

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2022

OR

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

For the transition period from _____ to _____

Commission File Number: 001-36894

SOLAREEDGE TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

20-5338862
(IRS Employer
Identification No.)

1 HaMada Street
Herziliya Pituach, 4673335, Israel
(Address of Principal Executive Offices, zip code)

972 (9) 957-6620

Registrant's telephone number, including area code

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

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

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

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

Yes No

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

Yes No

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

| | | | |
|-------------------------|-------------------------------------|---------------------------|--------------------------|
| Large accelerated filer | <input checked="" type="checkbox"/> | Accelerated filer | <input type="checkbox"/> |
| Non-accelerated filer | <input type="checkbox"/> | Smaller Reporting Company | <input type="checkbox"/> |
| | | Emerging growth company | <input type="checkbox"/> |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by checkmark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of November 1, 2022, there were 55,894,875 shares of the registrant's common stock, par value of \$0.0001 per share, outstanding.

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

| | |
|--|------|
| <u>ITEM 1. Financial Statements</u> | F-1 |
| <u>Condensed Consolidated Balance Sheets</u> | F-2 |
| <u>Condensed Consolidated Statements of Income</u> | F-4 |
| <u>Condensed Consolidated Statements of Comprehensive Income</u> | F-5 |
| <u>Condensed Consolidated Statements of Changes in Stockholders' Equity</u> | F-6 |
| <u>Condensed Consolidated Statements of Cash Flows</u> | F-8 |
| <u>Notes to the Condensed Consolidated Financial Statements (unaudited)</u> | F-10 |
| <u>ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | 3 |
| <u>ITEM 3. Quantitative and Qualitative Disclosures About Market Risk</u> | 17 |
| <u>ITEM 4. Controls and Procedures</u> | 18 |

PART II. OTHER INFORMATION.

| | |
|--|----|
| <u>ITEM 1. Legal Proceedings</u> | 19 |
| <u>ITEM 1A. Risk Factors</u> | 19 |
| <u>ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds</u> | 19 |
| <u>ITEM 3. Defaults upon Senior Securities</u> | 19 |
| <u>ITEM 4. Mine Safety Disclosures</u> | 19 |
| <u>ITEM 5. Other Information</u> | 19 |
| <u>ITEM 6. Exhibits</u> | 20 |
| <u>EXHIBIT INDEX</u> | 20 |

PART I. FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS****SOLAREEDGE TECHNOLOGIES INC.****CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)****(in thousands, except per share data)**

| | September 30, 2022 | December 31, 2021 |
|---|-------------------------------|------------------------------|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 678,329 | \$ 530,089 |
| Marketable securities | 202,598 | 167,728 |
| Trade receivables, net of allowances of \$4,283 and \$2,626, respectively | 785,325 | 456,339 |
| Inventories, net | 561,352 | 380,143 |
| Prepaid expenses and other current assets | 224,169 | 176,992 |
| <u>Total current assets</u> | <u>2,451,773</u> | <u>1,711,291</u> |
| LONG-TERM ASSETS: | | |
| Marketable securities | 688,753 | 482,228 |
| Deferred tax assets, net | 38,268 | 27,572 |
| Property, plant and equipment, net | 491,433 | 410,379 |
| Operating lease right-of-use assets, net | 62,535 | 47,137 |
| Intangible assets, net | 46,286 | 58,861 |
| Goodwill | 108,860 | 129,629 |
| Other long-term assets | 15,638 | 33,856 |
| <u>Total long-term assets</u> | <u>1,451,773</u> | <u>1,189,662</u> |
| <u>Total assets</u> | <u>\$ 3,903,546</u> | <u>\$ 2,900,953</u> |

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

SOLAREEDGE TECHNOLOGIES INC.

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited) (Cont.)

(in thousands, except per share data)

| | September 30, 2022 | December 31, 2021 |
|---|-------------------------------|------------------------------|
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| CURRENT LIABILITIES: | | |
| Trade payables, net | \$ 311,565 | \$ 252,068 |
| Employees and payroll accruals | 71,905 | 74,465 |
| Warranty obligations | 97,222 | 71,480 |
| Deferred revenues and customers advances | 31,896 | 17,789 |
| Accrued expenses and other current liabilities | 181,892 | 109,379 |
| Total current liabilities | 694,480 | 525,181 |
| LONG-TERM LIABILITIES: | | |
| Convertible senior notes, net | 623,721 | 621,535 |
| Warranty obligations | 248,917 | 193,680 |
| Deferred revenues | 176,824 | 151,556 |
| Finance lease liabilities | 45,509 | 40,508 |
| Operating lease liabilities | 46,398 | 38,912 |
| Other long-term liabilities | 15,570 | 19,542 |
| Total long-term liabilities | 1,156,939 | 1,065,733 |
| COMMITMENTS AND CONTINGENT LIABILITIES | | |
| STOCKHOLDERS' EQUITY: | | |
| Common stock of \$0.0001 par value - Authorized: 125,000,000 shares as of September 30, 2022 and December 31, 2021; issued and outstanding: 55,894,106 and 52,815,395 shares as of September 30, 2022 and December 31, 2021, respectively | 6 | 5 |
| Additional paid-in capital | 1,457,379 | 687,295 |
| Accumulated other comprehensive loss | (128,266) | (27,319) |
| Retained earnings | 723,008 | 650,058 |
| Total stockholders' equity | 2,052,127 | 1,310,039 |
| Total liabilities and stockholders' equity | \$ 3,903,546 | \$ 2,900,953 |

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

SOLAREEDGE TECHNOLOGIES INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

(in thousands, except per share data)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|-------------------|------------------------------------|-------------------|
| | 2022 | 2021 | 2022 | 2021 |
| Revenues | \$ 836,723 | \$ 526,404 | \$ 2,219,577 | \$ 1,411,950 |
| Cost of revenues | 614,722 | 353,843 | 1,635,976 | 943,123 |
| Gross profit | <u>222,001</u> | <u>172,561</u> | <u>583,601</u> | <u>468,827</u> |
| Operating expenses: | | | | |
| Research and development | 69,659 | 55,666 | 210,855 | 155,307 |
| Sales and marketing | 42,726 | 29,383 | 117,017 | 85,752 |
| General and administrative | 27,933 | 21,098 | 82,483 | 60,317 |
| Other operating expenses (income), net | (2,724) | - | 1,963 | 1,350 |
| Total operating expenses | <u>137,594</u> | <u>106,147</u> | <u>412,318</u> | <u>302,726</u> |
| Operating income | 84,407 | 66,414 | 171,283 | 166,101 |
| Financial expense, net | (33,025) | (5,751) | (52,785) | (13,591) |
| Other income | 7,533 | - | 7,533 | - |
| Income before income taxes | 58,915 | 60,663 | 126,031 | 152,510 |
| Income taxes | 34,172 | 7,615 | 53,081 | 24,294 |
| Net income | <u>\$ 24,743</u> | <u>\$ 53,048</u> | <u>\$ 72,950</u> | <u>\$ 128,216</u> |
| Net basic earnings per share of common stock | <u>\$ 0.44</u> | <u>\$ 1.01</u> | <u>\$ 1.33</u> | <u>\$ 2.46</u> |
| Net diluted earnings per share of common stock | <u>\$ 0.43</u> | <u>\$ 0.96</u> | <u>\$ 1.29</u> | <u>\$ 2.32</u> |
| Weighted average number of shares used in computing net basic earnings per share of common stock | <u>55,730,328</u> | <u>52,355,867</u> | <u>54,788,734</u> | <u>52,056,233</u> |
| Weighted average number of shares used in computing net diluted earnings per share of common stock | <u>58,747,538</u> | <u>55,929,000</u> | <u>57,886,041</u> | <u>55,955,441</u> |

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

SOLAREEDGE TECHNOLOGIES INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (Unaudited)

(in thousands, except per share data)

| | Three Months Ended | | Nine Months Ended | |
|---|---------------------------|------------------|--------------------------|-------------------|
| | September 30, | | September 30, | |
| | 2022 | 2021 | 2022 | 2021 |
| Net income | \$ 24,743 | \$ 53,048 | \$ 72,950 | \$ 128,216 |
| Other comprehensive income (loss), net of tax: | | | | |
| Net change related to available-for-sale securities | (9,579) | 29 | (23,647) | (1,847) |
| Net change related to cash flow hedges | (140) | 308 | (4,656) | 619 |
| Foreign currency translation adjustments on intra-entity transactions that are of a long-term investment nature | (30,799) | (12,272) | (66,129) | (14,168) |
| Foreign currency translation adjustments, net | 1,872 | (3,664) | (6,515) | (7,596) |
| Total other comprehensive loss | (38,646) | (15,599) | (100,947) | (22,992) |
| Comprehensive income (loss) | <u>\$ (13,903)</u> | <u>\$ 37,449</u> | <u>\$ (27,997)</u> | <u>\$ 105,224</u> |

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

SOLAREEDGE TECHNOLOGIES INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (Unaudited)

(in thousands, except per share data)

| | Common stock | | Additional paid in Capital | Accumulated other comprehensive loss | Retained earnings | Total |
|--|--------------|--------|----------------------------------|---|----------------------|--------------|
| | Number | Amount | | | | |
| Balance as of January 1, 2022 | 52,815,395 | \$ 5 | \$ 687,295 | \$ (27,319) | \$ 650,058 | \$ 1,310,039 |
| Issuance of common stock upon exercise of stock-based awards | 270,751 | * - | 1,478 | - | - | 1,478 |
| Stock based compensation | - | - | 34,107 | - | - | 34,107 |
| Issuance of common stock in a secondary public offering, net of underwriters' discounts and commissions of \$27,140 and \$834 of offering costs | 2,300,000 | 1 | 650,525 | - | - | 650,526 |
| Other comprehensive loss adjustments | - | - | - | (18,748) | - | (18,748) |
| Net income | - | - | - | - | 33,123 | 33,123 |
| Balance as of March 31, 2022 | 55,386,146 | \$ 6 | \$ 1,373,405 | \$ (46,067) | \$ 683,181 | \$ 2,010,525 |
| Issuance of Common Stock upon exercise of stock-based awards | 211,839 | * - | 164 | - | - | 164 |
| Issuance of Common stock under employee stock purchase plan | 35,105 | * - | 8,141 | - | - | 8,141 |
| Stock based compensation | - | - | 37,171 | - | - | 37,171 |
| Other comprehensive loss adjustments | - | - | - | (43,553) | - | (43,553) |
| Net income | - | - | - | - | 15,084 | 15,084 |
| Balance as of June 30, 2022 | 55,633,090 | \$ 6 | \$ 1,418,881 | \$ (89,620) | \$ 698,265 | \$ 2,027,532 |
| Issuance of Common Stock upon exercise of stock-based awards | 261,016 | * - | 1,866 | - | - | 1,866 |
| Stock based compensation | - | - | 36,632 | - | - | 36,632 |
| Other comprehensive loss adjustments | - | - | - | (38,646) | - | (38,646) |
| Net income | - | - | - | - | 24,743 | 24,743 |
| Balance as of September 30, 2022 | 55,894,106 | \$ 6 | \$ 1,457,379 | \$ (128,266) | \$ 723,008 | \$ 2,052,127 |

* Represents an amount less than \$1.

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

SOLAREEDGE TECHNOLOGIES INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (Unaudited)

(in thousands, except per share data)

| | Common stock | | Additional paid in Capital | Accumulated other comprehensive income (loss) | Retained earnings | Total |
|--|--------------|--------|----------------------------------|--|----------------------|--------------|
| | Number | Amount | | | | |
| Balance as of January 1, 2021 | 51,560,936 | \$ 5 | \$ 603,891 | \$ 3,857 | \$ 478,004 | \$ 1,085,757 |
| Cumulative effect of adopting ASU 2020-06 | - | - | (36,336) | - | 2,884 | (33,452) |
| Issuance of Common Stock upon exercise of stock-based awards | 405,239 | * - | 5,008 | - | - | 5,008 |
| Stock based compensation | - | - | 23,153 | - | - | 23,153 |
| Other comprehensive loss adjustments | - | - | - | (10,618) | - | (10,618) |
| Net income | - | - | - | - | 30,076 | 30,076 |
| Balance as of March 31, 2021 | 51,966,175 | \$ 5 | \$ 595,716 | \$ (6,761) | \$ 510,964 | \$ 1,099,924 |
| Issuance of Common Stock upon exercise of stock-based awards | 297,801 | * - | 5,500 | - | - | 5,500 |
| Stock based compensation | - | - | 24,052 | - | - | 24,052 |
| Other comprehensive income adjustments | - | - | - | 3,225 | - | 3,225 |
| Net income | - | - | - | - | 45,092 | 45,092 |
| Balance as of June 30, 2021 | 52,263,976 | \$ 5 | \$ 625,268 | \$ (3,536) | \$ 556,056 | \$ 1,177,793 |
| Issuance of Common Stock upon exercise of stock-based awards | 255,514 | * - | 656 | - | - | 656 |
| Stock based compensation | - | - | 26,185 | - | - | 26,185 |
| Other comprehensive loss adjustments | - | - | - | (15,599) | - | (15,599) |
| Net income | - | - | - | - | 53,048 | 53,048 |
| Balance as of September 30, 2021 | 52,519,490 | \$ 5 | \$ 652,109 | \$ (19,135) | \$ 609,104 | \$ 1,242,083 |

* Represents an amount less than \$1.

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

SOLAREEDGE TECHNOLOGIES INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(in thousands, except per share data)

| | Nine Months Ended September 30, | |
|--|--|---------------------|
| | 2022 | 2021 |
| <u>Cash flows from operating activities:</u> | | |
| Net income | \$ 72,950 | \$ 128,216 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Depreciation of property, plant and equipment | 29,571 | 21,492 |
| Amortization of intangible assets | 7,741 | 7,487 |
| Amortization of debt discount and debt issuance costs | 2,186 | 2,175 |
| Amortization of premium and accretion of discount on available-for-sale marketable securities, net | 7,864 | 6,301 |
| Impairment of goodwill and intangible assets | 4,008 | - |
| Stock-based compensation expenses | 106,932 | 73,390 |
| Gain from sale of privately held company | (7,533) | - |
| Deferred income taxes, net | (3,822) | (6,686) |
| Loss (gain) from sale and disposal of assets | (485) | 2,013 |
| Exchange rate fluctuations and other items, net | 64,662 | 13,086 |
| Changes in assets and liabilities: | | |
| Inventories, net | (188,579) | 30,678 |
| Prepaid expenses and other assets | (55,478) | (14,977) |
| Trade receivables, net | (377,089) | (206,131) |
| Trade payables, net | 53,683 | (22,959) |
| Employees and payroll accruals | 12,119 | 14,321 |
| Warranty obligations | 82,025 | 42,368 |
| Deferred revenues and customers advances | 41,440 | 13,723 |
| Other liabilities, net | 67,789 | 20,055 |
| Net cash provided by (used in) operating activities | (80,016) | 124,552 |
| <u>Cash flows from investing activities:</u> | | |
| Proceed from sales and maturities of available-for-sale marketable securities | 178,415 | 174,817 |
| Purchase of property, plant and equipment | (125,085) | (94,135) |
| Investment in available-for-sale marketable securities | (461,491) | (511,615) |
| Investment in a privately-held company | - | (16,643) |
| Proceeds from sale of a privately-held company | 24,175 | - |
| Withdrawal from bank deposits, net | - | 50,020 |
| Payment for asset acquisition, net of cash acquired | - | (2,996) |
| Other investing activities | 3,472 | 2,593 |
| Net cash used in investing activities | \$ (380,514) | \$ (397,959) |

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

SOLAREEDGE TECHNOLOGIES INC.

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

(in thousands, except per share data)

| | Nine Months Ended September 30, | |
|--|------------------------------------|-------------------|
| | 2022 | 2021 |
| <u>Cash flows from financing activities:</u> | | |
| Proceeds from secondary public offering, net of issuance costs | \$ 650,526 | \$ - |
| Repayment of bank loans | (104) | (16,219) |
| Proceeds from exercise of stock-based awards | 3,508 | 6,128 |
| Tax withholding in connection with stock-based awards, net | (4,686) | (8,402) |
| Other financing activities | (2,109) | (939) |
| Net cash provided by (used in) financing activities | <u>647,135</u> | <u>(19,432)</u> |
| Increase (decrease) in cash and cash equivalents | 186,605 | (292,839) |
| Cash and cash equivalents at the beginning of the period | 530,089 | 827,146 |
| Effect of exchange rate differences on cash and cash equivalents | (38,365) | (7,719) |
| Cash and cash equivalents at the end of the period | <u>\$ 678,329</u> | <u>\$ 526,588</u> |
| <u>Supplemental disclosure of non-cash activities:</u> | | |
| Right-of-use asset recognized with a corresponding lease liability | <u>\$ 43,274</u> | <u>\$ 2,253</u> |

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

SOLAREEDGE TECHNOLOGIES INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(in thousands, except per share data)

NOTE 1: GENERAL

- a. SolarEdge Technologies, Inc. (the “Company”) and its subsidiaries design, develop, and sell an intelligent inverter solution designed to maximize power generation at the individual photovoltaic (“PV”) module level while lowering the cost of energy produced by the solar PV system and providing comprehensive and advanced safety features. The Company’s products consist mainly of (i) power optimizers designed to maximize energy throughput from each and every module through constant tracking of Maximum Power Point individually per module, (ii) inverters which invert direct current (DC) from the PV module to alternating current (AC) including the Company’s future ready energy hub inverter which supports, among other things, connection to a DC- coupled battery for backup capabilities, (iii) a remote cloud-based monitoring platform, that collects and processes information from the power optimizers and inverters to enable customers and system owners, to monitor and manage the solar PV system (iv) a residential storage and backup solution which includes a company designed and manufactured lithium-ion DC-coupled battery that is used to increase energy independence and maximize self-consumption for homeowners including a battery, and (v) additional smart energy management solutions.

The Company and its subsidiaries sell products worldwide through large distributors, electrical equipment wholesalers, as well as directly to large solar installers and engineering, procurement, and construction firms.

- b. The Company has expanded its activity to other areas of smart energy technology organically and through acquisitions. The Company now offers a variety of energy solutions, which include lithium-ion cells, batteries, and energy storage systems (“Energy Storage”), full powertrain kits for electric vehicles, or EVs (“e-Mobility”), as well as automated machines for industrial use (“Automation Machines”).

In June 2022, the Company decided to discontinue its stand-alone uninterrupted power supply solutions or UPS (“Critical Power”). The Company determined that the discontinuance of the Critical Power business does not represent a strategic shift that will have a major effect on the Company’s operations and financial results and therefore it did not meet the criteria for discontinued operations classification.

- c. Basis of Presentation:

The unaudited condensed consolidated financial statements and accompanying notes have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”). In management’s opinion, the unaudited condensed consolidated financial statements reflect all adjustments of a normal recurring nature that are necessary for a fair presentation of the results for the interim periods presented. The Company’s interim period results do not necessarily indicate the results that may be expected for any other interim period or for the full fiscal year.

The significant accounting policies applied in the annual consolidated financial statements of the Company as of December 31, 2021, contained in the Company’s Annual Report on Form 10-K filed with the SEC on February 22, 2022, have been applied consistently in these unaudited interim condensed consolidated financial statements. Certain prior year amounts have been reclassified to conform to current year presentation.

- d. Use of estimates:

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, costs and expenses and related disclosures in the accompanying notes. The duration, scope and effects of the ongoing Covid-19 pandemic and the conflict in Ukraine, government and other third-party responses to it, and the related macroeconomic effects, including to the Company’s business and the business of the Company’s suppliers and customers are uncertain, rapidly changing and difficult to predict. As a result, the Company’s accounting estimates and assumptions may change over time in response to this evolving situation. Such changes could result in future impairments of goodwill, intangibles, long-lived assets, inventories, incremental credit losses on receivables and available-for-sale marketable debt securities, or an increase in the Company’s insurance liabilities as of the time of a relevant measurement event.

SOLAREEDGE TECHNOLOGIES INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(in thousands, except per share data)

e. Concentrations of supply risks:

The Company depends on two contract manufacturers and several limited or single source component suppliers, including, Samsung SDI, that provides lithium-ion battery cells required for the Company's residential storage solution. Reliance on these vendors makes the Company vulnerable to possible capacity constraints and reduced control over component availability, delivery schedules, manufacturing yields, and costs.

As of September 30, 2022, and December 31, 2021, two contract manufacturers collectively accounted for 30.1% and 27.9% of the Company's total trade payables, net, respectively.

In the second quarter of 2022, the Company announced the opening of "Sella 2", a two gigawatt-hour (GWh) Li-Ion battery cell manufacturing facility located in South Korea. Sella 2 is currently in testing phase with ramp-up expected during the fourth quarter of 2022. Sella 2, is the Company's second owned manufacturing facility following the opening of the Company's manufacturing facility in the North of Israel, "Sella 1" in 2020 that produces power optimizers and inverters for the Company's solar activities.

f. New accounting pronouncements not yet adopted:

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board ("FASB") or other standard setting bodies are adopted by the Company as of the specified effective date. The Company believes that the impact of recently issued standards that are not yet effective will not have a material impact on its financial position or results of operations upon adoption.

g. Recently issued and adopted pronouncements:

In October 2021, the Financial Accounting Standards Board ("FASB") issued ASU No. 2021-08, Accounting for Contract Assets and Contract Liabilities from Contracts with Customers (Topic 805). This ASU requires an acquirer in a business combination to recognize and measure contract assets and contract liabilities (deferred revenue) from acquired contracts using the revenue recognition guidance in Topic 606. At the acquisition date, the acquirer applies the revenue model as if it had originated the acquired contracts. The ASU is effective for annual periods beginning after December 15, 2022, including interim periods within those fiscal years. Adoption of the ASU should be applied prospectively. Early adoption is also permitted, including adoption in an interim period. The Company elected to early adopt ASU 2021-08 on January 1, 2022, and will apply this new guidance to all business combinations consummated subsequent to this date. Currently, this ASU has no impact on our consolidated financial statements.

In November 2021, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2021-10, Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance. Under ASU 2021-10, the accounting entities with transactions with a government that are accounted for by analogy to a grant or contribution accounting model are required to annually disclose certain information regarding the transaction including: (i) nature and related accounting policy used; (ii) line items on the balance sheet and income statement affected by the transactions; (iii) amounts applicable to each line item; and (iv) significant terms and conditions. This guidance is effective for financial statements issued for annual periods beginning after December 15, 2021. The adoption of this ASU will have a minor impact on the disclosures to the annual consolidated financial statements.

SOLAREEDGE TECHNOLOGIES INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(in thousands, except per share data)

NOTE 2: MARKETABLE SECURITIES

The following is a summary of available-for-sale marketable securities as of September 30, 2022:

| | Amortized cost | Gross unrealized gains | Gross unrealized losses | Fair value |
|---|-------------------|------------------------------|-------------------------------|-------------------|
| Available-for-sale – matures within one year: | | | | |
| Corporate bonds | \$ 203,445 | \$ - | \$ (4,049) | \$ 199,396 |
| Governmental bonds | 3,254 | - | (52) | 3,202 |
| | <u>206,699</u> | <u>-</u> | <u>(4,101)</u> | <u>202,598</u> |
| Available-for-sale – matures after one year: | | | | |
| Corporate bonds | 683,804 | - | (30,753) | 653,051 |
| Governmental bonds | 36,901 | - | (1,199) | 35,702 |
| | <u>720,705</u> | <u>-</u> | <u>(31,952)</u> | <u>688,753</u> |
| Total | <u>\$ 927,404</u> | <u>\$ -</u> | <u>\$ (36,053)</u> | <u>\$ 891,351</u> |

The following is a summary of available-for-sale marketable securities as of December 31, 2021:

| | Amortized cost | Gross unrealized gains | Gross unrealized losses | Fair value |
|---|-------------------|------------------------------|-------------------------------|-------------------|
| Available-for-sale – matures within one year: | | | | |
| Corporate bonds | \$ 160,462 | \$ 23 | \$ (320) | \$ 160,165 |
| Governmental bonds | 7,576 | - | (13) | 7,563 |
| | <u>168,038</u> | <u>23</u> | <u>(333)</u> | <u>167,728</u> |
| Available-for-sale – matures after one year: | | | | |
| Corporate bonds | 474,412 | 9 | (5,580) | 468,841 |
| Governmental bonds | 13,506 | - | (119) | 13,387 |
| | <u>487,918</u> | <u>9</u> | <u>(5,699)</u> | <u>482,228</u> |
| Total | <u>\$ 655,956</u> | <u>\$ 32</u> | <u>\$ (6,032)</u> | <u>\$ 649,956</u> |

As of September 30, 2022, and December 31, 2021, the Company did not record an allowance for credit losses for its available-for-sale marketable securities.

SOLAREEDGE TECHNOLOGIES INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(in thousands, except per share data)

NOTE 3: INVENTORIES, NET

| | September 30, 2022 | December 31, 2021 |
|-----------------|-------------------------------|------------------------------|
| Raw materials | \$ 432,766 | \$ 247,386 |
| Work in process | 15,529 | 13,863 |
| Finished goods | 113,057 | 118,894 |
| | <u>\$ 561,352</u> | <u>\$ 380,143</u> |

NOTE 4: INVESTMENT IN PRIVATELY-HELD COMPANY

On January 31, 2021, the Company completed an investment of \$11,643 in the preferred stock of AutoGrid Systems, Inc. ("AutoGrid"), a privately held company.

On February 1, 2021, the Company signed on a preferred stock purchase agreement for an additional investment of \$5,000 in AutoGrid's preferred stock (the "second investment"). On April 28, 2021, the Company completed the second investment.

The Company accounted for the AutoGrid investment as an equity investment without readily determinable fair values. The Company's non-marketable equity securities had a carrying value of \$16,643 as of December 31, 2021.

Investments in privately-held companies are included within other long-term assets on the consolidated balance sheets.

On July 20, 2022, the Company completed the sale of its investment in AutoGrid for proceeds of \$24,175, thus recognizing a gain of \$7,533 which was recorded in the statement of income under "Other income".

No impairment or other adjustments related to observable price changes in orderly transactions for identical or similar investments were identified up to the date of the sale.

SOLAREEDGE TECHNOLOGIES INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(in thousands, except per share data)

NOTE 5: DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

During the nine months ended September 30, 2022, the Company instituted a foreign currency cash flow hedging program to protect against a forecasted increase in value of foreign currency cash flows resulting from salary denominated in Israeli currency, the New Israeli Shekels (“NIS”). The Company hedges portions of the anticipated payroll denominated in NIS for a period of one to nine months with hedging contracts. Accordingly, when the dollar strengthens against the NIS, the decline in present value of future foreign currency expenses is offset by losses in the fair value of the hedging contracts. Conversely, when the dollar weakens, the increase in the present value of future foreign currency cash flows is offset by gains in the fair value of the hedging contracts. These hedging contracts are designated as cash flow hedges, as defined by ASC 815 and are all effective hedges.

As of September 30, 2022, the Company entered into forward contracts and put and call options to sell U.S. dollars (“USD”) for NIS in the amount of approximately NIS 334 million and NIS 10 million, respectively.

In addition to the above-mentioned cash flow hedge transactions, the Company also entered into derivative instrument arrangements to hedge the Company’s exposure to currencies other than the USD. These derivative instruments are not designated as cash flow hedges, as defined by ASC 815, and therefore all gains and losses, resulting from fair value remeasurement, were recorded immediately in the statement of income, under "Financial expense, net".

The Company classifies cash flows related to its hedging as operating activities in its condensed consolidated statement of cash flows.

As of September 30, 2022, the Company entered into forward contracts to sell Australian dollars (“AUD”) for USD in the amount of AUD 4 million.

As of September 30, 2022, the Company entered into forward contracts to sell Euro for USD in the amount of €9 million.

The fair values of outstanding derivative instruments were as follows:

| Balance sheet location | | September 30, 2022 | December 31, 2021 |
|---|--|-------------------------------|------------------------------|
| Derivative assets of options and forward contracts: | | | |
| Designated cash flow hedges | Prepaid expenses and other current assets | \$ - | \$ 992 |
| Non-designated hedges | Prepaid expenses and other current assets | 1,813 | 3,017 |
| Total derivative assets | | \$ 1,813 | \$ 4,009 |
| Derivative liabilities of options and forward contracts: | | | |
| Designated cash flow hedges | Accrued expenses and other current liabilities | \$ (4,269) | \$ - |
| Non-designated hedges | Accrued expenses and other current liabilities | - | (169) |
| Total derivative liabilities | | \$ (4,269) | \$ (169) |

SOLAREEDGE TECHNOLOGIES INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(in thousands, except per share data)

Gains (losses) on derivative instruments recognized in our income statements are summarized below:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | | Affected line item |
|------------------------------------|-------------------------------------|---------|------------------------------------|---------|-------------------------|
| | 2022 | 2021 | 2022 | 2021 | |
| Foreign exchange contracts | | | | | |
| Non Designated Hedging Instruments | \$1,211 | \$3,350 | \$5,154 | \$7,706 | Financial expenses, net |

See Note 13 for information regarding gains (losses) from designated hedging instruments reclassified from accumulated other comprehensive loss.

Gains (losses) on derivative instruments recognized in the consolidated comprehensive income (loss) statements were as follows:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | | | | | |
|--------------------------------|-------------------------------------|---------|------------------------------------|-------|----|---------|----|-------|
| | 2022 | 2021 | 2022 | 2021 | | | | |
| Foreign exchange contracts: | | | | | | | | |
| Designated Hedging Instruments | \$ | (1,399) | \$ | 1,006 | \$ | (8,928) | \$ | 1,719 |

SOLAREEDGE TECHNOLOGIES INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(in thousands, except per share data)

NOTE 6: FAIR VALUE MEASUREMENTS

In accordance with ASC 820, the Company measures its cash equivalents and marketable securities, at fair value using the market approach valuation technique. Cash equivalents and marketable securities are classified within Level 1 and Level 2, respectively, because these assets are valued using quoted market prices or alternative pricing sources and models utilizing market observable inputs. Foreign currency derivative contracts are classified within the Level 2 value hierarchy, as the valuation inputs are based on quoted prices and market observable data of similar instruments.

The following table sets forth the Company's assets that were measured at fair value as of September 30, 2022 and December 31, 2021, by level within the fair value hierarchy:

| Description | Fair Value Hierarchy | Fair value measurements as of | |
|--|----------------------|-------------------------------|-------------------|
| | | September 30, 2022 | December 31, 2021 |
| Assets: | | | |
| Cash equivalents: | | | |
| Cash | Level 1 | \$ 552,800 | \$ 508,389 |
| Money market mutual funds | Level 1 | \$ 94,581 | \$ 21,680 |
| Deposits | Level 1 | \$ 30,948 | \$ 20 |
| Derivative instruments | Level 2 | \$ 1,813 | \$ 4,009 |
| Short-term marketable securities: | | | |
| Corporate bonds | Level 2 | \$ 199,396 | \$ 160,165 |
| Governmental bonds | Level 2 | \$ 3,202 | \$ 7,563 |
| Long-term marketable securities: | | | |
| Corporate bonds | Level 2 | \$ 653,051 | \$ 468,841 |
| Governmental bonds | Level 2 | \$ 35,702 | \$ 13,387 |
| Liabilities: | | | |
| Derivative instruments | Level 2 | \$ (4,269) | \$ (169) |

NOTE 7: WARRANTY OBLIGATIONS

Changes in the Company's product warranty obligations for the three and nine months ended September 30, 2022 and 2021, were as follows:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|------------|------------------------------------|------------|
| | 2022 | 2021 | 2022 | 2021 |
| Balance, at the beginning of the period | \$ 324,176 | \$ 232,167 | \$ 265,160 | \$ 204,994 |
| Additions and adjustments to cost of revenues | 56,815 | 43,068 | 163,783 | 109,382 |
| Usage and current warranty expenses | (34,852) | (28,172) | (82,804) | (67,313) |
| Balance, at end of the period | 346,139 | 247,063 | 346,139 | 247,063 |
| Less current portion | (97,222) | (67,096) | (97,222) | (67,096) |
| Long term portion | \$ 248,917 | \$ 179,967 | \$ 248,917 | \$ 179,967 |

SOLAREEDGE TECHNOLOGIES INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(in thousands, except per share data)

NOTE 8: DEFERRED REVENUES

Deferred revenues consist of deferred cloud-based monitoring services, communication services, warranty extension services and advance payments received from customers for the Company's products. Deferred revenues are classified as short-term and long-term deferred revenues based on the period in which revenues are expected to be recognized.

Significant changes in the balances of deferred revenues during the period are as follows:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|-------------------|--|-------------------|
| | 2022 | 2021 | 2022 | 2021 |
| Balance, at the beginning of the period | \$ 200,695 | \$ 144,253 | \$ 169,345 | \$ 140,020 |
| Revenue recognized | (12,731) | (10,667) | (37,855) | (46,259) |
| Increase in deferred revenues and customer advances | 20,756 | 19,622 | 77,230 | 59,447 |
| Balance, at the end of the period | 208,720 | 153,208 | 208,720 | 153,208 |
| Less current portion | (31,896) | (16,939) | (31,896) | (16,939) |
| Long term portion | <u>\$ 176,824</u> | <u>\$ 136,269</u> | <u>\$ 176,824</u> | <u>\$ 136,269</u> |

The following table includes estimated revenues expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) as of September 30, 2022:

| | |
|-------------------------|-------------------|
| 2022 | \$ 11,697 |
| 2023 | 23,044 |
| 2024 | 10,466 |
| 2025 | 9,648 |
| 2026 | 9,047 |
| Thereafter | 144,818 |
| Total deferred revenues | <u>\$ 208,720</u> |

NOTE 9: ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

| | September 30, 2022 | December 31, 2021 |
|------------------------------|-------------------------------|------------------------------|
| Accrued expenses | \$ 112,388 | \$ 57,158 |
| Government authorities | 40,189 | 22,631 |
| Operating lease liabilities | 15,307 | 12,728 |
| Provision for legal claims | 39 | 11,622 |
| Accrual for sales incentives | 5,558 | 3,048 |
| Other | 8,411 | 2,192 |
| | <u>\$ 181,892</u> | <u>\$ 109,379</u> |

SOLAREEDGE TECHNOLOGIES INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(in thousands, except per share data)

NOTE 10: CONVERTIBLE SENIOR NOTES

On September 25, 2020, the Company sold \$632,500 aggregate principal amount of its 0.00% convertible senior notes due 2025 (the “Notes”). The Notes were sold pursuant to an indenture, dated September 25, 2020 (the “Indenture”), between the Company and U.S. Bank National Association, as trustee. The Notes do not bear regular interest and mature on September 15, 2025, unless earlier repurchased or converted in accordance with their terms. The Notes are general senior unsecured obligations of the Company. Holders may convert their Notes prior to the close of business on the business day immediately preceding June 15, 2025 in multiples of \$1,000 principal amount, only under the following circumstances: (1) during any calendar quarter commencing after the calendar quarter ending on December 31, 2020 (and only during such calendar quarter), if the last reported sale price of the common stock for at least 20 trading days (whether or not consecutive) during the period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day; (2) during the five-business-day period after any five consecutive trading day period in which the trading price per \$1,000 principal amount of the Notes for each trading day of that five consecutive trading day period was less than 98% of the product of the last reported sale price of the common stock and the conversion rate on each such trading day; or (3) upon the occurrence of specified corporate events as described in the Indenture. In addition, holders may convert their Notes, in multiples of \$1,000 principal amount, at their option at any time beginning on or after June 15, 2025, and prior to the close of business on the second scheduled trading day immediately preceding the stated maturity date of the Notes, without regard to the foregoing circumstances. The initial conversion rate for the Notes was 3.5997 shares of common stock per \$1,000 principal amount of Notes, which is equivalent to an initial conversion price of approximately \$277.80 per share of common stock, subject to adjustment upon the occurrence of certain specified events as set forth in the Indenture.

Upon conversion, the Company may choose to pay or deliver, as the case may be, cash, shares of common stock, or a combination of cash and shares of common stock.

In addition, upon the occurrence of a fundamental change (as defined in the Indenture), holders of the Notes may require the Company to repurchase all or a portion of their Notes, in multiples of \$1,000 principal amount, at a repurchase price of 100% of the principal amount of the Notes, plus any accrued and unpaid special interest to, but excluding the fundamental change repurchase date. If certain fundamental changes referred to as make-whole fundamental changes occur, the conversion rate for the Notes may be increased.

The Convertible Senior Notes consisted of the following as of September 30, 2022 and December 31, 2021:

| | September 30, 2022 | December 31, 2021 |
|----------------------------|-------------------------------|------------------------------|
| Liability: | | |
| Principal | \$ 632,500 | \$ 632,500 |
| Unamortized issuance costs | (8,779) | (10,965) |
| Net carrying amount | \$ 623,721 | \$ 621,535 |

For the three months ended September 30, 2022 and 2021 the Company recorded amortized debt issuance costs related to the Notes in the amount of \$730 and \$726, respectively.

For the nine months ended September 30, 2022 and 2021 the Company recorded amortized debt issuance costs related to the Notes in the amount of \$2,186 and \$2,175, respectively.

As of September 30, 2022, the unamortized issuance costs of the Notes will be amortized over the remaining term of approximately 3.0 years.

The annual effective interest rate of the Notes is 0.47%.

As of September 30, 2022, the estimated fair value of the Notes, which the Company has classified as Level 2 financial instruments, is \$691,190. The estimated fair value was determined based on the quoted bid price of the Notes in an over-the-counter market on the last trading day of the reporting period.

As of September 30, 2022, the if-converted value of the Notes did not exceed the principal amount.

SOLAREEDGE TECHNOLOGIES INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(in thousands, except per share data)

NOTE 11: STOCK CAPITAL

a. Common stock rights:

Common stock confers upon its holders the right to receive notice of, and to participate in, all general meetings of the Company, where each share of common stock shall have one vote for all purposes, to share equally, on a per share basis, in bonuses, profits, or distributions out of fund legally available therefor, and to participate in the distribution of the surplus assets of the Company in the event of liquidation of the Company.

b. Secondary public offering:

On March 17, 2022, the Company offered and sold 2,300,000 shares of the Company's common stock, at a public offering price of \$295.00 per share. The shares of Common Stock were issued and sold in a registered offering pursuant to the underwriting agreement dated March 17, 2022, among the Company, Goldman Sachs & Co. LLC, J.P. Morgan Securities LLC, and Morgan Stanley & Co. LLC (the "Underwriting Agreement"). All of the offered shares were issued at closing, including 300,000 shares of Common Stock that were issued and sold pursuant to the underwriters' option to purchase additional shares under the Underwriting Agreement, which was exercised in full on March 18, 2022.

The net proceeds to the Company were \$650,526 after deducting underwriters' discounts of \$27,140 and commissions of \$834.

c. Equity Incentive Plans:

The Company's 2007 Global Incentive Plan (the "2007 Plan") was adopted by the board of directors on August 30, 2007. The 2007 Plan terminated upon the Company's IPO on March 31, 2015 and no further awards may be granted thereunder. All outstanding awards will continue to be governed by their existing terms and 379,358 available options for future grants were transferred to the Company's 2015 Global Incentive Plan (the "2015 Plan") and are reserved for future issuances under the 2015 plan. The 2015 Plan became effective upon the consummation of the IPO. The 2015 Plan provides for the grant of options, restricted stock units ("RSU"), performance stock units ("PSU"), and other share-based awards to directors, employees, officers, and non-employees of the Company and its subsidiaries. As of September 30, 2022, a total of 18,047,085 shares of common stock were reserved for issuance pursuant to stock awards under the 2015 Plan (the "Share Reserve"), an aggregate of 9,802,734 shares are still available for future grants.

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

The Company granted under its 2015 Plan, PSU awards to certain employees and officers which vest upon the achievement of certain performance or market conditions subject to their continued employment with the Company.

The market condition for the PSUs is based on the Company's total shareholder return ("TSR") compared to the TSR of companies listed in the S&P 500 index over a one to three year performance period. The Company uses a Monte-Carlo simulation to determine the grant date fair value for these awards, which takes into consideration the market price of a share of the Company's common stock on the date of grant less the present value of dividends expected during the requisite service period, as well as the possible outcomes pertaining to the TSR market condition. The Company recognizes such compensation expenses on an accelerated vesting method.

The aggregate maximum number of shares of common stock that may be issued on the exercise of incentive stock options is 10,000,000. As of September 30, 2022, an aggregate of 8,617,974 options are still available for future grants under the 2015 Plan.

SOLAREEDGE TECHNOLOGIES INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(in thousands, except per share data)

A summary of the activity in stock options and related information is as follows:

| | Number of options | Weighted average exercise price | Weighted average remaining contractual term in years | Aggregate intrinsic Value |
|--|------------------------------|--|---|--------------------------------------|
| Outstanding as of December 31, 2021 | 474,280 | \$ 44.68 | 5.22 | \$ 112,479 |
| Exercised | (123,420) | 28.42 | - | - |
| Forfeited or expired | (243) | 5.01 | - | - |
| Outstanding as of September 30, 2022 | <u>350,617</u> | <u>\$ 50.43</u> | <u>5.07</u> | <u>\$ 65,030</u> |
| Vested and expected to vest as of September 30, 2022 | <u>349,682</u> | <u>\$ 50.22</u> | <u>5.10</u> | <u>\$ 64,916</u> |
| Exercisable as of September 30, 2022 | <u>298,440</u> | <u>\$ 36.94</u> | <u>4.75</u> | <u>\$ 58,637</u> |

The aggregate intrinsic value in the tables above represents the total intrinsic value (the difference between the fair value of the Company's common stock as of the last day of each period and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options on the last day of each period.

A summary of the activity in the RSUs and related information is as follows:

| | Number of RSUs | Weighted average grant date fair value |
|-----------------------------------|---------------------------|---|
| Unvested as of December 31, 2021 | 1,759,972 | \$ 189.25 |
| Granted | 259,198 | 299.66 |
| Vested | (620,186) | 128.46 |
| Forfeited | (115,327) | 209.13 |
| Unvested as of September 30, 2022 | <u>1,283,657</u> | <u>\$ 214.73</u> |

A summary of the activity in the PSUs and related information is as follows:

| | Number of PSUs | Weighted average grant date fair value |
|-----------------------------------|---------------------------|---|
| Unvested as of December 31, 2021 | 108,595 | \$ 296.40 |
| Granted | 39,263 | 293.04 |
| Unvested as of September 30, 2022 | <u>147,858</u> | <u>\$ 295.51</u> |

d. Employee Stock Purchase Plan:

The Company adopted an ESPP effective upon the consummation of the IPO. As of September 30, 2022, a total of 3,662,737 shares were reserved for issuance under this plan. The number of shares of common stock reserved for issuance under the ESPP will increase automatically on January 1st of each year, for ten years, by the lesser of 1% of the total number of shares of the Company's common stock outstanding on December 31st of the preceding calendar year or 487,643 shares. However, the Company's board of directors may reduce the amount of the increase in any particular year at their discretion, including a reduction to zero.

The ESPP is implemented through an offering every six months. According to the ESPP, eligible employees may use up to 15% of their salaries to purchase common stock up to an aggregate limit of \$15 per participant for every six months plan. The price of an ordinary share purchased under the ESPP is equal to 85% of the lower of the fair market value of the ordinary share on the subscription date of each offering period or on the purchase date.

SOLAREEDGE TECHNOLOGIES INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(in thousands, except per share data)

As of September 30, 2022, 696,852 shares of common stock had been purchased under the ESPP.

As of September 30, 2022, 2,965,885 shares of common stock were available for future issuance under the ESPP.

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

e. Stock-based compensation expenses:

The Company recognized stock-based compensation expenses related to all stock-based awards in the consolidated statement of income for the three and nine months ended September 30, 2022, and 2021, as follows:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|---|------------------|--|------------------|
| | 2022 | 2021 | 2022 | 2021 |
| Cost of revenues | \$ 4,660 | \$ 4,289 | \$ 15,008 | \$ 14,370 |
| Research and development | 14,553 | 11,949 | 46,357 | 30,552 |
| Selling and marketing | 9,341 | 5,737 | 23,089 | 16,952 |
| General and administrative | 7,197 | 4,210 | 22,478 | 11,516 |
| Total stock-based compensation expenses | \$ 35,751 | \$ 26,185 | \$ 106,932 | \$ 73,390 |

The Company capitalized stock-based compensation as part of inventories and prepaid expenses for the three and nine months ended September 30, 2022, in the amount of \$881 and \$977, respectively. In 2021 the Company did not capitalize any stock-based compensation expenses.

The total tax benefit associated with share-based compensation for the three months ended September 30, 2022 and 2021 was \$2,646 and \$3,791, respectively. The tax benefit realized from share-based compensation for the three months ended September 30, 2022, and 2021 was \$3,060 and \$4,720, respectively.

The total tax benefit associated with share-based compensation for the nine months ended September 30, 2022, and 2021 was \$9,182 and \$10,249, respectively. The tax benefit realized from share-based compensation for the nine months ended September 30, 2022, and 2021 was \$8,871 and \$10,400, respectively.

As of September 30, 2022, there were total unrecognized compensation expenses in the amount of \$279,982 related to non-vested equity-based compensation arrangements granted under the Company's plans and non-plan awards. These expenses are expected to be recognized during the period from October 1, 2022, through August 31, 2026.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(in thousands, except per share data)

NOTE 12: COMMITMENTS AND CONTINGENT LIABILITIES

a. Guarantees:

As of September 30, 2022, contingent liabilities exist regarding guarantees in the amounts of \$5,924, \$2,767, and \$1,321 in respect of office rent lease agreements, projects with customers, and other transactions, respectively.

b. Contractual purchase obligations:

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

As of September 30, 2022, the Company had non-cancelable purchase obligations totaling approximately \$1,639,157, out of which the Company recorded a provision for loss in the amount of \$5,874. As of September 30, 2022, the Company had contractual obligations for capital expenditures totaling approximately \$69,158. These commitments reflect purchases of automated assembly lines and other machinery related to the Company's manufacturing process as well as capital expenditures associated with the construction of Sella 2, the Company's second lithium-ion cell and battery factory in Korea.

c. Legal claims:

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

In September 2018, the Company's German subsidiary, SolarEdge Technologies GmbH received a complaint filed by competitor SMA Solar Technology AG ("SMA"). The complaint, filed in the District Court Düsseldorf, Germany, alleges that SolarEdge's 12.5kW - 27.6kW inverters infringe two of the plaintiff's patents. SMA asserted a value in dispute of EUR 5.5 million (approximately \$5,411) for both patents. The Company challenged the validity of both patents. With respect to one of the claims, in October 2020, the German Patent Court rendered the SMA patent invalid and this invalidity has been appealed by SMA. With respect to the other claim, in November 2019, the first instance court stayed the infringement proceedings since it considered it to be highly likely that the second SMA patent would also be rendered invalid. The Company believes that it has meritorious defenses to the claims asserted and intends to vigorously defend against the remaining lawsuit.

In May 2019, the Company was served with three lawsuits by Huawei Technologies Co., Ltd., a Chinese entity ("Huawei"), against its two Chinese subsidiaries and equipment manufacturer in China. In May 2022, the Company announced that it had agreed on a global patent license agreement with Huawei. The agreement includes a cross license that covers patents relating to both companies' products and resulted in the settlement of all pending patent litigation between the companies.

In December 2019, the Company received a lawsuit filed by a former consultant of the Company and its Israeli subsidiary in the amount of NIS 25.5 million (approximately \$7,197) claiming damages caused relating to a terminated consulting agreement and stock options therein. The claim was recently settled with no payment due by the Company.

On July 28, 2022, the Company was served with complaints filed by Ampt LLC in the International Trade Commission (the "Commission") pursuant to Section 337 of the Tariff Act of 1930, as amended and the District Court for the District of Delaware alleging patent infringement against the Company and its subsidiary SolarEdge Technologies Ltd. On October 24, 2022, the complaint filed in the District Court of Delaware was administratively stayed until the Commission's action is resolved. The Company believes that it has meritorious defenses to the complaints and intend to vigorously defend against them.

As of September 30, 2022, an immaterial amount for legal claims was recorded in accrued expenses and other current liabilities.

SOLAREEDGE TECHNOLOGIES INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(in thousands, except per share data)

NOTE 13: ACCUMULATED OTHER COMPREHENSIVE LOSS

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|-------------|------------------------------------|-------------|
| | 2022 | 2021 | 2022 | 2021 |
| Unrealized gains (losses) on available-for-sale marketable securities | | | | |
| Beginning balance | \$ (18,777) | \$ (1,636) | \$ (4,709) | \$ 240 |
| Revaluation | (12,424) | 6 | (31,064) | (2,340) |
| Tax on revaluation | 2,694 | 35 | 6,522 | 505 |
| Other comprehensive income (loss) before reclassifications | (9,730) | 41 | (24,542) | (1,835) |
| Reclassification | 166 | (16) | 1,010 | (16) |
| Tax on reclassification | (15) | 4 | (115) | 4 |
| Gains (losses) reclassified from accumulated other comprehensive income (loss) | 151 | (12) | 895 | (12) |
| Net current period other comprehensive income (loss) | (9,579) | 29 | (23,647) | (1,847) |
| Ending balance | \$ (28,356) | \$ (1,607) | \$ (28,356) | \$ (1,607) |
| Unrealized gains (losses) on cash flow hedges | | | | |
| Beginning balance | \$ (3,642) | \$ 311 | \$ 874 | \$ - |
| Revaluation | (1,569) | 1,146 | (10,094) | 1,956 |
| Tax on revaluation | 170 | (140) | 1,166 | (237) |
| Other comprehensive income (loss) before reclassifications | (1,399) | 1,006 | (8,928) | 1,719 |
| Reclassification | 1,422 | (794) | 4,833 | (1,251) |
| Tax on reclassification | (163) | 96 | (561) | 151 |
| Gains (losses) reclassified from accumulated other comprehensive income (loss) | 1,259 | (698) | 4,272 | (1,100) |
| Net current period other comprehensive income (loss) | (140) | 308 | (4,656) | 619 |
| Ending balance | \$ (3,782) | \$ 619 | \$ (3,782) | \$ 619 |
| Foreign currency translation adjustments on intra-entity transactions that are of a long-term investment in nature | | | | |
| Beginning balance | \$ (52,750) | \$ (1,896) | \$ (17,420) | \$ - |
| Revaluation | (30,799) | (12,272) | (66,129) | (14,168) |
| Ending balance | \$ (83,549) | \$ (14,168) | \$ (83,549) | \$ (14,168) |
| Unrealized gains (losses) on foreign currency translation | | | | |
| Beginning balance | \$ (14,451) | \$ (315) | \$ (6,064) | \$ 3,617 |
| Revaluation | 1,872 | (3,664) | (6,515) | (7,596) |
| Ending balance | \$ (12,579) | \$ (3,979) | \$ (12,579) | \$ (3,979) |
| Total | \$ (128,266) | \$ (19,135) | \$ (128,266) | \$ (19,135) |

SOLAREEDGE TECHNOLOGIES INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(in thousands, except per share data)

The following table summarizes the changes in "Accumulated other comprehensive loss", net of taxes:

| Details about Accumulated Other Comprehensive Loss Components | Three Months Ended September 30, | | Nine Months Ended September 30, | | Affected Line Item in the Statement of Income |
|---|----------------------------------|---------------|---------------------------------|-----------------|---|
| | 2022 | 2021 | 2022 | 2021 | |
| Unrealized gains (losses) on available-for-sale marketable securities | | | | | |
| | \$ (166) | \$ 12 | \$ (1010) | \$ 16 | Financial expense, net |
| | 15 | - | 115 | (4) | Income taxes |
| | <u>\$ (151)</u> | <u>\$ 12</u> | <u>\$ (895)</u> | <u>\$ 12</u> | Total, net of income taxes |
| Unrealized gains (losses) on cash flow hedges, net | | | | | |
| | (157) | 97 | (542) | 152 | Cost of revenues |
| | (808) | 476 | (2,841) | 751 | Research and development |
| | (242) | 97 | (662) | 153 | Sales and marketing |
| | <u>(215)</u> | <u>124</u> | <u>(788)</u> | <u>196</u> | General and administrative |
| | <u>\$ (1,422)</u> | <u>\$ 794</u> | <u>\$ (4,833)</u> | <u>\$ 1252</u> | Total, before income taxes |
| | 163 | (96) | 561 | (152) | Income taxes |
| | <u>(1,259)</u> | <u>698</u> | <u>(4,272)</u> | <u>1,100</u> | Total, net of income taxes |
| Total reclassifications for the period | <u>\$ (1,410)</u> | <u>\$ 710</u> | <u>\$ (5,167)</u> | <u>\$ 1,112</u> | |

NOTE 14: OTHER OPERATING EXPENSES

The following table presents the expenses recorded in the three and nine months ended September 30, 2022, and 2021:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|----------------------------------|-------------|---------------------------------|-----------------|
| | 2022 | 2021 | 2022 | 2021 |
| Impairment of goodwill and intangible assets (1) | \$ - | \$ - | \$ 4,008 | \$ - |
| Write-off of property, plant and equipment | (19) | - | 660 | 2,209 |
| Sale of property, plant and equipment | (1,146) | - | (1,146) | - |
| Sale of Critical Power assets | (1,559) | - | (1,559) | - |
| Kokam purchase escrow (2) | - | - | - | (859) |
| Total other operating expenses (income) | <u>\$ (2,724)</u> | <u>\$ -</u> | <u>\$ 1,963</u> | <u>\$ 1,350</u> |

(1) In June 2022, the Company decided to discontinue its stand-alone Critical Power activities. The Company recorded an impairment of goodwill and intangible assets related to its Critical Power business in an amount of \$4,008, see also Note 1b.

(2) In the nine months ended September 30, 2021, the Company received a payment of \$859 out of the Kokam acquisition escrow, with regards to a working capital adjustment.

SOLAREEDGE TECHNOLOGIES INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(in thousands, except per share data)

NOTE 15: INCOME TAXES

The effective tax rate for the three months ended September 30, 2022, and 2021 was 58.0% and 12.6%, respectively, and for the nine months ended September 30, 2022, and 2021 the effective tax rate was 42.1% and 15.9%, respectively.

The increase in the effective tax rate in the current year, is primarily due to the change to Section 174 of the U.S Internal Revenue Code, which came into effect on January 1, 2022. The change requires taxpayers to amortize research and development expenditures over five years (if expensed by a U.S. entity) or fifteen years (if expensed by non-U.S. entities). This change resulted in an increase in the Company's taxable income and Global Intangible Low Taxed Income ("GILTI") tax. In addition, the change in the Company's tax rate resulted from a different allocation of income among the Company's U.S., Israeli, and foreign subsidiaries, and lower tax benefits relating to stock-based compensation.

As of September 30, 2022, and December 31, 2021, unrecognized tax benefits were \$2,561 and \$2,192, respectively. If recognized, such benefits would favorably affect the Company's effective tax rate.

The Company accrues interest and penalties related to unrecognized tax benefits in its provision for income taxes. The total amount of penalties and interest were immaterial as of September 30, 2022, and December 31, 2021.

In August 2022, the U.S. government signed into law the Inflation Reduction Act of 2022 (the "IRA"), which, among other things, revised U.S. tax law by including a new corporate alternative minimum tax (the "CAMT") of 15% on certain large corporations, imposing a 1% excise tax on stock buybacks, and providing incentives to address climate change, including the introduction of advanced manufacturing production tax credits, that may be relevant to the company's products, if they will be manufactured in the US. The provisions of the IRA are generally effective for tax years beginning after 2022. Given the complexities of the IRA, which is pending technical guidance and regulations from the Internal Revenue Service and U.S. Treasury Department, the Company is in the process of evaluating provisions included under the IRA and its impact to the Company's consolidated financial statements.

SOLAREEDGE TECHNOLOGIES INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(in thousands, except per share data)

NOTE 16: EARNINGS PER SHARE

The following table presents the computation of basic and diluted earnings per share ("EPS"):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|------------|------------------------------------|------------|
| | 2022 | 2021 | 2022 | 2021 |
| Basic EPS: | | | | |
| Numerator: | | | | |
| Net income | \$ 24,743 | \$ 53,048 | \$ 72,950 | \$ 128,216 |
| Denominator: | | | | |
| Shares used in computing net EPS of common stock, basic | 55,730,328 | 52,355,867 | 54,788,734 | 52,056,233 |
| Diluted EPS: | | | | |
| Numerator: | | | | |
| Net income attributable to common stock, basic | \$ 24,743 | \$ 53,048 | \$ 72,950 | \$ 128,216 |
| Notes due 2025 | 551 | 525 | 1,651 | 1,575 |
| Net income attributable to common stock, diluted | \$ 25,294 | \$ 53,573 | \$ 74,601 | \$ 129,791 |
| Denominator: | | | | |
| Shares used in computing net EPS of common stock, basic | 55,730,328 | 52,355,867 | 54,788,734 | 52,056,233 |
| Notes due 2025 | 2,276,818 | 2,276,818 | 2,276,818 | 2,276,818 |
| Effect of stock-based awards | 740,392 | 1,296,315 | 820,489 | 1,622,390 |
| Shares used in computing net EPS of common stock, diluted | 58,747,538 | 55,929,000 | 57,886,041 | 55,955,441 |
| Shares excluded from the calculation of diluted net EPS due to their anti-dilutive effect | 138,916 | 243,689 | 181,802 | 169,597 |

SOLAREEDGE TECHNOLOGIES INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(in thousands, except per share data)

NOTE 17: SEGMENT, GEOGRAPHIC AND PRODUCT INFORMATION

The Company operates in five different operating segments: Solar, Energy Storage, e-Mobility, Critical Power and Automation Machines. In June 2022, the Company decided to discontinue its stand-alone Critical Power activities, see also Note 1b.

The Company's Chief Executive Officer, who is the chief operating decision maker ("CODM"), makes resource allocation decisions and assesses performance based on financial information presented on a consolidated basis, accompanied by disaggregated information about revenues and contributed profit by the operating segments.

The Company does not allocate to its operating segments revenue recognized due to advance payments received for performance obligations that extend for a period greater than one year, related to Accounting Standard Codification 606, "Revenue from Contracts with Customers" (ASC 606).

Segment profit is comprised of gross profit for the segment less operating expenses that do not include amortization of purchased intangible assets, impairments of goodwill and intangible assets, stock based compensation expenses, and certain other items.

The Company manages its assets on a group basis, not by segments, as many of its assets are shared or co-mingled. The Company's CODM does not regularly review asset information by segments and, therefore, the Company does not report asset information by segment.

The Company identified one operating segment as reportable – the Solar segment. The other operating segments are insignificant individually and therefore their results are presented together under "All other".

The Solar segment includes the design, development, manufacturing, and sales of an intelligent inverter solution designed to maximize power generation at the individual PV module level and a residential storage solution, compatible with the Company's energy hub inverter, intended to store and supply power for back-up and to maximize self-consumption. The Solar segment solution consists mainly of the Company's power optimizers, inverters, batteries, and cloud-based monitoring platform.

The "All other" category includes the design, development, manufacturing, and sales of energy storage products, e-Mobility products, UPS products, and automated machines.

The following table presents information on reportable segments profit (loss) for the period presented:

| | Three Months Ended | | Nine Months Ended | |
|----------------------------|---------------------------|------------------|---------------------------|------------------|
| | September 30, 2022 | | September 30, 2022 | |
| | Solar | All other | Solar | All other |
| Revenues | \$ 788,610 | \$ 47,954 | \$ 2,084,206 | \$ 134,931 |
| Cost of revenues | 565,403 | 42,594 | 1,484,303 | 125,883 |
| Gross profit | 223,207 | 5,360 | 599,903 | 9,048 |
| Research and development | 47,943 | 6,861 | 140,215 | 23,378 |
| Sales and marketing | 30,996 | 2,202 | 85,220 | 8,059 |
| General and administrative | 17,534 | 2,795 | 49,779 | 10,209 |
| Segments profit (loss) | \$ 126,734 | \$ (6,498) | \$ 324,689 | \$ (32,598) |

SOLAREEDGE TECHNOLOGIES INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(in thousands, except per share data)

| | Three Months Ended September 30, 2021 | | Nine Months Ended September 30, 2021 | |
|----------------------------|--|------------|---|-------------|
| | Solar | All other | Solar | All other |
| Revenues | \$ 476,838 | \$ 49,455 | \$ 1,284,574 | \$ 127,080 |
| Cost of revenues | 302,081 | 45,132 | 799,163 | 122,536 |
| Gross profit | 174,757 | 4,323 | 485,411 | 4,544 |
| Research and development | 34,657 | 8,853 | 102,151 | 22,376 |
| Sales and marketing | 21,127 | 2,290 | 60,758 | 7,340 |
| General and administrative | 14,054 | 2,863 | 39,094 | 9,783 |
| Segments profit (loss) | \$ 104,919 | \$ (9,683) | \$ 283,408 | \$ (34,955) |

The following table presents information on reportable segments reconciliation to consolidated revenues for the periods presented:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---------------------------------|-------------------------------------|------------|------------------------------------|--------------|
| | 2022 | 2021 | 2022 | 2021 |
| Solar revenues | \$ 788,610 | \$ 476,838 | \$ 2,084,206 | \$ 1,284,574 |
| All other revenues | 47,954 | 49,455 | 134,931 | 127,080 |
| Revenues from finance component | 159 | 111 | 440 | 296 |
| Consolidated revenues | \$ 836,723 | \$ 526,404 | \$ 2,219,577 | \$ 1,411,950 |

The following table presents information on reportable segments reconciliation to consolidated operating income for the periods presented:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|------------|------------------------------------|------------|
| | 2022 | 2021 | 2022 | 2021 |
| Solar segment profit | \$ 126,734 | \$ 104,919 | \$ 324,689 | \$ 283,408 |
| All other segment loss | (6,498) | (9,683) | (32,598) | (34,955) |
| Segments operating profit | 120,236 | 95,236 | 292,091 | 248,453 |
| Amounts not allocated to segments: | | | | |
| Stock based compensation expenses | (35,751) | (26,185) | (106,932) | (73,390) |
| Amortization related to business combinations | (2,559) | (2,785) | (8,039) | (8,007) |
| Impairment of goodwill and intangible assets | - | - | (4,008) | - |
| Disposal of assets related to Critical Power | - | - | (4,314) | - |
| Sale of Critical Power assets | 1,559 | - | 1,559 | - |
| Other unallocated income (expenses), net | 922 | 148 | 926 | (955) |
| Consolidated operating income | \$ 84,407 | \$ 66,414 | \$ 171,283 | \$ 166,101 |

NOTE 18: SUBSEQUENT EVENTS

On November 3, 2022, the Company received notice that a class action lawsuit was filed in the U.S District Court of the Southern District of New York against the Company, SolarEdge Technologies Ltd., the Company's CEO and the Company's CFO, by a purported stockholder of the Company, alleging violations of the Federal Securities Act in connection with complaints filed against the Company by Ampt LLC, the details for which can be found under "Note 12- Commitments and Contingent Liabilities". The Company believes the allegations contained in this new action are without merit and intends to vigorously defend against them.

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

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

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

- future demand for renewable energy including solar energy solutions;
- changes to net metering policies or the reduction, elimination or expiration of government subsidies and economic incentives for on-grid solar energy applications;
- changes in the U.S. trade environment, including the imposition of import tariffs;
- federal, state, and local regulations governing the electric utility industry with respect to solar energy;
- changes in tax laws, tax treaties, and regulations or the interpretation of them, including the Inflation Reduction Act;
- the retail price of electricity derived from the utility grid or alternative energy sources;
- interest rates and supply of capital in the global financial markets in general and in the solar market specifically;
- competition, including introductions of power optimizer, inverter and solar photovoltaic ("PV") system monitoring products by our competitors;
- developments in alternative technologies or improvements in distributed solar energy generation;
- historic cyclicalities of the solar industry and periodic downturns;
- product quality or performance problems in our products;
- our ability to forecast demand for our products accurately and to match production with demand;
- our dependence on ocean transportation to timely deliver our products in a cost-effective manner;
- our dependence upon a small number of outside contract manufacturers and limited or single source suppliers;

- capacity constraints, delivery schedules, manufacturing yields, and costs of our contract manufacturers and availability of components;
- delays, disruptions, and quality control problems in manufacturing;
- shortages, delays, price changes, or cessation of operations or production affecting our suppliers of key components;
- existing and future responses to and effects of Covid-19;
- business practices and regulatory compliance of our raw material suppliers;
- performance of distributors and large installers in selling our products;
- disruption in our global supply chain and rising prices of oil and raw materials as a result of the conflict between Russia and Ukraine may adversely affect our business;
- our customers' financial stability, creditworthiness, and debt leverage ratio;
- our ability to retain key personnel and attract additional qualified personnel;
- our ability to effectively design, launch, market, and sell new generations of our products and services;
- our ability to maintain our brand and to protect and defend our intellectual property;
- our ability to retain, and events affecting, our major customers;
- our ability to manage effectively the growth of our organization and expansion into new markets;
- our ability to integrate acquired businesses;
- fluctuations in global currency exchange rates;
- unrest, terrorism, or armed conflict in Israel;
- macroeconomic conditions in our domestic and international markets, as well as inflation concerns, rising interest rates and recessionary concerns;
- consolidation in the solar industry among our customers and distributors;
- our ability to service our debt; and
- the other factors set forth under "Item 1A. Risk Factors" in our annual report on Form 10-K for the year ended December 31, 2021 and subsequent reports on Form 10-Q and in other documents we file from time to time with the SEC that disclose risks and uncertainties that may affect our business.

The preceding list is not intended to be an exhaustive list of all of our forward-looking statements. 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 future results, levels of activity, performance and events and circumstances reflected in the forward-looking statements will be achieved or will occur. Except as required by law, we assume no obligation to update these forward-looking statements, or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future.

Overview

We are a leading provider of an optimized inverter solution that has changed the way power is harvested and managed in a solar photovoltaic, known as PV systems. Our direct current or DC optimized inverter system maximizes power generation at the individual PV module level while lowering the cost of energy produced by the solar PV system, for improved return on investment, or ROI. Additional benefits of the DC optimized inverter system include comprehensive and advanced safety features, improved design flexibility, and improved operating and maintenance, or O&M with module-level and remote monitoring. Our future ready SolarEdge energy hub inverter which supports, among other things, connection to a DC-coupled battery for full or partial home backup, and optional connection to the SolarEdge smart EV charger. The typical SolarEdge optimized inverter system consists of power optimizers, inverters, a communication device which enables access to a cloud-based monitoring platform and in many cases, additional smart energy management solutions. Our solutions address a broad range of solar market segments, from residential solar installations to commercial and small utility-scale solar installations.

Since introducing the optimized inverter solution in 2010, SolarEdge has expanded its activity to other areas of smart energy technology, both through organic growth and through acquisitions. SolarEdge now offers energy solutions which include not only residential, commercial and small utility scale PV systems but also product offerings in the areas of energy storage systems or ESS and backup including our own SolarEdge home battery, electric vehicle or EV components and charging capabilities, home energy management, grid services and virtual power plants or VPPs, lithium-ion batteries and uninterrupted power supply, known as UPS solutions. In June 2022, we decided to discontinue our stand-alone UPS related activities and that the developed technologies will be integrated in solar products as uninterrupted power supply becomes required or relevant.

In the third quarter of 2020, we began commercial shipments to the U.S. from our manufacturing facility in the North of Israel, “Sella 1”. The proximity of Sella 1 to our R&D team and labs, enables us to accelerate new product development cycles as well as define equipment and manufacturing processes of newly developed products which can then be adopted by our contract manufacturers world-wide. During the second quarter of 2021, Sella 1 reached full manufacturing capacity. In May 2022, we announced the opening of “Sella 2”, a 2GWh Li-Ion cell factory in Korea. The new factory is intended to help the Company meet the growing global demand for Li-Ion cells and batteries, specifically in the ESS and e-Mobility markets. Sella 2 is currently in testing phase, with ramp-up expected to initiate during the fourth quarter of 2022.

We are a leader in the global module-level power electronics or MLPE market. As of September 30, 2022, we have shipped approximately 101.0 million power optimizers, 4.2 million inverters and 94.1 thousand residential batteries. Over 2.9 million installations, many of which may include multiple inverters, are currently connected to, and monitored through, our cloud-based monitoring platform. As of September 30, 2022, we have shipped approximately 36.9 GW of our DC optimized inverter systems and approximately 731.7 MW of our residential batteries.

Our revenues for the three months ended September 30, 2022, and 2021 were \$836.7 million and \$526.4 million, respectively. Gross margin for the three months ended September 30, 2022, and 2021 was 26.5% and 32.8%, respectively. Net income for the three months ended September 30, 2022 and 2021 was \$24.7 million and \$53.0 million, respectively.

Our revenues for the nine months ended September 30, 2022, and 2021 were \$2,219.6 million and \$1,412.0 million, respectively. Gross margin for the nine months ended September 30, 2022, and 2021 was 26.3% and 33.2%, respectively. Net income for the nine months ended September 30, 2022 and 2021 was \$73.0 million and \$128.2 million, respectively.

Global Circumstances Influencing our Business and Operations

Covid-19 Impact & Response

Covid-19 continued to present challenges on our operations and business in 2021, primarily, operational challenges which we reported on continuously in 2021. Due to the worldwide growing trend in availability and administration of vaccines against Covid-19, many restrictions that were placed during the pandemic were gradually lifted by governments across the globe. However, the future impact of the Covid-19 pandemic remains highly uncertain. Resurgences of Covid-19 cases and the emergence of new variants may adversely impact our results of operations. For example, in the second quarter of 2022, the mandatory government shutdowns resulting from the increase in Covid-19 cases in Shanghai, that were eased in the beginning of the third quarter of 2022, led to delays in our scheduled shipments from the Shanghai port. Our first priority continues to be to protect and support our employees while maintaining company operations and support of our customers with as few disruptions as possible. We follow the guidance issued by applicable local authorities and health officials in each region in which we do business, including in our headquarters located in Israel.

While we have not experienced any new disruptions resulting directly from Covid-19 in the third quarter of 2022, the pandemic and general global economic conditions continue to present challenges to our operations and business. In the third quarter of 2022, we experienced and expect to continue to experience in the fourth quarter of 2022, continued disruptions to our logistics supply chain caused by constraints in the global transportation system including limited availability of local ground transportation coupled with congestion in shipping ports and industry-wide component shortages. These factors have impacted our ability to accurately plan and forecast the delivery of our products to customers and have also increased the total shipping time and cost of ocean freight for components and finished goods. Moreover, industry-wide component shortages require our R&D teams to focus their attention on manufacturing and production design workarounds solutions which can impact our ability to meet our plans to roll out new innovative products and services. Our operation team is working tirelessly to mitigate the impact of the disruptions described above.

Impact of Ukraine's Conflict on the Energy Landscape

The conflict between Ukraine and Russia, which started in early 2022, and the sanctions and other measures imposed in response to this conflict have increased the level of economic and political uncertainty. While we do not have any meaningful business in Russia or Ukraine and we do not have physical assets in these countries, this conflict has, and is likely to continue to have, a multidimensional impact on the global economy, the energy landscape in general and the global supply chain. On one hand, in the first nine months of 2022, rising global interest in becoming less dependent on gas and oil led to higher demand for our products. On the other hand, the conflict further adversely affected the prices of raw materials arriving from Eastern Asia and resulted in an increase in gas and oil prices. Furthermore, various shipment routes were adversely impacted by the conflict resulting in increased shipment lead times and shipping costs for our products. While the impact of this conflict cannot be predicted at this time, the circumstances described above may have an adverse effect on our business and results of operations.

Our revenues for the third quarter 2022 of \$836.7 million, represent continued growth from revenues of \$727.8 million in the second quarter of 2022.

Inflation Reduction Act

In August 2022, the U.S. government enacted the Inflation Reduction Act of 2022 (the "IRA"), which includes several incentives intended to promote clean energy, battery and energy storage, electrical vehicles, and other solar products and is expected to impact our business and operations. As part of such incentives the IRA, will among other things, extend the investment tax credit ("ITC") for residential solar installations through 2034 and for commercial installations through 2024 and is therefore expected to increase the demand for solar products. The IRA is expected to further incentivize residential and commercial solar customers and developers due to the inclusion of a tax credit for qualifying energy projects of up to 30%. Since these regulations are new and are still pending administrative guidance from the Internal Revenue Service and U.S. Treasury Department we will be examining the benefits that may be available to us, such as the availability of tax credits for domestic manufacturers, in the coming months. To the extent that tax benefits or credits may be available to competing technology and not to our technology, our business could be adversely disadvantaged.

Key Operating Metrics

In managing our business and assessing financial performance, we supplement the information provided by the financial statements with other operating metrics. These operating metrics are utilized by our management to evaluate our business, measure our performance, identify trends affecting our business and formulate projections. We use metrics relating to shipments (inverters, power optimizers, residential batteries and megawatts shipped¹) to evaluate our sales performance and to track market acceptance of our products. We use metrics relating to monitoring (systems monitored) to evaluate market acceptance of our products and usage of our solution.

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

| | Three Months Ended September 30, 2022 | | Nine Months Ended September 30, 2022 | |
|---|--|-------------|---|-------------|
| | 2022 | 2021 | 2022 | 2021 |
| Inverters shipped | 264,515 | 230,849 | 704,018 | 592,300 |
| Power optimizers shipped | 6,123,479 | 4,699,443 | 17,062,684 | 13,445,523 |
| Megawatts shipped ¹ | 2,703 | 1,903 | 7,349 | 5,237 |
| Megawatts shipped - residential batteries | 321 | 11 | 671 | 11 |

¹ Excluding residential batteries, based on the aggregate nameplate capacity of inverters shipped during the applicable period. Nameplate capacity is the maximum rated power output capacity of an inverter as specified by the manufacturer.

Results of Operations

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

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|------------|------------------------------------|--------------|
| | 2022 | 2021 | 2022 | 2021 |
| | (In thousands) | | | |
| Revenues | \$ 836,723 | \$ 526,404 | \$ 2,219,577 | \$ 1,411,950 |
| Cost of revenues | 614,722 | 353,843 | 1,635,976 | 943,123 |
| Gross profit | 222,001 | 172,561 | 583,601 | 468,827 |
| Operating expenses: | | | | |
| Research and development | 69,659 | 55,666 | 210,855 | 155,307 |
| Sales and marketing | 42,726 | 29,383 | 117,017 | 85,752 |
| General and administrative | 27,933 | 21,098 | 82,483 | 60,317 |
| Other operating expenses (income), net | (2,724) | — | 1,963 | 1,350 |
| Total operating expenses | 137,594 | 106,147 | 412,318 | 302,726 |
| Operating income | 84,407 | 66,414 | 171,283 | 166,101 |
| Financial expense, net | (33,025) | (5,751) | (52,785) | (13,591) |
| Other income | 7,533 | — | 7,533 | — |
| Income before income taxes | 58,915 | 60,663 | 126,031 | 152,510 |
| Income taxes | 34,172 | 7,615 | 53,081 | 24,294 |
| Net income | 24,743 | 53,048 | 72,950 | 128,216 |

Comparison of three and nine months ended September 30, 2022, to the three and nine months ended September 30, 2021

Revenues

| | Three months ended September 30, 2022 to 2021 | | | Nine months ended September 30, 2022 to 2021 | | | | |
|----------|---|---------|---------|--|-----------|-----------|---------|-------|
| | 2022 | 2021 | Change | 2022 | 2021 | Change | | |
| | (In thousands) | | | | | | | |
| Revenues | 836,723 | 526,404 | 310,319 | 59.0% | 2,219,577 | 1,411,950 | 807,627 | 57.2% |

Revenues increased by \$310.3 million, or 59.0%, in the three months ended September 30, 2022, as compared to the three months ended September 30, 2021, primarily due to (i) an increase in the number of inverters and power optimizers sold, with significant growth in revenues coming from Europe and the U.S.; and (ii) an increase of \$161.4 million related to the number of residential batteries sold mainly in Europe and the U.S. Revenues from outside of the U.S. comprised 69.9% of our revenues in the three months ended September 30, 2022 as compared to 64.1% in the three months ended September 30, 2021.

The number of power optimizers recognized as revenues increased by approximately 1.4 million units, or 30.1%, from approximately 4.7 million units in the three months ended September 30, 2021 to approximately 6.1 million units in the three months ended September 30, 2022. The number of inverters recognized as revenues increased by approximately 25.4 thousand units, or 11.0%, from approximately 231.7 thousand units in the three months ended September 30, 2021 to approximately 257.1 thousand units in the three months ended September 30, 2022. In the three months ended September 30, 2022, we recognized approximately 363.0 megawatts of residential batteries as revenues compared to a negligible amount in the three months ended September 30, 2021.

Our blended Average Selling Price or ASP per watt for solar products excluding residential batteries is calculated by dividing solar revenues, excluding revenues from the sale of residential batteries, by the name plate capacity of inverters shipped. Our blended ASP per watt for solar products shipped excluding residential batteries decreased by \$0.022, or 8.8%, in the three months ended September 30, 2022, as compared to the three months ended September 30, 2021. The decrease in blended ASP per watt is mainly attributed to the depreciation of the Euro and other currencies against the U.S. Dollar which, coupled with our increased sales in Europe, accelerated this effect as well as the increase in the sale of commercial products in Europe and the U.S. out of our total solar product mix that are characterized with lower ASP per watt.

This decrease in blended ASP per watt was partially offset by price increases that went into effect gradually during 2022 as well as by a relatively higher number of other solar products shipped compared to the number of inverters shipped, which increased our total solar revenues but did not impact the watt amount used for calculating the ASP per watt.

Revenues increased by \$807.6 million, or 57.2%, in the nine months ended September 30, 2022 as compared to the nine months ended September 30, 2021, primarily due to (i) an increase in the number of inverters and power optimizers sold, with significant growth in revenues coming from Europe and the U.S; and (ii) an increase of \$316.8 million related to the number of residential batteries sold mainly in Europe and the U.S. Revenues from outside of the U.S. comprised 62.7% of our revenues in the nine months ended September 30, 2022 as compared to 62.6% in the nine months ended September 30, 2021.

The number of power optimizers recognized as revenues increased by approximately 3.6 million units, or 26.8%, from approximately 13.4 million units in the nine months ended September 30, 2021 to approximately 17.0 million units in the nine months ended September 30, 2022. The number of inverters recognized as revenues increased by approximately 105.8 thousand units, or 17.9%, from approximately 591.9 thousand units in the nine months ended September 30, 2021 to approximately 697.7 thousand units in the nine months ended September 30, 2022. In the nine months ended September 30, 2022, we recognized approximately 660.8 megawatts of residential batteries as revenues compared to a negligible amount in the nine months ended September 30, 2021.

Our ASP per watt for solar products excluding residential batteries is calculated by dividing the solar revenues by the name plate capacity of inverters shipped. Our blended ASP per watt for solar products shipped excluding residential batteries decreased by \$0.005, or 2.1%, in the nine months ended September 30, 2022 as compared to the nine months ended September 30, 2021. The decrease in blended ASP per watt is mainly attributed to the depreciation of the Euro and other currencies against the U.S. Dollar which, coupled with our increased sales in Europe accelerated this effect as well as the increase in the sale of commercial products in Europe and the U.S., out of our total solar product mix that are characterized with lower ASP per watt.

This decrease in blended ASP per watt was partially offset by price increases that went into effect gradually during the second half of 2021 and continued in 2022 as well as a relatively higher number of other solar products shipped compared to the number of inverters shipped, which increased our total solar revenues but did not impact the watt amount used for calculating the ASP per watt.

| | Three months ended September 30, 2022 to 2021 | | | Nine months ended September 30, 2022 to 2021 | | | | |
|------------------|---|---------|---------|--|-----------|---------|---------|-------|
| | 2022 | 2021 | Change | 2022 | 2021 | Change | | |
| | (In thousands) | | | | | | | |
| Cost of revenues | 614,722 | 353,843 | 260,879 | 73.7% | 1,635,976 | 943,123 | 692,853 | 73.5% |
| Gross profit | 222,001 | 172,561 | 49,440 | 28.7% | 583,601 | 468,827 | 114,774 | 24.5% |

Cost of revenues increased by \$260.9 million, or 73.7%, in the three months ended September 30, 2022, as compared to the three months ended September 30, 2021, primarily due to:

- an increase in the volume of products sold and the increase in the unit cost of components used in the manufacturing of our products;
- a significant increase in shipment and logistic costs in an aggregate amount of \$25.4 million due to (i) an increase in shipment rates; and (ii) an increase in volumes shipped;
- an increase in other production costs of \$17.8 million, which is mainly attributed to charges from our contract manufacturers due to manufacturing disruptions related to global supply constraints, increased logistics costs resulting from transportation disruptions and the mobilization of components between our different manufacturing sites and ramp up costs associated with our new contract manufacturing site in Mexico;
- an increase in warranty expenses and warranty accruals of \$13.7 million associated primarily with an increase in the number of products in our install base as well as an increase in costs related to the different elements of our warranty expenses which include the cost of the products, shipment and other related expenses;
- an increase in custom duties of \$5.0 million attributed to higher tariff charges due to an increase in volumes sold; and
- an increase in personnel-related costs of \$4.8 million related to the expansion of our production, operations, and support headcount which grew in parallel to our growing install base worldwide.

Gross profit as a percentage of revenue decreased from 32.8% in the three months ended September 30, 2021 to 26.5% in the three months ended September 30, 2022 as a result of the factors summarized above.

Cost of revenues increased by \$692.9 million, or 73.5%, in the nine months ended September 30, 2022 as compared to the nine months ended September 30, 2021, primarily due to:

- an increase in the volume of products sold and an increase in the unit cost of components used in the manufacturing of our products;
- a significant increase in shipment and logistic costs in an aggregate amount of \$92.8 million due to (i) an increase in shipment rates; and (ii) an increase in volumes shipped;
- an increase in warranty expenses and warranty accruals of \$54.9 million associated primarily with an increase in the number of products in our install base as well as an increase in costs related to the different elements of our warranty expenses which include the cost of the products, shipment and other related expenses;
- an increase in other production costs of \$54.8 million, which is mainly attributed to charges from our contract manufacturers due to manufacturing disruptions related to global supply constraints, increased logistics costs resulting from transportation disruptions, mobilization of components between our different manufacturing sites as well as ramp up costs associated with our new contract manufacturing site in Mexico;
- an increase in custom duties of \$19.2 million attributed to higher tariff charges due to an increase in volumes sold and the manufacture of a higher portion of our products for the U.S. in China; and;
- an increase in personnel-related costs of \$15.0 million related to the expansion of our production, operations, and support headcount which grew in parallel to our growing install base worldwide.

Gross profit as a percentage of revenue decreased from 33.2% in the nine months ended September 30, 2021 to 26.3% in the nine months ended September 30, 2022 as a result of the factors summarized above.

Operating Expenses:

Research and Development

| | Three months ended September 30, 2022 to 2021 | | | Nine months ended September 30, 2022 to 2021 | | | | |
|--------------------------|--|-------------|---------------|---|-------------|---------------|--------|-------|
| | 2022 | 2021 | Change | 2022 | 2021 | Change | | |
| | (In thousands) | | | | | | | |
| Research and development | 69,659 | 55,666 | 13,993 | 25.1% | 210,855 | 155,307 | 55,548 | 35.8% |

Research and development costs increased by \$14.0 million or 25.1%, in the three months ended September 30, 2022, compared to the three months ended September 30, 2021, primarily due to:

- an increase in personnel-related costs of \$9.8 million resulting from an increase in our research and development headcount as well as salary expenses associated with annual merit increases and employee equity-based compensation. The increase in headcount reflects our continued investment in enhancements of existing products as well as research and development expenses associated with bringing new products to the market;
- an increase in expenses related to other overhead costs in an amount of \$2.4 million; and
- an increase in depreciation expenses of property and equipment in an amount of \$1.4 million.

These increases were partially offset by a decrease in expenses related to consultants and sub-contractors in an amount of \$1.0 million.

Research and development costs increased by \$55.5 million or 35.8%, in the nine months ended September 30, 2022, compared to the nine months ended September 30, 2021, primarily due to:

- an increase in personnel-related costs of \$43.0 million resulting from an increase in our research and development headcount as well as salary expenses associated with annual merit increases and employee equity-based compensation. The increase in headcount reflects our continued investment in enhancements of existing products as well as research and development expenses associated with bringing new products to the market;
- a decrease in reimbursement of costs, related to research and development activities performed by SolarEdge e-Mobility in an amount of \$4.2 million;
- an increase in expenses related to other overhead costs in an amount of \$4.2 million;
- an increase in depreciation expenses of property and equipment in an amount of \$3.9 million; and
- an increase in expenses related to material consumption in the manufacturing of prototypes during our development process in an amount of \$2.2 million.

These increases were partially offset by a decrease in expenses related to consultants and sub-contractors in an amount of \$4.3 million.

Sales and Marketing

| | Three months ended September 30, 2022 to 2021 | | | Nine months ended September 30, 2022 to 2021 | | | | |
|---------------------|---|--------|--------|--|---------|--------|--------|-------|
| | 2022 | 2021 | Change | 2022 | 2021 | Change | | |
| | (In thousands) | | | | | | | |
| Sales and marketing | 42,726 | 29,383 | 13,343 | 45.4% | 117,017 | 85,752 | 31,265 | 36.5% |

Sales and marketing expenses increased by \$13.3 million, or 45.4%, in the three months ended September 30, 2022, compared to the three months ended September 30, 2021, primarily due to:

- an increase in personnel-related costs of \$10.3 million as a result of an increase in headcount supporting our growth in all geographies, as well as salary expenses associated with annual merit increases and employee equity-based compensation;
- an increase in expenses related to marketing activities by \$1.3 million due to the renewal of marketing activities, exhibitions and shows, which were cancelled or postponed in 2021 due to Covid-19 restrictions; and
- an increase in expenses related to travel in an amount of \$0.8 million.

Sales and marketing expenses increased by \$31.3 million, or 36.5%, in the nine months ended September 30, 2022, compared to the nine months ended September 30, 2021, primarily due to:

- an increase in personnel-related costs of \$21.8 million as a result of an increase in headcount supporting our growth in all geographies, as well as salary expenses associated with annual merit increases and employee equity-based compensation;
- an increase in expenses related to marketing activities by \$4.2 million due to the renewal of marketing activities, exhibitions and shows, which were cancelled or postponed in 2021 due to Covid-19 restrictions; and
- an increase in expenses related to travel in an amount of \$2.1 million.

General and Administrative

| | Three months ended September 30, 2022 to 2021 | | | Nine months ended September 30, 2022 to 2021 | | | | |
|----------------------------|---|--------|--------|--|--------|--------|--------|-------|
| | 2022 | 2021 | Change | 2022 | 2021 | Change | | |
| | (In thousands) | | | | | | | |
| General and administrative | 27,933 | 21,098 | 6,835 | 32.4% | 82,483 | 60,317 | 22,166 | 36.7% |

General and administrative expenses increased by \$6.8 million, or 32.4%, in the three months ended September 30, 2022 compared to the three months ended September 30, 2021, primarily due to:

- an increase in personnel-related costs of \$5.2 million resulting from an increase in our general and administrative headcount, as well as salary expenses associated with annual merit increases and employee equity-based compensation;
- an increase in expenses related to consultants and sub-contractors in an amount of \$1.0 million;
- an increase in expenses related to overhead costs in an amount of \$0.6 million; and
- an increase in expenses related to doubtful debt in an amount of \$0.5 million.

These increases were partially offset by a decrease of \$1.7 million related to a provision for legal claims.

General and administrative expenses increased by \$22.2 million, or 36.7%, in the nine months ended months ended September 30, 2022, compared to the nine months ended months ended September 30, 2021, primarily due to:

- an increase in personnel-related costs of \$17.7 million resulting from an increase in our general and administrative headcount, as well as salary expenses associated with annual merit increases and employee equity-based compensation;
- an increase in expenses related to consultants and sub-contractors in an amount of \$4.3 million;
- an increase in expenses related to overhead costs in an amount of \$1.7 million; and
- an increase in expenses related to doubtful debt in an amount of \$1.5 million;

These increases were partially offset by a decrease of \$5.2 million related to a provision for legal claims.

Other operating expenses (income), net

| | Three months ended September 30, 2022 to 2021 | | | Nine months ended September 30, 2022 to 2021 | | | | |
|--|---|------|---------|--|-------|--------|-----|-------|
| | 2022 | 2021 | Change | 2022 | 2021 | Change | | |
| | (In thousands) | | | | | | | |
| Other operating expenses (income), net | (2,724) | — | (2,724) | (100.0)% | 1,963 | 1,350 | 613 | 45.4% |

Other operating income, was \$2.7 million, in the three months ended September 30, 2022, primarily due to:

- an increase of \$1.6 million in income related to the discontinuation of our UPS related activities and the sale of assets related to these activities.
- an increase of \$1.1 million in income related to the sale of property, plant and equipment; and

Other operating expenses, net, increased by \$0.6 million, in the nine months ended September 30, 2022, compared to the nine months ended September 30, 2021, primarily due to:

- an increase of \$4.0 million in expenses related to write-offs of goodwill and intangible assets related to the discontinuation of our UPS related activities; and
- a decrease of \$0.9 million in income related to a payment made to us from an escrow account with regards to a working capital adjustment in connection with the Kokam acquisition.

These increases were partially offset by:

- a decrease of \$1.6 million in expenses related to write-offs of property, plant and equipment;
- an increase of \$1.6 million in income related to the discontinuation of our UPS related activities and the sale of assets related to these activities; and
- an increase of \$1.1 million in income related to the sale of property, plant and equipment.

Financial expense, net

| | Three months ended September 30, 2022 to 2021 | | | Nine months ended September 30, 2022 to 2021 | | | | |
|------------------------|---|---------|----------|--|----------|----------|----------|--------|
| | 2022 | 2021 | Change | 2022 | 2021 | Change | | |
| | (In thousands) | | | | | | | |
| Financial expense, net | (33,025) | (5,751) | (27,274) | 474.2% | (52,785) | (13,591) | (39,194) | 288.4% |

Financial expenses, net increased by \$27.3 million, or 474.2%, in the three months ended September 30, 2022, compared to the three months ended September 30, 2021, primarily due to:

- an increase of \$28.3 million in expenses related to foreign exchange fluctuations, mainly due to the strengthening of the U.S. Dollar against the Euro, the British pound sterling (GBP) and the Australian dollar (AUD) .
- an increase of \$2.1 million in expenses related to hedging transactions.

These increases were partially offset by an increase of \$3.5 million in interest income and accretion (amortization) of discount (premium) on marketable securities.

Financial expenses, net increased by \$39.2 million, or 288.4%, in the nine months ended September 30, 2022, compared to the nine months ended September 30, 2021, primarily due to:

- an increase of \$39.4 million in expenses related to foreign exchange fluctuations, mainly due to the strengthening of the U.S. Dollar against the Euro, the New Israeli Shekel, the GBP and the AUD.
- an increase of \$2.6 million in expenses related to hedging transactions.

These increases were partially offset by an increase of \$4.9 million in interest income and accretion (amortization) of discount (premium) on marketable securities.

Please refer to the section entitled "Foreign Currency Exchange Risk" under Item 3 of this report for additional information.

Other income

| | Three months ended September 30, 2022 to 2021 | | | Nine months ended September 30, 2022 to 2021 | | | | |
|--------------|---|------|--------|--|-------|--------|-------|--------|
| | 2022 | 2021 | Change | 2022 | 2021 | Change | | |
| | (In thousands) | | | | | | | |
| Other income | 7,533 | — | 7,533 | 100.0% | 7,533 | — | 7,533 | 100.0% |

Other income increased by 7,533, or 100.0%, in the three and nine months ended September 30, 2022, compared to the three and nine months ended September 30, 2021 due to the sale of our investment in a privately-held company.

Income taxes

| | Three months ended September 30, 2022 to 2021 | | | Nine months ended September 30, 2022 to 2021 | | | | |
|--------------|---|-------|--------|--|--------|--------|--------|--------|
| | 2022 | 2021 | Change | 2022 | 2021 | Change | | |
| | (In thousands) | | | | | | | |
| Income taxes | 34,172 | 7,615 | 26,557 | 348.7% | 53,081 | 24,294 | 28,787 | 118.5% |

Income taxes increased by \$26.6 million, or 348.7%, in the three months ended September 30, 2022, as compared to the three months ended September 30, 2021, primarily due to an increase of \$25.6 million in current tax expenses mainly attributed to the change to Section 174 of the U.S Internal Revenue Code, which became effective on January 1, 2022. The change eliminates the option to deduct research and development expenditures currently and requires taxpayers to amortize them over five years (if generated from a US entity) and fifteen years (if generated from non-U.S. entities). This change to section 174 as well as lower tax benefits relating to stock-based compensation resulted in an increase in the Company's taxable income and Global Intangible Low Taxed Income ("GILTI") tax.

Income taxes increased by \$28.8 million, or 118.5%, in the nine months ended September 30, 2022, as compared to the nine months ended September 30, 2021, primarily due to an increase of \$25.9 million in current tax expenses mainly attributed to the change to Section 174 of the U.S Internal Revenue Code, which became effective on January 1, 2022. The change eliminates the option to deduct research and development expenditures currently and requires taxpayers to amortize them over five years (if generated from a US entity) and fifteen years (if generated from non-U.S. entities). This change to section 174 as well as lower tax benefits relating to stock-based compensation resulted in an increase in the Company's taxable income and GILTI tax.

| | Three months ended September 30, 2022 to 2021 | | | Nine months ended September 30, 2022 to 2021 | | | | |
|------------|---|--------|----------|--|--------|---------|----------|---------|
| | 2022 | 2021 | Change | 2022 | 2021 | Change | | |
| | (In thousands) | | | | | | | |
| Net income | 24,743 | 53,048 | (28,305) | (53.4)% | 72,950 | 128,216 | (55,266) | (43.1)% |

As a result of the factors discussed above, net income decreased by \$28.3 million, or 53.4% in the three months ended September 30, 2022 as compared to the three months ended September 30, 2021.

As a result of the factors discussed above, net income decreased by \$55.3 million, or 43.1% in the nine months ended September 30, 2022 as compared to the nine months ended September 30, 2021.

Liquidity and Capital Resources

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|----------------------------------|----------|---------------------------------|-----------|
| | 2022 | 2021 | 2022 | 2021 |
| | (In thousands) | | | |
| Net cash provided by (used in) operating activities | 5,558 | 61,784 | (80,016) | 124,552 |
| Net cash used in investing activities | (54,581) | (61,961) | (380,514) | (397,959) |
| Net cash provided by (used in) financing activities | (1,271) | 1,774 | 647,135 | (19,432) |
| Increase (decrease) in cash and cash equivalents | (50,294) | 1,597 | 186,605 | (292,839) |

As of September 30, 2022, our cash and cash equivalents were \$678.3 million. This amount does not include \$891.4 million invested in available-for-sale marketable securities and \$1.6 million invested in restricted bank deposits. Our principal uses of cash are for funding our operations, capital expenditures, other working capital requirements and other investments. As of September 30, 2022, we have open commitments for capital expenditures in an amount of approximately \$69.2 million. These commitments mainly reflect purchases of automated assembly lines and other machinery related to our manufacturing and operations. We also have purchase obligations in the amount of \$1,639.2 million related to raw materials and commitments for the future manufacturing of our products.

We believe our cash and cash equivalents, and available-for-sale marketable securities will be sufficient to meet our anticipated cash needs for at least the next 12 months as well as in the longer term, including the self-funding of our capital expenditure and operational commitments.

Operating Activities

Operating cash flows consists primarily of net income adjusted for certain non-cash items and changes in assets and liabilities. Cash used in operating activities in the nine months ended September 30, 2022, was \$80.0 million as compared to \$124.6 million cash provided by operating cash flows in the nine months ended September 30, 2021, mainly due to extended shipping times to customers which extended the period of time between payment to our vendors and delivery to and collection from our customers, a significant increase in inventory procurement in response to increased demand for our products, including increased purchasing of battery cells for our residential storage solution, and, increased safety stocks intended to mitigate supply chain disruptions, all of which resulted in unfavorable changes in working capital in the nine months ended September 30, 2022, compared to the nine months ended September 30, 2021, which was partially offset by higher net income adjusted for certain non-cash items. The Company returned to cash generation from operating activities in the second and third quarters of 2022.

Investing Activities

Investing cash flows consist primarily of capital expenditures, investment in, sales and maturities of available for sale marketable securities, investment and withdrawal of bank deposits and restricted bank deposits, cash used for acquisitions and cash provided by the sale of equity investments. Cash used for investing activities decreased by \$17.4 million in the nine months ended September 30, 2022, as compared to the nine months ended September 30, 2021, primarily driven by a \$53.7 million decrease in purchases of available-for-sale marketable securities, net, a \$16.6 million decrease in an investment in a privately-held company and \$24.2 million increase from sale of an investment in a privately-held company. This decrease in cash used for investing activities was partially offset by a \$50.0 million decrease in cash provided by withdrawal from bank deposits and restricted bank deposits as well as an increase of \$31.0 million in capital expenditures, net.

Financing Activities

Financing cash flows consisted primarily of the issuance and repayment of short-term and long-term debt and proceeds from the sale of shares of common stock in a public offering and employee equity incentive plans. Cash provided by financing activities in the nine months ended September 30, 2022, was \$647.1 million compared to \$19.4 million cash used in financing activities in the nine months ended September 30, 2021, primarily due to a \$650.5 million increase in cash provided by the issuance of common stock, net through a secondary public offering, and a decrease of \$16.1 million in repayment of bank loans.

Secondary public offering

On March 17, 2022, we offered and sold 2,300,000 shares of the Company's common stock at a public offering price of \$295.00 per share. The net proceeds to the Company after underwriters' discounts and commissions and offering costs were \$650,526. We intend to use the proceeds from the public offering for general corporate purposes, which may include acquisitions. See Note 11b to our condensed consolidated financial statements for more information.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

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

Foreign Currency Exchange Risk

Approximately 59.5% and 57.1% of our revenues for the nine months ended September 30, 2022, and 2021, respectively, were earned in non U.S. dollar denominated currencies, principally the Euro. Our expenses are generally denominated in the currencies in which our operations are located, primarily the U.S. dollar, New Israeli Shekel ("NIS"), Euro, and to a lesser extent, the South Korean Won ("KRW"). Our NIS denominated expenses consist primarily of personnel and overhead costs. Our consolidated results of operations and cash flows are, therefore, subject to fluctuations due to changes in foreign currency exchange rates and may be adversely affected in the future due to changes in foreign exchange rates. A hypothetical 10% change in foreign currency exchange rates between the Euro and the U.S. dollar would increase or decrease our net income by \$85.9 million for the nine months ended September 30, 2022. A hypothetical 10% change in foreign currency exchange rates between the NIS and the U.S. dollar would increase or decrease our net income by \$32.8 million for the nine months ended September 30, 2022.

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

To date, we have used derivative financial instruments, specifically foreign currency forward contracts and put and call options, to manage exposure to foreign currency risks by hedging portions of the anticipated payroll payments denominated in NIS. These derivative instruments are designated as cash flow hedges.

In addition, we also entered into derivative financial instruments to hedge the Company's exposure to currencies other than the U.S. dollar, mainly forward contracts to sell Euro and AUD for U.S. dollars. These derivative instruments are not designated as cash flow hedges.

Concentrations of Major Customers

Our trade accounts receivables potentially expose us to a concentration of credit risk with our major customers. As of September 30, 2022 and 2021, two major customers accounted for approximately 27.7% and 29.1% of our consolidated trade receivables balance, respectively. For the three months ended September 30, 2022 and 2021, two major customers accounted for approximately 27.4% and 28.1% of our total revenues, respectively. For the nine months ended September 30, 2022 and 2021 one and two major customers accounted for approximately 20.1% and 28.3% of our total revenues, respectively. We currently do not foresee a credit risk associated with these receivables.

Commodity Price Risk

We are subject to risk from fluctuating market prices of certain commodity raw materials, including copper, which are used in our products. Prices of these raw materials may be affected by supply restrictions or other market factors from time to time, and we do not enter into hedging arrangements to mitigate commodity risk. Significant price changes for these raw materials could reduce our operating margins if we are unable to recover such increases from our customers, and could harm our business, financial condition, and results of operations.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of September 30, 2022. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

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

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) that occurred during the third fiscal quarter of 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION.

ITEM 1. Legal Proceedings

On July 28, 2022, we were served with a complaint by Ampt LLC filed with the International Trade Commission (the “Commission”) pursuant to Section 337 of the Tariff Act of 1930, as amended and the District Court for the District of Delaware alleging patent infringement against the Company and its subsidiary SolarEdge Technologies Ltd. On October 24, 2022, the complaint filed in the District Court of Delaware was administratively stayed until the Commission's action is resolved. We believe that we have meritorious defenses to the complaints and intend to vigorously defend against them.

In the normal course of business, we may from time to time be named as a party to various legal claims, actions and complaints (including as a result of initiating such legal claims, action or complaints on behalf of the Company), including the matters described in Item 3 – “Legal Proceedings” of our Annual Report on Form 10-K for the period ended December 31, 2021 and subsequent quarterly filings. It is impossible to predict with certainty whether any resulting liability from any such legal claims, actions or complaints would have a material adverse effect on our financial position, results of operations or cash flows.

ITEM 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the risk factor set forth below and the risk factors as described in Part I, Item 1A, “Risk Factors”, in our Annual Report on Form 10-K for the year ended December 31, 2021.

Inflation Reduction Act of 2022

On August 16, 2022, the Inflation Reduction Act of 2022 (the “IRA”) was signed into federal law. The IRA provides for, among other things, certain incentives, including certain tax credits, intended to promote clean energy. Given that the IRA is a complex new piece of legislation, additional guidance on the regulatory treatment of the IRA is expected from the Internal Revenue Service and U.S. Treasury Department. It is currently uncertain the extent to which our products will qualify for such incentives. Any unfavorable regulatory treatment, or guidance, including any tax benefits being made available to competing technology and not to our technology, could adversely impact our business and financial condition.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None

ITEM 3. Defaults upon Senior Securities.

None

ITEM 4. Mine Safety Disclosures

Not applicable.

ITEM 5. Other Information

None

ITEM 6. Exhibits

Index to Exhibits

| Exhibit No. | Description | Incorporation by Reference |
|----------------------|--|-----------------------------------|
| 31.1 | Certification of Chief Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended | Filed with this report. |
| 31.2 | Certification of Chief Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended | Filed with this report. |
| 32.1 | Certification of Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 | Filed with this report. |
| 32.2 | Certification of Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 | Filed with this report. |
| 101 | The following financial statements from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2022, formatted in Inline XBRL: (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Income, (iii) Condensed Consolidated Statements of Comprehensive Income, (iv) Condensed Consolidated Statements of Stockholders' Equity, (v) Condensed Consolidated Statements of Cash Flows, and (vi) Notes to Condensed Consolidated Financial Statements | Filed with this report. |
| 104 | The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2022 formatted in Inline XBRL | <i>Included in Exhibit 101</i> |

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: November 8, 2022

/s/ Zvi Lando
Zvi Lando
Chief Executive Officer
(Principal Executive Officer)

Date: November 8, 2022

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

I, Zvi Lando, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of SolarEdge Technologies, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2022

/s/ Zvi Lando

Zvi Lando

Chief Executive Officer

(Principal Executive Officer)

I, Ronen Faier, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of SolarEdge Technologies, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2022

/s/ Ronen Faier

Ronen Faier

Chief Financial Officer

(Principal Financial Officer)

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

I, Zvi Lando, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of SolarEdge Technologies, Inc. for the quarterly period ended September 30, 2022 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of SolarEdge Technologies, Inc.

Date: November 8, 2022

/s/ Zvi Lando

Zvi Lando

Chief Executive Officer

(Principal Executive Officer)

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

I, Ronen Faier, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of SolarEdge Technologies, Inc. for the quarterly period ended September 30, 2022 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of SolarEdge Technologies, Inc.

Date: November 8, 2022

/s/ Ronen Faier

Ronen Faier

Chief Financial Officer

(Principal Financial Officer)
