and perquisites such as car, phone and social benefits and any undertaking to provide such compensation.

Summary Compensation Table

Information Regarding Covered Executives[1]

Name and Principal Position[2]	Base Salary ($)	Benefits and Perquisites ($)(3)	Variable compensation ($)(4)	Equity-Based Compensation ($)(5)	Total ($)
		(in thousands, US dollars)			
Ronen Samuel, Chief Executive Officer	407	38	-	2,090	2,535
Yaakov Mann, Chief Technology Officer	238	36	-	787	1,061
Ilan Elad, President KDAM	362	26	46	574	1,008
Tomer Artzi, President KDAP	203	294	-	311	808
Lauri Hanover, Chief Financial Officer	281	73	-	230	584

(1) All amounts reported in the table are in terms of cost to us, as recorded in our financial statements.
(2) All current executive officers listed in the table were our full-time employees during 2024. Cash compensation amounts denominated in currencies other than the U.S. dollar were converted into U.S. dollars at the average conversion rate for 2024.

(3) Amounts reported in this column include benefits and perquisites, including those mandated by applicable law. Such benefits and perquisites may include, to the extent applicable to the executive, payments, contributions and/or allocations for savings funds, pension, severance, vacation, car or car allowance, medical insurance and benefits, risk insurance (e.g., life, disability, accident), convalescence pay, payments for social security, housing and education, tax gross-up payments and other benefits and perquisites consistent with our guidelines.
(4) Amounts reported in this column refer to incentive and variable compensation payments which were paid or accrued with respect to 2024.
(5) Amounts reported in this column represent the expense recorded in our financial statements for the year ended December 31, 2024 with respect to equity-based compensation. Assumptions and key variables used in the calculation of such amounts are described in paragraph (u) of Note 2 to our audited financial statements, which are included in "ITEM 18. Financial Statements" of this annual report.

2012 Share Incentive Plan

In October 2012, our board of directors adopted and our shareholders approved our 2012 Share Incentive Plan, or the 2012 Plan. The 2012 Plan replaced our 2004 Plan. We no longer grant equity awards under the 2012 Plan because it was superseded by the 2015 Plan and expired (for purposes of granting new awards) in October 2022, although awards that were previously granted under the 2012 Plan remain outstanding. The 2012 Plan provided for the grant of options, restricted shares, restricted share units and other share-based awards to our and our subsidiaries' and affiliates' directors, employees, officers, consultants, advisors, and any other person whose services are considered valuable to us or our affiliates, to continue as service providers, to increase their efforts on our behalf or on behalf of our subsidiary or affiliate and to promote the success of our business. As of December 31, 2024, we had options to purchase 20,727 ordinary shares that remained outstanding under the 2012 Plan.

2015 Incentive Compensation Plan

In March 2015, we adopted our 2015 Incentive Compensation Plan, or the 2015 Plan. The 2015 Plan provides for the grant of share options, share appreciation rights, restricted share awards, restricted share units, cash-based awards, other share-based awards and dividend equivalents to our company's and our affiliates' respective employees, non-employee directors and consultants. The reserved pool of shares under the 2015 Plan was the sum of (i) 661,745 shares; plus (ii) on January 1 of each calendar year during the term of the 2015 Plan, a number of shares equal to the least of: (x) 3% of the total number of shares outstanding on December 31 of the immediately preceding calendar year, (y) an amount determined by our board of directors, and (z) 1,965,930 shares. From and after the effective date of the 2025 Plan (as described below), no further grants or awards will be made under the 2015 Plan, as all ordinary shares available for issuance under the 2015 Plan have been transferred to the initial pool of ordinary shares under the 2025 Plan. Nevertheless, outstanding awards under the 2015 Plan remain subject to the terms of the 2015 Plan. Generally, shares that are forfeited, cancelled, terminated or expire unexercised, settled in cash in lieu of issuance of shares under the 2015 Plan or the 2012 Plan shall be available for issuance pursuant to new awards under the 2025 Plan. In addition, any shares tendered or withheld to pay the exercise price, purchase price of an award, or any withholding taxes shall be available for issuance pursuant to new awards under the 2025 Plan. Shares delivered pursuant to "substitute awards" (awards granted in assumption or substitution of awards granted by a company acquired by us) shall not reduce the shares available for issuance under the 2025 Plan.

As of December 31, 2024, we had options to purchase 593,921 ordinary shares and 2,158,723 unvested RSUs (a portion of which are subject to performance based vesting conditions), outstanding under the 2015 Plan. As of December 31, 2024, we had no additional ordinary shares reserved for additional grants under the 2015 Plan, since all ordinary shares available for issuance under the 2015 Plan had been transferred to the initial pool of ordinary shares under the 2025 Plan.

Subject to applicable law, the 2015 Plan is administered by our compensation committee, which has full authority in all matters related to the discharge of its responsibilities and the exercise of its authority under the plan.

2015 Israeli Sub Plan

The 2015 Israeli Sub Plan provides for the grant by us of awards pursuant to Sections 102 and 3(i) of the Ordinance, and the rules and regulations promulgated thereunder. The 2015 Israeli Sub Plan was effective with respect to awards granted as of 30 days from the date we submitted it to the ITA. The 2015 Israeli Sub Plan provides for awards to be granted to those of our or our affiliates' employees, directors and officers who are not Controlling Shareholders, as defined in the Ordinance, and who are considered Israeli residents, to the extent that such awards either are (i) intended to qualify for special tax treatment under the "capital gains track" provisions of Section 102(b) of the Ordinance or (ii) not intended to qualify for such special tax treatment. The 2015 Israeli Sub Plan also provides for the grant of awards under Section 3(i) of the Ordinance to our Israeli non-employee service providers and Controlling Shareholders, who are not eligible for such special tax treatment.

Upon our adoption of the 2025 Plan in December 2024 (as described below), we will no longer make future grants under the 2015 Israeli Sub Plan, although outstanding awards under the 2015 Israel Sub Plan will continue to be governed by that plan.

2015 U.S. Sub Plan

The 2015 U.S. Sub Plan applies to grantees that are subject to U.S. federal income tax. The 2015 U.S. Sub Plan provides that options granted to the U.S. grantees will either be incentive stock options pursuant to Section 422 of the Code, or nonqualified stock options. Options, other than certain incentive stock options described below, must have an exercise price not less than 100% of the fair market value of an underlying share on the date of grant. Incentive stock options that are not exercised within 10 years from the grant date expire, provided that incentive stock options granted to a person holding more than 10% of our voting power will expire within five years from the date of the grant and must have an exercise price at least equal to 110% of the fair market value of an underlying share on the date of grant. The number of shares available under the 2015 Plan for grants of incentive stock options shall be the total number of shares available under the 2015 Plan subject to any limitations under the Code and provided that shares delivered pursuant to "substitute awards" shall reduce the shares available for issuance of incentive stock options under the 2015 Plan. It is the intention that no award shall be deferred compensation subject to Section 409A of the Code unless and to the extent that the compensation committee specifically determines otherwise. If the compensation committee determines an award will be subject to Section 409A of the Code such awards shall be intended to comply in all respects with Section 409A of the Code, and the 2015 Plan and the terms and conditions of such awards shall be interpreted and administered accordingly.

Upon our adoption of the 2025 Plan in December 2024 (as described below), we will no longer make future grants under the 2015 U.S. Sub Plan, although outstanding awards under the 2015 U.S. Sub Plan will continue to be governed by that plan.

2025 Share Incentive Plan

Because the 2015 Plan would have expired in March 2025, in December 2024, our board of directors adopted a new share incentive plan— the 2025 Share Incentive Plan, or the 2025 Plan. Outstanding grants under the 2012 Plan and 2015 Plan under which an aggregate of 2,752,644 ordinary shares may be issued will remain subject to those plans even after the expiration of those plans, but all ordinary shares that were unallocated to prior grants under the 2015 Plan as of the effectiveness of the 2025 Plan, or that subsequently become available under the 2012 Plan or 2015 Plan due to the expiration, cancellation, forfeiture or other surrender of outstanding grants under the 2012 Plan or 2015 Plan, have become or will become available for new grants under the 2025 Plan.

Authorized Shares. Upon its effectiveness, the 2025 Plan had a total of 2,122,421 ordinary shares reserved and initially available for issuance, consisting of (i) 1,450,289 ordinary shares that were rolled over from the 2015 Plan (which shares were unused under the 2015 Plan as of the effectiveness of the 2025 Plan) and (ii) 672,132 newly allocated ordinary shares.

In addition to the foregoing 2,122,421 ordinary shares initially available under the 2025 Plan, up to 2,752,644 ordinary shares, in the aggregate, that underlie outstanding awards under the 2012 Plan and 2015 Plan, may, (i) if the related award expires or is canceled, terminated, forfeited, repurchased or settled in cash in lieu of issuance of shares, for any reason, without having been exercised, or (ii) if permitted by us, if are tendered to pay (x) the exercise price of an award or (y) withholding tax obligations, will, in any such case, become available for issuance under the 2025 Plan. Similarly, ordinary shares from among the initial 2,122,422 shares reserved under the 2025 Plan that become subject to an award and are ultimately not issued (for any of the foregoing reasons) will become available once again under the 2025 Plan.

In keeping with the recommendation of institutional shareholder and proxy advisory groups, the 2025 Plan does not contain an "evergreen" provision that provides for an automatic annual increase in the number of ordinary shares available under the plan. Instead, we plan to increase the pool of shares available under the 2025 Plan on an as-needed basis, without equaling or surpassing the recommended limit of 10% dilution from all of the 2012 Plan, 2015 Plan and 2025 Plan, in the aggregate, to our shareholders on a fully-diluted basis.

Administration. A duly authorized committee of our Board (which, based on prior authorization by our Board, is our compensation committee), or, in the absence of any such committee, the Board itself, will administer the 2025 Plan. Under the 2025 Plan, the administrator has the authority, subject to applicable law, to interpret the terms of the 2025 Plan and any award agreements or awards granted thereunder, designate recipients of awards, determine and amend the terms of awards and take all actions and make all other determinations necessary for the administration of the 2025 Plan.

Eligibility. The 2025 Plan provides for granting awards under various tax regimes, including, without limitation, in compliance with Section 102 of the Israeli Tax Ordinance, or the Ordinance and Section 3(i) of the Ordinance, and, for awards granted to our United States employees or service providers, including those who are deemed to be residents of the United States for tax purposes, Section 422 of the Code and Section 409A of the Code.

Awards. The 2025 Plan provides for the grant of share options (including nonqualified stock options), ordinary shares, restricted shares, restricted share units and other share-based awards to employees, directors, officers, consultants, advisors and any other persons or entities who provides services to the company or any parent, subsidiary or affiliate thereof, subject to the terms and conditions of the 2025 Plan. Options granted under the 2025 Plan to our employees who are U.S. residents may only be non-qualified stock options.

Grant and Exercise. All awards granted pursuant to the 2025 Plan will be evidenced by an award agreement in a form approved, from time to time, by the administrator in its sole discretion. Unless otherwise determined by the administrator and stated in the award agreement, and subject to the conditions of the 2025 Plan, awards vest and become exercisable under the following schedule: 25% of the shares covered by the award, on the first anniversary of the vesting commencement date determined by the administrator (and in the absence of such determination, the date on which such award was granted), and 6.25% of the shares covered by the award at the end of each subsequent three-month period thereafter over the course of the following three years; provided that the grantee remains continuously as an employee or provides services to the Company throughout such vesting dates. The exercise period of an award will be ten years from the date of grant of the award, unless otherwise determined by the administrator and stated in the award agreement.

Termination of Employment. In the event of termination of a grantee's employment or service with the Company or any of its affiliates (including by reason of death, disability or retirement), different rules apply as to the length of time during which all vested and exercisable awards held by such grantee as of the date of termination may be exercised after such date of termination. In the case of termination due to death during employment or service for the Company or any of its affiliates, or within the three month period (or such longer period of time as determined by the Board, in its discretion) after the date of termination, any outstanding awards shall automatically vest (to the extent not yet vested).

Any awards which are unvested as of the date of such termination (other than in the case of death, as described above) or which are vested but not then exercised within the applicable period following such date, will terminate and the shares covered by such awards shall again be available for issuance under the 2025 Plan.

Notwithstanding any of the foregoing, if a grantee's employment or services with us or any of our affiliates is terminated for "cause" (as defined in the 2025 Plan), all outstanding awards held by such grantee (whether vested or unvested) will terminate on the date of such termination and the shares covered by such awards shall again be available for issuance under the 2025 Plan. In the case of termination for cause, any shares issued upon exercise or (if applicable) vesting of awards, shall be deemed to be irrevocably offered for sale to us.

Adjustments due to Transactions. The 2025 Plan provides for appropriate adjustments to be made to the plan and to outstanding awards under the plan in the event of a share split, reverse share split, share dividend, distribution, recapitalization, combination, reclassification of our shares, or any similar recapitalization events.

In the event of any type of merger, consolidation, similar transaction with or into another corporation, exchange of shares, a business combination, a reorganization, a spin-off or other corporate divestiture or division, or other similar occurrences, any adjustments as determined by the compensation committee may be made without the need for a consent of any holder of an award.

With respect to the distribution of a cash dividend to all holders of ordinary shares, the compensation committee shall have the authority to determine, without award holder consent, that the exercise price of any award that is outstanding and unexercised on the record date of such distribution, shall be reduced by an amount equal to the per share gross dividend amount distributed by us. The compensation committee may determine that the exercise price following such reduction shall be not less than the par value of a share. The approval of our shareholders will need to be obtained for that reduction in exercise price.

In the event of a sale of all, or substantially all, of our ordinary shares or assets, a merger, consolidation amalgamation, or similar transaction, or certain changes in the composition of the board of directors, or liquidation or dissolution, or such other transaction or circumstances that the Board determines to be a relevant transaction, then the compensation committee shall make determinations with respect to the treatment of awards as it deems appropriate.

Amendment and Termination. The board may suspend, terminate, modify or amend the 2025 Plan at any time; provided that no termination or amendment of the 2025 Plan shall affect any then outstanding award unless expressly provided by the board. Shareholder approval of any amendment to the 2025 Plan will be obtained to the extent necessary to comply with applicable law. The administrator at any time and from time to time may modify or amend any award theretofore granted under the 2025 Plan, including any award agreement, whether retroactively or prospectively.

Total Dilution Under Share Incentive Plans

The following table presents equity incentive data for our Company on a prospective basis, as of the effectiveness of the 2025 Plan (and not including ordinary shares issuable under the ESPP, as described below):

Shares Available Under 2012 Plan and 2015 Plan			Shares Available Under 2025 Plan			Total Shares Available Under All Plans	Fully Diluted Share Capital (# of Shares)	Percentage of Fully Diluted Share Capital Allocated to All Plans in Total (% Dilution)
(a) Underlying Outstanding Options	**(b) Underlying Outstanding RSUs**	**(c) Total (a+b)**	**(d) Unallocated Shares Being Carried Over from 2015 Plan**	**(e) Newly Allocated Shares Under 2025 Plan**	**(f) Total (d+e)**	**(g) (c+f)**	**(h)**	**(i) (g/h)**
593,921	2,158,723	**2,752,644**	1,450,289	672,132	**2,122,421**	**4,875,065**	**52,869,971**	**9.2%**

Employee Share Purchase Plan

We have adopted an employee share purchase plan, or ESPP, pursuant to which our employees and employees of our subsidiaries may elect to have payroll deductions (or, when not allowed under local laws or regulations, another form of payment) made on each pay day during the offering period in an amount not exceeding 15% of the compensation which the employees receive on each pay day during the offering period. To date, we have not granted employees the right to make purchases under the plan. The number of shares initially reserved for purchase under the ESPP was 242,425 ordinary shares, which was to be automatically increased annually on January 1 by a number of ordinary shares equal to the least of (i) 1% of the total number of shares outstanding on December 31 of the immediately preceding calendar year, (ii) an amount determined by our board of directors, if so determined prior to January 1 of the year on which the increase will occur, and (iii) 655,310 shares.

The ESPP is to be administered by our board of directors or by a committee designated by the board of directors. Subject to those rights which are reserved to the board of directors or which require shareholder approval under Israeli law, our board of directors has designated the compensation committee to administer the ESPP. To the extent that we grant employees the right to make purchases under the ESPP, on the first day of each offering period, each participating employee will be granted an option to purchase on the exercise date of such offering period up to a number of our ordinary shares determined by dividing (1) the employee’s payroll deductions accumulated prior to such exercise date and retained in the employee’s account as of the exercise date by (2) the applicable purchase price. The applicable purchase price is to be based on a discount percentage of up to 15%, which percentage may be decreased by the board or the compensation committee, multiplied by the lesser of (1) the fair market value of an ordinary share on the exercise date, or (2) the fair market value of an ordinary share on the offering date.

To date, we have not implemented or enabled purchases of ordinary shares by our employees under our ESPP.

C. Board Practices

Board of Directors

Under the Companies Law, the management of our business is vested in our board of directors. Our board of directors may exercise all powers and may take all actions that are not specifically granted to our shareholders or to management. Our executive officers are responsible for our day-to-day management and have individual responsibilities established by our board of directors. Our Chief Executive Officer is appointed by, and serves at the discretion of, our board of directors, subject to the employment agreement that we have entered into with him. All other executive officers are also appointed by our board of directors and are subject to the terms of any applicable employment agreements that we may enter into with them.

Under our articles, our board of directors must consist of at least five and not more than nine directors, including, to the extent applicable, at least two external directors who may be required to be appointed under the Companies Law. As of the date of this report, our board of directors consists of seven directors. Our directors are divided into three classes with staggered three-year terms. Each class of directors consists, as nearly as possible, of one-third of the total number of directors constituting the entire board of directors (other than the external directors, to the extent applicable). At each annual general meeting of our shareholders, the election or re-election of directors following the expiration of the term of office of the directors of that class of directors is for a term of office that expires on the third annual general meeting following such election or re-election, such that at each annual general meeting the term of office of only one class of directors expires. Each director will hold office until the annual general meeting of our shareholders in which his or her term expires, unless he or she is removed by a vote of 65% of the total voting power of our shareholders at a general meeting of our shareholders or upon the occurrence of certain events, in accordance with the Companies Law and our articles.

In August 2019, we elected to be governed by an exemption under the Companies Law regulations that exempts us from appointing external directors and from complying with the Companies Law requirements related to the composition of the audit committee and compensation committee of our board of directors. Our eligibility for that exemption is conditioned upon: (i) the continued listing of our ordinary shares on the Nasdaq Stock Market (or one of a few select other non-Israeli stock exchanges); (ii) there not being a controlling shareholder (generally understood in this context to be a 25% or greater shareholder) of our company under the Companies Law; and (iii) our compliance with the Nasdaq Listing Rules requirements as to the composition of (a) our board of directors-which requires that we maintain a majority of independent directors (as defined under the Nasdaq Listing Rules) on our board of directors and (b) the audit and compensation committees of our board of directors (which require that such committees consist solely of independent directors (at least three and two members, respectively), as described under the Nasdaq Listing Rules). At the time that it determined to exempt our company from the external director requirement, our board affirmatively determined that we meet the conditions for exemption from the external director requirement, including that a majority of the members of our board, along with each of the members of the audit and compensation committees of the board, are independent under the Nasdaq Listing Rules.

As a result of our election to be exempt from the external director requirement under the Companies Law, each of our directors (including our two directors who formerly served as external directors) is now assigned to one of the three, staggered classes of our board of directors, as follows:

(i) the Class I director is Dov Ofer, whose term will expire at our annual general meeting of shareholders to be held in 2025 and when his successor is elected and qualified;

(ii) the Class II directors are Ofer Ben-Zur, Naama Halevi Davidov and Gabi Seligsohn, and their terms expire at our annual general meeting of shareholders to be held in 2026 and when their successors are elected and qualified; and

(iii) the Class III directors are Yuval Cohen, Stephen Nigro and Ronen Samuel, and their terms expire at our annual general meeting of shareholders to be held in 2027 and when their successors are elected and qualified.

Our board of directors has determined that six of our directors, consisting of Yuval Cohen, Ofer Ben-Zur, Stephen Nigro, Dov Ofer, Gabi Seligsohn and Naama Halevi Davidov, constituting a majority of the members of the board, are independent under the rules of the Nasdaq Stock Market. The definition of independent director under the Nasdaq Stock Market rules specifies criteria whose aim is to ensure that there is no factor that would impair the ability of the independent director to exercise independent judgment, and furthermore requires that the board of directors affirmatively determine that the independent director can exercise independent judgment.

Under the Companies Law and our articles, besides nominees who are chosen by our board of directors, nominees for director may also be proposed by any shareholder holding at least 1% of our outstanding voting power. However, any such shareholder may propose a nominee only if a written notice of such shareholder's intent to propose a nominee has been given to our Secretary (or, if we have no such Secretary, our Chief Executive Officer) within seven days following our publication of notice of an upcoming annual shareholder meeting (or within 14 days after we publish a preliminary notification of an upcoming annual shareholder meeting). Any such shareholder nomination must include certain information, including, among other things, a description of all arrangements between the nominating shareholder and the proposed director nominee(s) and any other person pursuant to which the nomination(s) are to be made by the nominating shareholder, the consent of the proposed director nominee(s) to serve as our director(s) if elected and a declaration signed by the nominee(s) declaring that there is no limitation under the Companies Law preventing their election, and that all of the information that is required under the Companies Law to be provided to us in connection with such election has been provided.

In addition, our articles allow our board of directors to appoint directors to fill vacancies on our board of directors for a term of office equal to the remaining period of the term of office of the director(s) whose office(s) have been vacated. When we are subject to, or choose to be bound by, the requirement to elect external directors, they are elected for an initial term of three years and may be elected for additional three-year terms under the circumstances described below.

Under the Companies Law, our board of directors must determine the minimum number of directors who are required to have accounting and financial expertise. In determining the number of directors required to have such expertise, our board of directors must consider, among other things, the type and size of the company and the scope and complexity of its operations. Our board of directors has determined that the minimum number of directors of our company who are required to have accounting and financial expertise is one.

External Directors

Under the Companies Law, the boards of directors of companies whose shares are publicly traded, including companies with shares traded in the United States, are generally required to include at least two members who qualify as external directors. In August 2019, we elected to be governed by the exemption from maintaining external directors on our board under the Companies Law (as described above).

Our election to exempt our company from compliance with the external director requirement can be reversed at any time by our board of directors, in which case we would need to hold a shareholder meeting to once again appoint external directors, whose election would be for a three-year term. The election of each external director would require approval by a majority vote of the shares present and voting at a meeting of shareholders, provided that either:

- such majority includes at least a majority of the shares held by all shareholders who are not controlling shareholders and who lack a personal interest in the election of the external director (other than a personal interest not deriving from a relationship with a controlling shareholder) that are voted at the meeting, excluding abstentions, to which we refer as a disinterested majority; or

- the total number of shares voted by non-controlling, disinterested shareholders and by shareholders (as described in the previous bullet point) against the election of the external director does not exceed 2% of the aggregate voting rights in the company.

The term "controlling shareholder" as used in the Companies Law for purposes of all matters related to external directors and for certain other purposes (such as the requirements related to appointment to the audit committee or compensation committee, as described below), means a shareholder with the ability to direct the activities of the company, other than by virtue of being an office holder. A shareholder is presumed to be a controlling shareholder if the shareholder holds 50% or more of the voting rights in a company or has the right to appoint the majority of the directors of the company or its general manager (chief executive officer).

For further information concerning the Companies Law provisions related to external directors, please see "ITEM 6. Directors, Senior Management and Employees - C. Board Practices - Board of Directors - External Directors" in our annual report on Form 20-F for the year ended December 31, 2018, which we filed with the SEC on March 26, 2019.

Leadership Structure of the Board

In accordance with the Companies Law and our articles, our board of directors is required to appoint one of its members to serve as chairman of the board of directors. Our board of directors has appointed Yuval Cohen to serve as chairman of the board of directors.

Board Committees

Audit Committee

Our audit committee consists of three members: Naama Halevi Davidov (Chairperson), Dov Ofer, and Stephen Nigro.

Companies Law Requirements

Under the Companies Law, we are required to appoint an audit committee. The audit committee must be comprised of at least three directors. To the extent a company is required to appoint external directors, this committee must include all of the external directors, one of whom must serve as chairman of the committee. There are additional requirements as to the composition of the audit committee under the Companies Law. However, when we elected to exempt our company from the external director requirement, we concurrently elected to exempt our company from all of such requirements (which exemption is conditioned on our fulfillment of all Nasdaq listing requirements related to the composition of the audit committee).

Nasdaq Listing Requirements

Under Nasdaq corporate governance rules, we are required to maintain an audit committee consisting of at least three independent directors, each of whom is financially literate and one of whom has accounting or related financial management expertise.

All members of our audit committee meet the requirements for financial literacy under the applicable rules and regulations of the SEC and Nasdaq corporate governance rules. Our board of directors has determined that Dov Ofer qualifies as an audit committee financial expert, as defined by the SEC rules, and has the requisite financial experience, as defined by the Nasdaq corporate governance rules.

Each of the members of our audit committee is "independent" as such term is defined in Rule 10A-3(b)(1) under the Exchange Act and satisfies the independent director requirements under the Nasdaq Stock Market rules.

Audit Committee Role

Our board of directors has adopted an audit committee charter that sets forth the responsibilities of the audit committee consistent with the rules and regulations of the SEC and the listing requirements of the Nasdaq Stock Market, as well as the requirements for such committee under the Companies Law, including the following:

- oversight of our independent registered public accounting firm and recommending the engagement, compensation or termination of engagement of our independent registered public accounting firm to the board of directors and shareholders in accordance with Israeli law;

- recommending the engagement or termination of the person filling the office of our internal auditor; and

- Reviewing and pre-approving the terms of audit, audit-related and all permitted non-audit services provided by the independent registered public accounting firm.

Our audit committee provides assistance to our board of directors in fulfilling its legal and fiduciary obligations in matters involving our accounting, auditing, financial reporting, internal control and legal compliance functions by pre-approving the services performed by our independent accountants and reviewing their reports regarding our accounting practices and systems of internal control over financial reporting. Our audit committee also oversees the audit efforts of our independent accountants and takes those actions that it deems necessary to satisfy itself that the accountants are independent of management.

Under the Companies Law, our audit committee is responsible for:

- determining whether there are deficiencies in the business management practices of our company, including in consultation with our internal auditor or the independent auditor, and making recommendations to the board of directors to improve such practices;

- determining whether to approve certain related party transactions (including transactions in which an office holder has a personal interest and whether such transaction is material or extraordinary under the Companies Law) (see "-Approval of Related Party Transactions under Israeli Law");

- establishing the approval process (including, potentially, the approval of the audit committee and conducting a competitive procedure supervised by the audit committee) for certain transactions with a controlling shareholder or in which a controlling shareholder has a personal interest;

- reviewing and approving the yearly or periodic work plan proposed by the internal auditor;

- examining our internal audit controls and internal auditor's performance, including whether the internal auditor has sufficient resources and tools to fulfill his or her responsibilities;

- examining the scope of our auditor's work and compensation and submitting a recommendation with respect thereto to our board of directors or shareholders, depending on which of them is considering the appointment of our auditor; and

- establishing procedures for the receipt, retention and treatment of complaints received by our company regarding accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by company employees of concerns regarding questionable accounting or auditing matters, and the protection to be provided to such complaining employees.

As part of its capacity in overseeing risk management activities and monitoring management's policies and procedures, our audit committee also plays a significant strategic role in coordinating our cyber risk initiatives and policies and confirming their efficacy.

Compensation Committee and Compensation Policy

Our compensation committee consists of three members: Dov Ofer (Chairman), Stephen Nigro and Gabi Seligsohn.

Companies Law Requirements

Under the Companies Law, the board of directors of a public company must appoint a compensation committee. To the extent a company is required to appoint external directors, the compensation committee must be comprised of at least three directors, including all of the external directors, who must constitute a majority of the members of, and include the chairman of, the compensation committee. There are additional requirements as to the composition of the compensation committee under the Companies Law. However, when we elected to exempt our company from the external director requirement, we concurrently elected to exempt our company from all of such requirements (including the three-member minimum). Our exemption under the Companies Law is conditioned on our fulfillment of all Nasdaq listing requirements related to the composition of the compensation committee.

The duties of the compensation committee include the recommendation to the company's board of directors of a policy regarding the terms of engagement of office holders, to which we refer as a compensation policy. That policy must be adopted by the company's board of directors, after considering the recommendations of the compensation committee, and must be brought for approval by the company's shareholders, which approval requires what we refer to as a Special Approval for Compensation. A Special Approval for Compensation requires shareholder approval by a majority vote of the shares present and voting at a meeting of shareholders called for such purpose, provided that either: (a) such majority includes at least a majority of the shares held by all shareholders who are not controlling shareholders and do not have a personal interest in such compensation arrangement; or (b) the total number of shares of non-controlling shareholders who do not have a personal interest in the compensation arrangement and who vote against the arrangement does not exceed 2% of the company's aggregate voting rights.

The compensation policy must serve as the basis for decisions concerning the financial terms of employment or engagement of office holders, including exculpation, insurance, indemnification or any monetary payment, obligation of payment or other benefit in respect of employment or engagement. The compensation policy must relate to certain factors, including advancement of the company's objectives, the company's business plan and its long-term strategy, and creation of appropriate incentives for office holders. It must also consider, among other things, the company's risk management, size and the nature of its operations. The compensation policy must include certain principles, such as: a link between variable compensation and long-term performance and measurable criteria; the relationship between variable and fixed compensation; and the minimum holding or vesting period for variable, equity-based compensation.

The compensation committee is responsible for (a) recommending the compensation policy to a company's board of directors for its approval (and subsequent approval by its shareholders) and (b) duties related to the compensation policy and to the compensation of a company's office holders, as well as functions with respect to matters related to approval of the terms of engagement of office holders, including:

- recommending whether a compensation policy should continue in effect, if the then-current policy has a term of greater than three years (approval of either a new compensation policy or the continuation of an existing compensation policy must in any case occur every three years);
- recommending to the board of directors periodic updates to the compensation policy and assessing implementation of the compensation policy;
- approving compensation terms of executive officers, directors and employees that require approval of the compensation committee;
- determining whether the compensation terms of a chief executive officer nominee, which were determined pursuant to the compensation policy, will be exempt from approval of the shareholders because such approval would harm the ability to engage with such nominee; and
- determining, subject to the approval of the board and under special circumstances, override a determination of the company's shareholders regarding certain compensation related issues.

Consistent with the foregoing requirements, following the recommendation of our compensation committee, our board and our shareholders last approved our updated compensation policy in July 2023 and August 2023, respectively. Following those approvals, the compensation policy (in updated form, if applicable) will need to be recommended by the compensation committee and presented for the approval of the board and shareholders, every three years, in accordance with the requirements of the Companies Law.

Nasdaq Listing Requirements

Under Nasdaq corporate governance rules, we are required to maintain a compensation committee consisting of at least two independent directors. Each of the members of the compensation committee is required to be independent under Nasdaq rules relating to compensation committee members, which are different from the general test for independence of board and committee members. Each of the members of our compensation committee satisfies those requirements.

Compensation Committee Role

Our board of directors has adopted a compensation committee charter that sets forth the responsibilities of the compensation committee, which include:

- the responsibilities set forth in the compensation committee charter;
- administering our equity incentive plans, including the approval of the adoption of such plans, amending and interpreting such plans, and making awards to eligible persons under the plans; and
- reviewing, evaluating and making recommendations regarding the compensation and benefits for our non-employee directors.

ESG

Our board is responsible for formulating policy, devising strategy, and ensuring governed execution concerning all ESG matters.

With respect to oversight of ESG-related risks and opportunities, the board may assign responsibility for oversight of matters most applicable to representatives of middle and senior management to relevant departments of our company.

Compensation of Directors

Under the Companies Law, compensation of directors requires the approval of a company's compensation committee, the subsequent approval of the board of directors and, unless exempted under the regulations promulgated under the Companies Law, the approval of the shareholders at a general meeting. Where the director is also a controlling shareholder, the requirements for approval of transactions with controlling shareholders apply, as described below under "Disclosure of Personal Interests of a Controlling Shareholder and Approval of Certain Transactions."

For information regarding the current compensation package that is paid to our non-employee directors, see "B. Compensation-Director Compensation" in this ITEM 6. Our directors are also entitled to be paid reasonable travel, hotel and other expenses expended by them in attending board meetings and performing their functions as directors of the company, all of which is to be determined by the board of directors.

External directors (when we are required to have them serving on our board of directors) are entitled to remuneration subject to the provisions and limitations set forth in the regulations promulgated under the Companies Law.

Internal Auditor

Under the Companies Law, the board of directors of an Israeli public company must appoint an internal auditor recommended by the audit committee. An internal auditor may not be:

- a person (or a relative of a person) who holds 5% or more of the company's outstanding shares or voting rights;
- a person (or a relative of a person) who has the power to appoint a director or the general manager of the company;
- an office holder (including a director) of the company (or a relative thereof); or
- a member of the company's independent auditor, or anyone on its behalf.

The role of the internal auditor is to examine, among other things, our compliance with applicable law and orderly business procedures. The audit committee is required to oversee the activities and to assess the performance of the internal auditor as well as to review the internal auditor's work plan. Hila Barr - Hoisman of Brightman Almagor & Zohar (Deloitte) serves as our internal auditor.

Approval of Related Party Transactions Under Israeli Law

Fiduciary Duties of Directors and Executive Officers

The Companies Law codifies the fiduciary duties that office holders owe to a company. Each person listed in the table under "Directors and Senior Management" is an office holder of our company under the Companies Law.

An office holder's fiduciary duties consist of a duty of care and a duty of loyalty. The duty of care requires an office holder to act with the level of care with which a reasonable office holder in the same position would have acted under the same circumstances. The duty of loyalty requires that an office holder act in good faith and in the best interests of the company.

The duty of care includes a duty to use reasonable means to obtain:

- information on the advisability of a given action brought for his or her approval or performed by virtue of his or her position; and
- all other important information pertaining to any such action.

The duty of loyalty includes a duty to:

- refrain from any conflict of interest between the performance of his or her duties to the company and his or her other duties or personal affairs;
- refrain from any activity that is competitive with the business of the company;
- refrain from exploiting any business opportunity of the company to receive a personal gain for himself or herself or others; and
- disclose to the company any information or documents relating to the company's affairs which the office holder received as a result of his or her position as an office holder.

Disclosure of Personal Interests of an Office Holder and Approval of Certain Transactions

The Companies Law requires that an office holder promptly disclose to the board of directors any conflict of interest (referred to under the Companies Law as a "personal interest") that he or she may be aware of and all related material information or documents concerning any existing or proposed transaction with the company. An interested office holder's disclosure must be made promptly and, in any event, no later than the first meeting of the board of directors at which the transaction is considered. A personal interest includes an interest of any person in an act or transaction of a company, including a personal interest of such person's relative or of a corporate body in which such person or a relative of such person is a 5% or greater shareholder, director or general manager (i.e., chief executive officer) or in which he or she has the right to appoint at least one director or the general manager, but excluding a personal interest stemming from one's ownership of shares in the company.

A personal interest furthermore includes the personal interest of a person for whom the office holder holds a voting proxy or the personal interest of the office holder with respect to his or her vote on behalf of a person for whom he or she holds a proxy even if such shareholder has no personal interest in the matter. An office holder is not, however, obliged to disclose a personal interest if it derives solely from the personal interest of his or her relative in a transaction that is not considered an extraordinary transaction. Under the Companies Law, an extraordinary transaction is defined as any of the following:

- a transaction other than in the ordinary course of business;
- a transaction that is not on market terms; or
- a transaction that may have a material impact on a company's profitability, assets or liabilities.

If it is determined that an office holder has a personal interest in a transaction which is not an extraordinary transaction, approval by the board of directors is required for the transaction, unless the company's articles of association provide for a different method of approval. Further, so long as an office holder has disclosed his or her personal interest in a transaction, the board of directors may approve an action by the office holder that would otherwise be deemed a breach of his or her duty of loyalty. However, a company may not approve a transaction or action that is not in the best interests of the company or that is not performed by the office holder in good faith. An extraordinary transaction in which an office holder has a personal interest requires approval first by the company's audit committee and subsequently by the board of directors. The compensation of, or an undertaking to indemnify or insure, an office holder who is not a director requires approval first by the company's compensation committee, then by the company's board of directors. If such compensation arrangement or an undertaking to indemnify or insure is inconsistent with the company's stated compensation policy, or if the office holder is the chief executive officer (apart from a number of specific exceptions), then such arrangement is further subject to a Special Approval for Compensation. Arrangements regarding the compensation, indemnification or insurance of a director require the approval of the compensation committee, board of directors and shareholders by ordinary majority, in that order, and under certain circumstances, a Special Approval for Compensation.

Generally, a person who has a personal interest in a matter which is considered at a meeting of the board of directors or the audit or compensation committees may not be present at such a meeting or vote on that matter unless the chairman of the relevant committee or board of directors (as applicable) determines that he or she should be present in order to present the transaction that is subject to approval. If a majority of the members of the board committee or the board of directors (as applicable) has a personal interest in the approval of a transaction, then all directors may participate in discussions of the committee or the board of directors (as applicable) on such transaction and the voting on approval thereof, but shareholder approval is also required for such transaction.

Disclosure of Personal Interests of Controlling Shareholders and Approval of Certain Transactions

Pursuant to Israeli law, the disclosure requirements regarding personal interests that apply to directors and executive officers also apply to a controlling shareholder of a public company. The Companies Law provides a broader definition of a controlling shareholder solely with respect to the provisions pertaining to related party transactions. For such purposes, a controlling shareholder is a shareholder that has the ability to direct the activities of a company, including by holding 50% or more of the voting rights in a company or by having the right to appoint the majority of the directors of the company or its general manager (chief executive officer), and furthermore, by holding 25% or more of the voting rights if no other shareholder holds more than 50% of the voting rights. For this purpose, the holdings of all shareholders who have a personal interest in the same transaction will be aggregated. An extraordinary transaction between a public company and a controlling shareholder or in which a controlling shareholder has a personal interest and the terms of any compensation arrangement of a controlling shareholder who is an office holder or his relative, require the approval of a company's audit committee (or compensation committee with respect to compensation arrangements), board of directors and shareholders, in that order. In addition, the shareholder approval must fulfil one of the following requirements:

- at least a majority of the shares held by all shareholders who do not have a personal interest in the transaction and who are present and voting at the meeting approves the transaction, excluding abstentions; or

- the shares voted against the transaction by shareholders who have no personal interest in the transaction and who are present and voting at the meeting do not exceed 2% of the voting rights in the company.

To the extent that any such transaction with a controlling shareholder is for a period extending beyond three years, approval is required once every three years, unless, with respect to certain transactions, the audit committee determines that the duration of the transaction is reasonable given the circumstances related thereto.

Arrangements regarding the compensation, indemnification or insurance of a controlling shareholder in his or her capacity as an office holder require the approval of the compensation committee, board of directors and shareholders by a Special Majority, in that order, and the terms thereof may not be inconsistent with the company's stated compensation policy.

Pursuant to regulations promulgated under the Companies Law, certain transactions with a controlling shareholder or his or her relative, with directors, or with the chief executive officer, that would otherwise require approval of a company's shareholders may be exempt from shareholder approval upon certain determinations of the audit committee or compensation committee (as applicable), and the board of directors.

Shareholder Duties

Pursuant to the Companies Law, a shareholder has a duty to act in good faith and in a customary manner toward the company and other shareholders and to refrain from abusing his or her power in the company, including, among other things, in voting at a general meeting and at shareholder class meetings with respect to the following matters:

- an amendment to the company's articles of association;

- an increase of the company's authorized share capital;

- a merger; or
- the approval of related party transactions and acts of office holders that require shareholder approval.

A shareholder also has a general duty to refrain from discriminating against other shareholders.

In addition, certain shareholders have a duty of fairness toward the company. These shareholders include any controlling shareholder, any shareholder who knows that he or she has the power to determine the outcome of a shareholder vote and any shareholder who has the power to appoint or to prevent the appointment of an office holder of the company or other power towards the company. The Companies Law does not define the substance of the duty of fairness, except to state that the remedies generally available upon a breach of contract will also apply in the event of a breach of the duty to act with fairness.

Exculpation, Insurance and Indemnification of Directors and Officers

Under the Companies Law, a company may not exculpate an office holder from liability for a breach of the duty of loyalty. An Israeli company may exculpate an office holder in advance from liability to the company, in whole or in part, for damages caused to the company as a result of a breach of duty of care but only if a provision authorizing such exculpation is included in its articles of association. Our articles include such a provision. A company may not exculpate in advance a director from liability arising out of a prohibited dividend or distribution to shareholders.

Under the Companies Law, a company may indemnify an office holder in respect of the following liabilities and expenses incurred for acts performed by him or her as an office holder, either pursuant to an undertaking made in advance of an event or following an event, provided its articles of association include a provision authorizing such indemnification:

- financial liability imposed on him or her in favor of another person pursuant to a judgment, including a settlement or arbitrator's award approved by a court. However, if an undertaking to indemnify an office holder with respect to such liability is provided in advance, then such an undertaking must be limited to events which, in the opinion of the board of directors, can be foreseen based on the company's activities when the undertaking to indemnify is given, and to an amount or according to criteria determined by the board of directors as reasonable under the circumstances, and such undertaking shall detail the abovementioned foreseen events and amount or criteria;
- reasonable litigation expenses, including attorneys' fees, incurred by the office holder (1) as a result of an investigation or proceeding instituted against him or her by an authority authorized to conduct such investigation or proceeding, provided that (i) no indictment was filed against such office holder as a result of such investigation or proceeding, and (ii) no financial liability was imposed upon him or her as a substitute for the criminal proceeding as a result of such investigation or proceeding or, if such financial liability was imposed, it was imposed with respect to an offense that does not require proof of criminal intent; and (2) in connection with a monetary sanction; and
- reasonable litigation expenses, including attorneys' fees, incurred by the office holder or imposed by a court in proceedings instituted against him or her by the company, on its behalf, or by a third party, or in connection with criminal proceedings in which the office holder was acquitted, or as a result of a conviction for an offense that does not require proof of criminal intent.

Under the Companies Law, a company may insure an office holder against the following liabilities incurred for acts performed by him or her as an office holder, if and to the extent provided in the company's articles of association:

- a breach of the duty of loyalty to the company, provided that the office holder acted in good faith and had a reasonable basis to believe that the act would not harm the company;
- a breach of duty of care to the company or to a third party, to the extent such a breach arises out of the negligent conduct of the office holder; and
- a financial liability imposed on the office holder in favor of a third party.

Under the Companies Law, a company may not indemnify, exculpate or insure an office holder against any of the following:

- a breach of the duty of loyalty, except for indemnification and insurance for a breach of the duty of loyalty to the company to the extent that the office holder acted in good faith and had a reasonable basis to believe that the act would not harm the company;
- a breach of duty of care committed intentionally or recklessly, excluding a breach arising out of the negligent conduct of the office holder;
- an act or omission committed with intent to derive illegal personal benefit; or
- a fine or forfeit levied against the office holder.

Under the Companies Law, exculpation, indemnification and insurance of office holders in a public company must be approved by the compensation committee and the board of directors and, with respect to certain office holders or under certain circumstances, also by the shareholders. See "-Approval of Related Party Transactions under Israeli Law."

Our articles permit us to exculpate, indemnify and insure our office holders to the fullest extent permitted or to be permitted by the Companies Law.

We have obtained directors and officers liability insurance for the benefit of our office holders and intend to continue to maintain such coverage and pay all premiums thereunder to the fullest extent permitted by the Companies Law. In addition, we entered into agreements with each of our directors and executive officers exculpating them from liability to us for damages caused to us as a result of a breach of duty of care and undertaking to indemnify them, in each case, to the fullest extent permitted by our articles and the Companies Law, including with respect to liabilities resulting from a public offering of our shares, to the extent that these liabilities are not covered by insurance.

D. Employees

As of December 31, 2024, we had 715 employees, with 396 located in Israel, 120 in the United States, 158 in Europe and 41 in Asia Pacific. The following table shows the breakdown of our workforce of employees and subcontractors by category of activity as of the dates indicated:

	As of December 31,		
Area of Activity	**2022**	**2023**	**2024**
Service	160	151	153
Sales and marketing	205	208	121
Manufacturing and operations	179	151	126
Research and development	239	223	206
General and administrative	151	140	109
Total	934	873	715

The decreases in the number of our employees from 2022 to 2023, and again from 2023 to 2024, were primarily related to our strategic plan to increase our profitability, in part by downsizing our workforce in those years. The decreases in employees were primarily focused on areas in which we viewed our staffing as misaligned with the decline in revenues in those years. Consequently, we decreased the sizes of our sales and marketing and general and administrative departments significantly in 2024, while also steadily reducing our manufacturing and operations, and research and development departments in each of 2023 and 2024, to be proportionate with our needs.

With respect to our Israeli employees, Israeli labor laws govern the length of the workday and workweek, minimum wages for employees, procedures for hiring and dismissing employees, determination of severance pay, annual leave, sick days, advance notice of termination of employment, payments to the National Insurance Institute, equal opportunity and anti-discrimination laws and other conditions of employment. While none of our employees is party to any collective bargaining agreements, certain provisions of the collective bargaining agreements between the Histadrut (General Federation of Labor in Israel) and the Coordination Bureau of Economic Organizations (including the Industrialists' Associations) are applicable to our employees in Israel by order of the Israeli Ministry of the Economy and Industry. These provisions primarily concern pension fund benefits for all employees, insurance for work-related accidents, recuperation pay and travel expenses. We generally provide our employees with benefits and working conditions beyond the required minimums. With respect to our German employees, German and European labor laws govern the common employment terms including worktime, annual leave and employment termination. In addition to that our Kornit Digital Europe GmbH employees have a work council. The work council must be consulted about specific employee related issues and has the right to make proposals to management according to the German Works Constitution Act (BetrVG).

We have never experienced any labor-related work stoppages or strikes and believe our relationships with our employees are good.

We have implemented an employee culture of Diversity, Equity and Inclusion, or DEI, where we seek to create a gender-equitable, welcoming and comfortable work environment in which our employees can express themselves freely and feel supported to achieve their best.

E. Share Ownership

For information regarding the share ownership of our directors and executive officers, please refer to "ITEM 6.B. Compensation" and "ITEM 7.A. Major Shareholders."

F. Disclosure of a Registrant's Action to Recover Erroneously Awarded Compensation

None.

ITEM 7. <u>Major Shareholders and Related Party Transactions</u>.

A. Major Shareholders

The following table sets forth information with respect to the beneficial ownership of our ordinary shares as of February 28, 2025 by:

- each person or entity known by us to own beneficially 5% or more of our outstanding ordinary shares;
- each of our directors and executive officers individually; and
- all of our executive officers and directors as a group.

The beneficial ownership of our ordinary shares is determined in accordance with the rules of the SEC and generally includes any ordinary shares over which a person exercises sole or shared voting or investment power, or the right to receive the economic benefit of ownership. For purposes of the table below, we deem ordinary shares issuable pursuant to options that are currently exercisable or exercisable within 60 days of February 28, 2025 to be outstanding and to be beneficially owned by the person holding the options for the purposes of computing the percentage ownership of that person, but we do not treat them as outstanding for the purpose of computing the percentage ownership of any other person. Except where otherwise indicated, we believe, based on information furnished to us by such owners, that the beneficial owners of the ordinary shares listed below have sole investment and voting power with respect to such shares. The number of record holders in the United States is not representative of the number of beneficial holders nor is it representative of where such beneficial holders are resident since many of these ordinary shares were held by brokers or other nominees.

Unless otherwise noted below, each shareholder's address is c/o Kornit Digital Ltd., 12 Ha'Amal Street, Rosh -Ha'Ayin 4809246, Israel.

A description of any material relationship that our principal shareholders have had with us or any of our predecessors or affiliates within the past three years is included under "Certain Relationships and Related Party Transactions."

The percentages set forth below are based on 45,327,503 ordinary shares outstanding (which excludes 5,773,222 Treasury shares) as of February 28, 2025.

Except where otherwise indicated, we believe, based on information furnished to us by such owners, that the beneficial owners of the ordinary shares listed below have sole investment and voting power with respect to such shares. All of our shareholders, including the shareholders listed below, have the same voting rights attached to their ordinary shares. See "ITEM 10.B Articles of Association."

A description of any material relationship that our major shareholders have had with us or any of our predecessors or affiliates within the past year is included under "ITEM 7.B-Related Party Transactions."

Name	Number of Shares Beneficially Held	Percent
5% or Greater Shareholders		
Morgan Stanley[(1)]	3,557,137	7.9%
Artisan Partners Limited Partnership[(2)]	3,332,849	7.4%
Senvest Management, LLC[(3)]	4,233,349	9.3%
Chicago Capital LLC [(4)]	2,493,680	5.5%
Directors and Executive Officers		
Yuval Cohen	*	*
Naama Halevi Davidov		
Ofer Ben-Zur	*	*
Lauri Hanover	*	*
Stephen Nigro		
Dov Ofer	*	*
Gabi Seligsohn		
Ronen Samuel	*	*
Daniel Gazit	*	*
Kobi Mann	*	*
All Directors and Executive Officers as a Group (10 persons)	*[(5)]	*

* Represents beneficial ownership of less than 1% of our outstanding ordinary shares.

(1) The address of this shareholder is 1585 Broadway New York, NY 10036 . The information in this row is provided as of December 31, 2024, based on Amendment No. 2 to a statement of beneficial ownership on Schedule 13G, filed by Morgan Stanley with the SEC on February 4, 2025. The ordinary shares included in the beneficial ownership of this shareholder are beneficially owned, or may be deemed to be beneficially owned, by certain operating units (collectively referred to as the MS Reporting Units) of Morgan Stanley and its subsidiaries and affiliates (collectively referred to as MS). They do not include ordinary shares, if any, beneficially owned by any operating units of MS whose ownership of securities is disaggregated from that of the MS Reporting Units.

(2) The address of this shareholder is 875 E. Wisconsin Ave., Suite 800, Milwaukee, WI 53202. The information in this row is provided as of December 31, 2024, based on a report of institutional investment manager on Form 13F filed by Artisan Partners Limited Partnership with the SEC on February 12, 2025. The shares reported for this shareholder have been acquired on behalf of discretionary clients of Artisan Partners Limited Partnership, or APLP. APLP possesses sole voting power with respect to 2,835,917 of such shares, while lacking voting power with respect to 496,932 of such shares.

(3) The address of this shareholder is 540 Madison Avenue, 32nd Floor, New York, New York 10022. The information in this row is provided as of December 31, 2024, based on a report of institutional investment manager on Form 13F filed by Senvest Management, LLC with the SEC on February 13, 2025. The ordinary shares reported in this row are held in the account of Senvest Master Fund, LP and Senvest Technology Partners Master Fund, LP, which we collectively refer to as the Senvest Investment Vehicles. Senvest Management, LLC may be deemed to beneficially own the securities held by the Senvest Investment Vehicles by virtue of Senvest Management, LLC’s position as investment manager of the Senvest Investment Vehicles. Mr. Richard Mashaal may be deemed to beneficially own the securities held by the Senvest Investment Vehicles by virtue of Mr. Mashaal’s status as the managing member of Senvest Management, LLC. None of the foregoing should be construed in and of itself as an admission by any of the foregoing persons or entities as to beneficial ownership of those ordinary shares.

(4) The address of this shareholder is 135 South LaSalle Street, Suite 4200, Chicago, IL 60603. The information in this row is provided as of February 28, 2024, based on a statement of beneficial ownership on Schedule 13G filed by Chicago Capital LLC with the SEC on March 4, 2024.

(5) Consists of ordinary shares, and additional ordinary shares underlying options, RSUs and PSUs that may be exercised or settled (as applicable) by our directors and executive officers within 60 days of February 28, 2025.

Recent Significant Changes in the Percentage Ownership of Major Shareholders

Each of Artisan Partners Limited Partnership, Granahan Investment Management, LLC (a former major shareholder of ours) and Senvest Management, LLC became a new 5% shareholder over the course of 2022, reporting beneficial ownership that constituted 8.8%, 7.0% and 8.3% of our outstanding ordinary shares, respectively, in February 2023. Also, in February 2023, Wasatch Advisors Inc. (a former major shareholder of ours) reported that it had increased its beneficial ownership percentage from 6.9% to 9.4%, reflecting an increase over the course of 2022.

In February 2024, each of Wasatch Advisors Inc. and Granahan Investment Management, LLC reported that its beneficial ownership had decreased below 5% during 2023, thereby causing it to cease to be a major shareholder of ours. In addition, Artisan Partners Limited Partnership reported a decrease in its beneficial ownership over the course of 2023, whereby it held 7.8% of our outstanding shares as of February 2024, while Senvest Management, LLC reported an increase in its beneficial ownership in 2023, with its holdings comprising 9.2% of our outstanding shares as of February 2024. A new major shareholder, Morgan Stanley, acquired ordinary shares in 2023 that constituted 6.6% of our outstanding ordinary shares as of February 2024. In March 2024, Chicago Capital LLC reported that its beneficial ownership had increased to 5.2% as of February 28, 2024, thereby causing it to become a new major shareholder of ours.

In February 2025, each of Artisan Partners Limited Partnership, Senvest Management, LLC and Morgan Stanley reported changes to its beneficial ownership of our ordinary shares over the course of 2024. Based on those reports, Artisan Partners Limited Partnership’s beneficial ownership decreased to 7.4%, while the beneficial ownership of Senvest Management, LLC and Morgan Stanley increased slightly, to 9.3% and 7.9%, respectively, of our outstanding ordinary shares (each such percentage reflects ownership as of February 28, 2025).

Other than the foregoing, there have been no recent significant changes in the percentage ownership of major shareholders.

Record Holders

Based upon a review of the information provided to us by our transfer agent, as of February 14, 2025, there were three holders of record of our ordinary shares, of which one record holder, holding approximately 90.2% of our outstanding ordinary shares, had a registered address in the United States. These numbers are not representative of the number of beneficial holders of our shares, nor is it representative of where such beneficial holders reside, since all of these shares held of record in the United States were held through CEDE & Co., the nominee company of the Depository Trust Company, on behalf of hundreds of firms of brokers and banks in the United States, who in turn held such shares on behalf of several thousand clients and customers.

B. Related Party Transactions

Our policy is to enter into transactions with related parties on terms that, on the whole, are no more favorable, or no less favorable than those available from unaffiliated third parties. Based on our experience in the business sectors in which we operate and the terms of our transactions with unaffiliated third parties, we believe that all of the transactions described below met this policy standard at the time they occurred. The following is a description of material transactions, or series of related material transactions, since January 1, 2024, to which we were or will be a party and in which the other parties included or will include our directors, executive officers, holders of more than 10% of our voting securities or any member of the immediate family of any of the foregoing persons.

Agreements and Arrangements with, and Compensation of, Directors and Executive Officers

Employment Agreements

We have entered into written employment agreements with each of our executive officers. These agreements provide for notice periods of varying duration for termination of the agreement by us or by the relevant executive officer, during which time the executive officer will continue to receive base salary and benefits (except for the accrual of vacation days). These agreements also contain customary provisions regarding non-competition, confidentiality of information and assignment of inventions. However, the enforceability of the non-competition provisions may be limited under applicable law.

Options, RSUs and PSUs

Since our inception we have granted options to purchase our ordinary shares to our officers and certain of our directors, and, commencing in 2018 (following approval by our shareholders), we began awarding annual RSU grants to our non-employee directors, and we also award them to our executive officers. Our option agreements may contain, and the terms of our RSU grants do contain, acceleration provisions upon certain merger, acquisition, or change of control transactions (in the case of the RSU grants, upon termination of, or resignation by, a non-employee director in connection with any such transaction or immediately thereafter). Our equity grant agreements for our officers also provide, in certain cases, for acceleration of vesting in the event of certain merger, acquisition, or change of control transactions. In 2021 and 2022, following shareholder approvals, we granted RSUs as well as performance based RSUs, or PSUs, to our chief executive officer (as described below under "Compensation Arrangement for CEO"). We describe our equity incentive plans under "ITEM 6.B. Compensation". If the relationship between us and an executive officer or a director is terminated, except for cause (as defined in the option plans), all options that are vested will generally remain exercisable for ninety days after such termination.

Indemnification Agreements

Our articles permit us to exculpate, indemnify and insure each of our directors and office holders to the fullest extent permitted by Israeli law. We have entered into indemnification agreements with each of our directors and executive officers, undertaking to indemnify them to the fullest extent permitted by Israeli law, including with respect to liabilities resulting from a public offering of our shares, to the extent that these liabilities are not covered by insurance. We have also obtained Directors and Officers insurance for each of our executive officers and directors. For further information, see "ITEM 6.C Board Practices-Exculpation, Insurance and Indemnification of Directors and Officers."

Compensation Arrangement for CEO

At our 2022 special general meeting of shareholders, held on December 29, 2022, our shareholders approved (following approval by our compensation committee and board of directors) an updated compensation package for our chief executive officer (the "**CEO**"), Ronen Samuel. We have provided below the updated compensation figures for the CEO, as adjusted, based on that approval by our shareholders:

Base Salary: NIS 1.51 million (approximately $407,000)
Target Annual Bonus (% Base Salary): 100%
Target Total Cash (Base + Bonus): $814,000
Long-Term Incentive/ Equity Target Value: $2,500,000 annually
Target Total Direct Compensation: $3,314,000

The compensation package includes the following specific elements:

(i) ***Total Shareholder Return (TSR) PSUs***: PSUs valued at approximately $1,250,000 are granted to the CEO annually.

- The actual number of TSR PSUs to be granted each year with the foregoing $1,250,000 value are determined based on a valuation methodology generally used for such awards (e.g., Monte Carlo method) as of the date of the relevant annual shareholder meeting or as of the relevant anniversary of the date of the meeting.

- The vesting of the TSR PSUs is dependent upon the performance of our TSR, as measured by our Company's share price, relative to the performance of the S&P 500 index, which determination is made for a two-year (30% weight) and three year (70% weight) period of time, upon the two-year and three-year anniversaries of each grant date, with the TSR PSUs either partially or fully vesting (if either/both performance conditions are met at or above the threshold level) or expiring (if the performance conditions are not met) on the three-year anniversary of each grant date;

- There is "double trigger" vesting and acceleration of vesting due to termination of the CEO in certain circumstances.

- The actual payout on the TSR PSUs (i.e., how many vest), will be determined based on our performance relative to a payout curve, with threshold and maximum performance levels, whereby the payout can be anywhere from zero to in excess of the payout target, as follows:

Kornit TSR Percentile Rank	**Payout (% of Target)***
< 35th Percentile	0%
35th Percentile	50% (Threshold)
55th Percentile	**100% (Target)****
75th Percentile	150%
> 75th Percentile	200% (Maximum)

* Subject to linear interpolation

** Target payout requires above median performance and the applicable payout will be capped at target if our company's absolute TSR performance for the relevant measurement period is negative, irrespective of our company's percentile ranking for such period.

(ii) ***RSUs***: RSUs valued at approximately $625,000 are granted to the CEO annually.

- The actual number of RSUs to be granted each August 12 with the foregoing $625,000 value is based on the 30-day volume weighted average price of Kornit's ordinary shares over the 30-day period preceding each such grant date.

- The RSUs vest over a four-year period, with 25% of the RSUs vesting upon the first anniversary of the grant date and an additional 6.25% of the RSUs vesting upon the conclusion of each of the next 12 quarters thereafter, subject to the CEO's continuous employment.

- There is "double trigger" vesting and acceleration of vesting due to termination of the CEO in certain circumstances.

(iii) ***Options***: Options valued at approximately $625,000 (the number of options to be granted each August 12 to be determined based on the binomial pricing methodology as of the date of grant) are granted to the CEO annually.

- the options have an exercise price equal to the closing price of Kornit's ordinary shares on the grant date;

- subject to Mr. Samuel's continued employment as our CEO, the options vest over a four-year period, with 25% of the options vesting upon the first anniversary of the grant date and an additional 6.25% of the options vesting upon the conclusion of each of the next 12 quarters thereafter, subject to the CEO's continuous employment;

- There is "double trigger" vesting and acceleration of vesting due to termination of the CEO in certain circumstances; and

- The options have a ten-year term, at the conclusion of which any unexercised options would expire.

"Clawback" Condition

The compensation terms for our CEO are subject, in the case of annual bonus and long-term incentive/equity compensation, to a potential repayment obligation to our Company or cancellation (as applicable), under certain circumstances, as described in our compensation policy. In particular, in the event of an accounting restatement, we would be entitled to recover from the CEO a bonus payment in the amount by which it exceeds the bonus amount that would have been paid under the financial statements, as restated. In the case of performance-based equity compensation, *i.e.*, TSR PSUs, which vest based on the performance of our share price (in comparison to the S&P 500 index companies), which itself derives in part from our reported financial results, we may cancel vested TSR PSUs to the extent that our share price following the accounting restatement drops below the level at which it minimally would have had to be in order for the TSR PSUs to have vested. If the subject TSR PSUs have been settled for underlying shares and the shares have been sold on the market already, we may seek monetary recovery to the extent the TSR PSUs would not have vested originally based on our share price following the accounting restatement.

Our right to recoup an excess payment/equity grant to our CEO applies to cash and equity incentive compensation paid during the three completed fiscal years immediately preceding the date on which we are required to prepare the accounting restatement or the CEO engaged in the misconduct. In order to recoup any such amounts, we must make a claim for recoupment prior to the second anniversary of the fiscal year end of the restated financial statements (as per the terms of our compensation policy).

Hedging/Pledging Restrictions

To ensure that the equity portion of our CEO's compensation package serves solely to motivate our CEO to create value for our shareholders, our CEO is prohibited from creating "short" positions or engaging in other hedging activity with respect to our ordinary shares, which restrictions are based on our insider trading policy, and apply equally to our CEO. For a similar reason, our CEO will generally be prohibited from pledging the equity to be granted to him as collateral for a loan that may be received by him.

C. Interests of Experts and Counsel

Not applicable.

ITEM 8. Financial Information.

A. Statements and Other Financial Information

We have appended our financial statements at the end of this annual report, starting at page F-1, as part of this annual report.

Export Sales

The following table presents total export sales by our company for each of the fiscal years indicated (in thousands):

	2022	2023	2024
Total Export Sales*	$ 271,266	$ 219,400	$ 203,463
as a percentage of Total Sales	99.9%	99.8%	99.8%

* Export sales, as presented, are defined as sales to customers located outside of Israel (where our headquarters are located).

Legal Proceedings

From time to time, we may become party to litigation or other legal proceedings that we consider to be a part of the ordinary course of our business. Currently, and in the recent past, other than as described below, we are not and have not been a party to any legal proceedings, nor are there any legal proceedings (including governmental proceedings) pending or, to our knowledge, threatened against us, that our management believes, individually or in the aggregate, would have a significant effect on our financial position or profitability. We intend to defend against any claims to which we may become subject, and to proceed with any claims that we may need to assert against third parties, in a vigorous fashion.

Securities Class Action Lawsuits

On February 15, 2023, a securities class action complaint was filed by a shareholder of Kornit in U.S. federal court in New Jersey, naming our company, our chief executive officer, Ronen Samuel, and our former chief financial officer, Alon Rozner, as defendants. The complaint asserted claims under Sections 10(b) and 20(a) of the Exchange Act, and Rule 10b-5 promulgated thereunder, and sought unspecified damages. The complaint alleged misrepresentations by our company in our Exchange Act disclosures which caused our ordinary shares to trade at artificially inflated prices during the period between February 2021 and July 2022.

On February 17, 2023, an additional securities class action complaint was filed by a shareholder of Kornit in U.S. federal court in New Jersey, naming our company, our directors during the subject period (described below), our chief executive officer, Ronen Samuel, our former chief financial officer, Alon Rozner, the underwriters for our November 2021 follow-on public offering and Amazon (which sold shares in that public offering) as defendants. The complaint asserted claims under Sections 11, 12(a)(2) and 15 of the Securities Act, Sections 10(b) and 20(a) of the Exchange Act, and Rule 10b-5 promulgated under the Exchange Act, and sought unspecified damages. The complaint alleged false and misleading statements by our company in our registration statement and prospectus supplement for the November 2021 follow-on offering and in our Exchange Act disclosures which caused our ordinary shares to be sold in that offering, and to trade in an ongoing manner, at artificially inflated prices during the period between August 2021 and July 2022.

On August 30, 2023, in the Genesee County case, the Court granted an unopposed motion to consolidate the two actions, to appoint certain plaintiffs represented by Bernstein Litowitz as lead plaintiffs (“Lead Plaintiffs”), and to appoint Bernstein Litowitz as lead counsel. On October 27, 2023, Lead Plaintiffs filed a consolidated complaint. The consolidated complaint alleged that, between February 2021 and July 2022, the Company made misrepresentations and omissions in our public statements and disclosures in violation of the Exchange Act and Rule 10b-5 promulgated thereunder. Lead Plaintiffs asserted these Exchange Act claims against the Company, Mr. Samuel, and Mr. Rozner, sought to recover on behalf of a putative class of Kornit shareholders who acquired shares between February 17, 2021 and July 5, 2022, and sought unspecified damages. The consolidated complaint also asserted claims under the Securities Act, alleging that the Company made misrepresentations and omissions in our registration statement and prospectus for our November 2021 follow-on public offering; it asserted those Securities Act claims against Kornit, Mr. Samuel, Mr. Rozner, certain current and former Kornit officers and directors, and the underwriters for the November 2021 offering (but not against Amazon) (together, “Defendants”).

Defendants moved to dismiss the consolidated complaint on December 21, 2023. Lead Plaintiffs filed an opposition to Defendants’ motion to dismiss on February 16, 2024.

On August 15, 2024, the court held an oral hearing on Defendants’ motion to dismiss, following which it granted the defendants’ motion, dismissing the complaint in its entirety, without prejudice. Plaintiffs filed an amended complaint on November 8, 2024. The amended complaint was filed against the company, Mr. Samuel and Mr. Rozner. The underwriters for the November 2021 offering, as well as all other directors, are no longer named as defendants. On January 24, 2025, defendants moved to dismiss the amended complaint. Plaintiffs filed an opposition to defendants’ motion to dismiss on March 10, 2025, and defendants intend to file replies in support of the motion to dismiss on or about April 25, 2025.

We believe the lawsuits are without merit and have been defending against these cases vigorously. As of the date hereof, we are unable to estimate a range of loss, if any, that could result were there to be adverse final decisions in these cases, and estimated liabilities have not been recorded by us in our financial statements.

Dividend Distribution Policy

We have never declared or paid any cash dividends on our ordinary shares. We do not anticipate paying any dividends in the foreseeable future. We currently intend (subject to any extraordinary market conditions that might arise) to retain future earnings, if any, to finance operations and expand our business. To the extent that volatile or depressed market conditions reduce the trading price of our ordinary shares substantially for an extended period of time, we may potentially use a portion of our cash reserves toward share repurchases, as we have done with our recent $100 million share repurchase program approved in September 2024. We view that as a way of returning value to our shareholders. Our board of directors has sole discretion whether to pay dividends (or to effect share repurchases). If our board of directors decides to pay dividends, the form, frequency and amount will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our directors may deem relevant. See “ITEM 3.D. Risk Factors- Risks Related to Our Ordinary Shares- We have never paid cash dividends on our share capital, and we do not anticipate paying any cash dividends in the foreseeable future” and, in Exhibit 2.2 to this annual report, “Description of Kornit Digital Ltd. Ordinary Shares- Dividend and Liquidation Rights” for an explanation concerning the payment of dividends under Israeli law.

B. Significant Changes

Since the date of our financial statements included in ITEM 18 of this annual report, there has not been a significant change in our company other than as described elsewhere in this annual report.

ITEM 9. The Offer and Listing.

A. Listing details

Our ordinary shares have been quoted on the Nasdaq Global Select Market under the symbol "KRNT" since April 2, 2015.

On March 19, 2025, the closing sales price of our ordinary shares on the Nasdaq Global Select Market was $21.87.

B. Plan of Distribution

Not applicable.

C. Markets

See "-Listing Details" above.

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital

Not applicable.

B. Articles of Association

The information called for by this Item 10.B of Form 20-F has been provided in Exhibit 2.2 to this annual report. The content of Exhibit 2.2 is incorporated by reference herein.

C. Material Contracts

We are not party to any material contract within the two years prior to the date of this annual report, other than contracts entered into in the ordinary course of business, or as otherwise described below in this ITEM 10.C.

Agreements with Amazon

Master Purchase Agreement

On January 10, 2017, we entered into a master purchase agreement, or the Purchase Agreement, with Amazon Corporate LLC, a subsidiary of Amazon.com, Inc., or Amazon. Under the Purchase Agreement, as amended in March 2017, January 2018, and June 2018, Amazon may purchase, and we have committed to supply, AVHD6 digital direct-to-garment printers and NeoPigment® ink and other consumables at agreed-upon prices which are subject to volume. We also agreed to provide maintenance services and extended warranties to Amazon at agreed-upon prices.

The Purchase Agreement provides for an "end of life" program. We are required to notify Amazon 12 months in advance if we intend to stop supporting one of the products or services supplied by us and to continue to manufacture the product or provide such service during the applicable period. Subject to certain exceptions, we are required to continue to supply ink in such quantities as Amazon requires for at least 36 months after the earlier of (1) the end of the term of the Purchase Agreement or (2) 18 months following the purchase of the last product sold pursuant to the Purchase Agreement. The Purchase Agreement requires us to make arrangements to ensure continuity of our supply of products if we do not comply with its requirements to supply the products or the services under the agreement or becomes insolvent. The Purchase Agreement also provides for penalties on a sliding scale in the case of late delivery or if our systems are unavailable for certain specific periods. There are no minimum spending commitments under the Purchase Agreement. The term of the Purchase Agreement was five years beginning on May 1, 2016 and extends automatically for additional one-year periods unless terminated by Amazon. The Purchase Agreement is subject to customary termination provisions, including material uncured breaches, insolvency or our acquisition by a competitor of Amazon. The Purchase Agreement may also be terminated by Amazon without cause subject to an agreed advance notice period.

New Transaction Agreement and New Warrant

In January 2017, we entered into a transaction agreement with Amazon pursuant to which we had issued to Amazon a warrant to purchase our ordinary shares, which had vested and was exercised, in its entirety, with all underlying shares having been sold by Amazon, prior to 2023. On September 14, 2020, we and Amazon entered into a new transaction agreement, or the New Transaction Agreement, pursuant to which we issued to an affiliate of Amazon a warrant, or the New Warrant, to acquire up to 3,401,028 of our ordinary shares, or the New Warrant Shares, at a purchase price of $59.26 per share, which is based on the 30-trading day VWAP prior to the execution of the New Transaction Agreement. The New Warrant also provides for cashless (net) exercise.

The New Warrant Shares underlying the New Warrant are subject to vesting as a function of payments of up to an aggregate of $400 million by Amazon and its affiliates over a five-year period for two different categories of product lines and services as follows:

	Existing Product Lines and Services	New Product Lines and Services
Purchased Amount	$ 250 million	$ 150 million
Maximum Number of Vesting Shares	1,943,445	1,457,583
Number of Vesting Shares per $5 Million Payment	38,869	48,587

"Existing" products refers to any product line that has been purchased by Amazon from Kornit before the date of the issuance of the New Warrant, for example, products from the Kornit Avalanche and the Kornit Atlas printing system family and related ink and spare parts. "New" products refer to any product line that has not been purchased by Amazon before the date of the issuance of the New Warrant and may be purchased by Amazon in the future. "New" products include any future potential new applications that are printed using existing products. Neither the New Warrant nor the Purchase Agreement, as amended, contain any pricing terms or minimum purchase agreements for "New" products, and no "New" product has been qualified for use by Amazon.

The New Warrant is exercisable through the earlier of (1) January 10, 2027 and (2) the fifth anniversary of the date that all shares underlying under the Original Warrant are vested (i.e., the date on which Amazon and its affiliates have collectively made gross payments totaling $150 million to the Company or its affiliates in connection with invoices in respect of orders placed under the Purchase Agreement).

Upon the consummation of a change of control transaction (as defined in the New Warrant), subject to certain exceptions, the unvested portion of the New Warrant will vest in full and become fully exercisable.

The exercise price and the number of New Warrant Shares issuable upon exercise of the New Warrant are subject to customary anti-dilution adjustments.

The New Warrant also limits Amazon's beneficial ownership to 4.999% of our outstanding shares unless Amazon waives this limit upon 61 days' notice, in which case Amazon's beneficial ownership is then limited to 9.999% of our outstanding shares.

The New Transaction Agreement includes customary representations, warranties and covenants of our company and Amazon. The New Transaction Agreement restricts any transfer of the New Warrant and New Warrant Shares issuable thereunder, except under certain circumstances set forth in the New Transaction Agreement.

Under the New Transaction Agreement, the registration rights that applied under the Original Transaction Agreement to Original Warrant Shares are deemed to apply to the New Warrant Shares as well.

The New Transaction Agreement also contains certain customary standstill restrictions with respect to an acquisition of our shares (other than an acquisition of the shares underlying the Original Warrant and the New Warrant), solicitation of proxies and other actions that seek to influence the control of our company. These standstill restrictions remain in effect until such time as the New Warrant Shares issued under the New Warrant or that remain unexercised under the New Warrant represent less than 2% of our outstanding shares.

As of December 31, 2024, 1,943,445 New Warrant Shares had vested and were issuable under the New Warrant.

Other Material Contracts

Material Contract	Location of Description in This Annual Report
Agreements and arrangements with, and compensation of, directors and executive officers	"ITEM 7.B. Related Party Transactions-Agreements and arrangements with, and compensation of, directors and executive officers."
Kornit Digital Compensation Policy	"ITEM 6.C. Board Practices-Board Committees-Compensation Committee and Compensation Policy."
OEM Supply Agreement, dated December 3, 2015, between us and FujiFilm Dimatix, Inc.	"ITEM 3.D. Risk Factors- Risks Related to Our Business and Our Industry- Risk factor titled "If our relationships with suppliers..."
Manufacturing Services Agreement, dated as of May 2015, between us and Flex	"ITEM 3.D. Risk Factors- Risks Related to Our Business and Our Industry- Risk factor titled "If our relationships with suppliers..."
Manufacturing Services Agreement, dated as of February 26, 2019, between us and Sanmina-SCI Israel Medical Systems Ltd.	"ITEM 3.D. Risk Factors- Risks Related to Our Business and Our Industry- Risk factor titled "If our relationships with suppliers..."
Office and Parking Space Lease Agreement, dated as of December 17, 2007 between us and Industrial Building Corporation, as amended	"ITEM 4.D. Property, Plant and Equipment."
Lease Agreement dated as of March 25, 2010 between us and Benbenishti Engineering Ltd., as amended	"ITEM 4.D. Property, Plant and Equipment."
Lease dated December 2017 between Bonanno Real Estate Group I, L.P. and Kornit Digital North America, Inc.	"ITEM 4.D. Property, Plant and Equipment."
Lease Agreement, dated as of March 27, 2022, by and between us and the Israel Lands Authority.	"ITEM 3.D. Risk Factors-Risks Related to Our Business and Our Industry- Our Kiryat Gat ink manufacturing facility…" and "ITEM 4.D. Property, Plant and Equipment".

D. Exchange Controls

There are currently no Israeli currency control restrictions on payments of dividends or other distributions with respect to our ordinary shares or the proceeds from the sale of the shares, except for the obligation of Israeli residents to file reports with the Bank of Israel regarding some transactions. However, legislation remains in effect under which currency controls can be imposed by administrative action at any time.

The ownership or voting of our ordinary shares by non-residents of Israel, except with respect to citizens of countries which are in a state of war with Israel, is not restricted in any way by our articles or by the laws of the State of Israel.

E. Taxation

Israeli Tax Considerations

The following is a brief summary of the material Israeli tax consequences concerning the ownership and disposition of our ordinary shares by our shareholders. This summary does not discuss all the aspects of Israeli tax law that may be relevant to a particular investor in light of his or her personal investment circumstances or to some types of investors subject to special treatment under Israeli law. Examples of such investors include residents of Israel or traders in securities who are subject to special tax regimes not covered in this discussion. Because parts of this discussion are based on new tax legislation that has not yet been subject to judicial or administrative interpretation, we cannot assure you that the appropriate tax authorities or the courts will accept the views expressed in this discussion. The discussion below is subject to change, including due to amendments under Israeli law or changes to the applicable judicial or administrative interpretations of Israeli law, which change could affect the tax consequences described below.

Capital Gains Taxes Applicable to Non-Israeli Resident Shareholders.

Israeli capital gains tax is imposed on the disposal of capital assets by a non-Israeli resident if such assets are either (i) located in Israel; (ii) shares or rights to shares in an Israeli resident company, or (iii) represent, directly or indirectly, rights to assets located in Israel, unless a specific exemption is available or unless a tax treaty between Israel and the seller's country of residence provides otherwise. Capital gain is generally subject to tax at the corporate tax rate (23% in 2018 and thereafter), if generated by a company, or at the rate of 25% if generated by an individual, or 30% in the case of sale of shares by a Substantial Shareholder (i.e., a person who holds, directly or indirectly, alone or together with such person's relative or another person who collaborates with such person on a permanent basis, 10% or more of any of the company's "means of control" (including, among other things, the right to receive profits of the company, voting rights, the right to receive proceeds upon liquidation and the right to appoint a director)) at the time of sale or at any time during the preceding 12-month period. Individual and corporate shareholders dealing in securities in Israel are taxed at the tax rates applicable to business income (a corporate tax rate for a corporation and a marginal tax rate of up to 47% for an individual in 2024) unless the benefiting provisions of an applicable treaty applies.

Notwithstanding the foregoing, a non-Israeli resident (individual or corporation) who derives capital gains from the sale of shares in an Israeli resident company that were purchased after the company was listed for trading on a recognized stock exchange in Israel or outside of Israel will generally be exempt from Israeli tax so long as the shares were not held through a permanent establishment that the non-Israeli resident maintains in Israel (and with respect to shares listed on a recognized stock exchange outside of Israel, so long as neither the shareholder nor the particular capital gain is otherwise subject to the Israeli Income Tax Law (Inflationary Adjustments) 5745-1985). However, non-Israeli corporations will not be entitled to the foregoing exemption if Israeli residents: (i) have a controlling interest of more than 25% in such non-Israeli corporation or (ii) are the beneficiaries of, or are entitled to, 25% or more of the revenues or profits of such non-Israeli corporation, whether directly or indirectly. These provisions dealing with capital gain are not applicable to a person whose gains from selling or otherwise disposing of the shares are deemed to be business income.

Additionally, a sale of shares by a non-Israeli resident may be exempt from Israeli capital gains tax under the provisions of an applicable tax treaty. For example, under the United States-Israel Tax Treaty, the sale, exchange or other disposition of shares of an Israeli company by a shareholder who (i) is a U.S. resident (for purposes of the treaty), (ii) holds the shares as a capital asset, and (iii) is entitled to claim the benefits afforded to such person by the treaty, is generally exempt from Israeli capital gains tax. Such exemption will not apply if: (i) the capital gain arising from such sale, exchange or disposition is attributed to real estate located in Israel; (ii) the capital gain arising from such sale, exchange or disposition is attributed to royalties; (iii) the capital gain arising from the sale, exchange or disposition that can be attributed to a permanent establishment of the shareholder that is maintained in Israel under certain terms; (iv) the shareholder holds, directly or indirectly, shares representing 10% or more of the voting rights during any part of the 12-month period preceding such sale exchange or other disposition, subject to certain conditions; or (v) such U.S. resident is an individual and was present in Israel for a period or periods aggregating to 183 days or more during the relevant taxable year. In any such case, the sale, exchange or disposition of our ordinary shares would be subject to Israeli tax, to the extent applicable; however, under the United States-Israel Tax Treaty, a U.S. resident would be permitted to claim a credit for such taxes against the U.S. federal income tax imposed with respect to such sale, exchange or disposition, subject to the limitations under U.S. law applicable to foreign tax credits. The United States-Israel Tax Treaty does not relate to U.S. state or local taxes.

In some instances where our shareholders may be liable for Israeli tax on the sale of their ordinary shares, the payment of the consideration may be subject to the withholding of Israeli tax at source. Shareholders may be required to demonstrate that they are exempt from tax on their capital gains in order to avoid withholding at source at the time of sale. Specifically, in transactions involving a sale of all of the shares of an Israeli resident company, such as a merger or other transaction, the ITA may require from shareholders who are not liable for Israeli tax to sign declarations in forms specified by that authority or obtain a specific exemption from the ITA to confirm their status as non-Israeli residents, and, in the absence of such declarations or exemptions, may require the purchaser of the shares to withhold taxes at source.

Taxation of Non-Israeli Shareholders on Receipt of Dividends.

Non-Israeli residents (whether individuals or corporations) are generally subject to Israeli income tax on the receipt of dividends paid on our ordinary shares at the rate of 25% or 30% (if the recipient is a Substantial Shareholder at the time of receiving the dividend or at any time during the preceding 12 months) or 15% if the dividend is distributed from income attributed to a Benefited Enterprise and 20% with respect to a Preferred Enterprise, subject to certain conditions. Such dividends are generally subject to Israeli withholding tax at a rate of 25% so long as the shares are registered with a nominee company (whether the recipient is a Substantial Shareholder or not) and 15% if the dividend is distributed from income attributed to a Benefited Enterprise or 20% if the dividend is distributed from income attributed to a Preferred Enterprise, or such reduced rate as may be provided under an applicable tax treaty (subject to the receipt in advance of a valid certificate from the ITA allowing for a reduced tax rate, or such lower tax rate as may be provided in an applicable tax treaty).

For example, under the United States-Israel Tax Treaty, the maximum rate of tax withheld at source in Israel on dividends paid to a holder of our ordinary shares who is a U.S. resident (for purposes of the United States-Israel Tax Treaty) is 25%. However, generally, the maximum rate of withholding tax for dividends not generated by a Benefited Enterprise and paid to a U.S. corporation holding 10% or more of the outstanding voting rights from the start of the tax year preceding the distribution of the dividend through (and including) the distribution of the dividend, is 12.5%, provided that not more than 25% of the gross income for such preceding year consists of certain types of dividends and interest. Notwithstanding the foregoing, a distribution of dividends to non-Israeli residents is subject to withholding tax at source at a rate of 15% if the dividend is distributed from income attributed to a Benefited Enterprise for such U.S. corporation shareholder, provided that the condition related to our gross income for the previous year (as set forth in the previous sentence) is met. U.S. residents who are subject to Israeli withholding tax on a dividend may be entitled to a credit or deduction for United States federal income tax purposes in the amount of the taxes withheld, subject to detailed rules contained in U.S. tax legislation.

If the dividend is attributable partly to income derived from a Benefited Enterprise or a Preferred Enterprise, and partly from other sources of income, the withholding rate will be a blended rate reflecting the relative portions of the two types of income.

A non-Israeli resident who receives dividends from which tax was withheld is generally exempt from the obligation to file tax returns in Israel with respect to such income, provided that (i) such income was not generated from business conducted in Israel by the taxpayer, (ii) the taxpayer has no other taxable sources of income in Israel with respect to which a tax return is required to be filed, and (iii) the taxpayer is not obligated to pay excess tax (as further explained below).

Estate and Gift Tax.

Israeli law presently does not impose estate or gift taxes.

Excess Tax.

Individuals who are subject to tax in Israel (whether any such individual is an Israeli resident or non-Israeli resident) are also subject to an additional tax at a rate of 3% on annual income exceeding NIS 721,560 for 2024, which amount is generally linked to the annual change in the Israeli consumer price index (with the exception that based on Israeli new legislation, such amount, and certain other statutory amounts, will not be linked to the Israeli consumer price index for the years 2025-2027), including, but not limited to, dividends, interest and capital gain. According to new legislation, in effect as of January 1, 2025, an ***additional*** 2% excess tax is imposed on Capital-Sourced Income (defined as income from any source other than employment income, business income or income from “personal effort”), to the extent that the Individual’s Capital Sourced Income exceeds the specified threshold of NIS 721,560 (and regardless of the employment/business income amount of such individual). This new excess tax applies, among other things, to income from capital gains, dividends, interest, rental income, or the sale of real property.

U.S. Federal Income Taxation

The following is a description of the material U.S. federal income tax consequences to U.S. Holders (as defined below) of the acquisition, ownership and disposition of our ordinary shares. This description addresses only the U.S. federal income tax consequences to purchasers of our ordinary shares and that will hold such ordinary shares as capital assets. This description does not address tax considerations applicable to holders that may be subject to special tax rules, including, without limitation:

- banks, financial institutions or insurance companies;
- real estate investment trusts, regulated investment companies or grantor trusts;
- dealers or traders in securities, commodities or currencies;
- tax-exempt entities;
- certain former citizens or long-term residents of the United States;
- persons that received our ordinary shares as compensation for the performance of services;
- persons that will hold our ordinary shares as part of a "hedging," "integrated" or "conversion" transaction or as a position in a "straddle" for U.S. federal income tax purposes;
- persons owning ordinary shares in connection with a trade or business conducted outside the United States;
- certain U.S. expatriates;
- partnerships (including entities classified as partnerships for U.S. federal income tax purposes) or other pass-through entities, or holders that will hold our ordinary shares through such an entity;
- U.S. Holders (as defined below) whose "functional currency" is not the U.S. dollar; or
- holders that own directly, indirectly or through attribution 10.0% or more of the voting power or value of our ordinary shares.

Moreover, this description does not address the United States federal estate, gift, alternative minimum tax or net investment income tax consequences, or any state, local or non-U.S. tax consequences, of the acquisition, ownership and disposition of our ordinary shares.

This description is based on the U.S. Internal Revenue Code of 1986, as amended, or the Code, existing, proposed and temporary U.S. Treasury Regulations and judicial and administrative interpretations thereof, in each case as in effect and available on the date hereof. Each of the foregoing is subject to change, which change could apply retroactively and could affect the tax consequences described below. There can be no assurances that the U.S. Internal Revenue Service will not take a different position concerning the tax consequences of the acquisition, ownership and disposition of our ordinary shares or that such a position would not be sustained.

For purposes of this description, a "U.S. Holder" is a beneficial owner of our ordinary shares that, for U.S. federal income tax purposes, is:

- a citizen or resident of the United States;
- a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States or any state thereof, including the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if such trust has validly elected to be treated as a U.S. person for U.S. federal income tax purposes or if (1) a court within the United States is able to exercise primary supervision over its administration and (2) one or more U.S. persons have the authority to control all of the substantial decisions of such trust.

If a partnership (or any other entity treated as a partnership for U.S. federal income tax purposes) holds ordinary shares, the tax treatment of a partner in such partnership will generally depend on the status of the partner and the activities of the partnership. Such a partner or partnership should consult its tax advisor as to its tax consequences.

You should consult your tax advisor with respect to the U.S. federal, state, local and foreign tax consequences of acquiring, owning and disposing of our ordinary shares.

Distributions

Subject to the discussion below under "- Passive Foreign Investment Company Considerations," if you are a U.S. Holder, the gross amount of any distribution that we pay you with respect to our ordinary shares before reduction for any non-U.S. taxes withheld therefrom generally will be includible in your income as dividend income to the extent such distribution is paid out of our current or accumulated earnings and profits as determined under U.S. federal income tax principles. To the extent that the amount of any cash distribution exceeds our current and accumulated earnings and profits as determined under U.S. federal income tax principles, it will be treated first as a tax-free return of your adjusted tax basis in our ordinary shares and thereafter as capital gain. We do not expect to maintain calculations of our earnings and profits under U.S. federal income tax principles. Therefore, if you are a U.S. Holder, you should expect that the entire amount of any cash distribution generally will be reported as dividend income to you; provided, however, that distributions of ordinary shares to U.S. Holders that are part of a pro rata distribution to all of our shareholders generally will not be subject to U.S. federal income tax. Non-corporate U.S. Holders may qualify for the lower rates of taxation with respect to dividends on ordinary shares applicable to long term capital gains (i.e., gains from the sale of capital assets held for more than one year), provided that certain conditions are met, including certain holding period requirements and the absence of certain risk reduction transactions. Moreover, such reduced rate shall not apply if we are a PFIC for the taxable year in which it pays a dividend or were a PFIC for the preceding taxable year. Dividends will not be eligible for the dividends received deduction generally allowed to corporate U.S. Holders.

If you are a U.S. Holder, subject to the discussion below, dividends that we pay you with respect to our ordinary shares will be treated as foreign source income, which may be relevant in calculating your foreign tax credit limitation. Subject to certain conditions and limitations, non-U.S. tax withheld on dividends may be deducted from your taxable income or credited against your U.S. federal income tax liability. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose, dividends that we distribute generally should constitute "passive category income," or, in the case of certain U.S. Holders, "general category income." A foreign tax credit for foreign taxes imposed on distributions may be denied if you do not satisfy certain minimum holding period requirements. The rules relating to the determination of the foreign tax credit are complex, and you should consult your tax advisor to determine whether and to what extent you will be entitled to this credit.

Although, as discussed above, dividends that we pay to a U.S. Holder will generally be treated as foreign source income, for periods in which we are a "United States-owned foreign corporation," a portion of dividends paid by us may be treated as U.S. source income solely for purposes of the foreign tax credit. We would be treated as a United States-owned foreign corporation if 50% or more of the total value or total voting power of our stock is owned, directly, indirectly or by attribution, by United States persons. To the extent any portion of our dividends is treated as U.S. source income pursuant to this rule, the ability of a U.S. Holder to claim a foreign tax credit for any Israeli withholding taxes payable in respect of our dividends may be limited. Treasury Regulations that apply to taxable years beginning on or after December 28, 2021 may in some circumstances prohibit a U.S. Holder from claiming a foreign tax credit unless the taxes are creditable under the U.S.-Israel Tax Treaty and the holder is eligible for benefits under the U.S.-Israel Tax Treaty and elects its application. Holders should consult their own tax advisors about the impact of, and any exception available to, the special sourcing rule described in this paragraph, and the desirability of making, and the method of making, such an election.

The amount of any dividend income paid in NIS will be the U.S. dollar amount calculated by reference to the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars. If the dividend is converted into U.S. dollars on the date of receipt, you should not be required to recognize exchange gain or loss in respect of the dividend income. You may have exchange gain or loss if the dividend is converted into U.S. dollars after the date of receipt. Exchange gain or loss will be treated as U.S.-source ordinary income or loss.

Sale, Exchange or Other Disposition of Ordinary Shares

Subject to the discussion above under "- Passive Foreign Investment Company Considerations," if you are a U.S. Holder, you generally will recognize an amount of gain or loss on the sale, exchange or other disposition of our ordinary shares equal to the difference between the amount realized on such sale, exchange or other disposition and your tax basis in our ordinary shares, and such gain or loss will be capital gain or loss. The tax basis in an ordinary share generally will equal the U.S. dollar cost of such ordinary share. If you are a non-corporate U.S. Holder, capital gain from the sale, exchange or other disposition of ordinary shares generally will be eligible for a preferential rate of taxation applicable to capital gains, if your holding period for such ordinary shares exceeds one year. The deductibility of capital losses for U.S. federal income tax purposes is subject to limitations under the Code. Any such gain or loss that a U.S. Holder recognizes generally will be treated as U.S. source income or loss for foreign tax credit limitation purposes.

If an Israeli tax is imposed on the sale or other disposition of our ordinary shares, your amount realized will include the gross amount of the proceeds of the sale or other disposition before deduction of the Israeli tax. You should consult your tax adviser as to whether the Israeli tax on gains may be creditable against your U.S. federal income tax on foreign-source income from other sources.

Passive Foreign Investment Company Considerations

If we were to be classified as a "passive foreign investment company," or PFIC, in any taxable year, a U.S. Holder would be subject to special rules generally intended to reduce or eliminate any benefits from the deferral of U.S. federal income tax that a U.S. Holder could derive from investing in a non-U.S. company that does not distribute all of its earnings on a current basis.

A non-U.S. corporation will be classified as a PFIC for federal income tax purposes in any taxable year in which, after applying certain look through rules, either

- at least 75% of its gross income is "passive income"; or;

- at least 50% of the average quarterly value of its gross assets (which may be determined in part by the market value of our ordinary shares, which is subject to change) is attributable to assets that produce "passive income" or are held for the production of passive income;

Passive income for this purpose generally includes dividends, interest, royalties, rents, gains from commodities and securities transactions, the excess of gains over losses from the disposition of assets which produce passive income, and includes amounts derived by reason of the temporary investment of funds raised in offerings of our ordinary shares. If a non-U.S. corporation owns at least 25% by value of the stock of another corporation, the non-U.S. corporation is treated for purposes of the PFIC tests as owning its proportionate share of the assets of the other corporation and as receiving directly its proportionate share of the other corporation's income. If we are classified as a PFIC in any year with respect to which a U.S. Holder owns our ordinary shares, our ordinary shares generally will continue to be treated as shares in a PFIC with respect to such U.S. Holder in all succeeding years during which the U.S. Holder owns our ordinary shares, regardless of whether we continue to meet the tests described above.

Based on certain estimates of our gross income and gross assets and the nature of our business, we believe that we were not classified as a PFIC for the taxable year ended December 31, 2024. Because PFIC status must be determined annually based on tests which are factual in nature, our PFIC status in future years will depend on our income, assets and activities in those years. In addition, because the market price of our ordinary shares is likely to fluctuate and because that market price may affect the determination of whether we will be considered a PFIC, a decline in the value of our ordinary shares may result in our becoming a PFIC. Accordingly, there can be no assurance that we will not be considered a PFIC for any taxable year and we do not intend to make a determination of our or any of our future subsidiaries' PFIC status in the future. A U.S. Holder may be able to mitigate some of the adverse U.S. federal income tax consequences described below with respect to owning our ordinary shares if we are classified as a PFIC for our taxable year ending December 31, 2024, provided that such U.S. Holder is eligible to make, and successfully makes, either a "mark-to-market" election or a qualified electing fund election described below for the taxable year in which its holding period begins.

If we were a PFIC, and you are a U.S. Holder, then unless you make one of the elections described below, a special tax regime, which we refer to as the Excess Distribution Regime, will apply to both (a) any "excess distribution" by us to you (generally, your ratable portion of distributions in any year which are greater than 125% of the average annual distribution received by you in the shorter of the three preceding years or your holding period for our ordinary shares) and (b) any gain realized on the sale or other disposition of our ordinary shares. Under the Excess Distribution Regime, any excess distribution and realized gain will be treated as ordinary income and will be subject to tax as if (a) the excess distribution or gain had been realized ratably over your holding period, (b) the amount deemed realized in each year had been subject to tax in each year of that holding period at the highest marginal rate for such year (other than income allocated to the current period or any taxable period before we became a PFIC, which would be subject to tax at the U.S. Holder's regular ordinary income rate for the current year and would not be subject to the interest charge discussed below), and (c) the interest charge generally applicable to underpayments of tax had been imposed on the taxes deemed to have been payable in those years. Certain elections may be available that would result in an alternative treatment of our ordinary shares. If we are determined to be a PFIC, the Excess Distribution Regime described in this paragraph would also apply to indirect distributions and gains deemed to be realized by U.S. Holders in respect of any future subsidiary of ours that also may be determined to be PFICs.

If we are a PFIC for any taxable year during which a U.S. Holder holds our ordinary shares, then in lieu of being subject to the tax and interest charge rules discussed above, a U.S. Holder may make an election to include gain on the stock of a PFIC as ordinary income under a mark-to-market method, provided that such ordinary shares are "regularly traded" on a "qualified exchange." In general, our ordinary shares will be treated as "regularly traded" for a given calendar year if more than a de minimis quantity of our ordinary shares are traded on a qualified exchange on at least 15 days during each calendar quarter of such calendar year. Although the IRS has not published any authority identifying specific exchanges that may constitute "qualified exchanges," Treasury Regulations provide that a qualified exchange is (a) a United States securities exchange that is registered with the SEC, (b) the United States market system established pursuant to section 11A of the Securities and Exchange Act of 1934, or (c) a non-U.S. securities exchange that is regulated or supervised by a governmental authority of the country in which the market is located, provided that (i) such non-U.S. exchange has trading volume, listing, financial disclosure, surveillance and other requirements designed to prevent fraudulent and manipulative acts and practices, to remove impediments to and perfect the mechanism of a free and open, fair and orderly, market, and to protect investors; and the laws of the country in which such non-U.S. exchange is located and the rules of such non-U.S. exchange ensure that such requirements are actually enforced and (ii) the rules of such non-U.S. exchange effectively promote active trading of listed stocks. Our ordinary shares are listed on the Nasdaq Global Select Market, which is a United States securities exchange that is registered with the SEC. However, no assurance can be given that our ordinary shares meet the requirements to be treated as "regularly traded" for purposes of the mark-to-market election. In addition, because a mark-to-market election cannot be made for any lower-tier PFICs that we may own, a U.S. Holder may continue to be subject to the Excess Distribution Regime with respect to such holder's indirect interest in any investments held by us that are treated as an equity interest in a PFIC for U.S. federal income tax purposes, including stock in any future subsidiary of ours that is treated as a PFIC.

If a U.S. Holder makes an effective mark-to-market election, such U.S. Holder will include in each year that we are a PFIC as ordinary income the excess of the fair market value of such U.S. Holder's ordinary shares at the end of the year over such U.S. Holder's adjusted tax basis in our ordinary shares. Such U.S. Holder will be entitled to deduct as an ordinary loss in each such year the excess of such U.S. Holder's adjusted tax basis in our ordinary shares over their fair market value at the end of the year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. A U.S. Holder will not mark-to-market gain or loss for any taxable year in which we are not classified as a PFIC. If a U.S. Holder makes an effective mark-to-market election, in each year that we are a PFIC, any gain such U.S. Holder recognizes upon the sale or other disposition of such U.S. Holder's ordinary shares will be treated as ordinary income and any loss will be treated as ordinary loss, but only to the extent of the net amount of previously included income as a result of the mark-to-market election.

A U.S. Holder's adjusted tax basis in our ordinary shares will be increased by the amount of any income inclusion and decreased by the amount of any deductions under the mark-to-market rules. If a U.S. Holder makes a mark-to market election, it will be effective for the taxable year for which the election is made and all subsequent taxable years unless our ordinary shares are no longer regularly traded on a qualified exchange or the IRS consents to the revocation of the election. U.S. Holders are urged to consult their tax advisers about the availability of the mark-to-market election, and whether making the election would be advisable in their particular circumstances.

Where a company that is a PFIC meets certain reporting requirements, a U.S. Holder can avoid certain adverse PFIC consequences described above by making a "qualified electing fund," or QEF, election to be taxed currently on its proportionate share of the PFIC's ordinary income and net capital gains. Generally, a QEF election should be made on or before the due date for filing a U.S. Holder's federal income tax return for the first taxable year in which it held our ordinary shares. If a timely QEF election is made, an electing U.S. Holder of our ordinary shares will be required to include in its ordinary income such U.S. Holder's pro rata share of our ordinary earnings and to include in its long-term capital gain income such U.S. Holder's pro rata share of our net capital gain, whether or not distributed. Under Section 1293 of the Code, a U.S. Holder's pro rata share of our ordinary income and net capital gain is the amount which would have been distributed with respect to such U.S. Holder's ordinary shares if, on each day during our taxable year, we had distributed to each holder of our ordinary shares a pro rata share of that day's ratable share of our ordinary earnings and net capital gain for such year. In certain cases in which a QEF does not distribute all of its earnings in a taxable year, its U.S. Holders may also be permitted to elect to defer payment of some or all of the taxes on the QEF's undistributed income but will then be subject to an interest charge on the deferred amount.

We intend to provide, upon request, all information that a U.S. Holder making a QEF election is required to obtain for U.S. federal income tax purposes (e.g., the U.S. Holder's pro rata share of ordinary income and net capital gain), and intend to provide, upon request, a "PFIC Annual Information Statement" as described in Treasury Regulation section 1.1295-1 (or in any successor IRS release or Treasury regulation), including all representations and statements required by such statement. U.S. Holders should consult their tax advisors to determine whether any of these elections would be available and if so, what the consequences of the alternative treatments would be in their particular circumstances.

If a U.S. Holder owns our ordinary shares during any year in which we are a PFIC, the U.S. Holder generally will be required to file an IRS Form 8621 with respect to us, generally with the U.S. Holder's federal income tax return for that year.

U.S. Holders should consult their tax advisors regarding whether we are a PFIC and the potential application of the PFIC rules.

Disposition of Foreign Currency

Foreign currency received as dividends on our ordinary shares or on the sale or retirement of an ordinary share will have a tax basis equal to its U.S. dollar value at the time the foreign currency is received. Foreign currency that is purchased will generally have a tax basis equal to the U.S. dollar value of the foreign currency on the date of purchase. Any gain or loss recognized on a sale or other disposition of a foreign currency (including upon exchange for U.S. dollars) will be U.S. source ordinary income or loss.

Tax on Net Investment Income

A U.S. Holder that is an individual or estate, or a trust that does not fall into a special class of trusts that is exempt from the tax, will be subject to a 3.8% tax on the lesser of (1) the U.S. Holder's "net investment income" for the relevant taxable year and (2) the excess of the U.S. Holder's modified adjusted gross income for the taxable year over a certain threshold (which in the case of individuals will be between $125,000 and $250,000, depending on the individual's circumstances). A U.S. Holder's net investment income generally will include its dividends on our ordinary shares and net gains from dispositions of our ordinary shares, unless those dividends or gains are derived in the ordinary course of the conduct of trade or business (other than trade or business that consists of certain passive or trading activities). Net investment income, however, may be reduced by deductions properly allocable to that income. A U.S. Holder that is an individual, estate or trust is urged to consult its tax adviser regarding the applicability of the Medicare tax to its income and gains in respect of its investment in the ordinary shares.

Backup Withholding Tax and Information Reporting Requirements

U.S. backup withholding tax and information reporting requirements may apply to certain payments to certain holders of our ordinary shares. Information reporting generally will apply to payments of dividends on, and to proceeds from the sale or redemption of, our ordinary shares made within the United States, or by a U.S. payor or U.S. middleman, to a holder of our ordinary shares, other than an exempt recipient (including a payee that is not a U.S. person that provides an appropriate certification and certain other persons). A payor will be required to withhold backup withholding tax from any payments of dividends on, or the proceeds from the sale or redemption of, ordinary shares within the United States, or by a U.S. payor or U.S. middleman, to a holder, other than an exempt recipient, if such holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, such backup withholding tax requirements. Any amounts withheld under the backup withholding rules will be allowed as a credit against the beneficial owner's U.S. federal income tax liability, if any, and any excess amounts withheld under the backup withholding rules may be refunded, provided that the required information is timely furnished to the IRS.

Foreign Asset Reporting

Certain U.S. Holders, who are individuals, are required to report information relating to an interest in our ordinary shares, subject to certain exceptions (including an exception for shares held in accounts maintained by financial institutions). U.S. Holders are urged to consult their tax advisors regarding their information reporting obligations, if any, with respect to their ownership and disposition of our ordinary shares.

The above description is not intended to constitute a complete analysis of all tax consequences relating to acquisition, ownership and disposition of our ordinary shares. You should consult your tax advisor concerning the tax consequences of your particular situation.

F. Dividends and Paying Agents.

Not applicable.

G. Statement by Experts.

Not applicable.

H. Documents on Display

We are currently subject to the informational requirements of the Exchange Act applicable to foreign private issuers and fulfill the obligations of these requirements by filing reports with the SEC. As a foreign private issuer, we are exempt from the rules under the Exchange Act relating to the furnishing and content of proxy statements, and our officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we are not required under the Exchange Act to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act. However, we file with the SEC, within 120 days after the end of each subsequent fiscal year, an annual report on Form 20-F containing financial statements which will be examined and reported on, with an opinion expressed, by an independent public accounting firm. We also furnish to the SEC reports on Form 6-K containing quarterly unaudited financial information for the first three quarters of each fiscal year.

The SEC maintains an Internet website that contains reports and other information regarding issuers that file electronically with the SEC. Our filings with the SEC are also available to the public through the SEC's website at http://www.sec.gov. As permitted under Nasdaq Listing Rule 5250(d)(1)(C), we post our annual reports filed with the SEC on our website at http://www.kornit.com. We will furnish hard copies of such reports to our shareholders upon request free of charge. The information contained on our website is not part of this or any other report filed with or furnished to the SEC.

I. Subsidiary Information

Not applicable.

J. Annual Report to Security Holders

Not applicable.

ITEM 11. Quantitative and Qualitative Disclosures About Market Risks.

We are exposed to a variety of financial risks, including market risk (including foreign exchange risk and price risk), credit and interest risks and liquidity risk. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance.

Foreign Currency Exchange Risk

Due to our international operations, currency exchange rates impact our financial performance. In 2024, approximately 86% of our revenues were denominated in U.S. dollars, 9% of our revenues were denominated in Euros and 5% of our revenues were denominated in Great Britain Pounds. Conversely, in 2024, approximately 16% of our purchases of raw materials and components of our systems and ink and other consumables were denominated in either NIS or in NIS prices that are linked to U.S. dollars. Similarly, a majority of our operating costs, which were largely comprised of labor costs, were denominated in NIS, due to our operations in Israel. Accordingly, our results of operations may be materially affected by fluctuations in the value of the U.S. dollar relative to the NIS and the Euro.

The following table presents information about the changes in the exchange rates of the U.S. dollar against the NIS and the Euro:

Period	Change in Average Exchange Rate U.S. Dollar against the NIS (%)	U.S. Dollar against the Euro (%)
2022	4.0	12.5
2023	9.7	(2.7)
2024	0.4	0.02

The figures above represent the change in the average exchange rate in the given year compared with the average exchange rate in the immediately preceding year. Negative figures represent depreciation of the U.S. dollar compared with the NIS or Euro (as applicable) and positive figures represent appreciation of the U.S. dollar compared with the NIS or Euro (as applicable). We estimate that a 10% increase or 10% decrease in the value of the NIS against the U.S. dollar would have decreased or increased our net income by approximately $(15.2 million) or $12.5 million in 2022, $(8.5 million) or $7.0 million in 2023, and $(5.9 million) or $4.8 million in 2024, respectively. We estimate that a 10% increase or 10% decrease in the value of the Euro against the U.S. dollar would have decreased or increased our net income by approximately $1.3 million or $(0.7 million) in 2022, $0.9 million or $(1.2 million) in 2023 and $ 0.1million or $(0.2million) in 2024, respectively. These estimates of the impact of fluctuations in currency exchange rates on our historic results of operations may be different from the impact of fluctuations in exchange rates on our future results of operations since the mix of currencies comprising our revenues and expenses may change.

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 at the date of the transaction or the average exchange rate dollar during the reporting period to the United States.

To protect against an increase in the dollar-denominated value of expenses paid in NIS during the year, we have instituted a foreign currency cash flow hedging program, which seeks to hedge a portion of the economic exposure associated with our anticipated NIS-denominated expenses using derivative instruments. We intend to manage risks by using instruments such as foreign currency forward and swap contracts and other methods.

During 2022, 2023 and 2024, we entered into forward and option contracts to hedge against the risk of overall changes in future cash flow from payments of payroll and related expenses denominated in NIS.

We expect that the substantial majority of our revenues will continue to be denominated in U.S. dollars for the foreseeable future and that a significant portion of our expenses will continue to be denominated in NIS. We will continue to monitor exposure to currency fluctuations. However, we cannot provide any assurances that our hedging activities will be successful in protecting us in full from adverse impacts from currency exchange rate fluctuations. In addition, since we only plan to hedge a portion of our foreign currency exposure, our results of operations may be adversely affected due to the impact of currency fluctuations on the unhedged aspects of our operations.

Credit Risk, Liquidity Risk and Interest Rate Risk

Our investment strategy is to achieve a return that will allow us to preserve capital and maintain liquidity requirements. We invest primarily in debt securities, specifically corporate debt securities. By policy, we limit the amount of credit exposure to any one issuer. As of December 31, 2023 and December 31, 2024, we did not have any material (realized) losses on our marketable debt securities. As of December 31, 2024, unrealized losses on our marketable debt securities were partially due to temporary interest rate fluctuations as a result of higher market interest rates compared with interest rates at the time of purchase. We account for both fixed and variable rate securities at fair value with changes on gains and losses recorded in Other Comprehensive Income until the securities are sold.

Other Market Risks

We do not believe that we have any material exposure to inflationary or other market risks.

ITEM 12. Description of Securities Other than Equity Securities.

Not applicable.

PART II

ITEM 13. Defaults, Dividend Arrearages and Delinquencies.

None.

ITEM 14. Material Modifications to the Rights of Security Holders and Use of Proceeds.

A-E. Not applicable

ITEM 15. Controls and Procedures.

(a) Disclosure Controls and Procedures

Our management evaluated, with the participation of our principal executive officer and principal financial officer, the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), as of December 31, 2024. Based on their evaluation, our principal executive officer and principal financial officer concluded that as of December 31, 2024, our disclosure controls and procedures were effective such that the information required to be disclosed by us 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 is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

(b) Management annual report on internal control over financial reporting

Our management, under the supervision of our Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting is a process 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. Our internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Our management assessed the effectiveness of internal control over financial reporting as of December 31, 2024 based on the criteria established in “Internal Control-Integrated Framework (2013)” published by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management has concluded that our internal control over financial reporting was effective as of December 31, 2024.

(c) Attestation report of the independent registered public accounting firm

The attestation report of Kost Forer Gabbay & Kasierer, a member of EY Global, an independent registered public accounting firm in Israel, on our management’s assessment of our internal control over financial reporting as of December 31, 2024 is provided on page F-2, as included under Item 18 of this annual report.

(d) Changes in internal control over financial reporting

There were no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the period covered by this annual report that have materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 16. [Reserved]

ITEM 16A. Audit Committee Financial Expert.

Our board of directors has determined that Naama Halevi Davidov, who serves on the audit committee of our board of directors and who meets the “independent director” definition under the Nasdaq Listing Rules, qualifies as an “audit committee financial expert,” as defined under the rules and regulations of the SEC.

ITEM 16B. Code of Ethics.

We have adopted a code of ethics and business conduct applicable to our executive officers, directors and all other employees. A copy of the code, as most recently updated in March 2025, is delivered to every employee of our company and is available to investors and others on our website at http://ir.kornit.com/ or by contacting our investor relations department. Under Item 16B of Form 20-F, if a waiver or amendment of the code of ethics and business conduct applies to our principal executive officer, principal financial officer, principal accounting officer, controller or other persons performing similar functions and relates to standards promoting any of the values described in Item 16B(b) of Form 20-F, we will disclose such waiver or amendment (i) on our website within five business days following the date of amendment or waiver in accordance with the requirements of Instruction 4 to such Item 16B or (ii) through the filing of a Report of Foreign Private Issuer on Form 6-K. We did not provide such a waiver or adopt such an amendment during the fiscal year ended December 31, 2024.

ITEM 16C. Principal Accountant Fees and Services.

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

	Year Ended December 31, 2023		Year Ended December 31, 2024	
	(in thousands of dollars)			
	Amount	Percentage	Amount	Percentage
Audit fees	$ 600	95%	$ 600	87%
Audit-Related Fees	10	2%	6	1%
Tax Fees		0%	0	0%
All Other Fees	21	3%	85	12%
Total	$ 631	100%	$ 691	100%

"Audit fees" are the aggregate fees billed for the audit of our annual financial statements. This category also includes services that generally the independent accountant provides, such as consents and assistance with and review of documents filed with the SEC.

"Audit-related fees" are the aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit and are not reported under audit fees. These fees primarily include accounting consultations regarding the accounting treatment of matters that occur in the regular course of business, implications of new accounting pronouncements and other accounting issues that occur from time to time.

"Tax fees" include fees for professional services rendered by our independent registered public accounting firm for tax compliance and tax advice on actual or contemplated transactions.

"Other fees" include fees for services rendered by our independent registered public accounting firm with respect to government incentives and other matters.

Audit Committee's Pre-approval Policies and Procedures

Our audit committee follows pre-approval policies and procedures for the engagement of our independent accountant to perform certain audit and non-audit services. Pursuant to those policies and procedures, which are designed to assure that such engagements do not impair the independence of our auditors, the audit committee pre-approves annually a catalog of specific audit and non-audit services in the categories of audit service, audit-related service and tax services that may be performed by our independent accountants.

ITEM 16D. Exemptions from the Listing Standards for Audit Committees.

Not applicable.

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

On August 10, 2022, we announced that our board of directors had approved a $75 million repurchase program for our ordinary shares, subject to Israeli court approval, which was obtained on December 15, 2022 for an initial six-month repurchase period. On July 18, 2023, we received Israeli court approval for a six-month extension of the repurchase program covering the then-remaining available amount under the program. On December 17, 2023, we requested Israeli court approval for an additional six-month extension for the repurchase of up to the remaining available amount under the repurchase program, which was obtained on January 22, 2024. That six-month extension period expired in July 2024, and we have not sought a further extension for that repurchase program, and we therefore cannot make further repurchases under that program since that time.

On September 16, 2024, we announced that our board of directors had authorized an additional program for our repurchase of up to $100 million of our ordinary shares, from time to time. In order to facilitate our repurchase of ordinary shares under our additional repurchase program, on November 10, 2024, we entered into an accelerated share repurchase agreement, or the ASR Agreement, with Goldman Sachs International, or Goldman Sachs, to repurchase $75 million of our ordinary shares. Pursuant to the agreement, we made a payment of $75 million to Goldman Sachs on November 12, 2024. In November 2024 and December 2024, we received deliveries of 986,194 and 839,707 of our ordinary shares, respectively, from Goldman Sachs for repurchase pursuant to the agreement. In February 2025, we received an additional 641,305 ordinary shares from Goldman Sachs for repurchase, which constituted the final set of shares repurchased under the agreement. In February 2025 and March 2025, we also repurchased an additional 147,040 and 185,898 ordinary shares, respectively, in open market purchases under our additional share repurchase program. Each set of share repurchases reduced, on an immediate basis, our outstanding share total. In addition to other impacts that the repurchases have had on our financial condition and the market for our ordinary shares, the November 2024 and December 2024 repurchases also reduced the weighted average number of ordinary shares outstanding that was used for calculation of our basic and diluted earnings per share for the year ended December 31, 2024. See “Note 10. Stockholders’ Equity” to our consolidated financial statements included in Item 18 of this annual report for additional information regarding our share repurchase programs and the accelerated share repurchase agreement.

Under each repurchase program, we have made (and may still make, in the case of the additional share repurchase program) repurchases from time to time through open market repurchases or privately negotiated transactions, subject to market conditions, applicable legal requirements, and other relevant factors. We have effected (and may effect, as applicable) open market repurchases under the programs in accordance with the requirements of Rule 10b-18 under the Exchange Act. From time to time, we have also entered (and may enter, as applicable) into plans in accordance with the affirmative defense provided by Rule 10b5-1 under the Exchange Act to facilitate repurchases of our shares. Our additional repurchase program does not obligate us to acquire any particular amount of our ordinary shares, and it may be modified, suspended, or terminated, at any time at our discretion. The timing and actual number of shares repurchased may depend on a variety of factors, including price, general business and market conditions, and alternative investment opportunities.

In accordance with Section 7C of the Israeli Companies Regulations (Leniencies for Companies Whose Securities are Listed for Trading Outside of Israel), 5760-2000, or the Leniency Regulations, the additional share repurchase program (adopted in September 2024) did not require approval by an Israeli court and went into effect 30 days after notice of our board of directors’ adoption of the repurchase program was provided to our material creditors and secured creditors (if any). All repurchased shares (under both repurchase programs) are classified as treasury shares.

In the twelve months of 2024, we repurchased, pursuant to the two repurchase programs, an aggregate of 2,332,826 of our ordinary shares at an average price of $28.25 per share. That total includes the aggregate 1,825,901 ordinary shares repurchased in November 2024 and December 2024 pursuant to the ASR Agreement (which were purchased at an average price of $31.14 per share) under our additional repurchase program, as well as 506,925 ordinary shares purchased throughout 2024 in open market transactions, in accordance with Rule 10b-18, under our original repurchase program. All share repurchases during 2024 reduced the weighted average number of ordinary shares used for calculation of basic and diluted earnings per share in our results of operations for the year ended December 31, 2024. After taking into account the repurchases effected during November and December 2024, as of December 31, 2024, under our additional repurchase program, there was $43.1 million that remained available for further repurchases under the board authorization for that program.

The table below presents a summary of the ordinary shares repurchased by us under our two repurchase programs during 2024. We have omitted from the table those months during which no repurchases were made:

Period	Total Number of Shares Purchased	Average Price Paid per Share (*)	Total Number of Shares Purchased as Part of the Current Programs	Dollar Value of Shares that May Yet be Purchased Under the Programs ($)
February 1, 2024- February 28, 2024	354,944	18.68	354,944	$ 12,602,334(1)
March 1, 2024-March 31, 2024	69,100	17.77	69,100	$ 11,374,425(1)
May 1, 2024- May 31, 2024	82,881	14.30	82,881	$ 10,188,894(1)
November 1, 2024- November 30, 2024	986,194(2)	30.42	986,194(2)	$ 70,000,000(3)
December 1, 2024- December 31, 2024	839,707(2)	31.99	839,707(2)	$ 43,137,773(3)
Total in 2024	2,332,826	28.25	2,332,826	

(*) Excluding commissions.

(1) Reflects dollar amounts remaining available for repurchase under our original ($75 million) share repurchase program approved by our board of directors in August 2022. The last extension period for that program expired in July 2024, after which no further repurchases may be made. Consequently, the dollar value of ordinary shares that may yet be purchased under that original program dropped to $0 as of the end of July 2024.

(2) Consists entirely of ordinary shares purchased under the ASR Agreement with Goldman Sachs, under our additional ($100 million) share repurchase program approved by our board of directors in September 2024.

(3) Reflects dollar amounts remaining available for repurchase under our additional ($100 million) share repurchase program approved by our board of directors in September 2024.

ITEM 16F. Change in Registrant's Certifying Accountant.

Not applicable.

ITEM 16G. Corporate Governance.

The Nasdaq Global Select Market requires companies with securities listed thereon to comply with its corporate governance standards. As a foreign private issuer, we are not required to comply with all of the rules that apply to listed domestic U.S. companies. Pursuant to Nasdaq Listing Rule 5615(a)(3), we have notified Nasdaq that with respect to the corporate governance practices described below, we instead follow Israeli law and practice and accordingly will not follow the Nasdaq Listing Rules. Except for the differences described below, we do not believe there are any significant differences between our corporate governance practices and those that apply to a U.S. domestic issuer under the Nasdaq corporate governance rules. However, we may in the future decide to use the foreign private issuer exemption with respect to some or all of the other Nasdaq corporate governance rules, in which case we will update our disclosure in this Item 16G of Form 20-F.

- Quorum requirement for shareholder meetings: As permitted under the Companies Law, pursuant to our articles, the quorum required for an ordinary meeting of shareholders consists of at least two shareholders present in person, by proxy or by other voting instrument, who hold at least 25% of the voting power of our shares (and in an adjourned meeting, with some exceptions, two shareholders, regardless of the voting power associated with their shares), instead of 33 $^{1}/_{3}$% of the issued share capital, as required under the Nasdaq Listing Rules.

- Nomination of directors. With the exception of external directors (if applicable to us at the time) and directors elected by our board of directors due to vacancy, our directors are elected, in a staggered manner, by an annual meeting of our shareholders to hold office until the third annual meeting following their election. The nominations for directors, which are presented to our shareholders by our board of directors, are generally made by the board of directors itself, in accordance with the provisions of our articles of association and the Companies Law. Nominations need not be made by a nominating committee of our board of directors consisting solely of independent directors or otherwise, as required under the Nasdaq Listing Rules.

- Shareholder Approval of Equity Compensation Plans: Pursuant to Israeli law, we seek shareholder approval for all corporate actions requiring such approval under the requirements of the Companies Law, which are different from, or in addition to, the requirements for seeking shareholder approval under Nasdaq Listing Rule 5635(c), which requires shareholder approval for the issuance of ordinary shares or other securities to officers, directors, employees or consultants under an equity compensation plan or arrangement, or for the adoption of, or a material amendment to, such a plan or arrangement. Israeli law only requires shareholder approval generally for an equity grant under a plan or arrangement for a director or the chief executive officer.

ITEM 16H. Mine Safety Disclosure.

Not applicable.

ITEM 16I. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.

Not applicable.

ITEM 16J. Insider Trading Policies

We have adopted an insider trading policy that governs the purchase, sale, and other dispositions of the registrant’s securities by directors, senior management, and employees that is reasonably designed to promote compliance with applicable insider trading laws, rules and regulations, and any listing standards applicable to us. A copy of our insider trading policy is filed as Exhibit 11.1 to this annual report.

ITEM 16K. Cybersecurity

Risk management and strategy

We prioritize the management of cybersecurity risk and the protection of information across our enterprise by embedding data protection and cybersecurity risk management in our operations. Our processes for assessing, identifying, and managing material risks from cybersecurity threats have been integrated into our overall risk management system and processes.

As a foundation of this approach, we have implemented a layered governance structure to help assess, identify and manage cybersecurity risks. Our privacy and cybersecurity policies encompass incident response procedures, information security and vendor management. In order to help develop these policies and procedures, we monitor the privacy and cybersecurity laws, regulations and guidance applicable to us in the regions where we do business (including ISO27001, GDPR and CSL\DSL\PIPL), as well as proposed privacy and cybersecurity laws, regulations, guidance and emerging risks.

We undergo penetration testing 3-4 times a year. With respect to third party service providers, we obligate our main information technology vendors to adhere to privacy and cybersecurity measures, and we perform risk assessments of vendors having access to our systems or sensitive personal data, including their ability to protect data from unauthorized access.

As described in Item 3.D “Risk Factors,” our operations rely on the secure processing, storage and transmission of confidential and other information in our computer systems and networks. Computer viruses, hackers, employee or vendor misconduct, and other external hazards could expose our information systems and those of our vendors to security breaches, cybersecurity incidents or other disruptions, any of which could materially and adversely affect our business, including by way of disruption of operations resulting from inability to carry out manufacturing, sales activity, shipping and other business operations, financial losses due to direct costs associated with investigation, remediation, and legal fees and indirect costs may encompass increased insurance premiums, loss of business due to damaged reputation and the need for significant investments in cybersecurity measures post-incident. While we have experienced cybersecurity incidents, to date, we are not aware that we have experienced a material cybersecurity incident during 2024.

The sophistication of cybersecurity threats, including through the use of artificial intelligence, continues to increase, and the controls and preventative actions we take to reduce the risk of cybersecurity incidents and protect our systems, including the regular testing of our cybersecurity incident response plan, may be insufficient. In addition, to the extent we use new technology that could result in greater operational efficiency such as artificial intelligence, we may further expose our computer systems to the risk of cybersecurity incidents.

In 2024, we obtained our first ISO 27001 certification, a globally recognized standard for information security management systems (ISMS). This milestone demonstrates our strong commitment to safeguarding sensitive information and aligning with industry best practices. The certification reflects our dedication to implementing robust security controls, mitigating risks, and building trust with customers, partners, and stakeholders by adhering to the highest standards of information security management.

In addition, we have successfully completed a Business Impact Analysis (BIA) phase, marking a critical milestone in establishing a comprehensive Business Continuity Plan (BCP). This achievement underscores Kornit’s proactive approach to identifying key business processes, assessing potential risks, and ensuring operational resilience in the face of disruptions.

Governance

As part of our overall risk management approach, we prioritize the identification and management of cybersecurity risk at several levels, including Board oversight, executive commitment and employee training and awareness. Our Audit Committee, comprised of independent directors from our Board, oversees the Board’s responsibilities relating to the operational (including information technology (IT) risks, business continuity and data security) risk affairs of the Company. Our Audit Committee is informed of such risks through quarterly reports from our group Chief Information Security Officer (CISO).

In 2024, Kornit appointed a new Chief Information Security Officer (CISO) with over 15 years of experience in the security field. Before joining Kornit the new CISO has held several senior security related positions in both the consulting industry and corporate environments. Our CISO oversees the implementation and compliance of our information security standards and mitigation of information security related risks. We also have a management level committee and a cybersecurity incident team who support our processes to assess and manage cybersecurity risk as follows:

- The information security committee, co-chaired by the CISO and our CEO, brings together IT, legal and other function leads. The information security provides a forum for these cross-functional members of management to consider emerging cybersecurity risks; review, approve, and update policies and standards as appropriate; and promote cross-functional collaboration to manage cybersecurity and privacy risks across the enterprise.

- The cybersecurity incident team includes our CISO, CIO and other members of the IT department, is alerted as appropriate to cybersecurity incidents, natural disasters and business outages and involves executives of the Company, such as the General Counsel and senior management as needed.

Our CISO summarizes the information pertaining to information security committee’s activities as appropriate and reports to the Audit Committee.

At the employee level, we maintain an experienced information technology team who are tasked with implementing our privacy and cybersecurity program and support the CISO in carrying out reporting, security and mitigation functions. We also hold employee trainings on privacy and cybersecurity, records and information management, conduct phishing tests and generally seek to promote awareness of cybersecurity risk through communication and education of our employee population.

PART III

ITEM 17. Financial Statements.

Not applicable.

ITEM 18. Financial Statements.

See pages F-1 through F-51 appended hereto.

ITEM 19. Exhibits.

Exhibit No.	Description
1.1	Amended and Restated Articles of Association of Kornit Digital Ltd.[(1)]
2.1	Specimen ordinary share certificate of Kornit Digital Ltd.[(2)]
2.2	Description of ordinary shares of Kornit Digital Ltd.#
4.1	Form of Indemnification Agreement[(3)]
4.2	2012 Share Incentive Plan[(4)]
4.3	2015 Incentive Compensation Plan[(5)]
4.4	2025 Share Incentive Plan#
4.5	Kornit Digital Ltd. Compensation Policy[(6)]
4.6	English summary of the Office and Parking Space Lease Agreement dated as of December 17, 2007, by and between the Registrant and Industrial Building Corporation Ltd. as amended by Addendum, dated 2007, Addendum to Lease Agreement, dated 2007, Addendum to Lease Agreement, dated March 8, 2012, Addendum to Lease Agreement, dated 2012, Addendum to Lease Agreement, dated December 19, 2012, Addendum to Lease Agreement, dated May 20, 2013, Addendum to Lease Agreement, dated January 12, 2014, Addendum to Lease Agreement, dated January 12, 2014, Addendum to Lease Agreement, dated December 27, 2015, Addendum to Lease Agreement, dated December 28, 2015, Addendum to the Lease Agreement dated October 17, 2017, Addendum dated February 21, 2018, Addendum to the Lease Agreement, dated April 23, 2018, Addendum to the Lease Agreement dated December 26, 2018, Addendum to the Lease Agreement, dated January 3, 2019, Addendum to the Lease Agreement dated September 16, 2019, Addendum to the Lease Agreement, dated November 28, 2019, Addendum to the Lease Agreement dated February 9, 2020, Addendum to the Lease Agreement, dated June 28, 2020, Addendum to the Lease Agreement, dated April 13, 2021, Addendum to the Lease Agreement, dated April 13, 2021, Addendum to the Lease Agreement, dated June 21, 2021, Addendum to the Lease Agreement, dated July 27, 2021, Addendum to the Lease Agreement, dated October 10, 2021, Addendum to the Lease Agreement, dated November 14, 2021, Addendum to the Lease Agreement, dated December 28, 2021, Addendum to the Lease Agreement, dated December 28, 2021 and Addendum to the Lease Agreement, dated April 28, 2022. [(7)]
4.7	English summary of the Lease Agreement, dated March 25, 2010, by and between the Registrant and Benvenisti Engineering Ltd. as amended by Addendum to Lease Agreement, dated November 21, 2011, Addendum to Lease Agreement, dated September 16, 2014, Addendum to the Lease Agreement dated March 16, 2015, an Addendum to the Lease Agreement dated August 31, 2017, an Addendum to the Lease Agreement dated June 24, 2018 an Addendum to the Lease Agreement dated January 11, 2021, an Addendum to Lease Agreement dated March 10, 2021 and an Addendum to Lease Agreement dated September 13, 2021 [(8)]
4.8	OEM Supply Agreement, dated December 3, 2015, among the Registrant and FujiFilm Dimatix, Inc.†[(9)]
4.9	Manufacturing Services Agreement, dated May 2015, by and between the Registrant and Flex (formerly known as Flextronics (Israel) Ltd.)†[(10)]
4.10.1	Master Purchase Agreement, dated January 10, 2017, between the Registrant and Amazon Corporate LLC†[(11)]
4.10.2	Amendment 1 to Master Purchase Agreement, effective March 1, 2017, between the Registrant and Amazon Corporate LLC*[(12)]
4.10.3	Amendment 2 to Master Purchase Agreement, effective January 1, 2018, between the Registrant and Amazon Corporate LLC*[(13)]
4.10.4	Amendment 3 to Master Purchase Agreement, effective June 29, 2018, between the Registrant and Amazon Corporate LLC*[(14)]

4.10.5	Amendment 4 to Master Purchase Agreement, effective January 1, 2020, between the Registrant and Amazon.com Services LLC* [15]
4.10.6	Amendment 5 to Master Purchase Agreement, effective September 1, 2020, between the Registrant and Amazon.com Services LLC*[16]
4.10.7	Amendment 6 to Master Purchase Agreement, effective February 15, 2021, between the Registrant and Amazon.com Services LLC*[17]
4.11	Transaction Agreement, dated September 14, 2020, between the Registrant and Amazon.com, Inc.[18]
4.12	Warrant to Purchase Ordinary Shares, dated September 14, 2020, issued to Amazon.com NV Investment Holdings LLC[19]
4.13	Lease, dated December 2017, between Kornit Digital North America, Inc. and Bonanno Real Estate Group I, L.P. [20]
4.14	Manufacturing Services Agreement, dated as of February 26, 2019, by and between the Registrant and Sanmina-SCI Israel Medical Systems Ltd.*[21]
8.1	List of subsidiaries of the Registrant #
11.1	Insider Trading Policy of the Registrant#
12.1	Certificate of Chief Executive Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to §302 of the Sarbanes-Oxley Act of 2002 #
12.2	Certificate of Chief Financial Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to §302 of the Sarbanes-Oxley Act of 2002 #
13.1	Certificate of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, furnished herewith #
15.1	Consent of Kost Forer Gabbay & Kasierer, a member firm of Ernst & Young Global, an independent registered public accounting firm #
97.1	Policy for the Recovery of Erroneously Awarded Compensation[22]
101	The following financial information from Kornit Digital Ltd.'s Annual Report on Form 20-F for the year ended December 31, 2024 formatted in Inline XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets at December 31, 2023 and 2024; (ii) Consolidated Statements of Operations for the years ended December 31, 2022, 2023 and 2024; (iii) Consolidated Statements of Comprehensive Income (Loss) for the years ended December 31, 2022, 2023, and 2024; (iv) Statements of Shareholders' Equity for the years ended December 31, 2022, 2023, and 2024; (v) Consolidated Statements of Cash Flows for the years ended December 31, 2022, 2023, and 2024; (vi) Notes to Consolidated Financial Statements, tagged as blocks of text; and (vii) Cover Page Interactive Data File. #
104	Inline Cover Page Interactive Data File (included in Exhibit 101).

(1) Previously furnished to the SEC on August 12, 2021 as Exhibit 99.1 to the Registrant's Report of Foreign Private Issuer on Form 6-K and incorporated by reference herein.

(2) Previously filed with the SEC on March 10, 2015 as Exhibit 4.1 to Amendment No. 1 to the Registrant's registration statement on Form F-1 (SEC File No. 333-202291) and incorporated by reference herein.

(3) Previously filed with the SEC on March 10, 2015 as Exhibit 10.3 to Amendment No. 1 to the Registrant's registration statement on Form F-1 (SEC File No. 333-202291) and incorporated by reference herein.

(4) Previously filed with the SEC on February 25, 2015 as Exhibit 10.2 to the Registrant's registration statement on Form F-1 (SEC File No. 333-202291) and incorporated by reference herein.

(5) Previously filed with the SEC on March 18, 2015 as Exhibit 10.21 to Amendment No. 3 to the Registrant's registration statement on Form F-1 (SEC File No. 333-202291) and incorporated by reference herein.
(6) Previously furnished to the SEC on July 20, 2023 as Appendix A to the Registrant's proxy statement for its 2023 annual general meeting of shareholders, attached as Exhibit 99.1 to the Registrant's Report of Foreign Private Issuer on Form 6-K and incorporated by reference herein.
(7) Previously filed with the SEC on March 25, 2021 as Exhibit 4.5 to the Registrant's Annual Report on Form 20-F for the year ended December 31, 2020 and incorporated by reference herein.
(8) Previously filed with the SEC on March 25, 2021 as Exhibit 4.6 to the Registrant's Annual Report on Form 20-F for the year ended December 31, 2020 and incorporated by reference herein.
(9) Previously filed with the SEC on April 14, 2016 as Exhibit 4.9 to Amendment No. 1 to the Registrant's Annual Report on Form 20-F for the year ended December 31, 2015 and incorporated by reference herein.
(10) Previously filed with the SEC on March 30, 2017 as Exhibit 4.11 to the Registrant's Annual Report on Form 20-F for the year ended December 31, 2016 and incorporated by reference herein.
(11) Previously filed with the SEC on March 30, 2017 as Exhibit 4.13 to the Registrant's Annual Report on Form 20-F for the year ended December 31, 2016 and incorporated by reference herein.
(12) Previously filed with the SEC on March 23, 2020 as Exhibit 4.11.2 to the Registrant's Annual Report on Form 20-F for the year ended December 31, 2019 and incorporated by reference herein.
(13) Previously filed with the SEC on March 23, 2020 as Exhibit 4.11.3 to the Registrant's Annual Report on Form 20-F for the year ended December 31, 2019 and incorporated by reference herein.
(14) Previously filed with the SEC on March 23, 2020 as Exhibit 4.11.4 to the Registrant's Annual Report on Form 20-F for the year ended December 31, 2019 and incorporated by reference herein.
(15) Previously filed with the SEC on September 14, 2020 as Exhibit 10.2 to the Registrant's Report of Foreign Private Issuer on Form 6-K and incorporated by reference herein.
(16) Previously filed with the SEC on March 25, 2021 as Exhibit 4.10.6 to the Registrant's Annual Report on Form 20-F for the year ended December 31, 2020 and incorporated by reference herein.
(17) Previously filed with the SEC on March 25, 2021 as Exhibit 4.10.7 to the Registrant's Annual Report on Form 20-F for the year ended December 31, 2020 and incorporated by reference herein.
(18) Previously furnished to the SEC on September 14, 2020 as Exhibit 10.1 to the Registrant's Report of Foreign Private Issuer on Form 6-K and incorporated by reference herein.
(19) Previously furnished to the SEC on September 14, 2020 as Exhibit 4.1 to the Registrant's Report of Foreign Private Issuer on Form 6-K and incorporated by reference herein.
(20) Previously filed with the SEC on March 20, 2018 as Exhibit 4.16 to the Registrant's Annual Report on Form 20-F for the year ended December 31, 2017 and incorporated by reference herein.
(21) Previously filed with the SEC on March 23, 2020 as Exhibit 4.16 to the Registrant's Annual Report on Form 20-F for the year ended December 31, 2019 and incorporated by reference herein.
(22) Previously filed with the SEC on March 28, 2024 as Exhibit 97.1 to the Registrant's Annual Report on Form 20-F for the year ended December 31, 2023 and incorporated by reference herein.

Filed herewith

† Portions of this agreement were omitted and a complete copy of this agreement has been provided separately to the Securities and Exchange Commission pursuant to the company's application requesting confidential treatment under Rule 406 under the Securities Act of 1933 as amended or Rule 24b-2 under the Securities Exchange Act of 1934, as amended, as applicable.

* Portions of this exhibit have been omitted in accordance with the rules of the Securities and Exchange Commission.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

KORNIT DIGITAL LTD.

By: /s/ Lauri Hanover
Name: Lauri Hanover
Title: Chief Financial Officer

Date: March 27, 2025

KORNIT DIGITAL LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2024

U.S. DOLLARS IN THOUSANDS

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of Kornit Digital Ltd.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Kornit Digital Ltd. and subsidiaries (the "Company") as of December 31, 2024 and 2023, the related consolidated statements of operations, comprehensive income (loss), shareholders' equity and cash flows for each of the three years in the period ended December 31, 2024, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2024 and 2023, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2024, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2024, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 27, 2025 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

	Inventory Valuation
Description of the Matter	The Company's inventories totaled $60,342 thousand as of December 31, 2024. As explained in Note 2 to the consolidated financial statements, the Company assesses the value of all inventories, including raw materials, finished goods and spare parts, in each reporting period. Obsolete inventory or inventory in excess of management's estimated usage requirement is written down to its estimated net realizable value if those amounts are determined to be less than cost. Auditing management's estimates for excess and obsolete inventory involved subjective auditor judgment because the estimates are highly judgmental and rely on a number of factors that are affected by market and economic conditions outside the Company's control. In particular, the obsolete and excess inventory calculations are sensitive to significant assumptions, including demand for the Company's products and expected Company sales growth.
How We Addressed the Matter in Our Audit	We obtained an understanding, evaluated the design, and tested the operating effectiveness of internal controls over the Company's excess and obsolete inventory reserve process. This included management's assessment of the assumptions and data underlying the excess and obsolete inventory valuation. Our substantive audit procedures included, among others, evaluating the significant assumptions stated above and the accuracy and completeness of the underlying data management used to value excess and obsolete inventory. We compared the on-hand inventories levels to customer historical demand and sales forecasts, considering technological changes and introduction of new products. We also assessed the historical accuracy of management's estimates and performed sensitivity analyses over the significant assumptions to evaluate the changes in the obsolete and excess inventory estimates that would result from changes in the underlying assumptions.

/s/ KOST FORER GABBAY & KASIERER

A Member of EY Global

We have served as the Company's auditor since 2012.

Tel-Aviv, Israel
March 27, 2025

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of Kornit Digital Ltd.

Opinion on Internal Control Over Financial Reporting

We have audited Kornit Digital Ltd and subsidiaries' internal control over financial reporting as of December 31, 2024, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Kornit Digital Ltd and subsidiaries (the "Company") maintained, in all material respects, effective internal control over financial reporting as of December 31, 2024, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2024, and 2023, the related consolidated statements of operations, comprehensive income (loss), shareholders' equity and cash flows for each of the three years in the period ended December 31, 2024, and the related notes and our report dated March 27, 2025 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KOST FORER GABBAY & KASIERER

A Member of EY Global
Tel-Aviv, Israel
March 27, 2025

CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands

	December 31,	
	2024	**2023**
ASSETS		
Current Assets		
Cash and cash equivalents	$ 35,003	$ 39,605
Short-term bank deposits	205,934	235,600
Marketable securities	222,937	57,292
Trade receivables, net of allowances of $9,243 and $5,227, respectively	65,459	93,632
Inventories, net	60,342	67,712
Prepaid expenses and other current assets	25,714	28,546
Total current Assets	615,389	522,387
Non-current Assets		
Marketable securities	48,086	223,203
Property, plant and equipment, net	59,222	50,905
Operating lease right-of-use assets	19,054	23,782
Intangible assets, net	5,721	7,647
Goodwill	29,164	29,164
Deposits and other long-term assets	10,542	8,209
Severance pay fund	306	283
Total non-current Assets	172,095	343,193
Total Assets	$ 787,484	$ 865,580

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

CONSOLIDATED BALANCE SHEETS

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

	December 31,	
	2024	**2023**
LIABILITIES		
Current Liabilities		
Trade payables	$ 9,019	$ 6,936
Employee and payroll accruals	13,101	12,121
Deferred revenues and customers' advances	2,339	2,158
Operating lease liabilities	3,311	5,073
Accrued expenses and other current liabilities	16,561	23,814
Total current Liabilities	44,331	50,102
Non-current liabilities		
Accrued severance pay	1,051	1,080
Operating lease liabilities	15,065	18,533
Other non-current liabilities	138	198
Total non-current Liabilities	16,254	19,811
Total Liabilities	60,585	69,913
Commitments and contingent liabilities (see note 9)		
SHAREHOLDERS' EQUITY		
Ordinary shares of NIS 0.01 par value - Authorized: 200,000,000 shares at December 31, 2024 and 2023; Issued: 51,036,338 and 50,371,684 shares at December 31, 2024 and 2023, respectively; Outstanding: 46,051,461 and 47,719,633 shares at December 31, 2024 and 2023, respectively.	134	134
Additional paid-in capital	966,058	958,447
Treasury shares at cost, 4,984,877 and 2,652,051 ordinary shares at December 31, 2024 and 2023, respectively.	(121,691)	(55,770)
Accumulated other comprehensive loss	(868)	(7,210)
Accumulated deficit	(116,734)	(99,934)
Total Shareholders' Equity	726,899	795,667
Total Liabilities and Shareholders' Equity	$ 787,484	$ 865,580

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

CONSOLIDATED STATEMENTS OF OPERATIONS

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

	Year ended December 31,		
	2024	**2023**	**2022**
Revenues			
Products	$ 148,086	$ 161,045	$ 222,502
Services	55,739	58,741	49,016
Total revenues	203,825	219,786	271,518
Cost of revenues			
Products	61,697	91,516	125,935
Services	50,366	61,313	49,083
Total cost of revenues	112,063	152,829	175,018
Gross profit	91,762	66,957	96,500
Operating expenses			
Research and development, net	41,578	50,060	56,026
Sales and marketing	58,413	66,836	71,067
General and administrative	29,086	37,592	39,289
Total operating expenses	129,077	154,488	166,382
Operating loss	(37,315)	(87,531)	(69,882)
Financial income, net	22,350	24,150	13,382
Loss before income taxes	(14,965)	(63,381)	(56,500)
Taxes on income	1,835	970	22,565
Net Loss	$ (16,800)	$ (64,351)	$ (79,065)
Net loss per ordinary share, basic and diluted	$ (0.35)	$ (1.31)	$ (1.59)

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

U.S. dollars in thousands

	Year ended December 31,		
	2024	**2023**	**2022**
Net loss	$ (16,800)	$ (64,351)	$ (79,065)
Other comprehensive income (loss):			
Available-for-sale securities:			
Unrealized gains (losses) on available for sales securities	7,100	8,686	(16,912)
Losses (gains) reclassified into net loss	(164)	134	10
Net change	6,936	8,820	(16,902)
Cash flow hedges:			
Unrealized losses on cash flow hedges	(89)	(1,480)	(3,450)
Losses (gains) reclassified into net loss	(505)	2,874	2,357
Net change	(594)	1,394	(1,093)
Total other comprehensive income (loss)	6,342	10,214	(17,995)
Comprehensive loss	$ (10,458)	$ (54,137)	$ (97,060)

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

STATEMENTS OF SHAREHOLDERS' EQUITY

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

	Number of shares outstanding	Amount	Treasury shares at cost	Additional paid in capital	Accumulated other comprehensive income (loss)	Retained earnings (accumulated deficit)	Total Shareholders' equity
Balance at January 1, 2022	49,619,782	$ 133	-	$ 875,367	$ 571	$ 43,482	$ 919,553
Exercise of options and vesting of restricted stock units	333,833	1	-	829	-	-	830
Share-based compensation	-	-	-	22,999	-	-	22,999
Warrants to customers	-	-	-	22,500	-	-	22,500
Other comprehensive loss	-	-	-	-	(17,995)	-	(17,995)
Net loss	-	-	-	-	-	(79,065)	(79,065)
Balance at December 31, 2022	49,953,615	134	-	921,695	(17,424)	(35,583)	868,822
Exercise of options and vesting of restricted stock units	418,069	-	-	321	-	-	321
Share-based compensation	-	-	-	22,589	-	-	22,589
Warrants to customers	-	-	-	13,842	-	-	13,842
Purchase of treasury shares	(2,652,051)	-	(55,770)	-			(55,770)
Other comprehensive income	-	-	-	-	10,214	-	10,214
Net loss	-	-	-	-	-	(64,351)	(64,351)
Balance at December 31, 2023	47,719,633	134	(55,770)	958,447	(7,210)	(99,934)	795,667
Exercise of options and vesting of restricted stock units	664,654	-	-	716	-	-	716
Share-based compensation	-	-	-	21,756	-	-	21,756
Warrants to customers	-	-	-	3,273	-	-	3,273
Purchase of treasury shares	(2,332,826)	-	(65,921)	(18,134)			(84,055)
Other comprehensive income	-	-	-	-	6,342	-	6,342
Net loss	-	-	-	-	-	(16,800)	(16,800)
Balance at December 31, 2024	46,051,461	$ 134	$ (121,691)	$ 966,058	$ (868)	$ (116,734)	$ 726,899

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
U.S. dollars in thousands

	Year ended December 31,		
	2024	2023	2022
Cash flows from operating activities:			
Net loss	$ (16,800)	$ (64,351)	$ (79,065)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	13,047	14,700	13,565
Restructuring and other charges	1,172	19,080	708
Fair value of warrants deducted from revenues	3,273	13,842	22,500
Share based compensation	21,756	22,589	22,649
Amortization of premium and accretion of discount on marketable securities, net	(389)	756	1,820
Realized loss (gain) on sale of marketable securities	(164)	134	10
Change in operating assets and liabilities:			
Trade receivables, net	28,173	(19,220)	(15,891)
Inventories, net	3,005	11,028	(29,004)
Deposits and other long-term assets	(2,333)	(2,282)	(4,251)
Prepaid expenses and other current assets	2,832	(6,492)	(8,635)
Deferred taxes	-	(544)	8,530
Decrease in operating leases right-of-use assets	4,280	5,173	182
Decrease in operating lease liabilities	(4,782)	(5,352)	(3,100)
Trade payables	2,150	(6,491)	(26,948)
Employees and payroll accruals	2,456	(1,089)	(7,674)
Deferred revenues and customers' advances	181	(4,990)	(1,426)
Accrued expenses and other current liabilities	(9,020)	(10,547)	6,482
Accrued severance pay, net	(52)	(152)	(237)
Other non-current liabilities	(60)	(474)	13
Loss from sale and disposal of property, plant and equipment	-	-	425
Net cash provided by (used in) operating activities	48,725	(34,682)	(99,347)
Cash flows from investing activities:			
Purchase of property, plant and equipment	(15,140)	(7,006)	(18,042)
Acquisition of intangible assets and capitalization of software development costs	-	-	(308)
Proceeds from sale of property, plant and equipment	-	-	71
Investment in equity securities	-	-	(820)
Cash paid in connection with acquisition, net of cash acquired	-	-	(14,654)
Proceeds from (investment in) short-term bank deposits, net	29,666	39,433	(265,865)
Proceeds from sale of marketable securities	22,994	7,240	1,945
Proceeds from maturity of marketable securities	56,641	20,522	27,898
Investment in marketable securities	(62,673)	(33,977)	(137,500)
Net cash provided by (used in) investing activities	31,488	26,212	(407,275)
Cash flows from financing activities:			
Exercise of employee stock options	716	293	619
Payment of withholding taxes related to exercise of share-based awards	(1,476)	(1,045)	(951)
Repurchase of ordinary shares	(84,055)	(55,770)	-
Net cash used in financing activities	(84,815)	(56,522)	(332)
Decrease in cash and cash equivalents	(4,602)	(64,992)	(506,954)
Cash and cash equivalents at the beginning of the period	39,605	104,597	611,551
Cash and cash equivalents at the end of the period	$ 35,003	$ 39,605	$ 104,597

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Year ended December 31,		
	2024	**2023**	**2022**
Supplemental disclosure of cash flow information			
Cash paid during the year for income taxes	$ 1,841	$ 1,947	$ 13,171
Non-cash investing and financing activities:			
Purchase of property, plant and equipment	$ 247	$ 314	$ 1,692
Inventory transferred to be used as property, plant and equipment, net	$ 4,732	$ 531	$ 6,792
Property, plant and equipment transferred to be used as inventory	$ 367	$ 865	$ -
Right-of-use asset recognized with corresponding lease liability	$ (448)	$ 2,934	$ 7,585

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

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, the United Kingdom and Japan. 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.

c. The Company depends on five 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

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States (“U.S. GAAP”).

a. Use of estimates:

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the 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 share-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.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

b. Financial statements in United States dollars:

Most of the revenues of the Company and its subsidiaries are denominated in U.S. dollars. The U.S. dollar is the primary currency of the economic environment in which the Company and its subsidiaries operate. Thus, the functional and reporting currency of the Company and its subsidiaries is the U.S. dollar. Accordingly, monetary accounts maintained in currencies other than the U.S. dollar are re-measured into U.S. dollars in accordance with Accounting Standards Codification (“ASC”) No. 830 “Foreign Currency Matters”. Changes in currency exchange rates between the Company’s functional currency and the currency in which a transaction is denominated are included in the Company’s statements of operations as financial income, net in the period in which the currency exchange rates change.

c. Principles of consolidation:

The consolidated financial statements include the accounts of the Company and its subsidiaries. Intercompany balances and transactions, including profits from intercompany sales, have been eliminated upon consolidation.

d. Cash equivalents:

Cash equivalents are short-term highly liquid investments that are readily convertible to cash with original maturities of three months or less, at acquisition. Short-term bank deposits are presented at their cost.

e. Short-term bank deposits:

Short-term bank deposits are deposits with an original maturity of more than three months but less than one year from the date of acquisition.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

f. Marketable securities:

The Company accounts for investments in marketable securities in accordance with ASC 320, “Investments - Debt Securities”. Management determines the appropriate classification of its investments at the time of purchase and re-evaluates such determinations at each balance sheet date. The Company classifies its marketable securities as either short-term or long-term based on each instrument’s underlying contractual maturity date and the entity’s expectations of sales and redemptions in the following year.

The Company classifies all of its marketable securities as available-for-sale. Available-for-sale securities are carried at fair value, with the unrealized gains and losses, net of tax, reported in “accumulated other comprehensive income (loss)” in shareholders’ equity. Realized gains and losses on sales of marketable securities are included in financial income, net and are derived using the specific identification method for determining the cost of securities.

The Company does not intend to sell the investments, nor is it more likely than not that the Company will be required to sell the investments before recovery of their amortized cost bases.

The amortized cost of marketable securities is adjusted for amortization of premium and accretion of discount to maturity, both of which, together with interest, are included in financial income, net.

At each reporting period, the Company evaluates whether declines in fair value below amortized cost are due to expected credit losses, as well as the Company’s ability and intent to hold the investment until a forecasted recovery occurs in accordance with ASC 326, Financial Instrument- Credit losses. Allowance for credit losses on available-for-sale marketable securities are recognized in the Company’s consolidated statements of operations, and any remaining unrealized losses, net of taxes, are included in accumulated other comprehensive income (loss) in shareholders’ equity.

The Company did not recognize an allowance for credit losses on marketable securities for the years ended December 31, 2024 and 2022. During 2023 the Company recorded an allowance for credit losses on available-for-sale marketable securities of $93 , which was recognized in the Company’s consolidated statements of operations.

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

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

g. Inventories:

Inventories are measured at the lower of cost or net realizable value. The cost of inventories comprises cost of purchases and costs incurred in bringing the inventories to their present location and condition. Inventory write-off is measured as the difference between the cost of the inventory and net realizable value and is charged to cost of sales.

Cost of inventories is determined as follows:

Raw materials and components - on a first-in, first-out cost basis. Finished goods - materials, on a first-in, first-out cost basis and other direct manufacturing costs.

Inventory provisions have been provided to cover risks arising from slow-moving items, technological obsolescence and excess inventories according to revenue forecasts.

During the years ended December 31, 2024, 2023 and 2022, the Company recorded inventory provisions and write-offs in a total amount of $4,607, $22,001 and $11,445, respectively.

For the years ended December 31, 2024 and 2023, a part of inventory write-offs and provisions of $789 and $11,009, respectively was recorded as a result of the Company’s restructuring (see Note 2(ad)).

h. Property, plant and equipment, net:

Property, plant and equipment are measured at cost, including directly attributable costs, less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on a straight-line basis over the useful life of the assets at annual rates as follows:

	%
Office furniture and equipment	7 - 20
Computer and peripheral equipment	33
Machinery and equipment	7 - 33
Equipment on lease (*)	14
Leasehold improvements	(**)
Building and land	(***)

(*) Equipment on lease is stated at cost, net of accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful life of the equipment on lease, which was determined to be 7 years.

The Company records a write-off provision for any excess, lost or damaged equipment when warranted based on an assessment of the equipment. Write-offs for equipment are included in cost of revenues.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

h. Property, plant and equipment, net (Cont.)

(**) Leasehold improvements are amortized on a straight-line basis over the shorter of the lease term (including the extension option held by the Company and intended to be exercised) and the expected life of the improvement.

(***) Building and land consist of land and an ink manufacturing plant. In September 2018, the Company purchased the land which includes long-term leasehold rights, with a lease term of 49 years, which may be renewed for an additional 49 years. The manufacturing plant useful life is 25 years.

i. Leases:

Lessee accounting:

The Company determines if an arrangement is a lease at inception. Contracts containing a lease are further evaluated for classification as an operating or finance lease. In determining the lease's classification, the Company assesses among other criteria: (i) if 75% or more of the remaining economic life of the underlying asset is a major part of the remaining economic life of that underlying asset; and (ii) if 90% or more of the fair value of the underlying asset comprises substantially all of the fair value of the underlying asset. Operating leases are included in operating lease right-of-use ("ROU") assets, current operating lease liabilities and non-current operating lease liabilities in the Company's consolidated balance sheets. ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. For leases with terms greater than 12 months, the Company records the ROU asset and liability at the commencement date based on the present value of lease payments according to their term. The Company also elected the practical expedient to not separate lease and non-lease components for its leases.

The Company uses incremental borrowing rates based on the estimated rate of interest for collateralized borrowing over a similar term of the lease payments at commencement date. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expenses are recognized on a straight-line basis over the lease term or the useful life of the leased asset.

In addition, the carrying amount of the ROU and lease liabilities are remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

j. Business combinations:

The Company accounts for business combinations in accordance with ASC No. 805, "Business Combinations" ("ASC No. 805"). 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 in the statement of operations in the period incurred.

k. Goodwill:

Goodwill reflects the excess of the purchase price of a business acquired over the fair value of net assets acquired. Under ASC No. 350, "Intangibles – Goodwill and other" ("ASC No. 350"), goodwill is not amortized but is tested for impairment at least annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Company has elected to perform an annual impairment test of goodwill as of December 31 of each year, or more frequently if impairment indicators are present.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

k. Goodwill (Cont.)

The Company operates in one operating segment and this segment comprises the Company's sole reporting unit. ASC 350 allows an entity to first assess qualitative factors to determine whether it is necessary to perform the quantitative goodwill impairment test. If the qualitative assessment does not result in a more likely than not indication of impairment, no further impairment testing is required. If an entity elects not to use this option, or if an entity determines that it is more likely than not that the fair value of a reporting unit is less than its carrying value, then the entity prepares a quantitative analysis to determine whether the carrying value of a reporting unit exceeds its estimated fair value. If the carrying value of a reporting unit exceeds its estimated fair value, the entity recognizes an impairment of goodwill for the amount of this excess.

During the years ended December 31, 2024, 2023 and 2022, no impairment of goodwill was recorded.

l. Intangible assets:

Acquired identifiable finite-lived intangible assets are amortized on a straight-line basis or accelerated method over the estimated useful lives of the assets. The basis of amortization approximates the pattern in which the assets are utilized, over their estimated useful lives.

The Company routinely reviews the remaining estimated useful lives of finite-lived intangible assets. In case the Company reduces the estimated useful life for any asset, the remaining unamortized balance is amortized or depreciated over the revised estimated useful life.

m. Impairment of long-lived assets:

The Company's long-lived assets are reviewed for impairment in accordance with ASC 360-10, "Property, Plant and Equipment," whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the assets to the future undiscounted cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

During the years ended December 31, 2024, and 2022, no impairment of long-lived assets and finite-lived intangible assets was recorded. For the year ended December 31, 2023, an impairment loss of $1,118, related to operating lease right-of-use assets was recorded as a result of the Company's restructuring (see Note 2ad).

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

n. Revenue recognition:

The Company generates revenues from sales of systems, consumables and services, including software subscriptions and transaction-based revenues. The Company sells its products directly to end-users and indirectly through independent distributors, all of whom are considered end-users.

The Company recognizes revenues in accordance with ASC No. 606, “Revenue from Contracts with Customers”. As such, the Company recognizes revenue under the core principle that transfer of control to the Company’s customers should be depicted in an amount reflecting the consideration the Company expects to receive in revenue. Therefore, the Company identifies a contract with a customer, identifies the performance obligations in the contract, determines the transaction price, allocates the transaction price to each performance obligation in the contract and recognizes revenues when, or as, the Company satisfies a performance obligation.

Revenues from products, which consist of systems and consumables, are recognized at the point in time when control has transferred, in accordance with the agreed-upon delivery terms. Revenues from services are derived mainly from the sale of print heads, spare parts, upgrade kits, service contracts and software subscriptions. The Company’s revenues from print heads, spare parts and upgrade kits revenues are recognized at the point in time when control has transferred. Service contracts and software subscriptions are recognized over time, on a straight-line basis, over the period of the service as the services have a consistent continuous pattern of transfer to a customer during the contract period.

For multiple performance obligations arrangements, such as selling a system with service contract, installation and training, the Company accounts for each performance obligation separately as it is distinct. The transaction price is allocated to each distinct performance obligation on a relative standalone selling price (“SSP”) basis and revenue is recognized for each performance obligation when control has passed, or service has been rendered. In most cases, the Company can establish SSP based on the observable prices of services sold separately in comparable circumstances to similar customers and for products based on the Company’s best estimates of the price at which the Company would have sold the product regularly on a stand-alone basis. The Company reassesses the SSP on a periodic basis or when facts and circumstances change.

The Company does not account for training and installation as a separate performance obligation due to its immateriality in the context of its contracts. Accordingly, revenues from training and installation are recognized upon the delivery of its systems.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

n. Revenue recognition (Cont.)

The Company periodically provides customer incentive programs in the form of product discounts, volume-based rebates and warrants (see also note 10f), which are accounted for as a variable consideration that are deducted from revenue in the period in which the revenue is recognized. These reductions to revenue are made based upon estimates that are determined according to historical experience and the specific terms and conditions of the incentive.

The Company maintains a provision for returns which is estimated, primarily based on historical experience as well as management judgment, and is recorded as a reduction of revenue. Such provision amounted to $1,243 and $1,166 as of December 31, 2024 and 2023, respectively, and is included under accrued expenses and other current liabilities in the consolidated balance sheets.

Contract liabilities include amounts received from customers for which revenue has not yet been recognized. Contract liabilities amounted to $2,357 and $2,218 as of December 31, 2024 and 2023, respectively, and are presented under deferred revenues and customers advances and other non-current liabilities. During the year ended December 31, 2024, the Company recognized revenues in amount of $2,158, which had been included in the contract liabilities balance on January 1, 2024.

In cases where the Company’s customers trade-in old systems as part of a sale of new systems, the fair value of the old systems is recorded as inventory, provided that such value can be recovered.

Sales to the Company’s independent distributors accounted for approximately 9%, 13% and 19% of 2024, 2023 and 2022 revenues, respectively.

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

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

n. Revenue recognition (Cont.)

Remaining performance obligations represent contracted revenues that have not yet been recognized, and which includes deferred revenues and non-cancelable contracts that will be invoiced and recognized as revenue in future periods. The Company elected to apply the optional exemption under paragraph ASC 606-10-50-14(a) not to disclose the remaining performance obligations that relate to contracts with an original expected duration of one year or less for which deferred revenues have not been recorded yet.

The aggregate amount of transaction price allocated to the remaining performance obligations was $4,422 as of December 31, 2024, which are expected to be satisfied and recognized in future periods as represented in the following table:

	2025	2026	2027 and thereafter
Service contracts and software subscriptions	$ 4,404	$ 18	$ -

The Company has elected to apply the practical expedient for the financing component for transactions in which the difference between the payment date and the revenue recognition timing is up to 12 months. Payment terms between the Company and its payors are typically up to twelve months, and vary by the type of payer, country of sale and the products or services offered.

o. Shipping and Handling:

Shipping and handling fees charged to the Company's customers are recognized as revenue in the period shipped and the related costs for providing these services are recorded as a cost of revenue.

p. Cost of revenues:

Cost of revenues is comprised mainly of cost of systems and parts, ink production, employees' salaries and related costs, allocated overhead expenses, import taxes, inventory write-offs, royalties and shipping and handling fees.

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

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

q. Warranty costs:

The Company typically provides assurance type standard warranty for six months on its systems including parts and labor. A provision is recorded for estimated warranty costs at the time revenues are recognized based on historical warranty costs and management's estimates. Factors that affect the Company's warranty liability include the number of systems, historical rates of warranty claims and cost per claim. The Company periodically assesses the adequacy of its recorded warranty liabilities and adjusts the amounts thereof as necessary.

The following are the changes in the liability for product warranty from January 1, 2023 to December 31, 2024:

Balance at January 1, 2023	$	1,918
Additions and adjustments to cost of revenues		2,492
Reduction for payments and costs to satisfy claims		(3,087)
Balance at December 31, 2023	$	1,323
Additions and adjustments to cost of revenues		1,761
Reduction for payments and costs to satisfy claims		(2,032)
Balance at December 31, 2024	$	1,052

r. Research and development expenses, net:

Research and development expenses, net of government grants, are charged to the statement of operations, as incurred, except for development expenses which are capitalized as described in note 2s.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

s. Internal use software:

The Company capitalizes qualifying costs incurred during the application development stage related to software developed for internal use. These costs are capitalized based on the qualifying criteria. Such costs are amortized over the software's estimated life of three years. Costs incurred to develop software applications consist of (a) certain external direct costs of materials and services incurred in developing or obtaining internal-use computer software, and (b) payroll and payroll-related costs for employees who are directly associated with, and who devote time to, the development or implementation of the software. Capitalized internal-use software costs are included in intangibles assets, net in the consolidated balance sheet.

t. Implementation costs incurred in a cloud computing arrangements that is a service contract:

The Company's cloud computing arrangements ("CCA") that are service contracts consist of an arrangement with third party vendors for internal use of their software applications that they host. The Company defers implementation costs incurred in relation to those arrangements, including costs for software application coding, configuration, integration and customization, while associated process reengineering, training, maintenance and data conversion costs are expensed. The short-term portion of deferred costs are included in prepaid expenses and other current assets in the consolidated balance sheets, while the long-term portion of deferred costs are included in other non-current assets. Amortized implementation costs incurred in CCA that are service contracts will be recognized using the straight-line method over the term of the hosting arrangement, up to eight years, which represents the noncancellable terms of the CCA, plus any optional renewal periods that the Company is reasonably certain to exercise. Deferred implementation costs are subject to assessment for potential impairment whenever events or changes in circumstances indicate that the carrying values may not be recoverable.

Deferred implementation costs incurred in CCA amounted to $10,073, and $7,424 as of December 31, 2024 and 2023, respectively. Amortization of the implementation costs commenced on January 1, 2023.

Amortization expenses of the implementation costs for the years ended December 31, 2024, and 2023 were $1,366, and $848, respectively.

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

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

u. Accounting for share-based compensation:

The Company accounts for share-based compensation in accordance with ASC No. 718, "Compensation – Stock Compensation" ("ASC No. 718") that requires companies to estimate the fair value of equity-based payment awards on the date of grant using an option-pricing model. The value of the award is recognized as an expense over the requisite service periods in the Company's consolidated statement of operations.

The Company selected the binomial option pricing model as the most appropriate fair value method for its stock options awards with the following assumptions for the years ended December 31, 2024, 2023 and 2022:

	Year ended December 31,		
	2024	2023	2022
Suboptimal exercise multiple	2.8	2.8	2.8
Risk free interest rate	4.01%-3.82%	4.26%-4.30%	3.02%-4.09%
Volatility	58.29%-62.88%	57.75%-60.75%	58.67%-69.13%
Dividend yield	0%	0%	0%

The expected volatility is derived from the volatility of the Company's share price based upon actual historical stock price movements. The computation of the suboptimal exercise multiple is derived from empirical studies, based on those studies, the early exercise factor of public companies is approximately 150% for managers and 100% for other employees. The interest rate for the period within the contractual life of the award is based on the U.S. Treasury Bills yield curve in effect at the time of grant. The Company currently has no plans to distribute dividends and intends to retain future earnings to finance the development of its business.

The fair value of each restricted stock unit ("RSU") including performance based RSUs ("PSU") is the market value of a single ordinary share of the Company, as determined based on the closing price of the Company's ordinary shares on the date immediately prior to the day of grant.

The Company recognizes compensation expenses for the value of its awards, which have graded vesting based on service conditions, using the straight-line method, over the requisite service period of each of the awards. The Company recognizes forfeitures of awards as they occur.

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

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

v. Derivatives and hedging:

The Company follows ASC No. 815, "Derivatives and Hedging" which requires companies to recognize all of their derivative instruments as either assets or liabilities in the balance sheets 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 uses derivative financial instruments, specifically foreign currency forward and option contracts, to manage exposure to foreign currency risks, by hedging a portion of the Company's forecasted payroll and related expenses denominated in New Israeli Shekels that it expects 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".

The Company measured the fair value of these contracts in accordance with ASC No. 820, "Fair Value Measurements and Disclosures" ("ASC No. 820"), and they were classified as level 2 of the fair value hierarchy.

1. Derivative instruments notional amounts:

The following table summarizes the notional amounts for hedged items:

	December 31, 2024	December 31, 2023
Designated cash flow hedges	-	$ 38,465
Non-designated hedges	-	491
	-	$ 38,956

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

v. Derivatives and hedging (Cont.)

2. Derivative instrument outstanding:

As of December 31, 2023, the fair value of the Company's outstanding forward and option contracts amounted to $595 which are included within "Prepaid expenses and other current assets" and "accrued expenses and other current liabilities", respectively, on the balance sheets. As of December 31, 2024 there was no outstanding forward and option contracts.

3. Derivative instrument gains and losses

The following table sets forth the expense (income) from derivatives instruments included in the consolidated statements of operations and reclassified from other comprehensive income:

	Year ended December 31,		
	2024	2023	2022
Cost of revenues	$ (105)	$ 814	$ 674
Research and development	(240)	1,144	1,029
Sales and marketing	(63)	368	365
General and administrative	(96)	548	481

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.

w. Income taxes:

The Company accounts for income taxes and uncertain tax positions in accordance with ASC No. 740, "Income Taxes" ("ASC No. 740"). ASC No. 740 prescribes the use of the liability method, whereby deferred tax asset and liability account balances are determined based on temporary differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company provides a valuation allowance, if necessary, to reduce deferred tax assets to amounts more likely than not to be realized. Deferred tax assets and liabilities are classified as non-current assets and liabilities, respectively.

ASC No. 740 contains a two-step approach to recognizing and measuring a liability for uncertain tax positions. The first step is to evaluate the tax position taken or expected to be taken in a tax return by determining if the weight of available evidence indicates that it is more likely than not that, on an evaluation of the technical merits, the tax position will be sustained on audit, including resolution of any related appeals or litigation processes. The second step is to measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement. The Company accrues interest and penalties related to unrecognized tax benefits on its taxes on income.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

x. Concentrations of credit risks:

Financial instruments that potentially subject the Company and its subsidiaries to concentrations of credit risk consist principally of cash and cash equivalents, bank deposits, marketable securities, foreign exchange contracts and trade receivables.

The majority of the Company's and its subsidiaries' cash and cash equivalents, bank deposits and marketable securities are invested in major banks in Israel and the U.S. Generally, these cash equivalents may be redeemed upon demand and, therefore management believes that they bear a lower risk.

The Company attempts to limit its exposure to interest rate risk by investing in securities with maturities of less than four years; however, the Company may be unable to successfully limit its risk to interest rate fluctuations. At any time, a sharp rise in interest rates could have a material adverse impact on the fair value of its investment portfolio. Conversely, declines in interest rates could have a material favorable impact on the fair value of its investment portfolio. Increases or decreases in interest rates could have a material impact on interest earnings related to new investments during the period.

The trade receivables of the Company and its subsidiaries are mainly derived from sales to customers located in the United States, Europe, Asia Pacific and Latin America. The Company performs ongoing credit evaluations of its customers. In certain circumstances, the Company may require letters of credit from its customers, other collaterals or additional guarantees. The allowance for credit loss is based on the Company's assessment of historical collection experience, customer creditworthiness, and current and future economic and market conditions. The Company regularly reviews the adequacy of the allowance for credit loss based on a combination of factors, including an assessment of the current customer's aging balance, the nature and size of the customer and the financial status of the customer. Accounts receivable deemed uncollectable are charged against the allowance for credit loss when identified. Doubtful debt expense is included in Sales and Marketing in the Consolidated Statements of Income (Loss). The allowance for credit loss as of December 31, 2024 and 2023, amounted to $9,243 and $5,227, respectively.

The change in 2024 and 2023, current period provision allowance for credit loss amounted to $4,299 and $5,152, respectively, which was partially offset by a write-off amount of $283 and $663, respectively.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

y. Transfers of financial assets:

ASC 860 “Transfers and Servicing”, (“ASC 860”), establishes a standard for determining when a transfer of financial assets should be accounted for as a sale. The Company’s arrangements are such that the underlying conditions are met for the transfer of financial assets to qualify for accounting as a sale. The transfers of financial assets are typically performed by the factoring of receivables to two financial institutions.

For the year ended December 31, 2024, 2023 and 2022, the Company sold trade receivables to financial institutions in a total net amount of $2,739, $2,262 and $616, respectively. Control and risk of those trade receivables were fully transferred in accordance with ASC 860. During the year ended December 31, 2024, 2023 and 2022, the Company recorded an aggregate amount of $340, $356 and $41, respectively, as financial expenses related to its factoring arrangements.

z. Severance pay:

The Company’s employees in Israel have subscribed to Section 14 of Israel’s Severance Pay Law, 5723-1963 (“Section 14”). Pursuant to Section 14, the Company’s employees, covered by this section, are entitled only to monthly deposits, at a rate of 8.33% of their monthly salary, made on their behalf by the Company. Payments in accordance with Section 14 release the Company from any future severance liabilities in respect of those employees. Neither severance pay liability nor severance pay fund under Section 14 for such employees is recorded on the Company’s balance sheet.

With regards to employees in Israel that are not subject to Section 14, the Company’s liability for severance pay is calculated pursuant to the Severance Pay Law, based on the most recent salary of the relevant employees multiplied by the number of years of employment as of the balance sheet date. These employees are entitled to one-month’s salary for each year of employment or a portion thereof. The Company’s liability for these employees is fully provided for via monthly deposits with severance pay funds, insurance policies and an accrual. The value of these deposits is recorded as an asset on the Company’s balance sheet.

The deposited funds include profits accumulated up to the balance sheet date. The deposited funds may be withdrawn only upon the fulfillment of the obligation pursuant to the Severance Pay Law or labor agreements.

Severance expenses for the years ended December 31, 2024, 2023 and 2022 were $3,066, $3,144 and $3,554, respectively.

aa. Fair value of financial instruments:

The Company applies ASC No. 820. Under this standard, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the “exit price”) in an orderly transaction between market participants at the measurement date.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

aa. Fair value of financial instruments (Cont.)

In determining fair value, the Company uses various valuation approaches. ASC No. 820 establishes a hierarchy for inputs used in measuring fair value that maximize the use of observable inputs and minimize the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The hierarchy is broken down into three levels based on the inputs as follows:

Level 1 - Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.

Level 2 - Valuations based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

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

The carrying amount of cash, cash equivalents, short term bank deposits, trade receivables, prepaid expenses and other current assets, trade payables and accrued expenses and other current liabilities approximates their fair value due to the short-term maturities of such instruments.

The Company measures its marketable securities and foreign currency derivative instruments at fair value. Marketable securities and foreign currency derivative instruments are classified within Level 2 as the valuation inputs are based on quoted prices and market observable data of similar instruments.

ab. Basic and diluted earnings (losses) per share:

Basic earnings No. 260, "Earnings Per Share" is computed based on the weighted average number of ordinary shares outstanding during each period. Diluted earnings per share is computed based on the weighted average number of ordinary shares outstanding during each period, plus dilutive potential ordinary shares considered outstanding during the period, in accordance with the relevant ASC.

For the years ended December 31, 2024, 2023 and 2022, all outstanding options and RSU's of 2,752,644, 2,306,577 and 1,718,661, respectively, have been excluded from the calculation of the diluted earnings per share since their effect was anti-dilutive.

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

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

ac. Segment reporting:

The Company identifies operating segments in accordance with ASC Topic 280, "Segment Reporting" as components of an entity for which discrete financial information is available and is regularly reviewed by the chief operating decision maker ("CODM"), or decision-making group, in making decisions regarding resource allocation and evaluating financial performance. Consolidated net income in the consolidated statements of income (loss) is the measure of financial profit and loss most closely aligned with generally accepted accounting principles that is used by the CODM to assess performance and resource allocation. Our Chief Executive Officer is our chief operating decision maker who evaluates performance and makes operating decisions about allocating resources and based on consolidated financial data and assessing performance. Further, the CODM reviews and utilizes functional expenses (cost of revenues, sales and marketing, research and development, and general and administrative) at the consolidated level to manage the Company's operations, evaluate return on total assets in deciding whether to invest in the development and expansion of our consolidated operations or into strategic transactions, such as acquisitions and capital repurchases.

ad. Restructuring:

During 2023, the Company decided upon a cost savings initiative which resulted in restructuring charge. Included in this restructuring is a workforce reduction, a consolidation of facilities and a phasing out of legacy platforms.

As a result, the Company recognized a workforce reduction of approximately 10% in 2023, and an additional 4% in 2024, recorded as severance and other related expenses for the impacted employees, in addition to other related expenses.

The Company substantially completed these actions by March 27, 2025.

A summary of the restructuring charges for the year ended December 31, 2024 and 2023 by major activity type is as follows:

	December 31, 2024			
	Employee termination costs	Write-off	Others	Total
Cost of product revenues	$ 894	$ 789	$ -	$ 1,683
Cost of service revenues	298	-	-	298
Research and development	235	-	-	235
Sales and marketing	190	-	-	190
General and administrative	437	-	-	437
	$ 2,054	$ 789	$ -	$ 2,843

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

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

ad. Restructuring (Cont.)

	December 31, 2023			
	Employee termination costs	Write-off	Others	Total
Cost of product revenues	$ 147	$ 5,510	$ -	$ 5,657
Cost of service revenues	433	5,499	-	5,932
Research and development	283	598	-	881
Sales and marketing	719	-	2,211	2,930
General and administrative	597	3,378	-	3,975
	$ 2,179	$ 14,985	$ 2,211	$ 19,375

For the year ended December 31, 2023, the Company recorded $11,009 of inventory write-off in cost of revenues as a result.

The liabilities related to the restructuring plan as of December 31, 2024 and 2023 amounted to $1,172 and $4,558 respectively. The liabilities related to the restructuring plan as of December 31, 2023 were paid in full in 2024.

ae. Recently adopted accounting pronouncements

In November 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures, which requires public entities to disclose information about their reportable segments' significant expenses and other segment items on an annual basis. Public entities with a single reportable segment are required to apply the disclosure requirements in ASU 2023-07, as well as all existing segment disclosures and reconciliation requirements in ASC 280 on an annual basis. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023, with early adoption permitted. The Company adopted ASU 2023-07 during the year ended December 31, 2024, refer to note 16.

af. Recently issued accounting pronouncements

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures, which requires public entities, on an annual basis, to provide disclosure of specific categories in the rate reconciliation, as well as disclosure of income taxes paid disaggregated by jurisdiction. ASU 2023-09 is effective for fiscal years beginning after December 15, 2024, with early adoption permitted. The Company is currently evaluating the impact of adopting ASU 2023-09.

In November 2024, the FASB issued ASU 2024-03, Income Statement-Reporting Comprehensive Income-Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses. This ASU requires an entity to disclose the amounts purchases of inventory, employee compensation, depreciation, and intangible asset amortization included in each relevant expense caption. It also requires an entity to include certain amounts that are already required to be disclosed under current GAAP in the same disclosure. Additionally, it requires an entity to disclose a qualitative description of the amounts remaining in relevant expense captions that are not separately disaggregated quantitatively, and to disclose the total amount of selling expenses and, in annual reporting periods, an entity's definition of selling expenses. The amendments in the ASU are effective for annual reporting periods beginning after December 15, 2026, and the Company is currently evaluating the impact of adopting ASU 2024-03.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 3:- MARKETABLE SECURITIES

The following is a summary of marketable securities held as of December 31, 2024 and 2023:

	December 31, 2024			
	Amortized cost	Gross unrealized gain	Gross unrealized loss	Fair value
Matures within one year:				
Corporate debentures	$ 215,040	$ 81	$ (1,720)	$ 213,401
Government debentures	9,577	-	(41)	9,536
	224,617	81	(1,761)	222,937
Matures after one through four years:				
Corporate debentures	48,074	180	(168)	48,086
Government debentures	-	-	-	-
	48,074	180	(168)	48,086
Total	$ 272,691	$ 261	$ (1,929)	$ 271,023

	December 31, 2023			
	Amortized cost	Gross unrealized gain	Gross unrealized loss	Fair value
Matures within one year:				
Corporate debentures	$ 58,319	$ 4	$ (1,031)	$ 57,292
Government debentures	-	-	-	-
	58,319	4	(1,031)	57,292
Matures after one through four years:				
Corporate debentures	222,766	179	(7,565)	215,380
Government debentures	8,109	-	(286)	7,823
	230,875	179	(7,851)	223,203
Total	$ 289,194	$ 183	$ (8,882)	$ 280,495

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

NOTE 3:- MARKETABLE SECURITIES (Cont.)

Investments with continuous unrealized losses for less than 12 months and 12 months or greater and their related fair values, were as follows as of December 31, 2024 and 2023:

	December 31, 2024					
	Less than 12 months		More than 12 months		Total	
	Fair Value	Unrealized Losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Corporate debentures	$ 21,448	$ (63)	$ 167,324	$ (1,825)	$ 188,772	$ (1,888)
Government debentures	-	-	8,062	(41)	8,062	(41)
Total	$ 21,448	$ (63)	$ 175,386	$ (1,866)	$ 196,834	$ (1,929)

	December 31, 2023					
	Less than 12 months		More than 12 months		Total	
	Fair value	Unrealized Losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Corporate debentures	$ 13,456	$ (73)	$ 226,925	$ (8,523)	$ 240,381	$ (8,596)
Government debentures	-	-	7,823	(286)	7,823	(286)
Total	$ 13,456	$ (73)	$ 234,748	$ (8,809)	$ 248,204	$ (8,882)

NOTE 4:- FAIR VALUE MEASUREMENTS

The table below sets forth the Company’s assets and liabilities that were measured at fair value as of December 31, 2024 and 2023 by level within the fair value hierarchy.

	December 31, 2024			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents	$ 35,003	-	-	$ 35,003
Short-term bank deposits	205,934	-	-	205,934
Marketable securities	-	271,023	-	271,023
Total financial assets	$ 240,937	$ 271,023	-	$ 511,960

	December 31, 2023			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents	$ 39,605	-		$ 39,605
Short-term bank deposits	235,600	-	-	235,600
Marketable securities	-	280,495	-	280,495
Foreign currency derivative contracts	-	595		595
Total financial assets	$ 275,205	$ 281,090	-	$ 556,295

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 5:- INVENTORIES, NET

	December 31,	
	2024	2023
Raw materials and components	$ 32,475	$ 28,331
Finished goods (*)	27,867	39,381
	$ 60,342	$ 67,712

(*) Includes amounts of $1,100 and $367 as of December 31, 2024 and 2023, respectively, with respect to inventory delivered to customers for which revenue was not yet recognized.

NOTE 6:- PROPERTY, PLANT AND EQUIPMENT, NET

	December 31,	
	2024	2023
Cost:		
Computer and peripheral equipment	$ 12,648	$ 10,706
Office furniture and equipment	7,012	6,200
Equipment on lease	14,622	-
Machinery and equipment	37,651	37,614
Leasehold improvements	25,715	24,946
Building and land	20,128	20,091
	117,776	99,557
Accumulated depreciation	(58,554)	(48,652)
Property, plant and equipment, net	$ 59,222	$ 50,905

Property, Plant and Equipment, net depreciation expenses for the years ended December 31, 2024, 2023 and 2022 were $11,121, $14,852, and $10,583, respectively.

For the year ended December 31, 2023, depreciation expenses of $2,395 were recorded as a result of the Company's restructuring (see Note 2(ad)).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 7:- INTANGIBLE ASSETS, NET

a. Intangible assets are comprised of the following:

	December 31,	
	2024	2023
Original amount:		
Acquired technology	$ 10,534	$ 10,534
License	1,000	1,000
Customer relationships	4,717	4,717
Non-competition agreement	974	974
Software development costs	1,320	1,320
Distribution rights	688	688
	19,233	19,233
Accumulated amortization:		
Acquired technology	6,311	4,856
License	400	282
Customer relationships	4,081	3,816
Non-competition agreement	974	974
Software development costs	1,320	1,320
Distribution rights	426	338
	13,512	11,586
Intangible assets, net	$ 5,721	$ 7,647

Amortization expenses for the years ended December 31, 2024, 2023 and 2021 were $1,926, $2, 243and $2,982 respectively.

b. Amortization expenses for future periods are as shown below:

Years ending December 31,	Amount
2025	$ 1,539
2026	1,538
2027	1,537
2028	750
2029	324
2030	33
	$ 5,721

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

NOTE 8:- ACCRUED EXPENSES AND CURRENT LIABILITIES

	December 31,	
	2024	2023
Accrued expenses	$ 10,789	$ 18,311
Government authorities	3,477	3,014
Warranty provision	1,052	1,323
Provision for returns	1,243	1,166
	$ 16,561	$ 23,814

NOTE 9:- COMMITMENTS AND CONTINGENT LIABILITIES

a. Purchase commitments:

As of December 31, 2024, the Company had $47,072 of purchase commitments for goods and services from vendors. These commitments are due primarily within one year.

b. Litigation:

1. During February 2023, two securities class action complaints were filed by certain shareholders of the Company in U.S. federal court in New Jersey against the Company, certain of the Company's current and former officers and directors, the underwriters of the November 19, 2021 follow-on public offering and Amazon (which sold shares in that public offering), as defendants. The complaints assert claims under certain sections of the Exchange Act and seeks unspecified damages.

   On August 30, 2023, the U.S. federal court in New Jersey granted an unopposed motion to consolidate the two actions, to appoint certain plaintiffs as lead plaintiffs, and to appoint a lead counsel.

   On October 27, 2023, the lead plaintiffs filed a consolidated complaint, alleging that, between February 2021 and July 2023, the Company made misrepresentations and omissions in its public statements and disclosures in violation of the Exchange Act and Rule 10b-5 promulgated thereunder. On December 21, 2023, the defendants moved to dismiss the consolidated complaint. The lead plaintiffs filed an opposition to Defendants' motion to dismiss on February 16, 2024.

   On August 15, 2024, the Court held an oral hearing on defendants' motion to dismiss, following which it granted the defendants' motion, dismissing the complaint in its entirety, without prejudice. Plaintiffs filed an amended complaint on November 8, 2024. On January 24, 2025, defendants moved to dismiss the amended complaint. Plaintiffs filed an opposition to defendants' motion to dismiss on March 10, 2025, and defendants intend to file replies in support of the motion to dismiss in 2025.

NOTE 9:- COMMITMENTS AND CONTINGENT LIABILITIES (Cont.)

b. Litigation (Cont.)

The Company believes these lawsuits are without merit and has been defending against these cases vigorously. As of the date hereof, the Company is unable to estimate a range of loss, if any, that could result were there to be adverse final decisions in these cases, and estimated liabilities have not been recorded in the consolidated financial statements.

2. From time to time, the Company is party to 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.

c. Guarantees:

As of December 31, 2024, the Company provided nine bank guarantees in a total amount of $871 primarily for its rented facilities.

NOTE 10:- SHAREHOLDERS’ EQUITY

a. Company’s shares:

Ordinary shares:

Any 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 each 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 the general meetings of the shareholders of the Company, with one vote on any matter presented to the shareholders.

Treasury shares:

On August 10, 2022, the Company’s Board of Directors approved a share repurchase program to repurchase up to $75,000 of its ordinary shares, subject to Israeli court approval and in accordance with required regulation. On September 9, 2024, the Board of Directors authorized an additional share repurchase program (“September 2024 Share Repurchase Program”) under which an additional amount of up to $100,000 of the Company’s ordinary shares could be repurchased, subject to the Company’s providing the required notification to creditors in accordance with Israeli regulations (collectively, the August 2022 and September 2024 approved repurchase programs, the “Share Repurchase Program”).

As part of the September 2024 portion of the Share Repurchase Program, on November 10, 2024, the Company entered into an accelerated share repurchase agreement (the “ASR Agreement”) with Goldman Sachs International (“GSI”) to repurchase $75,000 of the Company’s ordinary shares. Pursuant to the ASR Agreement, the Company made a payment of $75,000 to GSI in November 2024 and received in 2024 initial aggregate deliveries of 1,825,901 ordinary shares (the “Initial Shares”) from GSI pursuant to the agreement. The repurchases under the ASR Agreement were accounted for as an equity transactions.

NOTE 10:- SHAREHOLDERS' EQUITY (Cont.)

a. Company's shares (Cont.)

In February 2025, the Company completed the remaining repurchase transactions contemplated by the ASR Agreement, pursuant to which an additional 641,305 ordinary shares (the "Final Shares") were delivered by GSI to the Company and repurchased by the Company. The total number of shares repurchased under the ASR Agreement was 2,467,206 at an average cost per share of $30.40, based on the volume-weighted average share price of the Company's ordinary share during the calculation period under the ASR Agreement.

At the times at which the Initial Shares and the Final Shares were received and repurchased, the repurchases resulted in an immediate reduction of the outstanding number of shares of the Company used to calculate the weighted average number of ordinary shares for basic and diluted earnings per share.

During the years ended December 31, 2024 and 2023, pursuant to the Share Repurchase Program, the Company repurchased, an aggregate of 2,332,826 and 2,652,051 ordinary shares, respectively, which included both open market repurchases and, in the case of 2024, repurchases under the ASR Agreement, at total costs of $65,921 and $55,770, respectively.

As of December 31, 2024, $25,000 remained available under the September 2024 Share Repurchase Program for potential open market repurchases.

b. Share option and RSU's plans:

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 the Company, at an exercise price equal to at least the fair market value of the ordinary shares at the date of grant. The terms of option grants generally provide that 25% of total options are exercisable one year after the grant or vesting start date determined for each optionee and a further 6.25% is exercisable at the end of each subsequent three-month period over the following 3 years. Options are exercisable for up to 10 years from the grant date. Options that are cancelled or forfeited before expiration become available for future grants.

Under the Company equity incentive plans, beginning in 2017, the Company grants RSUs, including PSUs. The RSUs generally vest over a period of four years of employment and PSUs vest also based on the Company's share performance. RSUs that are cancelled or forfeited become available for future grants.

During December 2024, the Company's board of directors approved an increase of 672,132 shares to the number of ordinary shares reserved for issuance under the Company's equity incentive plans. As of December 31, 2024, an aggregate of 2,122,421 ordinary shares were available for future grants under those plans.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 10:- SHAREHOLDERS' EQUITY (Cont.)

c. A summary of the Company's share option activity and related information is as follows:

	Number of shares upon exercise	Weighted average exercise price	Weighted-average remaining contractual term (in years)	Aggregate intrinsic value
Outstanding at beginning of year	631,675	$ 49.32	5.83	$ 1,039
Granted	65,036	16.48	-	-
Exercised	(61,441)	11.63	-	1,069
Forfeited	(41,349)	21.24	-	-
Outstanding at end of year	593,921	$ 46.95	5.55	$ 4,516
Exercisable at end of year	421,971	$ 47.37	4.37	$ 3,206

As of December 31, 2024, the Company had $3,595 of unrecognized compensation expense related to non-vested share options expected to be recognized over a weighted average period of 1.71 years.

The weighted average fair value of options granted during the years ended December 31, 2024, 2023 and 2022 was $9.61, $12.88 and $47.06 per share, respectively. The total intrinsic value of options exercised during the years ended December 31, 2024, 2023 and 2022 was $1,069, $163 and $1,086, respectively.

d. A summary of the Company's RSU activity is as follows:

	Number of RSUs
Unvested at beginning of year	1,674,902
Granted	1,412,810
Vested	(603,213)
Forfeited	(325,776)
Unvested at the end of the year	2,158,723

The weighted average fair value at grant date of RSU's granted for the years ended December 31, 2024, 2023 and 2022 was $20.27, $20.11 and $43.65, respectively. The total fair value of RSUs vested during the year ended December 31, 2024, was $12,232.

The weighted average fair value of RSUs vested during the years ended December 31, 2024, 2023 and 2022 was $31.10, $52.27 and $57.98, respectively.

The weighted average fair value of RSUs forfeited during the years ended December 31, 2024, 2023 and 2022 was $24.35, $33.19 and $68.19, respectively.

As of December 31, 2024 and 2023, the weighted average fair value of the unvested RSUs was $20.25 and $28.51, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 10:- SHAREHOLDERS' EQUITY (Cont.)

d. A summary of the Company's RSU activity is as follows (Cont.)

As of December 31, 2024, the Company had $36,947 of unrecognized compensation expenses related to RSUs, expected to be recognized over a weighted average period of 2.48 years.

As of December 31, 2024, an aggregate of 326,001 PSUs were included in the unvested RSUs amount.

e. The following table sets forth the total share-based compensation expense included in the consolidated statements of operations for the years ended December 31, 2024, 2023 and 2022:

	Year Ended December 31,		
	2024	**2023**	**2022**
Cost of products	$ 2,018	$ 2,356	$ 2,185
Cost of services	1,703	1,758	1,676
Research and development, net	5,310	5,759	5,312
Sales and marketing	6,228	6,689	7,361
General and administrative	6,497	6,027	6,115
Total share-based compensation expenses	$ 21,756	$ 22,589	$ 22,649

f. On January 10, 2017, the Company signed a master purchase agreement with Amazon Inc. (the "Agreement") under which warrants to purchase ordinary shares of the Company were issued to Amazon as a customer incentive, subject to vesting as a function of payments for purchased products and services. As of December 31, 2024, all of the warrants under that original Agreement had been exercised.

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 were issued to Amazon. The warrants are subject to vesting as a function of payments for purchased products and services of up to $400, including $250 million in respect of specific existing products and services ("Old Business") and $150 million in respect of new products ("New Business"). The warrants are exercisable 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 December 31, 2024, 1,943,445 warrants are exercisable under the Purchase Agreement, all related to the Old Business. As of December 31,2024, warrants in respect of the Old Business were fully vested.

The fair value of the warrants was measured on the grant date using the Monte Carlo simulation with assumptions of a risk-free rate of 0.4%, volatility rate of 52%, dividend yield of 0% and an expected term of 5.32 years.

The Company recognized a reduction to revenues of $3,273, $13,842 and $22,500 during the years ended December 31, 2024, 2023 and 2022, respectively, in respect of the warrants granted to Amazon.

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

NOTE 11:- EARNINGS (LOSSES) PER SHARE

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

	Year Ended December 31,		
	2024	2023	2022
Numerator for basic and diluted earnings (losses) per share:			
Net loss	$ (16,800)	$ (64,351)	$ (79,065)
Weighted average ordinary shares outstanding:			
Denominator for basic losses per share	47,482,820	49,160,266	49,791,659
Effect of dilutive securities:			
Employee share options, RSUs, PSUs and Warrants	-	-	-
Denominator for diluted losses per share	47,482,820	49,160,266	49,791,659
Basic losses per share	$ (0.35)	$ (1.31)	$ (1.59)
Diluted losses per share	$ (0.35)	$ (1.31)	$ (1.59)

NOTE 12:- ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following table summarizes the changes in accumulated balances of other comprehensive income (loss), net of taxes, for the year ended December 31, 2024:

	Unrealized Gains (losses) on marketable securities	Unrealized Gains (losses) on cash flow hedges	Foreign currency translation adjustment	Total
Beginning balance	$ (8,604)	$ 594	$ 800	$ (7,210)
Other comprehensive income before reclassifications	7,100	(89)	-	7,011
Amounts reclassified from accumulated other comprehensive income	(164)	(505)	-	(669)
Net current period other comprehensive income	6,936	(594)	-	6,342
Ending Balance	$ (1,668)	$ -	$ 800	$ (868)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 13:- LEASES

The Company's leases include offices and warehouses for its facilities worldwide, as well as car leases, which are all classified as operating leases. Certain leases include renewal options that are subject to the Company's sole discretion. The renewal options were included in the right of use ("ROU") and liability calculation if it was reasonably certain that the Company will exercise the option.

The components of lease expenses for the years ended December 31, 2024, 2023 and 2021 were as follows:

	Year ended December 31,		
	2024	**2023**	**2022**
Operating lease	$ 4,028	$ 5,566	$ 6,126
Short-term lease	111	80	297
Total lease expense	$ 4,139	$ 5,646	$ 6,423

Cash paid for amounts included in the measurement of operating lease liabilities was $4,476, $5,742 and $6,282 during the years ended December 31, 2024, 2023 and 2022, respectively.

The Company's operating lease agreements have remaining lease terms ranging from one to four years. Some of these agreements include allowances, such as the Company's option to extend the leases for additional terms of up to five years.

As of December 31, 2024 and 2023, the weighted average remaining lease term is approximately 7.29 and 7.8 years, respectively, and the weighted average discount rate is 5.4 and 3.4 percent, respectively. The discount rate was determined based on the estimated collateralized borrowing rate of the Company, adjusted to the specific lease term and location of each lease.

Maturities of operating lease liabilities as of December 31, 2024 were as follows:

2025	$ 4,173
2026	3,594
2027	3,096
2028	2,645
2029	2,637
Thereafter	6,094
Total operating lease payments	$ 22,239
Less - imputed interest	(3,863)
Present value of future lease payments	$ 18,376

For the year ended December 2023, an impairment loss of $1,118 was recorded as a result of the Company's restructuring. (see Note 2ad).

NOTE 14:- TAXES ON INCOME

a. Tax rates:

Taxable income of the Company and its Israeli subsidiary is subject to Israeli corporate tax at the rate of 23%. The Company and its Israeli subsidiary are also eligible for tax benefits as further described in note 14b.

b. Tax benefits under the Law for the Encouragement of Capital Investments, 1959 (the “Law”):

The Company’s production facilities in Israel have been granted “Beneficiary Enterprise” status under the Law. The Company and its Israeli subsidiary have been granted benefits under the “Alternative Benefit Track” under which the main benefits are a tax exemption for undistributed income and a reduced tax rate.

The Company and its Israeli subsidiary began to utilize such tax benefits in 2010. The entitlement to the above benefits was limited to the end of 2019, and was conditional upon the Company and its Israeli subsidiary fulfilling the conditions stipulated by the Law and related regulations. In the event of failure to comply with these conditions, the benefits may be partially or fully canceled and the Company or its Israeli subsidiary may be required to refund the amount of the benefits, in whole or in part, plus a consumer price index linkage adjustment and interest.

In the event of distribution of any dividends, the amount distributed which is allocated to the above-mentioned tax-exempt income, on a prorate basis, will be subject to the same reduced corporate tax rate that would have been applied to the Beneficiary Enterprise’s income.

In addition, tax-exempt income attributed to the Beneficiary Enterprise will subject the Company to taxes upon distribution in any manner including complete liquidation.

On November 15, 2021, a new amendment of the Law was enacted harshening the rules with respect to determining the profits from which a dividend was distributed and providing that part of any dividend distribution will be deemed as distributed from the Trapped Profits, according to a certain formula. The Israeli government agreed to grant relief of 30%-60% on the amount of tax which should have been paid on distributable earnings in order to encourage companies to pay the reduced taxes during the next 12 months (the “Temporary Order”). The Temporary Order provides partial relief from Israeli corporate income tax for companies which opt to enjoy the privilege, on a linear basis: greater release of “trapped” earnings will result in a higher relief from corporate income tax. According to the new linear statutory formula, the corporate income tax to be paid, would vary from 6% to 17.5% effective tax rate (depends on the company’s corporate tax rate in the year in which the income was derived and the amount of “trapped” retained earnings elected to be relieved), without taking into account the 20% dividend withholding tax (which should be levied only upon actual distribution, if any). The reduced corporate tax is payable within 30 days of making the election. The new Temporary Order does not require the actual distribution of the retained earnings, nor does it provide any relief from the 20% dividend withholding tax.

NOTE 14:- TAXES ON INCOME (Cont.)

b. Tax benefits under the Law for the Encouragement of Capital Investments, 1959 (the “Law”) (Cont.)

The partial corporate income tax relief was available to companies that elected to implement the temporary reduced tax relief by November 15, 2023 in respect of its exempt retained earnings, provided that up to 30% (the exact rate is calculated by a new statutory formula) of the “released” earnings are re-invested in Israel in at least one of the following: Industrial activities, Research and development activities, Assets used by the company, salaries of newly recruited employees, for a period of up to 5 years.

During November 2022, the Company applied the Temporary Order to its exempt profits accrued prior to 2022 by the Company and its Israeli subsidiary. Consequently, the Company paid $11,485 corporate tax on exempt income of $133,751.

The Company’s Israeli subsidiary elected to apply the Preferred Enterprise regime under the January 2011 amendment to the Law as of the 2013 tax year. The election is irrevocable. Under the Preferred Enterprise regime, a preferred income of an Enterprise located in the center of Israel is subject to the tax rate of 16%.

The 2017 Amendment provides that a technology company satisfying certain conditions will qualify as a Preferred Technology Enterprise and will thereby enjoy a reduced corporate tax rate of 12% on income that qualifies as “Preferred Technology Income”, as defined in the Law. The tax rate is further reduced to 7.5% for a Preferred Technology Enterprise located in development zone A. These corporate tax rates shall apply only with respect to the portion of the Preferred Technology Income derived from R&D developed in Israel. In addition, a Preferred Technology Company will enjoy a reduced corporate tax rate of 12% on capital gain derived from the sale of certain “Benefitted Intangible Assets” (as defined in the Law) to a related foreign company if the Benefitted Intangible Assets were acquired from a foreign company on or after January 1, 2017 for at least NIS 200 million, and the sale receives prior approval from the National Authority for Technological Authority (previously known as the Israeli Office of the Chief Scientist), referred to as the Innovation Authority.

Dividends distributed by a Preferred Technology Enterprise, paid out of Preferred Technology Income, are generally subject to withholding tax at source at the rate of 20% or such lower rate as may be provided in an applicable tax treaty (subject to the receipt in advance of a valid certificate from the Israel Tax Authority allowing for a reduced tax rate). However, if such dividends are paid to an Israeli company, no tax is required to be withheld (although, if such dividends are subsequently distributed from such Israeli company to individuals or a non-Israeli company, withholding tax at a rate of 20% or such lower rate as may be provided in an applicable tax treaty will apply).

NOTE 14:- TAXES ON INCOME (Cont.)

b. Tax benefits under the Law for the Encouragement of Capital Investments, 1959 (the “Law”) (Cont.)

The Company and its Israeli subsidiary believe they meet the conditions for “Preferred Technological Enterprises”, and are subject to a tax rate of 12% on income that qualifies as “Preferred Technology Income”, as defined in the Law. The tax rate for a Preferred Technological Enterprises located in development zone A is 7.5%.

From time to time, the Israeli Government discusses reducing the benefits available to companies under the Law. The termination or substantial reduction of any of the benefits available under the Law could materially increase the Company’s tax liabilities.

c. Tax benefits under the Israeli Law for the Encouragement of Industry (Taxation), 1969:

Each of the Company and its Israeli subsidiary is an “Industrial Company” as defined by the Israeli Law for the Encouragement of Industry Taxation), 1969, and, as such, is entitled to certain tax benefits including accelerated depreciation, deduction of public offering expenses in three equal annual installments and amortization of other intangible property rights for tax purposes. In addition, these Israeli companies are eligible to submit consolidated tax returns, allowing the offsetting of losses between the entities.

d. Income taxes of non-Israeli subsidiaries:

The Company’s non-Israeli subsidiaries are taxed according to the tax laws in their respective countries of residence.

Taxes were not provided for undistributed earnings of the Company’s foreign subsidiaries. The Company’s board of directors has determined that the Company does not currently intend to distribute any amounts of its undistributed earnings as a dividend. The Company intends to reinvest these earnings indefinitely in the foreign subsidiaries. Accordingly, no deferred income taxes have been provided. If these earnings were distributed into Israel in the form of dividends or otherwise, the Company would be subject to additional Israeli income taxes (subject to an adjustment for foreign tax credits) and foreign withholding taxes.

The amount of undistributed earnings of foreign subsidiaries that are considered to be reinvested as of December 31, 2024 was $14,476. If these undistributed earnings are distributed, they would be taxed at the corporate tax rate applicable to such income, and $2,529 of additional taxes would be incurred as of December 31, 2024.

e. Tax assessments:

The Company and its Israeli subsidiary received final tax assessments through 2021. The U.S subsidiary, Tesoma GmbH and German subsidiary received final tax assessments through 2018, 2019 and 2020, respectively, and the Hong Kong, Japan and U.K subsidiaries have not received a final tax assessment since inception.

f. Carryforward losses for tax purposes:

As of December 31, 2024, the Company and its Israeli subsidiary have carryforward tax losses of approximately $201,526, which can be carried forward indefinitely.

As of December 31, 2024, Custom Gateway Ltd has carryforward tax losses of approximately $9,286.

As of December 31, 2024, Tesoma GmbH has carryforward tax losses of approximately $7,114.

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

NOTE 14:- TAXES ON INCOME (Cont.)

g. Deferred income taxes:

Deferred income taxes reflect the net tax effects 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 and its subsidiaries' deferred tax liabilities and assets are as follows:

	December 31,	
	2024	2023
Deferred tax assets:		
Carryforward tax losses	$ 19,463	$ 13,733
Share-based compensation expenses	3,357	2,697
Research and development carryforward expenses	2,597	3,329
Allowance and other reserves	5,975	7,812
Operating lease liabilities	2,662	3,340
Total gross deferred tax assets	34,054	30,911
Less, Valuation Allowance	(30,106)	(26,326)
Total deferred tax assets	3,948	4,585
Deferred tax liabilities:		
Operating lease ROU assets	(2,721)	(3,184)
Intangible assets	(1,015)	(1,253)
Others	(212)	(148)
Total gross deferred tax liabilities	(3,948)	(4,585)
Net deferred tax assets (liabilities)	$ -	$ -

In assessing the ability to realize deferred tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. Based on the available evidence, management believes that it is more likely than not that its deferred tax assets will not be realized and , accordingly, a valuation allowance has been provided.

Loss before income taxes is comprised as follows:

	Year Ended December 31,		
	2024	2023	2022
Domestic	$ (13,859)	$ (62,734)	$ (58,085)
Foreign	(1,106)	(647)	1,585
Loss before income taxes	$ (14,965)	$ (63,381)	$ (56,500)

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

NOTE 14:- TAXES ON INCOME (Cont.)

h. Taxes on income (tax benefits) are comprised as follows:

	Year Ended December 31,		
	2024	2023	2021
Current taxes	$ 1,835	$ 1,463	$ 12,619
Deferred taxes	-	(493)	9,946
	$ 1,835	$ 970	$ 22,565
Domestic	$ 117	$ (16)	$ 20,400
Foreign	1,718	986	2,165
	$ 1,835	$ 970	$ 22,565

	Year Ended December 31,		
	2024	2023	2022
Domestic taxes:			
Current taxes	$ 117	$ 174	$ 11,119
Deferred taxes	-	(190)	9,281
	117	(16)	20,400
Foreign taxes:			
Current taxes	1,718	1,289	1,500
Deferred taxes	-	(303)	665
	1,718	986	2,165
Taxes on income	$ 1,835	$ 970	$ 22,565

i. Uncertain tax positions:

A reconciliation of the beginning and ending amount of gross unrecognized tax benefits is as follows:

	December 31,	
	2024	2023
Beginning of year	$ 568	$ 394
Additions related to tax positions taken during current year	41	174
Balance at December 31(*)	$ 609	$ 568

(*) As of December 31, 2024 and 2023, unrecognized tax benefits in an amount of $256 in both years, were presented as a reduction from deferred taxes.

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

NOTE 14: -TAXES ON INCOME (Cont.)

i. Uncertain tax positions (Cont.)

The amount of the unrecognized tax benefits could affect the Company's income tax provision and the effective tax rate.

Exchange rate differences are recorded within financial income, net, while interest is recorded within income tax expense.

The final tax outcome of the Company's tax audits could be different from that which is reflected in the Company's income tax provisions and accruals. Such differences could have a material effect on the Company's income tax provision and net income in the period in which such determination is made.

j. A reconciliation between the theoretical tax expense, assuming all income is taxed at the statutory tax rate applicable to income of the Company and the actual tax expense as reported in the statement of operations is as follows:

	Year Ended December 31,		
	2024	2023	2022
Loss before taxes, as reported in the consolidated statements of operations	$ (14,965)	$ (63,381)	$ (56,500)
Theoretical tax benefit at the Israeli statutory tax rate	(3,441)	(14,578)	(12,995)
Beneficiary enterprise income	2,148	9,724	9,003
Tax adjustment in respect of different tax rate of foreign subsidiaries	(36)	225	639
Non-deductible expenses and other permanent differences	368	143	(289)
Share based compensation	1,210	1,004	541
Increase (decrease) in other uncertain tax positions, net	41	174	(639)
Taxes related to prior years (see also note 14b)	347	(61)	11,471
Losses and timing differences for which valuation allowance was provided, net	1,545	4,819	15,727
Others	(347)	(480)	(893)
Actual tax expense	$ 1,835	$ 970	$ 22,565

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 15:- SEGMENT AND GEOGRAPHIC INFORMATION

The Company operates in one reportable segment (see note 1 for a brief description of the Company's business). Operating segments are defined as components of an enterprise for which separate financial information is evaluated regularly by the chief operating decision maker, who is the Company's chief executive officer, in deciding how to allocate resources and in assessing performance. The Company's chief operating decision maker evaluates the Company's financial information and resources and assesses the performance of these resources on a consolidated basis.

Revenue disaggregated by revenue source consists of the following:

	Year Ended December 31,		
	2024	2023	2022
Systems	$ 33,190	$ 48,998	$ 119,073
Ink and consumables	114,896	112,047	103,429
Services	55,739	58,741	49,016
Total revenue	$ 203,825	$ 219,786	$ 271,518

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

	Year Ended December 31,		
	2024	2023	2022
U.S.	$ 115,034	$ 123,550	$ 138,515
EMEA	50,089	60,706	93,243
Asia Pacific	21,509	22,006	24,396
Other	17,193	13,524	15,364
Total revenue	$ 203,825	$ 219,786	$ 271,518

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

NOTE 15:- SEGMENT AND GEOGRAPHIC INFORMATION (Cont.)

The following table presents long-lived assets including right of use assets by geographic region as of December 31, 2024 and 2023:

	December 31,	
	2024	2023
U.S.	$ 13,340	$ 2,560
Israel	49,701	58,489
EMEA	14,937	13,279
Asia Pacific	298	359
	$ 78,276	$ 74,687

Major customers' data as a percentage of total revenues:

The following table sets forth the customers that accounted for 10% or more of the Company's total revenues in each of the years set forth below:

	Year Ended December 31,		
	2024	2023	2022
Customer A	30%	20%	27%

Major customers' data as a percentage of Trade receivables:

The following table sets forth the customers that accounted for 10% or more of the Company's Trade receivables in each of the years set forth below:

	December 31,	
	2024	2023
Customer A	14%	16%
Customer B	15%	13%
Customer C	12%	-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 16:- FINANCIAL INCOME, NET

Financial income, net:

	Year Ended December 31,		
	2024	**2023**	**2021**
Financial income:			
Interest on bank deposits and other interest income	$ 15,924	$ 20,246	$ 6,586
Exchange rate differences, net	-	-	2,426
Realized gain on sale of marketable securities, net	164	-	-
Interest on marketable securities	7,537	7,343	6,465
Amortization of premium and accretion of discount on marketable securities, net	389	-	-
	24,014	27,589	15,477
Financial expenses:			
Bank charges	(247)	(236)	(265)
Exchange rate differences, net	(1,417)	(2,315)	-
Realized loss on sale of marketable securities, net	-	(134)	(10)
Amortization of premium and accretion of discount on marketable securities, net	-	(754)	(1,820)
	(1,664)	(3,656)	(2,095)
Total financial income, net:	$ 22,350	$ 24,150	$ 13,382

NOTE 17:- BALANCES AND 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 met this policy at the time they occurred.

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Exhibit 2.2

Description of Kornit Digital Ltd. Ordinary Shares

The authorized share capital of Kornit Digital Ltd. (hereinafter, “we”, “us”, “our” or similar expressions) consists of NIS 2,000,000 divided into 200,000,000 ordinary shares, par value NIS 0.01 per share, or ordinary shares. As of February 28, 2025, 45,327,503 ordinary shares were issued and outstanding.

Registration Number and Purposes of the Company

Our registration number with the Israeli Registrar of Companies is 51-3195420. Our purpose as set forth in our articles of association, or articles, is to engage in any lawful activity.

Voting Rights

All ordinary shares have identical voting and other rights in all respects.

Transfer of Shares

Our fully paid ordinary shares are issued in registered form and may be freely transferred under our articles, unless the transfer is restricted or prohibited by another instrument, applicable law or the rules of a stock exchange on which the shares are listed for trade. The ownership or voting of our ordinary shares by non-residents of Israel is not restricted in any way by our articles or the laws of the State of Israel, except for ownership by nationals of some countries that are, or have been, in a state of war with Israel.

Election of Directors

Our ordinary shares do not have cumulative voting rights for the election of directors. As a result, the holders of a majority of the voting power represented at a shareholders meeting have the power to elect all of our directors, subject to the special approval requirements for external directors, to the extent we are then required to elect external directors.

Under our articles, our board of directors must consist of not less than five but no more than nine directors, including, when we are required, two external directors who serve pursuant to the Israeli Companies Law, 5759-1999, or the Companies Law. Pursuant to our articles, each of our directors (other than, when applicable, external directors, for whom special election requirements apply under the Companies Law), will be appointed by a simple majority vote of holders of our voting shares, participating and voting at an annual general meeting of our shareholders. In addition, our directors (other than the external directors, when applicable) are divided into three classes that are each elected at the third annual general meeting of our shareholders, in a staggered fashion (such that one class is elected each annual general meeting), and serve on our board of directors unless they are removed by a vote of 65% of the total voting power of our shareholders at a general meeting of our shareholders or upon the occurrence of certain events, in accordance with the Companies Law and our articles. In addition, our articles allow our board of directors to fill vacancies on the board of directors or to appoint new directors up to the maximum number of directors permitted under our articles. Such directors serve for a term of office equal to the remaining period of the term of office of the directors(s) whose office(s) have been vacated or in the case of new directors, for a term of office according to the class to which such director was assigned upon appointment. We are not currently required to have external directors serving on our board of directors, based on an exemption for Israeli public companies whose shares are traded in the United States and that lack a controlling shareholder that we have elected to be governed by under the Companies Law regulations.

Dividend and Liquidation Rights

We may declare a dividend to be paid to the holders of our ordinary shares in proportion to their respective shareholdings. Under the Companies Law, dividend distributions are determined by the board of directors and do not require the approval of the shareholders of a company unless the company’s articles of association provide otherwise. Our articles do not require shareholder approval of a dividend distribution and provide that dividend distributions may be determined by our board of directors.

Pursuant to the Companies Law, the distribution amount is limited to the greater of retained earnings or earnings generated over the previous two years, according to our then last reviewed or audited financial statements, provided that the end of the period to which the financial statements relate is not more than six months prior to the date of the distribution. If we do not meet such criteria, we may only distribute dividends with court approval. An equity repurchase is generally treated as a deemed dividend for purposes of these limitations on dividend distributions. However, for a company such as ours listed on an exchange outside of Israel, even if we lack the requisite retained earnings or earnings, we still do not need to seek court approval for an equity repurchase, provided that we notify our creditors of the proposed equity repurchase and allow such creditors an opportunity to initiate a court proceeding to review the repurchase. If within 30 days of such notification, creditors do not file an objection, we may proceed with the repurchase without obtaining court approval. In each case, we are only permitted to distribute a dividend (or effect equity repurchases) if our board of directors and the court, if applicable, determines that there is no reasonable concern that payment of the dividend (or the repurchases) will prevent us from satisfying our existing and foreseeable obligations as they become due.

Distributions may be determined by our board of directors.

In the event of our liquidation, after satisfaction of liabilities to creditors, our assets will be distributed to the holders of our ordinary shares in proportion to their shareholdings. This right, as well as the right to receive dividends, may be affected by the grant of preferential dividend or distribution rights to the holders of a class of shares with preferential rights that may be authorized in the future.

Exchange Controls

There are currently no Israeli currency control restrictions on remittances of dividends on our ordinary shares, proceeds from the sale of the shares or interest or other payments to non-residents of Israel, except for shareholders who are subjects of countries that are, or have been, in a state of war with Israel.

Shareholder Meetings

Under Israeli law, we are required to hold an annual general meeting of our shareholders once every calendar year that must be held no later than 15 months after the date of the previous annual general meeting. All meetings other than the annual general meeting of shareholders are referred to in our articles as special general meetings. Our board of directors may call special general meetings whenever it sees fit, at such time and place, within or outside of Israel, as it may determine. In addition, the Companies Law provides that our board of directors is required to convene a special general meeting upon the written request of (i) any two of our directors or one-quarter of the members of our board of directors or (ii) since our company's ordinary shares are listed on an exchange in the U.S., one or more shareholders holding, in the aggregate, either (a) 10% or more of our outstanding issued shares and 1% of our outstanding voting power or (b) 10% or more of our outstanding voting power.

Subject to the provisions of the Companies Law and the regulations promulgated thereunder, shareholders entitled to participate and vote at general meetings are the shareholders of record on a date to be decided by the board of directors, which may be between four and sixty days prior to the date of the meeting. Furthermore, the Companies Law requires that resolutions regarding the following matters must be passed at a general meeting of our shareholders:

- amendments to our articles;
- appointment or termination of our auditors;
- appointment of external directors;
- approval of certain related party transactions;
- increases or reductions of our authorized share capital;
- a merger; and
- the exercise of our board of director's powers by a general meeting, if our board of directors is unable to exercise its powers and the exercise of any of its powers is required for our proper management.

The Companies Law and our articles require that notice of any annual general meeting or special general meeting be provided to shareholders at least 21 days prior to the meeting and if the agenda of the meeting includes, among other matters, the appointment or removal of directors, the approval of transactions with office holders or interested or related parties, approval of the company's general manager to serve as the chairman of its board of directors or an approval of a merger, notice must be provided at least 35 days prior to the meeting.

The Companies Law generally allows one or more shareholders holding at least 1% of the voting power of a company to request the inclusion of an additional agenda item for an upcoming shareholders meeting, assuming that it is appropriate for debate and action at a shareholders meeting. For a company such as ours listed on an exchange outside of Israel, recently-adopted Companies Law regulations provide that a matter relating to the appointment or removal of a director may only be requested by one or more shareholders holding at least 5% of the voting rights. Our articles currently allow a shareholder holding 1% or more of our voting power to request inclusion of an agenda item, so currently we are unable to utilize the 5% threshold for a director appointment or removal request set by the Companies Law regulations. Under applicable regulations, a shareholder request regarding a shareholder meeting agenda item must be submitted within three or, for certain requested agenda items, seven days following our publication of notice of the meeting. If the requested agenda item includes the appointment of director(s), the requesting shareholder must comply with particular procedural and documentary requirements. If our board of directors determines that the requested agenda item is appropriate for consideration by our shareholders, we must publish an updated notice that includes such item within seven days following the deadline for submission of agenda items by our shareholders. The publication of the updated notice of the shareholders meeting does not impact the record date for the meeting. In lieu of this process, we may opt to provide pre-notice of our shareholders meeting at least 21 days prior to publishing official notice of the meeting. In that case, our 1% shareholders are given a 14-day period following the pre-notice in which to submit proposed agenda items, after which we would have seven days to publish notice of the meeting that includes any accepted shareholder proposals.

Under the Companies Law and under our articles, shareholders are not permitted to take action by way of written consent in lieu of a meeting.

Voting Rights

Quorum requirements

Pursuant to our articles, holders of our ordinary shares have one vote for each ordinary share held on all matters submitted to a vote before the shareholders at a general meeting. As a foreign private issuer, the quorum required for our general meetings of shareholders consists of at least two shareholders present in person, by proxy or written ballot who hold or represent between them at least 25% of the total outstanding voting rights. A meeting adjourned for lack of a quorum is generally adjourned to the same day in the following week at the same time and place or to a later time or date if so, specified in the notice of the meeting. At the reconvened meeting, any number of shareholders present in person or by proxy shall constitute a quorum, unless a meeting was called pursuant to a request by our shareholders, in which case the quorum required is one or more shareholders, present in person or by proxy and holding the number of shares required to call the meeting as described under "Shareholder Meetings."

Vote Requirements

Our articles provide that all resolutions of our shareholders require a simple majority vote, unless otherwise required by the Companies Law or by our articles. Under the Companies Law, each of (i) the approval of an extraordinary transaction with a controlling shareholder and (ii) the terms of employment or other engagement of the controlling shareholder of the company or such controlling shareholder's relative (even if such terms are not extraordinary) require the approval of the company's audit committee (or compensation committee with respect to compensation arrangements), board of directors and shareholders, in that order. In addition, the shareholder approval must fulfill one of the following requirements:

- at least a majority of the shares held by all shareholders who do not have a personal interest in the transaction and who are present and voting at the meeting approves the transaction, excluding abstentions; or

- the shares voted against the transaction by shareholders who have no personal interest in the transaction and who are present and voting at the meeting do not exceed 2% of the voting rights in the company.

Additionally:

(i) the approval and extension of a compensation policy and certain deviations therefrom require the approval of compensation committee, board of directors and shareholders, in that order. In addition, the shareholder approval must be by a majority vote of the shares present and voting at a meeting of shareholders called for such purpose, provided that either: (a) such majority includes at least a majority of the shares held by all shareholders who are not controlling shareholders and do not have a personal interest in such compensation policy; or (b) the total number of shares of non-controlling shareholders who do not have a personal interest in the compensation policy and who vote against the arrangement does not exceed 2% of the company's aggregate voting rights;

(ii) the terms of employment or other engagement of the chief executive officer of the company require compensation committee, board of directors and shareholders, in that order (the shareholder approval must be by a majority vote of the shares present and voting at a meeting of shareholders called for such purpose, provided that either: (a) such majority includes at least a majority of the shares held by all shareholders who are not controlling shareholders and do not have a personal interest in such compensation; or (b) the total number of shares of non-controlling shareholders who do not have a personal interest in the compensation and who vote against the arrangement does not exceed 2% of the company's aggregate voting rights); and

(iii) the chairman of a company's board of directors also serving as its chief executive officer requires the same approval as applies to (i) and (ii) above (substituting the personal interest in the service of the chairman as chief executive officer in place of personal interest in the compensation).

Under our articles, the alteration of the rights, privileges, preferences or obligations of any class of our shares requires a simple majority of all classes of shares voting together as a single class at a shareholder meeting (without a separate vote of the class that is affected). Our articles also require that the removal of any director from office (other than our external directors) or the amendment of the provisions of our articles relating to our staggered board requires the vote of 65% of the voting power of our shareholders. Another exception to the simple majority vote requirement is a resolution for the voluntary winding up, or an approval of a scheme of arrangement or reorganization, of the company pursuant to Section 350 of the Companies Law, which requires the approval of holders of 75% of the voting rights represented at the meeting, in person or by proxy and voting on the resolution.

Access to Corporate Records

Under the Companies Law, shareholders are provided access to: minutes of our general meetings; our shareholders register and principal shareholders register, articles of association and annual audited financial statements; and any document that we are required by law to file publicly with the Israeli Companies Registrar or the Israel Securities Authority. These documents are publicly available and may be found and inspected at the Israeli Registrar of Companies. In addition, shareholders may request to be provided with any document related to an action or transaction requiring shareholder approval under the related party transaction provisions of the Companies Law. We may deny this request if we believe it has not been made in good faith or if such denial is necessary to protect our interest or protect a trade secret or patent.

Modification of Class Rights

Under our articles, the rights attached to any class of share, such as voting, liquidation and dividend rights, may be amended by adoption of a resolution by the holders of a simple majority of all classes of shares voting together as a single class at a shareholder meeting (without a separate vote of the class that is affected).

Registration Rights

Under a transaction agreement to which we are party with Amazon Corporate LLC, a subsidiary of Amazon.com, Inc., which we collectively refer to as Amazon, Amazon is entitled to certain registration rights. Under that agreement, (1) Amazon may request up to two times in any 12-month period that we file a shelf registration statement on Form F-3 or S-3 and we are required to keep the shelf registration effective for four 90-day periods, (2) if we are ineligible to file a registration statement on Form F-3 or Form S-3, Amazon may request up to four times that we file a long form registration statement to facilitate the sale of its shares, and (3) Amazon is entitled to piggyback registration rights on underwritten offerings effected by us. We are subject to customary obligations upon Amazon's request for registration, including cooperation in case of an underwritten offering.

Acquisitions under Israeli Law

Full Tender Offer.

A person wishing to acquire shares of an Israeli public company and who would as a result hold over 90% of the target company's issued and outstanding share capital is required by the Companies Law to make a tender offer to all of the company's shareholders for the purchase of all of the issued and outstanding shares of the company. A person wishing to acquire shares of a public Israeli company and who would as a result hold over 90% of the issued and outstanding share capital of a certain class of shares is required to make a tender offer to all of the shareholders who hold shares of the relevant class for the purchase of all of the issued and outstanding shares of that class. If the shareholders who do not accept the offer hold less than 5% of the issued and outstanding share capital of the company or of the applicable class, and more than half of the shareholders who do not have a personal interest in the offer accept the offer, all of the shares that the acquirer offered to purchase will be transferred to the acquirer by operation of law. However, a tender offer will also be accepted if the shareholders who do not accept the offer hold less than 2% of the issued and outstanding share capital of the company or of the applicable class of shares.

Upon a successful completion of such a full tender offer, any shareholder that was an offeree in such tender offer, whether such shareholder accepted the tender offer or not, may, within six months from the date of acceptance of the tender offer, petition an Israeli court to determine whether the tender offer was for less than fair value and that the fair value should be paid as determined by the court. However, under certain conditions, the offeror may include in the terms of the tender offer that an offeree who accepted the offer will not be entitled to petition the Israeli court as described above.

If a tender offer is not accepted in accordance with the requirements set forth above, the acquirer may not acquire shares from shareholders who accepted the tender offer that will increase its holdings to more than 90% of the company's issued and outstanding share capital or of the applicable class.

Special Tender Offer.

The Companies Law provides that an acquisition of shares of an Israeli public company must be made by means of a special tender offer if as a result of the acquisition the purchaser would become a holder of 25% or more of the voting rights in the company. This requirement does not apply if there is already another holder of at least 25% of the voting rights in the company. Similarly, the Companies Law provides that an acquisition of shares in a public company must be made by means of a special tender offer if as a result of the acquisition the purchaser would become a holder of more than 45% of the voting rights in the company, if there is no other shareholder of the company who holds more than 45% of the voting rights in the company, subject to certain exceptions.

A special tender offer must be extended to all shareholders of a company, but the offeror is not required to purchase shares representing more than 5% of the voting power attached to the company's outstanding shares, regardless of how many shares are tendered by shareholders. A special tender offer may be consummated only if (i) the offeror acquired shares representing at least 5% of the voting power in the company and (ii) the number of shares tendered by shareholders who accept the offer exceeds the number of shares held by shareholders who object to the offer (excluding the purchaser, controlling shareholders, holders of 25% or more of the voting rights in the company or any person having a personal interest in the acceptance of the tender offer, including their relatives and companies under their control). If a special tender offer is accepted, the purchaser or any person or entity controlling it or under common control with the purchaser or such controlling person or entity may not make a subsequent tender offer for the purchase of shares of the target company and may not enter into a merger with the target company for a period of one year from the date of the offer, unless the purchaser or such person or entity undertook to effect such an offer or merger in the initial special tender offer.

Merger

The Companies Law permits merger transactions if approved by each party's board of directors and, unless certain requirements described under the Companies Law are met, by a majority vote of each party's shareholders. In the case of the target company, approval of the merger further requires a majority vote of each class of its shares.

For purposes of the shareholder vote, unless a court rules otherwise, the merger will not be deemed approved if a majority of the votes of shares represented at the meeting of shareholders that are held by parties other than the other party to the merger, or by any person (or group of persons acting in concert) who holds (or hold, as the case may be) 25% or more of the voting rights or the right to appoint 25% or more of the directors of the other party, vote against the merger. If, however, the merger involves a merger with a company's own controlling shareholder or if the controlling shareholder has a personal interest in the merger, then the merger is instead subject to the same special majority approval that governs all extraordinary transactions with controlling shareholders (as described above under "Vote Requirements").

If the transaction would have been approved by the shareholders of a merging company but for the separate approval of each class or the exclusion of the votes of certain shareholders as provided above, a court may still approve the merger upon the petition of holders of at least 25% of the voting rights of a company. For such petition to be granted, the court must find that the merger is fair and reasonable, taking into account the respective values assigned to each of the parties to the merger and the consideration offered to the shareholders of the target company.

Upon the request of a creditor of either party to the proposed merger, the court may delay or prevent the merger if it concludes that there exists a reasonable concern that, as a result of the merger, the surviving company will be unable to satisfy the obligations of the merging entities, and may further give instructions to secure the rights of creditors.

In addition, a merger may not be consummated unless at least 50 days have passed from the date on which a proposal for approval of the merger is filed with the Israeli Registrar of Companies and at least 30 days have passed from the date on which the merger was approved by the shareholders of each party.

Anti-takeover Measures under Israeli Law

The Companies Law allows us to create and issue shares having rights different from those attached to our ordinary shares, including shares providing certain preferred rights with respect to voting, distributions or other matters and shares having preemptive rights. No preferred shares are authorized under our articles. In the future, if we do authorize, create and issue a specific class of preferred shares, such class of shares, depending on the specific rights that may be attached to it, may have the ability to frustrate or prevent a takeover or otherwise prevent our shareholders from realizing a potential premium over the market value of their ordinary shares. The authorization and designation of a class of preferred shares will require an amendment to our articles, which requires the prior approval of the holders of a majority of the voting power attaching to our issued and outstanding shares at a general meeting. The convening of the meeting, the shareholders entitled to participate, and the majority vote required to be obtained at such a meeting will be subject to the requirements set forth in the Companies Law as described above in "Voting Rights."

Borrowing Powers

Pursuant to the Companies Law and our articles, our board of directors may exercise all powers and take all actions that are not required under law or under our articles to be exercised or taken by our shareholders, including the power to borrow money for company purposes.

Changes in Capital

Our articles enable us to increase or reduce our share capital. Any such changes are subject to Israeli law and must be approved by a resolution duly passed by our shareholders at a general meeting by voting on such change in the capital. In addition, transactions that have the effect of reducing capital, such as the declaration and payment of dividends in the absence of sufficient retained earnings or profits, require the approval of both our board of directors and an Israeli court (other than an equity repurchase, for which we may proceed with the repurchase without obtaining court approval, provided that we follow the procedures described under "Dividend and Liquidation Rights" above).

KORNIT DIGITAL LTD.
2025 SHARE INCENTIVE PLAN

Unless otherwise defined, terms used herein shall have the meaning ascribed to them in Section 2 hereof.

1. PURPOSE; TYPES OF AWARDS; CONSTRUCTION.

1.1. Purpose. The purpose of this 2025 Share Incentive Plan (as amended, this "Plan") is to afford an incentive to Service Providers of Kornit Digital Ltd., an Israeli company (together with any successor corporation thereto, the "Company"), or any Affiliate of the Company, which now exists or hereafter is organized or acquired by the Company or its Affiliates, to continue as Service Providers, to increase their efforts on behalf of the Company or its Affiliates and to promote the success of the Company's business, by providing such Service Providers with opportunities to acquire a proprietary interest in the Company by the issuance of Shares or restricted Shares ("Restricted Shares") of the Company, Options, Restricted Share Units ("RSUs"), share appreciation rights and other Share-based Awards pursuant to Sections 11 through 13 of this Plan.

1.2. Types of Awards. This Plan is intended to enable the Company to issue Awards under various tax regimes, including:

(i) pursuant and subject to the provisions of Section 102 of the Ordinance (or the corresponding provision of any subsequently enacted statute, as amended from time to time), and all regulations and interpretations adopted by any competent authority, including the Israel Tax Authority (the "ITA"), including the Income Tax Rules (Tax Benefits in Stock Issuance to Employees) 5763-2003 or such other rules so adopted from time to time (the "Rules") (such Awards that are intended to be (as set forth in the Award Agreement) and which qualify as such under Section 102 of the Ordinance and the Rules, "102 Awards");

(ii) pursuant to Section 3(i) of the Ordinance or the corresponding provision of any subsequently enacted statute, as amended from time to time (such Awards, "3(i) Awards");

(iii) Incentive Stock Options within the meaning of Section 422 of the Code, or the corresponding provision of any subsequently enacted United States federal tax statute, as amended from time to time, to be granted to Employees who are deemed to be residents of the United States, for purposes of taxation, or are otherwise subject to U.S. Federal income tax (such Awards that are intended to be (as set forth in the Award Agreement) and which qualify as an incentive stock option within the meaning of Section 422(b) of the Code, "Incentive Stock Options");

(iv) Options not intended to be (as set forth in the Award Agreement) or which do not qualify as Incentive Stock Options ("Nonqualified Stock Options")

(v) Share appreciation rights; and

(vi) Restricted Shares, RSUs and other forms of Share-based Awards.

In addition to the issuance of Awards under the relevant tax regimes in the United States of America and the State of Israel, and without derogating from the generality of Section 24, this Plan contemplates issuances to Grantees in other jurisdictions or under other tax regimes with respect to which the Committee is empowered, but is not required, to make the requisite adjustments in this Plan, to adopt sub-plans under this Plan and/or to set forth the relevant conditions in an appendix to this Plan or in the Company's agreement with the Grantee in order to comply with Applicable Law of such other jurisdictions or the requirements of such other tax regimes.

1.3. Construction. To the extent any provision herein conflicts with the conditions of any relevant tax law, rule or regulation which are relied upon for tax relief in respect of a particular Award to a Grantee, the Committee is empowered, but is not required, hereunder to determine that the provisions of such law, rule or regulation shall prevail over those of this Plan and to interpret and enforce such prevailing provisions. With respect to 102 Awards, if and to the extent any action or the exercise or application of any provision hereof or authority granted hereby is conditioned or subject to obtaining a ruling or tax determination from the ITA, to the extent required by Applicable Law, then the taking of any such action or the exercise or application of such section or authority with respect to 102 Awards shall be conditioned upon obtaining such ruling or tax determination, and, if obtained, shall be subject to any condition set forth therein; it being clarified that there is no obligation to apply for any such ruling or tax determination (which shall be in the sole discretion of the Committee) and no assurance is made that if applied any such ruling or tax determination will be obtained (or the conditions thereof).

2. DEFINITIONS.

2.1. Terms Generally. Except when otherwise indicated by the context, (i) the singular shall include the plural and the plural shall include the singular; (ii) any pronoun shall include the corresponding masculine, feminine and neuter forms; (iii) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, restated, supplemented or otherwise modified (subject to any restrictions on such amendments, restatements, supplements or modifications set forth therein or herein), (iv) references to any law, constitution, statute, treaty, regulation, rule or ordinance, including any section or other part thereof shall refer to it as amended from time to time and shall include any successor thereof, (v) reference to a "company" or "entity" shall include a, partnership, corporation, limited liability company, association, trust, unincorporated organization, or a government or agency or political subdivision thereof, and reference to a "person" shall mean any of the foregoing or an individual, (vi) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Plan in its entirety, and not to any particular provision hereof, (vii) all references herein to Sections shall be construed to refer to Sections to this Plan; (viii) the words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation"; and (ix) use of the term "or" is not intended to be exclusive.

2.2. Defined Terms. The following terms shall have the meanings ascribed to them in this Section 2:

2.3. "Affiliate" shall mean, (i) with respect to any person, any other person that, directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, such person (with the term "control" or "controlled by" within the meaning of Rule 405 of Regulation C under the Securities Act), including, without limitation, any Parent or Subsidiary, or (ii) Employer.

2.4. "Applicable Law" shall mean any applicable law, rule, regulation, statute, pronouncement, policy, interpretation, judgment, order or decree of any federal, provincial, state or local governmental, regulatory or adjudicative authority or agency, of any jurisdiction, and the rules and regulations of any stock exchange, over-the-counter market or trading system on which the Company's shares are then traded or listed.

2.5. "Award" shall mean any issuance of Shares or Restricted Shares, Options, RSUs, share appreciation rights and other Share-based Awards granted under this Plan or any award granted under a previous plan of the Company or its subsidiaries (including any company acquired by the Company) similar to this plan (including, but not limited to, the Prior Plans.

2.6. "Board" shall mean the Board of Directors of the Company.

2.7. "Change in Board Event" shall mean any time at which individuals who, as of the Effective Date, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the Effective Date whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board.

2.8. "Code" shall mean the United States Internal Revenue Code of 1986, and any applicable regulations promulgated thereunder, all as amended.

2.9. "Committee" shall mean a committee established or appointed by the Board to administer this Plan, subject to Section 3.1.

2.10. "Companies Law" shall mean the Israel Companies Law, 5759-1999, and the regulations promulgated thereunder, all as amended from time to time.

2.11. "Controlling Shareholder" shall have the meaning set forth in Section 32(9) of the Ordinance.

2.12. "Disability" shall mean (i) the inability of a Grantee to engage in any substantial gainful activity or to perform the major duties of the Grantee's position with the Company or its Affiliates by reason of any medically determinable physical or mental impairment which has lasted or can be expected to last for a continuous period of not less than 12 months (or such other period as determined by the Committee), as determined by a qualified doctor acceptable to the Company, (ii) if applicable, a "permanent and total disability" as defined in Section 22(e)(3) of the Code or Section 409A(a)(2)(c)(i) of the Code, as amended from time to time, or (iii) as defined in a policy of the Company that the Committee deems applicable to this Plan, or that makes reference to this Plan, for purposes of this definition.

2.13. "Employee" shall mean any person treated as an employee (including an officer or a director who is also treated as an employee) in the records of the Company or any of its Affiliates (and in the case of 102 Awards, subject to Section 9.3 or in the case of Incentive Stock Options, who is an employee for purposes of Section 422 of the Code); provided, however, that neither service as a director nor payment of a director's fee shall be sufficient to constitute employment for purposes of this Plan. The Company shall determine in good faith and in the exercise of its discretion whether an individual has become or has ceased to be an Employee and the effective date of such individual's employment or termination of employment, as the case may be. For purposes of a person's rights, if any, under this Plan as of the time of the Company's determination, all such determinations by the Company shall be final, binding and conclusive, notwithstanding that the Company or any court of law or governmental agency subsequently makes a contrary determination.

2.14. "Employer" means, for purpose of a 102 Trustee Award, the Company or an Affiliate, Subsidiary or Parent thereof, which is an "employing company" within the meaning and subject to the conditions of Section 102(a) of the Ordinance.

2.15. "employment", "employed" and words of similar import shall be deemed to refer to the employment of Employees or to the services of any other Service Provider, as the case may be.

2.16. "Exchange Act" shall mean the U.S. Securities Exchange Act of 1934, as amended, and all regulations, guidance and other interpretative authority issued thereunder.

2.17. "exercise," "exercised" and words of similar import, when referring to an Award that does not require exercise or that is settled upon vesting (such as may be the case with RSUs or Restricted Shares, if so determined in their terms), shall be deemed to refer to the vesting of such an Award (regardless of whether or not the wording included reference to vesting of such an Awards explicitly).

2.18. "Exercise Period" shall mean the period, commencing on the date of grant of an Award, during which an Award shall be exercisable, subject to any vesting provisions thereof (including any acceleration thereof, if any) and subject to the termination provisions hereof.

2.19. "Exercise Price" shall mean the exercise price for each Share covered by an Option or the purchase price for each Share covered by any other Award.

2.20. "Fair Market Value" shall mean, as of any date, the value of a Share or other securities, property or rights as determined by the Board, in its discretion, subject to the following: (i) if, on such date, the Shares are listed on any securities exchange, the closing sales price per Share on the securities exchange on which the Shares are principally traded on such date, or if no sale occurred on such date, the last day preceding such date on which a sale occurred, as reported in The Wall Street Journal or such other source as the Company deems reliable; (ii) if, on such date, the Shares are then quoted in an over-the-counter market, the average of the closing bid and asked prices for the Shares in that market on such date, or if there are no bid and asked prices on such date, the last day preceding such date on which there are bid and asked prices, as reported in The Wall Street Journal or such other source as the Company deems reliable; or (iii) if, on such date, the Shares are not then listed on a securities exchange or quoted in an over-the-counter market, or in case of any other securities, property or rights, such value as the Committee, in its sole discretion, shall determine, with full authority to determine the method for making such determination and which determination shall be conclusive and binding on all parties, and shall be made after such consultations with outside legal, accounting and other experts as the Committee may deem advisable; provided, however, that, if applicable, the Fair Market Value of the Shares shall be determined in a manner that is intended to satisfy the applicable requirements of and subject to Section 409A of the Code, and with respect to Incentive Stock Options, in a manner that is intended to satisfy the applicable requirements of and subject to Section 422 of the Code, subject to Section 422(c)(7) of the Code. The Committee shall maintain a written record of its method of determining such value. If the Shares are listed or quoted on more than one established stock exchange or over-the-counter market, the Committee shall determine the principal such exchange or market and utilize the price of the Shares on that exchange or market (determined as per the method described in clauses (i) or (ii) above, as applicable) for the purpose of determining Fair Market Value.

2.21. "Grantee" shall mean a person who has been granted an Award(s) under this Plan.

2.22. "Option" shall mean a grant of options to purchase Shares, including, for the avoidance of doubt, Incentive Stock Options and Nonqualified Stock Options.

2.23. "Ordinance" shall mean the Israeli Income Tax Ordinance (New Version) 5271-1961, and the regulations and rules (including the Rules) promulgated thereunder, all as amended from time to time.

2.24. "Parent" shall mean any company (other than the Company), which now exists or is hereafter organized, (i) in an unbroken chain of companies ending with the Company if, at the time of granting an Award, each of the companies (other than the Company) owns stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other companies in such chain, or (ii) if applicable and for purposes of Incentive Stock Options, that is a "parent corporation" of the Company, as defined in Section 424(e) of the Code.

2.25. "Retirement" shall mean a Grantee's retirement pursuant to Applicable Law or in accordance with the terms of any tax-qualified retirement plan maintained by the Company or any of its Affiliates in which the Grantee participates or is subject to.

2.26. "Securities Act" shall mean the U.S. Securities Act of 1933, and the rules and regulations promulgated thereunder, all as amended from time to time.

2.27. "Service Provider" shall mean an Employee, director, officer, consultant, advisor and any other person, who provides services to the Company or any Parent, Subsidiary or other Affiliate thereof. Service Providers shall include prospective Service Providers to whom Awards are granted in connection with written offers of an employment or other service relationship with the Company or any Parent, Subsidiary or any other Affiliates thereof, provided, however, that such employment or service shall have actually commenced. Notwithstanding the foregoing, unless otherwise determined by the Committee, each Service Provider shall be an "employee" as defined in the General Instructions to Form S-8 Registration Statement under the Securities Act (or any successor form thereto) at the time the Award is granted to the Service Provider.

2.28. "Share(s)" shall mean ordinary share(s), par value NIS 0.01 per share, of the Company (including ordinary shares resulting or issued as a result of share split, reverse share split, bonus shares, combination or other recapitalization events), or shares of such other class of shares of the Company as shall be designated by the Board in respect of the relevant Award(s). "Shares" include any securities or property issued or distributed with respect thereto.

2.29. "Subsidiary" shall mean any company (other than the Company), which now exists or is hereafter organized or acquired by the Company, (i) in an unbroken chain of companies beginning with the Company if, at the time of granting an Award, each of the companies other than the last company in the unbroken chain owns stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other companies in such chain, or (ii) if applicable and for purposes of Incentive Stock Options, that is a "subsidiary corporation" of the Company, as defined in Section 424(f) of the Code.

2.30. "tax(es)" shall mean (a) all federal, state, local or foreign taxes, charges, fees, imposts, levies or other assessments, including all income, capital gains, alternative or add-on minimum, transfer, value added tax, real and personal property, withholding, payroll, employment, escheat, social security, disability, national security, health tax, wealth surtax, stamp, registration and estimated taxes, customs duties, fees, assessments and charges of any similar kind whatsoever (including under Section 280G of the Code) or other tax of any kind whatsoever, (b) all interest, indexation differentials, penalties, fines, additions to tax or additional amounts imposed by any taxing authority in connection with any item described in clause (a), (c) any transferee or successor liability in respect of any items described in clauses (a) or (b) payable by reason of contract, assumption, transferee liability, successor liability, operation of Applicable Law, or as a result of any express or implied obligation to assume Taxes or to indemnify any other person, and (d) any liability for the payment of any amounts of the type described in clause (a) or (b) payable as a result of being a member of an affiliated, consolidated, combined, unitary or aggregate or other group for any taxable period, including under U.S. Treasury Regulations Section 1.1502-6(a) (or any predecessor or successor thereof of any analogous or similar provision under Applicable Law) or otherwise.

2.31. "Ten Percent Shareholder" shall mean a Grantee who, at the time an Award is granted to the Grantee, owns shares possessing more than ten percent (10%) of the total combined voting power of all classes of shares of the Company or any Parent or Subsidiary, within the meaning of Section 422(b)(6) of the Code.

2.32. "Trustee" shall mean the trustee appointed by the Committee to hold the Awards (and, in relation with 102 Trustee Awards, approved by the ITA), if so appointed.

2.33. Other Defined Terms. The following terms shall have the meanings ascribed to them in the Sections set forth below:

Term	Section
102 Awards	1.2(i)
102 Capital Gains Track Awards	9.1
102 Non-Trustee Awards	9.2
102 Ordinary Income Track Awards	9.1
102 Trustee Awards	9.1
3(i) Awards	1.2(ii)
Award Agreement	6
Cause	6.6.4.4
Company	1.1
Effective Date	24.1
Election	9.2
Eligible 102 Grantees	9.3.1
Incentive Stock Options	1.2(iii)
Information	16.4
ITA	1.1(i)
Merger/Sale	14.2
Nonqualified Stock Options	1.2(iv)
Plan	1.1
Prior Plan(s)	5.2
Pool	5.1
Recapitalization	14.1
Required Holding Period	9.5
Restricted Period	11.2
Restricted Share Agreement	11
Restricted Share Unit Agreement	12
Restricted Share	11
RSUs	1.1
Rules	1.2(i)
Successor Corporation	14.2.1
Withholding Obligations	17.5

3. ADMINISTRATION.

3.1. To the extent permitted under Applicable Law, the Company's Amended and Restated Articles of Association (as may be amended and supplemented from time to time, the "Articles of Association") and any other governing document of the Company, this Plan shall be administered by the Committee. In the event that the Board does not appoint or establish a committee to administer this Plan, this Plan shall be administered by the Board and, accordingly, any and all references herein to the Committee shall be construed as references to the Board. In the event that an action necessary for the administration of this Plan is required under Applicable Law to be taken by the Board without the right of delegation, or if such action or power was explicitly reserved by the Board in appointing, establishing and empowering the Committee, then such action shall be so taken by the Board. In any such event, all references herein to the Committee shall be construed as references to the Board. Even if such a Committee was appointed or established, the Board may take any actions that are stated to be vested in the Committee, and shall not be restricted or limited from exercising all rights, powers and authorities under this Plan or Applicable Law. The Board shall appoint the members of the Committee, may from time to time remove members from, or add members to, the Committee, and shall fill vacancies in the Committee, however caused, provided that the composition of the Committee shall at all times be in compliance with any mandatory requirements of Applicable Law, the Articles of Association and any other governing document of the Company. The Committee may select one of its members as its Chairman and shall hold its meetings at such times and places as it shall determine. The Committee may appoint a Secretary, who shall keep records of its meetings, and shall make such rules and regulations for the conduct of its business as it shall deem advisable and subject to mandatory requirements of Applicable Law.

3.3. Subject to the terms and conditions of this Plan, any mandatory provisions of Applicable Law and any provisions of any Company policy required under mandatory provisions of Applicable Law, and in addition to the Committee's powers contained elsewhere in this Plan, the Committee shall have full authority, in its discretion, from time to time and at any time, to determine any of the following, or to recommend to the Board any of the following if it is not authorized to take such action according to Applicable Law:

(i) eligible Grantees,

(ii) grants of Awards and setting the terms and provisions of Award Agreements (which need not be identical) and any other agreements or instruments under which Awards are made, including, the number of Shares underlying each Award and the class of Shares underlying each Award (if more than one class was designated by the Board),

(iii) the time or times at which Awards shall be granted,

(iv) the terms, conditions and restrictions applicable to each Award (which need not be identical) and any Shares acquired upon the exercise or (if applicable) vesting thereof, including,(1) designating Awards under Section 1.2; (2) the vesting schedule, the acceleration thereof and terms and conditions upon which Awards may be exercised or become vested, (3) the Exercise Price, (4) the method of payment for Shares purchased upon the exercise or (if applicable) vesting of the Awards, (5) the method for satisfaction of any tax withholding obligation arising in connection with the Awards or such Shares, including by the withholding or delivery of Shares, (6) the time of the expiration of the Awards, (7) the effect of the Grantee's termination of employment with the Company or any of its Affiliates, and (8) all other terms, conditions and restrictions applicable to the Award or the Shares not inconsistent with the terms of this Plan,

(v) to accelerate, continue, extend or defer the exercisability of any Award or the vesting thereof, including with respect to the period following a Grantee's termination of employment or other service,

(vi) the interpretation of this Plan and any Award Agreement and the meaning, interpretation and applicability of terms referred to in Applicable Law,

(vii) policies, guidelines, rules and regulations relating to and for carrying out this Plan, and any amendment, supplement or rescission thereof, as it may deem appropriate,

(viii) to adopt supplements to, or alternative versions of, this Plan, including, without limitation, as it deems necessary or desirable to comply with the laws of, or to accommodate the tax regime or custom of, foreign jurisdictions whose citizens or residents may be granted Awards,

(ix) the Fair Market Value of the Shares or other securities, property or rights,

(x) the tax track (capital gains, ordinary income track or any other track available under the Section 102 of the Ordinance) for the purpose of 102 Awards,

(xi) the authorization and approval of conversion, substitution, cancellation or suspension under and in accordance with this Plan of any or all Awards or Shares,

(xii) unless otherwise provided under the terms of this Plan, the amendment, modification, waiver or supplement of the terms of any outstanding Award (including reducing the Exercise Price of an Award), provided, however, that if such amendments increase the Exercise Price of an Award or reduce the number of Shares underlying an Award, then such amendments shall require the consent of the applicable Grantee, unless such amendment is made pursuant to the exercise of rights or authorities in accordance with Sections 14 or 24,

(xiii) without limiting the generality of the foregoing, and subject to the provisions of Applicable Law, to grant to a Grantee, who is the holder of an outstanding Award, in exchange for the cancellation of such Award, a new Award having an Exercise Price lower than that provided in the Award so canceled and containing such other terms and conditions as the Committee may prescribe in accordance with the provisions of this Plan or to set a new Exercise Price for the same Award lower than that previously provided in the Award, in each case, without the consent of the Company's shareholders,

(xiv) to correct any defect, supply any omission or reconcile any inconsistency in this Plan or any Award Agreement and all other determinations and take such other actions with respect to this Plan or any Award as it may deem advisable to the extent not inconsistent with the provisions of this Plan or Applicable Law, and

(xv) any other matter which is necessary or desirable for, or incidental to, the administration of this Plan and any Award thereunder.

3.4. The authority granted hereunder includes the authority to modify Awards to eligible individuals who are foreign nationals or are individuals who are employed outside the State of Israel or the United States of America, to recognize differences in local law, tax policy or custom, in order to effectuate the purposes of this Plan but without amending this Plan.

3.5. The Board and the Committee shall be free at all times to make such determinations and take such actions as they deem fit. The Board and the Committee need not take the same action or determination with respect to all Awards, with respect to certain types of Awards, with respect to all Service Providers or any certain type of Service Providers and actions and determinations may differ as among the Grantees, and as between the Grantees and any other holders of securities of the Company.

3.6. All decisions, determinations, and interpretations of the Committee, the Board and the Company under this Plan shall be final and binding on all Grantees (whether before or after the issuance of Shares pursuant to Awards), unless otherwise determined by the Committee, the Board or the Company, respectively. The Committee shall have the authority (but not the obligation) to determine the interpretation and applicability of Applicable Law to any Grantee or any Awards. No member of the Committee or the Board shall be liable to any Grantee for any action taken or determination made in good faith with respect to this Plan or any Award granted hereunder.

3.7. Any officer or authorized signatory of the Company shall have the authority to act on behalf of the Company with respect to any matter, right, obligation, determination or election which is the responsibility of or which is allocated to the Company herein, provided such person has apparent authority with respect to such matter, right, obligation, determination or election. Such person or authorized signatory shall not be liable to any Grantee for any action taken or determination made in good faith with respect to this Plan or any Award granted hereunder.

4. ELIGIBILITY.

Awards may be granted to Service Providers of the Company or any Affiliate thereof, taking into account, at the Committee's discretion and without an obligation to do so, the qualification under each tax regime pursuant to which such Awards are granted, subject to the limitation on the granting of Incentive Stock Options set forth in Section 8.1. A person who has been granted an Award hereunder may be granted additional Awards, if the Committee shall so determine, subject to the limitations herein. However, eligibility in accordance with this Section 4 shall not entitle any person to be granted an Award, or, having been granted an Award, to be granted an additional Award.

Awards may differ in number of Shares covered thereby, the terms and conditions applying to them or on the Grantees or in any other respect (including, that there should not be any expectation (and it is hereby disclaimed) that a certain treatment, interpretation or position granted to one shall be applied to the other, regardless of whether or not the facts or circumstances are the same or similar).

5. SHARES.

5.1. The maximum aggregate number of Shares that may be issued pursuant to Awards under this Plan (which includes Shares that were available under the Prior Plans and were not subject to outstanding awards as of the Effective Date of this Plan, and were therefore transferred over to this Plan) (the "Pool") shall be the sum of (a) 2,053,090 Shares, plus (b) any Shares underlying awards under the Prior Plan(s) as of the Effective Date which, following the Effective Date, become available for issuance under the Plan pursuant to Section 5.2 below, in all events subject to adjustment as provided in Section 14.1. The Board may, at its discretion, reduce the number of Shares that may be issued pursuant to Awards under this Plan, at any time (provided that such reduction does not derogate from any issuance of Shares in respect of Awards then outstanding).

5.2. Any Shares (a) underlying an Award granted hereunder or an award that had been granted and was outstanding as of the Effective Date under the Company's 2015 Incentive Compensation Plan or 2012 Share Incentive Plan (the "Prior Plan(s)") that expires, or is cancelled, terminated, forfeited, or settled in cash in lieu of issuance of Shares, for any reason, without having been exercised; (b) if permitted by the Company, tendered to pay the Exercise Price of an Award (or the exercise price or other purchase price of any option or other award under the Prior Plan(s)), or withholding tax obligations with respect to an Award (or any awards under the Prior Plan(s)); or (c) if permitted by the Company, subject to an Award (or any award under the Prior Plan(s)) that are not delivered to a Grantee because such Shares are withheld to pay the Exercise Price of such Award (or any award under the Prior Plan(s)), or withholding tax obligations with respect to such Award (or such other award); shall automatically, and without any further action on the part of the Company or any Grantee, again be available for grant of Awards and for issuance upon exercise or (if applicable) vesting thereof for the purposes of this Plan (unless this Plan shall have been terminated), and, in the case of Shares underlying awards under the Prior Plans, the Pool under this Plan shall automatically be deemed to be increased by the amount of any such Shares being made available from the Prior Plans, unless the Board determines otherwise. Such Shares may be, in whole or in part, authorized but unissued Shares, (and, subject to obtaining a ruling as it applies to 102 Awards) treasury shares (dormant shares) or otherwise Shares that shall have been or may be repurchased by the Company (to the extent permitted pursuant to the Companies Law).

5.3. Unless determined otherwise by the Board or Committee, any Shares under the Pool that are not subject to outstanding or exercised Awards at the termination of this Plan shall cease to be reserved for the purpose of this Plan.

5.4. From and after the Effective Date, no further grants or awards shall be made under the Prior Plan(s); however, Awards made under the Prior Plan(s) before the Effective Date shall continue in effect in accordance with their terms.

6. TERMS AND CONDITIONS OF AWARDS.

Each Award granted pursuant to this Plan shall be evidenced by a written or electronic agreement between the Company and the Grantee or a written or electronic notice delivered by the Company (the "Award Agreement"), in substantially such form or forms and containing such terms and conditions, as the Committee shall from time to time approve. The Award Agreement shall comply with and be subject to the following general terms and conditions and the provisions of this Plan (except for any provisions applying to Awards under different tax regimes), unless otherwise specifically provided in such Award Agreement, or the terms referred to in other Sections of this Plan applying to Awards under such applicable tax regimes, or terms prescribed by Applicable Law. Award Agreements need not be in the same form and may differ in the terms and conditions included therein.

6.1. Number of Shares. Each Award Agreement shall state the number of Shares covered by the Award.

6.2. Type of Award. Each Award Agreement may state the type of Award granted thereunder, provided that the tax treatment of any Award, whether or not stated in the Award Agreement, shall be as determined in accordance with Applicable Law.

6.3. Exercise Price. Each Award Agreement shall state the Exercise Price, if applicable. Unless otherwise set forth in this Plan, an Exercise Price of an Award of less than the par value of the Shares (if shares bear a par value) shall comply with Section 304 of the Companies Law. The Committee may , reduce the Exercise Price of any outstanding Award on terms and subject to such conditions as it deems advisable. The Exercise Price shall also be subject to adjustment as provided in Section 14 hereof. The Exercise Price of any Award granted to a Grantee who is subject to U.S. federal income tax shall be determined in accordance with Section 409A of the Code.

6.4. Manner of Exercise.

6.4.1 An Award may be exercised, as to any or all Shares as to which the Award has become exercisable, (a) by written notice delivered in person or by mail (or such other methods of delivery prescribed by the Company) to the Stock Administrator/Manager of the Company or, if no such role is then incumbent, to the Chief Financial Officer of the Company or to such other person as determined by the Committee, (b) by way of an exercise order submitted via the online service operated and maintained by the Company or any of its service providers, or (c) or in any other manner as the Committee shall prescribe from time to time, specifying the number of Shares with respect to which the Award is being exercised (which may be equal to or lower than the aggregate number of Shares that have become exercisable at such time, subject to the last sentence of this Section), accompanied by payment of the aggregate Exercise Price for such Shares in the manner specified in the following sentence. The Exercise Price shall be paid in full with respect to each Share, at the time of exercise and as a condition therefor, either (i) in cash, (ii) if the Company's shares are listed for trading on any securities exchange or over-the-counter market, and if the Committee so determines, all or part of the Exercise Price and any withholding taxes may be paid by the delivery (on a form prescribed by the Company) of an irrevocable direction to a securities broker approved by the Company to sell Shares and to deliver all or part of the sales proceeds to the Company or the Trustee, (iii) if the Company's shares are listed for trading on any securities exchange or over-the-counter market, and if the Committee so determines, all or part of the Exercise Price and any withholding taxes may be paid by the delivery (on a form prescribed by the Company) of an irrevocable direction to pledge Shares to a securities broker or lender approved by the Company, as security for a loan, and to deliver all or part of the loan proceeds to the Company or the Trustee, (iv) by applying the Cashless Exercise Mechanism set forth in Section 6.4.3 below, or (v) in such other manner as the Committee shall determine, which may include procedures for cashless exercise.

6.4.2 The application of Cashless Exercise Mechanism with respect to any 102 Awards shall be subject to obtaining a ruling from the ITA, to the extent required by Applicable Law.

6.4.3 Unless otherwise determined by the Committee, any and all Options (other than Incentive Stock Options) may be exercised using a cashless exercise mechanism, in which case the number of the Shares to be issued by the Company upon such exercise shall be calculated pursuant to the following formula (the "Cashless Exercise Mechanism"):

$$X = \frac{Y * (A - B)}{A}$$

Where: X = the number of Shares to be issued to the Grantee.

Y = the number of Shares, as adjusted to the date of such calculation, underlying the number of Options being exercised.

A = the fair market value, as determined in the tax ruling mentioned in Section 6.4.2 above, of one Share at the exercise date.

B = the Exercise Price of the Options being exercised.

Upon the completion of the calculation, if X is a negative number, then X shall be deemed to equal 0 (zero).

6.5. Term and Vesting of Awards.

6.5.1 Each Award Agreement shall provide the vesting schedule for the Award as determined by the Committee. The Committee shall have the authority to determine the vesting schedule and accelerate the vesting of any outstanding Award at such time and under such circumstances as it, in its sole discretion, deems appropriate. Unless otherwise resolved by the Committee and stated in the Award Agreement, and subject to Sections 6.6 and 6.7 hereof, Awards shall vest and become exercisable under the following schedule: twenty-five percent (25%) of the Shares covered by the Award, on the first anniversary of the vesting commencement date determined by the Committee (and in the absence of such determination, of date on which such Award was granted), and six and one-quarter percent (6.25%) of the Shares covered by the Award at the end of each subsequent three-month period thereafter over the course of the following three (3) years; provided that the Grantee remains continuously as a Service Provider of the Company or its Affiliates throughout such vesting dates.

6.5.2 The Award Agreement may contain performance goals and measurements (which, in case of 102 Trustee Awards, may, if then required, be subject to obtaining a specific tax ruling or determination from the ITA), and the provisions with respect to any Award need not be the same as the provisions with respect to any other Award. Such performance goals may include, but are not limited to, revenues, sales, operating income, earnings before interest and taxes, return on investment, earnings per share, share trading price and performance hurdles, any combination of the foregoing or rate of growth of any of the foregoing, as determined by the Committee. The Committee may adjust performance goals pursuant to Awards previously granted to take into account changes in law and accounting and tax rules and to make such adjustments as the Committee deems necessary or appropriate to reflect the inclusion or the exclusion of the impact of extraordinary or unusual items, events or circumstances.

6.5.3 The Exercise Period of an Award will be ten (10) years from the date of grant of the Award, unless otherwise determined by the Committee and stated in the Award Agreement, but subject to the vesting provisions described above and the early termination provisions set forth in Sections 6.6 and 6.7 hereof. At the expiration of the Exercise Period, any Award, or any part thereof, that has not been exercised within the term of the Award and the Shares covered thereby not paid for in accordance with this Plan and the Award Agreement shall terminate and become null and void, and all interests and rights of the Grantee in and to the same shall expire.

6.6. Termination.

6.6.1 Unless otherwise determined by the Committee, and subject to this Section 6.6 and Section 6.7 hereof, an Award may not be exercised unless the Grantee was, since the date of grant of the Award throughout the vesting dates, and is then (at the time of exercise), a Service Provider.

6.6.2 In the event that the employment or service of a Grantee shall terminate (other than by reason of death, Disability or Retirement), such that Grantee is no longer a Service Provider, all Awards of such Grantee that are unvested at the time of such termination shall terminate on the date of such termination, and all Awards of such Grantee that are vested and exercisable at the time of such termination may be exercised within up to three (3) months after the date of such termination (or such different period as the Committee shall prescribe, in general or on a case-by-case basis), but in any event no later than the date of expiration of the Award's term as set forth in the Award Agreement or pursuant to this Plan; provided, however, that if the Company (or its Subsidiary or other Affiliate thereof, as applicable) shall have terminated the Grantee's employment or service for Cause (as defined below) (whether the facts or circumstances that constitute such Cause occur prior to or after termination of employment or service), or if facts or circumstances arise or are discovered with respect to the Grantee that would have constituted Cause, then all Awards theretofore granted to such Grantee (whether vested or not) shall terminate and be subject to recoupment by the Company on the date of such termination (or on such subsequent date on which such facts or circumstances arise or are discovered, as the case may be) unless otherwise determined by the Committee, and any Shares issued upon exercise or (if applicable) vesting of Awards (including other Shares or securities issued or distributed with respect thereto, and including the gross amount of any proceeds, gains or other economic benefit the Grantee actually or constructively receives upon receipt or exercise of any Award or the receipt or resale of any Shares underlying the Award), whether held by the Grantee or by the Trustee for the Grantee's benefit, shall be deemed to be irrevocably offered for sale to the Company, any of its Affiliates or any person designated by the Company to purchase, at the Company's election and subject to Applicable Law, either for no consideration, for the par value of such Shares (if such Shares bear a par value) or against payment of the Exercise Price previously received by the Company for such Shares upon their issuance, as the Committee deems fit, upon written notice to the Grantee at any time prior to, at or after the Grantee's termination of employment or service. Such Shares or other securities shall be sold and transferred within 30 days from the date of the Company's notice of its election to exercise its right. If the Grantee fails to transfer such Shares or other securities to the Company, the Company, at the decision of the Committee, shall be entitled to forfeit or repurchase such Shares and to authorize any person to execute on behalf of the Grantee any document necessary to effect such transfer, whether or not the share certificates (if any) are surrendered. The Company shall have the right and authority to effect the above either by: (i) repurchasing all of such Shares or other securities held by the Grantee or by the Trustee for the benefit of the Grantee, or designate the purchaser of all or any part of such Shares or other securities, for the Exercise Price paid for such Shares, the par value of such Shares (if such Shares bear a par value) or for no payment or consideration whatsoever, as the Committee deems fit; (ii) forfeiting all or any part of such Shares or other securities; (iii) redeeming all or any part of such Shares or other securities, for the Exercise Price paid for such Shares, the par value of such Shares (if such Shares bear a par value) or for no payment or consideration whatsoever, as the Committee deems fit; (iv) taking action in order to have all or any part of such Shares or other securities converted into deferred shares entitling their holder only to their par value (if such Shares bear a par value) upon liquidation of the Company; or (v) taking any other action which may be required in order to achieve similar results; all as shall be determined by the Committee, at its sole and absolute discretion, and the Grantee is deemed to irrevocably empower the Company or any person which may be designated by it to take any action by, in the name of or on behalf of the Grantee to comply with and give effect to such actions (including, voting such shares, filling in, signing and delivering share transfer deeds, etc.).

6.6.3 Notwithstanding anything to the contrary, the Committee, in its absolute discretion, may, on such terms and conditions as it may determine appropriate, extend the periods for which Awards held by any Grantee may continue to vest and be exercisable; it being clarified that such Awards may lose their entitlement to certain tax benefits under Applicable Law (including, without limitation, qualification of an Award as an Incentive Stock Option) as a result of the modification of such Awards and/or in the event that the Award is exercised beyond the later of: (i) three (3) months after the date of termination of the employment or service relationship; or (ii) the applicable period under Section 6.7 below with respect to a termination of the employment or service relationship because of the death, Disability or Retirement of Grantee.

6.6.4 For purposes of this Plan:

6.6.4.1. A termination of employment or service relationship of a Grantee shall not be deemed to occur (except to the extent required by the Code with respect to the Incentive Stock Option status of an Option) in case of (i) a transition or transfer of a Grantee among the Company and its Affiliates, (ii) a change in the capacity in which the Grantee is employed or renders service to the Company or any of its Affiliates or a change in the identity of the employing or engagement entity among the Company and its Affiliates, provided, in case of the foregoing clauses (i) and (ii) above, that the Grantee has remained continuously employed by and/or in the service of the Company and its Affiliates since the date of grant of the Award and throughout the vesting period; or (iii) if the Grantee takes any unpaid leave as set forth in Section 6.8 below.

6.6.4.2. An entity or an Affiliate thereof assuming an Award or issuing in substitution thereof in a transaction to which Section 424(a) of the Code applies or in a Merger/Sale in accordance with Section 14 shall be deemed as an Affiliate of the Company for purposes of this Section 6.6, unless the Committee determines otherwise.

6.6.4.3. In the case of a Grantee whose principal employer or service recipient is a Subsidiary or other Affiliate thereof, the Grantee's employment or service relationship shall also be deemed terminated for purposes of this Section 6.6 as of the date on which such principal employer or service recipient ceases to be a Subsidiary or other Affiliate thereof.

6.6.4.4. The term "Cause" shall mean (irrespective of, and in addition to, any definition included in any other agreement or instrument applicable to the Grantee, and unless otherwise determined by the Committee) any of the following: (i) any theft, fraud, embezzlement, dishonesty, willful misconduct, breach of fiduciary duty for personal profit, falsification of any documents or records of the Company or any of its Affiliates, felony or similar act by the Grantee (whether or not related to the Grantee's relationship with the Company); (ii) an act of moral turpitude by the Grantee, or any act that causes significant injury to, or is otherwise adversely affecting, the reputation, business, assets, operations or business relationship of the Company (or a Subsidiary or other Affiliate thereof, when applicable); (iii) any breach by the Grantee of any material agreement with or of any material duty of the Grantee to the Company or any Subsidiary or other Affiliate thereof (including breach of confidentiality, non-disclosure, non-use non- competition or non-solicitation covenants towards the Company or any of its Affiliates) or failure to abide by code of conduct or other policies (including, without limitation, policies relating to confidentiality and reasonable workplace conduct); (iv) any act which constitutes a breach of a Grantee's fiduciary duty towards the Company or a Subsidiary or other Affiliate thereof, including disclosure of confidential or proprietary information thereof or acceptance or solicitation to receive unauthorized or undisclosed benefits, irrespective of their nature, or funds, or promises to receive either, from individuals, consultants or corporate entities with whom the Company or a Subsidiary or other Affiliate thereof conducts business; (v) the Grantee's unauthorized use, misappropriation, destruction, or diversion of any tangible or intangible asset or corporate opportunity of the Company or any of its Affiliates (including, without limitation, the improper use or disclosure of confidential or proprietary information); or (vi) any circumstances that constitute grounds for termination for cause under the Grantee's employment or service agreement with the Company or Affiliate, to the extent applicable. For the avoidance of doubt, the determination as to whether a termination is for Cause for purposes of this Plan, shall be made in good faith by the Committee and shall be final and binding on the Grantee.

6.7. Death, Disability or Retirement of Grantee.

6.7.1 If a Grantee shall die while employed by, or performing service for, the Company or any of its Affiliates, or within the three (3) month period (or such longer period of time as determined by the Board, in its discretion) after the date of termination of such Grantee's employment or service (or within such different period as the Committee may have provided pursuant to Section 6.6 hereof), or if the Grantee's employment or service with the Company or any of its Affiliates shall terminate by reason of Disability, all Awards theretofore granted to such Grantee may (to the extent otherwise vested and exercisable and unless earlier terminated in accordance with their terms) be exercised by the Grantee or by the Grantee's estate or by a person who acquired the legal right to exercise such Awards by bequest or inheritance, or by a person who acquired the legal right to exercise such Awards in accordance with applicable law in the case of Disability of the Grantee, as the case may be, at any time within one (1) year (or such longer period of time as determined by the Committee, in its discretion) after the death or Disability of the Grantee (or such different period as the Committee shall prescribe), but in any event no later than the date of expiration of the Award's term as set forth in the Award Agreement or pursuant to this Plan. In the event that an Award granted hereunder shall be exercised as set forth above by any person other than the Grantee, written notice of such exercise shall be accompanied by a certified copy of letters testamentary or proof satisfactory to the Committee of the right of such person to exercise such Award.

6.7.2 In the event that the employment or service of a Grantee shall terminate on account of such Grantee's Retirement, all Awards of such Grantee that are exercisable at the time of such Retirement may, unless earlier terminated in accordance with their terms, be exercised at any time within the three (3) month period after the date of such Retirement (or such different period as the Committee shall prescribe).

6.8. Suspension of Vesting. Unless the Committee provides otherwise, vesting of Awards granted hereunder shall be suspended during any unpaid leave of absence, other than in the case of any (i) leave of absence which was pre-approved by the Company explicitly for purposes of continuing the vesting of Awards, or (ii) transfers between locations of the Company or any of its Affiliates, or between the Company and any of its Affiliates, or any respective successor thereof. For clarity, for purposes of this Plan, military leave, statutory maternity or paternity leave or sick leave are not deemed unpaid leave of absence, unless otherwise determined by the Committee.

6.9. Securities Law Restrictions. Except as otherwise provided in the applicable Award Agreement or other agreement between the Service Provider and the Company, if the exercise of an Award following the termination of the Service Provider's employment or service (other than for Cause) would be prohibited at any time solely because the issuance of Shares would violate the registration requirements under the Securities Act or equivalent requirements under equivalent laws of other applicable jurisdictions, then the Award shall remain exercisable and terminate on the earlier of (i) the expiration of a period of three (3) months (or such longer period of time as determined by the Committee, in its discretion) after the termination of the Service Provider's employment or service during which the exercise of the Award would not be in such violation, or (ii) the expiration of the term of the Award as set forth in the Award Agreement or pursuant to this Plan. In addition, unless otherwise provided in a Grantee's Award Agreement, if the sale of any Shares received upon exercise or (if applicable) vesting of an Award following the termination of the Grantee's employment or service (other than for Cause) would violate the Company's insider trading policy, then the Award shall terminate on the earlier of (i) the expiration of a period equal to the applicable post-termination exercise period after the termination of the Grantee's employment or service during which the exercise of the Award would not be in violation of the Company's insider trading policy, or (ii) the expiration of the term of the Award as set forth in the applicable Award Agreement or pursuant to this Plan.

6.10. Other Provisions. The Award Agreement evidencing Awards under this Plan shall contain such other terms and conditions not inconsistent with this Plan as the Committee may determine, at or after the date of grant, including provisions in connection with the restrictions on transferring the Awards or Shares covered by such Awards, which shall be binding upon the Grantees and any purchaser, assignee or transferee of any Awards, and other terms and conditions as the Committee shall deem appropriate.

7. NONQUALIFIED STOCK OPTIONS.

Awards granted pursuant to this Section 7 are intended to constitute Nonqualified Stock Options and shall be subject to the general terms and conditions specified in Section 6 hereof and other provisions of this Plan, except for any provisions of this Plan applying to Awards under different tax laws or regulations. In the event of any inconsistency or contradictions between the provisions of this Section 7 and the other terms of this Plan, this Section 7 shall prevail.

7.1. Certain Limitations on Eligibility for Nonqualified Stock Options. Nonqualified Stock Options may not be granted to a Service Provider who is deemed to be a resident of the United States for purposes of taxation or who is otherwise subject to United States federal income tax unless the Shares underlying such Options constitute “service recipient stock” under Section 409A of the Code or unless such Options comply with the payment requirements of Section 409A of the Code.

7.2. Exercise Price. The Exercise Price of a Nonqualified Stock Option shall not be less than 100% of the Fair Market Value of a Share on the date of grant of such Option unless the Committee specifically indicates that the Awards will have a lower Exercise Price and the Award complies with Section 409A of the Code. Notwithstanding the foregoing, a Nonqualified Stock Option may be granted with an exercise price lower than the minimum exercise price set forth above if such Award is granted pursuant to an assumption or substitution for another option in a manner qualifying under the provisions of that complies with Section 424(a) of the Code 1.409A-1(b)(5)(v)(D) of the U.S. Treasury Regulations or any successor guidance.

8. INCENTIVE STOCK OPTIONS.

Awards granted pursuant to this Section 8 are intended to constitute Incentive Stock Options and shall be granted subject to the following special terms and conditions, the general terms and conditions specified in Section 6 hereof and other provisions of this Plan, except for any provisions of this Plan applying to Awards under different tax laws or regulations. In the event of any inconsistency or contradictions between the provisions of this Section 8 and the other terms of this Plan, this Section 8 shall prevail. However, if for any reason any Award granted pursuant to this Section 8 (or portion thereof) does not qualify as an Incentive Stock Option, then, to the extent of such non-qualification, such Option (or portion thereof) shall be regarded as a Nonqualified Stock Option granted under this Plan. In no event will the Board, the Company or any Parent or Subsidiary or any of their respective employees or directors have any liability to Grantee (or any other person) due to the failure of the Option to qualify for any reason as an Incentive Stock Option.

8.1. Eligibility for Incentive Stock Options. Incentive Stock Options may be granted only to Employees of the Company, or to Employees of a Parent or Subsidiary, determined as of the date of grant of such Options. An Incentive Stock Option granted to a prospective Employee upon the condition that such person become an Employee shall be deemed granted effective on the date such person commences employment, with an exercise price determined as of such date in accordance with Section 8.2.

8.2. Exercise Price. The Exercise Price of an Incentive Stock Option shall not be less than one hundred percent (100%) of the Fair Market Value of the Shares covered by the Awards on the date of grant of such Option or such other price as may be determined pursuant to the Code. Notwithstanding the foregoing, an Incentive Stock Option may be granted with an exercise price lower than the minimum exercise price set forth above if such Award is granted pursuant to an assumption or substitution for another option in a manner that complies with the provisions of Section 424(a) of the Code.

8.3. <u>Date of Grant</u>. Notwithstanding any other provision of this Plan to the contrary, no Incentive Stock Option may be granted under this Plan after 10 years from the date this Plan is adopted, or the date this Plan is approved by the shareholders, whichever is earlier.

8.4. <u>Exercise Period</u>. No Incentive Stock Option shall be exercisable after the expiration of ten (10) years after the effective date of grant of such Award, subject to Section 8.6. No Incentive Stock Option granted to a prospective Employee may become exercisable prior to the date on which such person commences employment.

8.5. <u>$100,000 Per Year Limitation</u>. The aggregate Fair Market Value (determined as of the date the Incentive Stock Option is granted) of the Shares with respect to which all Incentive Stock Options granted under this Plan and all other "incentive stock option" plans of the Company, or of any Parent or Subsidiary, become exercisable for the first time by each Grantee during any calendar year shall not exceed one hundred thousand United States dollars ($100,000) with respect to such Grantee. To the extent that the aggregate Fair Market Value of Shares with respect to which such Incentive Stock Options and any other such incentive stock options are exercisable for the first time by any Grantee during any calendar year exceeds one hundred thousand United States dollars ($100,000), such options shall be treated as Nonqualified Stock Options. The foregoing shall be applied by taking options into account in the order in which they were granted. If the Code is amended to provide for a different limitation from that set forth in this Section 8.5, such different limitation shall be deemed incorporated herein effective as of the date and with respect to such Awards as required or permitted by such amendment to the Code. If an Option is treated as an Incentive Stock Option in part and as a Nonqualified Stock Option in part by reason of the limitation set forth in this Section 8.5, the Grantee may designate which portion of such Option the Grantee is exercising. In the absence of such designation, the Grantee shall be deemed to have exercised the Incentive Stock Option portion of the Option first. Separate certificates representing each such portion may be issued upon the exercise of the Option.

8.6. <u>Ten Percent Shareholder</u>. In the case of an Incentive Stock Option granted to a Ten Percent Shareholder, notwithstanding the foregoing provisions of this Section 8, (i) the Exercise Price shall not be less than one hundred and ten percent (110%) of the Fair Market Value of a Share on the date of grant of such Incentive Stock Option, and (ii) the Exercise Period shall not exceed five (5) years from the effective date of grant of such Incentive Stock Option.

8.7. <u>Payment of Exercise Price</u>. Each Award Agreement evidencing an Incentive Stock Option shall state each alternative method by which the Exercise Price thereof may be paid.

8.8. <u>Leave of Absence</u>. Notwithstanding Section 6.8, a Grantee's employment shall not be deemed to have terminated if the Grantee takes any leave as set forth in Section 6.8(i) or as otherwise permitted by the Administrator.

8.9. <u>Exercise Following Termination</u>. Notwithstanding anything else in this Plan to the contrary, Incentive Stock Options that are not exercised within three (3) months following termination of the Grantee's employment with the Company or its Parent or Subsidiary or with a corporation (or a parent or subsidiary of such corporation) issuing or assuming an Option of such Grantee in a transaction to which Section 424(a) of the Code applies, or within one <u>(1)</u> year in case of termination of the Grantee's employment with the Company or its Parent or Subsidiary due to a Disability (within the meaning of Section 22(e)(3) of the Code), shall be deemed to be Nonqualified Stock Options.

8.10. <u>Notice to Company of Disqualifying Disposition</u>. Each Grantee who receives an Incentive Stock Option must agree to notify the Company in writing immediately after the Grantee makes a Disqualifying Disposition of any Shares received pursuant to the exercise of Incentive Stock Options. A "<u>Disqualifying Disposition</u>" is any disposition (including any sale) of such Shares before the later of (i) two years after the date the Grantee was granted the Incentive Stock Option, or (ii) one year after the date the Grantee acquired Shares by exercising the Incentive Stock Option. If the Grantee dies before such Shares are sold, these holding period requirements do not apply and no disposition of the Shares will be deemed a Disqualifying Disposition.

9. 102 AWARDS.

Awards granted pursuant to this Section 9 are intended to constitute 102 Awards and shall be granted subject to the following special terms and conditions, the general terms and conditions specified in Section 6 hereof and other provisions of this Plan, except for any provisions of this Plan applying to Awards under different tax laws or regulations. In the event of any inconsistency or contradictions between the provisions of this Section 9 and the other terms of this Plan, this Section 9 shall prevail.

9.1. Tracks. Awards granted pursuant to this Section 9 are intended to be granted pursuant to Section 102 of the Ordinance pursuant to either (i) Section 102(b)(2) or (3) thereof (as applicable), under the capital gain track ("102 Capital Gain Track Awards"), or (ii) Section 102(b)(1) thereof under the ordinary income track ("102 Ordinary Income Track Awards", and together with 102 Capital Gain Track Awards, "102 Trustee Awards"). 102 Trustee Awards shall be granted subject to the special terms and conditions contained in this Section 9, the general terms and conditions specified in Section 6 hereof and other provisions of this Plan, except for any provisions of this Plan applying to Options under different tax laws or regulations.

9.2. Election of Track. Subject to Applicable Law, the Company may grant only one type of 102 Trustee Awards at any given time to all Grantees who are to be granted 102 Trustee Awards pursuant to this Plan, and shall file an election with the ITA regarding the type of 102 Trustee Awards it elects to grant before the date of grant of any 102 Trustee Awards (the "Election"). Such Election shall also apply to any other securities, including bonus shares, received by any Grantee as a result of holding the 102 Trustee Awards. The Company may change the type of 102 Trustee Awards that it elects to grant only after the expiration of at least 12 months from the end of the year in which the first grant was made in accordance with the previous Election, or as otherwise provided by Applicable Law. Any Election shall not prevent the Company from granting Awards, pursuant to Section 102(c) of the Ordinance without a Trustee ("102 Non- Trustee Awards").

9.3. Eligibility for Awards.

9.3.1 Subject to Applicable Law, 102 Awards may only be granted to an "employee" within the meaning of Section 102(a) of the Ordinance (which as of the date of the adoption of this Plan means (i) individuals employed by an Israeli company being the Company or any of its Affiliates, and (ii) individuals who are serving and are engaged personally (and not through an entity) as "office holders" by such an Israeli company), but may not be granted to a Controlling Shareholder ("Eligible 102 Grantees"). Eligible 102 Grantees may receive only 102 Awards, which may either be granted to a Trustee or granted under Section 102 of the Ordinance without a Trustee.

9.4. 102 Award Grant Date.

9.4.1 Each 102 Award will be deemed granted on the date determined by the Committee, subject to Section 9.4.2, provided that (i) the Grantee has signed all documents required by the Company or pursuant to Applicable Law, and (ii) with respect to 102 Trustee Award, the Company has provided all applicable documents to the Trustee in accordance with the guidelines published by the ITA, and if an agreement is not signed and delivered by the Grantee within 90 days from the date determined by the Committee (subject to Section 9.4.2), then such 102 Trustee Award shall be deemed granted on such later date as such agreement is signed and delivered and on which the Company has provided all applicable documents to the Trustee in accordance with the guidelines published by the ITA. In the case of any contradiction, this provision and the date of grant determined pursuant hereto shall supersede and be deemed to amend any date of grant indicated in any corporate resolution or Award Agreement.

9.4.2 Unless otherwise permitted by the Ordinance, any grants of 102 Trustee Awards that are made on or after the date of the adoption of this Plan or an amendment to this Plan, as the case may be, that may become effective only at the expiration of thirty (30) days after the filing of this Plan or any amendment thereof (as the case may be) with the ITA in accordance with the Ordinance shall be conditional upon the expiration of such 30-day period, such condition shall be read and is incorporated by reference into any corporate resolutions approving such grants and into any Award Agreement evidencing such grants (whether or not explicitly referring to such condition), and the date of grant shall be at the expiration of such 30-day period, whether or not the date of grant indicated therein corresponds with this Section. In the case of any contradiction, this provision and the date of grant determined pursuant hereto shall supersede and be deemed to amend any date of grant indicated in any corporate resolution or Award Agreement.

9.5. 102 Trustee Awards.

9.5.1 Each 102 Trustee Award, each Share issued pursuant to the exercise of any 102 Trustee Award, and any rights granted thereunder, including bonus shares, shall be issued to and registered in the name of the Trustee and shall be held in trust for the benefit of the Grantee for the requisite period prescribed by the Ordinance (the "Required Holding Period"). In the event that the requirements under Section 102 of the Ordinance to qualify an Award as a 102 Trustee Award are not met, then the Award may be treated as a 102 Non-Trustee Award or 3(9) Award, all in accordance with the provisions of the Ordinance. After expiration of the Required Holding Period, the Trustee may release such 102 Trustee Awards and any such Shares, provided that (i) the Trustee has received an acknowledgment from the ITA that the Grantee has paid any applicable taxes due pursuant to the Ordinance, or (ii) the Trustee and/or the Company and/or the Employer withholds all applicable taxes and compulsory payments due pursuant to the Ordinance arising from the 102 Trustee Awards and/or any Shares issued upon exercise or (if applicable) vesting of such 102 Trustee Awards. The Trustee shall not release any 102 Trustee Awards or Shares issued upon exercise or (if applicable) vesting thereof prior to the payment in full of the Grantee's tax and compulsory payments arising from such 102 Trustee Awards and/or Shares or the withholding referred to in (ii) above.

9.5.2 Each 102 Trustee Award shall be subject to the relevant terms of the Ordinance, the Rules and any determinations, rulings or approvals issued by the ITA, which shall be deemed an integral part of the 102 Trustee Awards and shall prevail over any term contained in this Plan or Award Agreement that is not consistent therewith. Any provision of the Ordinance, the Rules and any determinations, rulings or approvals by the ITA not expressly specified in this Plan or Award Agreement that are necessary to receive or maintain any tax benefit pursuant to Section 102 of the Ordinance shall be binding on the Grantee. Any Grantee granted a 102 Trustee Awards shall comply with the Ordinance and the terms and conditions of the trust agreement entered into between the Company and the Trustee. The Grantee shall execute any and all documents that the Company and/or its Affiliates and/or the Trustee determine from time to time to be necessary in order to comply with the Ordinance and the Rules.

9.5.3 During the Required Holding Period, the Grantee shall not release from trust or sell, assign, transfer or give as collateral, the Shares issuable upon the exercise or (if applicable) vesting of a 102 Trustee Awards and/or any securities issued or distributed with respect thereto, until the expiration of the Required Holding Period. Notwithstanding the above, if any such sale, release or other action occurs during the Required Holding Period it may result in adverse tax consequences to the Grantee under Section 102 of the Ordinance and the Rules, which shall apply to and shall be borne solely by such Grantee. Subject to the foregoing, the Trustee may, pursuant to a written request from the Grantee, but subject to the terms of this Plan, release and transfer such Shares to a designated third party, provided that both of the following conditions have been fulfilled prior to such release or transfer: (i) payment has been made to the ITA of all taxes and compulsory payments required to be paid upon the release and transfer of the Shares, and confirmation of such payment has been received by the Trustee and the Company, and (ii) the Trustee has received written confirmation from the Company that all requirements for such release and transfer have been fulfilled according to the terms of the Company's corporate documents, any agreement governing the Shares, this Plan, the Award Agreement and any Applicable Law.

9.5.4 If a 102 Trustee Award is exercised or (if applicable) vested, the Shares issued upon such exercise or (if applicable) vesting shall be issued in the name of the Trustee for the benefit of the Grantee.

9.5.5 Upon or after receipt of a 102 Trustee Award, if required, the Grantee may be required to sign an undertaking to release the Trustee from any liability with respect to any action or decision duly taken and executed in good faith by the Trustee in relation to this Plan, or any 102 Trustee Awards or Share granted to such Grantee thereunder.

9.6. 102 Non-Trustee Awards. The foregoing provisions of this Section 9 relating to 102 Trustee Awards shall not apply with respect to 102 Non-Trustee Awards, which shall, however, be subject to the relevant provisions of Section 102 of the Ordinance and the applicable Rules. The Committee may determine that 102 Non-Trustee Awards, the Shares issuable upon the exercise or (if applicable) vesting of a 102 Non-Trustee Awards and/or any securities issued or distributed with respect thereto, shall be allocated or issued to the Trustee, who shall hold such 102 Non-Trustee Awards and all accrued rights thereon (if any), in trust for the benefit of the Grantee and/or the Company, as the case may be, until the full payment of tax arising from the 102 Non-Trustee Awards, the Shares issuable upon the exercise or (if applicable) vesting of a 102 Non-Trustee Awards and/or any securities issued or distributed with respect thereto. The Company may choose, alternatively, to force the Grantee to provide it with a guarantee or other security, to the satisfaction of each of the Trustee and the Company, until the full payment of the applicable taxes.

9.7. Written Grantee Undertaking. To the extent and with respect to any 102 Trustee Award, and as required by Section 102 of the Ordinance and the Rules, by virtue of the receipt of such Award, the Grantee is deemed to have provided, undertaken and confirmed the following written undertaking (and such undertaking is deemed incorporated into any documents signed by the Grantee in connection with the employment or service of the Grantee and/or the grant of such Award), which undertaking shall be deemed to apply and relate to all 102 Trustee Awards granted to the Grantee, whether under this Plan or other plans maintained by the Company, and whether prior to or after the date hereof.

9.7.1 The Grantee shall comply with all terms and conditions set forth in Section 102 of the Ordinance with regard to the "Capital Gain Track" or the "Ordinary Income Track", as applicable, and the applicable rules and regulations promulgated thereunder, as amended from time to time;

9.7.2 The Grantee is familiar with, and understands the provisions of, Section 102 of the Ordinance in general, and the tax arrangement under the "Capital Gain Track" or the "Ordinary Income Track" in particular, and its tax consequences; the Grantee agrees that the 102 Trustee Awards and Shares that may be issued upon exercise or (if applicable) vesting of the 102 Trustee Awards (or otherwise in relation to the 102 Trustee Awards), will be held by the Trustee appointed pursuant to Section 102 of the Ordinance for at least the duration of the "Holding Period" (as such term is defined in Section 102) under the "Capital Gain Track" or the "Ordinary Income Track", as applicable. The Grantee understands that any release of such 102 Trustee Awards or Shares from trust, or any sale of the Share prior to the termination of the Holding Period, as defined above, will result in taxation at marginal tax rate, in addition to deductions of appropriate social security, health tax contributions or other compulsory payments; and

9.7.3 The Grantee agrees to the trust agreement signed between the Company, the Employer and the Trustee appointed pursuant to Section 102 of the Ordinance.

10. 3(I) AWARDS.

Awards granted pursuant to this Section 10 are intended to constitute 3(i) Awards and shall be granted subject to the general terms and conditions specified in Section 6 hereof and other provisions of this Plan, except for any provisions of this Plan applying to Awards under different tax laws or regulations. In the event of any inconsistency or contradictions between the provisions of this Section 10 and the other terms of this Plan, this Section 10 shall prevail.

10.1. To the extent required by the Ordinance or the ITA or otherwise deemed by the Committee to be advisable, the 3(i) Awards and/or any shares or other securities issued or distributed with respect thereto granted pursuant to this Plan shall be issued to the Grantee and shall be supervised by a Trustee nominated by the Committee in accordance with the provisions of the Ordinance or the terms of a trust agreement, as applicable. In such event, the Trustee shall hold such Awards and or other securities issued or distributed with respect thereto in trust, until exercised or (if applicable) vested by the Grantee and the full payment of tax arising therefrom, pursuant to the Company's instructions from time to time as set forth in a trust agreement, which will have been entered into between the Company and the Trustee. If determined by the Board or the Committee, and subject to such trust agreement, the Trustee shall be responsible for withholding any taxes to which a Grantee may become liable upon issuance of Shares, whether due to the exercise or (if applicable) vesting of Awards.

10.2. Shares pursuant to a 3(I) Award shall not be issued, unless the Grantee delivers to the Company payment in cash or by bank check or such other form acceptable to the Committee of all withholding taxes due, if any, on account of the Grantee acquired Shares under the Award or gives other assurance satisfactory to the Committee of the payment of those withholding taxes.

11. RESTRICTED SHARES.

The Committee may award Restricted Shares to any eligible Grantee, including under Section 102 of the Ordinance. Each Award of Restricted Shares under this Plan shall be evidenced by a written agreement between the Company and the Grantee (the "Restricted Share Agreement"), in such form as the Committee shall from time to time approve. The Restricted Shares shall be subject to all applicable terms of this Plan, which in the case of Restricted Shares granted under Section 102 of the Ordinance shall include Section 9 hereof, and may be subject to any other terms that are not inconsistent with this Plan. The provisions of the various Restricted Shares Agreements entered into under this Plan need not be identical with respect to any two Awards or Grantees. The Restricted Share Agreement shall comply with and be subject to Section 6 and the following terms and conditions, unless otherwise specifically provided in such Agreement and not inconsistent with this Plan or Applicable Law:

11.1. Purchase Price. Section 6.4 shall not apply. Each Restricted Share Agreement shall state an amount of Exercise Price to be paid by the Grantee, if any, in consideration for the issuance of the Restricted Shares and the terms of payment thereof, which may include payment in cash or, subject to the Committee's approval, by issuance of promissory notes or other evidence of indebtedness on such terms and conditions as determined by the Committee.

11.2. Restrictions. Restricted Shares may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of, except by will or the laws of descent and distribution (in which case they shall be transferred subject to all restrictions then or thereafter applicable thereto), until such Restricted Shares shall have vested (the period from the date on which the Award is granted until the date of vesting of the Restricted Shares thereunder being referred to herein as the "Restricted Period"). The Committee may also impose such additional or alternative restrictions and conditions on the Restricted Shares, as it deems appropriate, including the satisfaction of performance criteria (which, in case of 102 Trustee Awards, may be subject to obtaining a specific tax ruling or determination from the ITA). Such performance criteria may include, but are not limited to, sales, earnings before interest and taxes, return on investment, earnings per share, share trading price and performance hurdles, any combination of the foregoing or rate of growth of any of the foregoing, as determined by the Committee or pursuant to the provisions of any Company policy required under mandatory provisions of Applicable Law. Certificates for shares issued pursuant to Restricted Share Awards, if issued, shall bear an appropriate legend referring to such restrictions, and any attempt to dispose of any such shares in contravention of such restrictions shall be null and void and without effect. Such certificates may, if so determined by the Committee, be held in escrow by an escrow agent appointed by the Committee, or, if a Restricted Share Award is made pursuant to Section 102 of the Ordinance, by the Trustee. In determining the Restricted Period of an Award the Committee may provide that the foregoing restrictions shall lapse with respect to specified percentages of the awarded Restricted Shares on successive anniversaries of the date of such Award. To the extent required by the Ordinance or the ITA, the Restricted Shares issued pursuant to Section 102 of the Ordinance shall be issued to the Trustee in accordance with the provisions of the Ordinance and the Restricted Shares shall be held for the benefit of the Grantee for at least the Required Holding Period.

11.3. Forfeiture; Repurchase. Subject to such exceptions as may be determined by the Committee, if the Grantee's continuous employment with or service to the Company or any Affiliate thereof shall terminate (such that Grantee is no longer a Service Provider of either the Company or any Affiliate thereof) for any reason prior to the expiration of the Restricted Period of an Award or prior to the timely payment in full of the Exercise Price of any Restricted Shares, any Restricted Shares remaining subject to vesting or with respect to which the purchase price has not been paid in full, shall thereupon be forfeited, transferred to, and redeemed, repurchased or cancelled by, as the case may be, in any manner as set forth in Section 6.6.2(i) through (v), subject to Applicable Law and the Grantee shall have no further rights with respect to such Restricted Shares.

11.4. Ownership. During the Restricted Period the Grantee shall possess all incidents of ownership of such Restricted Shares, subject to Section 6.10 and Section 11.2, including the right to vote and receive dividends with respect to such Shares. All securities, if any, received by a Grantee with respect to Restricted Shares as a result of any stock split, stock dividend, combination of shares, or other similar transaction shall be subject to the restrictions applicable to the original Award. Notwithstanding anything to the contrary herein, dividends which are paid to the Company's shareholders prior to the vesting date of any Restricted Shares shall only be paid to the Grantee of such Restricted Shares to the extent the vesting conditions applicable to such Restricted Shares are subsequently satisfied (and any such dividends will be paid no later than March 15 of the calendar year following the calendar year in which the right to the dividend payment becomes nonforfeitable)).

12. RESTRICTED SHARE UNITS.

An RSU is an Award covering a number of Shares that is settled, if vested and (if applicable) exercised, by issuance of those Shares or, in the discretion of the Committee, an amount of cash equal to the aggregate Fair Market Value of the Shares underlying the Award (other than with respect to 102 Trustee Awards). An RSU may be awarded to any eligible Grantee, including under Section 102 of the Ordinance. The Award Agreement relating to the grant of RSUs under this Plan (the "Restricted Share Unit Agreement"), shall be in such form as the Committee shall from time to time approve. The RSUs shall be subject to all applicable terms of this Plan, which in the case of RSUs granted under Section 102 of the Ordinance shall include Section 9 hereof, and may be subject to any other terms that are not inconsistent with this Plan. The provisions of the various Restricted Share Unit Agreements entered into under this Plan need not be identical. RSUs may be granted in consideration of a reduction in the recipient's other compensation.

12.1. Exercise Price. No payment of Exercise Price shall be required as consideration for RSUs, unless included in the Award Agreement or as required by Applicable Law (including, Section 304 of the Companies Law), and Section 6.4 shall apply, if applicable.

12.2. Shareholders' Rights. The Grantee shall not possess or own any ownership rights in the Shares underlying the RSUs and no rights as a shareholder shall exist prior to the actual issuance of Shares in the name of the Grantee.

12.3. Settlements of Awards. Settlement of vested RSUs shall be made in the form of Shares or, in the discretion of the Committee, cash (other than with respect 102 Trustee Awards). Distribution to a Grantee of an amount (or amounts) from settlement of vested RSUs can be deferred to a date after vesting as determined by the Committee. The amount of a deferred distribution may be increased by an interest factor or by dividend equivalents. Until the grant of RSUs is settled, the number of Shares underlying such RSUs shall be subject to adjustment pursuant hereto.

12.4. Section 409A Restrictions. Notwithstanding anything to the contrary set forth herein, any RSUs granted under this Plan that are not exempt from the requirements of Section 409A of the Code shall contain such restrictions or other provisions so that such RSUs will comply with the requirements of Section 409A of the Code, if applicable to the Grantee. Such restrictions, if any, shall be determined by the Committee and contained in the Restricted Share Unit Agreement evidencing such RSU. For example, such restrictions may include a requirement that any Shares that are to be issued in a year following the year in which the RSU vests must be issued in accordance with a fixed, pre-determined schedule.

13. OTHER SHARE OR SHARE-BASED AWARDS.

13.1. The Committee may grant other Awards under this Plan pursuant to which Shares (which may, but need not, be Restricted Shares pursuant to Section 11 hereof), cash (in settlement of Share-based Awards) or a combination thereof, are or may in the future be acquired or received, or Awards denominated in stock units, including units valued on the basis of measures other than market value.

13.2. The Committee may also grant stock appreciation rights without the grant of an accompanying option, which rights shall permit the Grantees to receive, at the time of any exercise of such rights, cash equal to the amount by which the Fair Market Value of the Shares in respect to which the right was granted is so exercised exceeds the exercise price thereof. The exercise price of any such stock appreciation right granted to a Grantee who is subject to U.S. federal income tax shall be determined in compliance with Section 7.2.

13.3. Such other Share-based Awards as set forth above may be granted alone, in addition to, or in tandem with any Award of any type granted under this Plan (without any obligation or assurance that that such Share-based Awards will be entitled to tax benefits under Applicable Law or to the same tax treatment as other Awards under this Plan).

14. EFFECT OF CERTAIN CHANGES.

14.1. General. In the event of a division or subdivision of the outstanding share capital of the Company, any distribution of bonus shares (stock split), consolidation or combination of share capital of the Company (reverse stock split), reclassification with respect to the Shares or any similar recapitalization events (each, a "Recapitalization"), a merger (including, a reverse merger and a reverse triangular merger), consolidation, amalgamation or like transaction of the Company with or into another corporation, a reorganization (which may include a combination or exchange of shares, spin-off or other corporate divestiture or division, or other similar occurrences, the Committee shall make, without the need for a consent of any holder of an Award, such adjustments as determined by the Committee to be appropriate, in its discretion, in order to adjust (i) the number and class of shares reserved and available for grants of Awards, (ii) the number and class of shares covered by outstanding Awards, (iii) the Exercise Price per share covered by any Award, (iv) the terms and conditions concerning vesting and exercisability and the term and duration of the outstanding Awards, (v) the type or class of security, asset or right underlying the Award (which need not be only that of the Company, and may be that of the surviving corporation or any affiliate thereof or such other entity party to any of the above transactions), and (vi) any other terms of the Award that in the opinion of the Committee should be adjusted. Subject to Applicable Law, any fractional shares resulting from such adjustment shall be treated as determined by the Committee, and in the absence of such determination shall be rounded to the nearest whole share, and the Company shall have no obligation to make any cash or other payment with respect to such fractional shares. No adjustment shall be made by reason of the distribution of subscription rights or rights offering to outstanding shares or other issuance of shares by the Company, unless the Committee determines otherwise. The adjustments determined pursuant to this Section 14.1 (including a determination that no adjustment is to be made) shall be final, binding and conclusive.

Notwithstanding anything to the contrary included herein, and subject to Applicable Law and the applicable accounting standards, in the event of a distribution of cash dividend by the Company to all holders of Shares, the Committee shall have the authority to determine, without the need for a consent of any holder of an Award, that the Exercise Price of any Award, which is outstanding and unexercised on the record date of such distribution, shall be reduced by an amount equal to the per Share gross dividend amount distributed by the Company, and the Committee may determine that the Exercise Price following such reduction shall be not less than the par value of a Share (if such Shares bear a par value). The application of this Section with respect to any 102 Awards shall be subject to obtaining a ruling from the ITA, to the extent required by applicable law and subject to the terms and conditions of any such ruling.

14.2. Merger/Sale of Company. In the event of (i) a sale of all or substantially all of the assets of the Company, or a sale (including an exchange) of all or substantially all of the shares of the Company, to any person, or a purchase by a shareholder of the Company or by an Affiliate of such shareholder, of all the shares of the Company held by all or substantially all other shareholders or by other shareholders who are not Affiliated with such acquiring party; (ii) a merger (including, a reverse merger and a reverse triangular merger), consolidation, amalgamation or like transaction of the Company with or into another corporation; (iii) a scheme of arrangement for the purpose of effecting such sale, merger, consolidation, amalgamation or other transaction; (iv) approval by the shareholders of the Company of a complete liquidation or dissolution of the Company, (v) Change in Board Event, or (vi) such other transaction or set of circumstances that is determined by the Board, in its discretion, to be a transaction subject to the provisions of this Section 14.2 excluding any of the foregoing transactions in clauses (i) through (iv) if the Board determines that such transaction should be excluded from the definition hereof and the applicability of this Section 14.2 (each of the foregoing transactions, a "Merger/Sale"), then, without derogating from the general authority and power of the Board or the Committee under this Plan, without the Grantee's consent and action and without any prior notice requirement, the Committee may make, in its sole and absolute discretion, any determination as to the treatment of Awards including, without limitation, as provided herein:

14.2.1 Unless otherwise determined by the Committee, any Award then outstanding shall be assumed or be substituted by the Company, or by the successor corporation in such Merger/Sale or by any parent or Affiliate thereof, as determined by the Committee in its discretion (the "Successor Corporation"), under terms as determined by the Committee or the terms of this Plan applied by the Successor Corporation to such assumed or substituted Awards.

For the purposes of this Section 14.2.1, the Award shall be considered assumed or substituted if, following a Merger/Sale, the Award confers on the holder thereof the right to purchase or receive, for each Share underlying an Award immediately prior to the Merger/Sale, either (i) the consideration (whether shares or other securities, cash or other property, or rights, or any combination thereof) distributed to or received by holders of Shares in the Merger/Sale for each Share held on the effective date of the Merger/Sale (and if holders were offered a choice or several types of consideration, the type of consideration as determined by the Committee, which need not be the same type for all Grantees), or (ii) regardless of the consideration received by the holders of Shares in the Merger/Sale, solely shares or any type of Awards (or their equivalent) of the Successor Corporation at a value to be determined by the Committee in its discretion, or a certain type of consideration (whether shares or other securities, cash or other property, or rights, or any combination thereof) as determined by the Committee. Any of the consideration referred to in the foregoing clauses (i) and (ii) shall be subject to the same vesting and expiration terms of the Awards applying immediately prior to the Merger/Sale, unless determined by the Committee in its discretion that the consideration shall be subject to different vesting and expiration terms, or other terms, and the Committee may determine that it be subject to other or additional terms. The foregoing shall not limit the Committee's authority to determine, that in lieu of such assumption or substitution of Awards for Awards of the Successor Corporation, such Award will be substituted for shares or other securities, cash or other property, or rights, or any combination thereof, including as set forth in Section 14.2.2 hereof.

14.2.2 Regardless of whether or not Awards are assumed or substituted, the Committee may (but shall not be obligated to):

14.2.3

1. provide for the Grantee to have the right to exercise the Award in respect of Shares covered by the Award which would otherwise be exercisable or vested, under such terms and conditions as the Committee shall determine, and the cancellation of all unexercised Awards (whether vested or unvested) upon or immediately prior to the closing of the Merger/Sale, unless the Committee provides for the Grantee to have the right to exercise the Award, or otherwise for the acceleration of vesting of such Award, as to all or part of the Shares covered by the Award which would not otherwise be exercisable or vested, under such terms and conditions as the Committee shall determine;

14.2.3.1. provide for the cancellation of each outstanding Award at or immediately prior to the closing of such Merger/Sale, and if and to what extent payment shall be made to the Grantee of an amount in, shares or other securities of the Company, the acquirer or of a corporation or other business entity which is a party to the Merger/Sale, in cash or other property, in rights, or in any combination thereof, as determined by the Committee to be fair in the circumstances, and subject to such terms and conditions as determined by the Committee. Subject to Applicable Law, the Committee shall have full authority to select the method for determining the payment (being the intrinsic ("spread") value of the option, Black-Scholes model or any other method). *Inter alia*, and without limitation of the following determination being made in other circumstances, the Committee's determination may provide that payment shall be set to zero if the value of the Shares is determined to be less than the Exercise Price or in respect of Shares covered by the Award which would not otherwise be exercisable or vested, or that payment may be made only in excess of the Exercise Price; and/or

14.2.3.2. provide that the terms of any Award shall be otherwise amended, modified or terminated, as determined by the Committee to be fair in the circumstances.

14.2.4 Subject to Applicable Law, the Committee may, determine: (i) that any payments made in respect of Awards shall be made or delayed to the same extent that payment of consideration to the holders of the Shares in connection with the Merger/Sale is made or delayed as a result of escrows, indemnification, earn outs, holdbacks or any other contingencies or conditions; (ii) the terms and conditions applying to the payment made or payable to the Grantees, including participation in escrow, indemnification, releases, earn-outs, holdbacks or any other contingencies; and (iii) that any terms and conditions applying under the applicable definitive transaction agreements shall apply to the Grantees (including, appointment and engagement of a shareholders or sellers representative, payment of fees or other costs and expenses associated with such services, indemnifying such representative, and authorization to such representative within the scope of such representative's authority in the applicable definitive transaction agreements).

14.2.5 The Committee may, determine to suspend the Grantee's rights to exercise any vested portion of an Award for a period of time prior to the signing or consummation of a Merger/Sale transaction.

14.3 Without limiting the generality of this Section 14, if the consideration in exchange for Awards in a Merger/Sale includes any securities and due receipt thereof by any Grantee (or by the Trustee for the benefit of such Grantee) may require under applicable law (i) the registration or qualification of such securities or of any person as a broker or dealer or agent with respect to such securities; or (ii) the provision to any Grantee of any information under the Securities Act or any other securities laws, then the Committee may determine that the Grantee shall be paid in lieu thereof, against surrender of the Shares or cancellation of any other Awards, an amount in cash or other property, or rights, or any combination thereof, as determined by the Committee to be fair in the circumstances, and subject to such terms and conditions as determined by the Committee. Nothing herein shall entitle any Grantee to receive any form of consideration that such Grantee would be ineligible to receive as a result of such Grantee's failure to satisfy (in the Committee's sole determination) any condition, requirement or limitation that is generally applicable to the Company's shareholders, or that is otherwise applicable under the terms of the Merger/Sale, and in such case, the Committee shall determine the type of consideration and the terms applying to such Grantees.

14.4 Neither the authorities and powers of the Committee under this Section 14.2, nor the exercise or implementation thereof, shall (i) be restricted or limited in any way by any adverse consequences (tax or otherwise) that may result to any holder of an Award, and (ii) as, *inter alia*, being a feature of the Award upon its grant, be deemed to constitute a change or an amendment of the rights of such holder under this Plan, nor shall any such adverse consequences (as well as any adverse tax consequences that may result from any tax ruling or other approval or determination of any relevant tax authority) be deemed to constitute a change or an amendment of the rights of such holder under this Plan, and may be effected without consent of any Grantee and without any liability to the Company or its Affiliates or to its or their respective officers, directors, employees and representatives and the respective successors and assigns of any of the foregoing. The Committee need not take the same action with respect to all Awards or with respect to all Service Providers. The Committee may take different actions with respect to the vested and unvested portions of an Award. The Committee may determine an amount or type of consideration to be received or distributed in a Merger/Sale which may differ as among the Grantees, and as between the Grantees and any other holders of shares of the Company.

14.5 The Committee may determine that upon a Merger/Sale any Shares held by Grantees (or for Grantee's benefit) are sold in accordance with instructions issued by the Committee in connection with such Merger/Sale, which shall be final, conclusive and binding on all Grantees.

14.6 All of the Committee's determinations pursuant to this Section 14 shall be at its sole and absolute discretion, and shall be final, conclusive and binding on all Grantees (including, for clarity, as it relates to Shares issued upon exercise or vesting of any Awards or that are Awards, unless otherwise determined by the Committee) and without any liability to the Company or its Affiliates, or to their respective officers, directors, employees, shareholders and representatives, and the respective successors and assigns of any of the foregoing, in connection with the method of treatment, chosen course of action or determinations made hereunder.

14.7 If determined by the Committee, the Grantees shall be subject to the definitive agreement(s) in connection with the Merger/Sale as applying to holders of Shares including, such terms, conditions, representations, undertakings, liabilities, limitations, releases, indemnities, appointing and indemnifying shareholders/sellers representative, participating in transaction expenses, shareholders/sellers representative expense fund and escrow arrangement, in each case as determined by the Committee. Each Grantee shall execute (and authorizes any person designated by the Company to so execute, as well as (if applicable) the Trustee holding any Shares for the Grantee's behalf) such separate agreement(s) or instruments as may be requested by the Company, the Successor Corporation or the acquirer in connection with such in such Merger/Sale or otherwise under or for the purpose of implementing this Section 14, and in the form required by them. The execution of such separate agreement(s) may be a condition to the receipt of assumed or substituted Awards, payment in lieu of the Award, the exercise of any Award or otherwise to be entitled to benefit from shares or other securities, cash or other property, or rights, or any combination thereof, pursuant to this Section 14 (and the Company (and, if applicable, the Trustee) may exercise its authorization above and sign such agreement on behalf of the Grantee or subject the Grantee to the provisions of such agreements).

14.8 Reservation of Rights. Except as expressly provided in this Section 14 (if so provided), the Grantee of an Award hereunder shall have no rights by reason of any transaction or event referred to in this Section 14 (including, Recapitalization of shares of any class, any increase or decrease in the number of shares of any class, or any dissolution, liquidation, reorganization, business combination, exchange of shares, spin-off or other corporate divestiture or division, or other similar occurrences, or Merger/Sale). Any issue by the Company of shares of any class, or securities convertible into shares of stock of any class, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number, type or price of shares subject to an Award. The grant of an Award pursuant to this Plan shall not affect in any way the right or power of the Company to make adjustments, reclassifications, reorganizations or changes of its capital or business structures or to merge or to consolidate or to dissolve, liquidate or sell, or transfer all or part of its business or assets or engage in any similar transactions.

15. NON-TRANSFERABILITY OF AWARDS; SURVIVING BENEFICIARY.

15.1. All Awards granted under this Plan by their terms shall not be transferable other than by will or by the laws of descent and distribution, unless otherwise determined by the Committee or under this Plan, provided that with respect to Shares issued upon exercise of Awards, Shares issued upon the vesting of Awards or Awards that are Shares, the restrictions on transfer shall be the restrictions referred to in Section 16 (Conditions upon Issuance of Shares) hereof. Subject to the above provisions, the terms of such Award, this Plan and any applicable Award Agreement shall be binding upon the beneficiaries, executors, administrators, heirs and successors of such Grantee. Awards may be exercised or otherwise realized, during the lifetime of the Grantee, only by the Grantee or by his guardian or legal representative, to the extent provided for herein. Any transfer of an Award not permitted hereunder (including transfers pursuant to any decree of divorce, dissolution or separate maintenance, any property settlement, any separation agreement or any other agreement with a spouse) and any grant of any interest in any Award to, or creation in any way of any direct or indirect interest in any Award by, any party other than the Grantee shall be null and void and shall not confer upon any party or person, other than the Grantee, any rights. A Grantee may file with the Committee a written designation of a beneficiary, who shall be permitted to exercise such Grantee's Award or to whom any benefit under this Plan is to be paid, in each case, in the event of the Grantee's death before he or she fully exercises his or her Award or receives any or all of such benefit, on such form as may be prescribed by the Committee and may, from time to time, amend or revoke such designation. If no designated beneficiary survives the Grantee, the executor or administrator of the Grantee's estate shall be deemed to be the Grantee's beneficiary. Notwithstanding the foregoing, upon the request of the Grantee and subject to Applicable Law, the Committee, at its sole discretion, may permit the Grantee to transfer the Award to a trust whose beneficiaries are the Grantee and/or the Grantee's immediate family members (all or several of them).

15.2. Notwithstanding any other provisions of the Plan to the contrary, no Incentive Stock Option may be sold, transferred, pledged, assigned or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution or in accordance with a beneficiary designation pursuant to Section 15.1. Further, all Incentive Stock Options granted to a Grantee shall be exercisable during his or her lifetime only by such Grantee.

15.3. As long as the Shares are held by the Trustee in favor of the Grantee, all rights possessed by the Grantee over the Shares are personal, and may not be transferred, assigned, pledged or mortgaged, other than by will or laws of descent and distribution.

15.4. If and to the extent a Grantee is entitled to transfer an Award and/or Shares underlying an Award in accordance with the terms of the Plan and any other applicable agreements, such transfer shall be subject (in addition, to any other conditions or terms applying thereto) to receipt by the Company from such proposed transferee of a written instrument, on a form reasonably acceptable to the Company, pursuant to which such proposed transferee agrees to be bound by all provisions of the Plan and any other applicable agreements, including without limitation, any restrictions on transfer of the Award and/or Shares set forth herein (however, failure to so deliver such instrument to the Company as set forth above shall not derogate from all such provisions applying on any transferee).

15.5. The provisions of this Section 15 shall apply to the Grantee and to any purchaser, assignee or transferee of any Shares.

16. CONDITIONS UPON ISSUANCE OF SHARES; GOVERNING PROVISIONS.

16.1. Legal Compliance. The grant of Awards and the issuance of Shares upon exercise or settlement of Awards shall be subject to compliance with all Applicable Law as determined by the Company, including, applicable requirements of federal, state and foreign law with respect to such securities. The Company shall have no obligations to issue Shares pursuant to the exercise or settlement of an Award and Awards may not be exercised or settled, if the issuance of Shares upon exercise or settlement would constitute a violation of any Applicable Law as determined by the Company, including, applicable federal, state or foreign securities laws or other law or regulations or the requirements of any stock exchange or market system upon which the Shares may then be listed. In addition, no Award may be exercised unless (i) a registration statement under the Securities Act or equivalent law in another jurisdiction shall at the time of exercise or settlement of the Award be in effect with respect to the shares issuable upon exercise of the Award, or (ii) in the opinion of legal counsel to the Company, the shares issuable upon exercise of the Award may be issued in accordance with the terms of an applicable exemption from the registration requirements of the Securities Act or equivalent law in another jurisdiction. The inability of the Company to obtain authority from any regulatory body having jurisdiction, if any, deemed by the Company to be necessary to the lawful issuance and sale of any Shares hereunder, and the inability to issue Shares hereunder due to non-compliance with any Company policies with respect to the sale of Shares, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority or compliance shall not have been obtained or achieved. As a condition to the exercise of an Award, the Company may require the person exercising such Award to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any Applicable Law or regulation and to make any representation or warranty with respect thereto as may be requested by the Company, including to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares, all in form and content specified by the Company.

16.2. Provisions Governing Shares. Shares issued pursuant to an Award shall be subject to this Plan and shall be subject to the Articles of Association of the Company, and any other governing documents of the Company and all policies, manuals and internal regulations of the Company, as in effect from time to time.

16.3. Share Purchase Transactions; Forced Sale. In the event that the Board approves a Merger/Sale effected by way of a forced or compulsory sale (whether pursuant to the Company's Articles of Association or pursuant to Section 341 of the Companies Law or otherwise) or in the event of a transaction for the sale of all shares of the Company, then, without derogating from such provisions and in addition thereto, the Grantee shall be obligated, and shall be deemed to have agreed to the offer to effect the Merger/Sale (and the Shares held by or for the benefit of the Grantee shall be included in the shares of the Company approving the terms of such Merger/Sale for the purpose of satisfying the required majority), and shall sell all of the Shares held by or for the benefit of the Grantee on the terms and conditions applying to the holders of Shares, in accordance with the instructions then issued by the Board, whose determination shall be final. No Grantee shall contest, bring any claims or demands, or exercise any appraisal or dissenters' rights related to any of the foregoing. Each Grantee shall execute (and authorizes any person designated by the Company to so execute, as well as (if applicable) the Trustee holding any Shares for the Grantee's behalf) such documents and agreements, as may be requested by the Company relating to matters set forth in or otherwise for the purpose of implementing this Section 16.3. The execution of such separate agreement(s) may be a condition by the Company to the exercise of any Award and the Company (and, if applicable, the Trustee) may exercise its authorization above and sign such agreement on behalf of the Grantee or subject the Grantee to the provisions of such agreements.

16.4. Data Privacy; Data Transfer. Information related to Grantees and Awards hereunder, as shall be received from Grantee or others, and/or held by, the Company or its Affiliates from time to time, and which information may include sensitive and personal information related to Grantees ("Information"), will be used by the Company or its Affiliates (or third parties appointed by any of them, including the Trustee) to comply with any applicable legal requirement, or for administration of the Plan as they deems necessary or advisable, or for the respective business purposes of the Company or its Affiliates (including in connection with transactions related to any of them). The Company and its Affiliates shall be entitled to transfer the Information among the Company or its Affiliates, and to third parties for the purposes set forth above, which may include persons located abroad (including, any person administering the Plan or providing services in respect of the Plan or in order to comply with legal requirements, or the Trustee, their respective officers, directors, employees and representatives, and the respective successors and assigns of any of the foregoing), and any person so receiving Information shall be entitled to transfer it for the purposes set forth above. The Company shall use commercially reasonable efforts to ensure that the transfer of such Information shall be limited to the reasonable and necessary scope. By receiving an Award hereunder, Grantee acknowledges and agrees that the Information is provided at Grantee's free will and Grantee consents to the storage and transfer of the Information as set forth above.

16.5. Prohibition on Executive Officer Loans. Notwithstanding any other provision of the Plan to the contrary, no Grantee who is a member of the Board or an "executive officer" of the Company within the meaning of Section 13(k) of the Exchange Act shall be permitted to make payment with respect to any Awards granted under the Plan, or continue any extension of credit with respect to such payment, with a loan from the Company or a loan arranged by the Company in violation of Section 13(k) of the Exchange Act.

16.6. Clawback Provisions. All Awards (including the gross amount of any proceeds, gains or other economic benefit the Grantee actually or constructively receives upon receipt or exercise of any Award or the receipt or resale of any Shares underlying the Award) will be subject to recoupment by the Company to the extent required to comply with Applicable Law or any policy of the Company (subject to Applicable Law) providing for the reimbursement of incentive compensation, whether or not such policy was in place at the time of grant of an Award, including a clawback policy (as contemplated pursuant to Rule 10D-1 under the Securities and Exchange Act of 1934, as amended, which directs national securities exchanges to establish listing standards for purposes of complying with Rule 10D-1).

17. AGREEMENT REGARDING TAXES; DISCLAIMER.

17.1. If the Company shall so require, as a condition of exercise or (if applicable) vesting of an Award, the release of Shares by the Trustee or the vesting or settlement of an Award, a Grantee shall agree that, no later than the date of such occurrence, the Grantee will pay to the Company (or the Trustee, as applicable) or make arrangements satisfactory to the Company and the Trustee (if applicable) regarding payment of any applicable taxes and compulsory payments of any kind required by Applicable Law to be withheld or paid.

17.2. TAX LIABILITY. ALL TAX CONSEQUENCES UNDER ANY APPLICABLE LAW WHICH MAY ARISE FROM THE GRANT OF ANY AWARDS OR THE EXERCISE OR (IF APPLICABLE) VESTING THEREOF, THE SALE OR DISPOSITION OF ANY SHARES GRANTED HEREUNDER OR ISSUED UPON EXERCISE OR (IF APPLICABLE) THE VESTING OF ANY AWARD, THE ASSUMPTION, SUBSTITUTION, CANCELLATION OR PAYMENT IN LIEU OF AWARDS OR FROM ANY OTHER ACTION IN CONNECTION WITH THE FOREGOING (INCLUDING WITHOUT LIMITATION ANY TAXES AND COMPULSORY PAYMENTS, SUCH AS SOCIAL SECURITY OR HEALTH TAX PAYABLE BY THE GRANTEE OR THE COMPANY IN CONNECTION THEREWITH) SHALL BE BORNE AND PAID SOLELY BY THE GRANTEE, AND THE GRANTEE SHALL INDEMNIFY THE COMPANY, ITS SUBSIDIARIES AND AFFILIATES AND THE TRUSTEE, AND SHALL HOLD THEM HARMLESS AGAINST AND FROM ANY LIABILITY FOR ANY SUCH TAX OR PAYMENT OR ANY PENALTY, INTEREST OR INDEXATION THEREON. EACH GRANTEE AGREES TO, AND UNDERTAKES TO COMPLY WITH, ANY RULING, SETTLEMENT, CLOSING AGREEMENT OR OTHER SIMILAR AGREEMENT OR ARRANGEMENT WITH ANY TAX AUTHORITY IN CONNECTION WITH THE FOREGOING WHICH IS APPROVED BY THE COMPANY.

17.3. NO TAX ADVICE. THE GRANTEE IS ADVISED TO CONSULT WITH A TAX ADVISOR WITH RESPECT TO THE TAX CONSEQUENCES OF RECEIVING, EXERCISING OR DISPOSING OF AWARDS HEREUNDER. THE COMPANY DOES NOT ASSUME ANY RESPONSIBILITY TO ADVISE THE GRANTEE ON SUCH MATTERS, WHICH SHALL REMAIN SOLELY THE RESPONSIBILITY OF THE GRANTEE.

17.4. TAX TREATMENT. THE COMPANY AND ITS AFFILIATES (INCLUDING THE EMPLOYER) DO NOT UNDERTAKE OR ASSUME ANY LIABILITY OR RESPONSIBILITY TO THE EFFECT THAT ANY AWARD SHALL QUALIFY WITH ANY PARTICULAR TAX REGIME OR RULES APPLYING TO PARTICULAR TAX TREATMENT, OR BENEFIT FROM ANY PARTICULAR TAX TREATMENT OR TAX ADVANTAGE OF ANY TYPE AND THE COMPANY AND ITS AFFILIATES (INCLUDING THE EMPLOYER) SHALL BEAR NO LIABILITY IN CONNECTION WITH THE MANNER IN WHICH ANY AWARD IS TREATED FOR TAX PURPOSES, REGARDLESS OF WHETHER THE AWARD WAS GRANTED OR WAS INTENDED TO QUALIFY UNDER ANY PARTICULAR TAX REGIME OR TREATMENT. THIS PROVISION SHALL SUPERSEDE ANY TYPE OF AWARDS OR TAX QUALIFICATION INDICATED IN ANY CORPORATE RESOLUTION OR AWARD AGREEMENT, WHICH SHALL AT ALL TIMES BE SUBJECT TO THE REQUIREMENTS OF APPLICABLE LAW. THE COMPANY AND ITS AFFILIATES (INCLUDING THE EMPLOYER) DO NOT UNDERTAKE AND SHALL NOT BE REQUIRED TO TAKE ANY ACTION IN ORDER TO QUALIFY ANY AWARD WITH THE REQUIREMENT OF ANY PARTICULAR TAX TREATMENT AND NO INDICATION IN ANY DOCUMENT TO THE EFFECT THAT ANY AWARD IS INTENDED TO QUALIFY FOR ANY TAX TREATMENT SHALL IMPLY SUCH AN UNDERTAKING. THE COMPANY AND ITS AFFILIATES (INCLUDING THE EMPLOYER) DO NOT UNDERTAKE TO REPORT FOR TAX PURPOSES ANY AWARD IN ANY PARTICULAR MANNER, INCLUDING IN ANY MANNER CONSISTENT WITH ANY PARTICULAR TAX TREATMENT. NO ASSURANCE IS MADE BY THE COMPANY OR ANY OF ITS AFFILIATES (INCLUDING THE EMPLOYER) THAT ANY PARTICULAR TAX TREATMENT ON THE DATE OF GRANT WILL CONTINUE TO EXIST OR THAT THE AWARD WOULD QUALIFY AT THE TIME OF EXERCISE, VESTING OR DISPOSITION THEREOF WITH ANY PARTICULAR TAX TREATMENT. THE COMPANY AND ITS AFFILIATES (INCLUDING THE EMPLOYER) SHALL NOT HAVE ANY LIABILITY OR OBLIGATION OF ANY NATURE IN THE EVENT THAT AN AWARD DOES NOT QUALIFY FOR ANY PARTICULAR TAX TREATMENT, REGARDLESS WHETHER THE COMPANY COULD HAVE OR SHOULD HAVE TAKEN ANY ACTION TO CAUSE SUCH QUALIFICATION TO BE MET AND SUCH QUALIFICATION REMAINS AT ALL TIMES AND UNDER ALL CIRCUMSTANCES AT THE RISK OF THE GRANTEE. THE COMPANY DOES NOT UNDERTAKE OR ASSUME ANY LIABILITY TO CONTEST A DETERMINATION OR INTERPRETATION (WHETHER WRITTEN OR UNWRITTEN) OF ANY TAX AUTHORITIES, INCLUDING IN RESPECT OF THE QUALIFICATION UNDER ANY PARTICULAR TAX REGIME OR RULES APPLYING TO PARTICULAR TAX TREATMENT. IF THE AWARDS DO NOT QUALIFY UNDER ANY PARTICULAR TAX TREATMENT IT COULD RESULT IN ADVERSE TAX CONSEQUENCES TO THE GRANTEE.

17.5. The Company or any Subsidiary or other Affiliate thereof (including the Employer) may take such action as it may deem necessary or appropriate, in its discretion, for the purpose of or in connection with withholding of any taxes and compulsory payments which the Trustee, the Company or any Subsidiary or other Affiliate thereof (including the Employer) (or any applicable agent thereof) is required by any Applicable Law to withhold in connection with any Awards, including, without limitations, any income tax, social benefits, social insurance, health tax, pension, payroll tax, fringe benefits, excise tax, payment on account or other tax-related items related to the Grantee's participation in the Plan and applicable by law to the Grantee (collectively, "Withholding Obligations"). Such actions may include (i) requiring a Grantees to remit to the Company or the Employer in cash an amount sufficient to satisfy such Withholding Obligations and any other taxes and compulsory payments, payable by the Company or the Employer in connection with the Award or the exercise or (if applicable) the vesting thereof; (ii) subject to Applicable Law, allowing the Grantees to surrender Shares to the Company, in an amount that at such time, reflects a value that the Committee determines to be sufficient to satisfy such Withholding Obligations; (iii) withholding Shares otherwise issuable upon the exercise of an Award at a value which is determined by the Company to be sufficient to satisfy such Withholding Obligations; (iv) allowing Grantees to satisfy all or part of the Withholding Obligations by the delivery (on a form prescribed by the Company) of an irrevocable direction to a securities broker approved by the Company to sell Shares and to deliver all or part of the sales proceeds to the Company or the Trustee; or (iv) any combination of the foregoing. The Company shall not be obligated to allow the exercise or vesting of any Award by or on behalf of a Grantee until all tax consequences arising therefrom are resolved in a manner acceptable to the Company.

17.6. Each Grantee shall notify the Company in writing promptly and in any event within ten (10) days after the date on which such Grantee first obtains knowledge of any tax authority inquiry, audit, assertion, determination, investigation, or question relating in any manner to the Awards granted or received hereunder or Shares issued thereunder and shall continuously inform the Company of any developments, proceedings, discussions and negotiations relating to such matter, and shall allow the Company and its representatives to participate in any proceedings and discussions concerning such matters. Upon request, a Grantee shall provide to the Company any information or document relating to any matter described in the preceding sentence, which the Company, in its discretion, requires.

17.7. With respect to 102 Non-Trustee Options, if the Grantee ceases to be employed by the Company, Parent, Subsidiary or any Affiliate (including the Employer), the Grantee shall extend to the Company and/or the Employer a security or guarantee for the payment of taxes due at the time of sale of Shares, all in accordance with the provisions of Section 102 of the Ordinance and the Rules.

17.8. If a Grantee makes an election under Section 83(b) of the Code to be taxed with respect to an Award as of the date of transfer of Shares rather than as of the date or dates upon which the Grantee would otherwise be taxable under Section 83(a) of the Code, such Grantee shall deliver a copy of such election to the Company upon or prior to the filing such election with the U.S. Internal Revenue Service. Neither the Company nor any Affiliate (including the Employer) shall have any liability or responsibility relating to or arising out of the filing or not filing of any such election or any defects in its construction.

18. RIGHTS AS A SHAREHOLDER; VOTING AND DIVIDENDS.

18.1. Subject to Section 11.4, a Grantee shall have no rights as a shareholder of the Company with respect to any Shares covered by an Award until the Grantee shall have exercised or (as applicable) vests in the Award, paid any Exercise Price therefor and becomes the record holder of the subject Shares. In the case of 102 Awards, the Trustee shall have no rights as a shareholder of the Company with respect to the Shares covered by such Award until the Trustee becomes the record holder for such Shares for the Grantee's benefit, and the Grantee shall not be deemed to be a shareholder and shall have no rights as a shareholder of the Company with respect to the Shares covered by the Award until the date of the release of such Shares from the Trustee to the Grantee and the transfer of record ownership of such Shares to the Grantee (provided, however, that the Grantee shall be entitled to receive from the Trustee any cash dividend or distribution made on account of the Shares held by the Trustee for such Grantee's benefit, subject to any tax withholding and compulsory payment). No adjustment shall be made for dividends (ordinary or extraordinary, whether in shares or other securities, cash or other property, or rights, or any combination thereof) or distribution of other rights for which the record date is prior to the date on which the Grantee or Trustee (as applicable) becomes the record holder of the Shares covered by an Award, except as provided in Section 14 hereof.

18.2. With respect to all Awards issued in the form of Shares hereunder or upon the exercise or (if applicable) the vesting of Awards hereunder, any and all voting rights attached to such Shares shall be subject to Section 18.1, and the Grantee shall be entitled to receive dividends distributed with respect to such Shares, subject to the provisions of the Company's Articles of Association, as amended from time to time, and subject to any Applicable Law.

18.3. The Company may, but shall not be obligated to, register or qualify the sale of Shares under any applicable securities law or any other Applicable Law.

19. NO REPRESENTATION BY COMPANY.

By granting the Awards, the Company is not, and shall not be deemed as, making any representation or warranties to the Grantee regarding the Company, its business affairs, its prospects or the future value of its Shares and such representations and warranties are hereby disclaimed. The Company shall not be required to provide to any Grantee any information, documents or material in connection with the Grantee's considering an exercise of an Award. To the extent that any information, documents or materials are provided, the Company shall have no liability with respect thereto. Any decision by a Grantee to exercise an Award shall solely be at the risk of the Grantee.

20. NO RETENTION RIGHTS.

Nothing in this Plan, any Award Agreement or in any Award granted or agreement entered into pursuant hereto shall confer upon any Grantee the right to continue in the employ of, or be in the service of the Company or any Subsidiary or other Affiliate thereof as a Service Provider or to be entitled to any remuneration or benefits not set forth in this Plan or such agreement, or to interfere with or limit in any way the right of the Company or any such Subsidiary or other Affiliate thereof to terminate such Grantee's employment or service (including, any right of the Company or any of its Affiliates to immediately cease the Grantee's employment or service or to shorten all or part of the notice period, regardless of whether notice of termination was given by the Company or its Affiliates or by the Grantee). Awards granted under this Plan shall not be affected by any change in duties or position of a Grantee, subject to Sections 6.6 through 6.8. No Grantee shall be entitled to claim and the Grantee hereby waives any claim against the Company or any Subsidiary or other Affiliate thereof that he or she was prevented from continuing to vest Awards as of the date of termination of his or her employment with, or services to, the Company or any Subsidiary or other Affiliate thereof. No Grantee shall be entitled to any compensation in respect of the Awards which would have vested had such Grantee's employment or engagement with the Company (or any Subsidiary or other Affiliate thereof) not been terminated.

21. PERIOD DURING WHICH AWARDS MAY BE GRANTED.

Awards may be granted pursuant to this Plan from time to time from the Effective Date and until this Plan is terminated by the Board, except that Incentive Stock Options shall not be granted following the ten (10) year anniversary of the earlier of the date this Plan was approved by (x) the Board or (y) the shareholders of the Company. From and after the date the Board terminates this Plan, no grants of Awards may be made and this Plan shall continue to be in full force and effect with respect to Awards or Shares issued thereunder that remain outstanding.

22. AMENDMENT OF THIS PLAN AND AWARDS.

22.1. The Board at any time and from time to time may suspend, terminate, modify or amend this Plan, whether retroactively or prospectively. Any amendment effected in accordance with this Section shall be binding upon all Grantees and all Awards, whether granted prior to or after the date of such amendment, and without the need to obtain the consent of any Grantee. No termination or amendment of this Plan shall affect any then outstanding Award unless expressly provided by the Board.

22.2. Subject to changes in Applicable Law that would permit otherwise, there shall be (i) no increase in the maximum aggregate number of Shares that may be issued under this Plan as Incentive Stock Options (except by operation of the provisions of Section 14.1), (ii) no change in the class of persons eligible to receive Incentive Stock Options, and (iii) without consent of the shareholders no other amendment of this Plan that would require approval of the Company's shareholders under any Applicable Law or the rules of the applicable stock market or exchange, if any, on which the Shares are principally quoted or traded. Unless not permitted by Applicable Law, if the grant of an Award is subject to approval by shareholders, the date of grant of the Award shall be determined as if the Award had not been subject to such approval. Failure to obtain approval by the shareholders shall not in any way derogate from the valid and binding effect of any grant of an Award that is not an Incentive Stock Option.

22.3. The Board or the Committee at any time and from time to time may modify or amend any Award theretofore granted, including any Award Agreement, whether retroactively or prospectively.

23. APPROVAL.

23.1. This Plan shall take effect upon its adoption by the Board (the "Effective Date").

23.2. 102 Awards are conditional upon the filing with or approval by the ITA, if required, as set forth in Section 9.4. Failure to so file or obtain such approval shall not in any way derogate from the valid and binding effect of any grant of an Award, which is not a 102 Award.

24. RULES PARTICULAR TO SPECIFIC COUNTRIES; SECTION 409A.

24.1. Notwithstanding anything herein to the contrary, the terms and conditions of this Plan may be supplemented or amended with respect to a particular country or tax regime by means of a sub-plan or an appendix to this Plan, and to the extent that the terms and conditions set forth in any sub-plan or appendix conflict with any provisions of this Plan, the provisions of such sub-plan or appendix shall govern with respect to Awards made pursuant thereto. Terms and conditions set forth in such sub-plan or appendix shall apply only to Awards granted to Grantees under the jurisdiction of the specific country or such other tax regime that is the subject of such sub-plan or appendix and shall not apply to Awards issued to a Grantee not under the jurisdiction of such country or such other tax regime. The adoption of any such sub-plan or appendix shall be subject to the approval of the Board or the Committee, and if and to the extent determined by the Committee to be required by Applicable Law in connection with the application of certain tax treatment, pursuant to applicable stock exchange rules or regulations or otherwise, then also the approval of the shareholders of the Company at the required majority.

24.2. This Section 24.2 shall only apply to Awards granted to Grantees who are subject to United States Federal income tax.

24.2.1 It is the intention of the Company that no Award shall be deferred compensation subject to Section 409A of the Code unless and to the extent that the Committee specifically determines otherwise as provided in Section 24.2.2, and the Plan and the terms and conditions of all Awards shall be interpreted and administered accordingly.

24.2.2 The terms and conditions governing any Awards that the Committee determines will be subject to Section 409A of the Code, including any rules for payment or elective or mandatory deferral of the payment or delivery of Shares or cash pursuant thereto, and any rules regarding treatment of such Awards in the event of a Merger/Sale, shall be set forth in the applicable Award Agreement and shall be intended to comply in all respects with Section 409A of the Code, and the Plan and the terms and conditions of such Awards shall be interpreted and administered accordingly.

24.2.3 The Company shall have complete discretion to interpret and construe the Plan and any Award Agreement in any manner that establishes an exemption from (or compliance with) the requirements of Section 409A of the Code. If for any reason, such as imprecision in drafting, any provision of the Plan and/or any Award Agreement does not accurately reflect its intended establishment of an exemption from (or compliance with) Section 409A of the Code, as demonstrated by consistent interpretations or other evidence of intent, such provision shall be considered ambiguous as to its exemption from (or compliance with) Section 409A of the Code and shall be interpreted by the Company in a manner consistent with such intent, as determined in the discretion of the Company. If, notwithstanding the foregoing provisions of this Section 24.2.3, any provision of the Plan or any such agreement would cause a Grantee to incur any additional tax or interest under Section 409A of the Code, the Company may reform such provision in a manner intended to avoid the incurrence by such Grantee of any such additional tax or interest; provided that the Company shall maintain, to the extent reasonably practicable, the original intent and economic benefit to the Grantee of the applicable provision without violating the provisions of Section 409A of the Code. For the avoidance of doubt, no provision of this Plan shall be interpreted or construed to transfer any liability for failure to comply with the requirements of Section 409A from any Grantee or any other individual to the Company or any of its affiliates, employees or agents.

24.2.4 Notwithstanding any other provision in the Plan, any Award Agreement, or any other written document establishing the terms and conditions of an Award, if any Grantee is a “specified employee,” within the meaning of Section 409A of the Code, as of the date of his or her “separation from service” (as defined under Section 409A of the Code), then, to the extent required by Treasury Regulation Section 1.409A-3(i)(2) (or any successor provision), any payment made to such Grantee on account of his or her separation from service shall not be made before a date that is six months after the date of his or her separation from service. The Committee may elect any of the methods of applying this rule that are permitted under Treasury Regulation Section 1.409A- 3(i)(2)(ii) (or any successor provision).

24.2.5 Notwithstanding any other provision of this Section 24.2 to the contrary, although the Company intends to administer the Plan so that Awards will be exempt from, or will comply with, the requirements of Section 409A of the Code, the Company does not warrant that any Award under the Plan will qualify for favorable tax treatment under Section 409A of the Code or any other provision of federal, state, local, or non-United States law. The Company shall not be liable to any Grantee for any tax, interest, or penalties the Grantee might owe as a result of the grant, holding, vesting, exercise, or payment of any Award under the Plan.

25. GOVERNING LAW; JURISDICTION.

This Plan and all determinations made and actions taken pursuant hereto shall be governed by the laws of the State of Israel, except with respect to matters that are subject to tax laws, regulations and rules of any specific jurisdiction, which shall be governed by the respective laws, regulations and rules of such jurisdiction. Certain definitions, which refer to laws other than the laws of such jurisdiction, shall be construed in accordance with such other laws. The competent courts located in Tel-Aviv-Jaffa, Israel shall have exclusive jurisdiction over any dispute arising out of or in connection with this Plan and any Award granted hereunder. By signing any Award Agreement or any other agreement relating to an Award, each Grantee irrevocably submits to such exclusive jurisdiction.

26. NON-EXCLUSIVITY OF THIS PLAN.

The adoption of this Plan shall not be construed as creating any limitations on the power or authority of the Company to adopt such other or additional incentive or other compensation arrangements of whatever nature as the Company may deem necessary or desirable or preclude or limit the continuation of any other plan, practice or arrangement for the payment of compensation or fringe benefits to employees generally, or to any class or group of employees, which the Company or any Affiliate now has or will lawfully put into effect, including any retirement, pension, savings and stock purchase plan, insurance, death and disability benefits and executive short-term or long-term incentive plans.

27. MISCELLANEOUS.

27.1. Survival. The Grantee shall be bound by and the Shares issued upon exercise or (if applicable) the vesting of any Awards granted hereunder shall remain subject to this Plan after the exercise or (if applicable) the vesting of Awards, in accordance with the terms of this Plan, whether or not the Grantee is then or at any time thereafter employed or engaged by the Company or any of its Affiliates.

27.2. Additional Terms. Each Award awarded under this Plan may contain such other terms and conditions not inconsistent with this Plan as may be determined by the Committee, in its sole discretion.

27.3. Fractional Shares. No fractional Share shall be issuable upon exercise or vesting of any Award and the number of Shares to be issued shall be rounded down to the nearest whole Share (and the Company shall have liability to compensate for such fractional shares at any time), with in any Share remaining at the last vesting date due to such rounding to be issued upon exercise at such last vesting date.

27.4. Severability. If any provision of this Plan, any Award Agreement or any other agreement entered into in connection with an Award shall be determined to be illegal or unenforceable by any court of law in any jurisdiction, the remaining provisions hereof and thereof shall be severable and enforceable in accordance with their terms, and all provisions shall remain enforceable in any other jurisdiction. In addition, if any particular provision contained in this Plan, any Award Agreement or any other agreement entered into in connection with an Award shall for any reason be held to be excessively broad as to duration, geographic scope, activity or subject, it shall be construed by limiting and reducing such provision as to such characteristic so that the provision is enforceable to fullest extent compatible with Applicable Law as it shall then appear.

27.5. Captions and Titles. The use of captions and titles in this Plan or any Award Agreement or any other agreement entered into in connection with an Award is for the convenience of reference only and shall not affect the meaning or interpretation of any provision of this Plan or such agreement.

* * *

Exhibit 8.1

SUBSIDIARIES OF KORNIT DIGITAL LTD.

Name of Subsidiary	Jurisdiction of Organization	Ownership Interest
Kornit Digital Technologies Ltd.	Israel	100 %
Kornit Digital North America Inc.	Delaware	100 %
Kornit Digital Europe GmbH	Germany	100 %
Kornit Digital Asia Pacific Limited	Hong Kong	100 %
Kornit Digital UK Ltd.	England and Wales	100 %
Kornit Digital Japan KK	Japan	100 %
Tesoma GmbH	Germany	100% owned by Kornit Digital Technologies Ltd.
Custom Gateway (Kornit Digital\Kornit X Limited)	England and Wales	100% owned by Kornit Digital UK Ltd.
Kornit (Shanghai) Digital Co., Ltd.	China	100% owned by Kornit Digital Asia Pacific Limited

KORNIT DIGITAL LTD.

INSIDER TRADING POLICY

This document sets forth the Insider Trading Policy (the "***Policy***") of Kornit Digital Ltd. and its subsidiaries (collectively, "***Kornit***"). The Policy establishes the policies and procedures that govern trading by Kornit personnel in Kornit securities and securities of any other company about which such personnel learns material, nonpublic information in the course of performing his or her duties for Kornit. The Policy has been adopted by Kornit to fulfill its responsibilities as a public company under U.S. federal securities laws to prevent insider trading and to help its personnel avoid the severe consequences associated with violations of the insider trading laws. The Policy is intended to prevent even the appearance of improper conduct on the part of anyone employed by or associated with Kornit. Should you have any questions regarding this Policy, please contact the Company's Chief Compliance Officer (the "***Stock Compliance Officer***").

It is important that all Kornit personnel review the Policy carefully. Noncompliance with the Policy is grounds for disciplinary action, including and up to immediate termination. Failure to comply with the policies and procedures set forth below also can result in a serious violation of the U.S. federal securities laws by the person trading, leading to potential civil and criminal penalties on that person.

I. Scope of Policy

All directors, officers and other employees of Kornit, and all contractors who devote all or substantially all of their time to Kornit, and if designated by the Stock Compliance Officer (1) all directors, officers and other employees of a joint venture in which Kornit has a financial interest (such a joint venture is referred to as a "***Related Company***") and (2) any consultant or contractor to Kornit or a Related Company, are subject to the prohibitions set forth in this Insider Trading Policy (each such person subject to the Policy is referred to as a "***Covered Person***").

The restrictions imposed by the Policy apply to trading in any Kornit securities, as well as any instrument that derives its value from the price of Kornit securities, including but not limited to, puts, calls, warrants, options and convertible securities whether or not issued by Kornit (a "***Derivative Security***"), subject to the qualification, as provided in Part VI of this Policy, that all Covered Persons are prohibited from engaging in certain types of transactions, including short sales of (and economically equivalent transactions relating to) Kornit securities. The restrictions imposed by the Policy also apply to trades in securities of any Related Company and any other company about which any Covered Person learns material, nonpublic information in the course of performing his or her duties for Kornit, such as securities of any company with which Kornit may be entering into or negotiating major transactions, and Derivative Securities of any of the foregoing securities.

II. Additional Persons Subject to this Policy

Each of the policies and procedures under the Policy that is binding on a Covered Person also applies to the "***Associates***" of such Covered Person, which consist of: (i) any Family Member who resides in the household as a Covered Person; (ii) anyone else who lives in the household of a Covered Person; and (iii) any Family Member who does not live in the household of a Restricted Person but whose transactions in Kornit securities or Derivative Securities are directed by or subject to the influence or control of a Covered Person (such as parents or children who consult with a Covered Person before they trade in Kornit securities or Derivative Securities). For the purpose of this Policy, "Family Members" consist of the following persons: any child, stepchild, grandchild, parent, stepparent, grandparent, spouse (or comparable co-habitation relationship), sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law, in each case including adoptive relationships.

This Policy applies to any entities that a Covered Person controls, including any controlled corporations, partnerships or trusts, and transactions by such entities should be treated for the purposes of this Policy as if they were for the account of the Covered Person, unless the entity engages in the investment of securities in the ordinary course of its business (e.g., an investment fund or partnership) and confirms to the reasonable satisfaction of the Stock Compliance Officer that it has established its own policies and procedures for compliance with insider trading restrictions under applicable securities laws.

Situations may exist where a Covered Person has a record ownership of or beneficial interest in securities, but has no responsibility for investment decisions, such as, for example, where the investment decisions have been delegated to an investment adviser. In such cases, this Policy is not intended to proscribe dealings in securities so long as the Covered Person has neither discussed the merits of the investment with, nor provided inside information to, the person or persons having the decision-making investment responsibility. Similarly, this Policy does not proscribe the purchase, sale or holding of an interest in a publicly traded mutual fund, even if the fund holds or trades in Kornit securities or Derivative Securities.

As set forth in a separate Addendum to this Policy and subject to Section V hereof, all directors and officers of Kornit, and any other employees of Kornit, or employees of, or consultants or contractors to, Kornit or a Related Company who are specifically designated by the Stock Compliance Officer (each such person subject to the Addendum is referred to as an "***Addendum Covered Person***") are required to obtain prior approval for all trades in Kornit securities or Derivative Securities and are prohibited from holding Kornit securities in a margin account or pledging Kornit securities.

For the avoidance of doubt, it is hereby clarified that all prohibitions, policies and procedures detailed in this policy apply not only to each Covered Person, but also to his or her Associates and all persons and entities listed in this Section II, even if it is not explicitly stated so below. Each Covered Person is responsible for making sure that any Associate or other persons and entity listed in this Section II that is subject to this Policy complies with it. Any reference to "Covered Person" below shall be deemed to include such additional persons.

III. General Insider Trading Prohibition

Any Covered Person who possesses knowledge of any "material information" concerning Kornit that has not been disclosed to the public is prohibited from (i) trading in Kornit securities or Derivative Securities, (ii) advising others to trade or to refrain from trading in Kornit securities or Derivative Securities, or (iii) disclosing the material information to any other person for the purpose of enabling such person to trade or to refrain from trading in Kornit securities or Derivative Securities. These restrictions remain in effect until the information is fully disclosed to the public or until the information, although not disclosed, ceases to be material. Generally, one should allow two full trading days following publication as a reasonable waiting period before such information is deemed to be public.

Any Covered Person who obtains, in the course of his or her employment with or engagement by Kornit, knowledge of any "material information" concerning any other company that has not been disclosed to the public is prohibited from (i) trading in securities of such other company or Derivative Securities of such other company, (ii) advising others to trade in securities of such other company or Derivative Securities of such other company, or (iii) disclosing the material information to any other person for the purpose of enabling such person to trade in securities of such other company or Derivative Securities of such other company. These restrictions remain in effect until the information is fully disclosed to the public or until the information, although not disclosed, ceases to be material.

For purposes of insider trading liability, it does not matter that delaying the transaction until the material, nonpublic information is disclosed or ceases to be material might cause the Covered Person or an Associate of a Covered Person to incur a financial loss, or whether there is some independent reason for the transaction (such as the need to raise money for an emergency expenditure). In addition, except in the limited circumstances discussed below (see "***Approved Trading Plans***"), it does not matter that a Covered Person or an Associate of a Covered Person may have decided to engage in a transaction before learning of the undisclosed material information. Further, it also is irrelevant that publicly disclosed information about Kornit, a Related Company or any other applicable company would, without consideration of the undisclosed material information, provide a substantial basis for engaging in the transaction. The federal securities laws do not recognize any such mitigating circumstances and further, even the appearance of an improper transaction must be avoided to preserve Kornit's reputation for adhering to the highest standards of conduct.

Material Information

In general, information is considered material as it relates to any company if there is a substantial likelihood that a reasonable investor would consider the information important in making a decision to buy, hold or sell securities of such company. While this standard is not always easy to apply, any information that could be expected to affect the price of a company's ordinary shares (or any other securities that derives its value from such securities), whether positive or negative, should be considered material. Some examples of information that is almost always regarded as material include: significant transactions such as pending or proposed mergers, tender offers, acquisitions or dispositions; financial forecasts (especially earnings estimates); corporate restructurings; regulatory rulings; unanticipated changes in the level of sales, earnings or expenses or earnings that are not consistent with the consensus expectations of the investment community; material changes to previously filed financial statements; credit rating changes; stock splits; stock dividends; equity or debt offerings; management changes; entry into or loss of a substantial contract not in the ordinary course of business; impending bankruptcy or the existence of severe liquidity problems; and similar matters.

Any Covered Person who has questions as to the materiality of any nonpublic information is advised to contact the Stock Compliance Officer for guidance. When in doubt as to the materiality of any nonpublic information, Covered Persons should refrain from trading.

Public Disclosure

Disclosure of material information to the public generally means the disclosure of the information in a filing with the Securities and Exchange Commission (the ***"SEC"***) (such as Kornit's annual report on Form 20-F or current reports on Form 6-K) or otherwise released broadly to the marketplace (such as by a press release or publication of the information on Kornit's website and/or its official, broad-based social media accounts). More limited dissemination of the information, such as in a company communication to employees (even if it is to all employees generally) does not qualify as public disclosure. To ensure adequate disclosure, one full trading day should be permitted following public disclosure to allow the securities markets an opportunity to digest the news.

Tipping

Covered Persons who cannot trade in Kornit securities, securities of any other company, or Derivative Securities, by reason of the possession of material, nonpublic information also may not either (i) disclose such information to any other person or (ii) provide trading advice with respect to the above securities (even though the nonpublic information that provides the basis for the advice is not disclosed to the person). Any such disclosure or trading advice constitutes a violation of the federal securities laws (referred to as "tipping") and can result in liability for both the tipper and the tippee, as well as for Kornit and supervisory personnel.

IV. Blackout Periods

Covered Persons are prohibited from trading in Kornit securities or Derivative Securities during blackout periods, regardless of whether they actually possess material nonpublic information.

Regular Blackout Periods

There are four regular blackout periods with respect to trading per year (the "***Quarterly Blackout Periods***"). Each Quarterly Blackout Period begins at 12:01 a.m. Eastern time on the 16th day of the third month of the quarter (i.e. 12:01 a.m. Eastern time on each March 16, June 16, September 16 and December 16) and ends at 11:59 p.m. Eastern time following the close of trading on the first full trading day following the public dissemination by Kornit of its quarterly (or, in the case of the fourth quarter, annual) financial results by press release to the national wire services or by making a filing with the SEC. In the event the public disclosure of financial results for the prior fiscal quarter or year is made prior to open of trading on Nasdaq, the same day shall be considered a "Trading Day" for the purpose of this Policy.

Covered Persons are prohibited from trading in Kornit securities or Derivative Securities during Quarterly Blackout Periods. A Covered Person may not make a gift of Kornit securities or Derivative Securities, except to a Family Member, during a Blackout Period without the prior approval of the Stock Compliance Officer.

Designated Blackout Periods

Any Covered Person, at any time and from time to time, may be informed by the Stock Compliance Officer that he or she, and his or her Associates, are subject to a designated blackout period due to such person's involvement in or knowledge of a particular matter (a "***Designated Blackout Period***", and together with the Quarterly Blackout Periods, "***Blackout Period(s)***"). Covered Persons so advised are prohibited from trading in Kornit securities or Derivative Securities until they receive further written notice from the Stock Compliance Officer. The existence of a Designated Blackout will not be announced other than to those who are subject to it. Any Covered Person or his or her Associates made aware of the existence of a Designated Blackout Period should not disclose the existence of such blackout for any reason.

It is important to keep in mind that, even if a Blackout Period is not in effect, the prohibition on trading on material, nonpublic information continues to apply at all times.

V. Approved Trading Plans

Transactions by Covered Persons and their Associates pursuant to a written trading plan (an "***Approved Plan***") will not violate this Policy and are not subject to the Blackout Period restrictions or pre-approval procedures if the following conditions are met:

- the Stock Compliance Officer must approve the Approved Plan prior to it being executed;
- The Approved Plan must comply with the requirements of Rule 10b5-1 under the Securities Exchange Act of 1934, as amended (the ***"Exchange Act"***), including the following:

(vii) it must be a written, binding contract, instruction or plan entered into outside of a Blackout Period and at such time when the Covered Person is not in possession of material, nonpublic information;

(vii) the Approved Plan must expressly specify the amounts, prices and dates of transactions (specifically or through a written formula, or a combination thereof) or confer discretionary authority on another person (who is not a Covered Person or Associate and otherwise is not in possession of material non-public information) to effect one or more purchase or sale transactions for the account of the instructing person;

(vii) the instructing person may not exercise any subsequent influence over how, when or whether the transactions are effected;

(vii) the Approved Plan includes the required cooling-off period after execution prior to the start of trading under the plan (which period is: (i) for directors and executive officers who would be subject to Section 16 of the Exchange Act if Kornit were not a foreign private issuer, until the later of: (1) 90 days after the adoption of the plan; or (2) two business days following the disclosure in a periodic report of Kornit's financial results for the fiscal quarter in which the plan was adopted (but not to exceed 120 days following plan adoption); and (ii) in the case of all other Covered Persons and their Associates), 30 days;

(vii) all persons entering into the Approved Plan must attest that, at the time of creation of the Approved Plan, they are not aware of material, nonpublic information and that they are adopting the Approved Plan in good faith and not as part of the scheme to evade prohibitions of Rule 10b5-1;

(vii) the purchase or sale must occur pursuant to the Approved Plan; and

(vii) all persons entering into the Approved Plan must act in good faith with respect to that plan for the duration thereof.

The Stock Compliance Officer will approve any Approved Plan that complies with the terms of this Section V.

VI. Short Term Speculation; Hedging Transaction Restrictions

Kornit considers it improper and inappropriate for any Covered Person or their Associates to engage in short-term or speculative transactions in Kornit securities or in other transactions in Kornit securities that may transfer the full risks and rewards of ownership over Kornit securities. Therefore, it is Kornit's policy that Covered Persons and their Associates may not engage, in any of the following transactions:

- *Publicly Traded Options*. A transaction in options is, in effect, a bet on the short- term movement of Kornit shares and therefore creates the appearance of trading based on inside information. Transactions in options also may focus attention on short-term performance at the expense of long-term objectives. Accordingly, transactions in puts, calls or other Derivative Securities, on an exchange or in any other organized market, are prohibited absent prior written approval of the Stock Compliance Officer.

- *Standing Orders*. A standing order placed with a broker to sell or purchase Kornit shares at a specified price leaves the shareholder with no control over the timing of the transaction. A transaction pursuant to a standing order – which does not meet the standards of an Approved Plan – executed by the broker when the Covered Person is aware of material nonpublic information may result in unlawful insider trading. Accordingly, standing orders are prohibited during any regular or designated blackout period and at any time that the Covered Person is aware of material, non-public information.

- *Hedging Transactions*. Certain forms of hedging or monetization transactions allow Covered Persons to lock in much of the value of their Kornit securities, often in exchange for all or part of the potential for upside appreciation in the securities. These transactions allow the Covered Person to continue to own the covered Kornit security, but without the full risks and rewards of ownership. Such transactions may use methodologies or financial instruments including, but not limited to, short sales, puts, calls, collars, prepaid variable forward contracts and exchange funds. When that occurs, the Covered Person may no longer have the same objectives as Kornit's other shareholders. Therefore, Covered Persons are prohibited from employing any such methodologies or using any such financial instruments with respect to a Kornit security absent prior written approval of the Stock Compliance Officer.

Any Covered Person who has questions as to whether a particular strategy would violate the Policy is advised to contact the Stock Compliance Officer.

VII. Application of the Policy to Kornit's Equity Incentive Plans and Bona Fide Gifts

The provisions of the Policy apply to various investment decisions concerning Kornit securities made by a Covered Person in connection with Kornit's equity incentive plans, as are in effect from time to time.

Equity Incentive Plans

The Policy does not apply to the grant or the cash exercise of share options granted under Kornit's equity incentive plans as in effect from time to time, and also would not apply to the delivery of shares to any entity administrating said plans on behalf of Kornit upon exercise of such options to the extent such transactions are permissible under the equity incentive plans. However, the delivery of Kornit shares to any third party in payment for the exercise price of a share option and/or for tax withholding, known as a "cashless" or "same-day sale" exercise, as well as any sale to a third party of Kornit shares acquired upon the exercise of a share option, is subject to the same restrictions that apply to any other sale of Kornit securities, including the Prior Approval Requirement set forth in the Addendum if the person effecting any such transaction is an Addendum Covered Person. These restrictions also apply to any Associate who acquires a transferred share option.

The Policy also does not apply to the vesting or delivery of restricted shares or restricted share units. The sale of Kornit shares acquired on the date of vesting or delivery of such restricted shares or restricted share units to any third party (including for tax withholding purposes) is subject to the same restrictions that apply to any other sale of Kornit securities, including the Prior Approval Requirement set forth in the Addendum if the person effecting any such transaction is an Addendum Covered Person.

Gifts

A bona fide gift of Kornit securities or Derivative Securities to a Family Member is not subject to the restrictions contained in the Policy. Except during a Designated Blackout Period as provided in Part IV of the Policy, a bona fide gift of Kornit securities or Derivative Securities to a charitable, educational or a similar institution or to a person who is not a Family Member is not subject to the restrictions contained in the Policy (Addendum Covered Persons should see the Addendum for restrictions applicable to them). The recipient of a gift who is a Covered Person or an Associate of a Covered Person would be subject to the restrictions of this Policy in connection with any subsequent sale of the gifted securities.

Employee Share Purchase Plan

This Policy does not apply to purchases of Kornit ordinary shares pursuant to any employee share purchase plan resulting from a Covered Person's periodic contribution of money to such a plan pursuant to the election he or she made at the time of his or her enrollment in the plan. This Policy also does not apply to purchases of Kornit ordinary shares resulting from lump sum contributions to such a plan, provided that the Covered Person elected to participate by lump sum payment at the beginning of the applicable enrollment period. This Policy does apply, however, to a Covered Person's election to participate in such a plan for any enrollment period, and to his or her sales of Kornit ordinary shares purchased pursuant to such a plan.

VIII. Post-Termination Transactions

The restrictions imposed by the Policy will continue to apply to a Covered Person and his or her Associates after the termination of his or her employment with or engagement by Kornit for such period of time as such Covered Person is aware of material, nonpublic information until that information has become public or is no longer material. If a Covered Person's employment or engagement has ended within a Blackout Period and he or she is aware of material, nonpublic information, he or she shall be subject to the Blackout Period restrictions detailed above for the remainder of that Blackout Period.

IX. Reason for the Prohibition

Under the federal securities laws, it is unlawful for any director, officer or employee of, or any person otherwise associated with, a public company to trade, or to enable others to trade, in the securities of that company while in possession of material, nonpublic information. Violators may be subject to criminal prosecution and/or civil liability.

A criminal prosecution can result in a fine of up to $5 million for individuals and $25 million for corporations (no matter how small the profit or even if there is a loss) and imprisonment for up to 20 years. Civil actions may be brought by a private plaintiff or the SEC. A person who has been found in a civil action brought by the SEC to have violated the prohibition on insider trading by purchasing or selling a security while in possession of material, nonpublic information, or by communicating such information to another person who engages in such trading, can be held liable for a penalty up to three times the profit gained, or the loss avoided, by the person who traded while in possession of material, nonpublic information. The SEC also has the authority to obtain a court order that bars a person who has engaged in insider trading from serving, either permanently or for a period of time, as a director or officer of a public company. There are no limits on the size of the transaction that can trigger insider trading liability. Relatively small trades have in the past occasioned civil and criminal investigations and lawsuits.

Insider trading also can generate significant adverse publicity and, as a result, cause a substantial loss of confidence in Kornit and its securities on the part of the public and the securities markets. This could have an adverse impact on the price of Kornit shares and other securities to the detriment of Kornit and its shareholders.

Remember, anyone scrutinizing your transactions in Kornit securities or Derivative Securities will be doing so after the fact, with the benefit of hindsight. As a practical matter, before engaging in any transaction, you should carefully consider how enforcement authorities and others might view the transaction in hindsight.

X. Conclusion

Kornit will strictly enforce the prohibitions against insider trading and the additional restrictions and procedures set forth in this Policy. Any Covered Person, or their Associate, of Kornit or any Related Company who is uncertain regarding the applicability of the Policy is urged to contact the Stock Compliance Officer prior to executing any sale or purchase transaction involving Kornit securities or Derivative Securities to determine if he or she may properly proceed. Directors and officers of Kornit should be particularly careful, since avoiding the appearance of engaging in share transactions on the basis of material, nonpublic information can be as important as avoiding consummating a transaction actually based on such information.

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ADDENDUM TO KORNIT DIGITAL LTD. INSIDER TRADING POLICY APPLICABLE TO DIRECTORS, OFFICERS AND CERTAIN DESIGNATED EMPLOYEES

In addition to compliance with the general insider trading prohibition, subject to Section V of the Policy, all directors and officers of Kornit, and any other employees of, or consultants or contractors to, Kornit or a Related Company designated by the Stock Compliance Officer (each such person subject to the Addendum is referred to as an "***Addendum Covered Person***") are required to adhere to the following additional restrictions and procedures when trading in Kornit securities and Derivative Securities.

I. Prior Approval Requirement

In addition to the Blackout Periods and compliance with the general prohibition on insider trading, an Addendum Covered Person must obtain the approval of the Stock Compliance Officer before effecting a trade in Kornit securities or any Derivative Security (the "***Prior Approval Requirement***") (to the extent that such persons are permitted to trade in Derivative Securities consistent with the Short Sale Prohibition and Other Restricted Transactions described in Part V). The Prior Approval Requirement also applies to Associates of the foregoing individuals. A request form for prior approval should be submitted at least one (1) business day prior to the proposed transaction date (or the waiting period required by the bank/broker, if applicable). Covered Persons who have questions regarding Prior Approval Requirement are advised to contact the Stock Compliance Officer. The Prior Approval Requirement will include an affirmation that the Addendum Covered Person does not possess any material information not disclosed to the public as defined in the Section III of the Policy.

II. Margin Accounts and Pledges

An Addendum Covered Person may not hold Kornit securities in a margin account or pledge Kornit securities as collateral because a margin or foreclosure sale may occur when such Addendum Covered Person is aware of material nonpublic information or otherwise prohibited from trading in Kornit securities. Under certain circumstances an exception may be granted for an Addendum Covered Person to pledge Kornit securities as collateral for a loan (not including margin debt) where the Addendum Covered Person clearly demonstrates the financial capacity to repay the loan without resorting to the pledged securities. Any Addendum Covered Person that wishes to do so must submit a request for approval to the Stock Compliance Officer at least two weeks prior to the proposed execution of documents evidencing the proposed pledge and the Stock Compliance Officer shall have absolute discretion over approving or rejecting such proposed pledge.

Exhibit 12.1

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO
EXCHANGE ACT RULE 13A-14(A)/15D-14(A)
AS ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Ronen Samuel, certify that:

1. I have reviewed this annual report on Form 20-F of Kornit Digital Ltd.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer(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 company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: March 27, 2025

By: /s/ Ronen Samuel
Name: Ronen Samuel
Title: Chief Executive Officer
(Principal Executive Officer)

Exhibit 12.2

**CERTIFICATION PURSUANT TO
EXCHANGE ACT RULE 13A-14(A)/15D-14(A)
AS ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Lauri Hanover, certify that:

1. I have reviewed this annual report on Form 20-F of Kornit Digital Ltd.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer(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 company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: March 27, 2025

By: /s/ Lauri Hanover
Name: Lauri Hanover
Title: Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)

Exhibit 13.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER PURSUANT TO RULE 13a-14(b)/RULE 15d-14(b) UNDER THE EXCHANGE ACT AND 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Kornit Digital Ltd. (the "**Company**") on Form 20-F for the fiscal year ended December 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "**Report**"), we, Ronen Samuel, as Chief Executive Officer of the Company, and Lauri Hanover, as Chief Financial Officer of the Company, each certify in such respective capacity, pursuant to Rule 13a-14(b)/Rule 15d-14(b) under the Securities Exchange Act of 1934, as amended and 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 27, 2025

By: /s/ Ronen Samuel
Name: Ronen Samuel
Title: Chief Executive Officer
(Principal Executive Officer)

By: /s/ Lauri Hanover
Name: Lauri Hanover
Title: Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)

Exhibit 15.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-8 No. 333-203970) pertaining to the 2004 Share Option Plan, 2012 Share Incentive Plan, 2015 Incentive Compensation Plan, 2015 Employee Share Purchase Plan of Kornit Digital Ltd., and

(2) Registration Statements (Form S-8 No.'s 333-214015, 333-217039, 333-223794, 333-230567, 333-237346, 333-254749 and 333-263975) pertaining to the 2015 Incentive Compensation Plan of Kornit Digital Ltd.

of our reports dated March 27, 2025, with respect to the consolidated financial statements of Kornit Digital Ltd. and the effectiveness of internal control over financial reporting of Kornit Digital Ltd. included in this Annual Report (Form 20-F) of Kornit Digital Ltd. for the year ended December 31, 2024.

Tel-Aviv, Israel
March 27, 2025

/s/ KOST FORER GABBAY & KASIERER
A Member of EY Global