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, 2018
OR

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

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

SOLAREDGE TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

Delaware	**20-5338862**
(State or other jurisdiction of incorporation or organization)	**(IRS Employer Identification No.)**

1 HaMada Street
Herziliya Pituach 4673335, Israel
(Address of principal executive offices, zip code)
972 (9) 957-6620
(Registrant's telephone number, including area code)

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

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically 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	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller Reporting Company	☐
		Emerging growth company	☐

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

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

Yes ☐ No ☒

As of October 31, 2018, there were 45,751,565 shares of the registrant's common stock, par value of $0.0001 per share, outstanding.

SOLAREDGE TECHNOLOGIES, INC.
FORM 10-Q
FOR THE QUARTER ENDED SEPTEMBER 30, 2018
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PART I. FINANCIAL INFORMATION

ITEM 1 FINANCIAL STATEMENTS

SOLAREDGE TECHNOLOGIES, INC.
AND ITS SUBSIDIARIES

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS of September 30, 2018

IN U.S. DOLLARS

UNAUDITED

INDEX

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

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

	September 30, 2018 Unaudited	December 31, 2017
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 192,876	$ 163,163
Short-term bank deposits	7,779	-
Restricted cash	2,083	1,516
Marketable Securities	148,252	77,264
Trade receivables, net	151,088	109,528
Inventories	107,179	82,992
Prepaid expenses and other current assets	46,396	42,223
Total current assets	655,653	476,686
LONG-TERM ASSETS:		
Marketable securities	102,240	103,120
Property and equipment, net	73,415	51,182
Deferred tax assets, net	13,218	8,340
Intangible assets, net	3,762	1,115
Goodwill	2,782	-
Other non-current assets	1,108	862
Total long term assets	196,525	164,619
Total assets	$ 852,178	$ 641,305

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

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

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

	September 30, 2018 Unaudited	December 31, 2017
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Trade payables, net	$ 83,459	$ 69,488
Employees and payroll accruals	23,680	22,544
Warranty obligations	21,660	14,785
Deferred revenues	5,795	2,559
Accrued expenses and other current liabilities	31,556	20,378
Total current liabilities	166,150	129,754
LONG-TERM LIABILITIES:		
Warranty obligations	86,059	64,026
Deferred revenues	53,663	31,453
Other non-current liabilities	7,343	18,605
Total long-term liabilities	147,065	114,084
COMMITMENTS AND CONTINGENT LIABILITIES		
STOCKHOLDERS' EQUITY:		
Common stock of $0.0001 par value - Authorized: 125,000,000 shares as of September 30, 2018 (unaudited) and December 31, 2017; issued and outstanding: 45,750,400 and 43,812,601 shares as of September 30, 2018 (unaudited) and December 31, 2017, respectively	5	4
Additional paid-in capital	361,744	331,902
Accumulated other comprehensive loss	(983)	(611)
Retained earnings	178,197	66,172
Total stockholders' equity	538,963	397,467
Total liabilities and stockholders' equity	$ 852,178	$ 641,305

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

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

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

	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
	Unaudited		Unaudited	
Revenues	$ 236,578	$ 166,552	$ 673,567	$ 417,705
Cost of revenues	158,596	108,498	434,042	273,909
Gross profit	77,982	58,054	239,525	143,796
Operating expenses:				
Research and development	20,109	14,363	57,535	38,546
Sales and marketing	16,938	13,217	49,097	35,953
General and administrative	6,898	5,078	17,427	12,782
Total operating expenses	43,945	32,658	124,059	87,281
Operating income	34,037	25,396	115,466	56,515
Financial expenses (income), net	689	(2,666)	2,585	(7,671)
Income before taxes on income	33,348	28,062	112,881	64,186
Taxes on income (tax benefit)	(12,295)	91	(3,016)	(484)
Net income	$ 45,643	$ 27,971	$ 115,897	$ 64,670
Net basic earnings per share of common stock	$ 1.00	$ 0.66	$ 2.57	$ 1.55
Net diluted earnings per share of common stock	$ 0.95	$ 0.61	$ 2.41	$ 1.44
Weighted average number of shares used in computing net basic earnings per share of common stock	45,601,540	42,433,648	45,025,661	41,831,400
Weighted average number of shares used in computing net diluted earnings per share of common stock	48,281,240	46,131,556	48,091,185	44,937,527

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

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

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

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	Unaudited		Unaudited	
Net income	$ 45,643	$ 27,971	$ 115,897	$ 64,670
Other comprehensive income (loss):				
Available-for-sale securities:				
Changes in unrealized gains (losses) net of tax expenses (benefit)	32	54	(484)	87
Net change	32	54	(484)	87
Cash flow hedges:				
Changes in unrealized gains, net of tax expense	45	-	45	975
Reclassification adjustments for loses, net of tax expense included in net income	(9)	-	(9)	(994)
Net change	36	-	36	(19)
Foreign currency translation adjustments, net	87	16	76	(41)
Total other comprehensive income (loss)	155	70	(372)	27
Comprehensive income	$ 45,798	$ 28,041	$ 115,525	$ 64,697

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

U.S. dollars in thousands

	Nine months ended September 30, 2018	Nine months ended September 30, 2017
	Unaudited	
Cash flows provided by operating activities:		
Net income	$ 115,897	$ 64,670
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of property and equipment	7,997	4,824
Amortization of intangible assets	404	108
Amortization of premiums on available-for-sale marketable securities	1,242	1,310
Stock-based compensation	21,927	12,183
Deferred tax assets, net	(4,789)	(3,063)
Loss on disposals of fixed assets	64	-
Realized gain from cash flow hedge	(9)	-
Changes in assets and liabilities:		
Inventories	(18,120)	5,005
Prepaid expenses and other assets	(4,800)	(17,420)
Trade receivables, net	(42,418)	(20,168)
Trade payables, net	14,006	8,667
Employees and payroll accruals	1,200	4,509
Warranty obligations	28,847	13,192
Deferred revenues	21,576	9,699
Accrued expenses and other liabilities	(819)	7,314
Net cash provided by operating activities	142,205	90,830
Cash flows used in investing activities:		
Purchase of property and equipment	(30,051)	(13,203)
Acquisitions and purchases of assets	(11,223)	-
Investment in short term bank deposits	(7,779)	-
Investment in available-for-sale marketable securities	(143,150)	(82,469)
Maturities of available-for-sale marketable securities	71,632	46,513
Net cash used in investing activities	$ (120,571)	$ (49,159)

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

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

U.S. dollars in thousands

	Nine months ended September 30, 2018	Nine months ended September 30, 2017
	Unaudited	
Cash flows from financing activities:		
Proceeds from issuance of shares under stock purchase plan and upon exercise of stock-based awards	$ 7,915	$ 3,795
Net cash provided by financing activities	7,915	3,795
Net increase in cash, cash equivalents and restricted cash	29,549	45,466
Cash, cash equivalents and restricted cash at the beginning of the period	164,679	105,580
Effect of exchange rate differences on cash, cash equivalents and restricted cash	731	(198)
Cash, cash equivalents and restricted cash at the end of the period	$ 194,959	$ 150,848

In conjunction with the acquisition of substantially all of the assets and activities of Gamatronic Electronic Industries Ltd, the fair values of acquired assets and liabilities assumed at the date of acquisition were as follow (for further information refer to Note 2 - Business Combination):

Inventory	$ 6,020
Fixes Assets	291
Current Technology	2,048
Customer relationships	810
Backlog	193
Goodwill	2,782
Warranty provision	(61)
Earn-out provision	(860)
Total cash paid	$ 11,223

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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

NOTE 1:- GENERAL

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

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

On July 1, 2018 (the "Acquisition Date") the Company completed the acquisition (the "Acquisition") of substantially all of the assets and activities of Gamatronic Electronic Industries Ltd ("Gamatronic"), a provider and manufacturer of Uninterruptible Power Supplies ("UPS") devices (see note 2).

On October 17, 2018, the Company closed an acquisition of approximately 75% of Kokam Co., Ltd. (“Kokam”), a provider of Lithium-ion cells, batteries and energy storage solutions (see note 11b).

b. Basis of Presentation:

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

In management’s opinion, the Company has made all adjustments (consisting only of normal, recurring adjustments, except as otherwise indicated) necessary to fairly present its condensed consolidated financial position, results of operations, and cash flows. The Company’s interim period operating results do not necessarily indicate the results that may be expected for any other interim period or for the full fiscal year.

The significant accounting policies applied in the annual consolidated financial statements of the Company as of December 31, 2017, contained in the Company’s Annual Report on Form 10-K filed with the SEC on February 20, 2018, have been applied consistently in these unaudited interim condensed consolidated financial statements, except for the adoption of ASC 606, Revenue - Revenue from Contracts with Customers (see Note 1d), adoption of ASC 805, Business Combination (see notes 1g and note 2), adoption of ASC 350 Intangible-Goodwill and other Assets (see note 1h and note 1i).

NOTE 1:- GENERAL (Cont.)

c. New accounting pronouncements not yet effective:

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2016-02 (Topic 842) "Leases". Topic 842 supersedes the lease requirements in Accounting Standards Codification (ASC) Topic 840, "Leases". Under Topic 842, lessees are required to recognize assets and liabilities on the balance sheet for most leases and provide enhanced disclosures. ASU No. 2016-02 is effective for interim and annual reporting periods beginning after December 15, 2018. In July 2018, the FASB issued amendments in ASU 2018-11, which provide a transition election to not restate comparative periods for the effects of applying the new standard. This transition election permits entities to change the date of initial application to the beginning of the earliest comparative period presented, or retrospectively at the beginning of the period of adoption through a cumulative-effect adjustment. The Company has elected to apply the standard retrospectively at the beginning of the period of adoption through a cumulative-effect adjustment. The Company also expects to elect certain relief options offered in ASU 2016-02 including certain available transitional practical expedients. Based on the Company's current portfolio of leases, approximately $39 million of lease assets and liabilities would be recognized on its balance sheet, primarily relating to real estate. The Company has established a cross-functional team and it is continuing to evaluate the new standard and prepare for implementation. The Company will adopt Topic 842 effective January 1, 2019.

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

The Company is evaluating the potential impact of this pronouncement.

d. Recently issued and adopted pronouncements:

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606). Under the new standard, revenue is recognized when a customer obtains control of promised goods or services and is recognized in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. In addition, the standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flow arising from contracts with customers. The guidance permits two methods of modification: retrospectively to each prior reporting period presented (full retrospective method), or retrospectively with the cumulative effect of initially applying the guidance recognized at the date of initial application (the modified retrospective method). The Company adopted the new standard, effective January 1, 2018, using the modified retrospective method applied to those contracts which were not substantially completed as of the adoption date. See "Revenue Recognition" below for further details.

In November 2016, the FASB issued Accounting Standards Update No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash (ASU 2016-18), which requires companies to include amounts generally described as restricted cash and restricted cash equivalents in cash and cash equivalents when reconciling beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The Company adopted ASU 2016-18 during the first quarter of 2018. The adoption of this new guidance had no material impact on the Company's condensed consolidated balance sheets, statements of income and cash flows.

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

NOTE 1:- GENERAL (Cont.)

In June 2018, the FASB issued Accounting Standards Update No. 2018-07, "Compensation - Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting" (ASU 2018-07). ASU 2018-07 was issued to simplify several aspects of the accounting for nonemployee share-based payment transactions resulting from expanding the scope of Topic 718, Compensation - Stock Compensation, to include share-based payment transactions for acquiring goods and services from nonemployees. The amendments specify that Topic 718 applies to all share-based payment transactions in which a grantor acquires goods or services to be used or consumed in a grantor's own operations by issuing share-based payment awards. The Company adopted ASU 2018-07 effective July 1, 2018. The adoption of this new guidance had no material impact on the Company's interim consolidated financial statements.

Revenue Recognition:

The Company adopted Accounting Standards Codification 606, Revenue from Contracts with Customers (ASC 606), effective on January 1, 2018. As a result of this adoption, the Company revised its accounting policy for revenue recognition as detailed below.

The Company and its subsidiaries generate their revenues mainly from the sale of power optimizers, inverters and cloud-based monitoring services to distributors, installers and PV module manufacturers.

The Company recognizes revenue under the core principle that transfer of control to the Company's customers should be depicted in an amount reflecting the consideration the Company expects to receive in revenue. In order to achieve that core principle, the Company applies the following five-step approach: (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when a performance obligation is satisfied.

(1) Identify the contract with a customer

A contract is an agreement between two or more parties that creates enforceable rights and obligations. In evaluating the contract, the Company analyzes the customer's intent and ability to pay the amount of promised consideration (credit risk) and considers the probability of collecting substantially all of the consideration.

The Company determines whether collectability is reasonably assured on a customer-by-customer basis pursuant to its credit review policy. The Company typically sells to customers with whom it has a long-term business relationship and a history of successful collection. For a new customer, or when an existing customer substantially expands its commitments, the Company evaluates the customer's financial position, the number of years the customer has been in business, the history of collection with the customer, and the Customer's ability to pay, and typically assigns a credit limit based on that review.

(2) Identify the performance obligations in the contract

At a contract's inception, the Company assesses the goods or services promised in a contract with a customer and identifies the performance obligations.

The main performance obligations are the provisions of the following:

Power optimizers; Inverters; Storage solution; UPS devices; Cloud based monitoring services; Extended warranty services and Communication services.

NOTE 1:- GENERAL (Cont.)

(3) Determine the transaction price

The transaction price is the amount of consideration to which the Company is entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Generally, the Company does not provide price protection, stock rotation, and/or right of return. The Company determines the transaction price for all satisfied and unsatisfied performance obligations identified in the contract from contract inception to the beginning of the earliest period presented.

Rebates or discounts on goods or services are accounted for as variable consideration. The rebate or discount program is applied retrospectively for future purchases. Provisions for rebates, sales incentives, and discounts to customers are accounted for as reductions in revenue in the same period the related sales are recorded.

When a contract provides a customer with payment terms of more than a year, the Company considers whether those terms create variability in the transaction price and whether a significant financing component exists.

The performance obligations that extend for a period greater than one year are those that include a financial component: (i) warranty extension services, (ii) cloud-based monitoring, and (iii) communication services.

(4) Allocate the transaction price to the performance obligations in the contract

The Company performs an allocation of the transaction price to each separate performance obligation, in proportion to their relative standalone selling prices.

(5) Recognize revenue when a performance obligation is satisfied

Revenue is recognized when or as performance obligations are satisfied by transferring control of a promised good or service to a customer. Control either transfers over time or at a point in time, which affects when revenue is recorded.

Revenues from sales of products are recognized when control is transferred (based on the agreed International Commercial terms, or “INCOTERMS”). Revenues related to warranty extension services, cloud-based monitoring, and communication services are recognized over time on a straight-line basis.

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.

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

NOTE 1:- GENERAL (Cont.)

The most significant impact of the standard on the Company's financial statements relates to advance payments received for performance obligations that extend for a period greater than one year. Applying the new standard, such performance obligations are those that include a financing component, specifically: (i) warranty extension services, (ii) cloud-based monitoring, and (iii) communication services.

The Company recognizes financing component expenses in its condensed consolidated statement of income in relation to advance payments for performance obligations that extend for a period greater than one year. These financing component expenses are reflected in the Company's deferred revenues balance.

The effect of the changes made to the consolidated January 1, 2018 balance sheets following the adoption of ASC 606, Revenue - Revenue from Contracts with Customers were as follows:

	Balance as of December 31, 2017	Adjustments due following adoption of ASC 606	Balance as of January 1, 2018
		Unaudited	Unaudited
Deferred Revenues - Current term	$ 2,559	$ (89)	$ 2,470
Deferred Revenues - Long term	31,453	3,961	35,414
Retained earnings	$ 66,172	$ (3,872)	$ 62,300

In accordance with the new revenue standard requirements, the disclosure of the impact of adoption on the Company's condensed consolidated statements of income, cash flows, and balance sheets were as follows:

	Three months ended September 30, 2018 (Unaudited)		
	As Reported	Balances before adoption of ASC 606	Effect of change
Statements of operations			
Revenues	$ 236,578	$ 236,571	$ 7
Financial expenses (income), net	689	48	641
Net income	45,643	46,277	(634)
Cash flows			
Net income	45,643	46,277	(634)
Changes in assets and liabilities:			
Deferred revenues	$ 8,456	$ 7,822	$ 634

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

NOTE 1:- GENERAL (Cont.)

	Nine months ended September 30, 2018 (Unaudited)		
	As Reported	**Balances before adoption of ASC 606**	**Effect of change**
Statements of operations			
Revenues	$ 673,567	$ 673,509	$ 58
Financial expenses (income), net	2,585	865	1,720
Net income	115,897	117,559	(1,662)
Cash flows			
Net income	115,897	117,559	(1,662)
Changes in assets and liabilities:			
Deferred revenues	21,576	19,914	1,662

	As of September 30, 2018		
	As Reported	**Balances before adoption of ASC 606**	**Effect of change**
Balance Sheets			
Deferred Revenues - Current	(5,795)	(5,873)	78
Deferred Revenues - Long term	(53,663)	(48,051)	(5,612)
Retained earnings	$ (178,197)	$ (182,069)	$ 3,872

e. The Company depends on three contract manufacturers and several limited or single source component suppliers. Reliance on these vendors makes the Company vulnerable to possible capacity constraints and reduced control over component availability, delivery schedules, manufacturing yields, and costs.

These vendors collectively accounted for 60.6% and 51.6% of the Company's total trade payables as of September 30, 2018 (unaudited) and December 31, 2017, respectively.

The Company has the right to offset its payables to one of its contract manufacturers against vendor non-trade receivables. As of September 30, 2018 (unaudited), a total of $874 of these receivables met the criteria for net recognition and were offset against the corresponding accounts payable balances for this contract manufacturer in the accompanying condensed Consolidated Balance Sheets.

f. Derivative financial instruments:

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

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

NOTE 1:- GENERAL (Cont.)

In addition to the above-mentioned cash flow hedges transactions, the Company also entered into derivative instrument arrangements to hedge the Company's exposure to currencies other than the U.S. dollar. 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 operations, as financial income (expenses).

As of September 30, 2018 (unaudited), the Company entered into put and call options to sell Euros for U.S. dollars and sell U.S dollars for NIS in the amount of €7,500 and $6,000 million respectively. These hedging contracts do not contain any credit-risk-related contingency features. See Note 5 for information on the fair value of these hedging contracts.

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

	Balance as of September 30, 2018 (unaudited)	Balance as of December 31, 2017
Derivative assets:		
Derivatives designated as cash flow hedging instruments:		
Foreign exchange option contracts	$ 45	$ -
Derivatives not designated as cash flow hedging instruments:		
Foreign exchange option contracts	202	221
Total	247	221
Derivative liabilities:		
Derivatives designated as cash flow hedging instruments:		
Foreign exchange option contracts	(9)	-
Derivatives not designated as cash flow hedging instruments:		
Foreign exchange option contracts	(1)	(285)
Foreign exchange forward contracts	-	(116)
Total	$ (10)	$ (401)

The Company recorded the fair value of derivative assets and liabilities, net in "Prepaid expenses and other current assets" and in "Accrued expenses and other liabilities" on the Company's consolidated balance sheets as of September 30, 2018 and December 31, 2017, respectively.

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

NOTE 1:- GENERAL (Cont.)

The net increase in unrealized gains recognized in "accumulated other comprehensive loss" on derivatives, net of tax effect, is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	(unaudited)		(unaudited)	
Derivatives designated as cash flow hedging instruments:				
Foreign exchange option contracts	$ 45	$ -	$ 45	$ -
Foreign exchange forward contracts	$ -	$ -	$ -	$ 975

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

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	(unaudited)		(unaudited)	
Derivatives designated as cash flow hedging instruments:				
Foreign exchange option contracts	$ (9)	$ -	$ (9)	$ -
Foreign exchange forward contracts	$ -	$ -	$ -	$ (994)

The Company recorded in the financial expenses (income), net, a net loss (gain) related to derivatives not qualified as hedging instruments of $(17) and $492 during the three months ended September 30, 2018 and 2017 (unaudited), respectively and $608 and $1,164 during the nine months ended September 30, 2018 and 2017 (unaudited), respectively.

g. Business Combination:

The Company allocates the fair value of purchase consideration to the tangible assets acquired, liabilities assumed and intangible assets acquired based on their estimated fair value. The excess of the fair value of purchase consideration over the fair values of these identifiable assets and liabilities is recorded as goodwill. Such valuations require management to make significant estimates and assumptions, especially with respect to intangible assets. Significant estimates in valuing certain intangible assets include, but are not limited to, future expected cash flows from acquired technology, useful lives and discount rates. Management's estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates. During the measurement period, which is not to exceed one year from the acquisition date, the Company may record adjustments to the assets acquired and liabilities assumed, with the corresponding offset to goodwill. Upon the conclusion of the measurement period, any subsequent adjustments are recorded to earnings.

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

NOTE 1:- GENERAL (Cont.)

h. Intangible Assets:

The Company evaluates the recoverability of finite-lived intangible assets for possible impairment whenever events or circumstances indicate that the carrying amount of such assets may not be recoverable. The evaluation is performed at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Recoverability of these assets is measured by a comparison of the carrying amounts to the future undiscounted cash flows the assets are expected to generate. If such review indicates that the carrying amount of intangible assets is not recoverable, the carrying amount of such assets is reduced to fair value. The Company has not recorded any impairment charges during the three months period ended September 30, 2018.

Acquired finite-lived intangible assets are amortized on a straight-line basis over the estimated useful lives of the assets. The Company routinely reviews the remaining estimated useful lives of finite-lived intangible assets. If the Company reduces the estimated useful life assumption for any asset, the remaining unamortized balance is amortized or depreciated over the revised estimated useful life (see Note 2).

i. Goodwill:

The Company evaluates goodwill for impairment annually or more frequently when an event occurs or circumstances change that indicate the carrying value may not be recoverable. In testing goodwill for impairment, the Company may elect to utilize a qualitative assessment to evaluate whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If the qualitative assessment indicates that goodwill impairment is more likely than not, than a two-step impairment test is performed. The Company tests goodwill for impairment under the two-step impairment test by first comparing the book value of net assets to the fair value of the reporting unit. If the fair value is determined to be less than the book value or qualitative factors indicate that it is more likely than not that goodwill is impaired, a second step is performed to compute the amount of impairment as the difference between the estimated fair value of goodwill and the carrying value. The Company estimates the fair value of the reporting unit using discounted cash flows. Forecasts of future cash flows are based on the Company's management best estimate of future net sales and operating expenses that are based primarily on expected category expansion, pricing, and general economic conditions.

The Company completes the required annual testing of goodwill for impairment for the reporting unit on October 1 of each year and accordingly, determines whether goodwill should be impaired.

As of September 30, 2018, no impairment of goodwill has been identified.

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

NOTE 1:- GENERAL (Cont.)

j. Accumulated other comprehensive loss:

The following table summarizes the changes in accumulated balances of other comprehensive income (loss), net of taxes, for the three months ended September 30, 2018 (unaudited):

	Unrealized gains on available-for-sale marketable securities	Unrealized gains on cash flow hedges	Unrealized gains on foreign currency translation	Total
Beginning balance	$ (949)	$ -	$ (189)	$ (1,138)
Net other comprehensive income before reclassifications	32	45	87	164
Net gains reclassified from accumulated other comprehensive loss	-	(9)	-	(9)
Net current period other comprehensive income	32	36	87	155
Ending balance	$ (917)	$ 36	$ (102)	$ (983)

The following table summarizes the changes in accumulated balances of other comprehensive income (loss), net of taxes, for the nine months ended September 30, 2018 (unaudited):

	Unrealized losses on available-for-sale marketable securities	Unrealized gains on cash flow hedges	Unrealized gains on foreign currency translation	Total
Beginning balance	$ (433)	-	$ (178)	$ (611)
Net other comprehensive income (loss) before reclassifications	(484)	45	76	(363)
Net gains reclassified from accumulated other comprehensive loss	-	(9)	-	(9)
Net current period other comprehensive income (loss)	(484)	36	76	(372)
Ending balance	$ (917)	$ 36	$ (102)	$ (983)

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

NOTE 1:- GENERAL (Cont.)

The following table summarizes the changes in accumulated balances of other comprehensive income (loss), net of taxes, for the three months ended September 30, 2017 (unaudited):

	Unrealized gains (losses) on available-for-sale marketable securities	Unrealized gains (losses) on cash flow hedges	Unrealized gains (losses) on foreign currency translation	Total
Beginning balance	$ (103)	-	$ (264)	$ (367)
Net other comprehensive income before reclassifications	54	-	16	70
Ending balance	$ (49)	-	$ (248)	$ (297)

The following table summarizes the changes in accumulated balances of other comprehensive income (loss), net of taxes, for the nine months ended September 30, 2017 (unaudited):

	Unrealized gains (losses) on available-for-sale marketable securities	Unrealized gains (losses) on cash flow hedges	Unrealized gains (losses) on foreign currency translation	Total
Beginning balance	$ (136)	$ 19	$ (207)	$ (324)
Net other comprehensive income (loss) before reclassifications	87	975	(41)	1,021
Net gains reclassified from accumulated other comprehensive income (loss)	-	(994)	-	(994)
Net current period other comprehensive income (loss)	87	(19)	(41)	27
Ending balance	$ (49)	-	$ (248)	$ (297)

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

NOTE 1:- GENERAL (Cont.)

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

Details about Accumulated Other Comprehensive Loss Components	Amount Reclassified from Accumulated Other Comprehensive Loss — Three months ended September 30, 2018	2017	Affected Line Item in the Statements of Income
Unrealized gains on cash flow hedges, net	$ 1	$ -	Cost of revenues
	6	-	Research and development
	1	-	Sales and marketing
	1	-	General and administrative
	9	-	Total, before income taxes
	-	-	Income tax expense
	$ 9	$ -	Total, net of income taxes

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

Details about Accumulated Other Comprehensive Loss Components	Amount Reclassified from Accumulated Other Comprehensive Loss — Nine months ended September 30, 2018	2017	Affected Line Item in the Statements of Income
Unrealized gains on cash flow hedges, net	$ 1	$ 166	Cost of revenues
	6	570	Research and development
	1	151	Sales and marketing
	1	153	General and administrative
	9	1,040	Total, before income taxes
	-	46	Income tax expense
	$ 9	$ 994	Total, net of income taxes

k. Certain amounts in prior year have been reclassified to conform to the current quarter presentation.

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

NOTE 2:- BUSINESS COMBINATION

On the Acquisition Date the Company completed the Acquisition of substantially all of the assets and activities of Gamatronic, a provider and manufacturer of UPS devices.

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

The results of Gamatronic's operations and the net fair value of the assets acquired have been included in the Company's interim consolidated financial statements since the Acquisition Date.

The Acquisition Date fair value of the consideration transferred totaled to $12,083, which consisted of the following:

Cash	$	11,223
Earn-out provision (*)		860
Total	$	12,083

(*) The purchase agreement includes an earn-out provision requiring the Company to pay an amount of 50% and 33% of the Company's UPS business division's net income for the first and second years following the Acquisition Date, respectively. The Company estimated the fair value of the contingent consideration based on Monte-Carlo model. This fair value measurement is based on significant inputs not observable in the market and thus represents a Level 3 measurement as defined in ASC 820.

During the period of three months ended September 30, 2018, there were no significant changes in the range of outcomes for the contingent consideration recognized as a result of the acquisition of the assets and activities of Gamatronic.

The following table summarizes the preliminary estimated fair values of the assets acquired and liabilities assumed at the Acquisition Date:

		July 1, 2018
Inventory	$	6,020
Fixes Assets		291
Current Technology		2,048
Customer relationships		810
Backlog		193
Total identifiable assets acquired		9,362
Warranty provision		(61)
Net identifiable assets acquired		9,301
Goodwill		2,782
Net assets acquired	$	12,083

Those definite-lived intangible assets include current technology of $2,048 (7 year useful life), customer relationships of $810 (7 year useful life), and backlog of $193 (2 months weighted-average useful life).

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

NOTE 2:- BUSINESS COMBINATION (Cont.)

The goodwill recognized is attributable primarily to acquired technology, expected synergies and the assembled workforce from Gamatronic. The goodwill is expected to be deductible for income tax purposes over a period of 10 years. As of September 30, 2018, there were no changes in the recognized amounts of goodwill resulting from the Acquisition.

The Company recognized $28 of Acquisition related costs that were expensed in the current period. These costs are included in the consolidated income statement in general and administrative expenses.

The Company did not disclose the amount of revenues and earnings of the acquired UPS division for the period from the Acquisition Date to September 30, 2018 since the results of the acquired operations are immaterial to the Company's condensed consolidated statements of income.

NOTE 3:- INVENTORIES

	September 30, 2018	December 31, 2017
	(unaudited)	
Raw materials	$ 33,955	$ 25,887
Work in process	1,892	-
Finished goods	71,332	57,105
	$ 107,179	$ 82,992

NOTE 4:- WARRANTY OBLIGATIONS

Changes in the Company's product warranty liability for the nine months ended September 30, 2018 and 2017 were as follows:

	Nine months ended September 30,	
	2018	2017
	(unaudited)	
Balance, at beginning of period	$ 78,811	$ 58,375
Additions and adjustments to cost of revenues	47,819	23,758
Utilization and current warranty expenses	(18,911)	(10,566)
Balance, at end of period	107,719	71,567
Less current portion	(21,660)	(12,942)
Long term portion	$ 86,059	$ 58,625

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

NOTE 5:- FAIR VALUE MEASUREMENTS

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

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

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

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

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

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

Description	Balance as of September 30, 2018	Fair value measurements Level 1	Level 2	Level 3
Assets:				
Cash equivalents:				
Money market mutual funds	$ 20,685	$ 20,685	-	-
Derivative instruments assets, net	$ 237	-	$ 237	-
Short-term marketable securities:				
Corporate bonds	$ 137,667	-	$ 137,667	-
Governmental bonds	$ 10,585	-	$ 10,585	-
Long-term marketable securities:				
Corporate bonds	$ 100,546	-	$ 100,546	-
Governmental bonds	$ 1,694	-	$ 1,694	-
Liabilities:				
Short-term Earn-out provision	$ -	-	-	$ (528)
Long-term Earn-out provision	$ -	-	-	$ (332)

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

NOTE 5:- FAIR VALUE MEASUREMENTS (Cont.)

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

Description	Balance as of December 31, 2017	Fair value measurements Level 1	Level 2	Level 3
Cash equivalents:				
Money market mutual funds	$ 6,163	$ 6,163	-	-
Derivative instruments liability, net	$ (180)	-	$ (180)	-
Short-term marketable securities:				
Corporate bonds	$ 68,272	-	$ 68,272	-
Governmental bonds	$ 8,992	-	$ 8,992	-
Long-term marketable securities:				
Corporate bonds	$ 95,160	-	$ 95,160	-
Governmental bonds	$ 7,960	-	$ 7,960	-

In addition to the assets and liabilities described above, the Company's financial instruments also include cash and cash equivalents, restricted and short-term bank deposits, trade receivables, other accounts receivable, trade payables, accrued expenses and other payables. The fair value of these financial instruments was not materially different from their carrying values on September 30, 2018 due to the short-term maturity of these instruments.

NOTE 6:- COMMITMENTS AND CONTINGENT LIABILITIES

a. Guarantees:

As of September 30, 2018 (unaudited), contingent liabilities exist regarding guarantees in the amount of $1,398, $56, $176 and $366 in respect of office rent lease agreements, customs transactions, credit card limits and securing projects with customers, respectively.

b. Contractual purchase obligations:

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

As of September 30, 2018 (unaudited), the Company had non-cancelable purchase obligations totaling approximately $278,024 out of which the Company already recorded a provision for loss in the amount of $1,954.

As of September 30, 2018 (unaudited), the Company had contractual obligations for capital expenditures totaling approximately $36,153 these commitments reflect purchases of automated assembly lines and other machinery related to the Company's manufacturing.

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

NOTE 6:- COMMITMENTS AND CONTINGENT LIABILITIES (Cont.)

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 June 2018, the Company was served with a complaint from a trustee of a former customer that filed for bankruptcy in the US. The lawsuit seeks to recover approximately $2,481 based on theories of preferential and fraudulent transfers. The Company believes it has valid defenses to the claims in this lawsuit and does not expect the outcome of the litigation matters to have a material effect on its balance sheets, statements of income or cash flows.

On September 20, 2018, the Company’s German subsidiary, SolarEdge Technologies GmbH received a complaint filed by competitor SMA Solar Technology AG. The complaint, filed in the District Court Düsseldorf, Germany, alleges that SolarEdge's 12.5kW - 27.6kW inverters infringe plaintiff’s patents EP 2 228 895 B1 and EP 1 610 452 B1. In its complaint, SMA Solar Technology requests inter alia an injunction and a determination for a claim for damages for sales in Germany. Plaintiff also suggests a value in dispute of €5 million (approximately $5.8 million) for both patents. The Company believes that it has meritorious defenses to the claims asserted and intends to vigorously defend against this lawsuit and does not expect the outcome of the litigation matters to have a material effect on its balance sheets, statements of income or cash flows.

NOTE 7:- STOCK CAPITAL

a. Common Stock:

	Authorized		Issued and outstanding	
	Number of shares			
	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
	(unaudited)		(unaudited)	
Stock of $0.0001 par value:				
Common stock	125,000,000	125,000,000	45,750,400	43,812,601

b. Stock Incentive plans:

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

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

NOTE 7:- STOCK CAPITAL (Cont.)

The 2015 Plan became effective upon the consummation of the IPO. The 2015 Plan provides for the grant of options, RSUs and other share-based awards to directors, employees, officers and consultants of the Company and its Subsidiaries. As of September 30, 2018 (unaudited), a total of 8,080,717 (unaudited) shares of common stock were reserved for issuance under the 2015 Plan (the "Share Reserve").

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

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

As of September 30, 2018 (unaudited), an aggregate of 3,453,698 shares of common stock are still available for future grant under the 2015 Plan.

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

A summary of the activity in the share options granted to employees and members of the board of directors for the six months ended September 30, 2018 (unaudited) and related information follows:

	Number of Options	Weighted average exercise price	Weighted average remaining contractual term in years	Aggregate intrinsic Value
Outstanding as of December 31, 2017	3,524,310	7.40	6.35	106,251
Granted	180,983	38.05		
Exercised	(1,270,943)	4.89		
Forfeited or expired	(22,746)	8.44		
Outstanding as of September 30, 2018	2,411,604	11.01	6.44	64,307
Vested and expected to vest as of September 30, 2018	2,357,632	10.92	6.42	63,098
Exercisable as of September 30, 2018	1,698,620	7.55	5.79	51,134

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

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

NOTE 7:- STOCK CAPITAL (Cont.)

The total intrinsic value of options exercised during the nine months ended on September 30, 2018 (unaudited) was $58,278.

The weighted average grant date fair values of options granted to employees and executive directors during the nine months ended September 30, 2018 (unaudited) was $20.83.

d. A summary of the activity in the RSUs granted to employees and members of the board of directors for the nine months ended September 30, 2018 (unaudited) is as follows:

	No. of RSUs	Weighted average grant date fair value
Unvested as of December 31, 2017	2,087,992	24.33
Granted	713,595	48.07
Vested	(586,290)	23.15
Forfeited	(157,723)	27.99
Unvested as of September 30, 2018	2,057,574	32.62

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

The Company has granted options and RSUs to purchase common shares to non-employee consultants as of September 30, 2018 (unaudited) as follows:

Issuance Date	Outstanding as of September 30, 2018	Exercise price	Exercisable as of September 30, 2018	Exercisable Through
January 27, 2014	138	3.51	27	January 27, 2024
May 1, 2014	455	3.51	455	May 1, 2024
September 17, 2014	3,936	3.96	3,936	September 17, 2024
October 29, 2014	1,949	5.01	505	October 29, 2024
August 19, 2015	5,251	0.00	-	-
November 8, 2015	667	0.00	-	-
April 18, 2016	625	0.00	-	-
July 11, 2016	1,001	0.00	-	-
September 21, 2016	2,000	15.34	-	September 21, 2026
September 21, 2016	3,500	0.00	-	-
March 15, 2017	5,500	0.00	-	-
March 15, 2017	5,500	13.70	-	March 15, 2027
March 27, 2017	2,750	0.00	-	-
November 20, 2017	4,876	0.00	-	-
January 2, 2018	5,749	0.00	-	-
July 1, 2018	5,034	0.00	-	-
	48,931		4,923	

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

NOTE 7:- STOCK CAPITAL (Cont.)

In connection with the grant of stock options and RSUs to non-employee consultants, the Company recorded stock compensation expenses in the nine months ended September 30, 2018 (unaudited) and 2017 (unaudited) in the amounts $1,070 and $582, respectively.

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

The Company adopted an Employee Stock Purchase Plan (the “ESPP”) effective upon the consummation of the IPO. As of September 30, 2018 (unaudited), a total of 1,739,280 shares were reserved for issuance under this plan. The number of shares of common stock reserved for issuance under the ESPP will increase automatically on January 1st of each year, for ten years, by the lesser of 1% of the total number of shares of the Company’s common stock outstanding on December 31st of the preceding calendar year or 487,643 shares. However, the Company’s board of directors may reduce the amount of the increase in any particular year at their discretion, including a reduction to zero.

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

As of September 30, 2018 (unaudited), 323,342 common stock shares had been purchased under the ESPP.

As of September 30, 2018 (unaudited), 1,415,938 common stock shares were available for future issuance under the ESPP.

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

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

The Company recognized stock-based compensation expenses related to stock options and RSUs granted to employees and non-employees and ESPP in the condensed consolidated statement of operations for the nine months ended on September 30, 2018 (unaudited) and 2017 (unaudited), as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2018	**2017**	**2018**	**2017**
Cost of revenues	$ 1,127	$ 538	$ 3,019	$ 1,548
Research and development	2,988	1,423	7,975	3,908
Selling and marketing	2,250	1,439	6,548	3,673
General and administrative	1,585	1,137	4,385	3,054
Total stock-based compensation expense	$ 7,950	$ 4,537	$ 21,927	$ 12,183

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

NOTE 7:- STOCK CAPITAL (Cont.)

As of September 30, 2018 (unaudited), there was a total unrecognized compensation expense of $70,100 related to non-vested equity-based compensation arrangements granted under the Company's Plans. These expenses are expected to be recognized during the period from October 1, 2018 through August 31, 2022.

NOTE 8:- BASIC AND DILUTED NET EARNINGS PER SHARE

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

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

No shares were excluded from the calculation of diluted net earnings per share due to their anti-dilutive effect for the three months ended September 30, 2017 (unaudited).

The total weighted average number of shares related to the outstanding stock options and RSUs, excluded from the calculation of diluted net earnings per share due to their anti-dilutive effect was 263,355 for the nine months ended September 30, 2017 (unaudited).

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

	Three months ended September 30		Nine months ended September 30,	
	2018	2017	2018	2017
	(unaudited)		(unaudited)	
Numerator:				
Net income	$ 45,643	$ 27,971	$ 115,897	$ 64,670
Denominator:				
Shares used in computing net earnings per share of common stock, basic	45,601,540	42,433,648	45,025,661	41,831,400
Effect of stock-based awards	2,679,700	3,697,908	3,065,524	3,106,127
Shares used in computing net earnings per share of common stock, diluted	48,281,240	46,131,556	48,091,185	44,937,527
Basic net income per share	$ 1.00	$ 0.66	$ 2.57	$ 1.55
Diluted net income per share	$ 0.95	$ 0.61	$ 2.41	$ 1.44

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

NOTE 9:- INCOME TAXES

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

	Three months ended September 30		Nine months ended September 30,	
	2018	2017	2018	2017
	(unaudited)		(unaudited)	
Current year taxes	$ (10,524)	$ 878	$ 1,773	$ 2,906
Deferred tax income net, and others	(1,771)	(787)	(4,789)	(3,390)
Taxes on income (tax benefit)	$ (12,295)	$ 91	$ (3,016)	$ (484)

b. Deferred income taxes:

Deferred income taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and tax basis of assets and liabilities based on the tax rates anticipated to be in effect when the deferred taxes are expected to be paid or realized.

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

	September 30, 2018	December 31, 2017
	(Unaudited)	
Net assets in respect of:		
Research and Development carryforward expenses	$ 8,082	$ 5,380
Stock based compensation	2,657	1,622
Allowances, provisions and others	2,479	1,338
Net deferred tax assets	$ 13,218	$ 8,340

c. Uncertain tax positions:

As of September 30, 2018, the Company recognized a total liability for uncertain tax positions in an immaterial amount.

d. On December 22, 2017, the Tax Cuts and Jobs Act (the "TCJA") was signed into law making significant changes to U.S. income tax law. These changes include, but are not limited to, a corporate tax rate decrease from 35% to 21% effective for tax years beginning after December 31, 2017, the transition of U.S. international taxation from a worldwide tax system to a territorial system, and a one-time transition tax on the mandatory deemed repatriation of cumulative foreign earnings (the "E&P") as of December 31, 2017.

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

NOTE 9:- INCOME TAXES (Cont.)

The one-time transition tax is based on the Company's total post-1986 earnings and profits (E&P), the tax on which the Company previously deferred from US income taxes under US law.

Additionally, the TCJA requires certain Global Intangible Low Taxed Income ("GILTI") earned by controlled foreign corporations ("CFCs") to be included in the gross income of the CFCs' U.S. shareholder. GAAP allows the Company to either: (i) treat taxes due on future U.S. inclusions in taxable income related to GILTI as a current-period expense when incurred (the "period cost method"); or (ii) factor such amounts into its measurement of deferred taxes (the "deferred method").

In 2017, the Company calculated its best estimate of the impact of the TCJA in its year end income tax provision in accordance with its understanding of the TCJA and guidance available as of the date of the respective filing and as a result recorded $19.2 million as an additional income tax expense in the period in which the legislation was enacted.

In August and September 2018, the Internal Revenue Service ("IRS") issued proposed regulations related to the one-time transition tax and GILTI, which the Company is in the process of evaluating. Due to the timing of the enactment and the complexity in applying the provisions of the TCJA, the provisional charge is subject to revisions as the Company continues to complete its analysis of the TCJA, collect and prepare necessary data, and interpret additional guidance issued by the U.S. Treasury Department, IRS, FASB, and other standard-setting and regulatory bodies.

As of September 30, 2018, upon further analyses of the TCJA and proposed regulations by the U.S. Department of the Treasury and the IRS, the Company changed its estimated provisional amount related to the one-time transition tax on the mandatory deemed repatriation of foreign earnings and, accordingly, reduced its December 31, 2017 provisional accrual by approximately $10.3 million, which is included as a component of income tax expense from continuing operations. The Company has elected to pay its transition tax over the eight-year period provided in the TCJA.

As of September 30, 2018, upon further analyses of the TCJA and proposed regulations by the U.S. Department of the Treasury and the IRS, the Company revisited its estimated impact of GILTI on the Company's income tax provision and, accordingly, reduced by $3.9 million its accrual which has been recorded in prior interim periods in 2018. Consequently, the tax provision with respect to GILTI did not have a significant effect on the Company's income statement for the nine-months period ended September 30, 2018. Due to the complexity of the new GILTI tax rules, the Company is continuing to evaluate this provision of the TCJA and the application of GAAP.

As of September 30, 2018, the Company has not completed its accounting for the estimated tax effects of the TCJA, including, but not limited to, the tax charge, which remains provisional as of September 30, 2018.

The final impact of the U.S. tax reform may differ, possibly materially, due to factors such as changes in interpretations and assumptions that the Company has made in its assessment, conclusion of the effects of the TCJA, including but not limited to, the GILTI provisions, further refinement of the Company's calculations, regulations and additional guidance that may be issued by the U.S. government. As these various factors are finalized, any change will be recorded as an adjustment to the provision for, or benefit from, income taxes in the period in which the amounts are determined, not to exceed 12 months from the date of enactment of the TCJA.

e. On October 24, 2018, SolarEdge Technologies Ltd., the Company's Israeli subsidiary received an approval from the Israeli Tax Authorities confirming the applicability of the two-year tax exemption as provided in the Encouragement of Capital Investments Law, 1959 with respect to its Benefited Enterprise until December 31, 2018. The Company is analyzing the effect of such approval for extended beneficial terms through December 31, 2018 and shall reflect such effect upon completion of its analysis.

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

NOTE 10:- CONCENTRATION OF CREDIT RISK AND MAJOR CUSTOMERS

a. For the three month period ended September 30, 2018 (unaudited) and 2017 (unaudited), the Company had one and two major customers that accounted for 15.7% and 21.6% of its consolidated revenues, respectively.

For the nine month period ended September 30, 2018 (unaudited) and 2017 (unaudited), the Company had one major customer that accounted for 17.3% and 12.5% of its consolidated revenues, respectively.

b. As of September 30, 2018 (unaudited) and December 31, 2017, two major customers accounted for approximately 34.1% and 35.2%, respectively, of the Company’s net accounts receivable.

NOTE 11:- SUBSEQUENT EVENTS

a. On October 4, 2018, the Company exercised its right to purchase all of the outstanding shares of Gamatronic (UK) Limited for the aggregate amount of approximately $1.3 million. This right was contemplated in the Acquisition of substantially all of the assets and activities of Gamatronic’s UPS business.

b. On October 17, 2018, the Company closed an acquisition of approximately 75% of Kokam Co., Ltd. (“Kokam”), a provider of Lithium-ion cells, batteries and energy storage solutions. The acquisition was made pursuant to several Share Purchase Agreements with different parties (the “SPAs”). The SPAs became effective October 11, 2018, and the Company’s total consideration was approximately $88 million, including transaction related expenses. The Company determined that such acquisition will be accounted as a business combination in accordance with ASC 805 "Business Combinations” and currently assessing the accounting consequences of the acquisition, that will be reflected in 2018 annual consolidated financial statement.

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

Forward-Looking Statements

Statements contained in this Form 10-Q or statements incorporated by reference from documents we have filed with the Securities and Exchange Commission may contain forward-looking statements that are based on our management's expectations, estimates, projections, beliefs and assumptions in accordance with information currently available to our management. Forward-looking statements should be read in conjunction with our unaudited condensed consolidated financial statements and related notes included in Part 1, Item 1 of this report. This discussion contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements include information concerning our possible or assumed future results of operations, business strategies, technology developments, new products and services, financing and investment plans, dividend policy, competitive position, industry and regulatory environment, potential acquisitions and 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 solar energy solutions;
- changes to net metering policies or the reduction, elimination or expiration of government subsidies and economic incentives for on-grid solar electricity applications;
- changes in the U.S. trade environment, including the recent imposition of import tariffs;
- federal, state and local regulations governing the electric utility industry with respect to solar energy;
- the retail price of electricity derived from the utility grid or alternative energy sources;
- interest rates and supply of capital in the global financial markets in general and in the solar market specifically;
- competition, including introductions of power optimizer, inverter and solar photovoltaic ("PV") system monitoring products by our competitors;
- developments in alternative technologies or improvements in distributed solar energy generation;
- historic cyclicality of the solar industry and periodic downturns;
- defects or performance problems in our products;
- our ability to forecast demand for our products accurately and to match production with demand;
- our dependence on ocean transportation to deliver our products in a cost effective manner;

- our dependence upon a small number of outside contract manufacturers and suppliers;
- capacity constraints, delivery schedules, manufacturing yields and costs of our contract manufacturers and availability of components;
- delays, disruptions and quality control problems in manufacturing;
- shortages, delays, price changes or cessation of operations or production affecting our suppliers of key components;
- business practices and regulatory compliance of our raw material suppliers;
- performance of distributors and large installers in selling our products;
- our customer's financial stability, creditworthiness and debt leverage ratio;
- our ability to retain key personnel and attract additional qualified personnel;
- our ability to effectively design, launch, market and sell new generations of our products and services;
- our ability to maintain our brand and to protect and defend our intellectual property;
- our ability to retain, and events affecting, our major customers;
- our ability to manage effectively the growth of our organization and expansion into new markets;
- our ability to integrate acquired businesses;
- fluctuations in currency exchange rates;
- unrest, terrorism or armed conflict in Israel;
- general economic conditions in our domestic and international markets;
- consolidation in the solar industry among our customers and distributors; and
- the other factors set forth under "Item 1A. Risk Factors" in "Part II-OTHER INFORMATION" section of this report.

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

Overview

We have invented an intelligent inverter solution that has changed the way power is harvested and managed in a solar PV system. Our direct current ("DC") optimized inverter system is designed to maximize power generation at the individual PV module level while lowering the cost of energy produced by the solar PV system and providing comprehensive and advanced safety features. Supporting increased PV proliferation, the SolarEdge system consists of power optimizers, inverters, communication and smart energy management solutions, and a cloud-based monitoring platform. SolarEdge's solutions addresses a broad range of solar market segments, from residential solar installations to commercial and small utility-scale solar installations. We believe that these benefits, along with our comprehensive and advanced safety features, are highly valued by our customers.

Our revenues for the three months ended September 30, 2018 and 2017 were $236.6 million and $166.6 million, respectively. Gross margin was 33.0% and 34.9% for the three months ended September 30, 2018 and 2017, respectively. Net income was $45.6 million and $28.0 million for the three months ended September 30, 2018 and 2017, respectively.

Our revenues for the nine months ended September 30, 2018 and 2017 were $673.6 million and $417.7 million, respectively. Gross margin was 35.6% and 34.4% for the nine months ended September 30, 2018 and 2017, respectively. Net income was $115.9 million and $64.7 million for the nine months ended September 30, 2018 and 2017, respectively.

As of September 30, 2018, we have shipped approximately 30.9 million power optimizers and 1.3 million inverters. Approximately 750,000 installations, many of which may include multiple inverters, are currently connected to, and monitored through, our cloud-based monitoring platform. As of September 30, 2018, we have shipped approximately 9.6 GW of our DC optimized inverter systems. Our products are sold in approximately 58 countries, and are installed in solar PV systems in more than 130 countries.

On July 1, 2018, we closed an asset purchase agreement (the "Gamatronic Acquisition") with Gamatronic Electronics Ltd. ("Gamatronic"), acquiring the business for the development, manufacturing and sale of Uninterruptible Power Supply systems, also known as UPSs. We purchased substantially all of Gamatronic's assets, including its intellectual property, brand and tangible assets, for approximately $11.2 million and are commited to a two year earn out provision for cash payments equal to 50% and 33% of the net income of the UPS business in the first and second years following the closing, respectively.

Subsequent Events

On October 4, 2018, we exercised our right to purchase all of the outstanding shares of Gamatronic (UK) Limited for the aggregate amount of approximately £ 1 million (approximately $1.3 million USD). This UK company is responsible for the sale of UPS products and employs approximately ten people.

On October 17, 2018, we closed an acquisition (the "Kokam Acquisition") of approximately 75% of Kokam Co., Ltd. ("Kokam"), a provider of Lithium-ion cells, batteries and energy storage solutions. The Kokam Acquisition was made pursuant to (i) a Share Purchase Agreement with Mr. Ji Jun Hong (the "Hong Purchase Agreement") for the purchase of shares representing approximately 32.2% of Kokam at an aggregate cash purchase price of 37.8 billion Korean wan (approximately $33.2 million) and (ii) agreements with various shareholders of Kokam (the "Ancillary Purchase Agreements" and, together with the Hong Purchase Agreement, the "SPAs") for the purchase of shares representing approximately 42.8% of Kokam at an aggregate cash purchase price of 41.4 billion Korean wan (approximately $36.4 million). The Company's aggregate investment in Kokam will be approximately $88 million, including transaction related expenses.

The Company and Mr. Hong agreed in the Hong Purchase Agreement to indemnify one another for certain breaches of representations and warranties stated therein. Out of the consideration payable under the Hong Purchase Agreement, an amount equal to 8.3 billion Korean wan was placed in an escrow account to satisfy potential indemnification obligations to the Company.

Key Operating Metrics

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Inverters shipped	121,836	89,737	335,249	222,518
Power optimizers shipped	3,004,264	2,041,115	8,217,332	5,285,272
Megawatts shipped (1)	1,083	676	2,868	1,695

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

Results of Operations

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	(In thousands)		(In thousands)	
Revenues	$ 236,578	$ 166,552	$ 673,567	$ 417,705
Cost of revenues	158,596	108,498	434,042	273,909
Gross profit	77,982	58,054	239,525	143,796
Operating expenses:				
Research and development	20,109	14,363	57,535	38,546
Sales and marketing	16,938	13,217	49,097	35,953
General and administrative	6,898	5,078	17,427	12,782
Total operating expenses	43,945	32,658	124,059	87,281
Operating income	34,037	25,396	115,466	56,515
Financial expenses (income), net	689	(2,666)	2,585	(7,671)
Income before taxes on income	33,348	28,062	112,881	64,186
Taxes on income (tax benefit)	(12,295)	91	(3,016)	(484)
Net income	$ 45,643	$ 27,971	$ 115,897	$ 64,670

Comparison of the Three Months Ended September 30, 2018 and 2017

Revenues

	Three Months Ended September 30,		Three Months Ended September 30, 2017 to 2018	
	2018	2017	Change	
	(In thousands)			
Revenues	$ 236,578	$ 166,552	$ 70,026	42.0%

Revenues increased by $70.0 million, or 42.0%, for the three months ended September 30, 2018, as compared to the three months ended September 30, 2017, primarily due to an increase in the number of systems sold, with significant growth in revenues coming from the United States, Netherlands, Australia, Japan and Israel. Non-U.S. revenues comprised 49.4% of our revenues in the three months ended September 30, 2018 as compared to 50.9% in the three months ended September 30, 2017. Sales of UPS systems in the three months ended September 30, 2018 were negligible.

The number of power optimizers sold increased by approximately 1.0 million units, or 47.7%, from approximately 2.0 million units in the three months ended September 30, 2017 to approximately 3.0 million units in the three months ended September 30, 2018. The number of inverters sold increased by approximately 35,900 units, or 40.8%, from approximately 87,800 units in the three months ended September 30, 2017 to approximately 123,700 units in the three months ended September 30, 2018. Overall, blended average selling price ("ASP") per Watt decreased by 15.5%, in the three months ended September 30, 2018 as compared to the three months ended September 30, 2017. This blended ASP erosion is attributed to:

- a change in the mix of products, yielding a higher portion of sales of commercial products that are characterized with lower ASP per Watt in comparison to residential products;
- price reductions of our commercial products initiated by the company in order to increase market share in this segment;
- the introduction of new commercial products with higher capacity which carry a lower ASP per watt;
- weaker Euro rate against the US Dollar which is translated to a lower ASP when calculated in U.S. Dollars, combined with a growing proportion of our Euro denominated revenues; and
- selective price decreases of our residential products.

Cost of Revenues and Gross Profit

	Three Months Ended September 30,		Three Months Ended September 30, 2017 to 2018	
	2018	2017	Change	
	(in thousands)			
Cost of revenues	$ 158,596	$ 108,498	$ 50,098	46.2%
Gross profit	$ 77,982	$ 58,054	$ 19,928	34.3%

Cost of revenues increased by $50.1 million, or 46.2%, in the three months ended September 30, 2018, as compared to the three months ended September 30, 2017, primarily due to:

- an increase in the volume of products sold;
- increased warranty expenses and warranty accruals of $9.5 million associated primarily with the rapid increase in our install base;
- increased personnel-related costs of $3.5 million related to the expansion of our operations and support headcount which is growing in parallel to our growing install base worldwide and as result of the acquisition of our UPS division and operation, including the hiring most of employees as part of that transaction;

- increased shipment and logistical costs of $1.3 million attributed, in part, to the growth in volumes shipped;
- an increase of $0.6 in other costs related to the UPS division's operations; and
- amortization of intangible assets and cost of product adjustment of $0.4 related to the asset acquisition of the UPS division.

Gross profit as a percentage of revenue decreased from 34.9%, in the three months ended September 30, 2017, to 33.0% in the three months ended September 30, 2018, primarily due to:

- increased warranty and support services expenses and accruals;
- lower gross profit on UPS products due to under utilization of production facilities; and
- amortization of intangible assets and cost of product adjustment related to the UPS assets acquisition.

These were partially offset by:

- reductions in per unit production costs that exceeded price erosion of our products;
- increased efficiency in our supply chain;
- general economies of scale in our personnel-related costs and other costs associated with our support and operations departments.

Operating Expenses:

Research and Development

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Three Months Ended September 30, 2017 to 2018 Change	
	(in thousands)			
Research and development, net	$ 20,109	$ 14,363	$ 5,746	40.0%

Research and development costs increased by $5.7 million, or 40.0%, in the three months ended September 30, 2018, as compared to the three months ended September 30, 2017, primarily due to:

- an increase in personnel-related costs of $5.0 million resulting from an increase in our research and development headcount as well as salary expenses associated with employee equity compensation, resulting from the impact of the increase in our stock price affecting the fair value of restricted share awards. The increase in headcount reflects our continuing investment in enhancements of existing products as well as development associated with bringing new products to market;
- expenses related to other directly related overhead costs and travel that increased by $0.3 million; and
- depreciation expenses related to lab equipment and amortization expenses related to intangible assets that increased by $0.4 million.

Sales and Marketing

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Three Months Ended September 30, 2017 to 2018 Change	
	(In thousands)			
Sales and marketing	$ 16,938	$ 13,217	$ 3,721	28.2%

Sales and marketing expenses increased by $3.7 million, or 28.2%, in the three months ended September 30, 2018, as compared to the three months ended September 30, 2017, primarily due to:

- an increase in personnel-related costs of 2.6 million as a result an increase in headcount supporting our growth in the U.S., Europe and the rest of the world, as well as salary expenses associated with employee equity compensation resulting from the impact of the increase in our stock price affecting the fair value of any share award;
- expenses related to other overhead costs and travel that increased by $0.5 million;
- expenses related to external consultants and sub-contractors, increased by $0.3 million; and
- expenses related to depreciation, other sales expenses and marketing activity that increased by $0.3 million.

General and Administrative

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Three Months Ended September 30, 2017 to 2018 Change	
	(In thousands)			
General and administrative	$ 6,898	$ 5,078	$ 1,820	35.8%

General and administrative expenses increased by $1.8 million, or 35.8%, in the three months ended September 30, 2018, as compared to the three months ended September 30, 2017, primarily due to:

- an increase in personnel-related costs of $1.5 million related to: (i) higher headcount in the legal, finance, human resources, and information technology department, principally as a result of our continued growth, and (ii) changes in management compensation and increased expenses related to equity-based compensation resulting from the impact of the increase in our stock price affecting the fair value of any share award;
- other overhead costs, depreciation, and travel expenses, which in the aggregate, increased by $0.3 million;
- expenses related to external consultants and sub-contractors increased by $0.2 million, partially due to legal proceedings initiated by us; and
- expenses related to consulting services related to UPS asset acquisition.

This increase was offset by a decrease in costs related to the accrual of doubtful and bad debts of $0.2 million.

Financial expenses (income), net

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Three Months Ended September 30, 2017 to 2018 Change	
	(In thousands)			
Financial expenses (income), net	$ 689	$ (2,666)	$ 3,355	N/A

Financial expenses were $0.7 million in the three months ended September 30, 2018, as compared to financial income of $2.7 million in the three months ended September 30, 2017, primarily due to:

- an increase of $3.9 million in foreign exchange fluctuations, mostly between the Euro and the New Israeli Shekel against the U.S. Dollar;
- an increase of $0.7 million in interest expenses, mainly related to advance payments received for performance obligations that extend for a period greater than one year, as part of the adoption of Accounting Standards Codification 606, Revenue from Contracts with Customers (ASC 606); and
- an increase of $0.1 million in other financial expenses and bank charges.

The increase in these expenses was offset by:

- an increase of $0.9 milliion in interest income and accretion (amortization) of discount (premium) on marketable securities; and

- a decrease of $0.5 million in costs related to hedging transactions.

Taxes on Income (Tax benefit)

	Three Months Ended September 30,		Three Months Ended September 30, 2017 to 2018	
	2018	2017	Change	
		(In thousands)		
Taxes on income (Tax benefit)	$ (12,295)	$ 91	$ (12,386)	N/A

Tax benefits were $12.3 million in the three months ended September 30, 2018, as compared to taxes on income of $0.1 million in the three months ended September 30, 2017, primarily due to:

- a decrease in the tax provision of $10.3 million in the three months ended September 30, 2018, related to a change in our estimate with respect to the one-time transition tax on the mandatory deemed repatriation of cumulative foreign earnings;
- a decrease of the tax provision of $3.9 million in the three months ended September 30, 2018, due to a change in our estimate with respect to the assessment of the Global Intangible Low Taxed Income ("GILTI") inclusion; and
- an increase of $0.8 million in deferred tax asset, net.

These tax benefits were offset by an increase of $2.6 million in current tax expenses in all jurisdictions.

Net Income

	Three Months Ended September 30,		Three Months Ended September 30, 2017 to 2018	
	2018	2017	Change	
		(In thousands)		
Net income	$ 45,643	$ 27,971	$ 17,672	63.2%

As a result of the factors discussed above, net income increased by $17.7 million, or 63.2%, in the three months ended September 30, 2018, as compared to the three months ended September 30, 2017.

Comparison of the Nine Months Ended September 30, 2018 and 2017

Revenues

	Nine Months Ended September 30,		Nine Months Ended September 30, 2017 to 2018	
	2018	2017	Change	
		(In thousands)		
Revenues	$ 673,567	$ 417,705	$ 255,862	61.3%

Revenues increased by $255.9 million, or 61.3%, for the nine months ended September 30, 2018, as compared to the nine months ended September 30, 2017, due to an increase in the number of systems sold with significant growth in revenues coming from the U.S., Europe, Australia, Japan and Israel. Non-U.S. revenues comprised 47% of our revenues for the nine months ended September 30, 2018, as compared to 45.3% for the nine months ended September 30, 2017.

The number of power optimizers sold increased by approximately 3.0 million units, or 57.6%, from approximately 5.2 million units in the nine months ended September 30, 2017, to approximately 8.2 million units in the nine months ended September 30, 2018. The number of inverters sold increased by approximately 117,900 units, or 54.2%, from approximately 217,300 units in the nine months ended September 30, 2017 to approximately 335,200 units in the nine months ended September 30, 2018. Our ASP per watt for units shipped decreased by 7.9%, in the nine months ended September 30, 2018, as compared to the nine months ended September 30, 2017. This blended ASP per Watt erosion is mainly attributed to the following items:

- change in the mix of products towards higher portion of commercial products that are characterized with lower ASP per Watt in comparison to residential product;
- price declines of our commercial products initiated by the compamy in order to increase market share in this segment;
- the introduction of new commercial products with higher capacity which represent further lower ASP per watt; and
- selective price decreases of our residential products.

Cost of Revenues and Gross Profit

	Nine Months Ended September 30,		Nine Months Ended September 30, 2017 to 2018	
	2018	**2017**	**Change**	
	(In thousands)			
Cost of revenues	$ 434,042	$ 273,909	$ 160,133	58.5%
Gross profit	$ 239,525	$ 143,796	$ 95,729	66.6%

Cost of revenues increased by $160.1 million, or 58.5%, in the nine months ended September 30, 2018, as compared to the nine months ended September 30, 2017, primarily due to:

- an increase in the volume of products sold
- increased warranty expenses and warranty accruals of $24.1 million associated primarily with the rapid increase in our install base;
- increased shipment and logistical costs of $12.1 million attributed, in part to the growth in volumes shipped, and to an increase in air shipments caused by power component shortages; and
- increased personnel-related costs of $9.3 million related to the expansion of our operations and support headcount which is growing in parallel to our growing install base worldwide and as result of the acquisition of our UPS division and operation, including hiring most of the division’s employees as part of that transaction.

Gross profit as a percentage of revenue increased from 34.4% in the nine months ended September 30, 2017, to 35.6% in the nine months ended September 30, 2018, primarily due to:

- reductions in per unit production costs that exceeded price erosion of our products;
- increased efficiency in our supply chain; and
- general economies of scale in our personnel-related costs and other costs associated with our support and operations departments.

Operating Expenses:

Research and Development

	Nine Months Ended September 30,		Nine Months Ended September 30, 2017 to 2018	
	2018	2017	Change	
	(In thousands)			
Research and development	$ 57,535	$ 38,546	$ 18,989	49.3%

Research and development increased by $19.0 million, or 49.3%, in the nine months ended September 30, 2018, as compared to the nine months ended September 30, 2017, primarily due to:

- an increase in personnel-related costs of $15.9 million resulting from an increase in our research and development headcount as well as salary expenses associated with employee equity compensation, resulting from the impact of the increase in our stock price affecting the fair value of any share award. The increase in headcount reflects our continuing investment in enhancements of existing products as well as development associated with bringing new products to market;
- expenses related to other directly related overhead costs and travel expenses that increased by $1.1 million;
- depreciation expenses related to lab equipment and amortizion expenses related to inatangible asstets that increased by $1.0 million;
- expenses related to materials consumption and other cost increased by $0.6 million; and
- expenses related to consultants and sub-contractors that increased by $0.4 million.

Sales and Marketing

	Nine Months Ended September 30,		Nine Months Ended September 30, 2017 to 2018	
	2018	2017	Change	
	(In thousands)			
Sales and marketing	$ 49,097	$ 35,953	$ 13,144	36.6%

Sales and marketing expenses increased by $13.1 million, or 36.6%, in the nine months ended September 30, 2018, as compared to the nine months ended September 30, 2017, primarily due to:

- an increase in personnel-related costs of $10.5 million as a result of an increase in headcount supporting our growth in the U.S., Europe and the rest of the world, as well as salary expenses associated with employee equity compensation resulting from the impact of the increase in our stock price affecting the fair value of any share award;
- expenses related to other overhead costs and travel expenses that increased by $1.1 million;
- expenses related to other sales and marketing activity that increased by $0.8 million;
- expenses related to external consultants and sub-contractors that increased by $0.4 million; and
- depreciation expenses increased by $0.3 million

General and Administrative

	Nine Months Ended September 30,		Nine Months Ended September 30, 2017 to 2018	
	2018	2017	Change	
	(In thousands)			
General and administrative	17,427	$ 12,782	$ 4,645	36.3%

General and administrative expenses increased by $4.6 million, or 36.3%, in the nine months ended September 30, 2018 as compared to the nine months ended September 30, 2017, primarily due to:

- an increase in personnel-related costs of $3.3 million related to (i) higher headcount in the legal, finance, human resources, and information technology department, functions required of a fast-growing public company and (ii) changes in management compensation and increased expenses related to equity-based compensation, resulting from the impact of the increase in our stock price affecting the fair value of any share award;

- expenses related to external consultants and sub-contractors increased by $1.2 million, partially due to a legal proceedings initiated by us during 2018;

- expenses related to other overhead costs and travel expnses which increased by $0.8 million;

- other cost and depreciation expenses which increased by $0.3 million.

These increases were offset by costs related to doubtful debts which decreased by $1.0 million.

Financial expense (income), net

	Nine Months Ended September 30,		Nine Months Ended September 30, 2017 to 2018	
	2018	2017	Change	
	(In thousands)			
Financiael expense (income), net	$ 2,585	$ (7,671)	$ 10,256	N/A

Financial expenses were $2.6 million in the nine months ended September 30, 2018, as compared to financial income of $7.7 million in the nine months ended September 30, 2017, primarily due to:

- an increase of $11.7 million in foreign exchange fluctuations between the Euro and the New Israeli Shekel against the U.S. Dollar;

- an increase of $1.7 million in interest expenses related to advance payments received for performance obligations that extend for a period greater than one year, as part of the adoption of ASC 606; and

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

The increase in these expenses was offset by:

- a decrease of $1.8 million in costs related to hedging transactions; and

- an increase of $1.6 million in interest income and accretion (amortization) of discount (premium) on marketable securities.

Taxes on Income (Tax Benefit)

	Nine Months Ended September 30,		Nine Months Ended September 30, 2017 to 2018	
	2018	2017	Change	
	(In thousands)			
Tax on Income (Tax benefit)	$ (3,016)	$ (484)	$ (2,532)	523.1%

Tax benefits increased by $2.5 million, or 523.1%, in the nine months ended September 30, 2018, as compared to the nine months ended September 30, 2017, primarily due to:

- a decrease in the tax provision of $9.5 million in the nine months ended September 30, 2018, related to a change in our estimate with respect to the one-time transition tax on the mandatory deemed repatriation of cumulative foreign earnings; and

- an increase of $1.7 million in deferred tax asset, net.

These tax benefits were offset by:

- an increase of $7.4 million in current tax expenses in Israel as a result of the assumed termination during 2018 of the two-year tax exemption term under the terms of the Israeli Encourangment of Capital Law, 1959;
- an increase of $0.8 million in current tax expenses in other jurisdictions; and
- a tax income related to the previous year's tax credit of $0.5 million which was recorded during the six months ended June 30, 2017.

Net Income

	Nine Months Ended September 30,		Nine Months Ended September 30, 2017 to 2018	
	2018	**2017**	**Change**	
	(In thousands)			
Net income	$ 115,897	$ 64,670	$ 51,227	79.2%

As a result of the factors discussed above, net income increased by $51.2 million, or 79.2% in the nine months ended September 30, 2018, as compared to the nine months ended September 30, 2017.

Liquidity and Capital Resources

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	(In thousands)			
Net cash provided by operating activities	$ 34,335	$ 33,667	$ 142,205	$ 90,830
Net cash provided by (used in) investing activities	(56,622)	884	(120,571)	(49,159)
Net cash provided by financing activities	324	1,672	7,915	3,795
Increase (decrease) in cash, cash equivalents and restricted cash	$ (21,963)	$ 36,223	$ 29,549	$ 45,466

As of September 30, 2018, our cash, cash equivalents and restricted cash were $195.0 million. This amount does not include $250.5 million invested in available-for-sale marketable securities and $7.8 million invested in short-term bank deposits. We believe that cash provided by operating activities as well as our cash and cash equivalents will be sufficient to meet our anticipated cash needs for at least the next 12 months.

Operating Activities

For the nine months ended September 30, 2018, cash provided by operating activities was $142.2 million, derived mainly from a net income of $115.9 million that included $26.8 million of non-cash expenses, an increase of $28.8 million in warranty obligations, $21.6 million of deferred revenues, $13.2 million in trade payables, net and other accounts payable and $1.2 million in accruals for employees which were offset by an increase of $42.4 million in trade receivables, net, $18.1 million in inventories and $4.8 million in prepaid expenses and other receivables.

For the nine months ended September 30, 2017, cash provided by operating activities was $90.8 million, derived mainly from a net income of $64.7 million, $15.3 million of non-cash expenses, an increase of $16.0 million in trade payables and other accounts payable, $13.2 million in warranty obligations, $9.7 million of deferred revenues, $4.5 million in accruals for employees and a decrease of $5.0 million in inventories. The cash from operating activities was offset by an increase of $20.2 million in trade receivables, net and $17.4 million in prepaid expenses and other receivables.

Investing Activities

During the nine months ended September 30, 2018, net cash used in investing activities was $120.6 million, of which $143.1 million was invested in available-for-sale marketable securities, $30.1 million related to capital investments in laboratory equipment, end of line testing equipment, automated assembly lines, manufacturing tools and leasehold improvements, $7.8 million invested in short-term bank deposits and $11.2 million was invested in assets as part of the acquisition of our UPS division. This was offset by $71.6 million from the maturities of available-for-sale marketable securities.

During the nine months ended September 30, 2017, net cash used in investing activities was $49.2 million, of which $82.5 million was invested in available-for-sale marketable securities and $13.2 million related to capital investments in laboratory equipment, end of line testing equipment, automated assembly lines, manufacturing tools and leasehold improvements. This was offset by $46.5 million from the maturities of available-for-sale marketable securities.

Financing Activities

For the nine months ended September 30, 2018, net cash provided by financing activities was $7.9 million, all attributed to cash received from the exercise of employee and non-employee stock options.

For the nine months ended September 30, 2017, net cash provided by financing activities was $3.8 million, all attributed to cash received from the exercise of employee and non-employee stock options.

Debt Obligations

We do not have any outstanding indebtedness.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

ITEM 3 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Foreign Currency Exchange Risk

Approximately 41.8% and 40.3% of our revenues for the nine months ended September 30, 2018 and 2017, respectively, were earned in non-U.S. Dollar denominated currencies, principally the Euro. Our expenses are generally denominated in the currencies in which our operations are located, primarily the U.S. Dollar and New Israeli Shekel, and to a lesser extent the Euro. Our New Israeli Shekel-denominated expenses consist primarily of personnel and overhead costs. Our consolidated results of operations and cash flows are, therefore, subject to fluctuations due to changes in foreign currency exchange rates and may be adversely affected in the future due to changes in foreign exchange rates. A hypothetical 10% change in foreign currency exchange rates during the nine months ended September 30, 2018, between the Euro and the U.S. Dollar would increase or decrease our net income by $18.5 million for the nine months ended September 30, 2018. A hypothetical 10% change in foreign currency exchange rates during the nine months ended September 30, 2018, between the New Israeli Shekel and the U.S. Dollar would increase or decrease our net income by $6.9 million for the nine months ended September 30, 2018.

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 contracts and put and call options, to manage exposure to foreign currency risks by hedging a portion of our account receivable balances denominated in Euros expected to be paid within nine months. Our foreign currency forward contracts are expected to mitigate exchange rate changes related to the hedged assets

On September 30, 2018, we had cash, cash equivalents and restricted cash of $195.0 million, an available-for-sale marketable securities with an estimated fair value of $250.5 million, which securities were held for working capital purposes, and short-term bank deposit of $7.8 million. We do not enter into investments for trading or speculative purposes. Since most of our cash and cash equivalents are held in U.S. Dollar-denominated money market funds, we believe that our cash and cash equivalents do not have any material exposure to changes in exchange rates.

Concentrations of Major Customers

Our trade accounts receivables potentially expose us to a concentration of credit risk with our major customers. As of September 30, 2018, two major customers accounted for approximately 34.1% of our consolidated trade receivables balance. We currently do not foresee a credit risk associated with these receivables.

ITEM 4 CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

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

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

Changes in Internal Control over Financial Reporting

Following adoption of ASC 606 guidance on January 1, 2018, we implemented changes to our processes related to revenue recognition and the related control activities. There were no significant changes to our internal control over financial reporting due to the adoption of this new standard.

Following adoption of ASC 805, Business Combination and ASC 350, Intangible-Goodwill and other Assets, we implemented new processes related to business combination and intangible-goodwill and the related control activities.

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

PART II. OTHER INFORMATION

ITEM 1 LEGAL PROCEEDINGS

In June 2018, we filed a lawsuit for patent infringement against Huawei Technologies Co., Ltd., a Chinese entity, Huawei Technologies Düsseldorf GmbH, a German entity, and WATTKRAFT Solar GmbH, a German distributor for Huawei. The lawsuit, filed in the Regional Court of Mannheim in Germany, asserts unauthorized use of patented technology, and is intended to protect SolarEdge's significant investment in its innovative DC optimized inverter technology. Seeking monetary damages, an injunction, and recall of infringing Huawei inverters from the German market, the lawsuit is intended to prevent the defendants from selling any multi-level inverters infringing upon SolarEdge's PV inverter technology protected in the asserted patent in Germany. In July 2018, we announced the extension of this lawsuit to two additional SolarEdge patents covering its power optimizer technology.

In June 2018 we were served with a complaint from a trustee of a former customer that filed for bankruptcy in the United States. The lawsuit seeks to recover approximately $2.5 million based on theories of preferential and fraudulent transfers. We believe we have valid defenses to the claims asserted in this lawsuit and we do not expect the outcome of the litigation matters to have a material adverse effect on our Balance Sheets, Statements of Income or Cash Flows.

On September 20, 2018, our German subsidiary, SolarEdge Technologies GmbH received a complaint filed by competitor SMA Solar Technology AG. The complaint, filed in the District Court Düsseldorf, Germany, alleges that SolarEdge's 12.5kW - 27.6kW inverters infringe plaintiff's patents EP 2 228 895 B1 and EP 1 610 452 B1. In its complaint, SMA Solar Technology requests inter alia an injunction and a determination for a claim for damages for sales in Germany. Plaintiff also asserts a value in dispute of five million Euros for both patents.

We believe we have meritorious defenses to the claims asserted and intend to vigorously defend against this lawsuit and does not expect the outcome of the litigation matters to have a material effect on its balance sheets, statements of income or cash flows.

In addition, 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). It is impossible to predict with certainty whether any resulting liability from any such legal claims, actions or complaints would have a material adverse effect on our financial position, results of operations or cash flows.

ITEM 1A RISK FACTORS

There have been no material changes to the risk factors as described in Part I, Item 1A, "Risk Factors," in our Annual Report on Form 10-K for the year ended December 31, 2017 other than the supplemental risk factors disclosed in our Form 10-Q for the quarter ended June 30, 2018 and the risk factor added forth below:

Changes in the U.S. trade environment, including the most recent imposition of import tariffs, could adversely affect the amount or timing of our revenues, results of operations or cash flows.

The U.S. government recently proposed new or higher tariffs on specified imported products originating from China in response to what it characterizes as unfair trade practices, and China has responded by proposing new or higher tariffs on specified products imported from the United States. In January 2018, a tariff on imported solar modules and cells was adopted in the United States. The tariff, which tariff does not apply directly to our products, except possibly with respect to power optimizers that are embedded onto solar panels in China, was initially set at 30%, with a gradual reduction over four years to 15%. In addition, in July 2018, a 10% tariff on a long list of products imported from China, including inverters and power optimizers was adopted in the United States under Section 301 of the Trade Act of 1974, and became effective on September 24, 2018. An additional increase of the tariffs to 25% is expected to take effect on January 1, 2019. We cannot assure you as to whether additional tariffs will be imposed in the future.

These tariffs and the possibility of additional tariffs in the future have created uncertainty in the industry concerning whether they will cause a material increase in the price of solar systems in the United States. If the price of solar systems in the United States increases, the use of solar systems could become less economically feasible and could reduce our gross margins or reduce the demand of solar systems manufactured and sold, which in turn may decrease demand for our products. Such outcomes could adversely affect the amount or timing of our revenues, results of operations or cash flows, and continuing uncertainty could cause sales volatility, price fluctuations or supply shortages or cause our customers to advance or delay their purchase of our products.

ITEM 2 UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3 DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4 MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5 OTHER INFORMATION

None.

ITEM 6 EXHIBITS

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

* The schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K. SolarEdge hereby undertakes to furnish supplementally copies of any of the omitted schedules and exhibits upon request by the SEC.

SIGNATURE

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

	SOLAREDGE TECHNOLOGIES, INC.
Date: November 2, 2018	/s/ Guy Sella
	Guy Sella Chief Executive Officer and Chairman of the Board *(Principal Executive Officer)*
Date: November 2, 2018	/s/ Ronen Faier
	Ronen Faier Chief Financial Officer *(Principal Financial and Accounting Officer)*

Exhibit 2.1

Execution Copy

SHARE PURCHASE AGREEMENT

October 3, 2018

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SHARE PURCHASE AGREEMENT

THIS SHARE PURCHASE AGREEMENT (this "***Agreement***") is entered into on October 3, 2018 by and among:

(1) Ji Jun Hong, a citizen of the Republic of Korea ("Korea") residing at ____________, Korea ("***Chairman Hong***" or the "***Seller***"); and

(2) SolarEdge Technologies Korea Co., Ltd., a company incorporated under the laws of Korea, having its principal office at 3-307, 308, Office A, 17 Worldcupbuk-ro 54gil, Mapo-gu, Seoul, Korea (the "***Purchaser***").

The Seller and the Purchaser shall hereinafter be referred to individually as a "***Party***" and collectively as "***Parties***" as the context may require.

RECITALS

WHEREAS, the Seller owns 4,887,596 shares of common stock of Kokam Co., Ltd., a joint stock company (*chusik hoesa* in Korean) duly organized and existing under the Laws of Korea with its registered office at 30-78 1220 Beongil Gyeongsu-Daero, Jangan-gu, Suwon-si, Gyeonggi-do, Korea (the "***Company***"), representing 32.19% of the total issued and outstanding capital stock of the Company (the "***Sale Shares***"); and

WHEREAS, in accordance with the terms and conditions of this Agreement, the Seller desires to sell and transfer the Sale Shares owned by it to the Purchaser, and the Purchaser desires to purchase such Sale Shares from the Seller.

NOW, THEREFORE, in consideration of the premises and of the mutual representations, warranties and covenants herein contained, the Parties hereby agree as follows:

ARTICLE 1
DEFINITIONS

1.1 Defined Terms. As used in this Agreement, the following terms shall have the respective meanings set forth below:

"***Action***" means any action, litigation, lawsuit, arbitration, appeal, petition, proceeding, complaint, charge, allegation, claim, suit, mediation, hearing, or investigation by or before any Governmental Authority or inquiry or investigation by any Governmental Authority.

"***Affiliate***" means, with respect to any Person, any other Person who (at the time when the determination is to be made), directly or indirectly through one or more intermediaries, Controls, is Controlled by, or is under common Control with, the specified Person.

"***Agreement***" has the meaning set forth in the preamble of this Agreement, and shall include all Schedules and Exhibits.

"***Assets***" has the meaning set forth in Section 4.10 of Schedule 4.

"***Business***" means the business and operations of the Company or the Company Subsidiary as conducted and as proposed to be conducted as of the date hereof.

"***Business Day***" means any day on which commercial banks are open for business in Seoul, Tel Aviv and New York.

"***Chechen Project***" means a certain project conducted by the Company and completed in 2016 involving sale of battery pack assembly machinery in Chechen Republic.

"***Closing***" has the meaning set forth in Article 2.4.

"***Closing Date***" means the date on which the Closing occurs.

"***Company***" has the meaning set forth in the first recital of this Agreement.

"***Company Subsidiary***" means Kokam Electronics Co., Ltd.

"***Competing Activities***" has the meaning set forth in Article 6.8(a).

"***Contract***" means any contract, agreement, indenture, note, bond, loan or credit agreement, instrument, lease, mortgage, deed of trust, license, commitment or other arrangement, agreement or obligation, whether written or oral.

"***Control***" (including, with correlative meanings, the terms "***Controlled by***" and "***under common Control with***") means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities or partnership or other ownership interests, by contract or otherwise.

"***Corporate Sellers***" means Gyeonggi KT Green Growth Investment Association, Korea Investment Partners Venture Association No. 11, Korea Investment Partners Co., Ltd., Korean Investment Growth Capital Fund No. 17, KoFC Skylake Global Incuvest 4 Private Equity Fund 0901 Co., Ltd., Skylake Growth Champ 2010 5 PEF, IMM Green Tech Fund, IMM Investment 2nd Private Equity Inc., Mirae Asset Venture Investment Co., Ltd., Atinum Investment Co., Ltd., Leading Investment & Securities Co., Ltd., and E-Revolution Private Equity Fund No. 1.

"***Disclosed***" means matters disclosed in the Disclosure Schedule; provided that nothing in the Disclosure Schedule shall be deemed adequate to disclose an exception to a representation or warranty made herein, unless the Disclosure Schedule identifies the exception and describes the relevant facts and, without limiting the generality of the foregoing, the mere listing (or inclusion of a copy) of a document or other item shall not be deemed adequate to disclose an exception to a representation or warranty made herein (unless the representation or warranty pertains to the existence of the document or other item itself); provided, further that, the Disclosure Schedule will be arranged in paragraphs corresponding to the lettered or numbered paragraphs contained in the relevant provisions of this Agreement.

"***Disclosure Schedule***" means the disclosure schedule (including the updated Section 4.19(a) of the Disclosure Schedule in accordance with Section 4.19(a) of Schedule 4 which shall be executed and delivered by the Seller to the Purchaser in form satisfactory to the Purchaser) in respect of Articles 3 and 4 of this Agreement, attached hereto.

"***Elcom***" means Elcom Co., Ltd.

"***Employee Benefit Plan***" means any bonus, overtime and night-time (and compensation therefor), days-off, vacation and leave (and compensation for unused days-off, vacation or leave), deferred compensation, severance, termination payment, pension, profit sharing, stock option, Employee stock purchase or other Employee benefit plans, program, agreement, arrangement, fund, policies and rules applicable to a the Company.

"***Employees***" has the meaning set forth in Section 4.14(a) of Schedule 4.

"***Encumbrance***" means any liens, charges, encumbrances, security interests, easement, license, option, claim, pledge, mortgage, proxy, right of first refusal, voting trusts or agreements, restriction on title, use, receipt of income, voting sale, disposition, transfer or exercise of any other attribute of ownership, and other equities or third party rights of any nature whatsoever.

"***Environmental Law***" means any Law in Korea relating to pollution or protection of the environment, health, hygiene or safety, worker's health, including such Laws relating to the use, handling, transportation, treatment, storage, disposal, emission, release or discharge of hazardous materials.

"***ERBSA***" has the meaning set forth in Section 4.15(b) of Schedule 4.

"***Escrow Account***" means the account to be established with the Escrow Agent in accordance with the Escrow Agreement.

"***Escrow Amount***" means KRW 8,300,000,000.

"***Escrow Agent***" means the escrow agent as mutually agreed by the Parties.

"***Escrow Agreement***" means an escrow agreement to be entered into on or after the date of this Agreement between the Purchaser, the Seller and the Escrow Agent in form and substance satisfactory to the parties thereto.

"***Final Determination***" means the occurrence of any of the following: (i) the parties to the dispute have reached a final settlement agreement in writing with respect to all claims and damages, (ii) a Governmental Authority of competent jurisdiction shall have entered a final and non-appealable order or judgment, or (iii) an arbitration or like panel shall have rendered a final determination or award with respect to disputes the parties have agreed to submit thereto.

"***Financial Statements***" means (i) the consolidated audited balance sheets of the Company as of December 31, 2017 and the related audited statements of income, changes in shareholders' equity and cash flows for the year then ended, and (ii) the consolidated unaudited balance sheet of the Company as of June 30, 2018, and the related unaudited statements of income and cash flows as of June 30, 2018.

"***Government Official***" means any official or employee of any Governmental Authority, or any person acting in an official capacity on behalf of such government, instrumentality or public international organization, or any political party or official thereof, or any candidate for political office.

“***Governmental Approvals***” means any approval, authorization, consent, order, license, permit, certification qualification, exemption, registration, designation, declaration, filing, waiver or other authorization, issued, granted, given or otherwise made available by or under the authority of any Governmental Authority.

“***Governmental Authority***” means any government, state or political subdivision thereof, national or supranational body, court, tribunal or any person or body exercising executive, legislative, judicial, regulatory or administrative functions on behalf of any of them and includes all relevant securities commissions, stock exchange authorities, foreign exchange authorities, foreign investment authorities and similar entities or authorities.

“***Indebtedness***” has the meaning set forth in Article 6.3(f).

“***Indemnified Party***” means the Seller Indemnified Party or a Purchaser Indemnified Party, as the case may be.

“***Indemnifying Party***” has the meaning set forth in Article 8.4(a).

“***Intellectual Property***” means, collectively, all intellectual property and other similar proprietary rights in any jurisdiction or under any international convention, whether owned or held for use under license, whether registered or unregistered, including without limitation such rights in and to: (i) all patents and applications therefore, including all continuations, divisionals, continuations-in-part, and provisionals and patents issuing thereon, and all reissues, reexaminations, substitutions, renewals and extensions therefore, and inventions, invention disclosures, discoveries and improvements, whether or not patentable, (ii) all trademarks, service marks, trade names, brand names, trade dress rights, logos, slogans, corporate names and other source or business identifiers, Internet domain names and general intangibles of a like nature, together with the goodwill associated with any of the foregoing, and all applications, registrations, renewals and extensions thereof, (iii) all copyrights, copyrightable works, works of authorship and moral rights, and all registrations, applications, renewals, extensions and reversions thereof, (iv) all trade secrets (including know-how, recipes, formulae, manufacturing and production processes and techniques, technical data, designs, drawings and specifications), all trade secret rights in any information, formula, pattern, compilation, program, device, method, technique, or process and market and other data, and rights to limit the use or disclosure of any of the foregoing by any Person, (v) all material Software related to the business of the Company (including data and related documentation), (vi) all other intellectual property or proprietary rights in Technology and other proprietary or confidential information, including customer lists, supplier lists, pricing and cost information, and business and marketing plans and proposals, and (vii) all claims, causes of action and defenses relating to the enforcement of any of the foregoing used or held for use by or for the Company.

“***Interested Party***” has the meaning set forth in Section 4.20 of Schedule 4.

“***Interested Party Transaction***” has the meaning set forth in Section 4.20 of Schedule 4.

“***Israel***” means the State of Israel.

“***IT System***” means all computer systems, servers, network equipment and other computer hardware owned, leased or licensed by the Company.

“***Key Executive***” means each of Chairman Hong, Choong-Yeon Chong, Young-Jae Lee and Seong-Tae Ko.

“***Knowledge of Seller***” means the actual knowledge of any Key Executive, after due inquiry.

“***K-IFRS***” means the Korean International Financial Reporting Standards as amended from time to time.

“***Korea***” means the Republic of Korea.

“***Korean Won***” or “***KRW***” means the lawful currency of Korea.

“***Law***” means any constitution, law, legislation, treaty, statute, ordinance, code, regulation, rule, injunction, judgment, order, decree, ruling, charge, or other restriction of any Governmental Authority having competent jurisdiction.

“***Lease Deposit***” has the meaning set forth in Section 4.11(b) of Schedule 4.

“***Leased Real Property***” has the meaning set forth in Section 4.11(e) of Schedule 4.

“***Leases***” has the meaning set forth in Section 4.11(b) of Schedule 4.

“***Licensed Intellectual Property***” has the meaning set forth in Section 4.12(a) of Schedule 4.

“***Losses***” has the meaning set forth in Article 8.1(a).

“***Material Adverse Effect (or Change)***” means any circumstance, change, development, event, condition, occurrence, effect or state of facts that, individually or in the aggregate, may be materially adverse or would reasonably be expected to be materially adverse to the business, assets (including intangible assets), liabilities, or financial condition of the Company taken as a whole. Notwithstanding the foregoing, no circumstance, change, development, event, condition, occurrence, effect or state of facts will be deemed to be a Material Adverse Effect (or Change) if (a) it generally affects the industry in which the Company operates, (b) it is the result of any changes to K-IFRS or accounting standards or principles or any change in applicable Laws or the interpretation thereof, (c) it is caused by any and all changes in general economic or political conditions, or (d) it is the result of the execution of this Agreement or the public announcement of the Transaction.

“***Material Contracts***” has the meaning set forth in Section 4.9(c) of Schedule 4.

“***Order***” means any judgment, award, decree, ruling or any other order of any Governmental Authority.

“***Ordinary Course of Business***” means an action taken by a Person only if: (a) such action is consistent with the past practices of such Person and is taken in the ordinary course of the normal day-to-day operations of such Person in compliance with applicable Laws; (b) such action is not required to be authorized by the board of directors of such Person similar in nature and magnitude to actions customarily taken in the ordinary course of the normal day-to-day operations of other Persons that are in the same line of business as such Person.

"***Organizational Documents***" means the articles of incorporation, bylaws, regulations concerning the board resolutions, corporate registry and other similar documents, instruments or certificates executed, adopted or filed in connection with the creation, formation or organization of a Person, including any amendments thereto.

"***Owned Intellectual Property***" has the meaning set forth in Section 4.12(a) of Schedule 4.

"***Owned Real Property***" has the meaning set forth in Section 4.11(e) of Schedule 4.

"***Party***" or "***Parties***" has the meaning set forth in the preamble of this Agreement.

"***Person***" means any individual, partnership, private equity fund, limited liability company, corporation, association, joint stock company, trust, entity, joint venture, labor organization, unincorporated organization, or Governmental Authority.

"***Purchase Price***" has the meaning set forth in Article 2.2(a).

"***Purchaser***" has the meaning set forth in the preamble of this Agreement.

"***Purchaser Indemnified Parties***" has the meaning set forth in Article 8.1(a).

"***Relevant Companies***" means the Company and the Company Subsidiary.

"***Representatives***" means, in respect of a Person other than an individual, any of the current partners, owners, shareholders, directors, executives, officers, representatives, members, agents or employees, advisors or representatives.

"***Resigning Officers and Directors***" means those directors of the Company and officers of the Company, each of whom is listed in Schedule 6.9, who are to resign pursuant to Article 6.9.

"***Sale Shares***" has the meaning set forth in the first recital of this Agreement.

"***Seller***" has the meaning set forth in the preamble of this Agreement.

"***Seller Bank Account***" means the bank account into which the Purchase Price is to be deposited pursuant to Article 2.2(a), as notified by the Seller to the Purchaser in writing at least five Business Days prior to the Closing.

"***Seller Indemnifiable Claims***" means any Actions, injunctions, judgments, orders, decrees, rulings, damages, decreases in value, penalties, fines, amounts paid in settlement, Liabilities, losses, expenses and costs of defense, including, without limitation, attorneys' fees and expenses, whether or not involving a third party claim for which the Seller is responsible or otherwise liable hereunder.

"***Seller Indemnified Party***" has the meaning set forth in Article 8.2.

"***Service Agreement***" means the service agreement to be entered into on or about the date of this Agreement between the Purchaser and kamur partners co., ltd.

“***Shared Intellectual Property***” has the meaning set forth in Section 4.12(b) of Schedule 4.

“***Software***” means (a) any and all computer programs, including any and all software implementations of algorithms, models and methodologies, whether in source code or object code and (b) any and all available documentation, including user manuals and other training documentation, related to any of the foregoing.

“***Subsidiary***” when used with respect to any Party, shall mean any corporation, limited liability company, partnership, association, trust or other entity of which securities or other ownership interests representing more than 50% of the equity or more than 50% of the ordinary voting power (or, in the case of a partnership, more than 50% of the general partnership interests) are, as of such date, owned by such Party or one or more Subsidiaries of such party or by such party and one or more Subsidiaries of such party.

“***Tax***” means all forms of taxation whether direct or indirect and whether levied by reference to income, profits, gains, revenues, net wealth, asset values, turnover, added value, withholding, local or other reference and statutory, governmental, state, provincial, local or foreign governmental or municipal impositions, duties, contributions, rates and levies (including social security contributions and any other payroll taxes), whenever and wherever imposed (whether imposed by way of a withholding or deduction for or on account of tax or otherwise) and in respect of any Person and all penalties, fines, charges, costs and interest relating thereto.

“***Tax Return***” means any return, declaration, report, claim for refund, or information return or statement relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

“***Technology***” means all Software, information, designs, formulae, patterns, algorithms, procedures, methods, techniques, ideas, know-how, discoveries, concepts, research and development, technical data, compilations, compositions, programs, subroutines, tools, databases, materials, specifications, processes, inventions (whether patentable, or unpatentable and whether or not reduced to practice), devices, apparatus, creations, improvements, works of authorship and other similar materials, and all recordings, graphs, drawings, reports, analyses and other writings, and other tangible embodiments of the foregoing, in any form whether or not specifically listed herein, and all related technology, documentation and other materials used in, incorporated in, embodied in or displayed by any of the foregoing, or used or useful in the design, development, reproduction, maintenance or modification of any of the foregoing.

“***Transaction***” means the transaction contemplated hereby, including the sale and purchase of the Sale Shares under this Agreement.

“***U.S.***” means the United States of America.

1.2 Construction and Interpretation.

(a) Every part of this Agreement shall be deemed to be supplementary and complementary with every other part of this Agreement and shall be read with and construed as a whole as much as practical. This Agreement has been fully reviewed and negotiated by the Parties and in interpreting this Agreement, no weight shall be placed upon which Party or its legal advisor drafted the provision being interpreted.

(b) Any reference to any documents (including this Agreement) shall be construed as references to that document as it may be modified, amended, supplemented from time to time. Any reference to any law shall include all statutory and administrative provisions consolidating or amending or replacing such law, and shall include all rules and regulations promulgated therein.

(c) Unless the context otherwise requires, (i) a term has the meaning assigned to it by this Agreement, (ii) the gender of all words used in this Agreement shall include the masculine, feminine, and neuter, (iii) the word "including" shall mean "including, but not limited to", (iv) terms defined in the singular shall have the corresponding meaning in the plural, and vice versa, (v) all references herein to Articles, Sections, Schedules and Exhibits shall refer to articles, sections, schedules and exhibits, respectively, of this Agreement, and (vi) all captions and headings to Articles and Sections of this Agreement have been inserted for identification and reference purposes only and shall not be used to construe or interpret this Agreement.

ARTICLE 2
PURCHASE AND SALE

2.1 Purchase and Sale. Subject to the terms and conditions contained herein (including the exhibits and schedules attached hereto) the Seller shall sell and transfer to the Purchaser the Sale Shares and the Purchaser shall purchase from the Seller, the Sale Shares, free and clear of any Encumbrance on the Closing Date, provided that the Closing shall only take place upon the contemporaneous closing of the sale and purchase of shares from other shareholders in the Company representing 11,309,718 shares of the Company.

2.2 Purchase Price.

(a) Subject to Article 2.3, the Purchaser shall pay the purchase price in the amount of KRW 37,782,724,516 (the "***Purchase Price***") less the Escrow Amount on the Closing Date to the Seller by wire transfer of immediately available funds to the Seller Bank Account.

(b) Upon payment of the Purchase Price in accordance with Paragraph (a) in this Article 2.2, the Seller acknowledges and agrees that the Purchaser shall be deemed to have fulfilled its payment obligations to the Seller under this Article 2.2.

2.3 Escrow. Subject to Article 10.7, the Purchaser shall deposit an amount equal to the Escrow Amount into the Escrow Account as security for any Seller Indemnifiable Claims in accordance with the Escrow Agreement. The Parties shall procure that the Escrow Amount is released and be transferred by the Escrow Agent to the Seller as follows.

(a) First Escrow Release. On the first anniversary of the Closing Date (the "***First Escrow Release Date***"), the Purchaser shall release and pay 50% of the Escrow Amount by wire transfer of immediately available funds to the Seller Bank Account, less the aggregate amount, if any, of amounts previously deducted from the Escrow Amount by the Purchaser in accordance with this Agreement to satisfy any Seller Indemnifiable Claims.

(b) Second Escrow Release. On the second anniversary of the Closing Date, the Purchaser shall release and pay 50% of the Escrow Amount by wire transfer of immediately available funds to the Seller Bank Account, less the aggregate amount, if any, of amounts previously deducted from the Escrow Amount by the Purchaser in accordance with this Agreement to satisfy any Seller Indemnifiable Claims from the First Escrow Release Date.

2.4 Closing. Subject to the satisfaction of each condition precedent set out in Article 7 or waiver in writing of such condition precedent by the Purchaser or the Seller, as applicable, the closing of the sale and purchase of the Sale Shares (the "***Closing***") shall take place at the office of Shin & Kim, commencing at 10:00 a.m. Seoul time within ten (10) Business Days following the satisfaction or waiver in writing of the conditions precedent set out in Article 7, or such other date and time as the Seller and the Purchaser shall agree in writing.

2.5 Deliveries at Closing. At the Closing, simultaneously with the payment by the Purchaser of the sum prescribed under Article 2.2, the Seller shall deliver to the Purchaser:

(a) the title to the Sale Shares and all rights attaching to them by effecting a book entry transfer to the Purchaser's securities account, the details of which shall be notified to the Seller by the Purchaser at least five Business Days prior to the Closing;

(b) an extract of the shareholders' registry of the Company duly certified as true and correct by the representative director of the Company evidencing the Purchaser as the registered owner of the Sale Shares;

(c) a receipt for the Purchase Price;

(d) an original counterpart or a certified copy of each document set out in Articles 7.3(e) and (g); and

(e) such other documents, instruments and materials reasonably requested by the Purchaser, including all of the documents required to be delivered under this Agreement.

ARTICLE 3
SELLER REPRESENTATIONS AND WARRANTIES
RELATING TO HIM

The Seller hereby represents and warrants to the Purchaser that the statements contained in this Article 3 are true and accurate as of the date hereof and as of the Closing Date (or, if made as of a date specified below, as of such date) with respect to himself.

3.1 Citizenship and Residence. The Seller is a citizen and resident of Korea.

3.2 Authorization. The Seller has full authority and capacity to execute and deliver this Agreement and to perform its obligations hereunder and all actions required to authorize the execution and performance of all obligations of it under this Agreement and any other agreements and documents to which it is a party and the execution of which is contemplated hereunder have been duly taken. This Agreement has been duly executed and delivered by the Seller, and this Agreement constitutes the legal, valid and binding obligation of it enforceable against it in accordance with its terms.

3.3 Absence of Conflicts. The execution, delivery and performance by him of this Agreement will not: (i) violate any applicable Law or Government Approval applicable to it, or (ii) violate or conflict with, or constitute (with due notice or lapse of time or both) a default under, any agreement or instrument to which the Seller is a party or by which the Seller is bound.

3.4 No Proceeding. There is no Action pending or, to the Knowledge of Seller, threatened against the Seller, at law or in equity, that (i) involves, or could adversely affect, the Sale Shares or his rights thereto or (ii) may have the effect of preventing, delaying, or making illegal the consummation of the Transaction.

3.5 The Sale Shares. It is the record and beneficial owner of, owns, and has good and marketable title to and the legal right and power to sell and deliver, the Sale Shares, free and clear of any Encumbrances. The Sale Shares owned by it are not subject to any put option, tag-along or co-sale right or any similar option or right. Such Sale Shares have been duly authorized, are validly issued, fully paid and non-assessable. It is not a party to any shareholder agreement, voting agreement, subscription agreement, or repurchase or redemption agreement with respect to the Sale Shares owned by it, or any other contract pertaining to the payment of dividends, preemptive rights, capital contributions, director nomination, drag-along, anti-dilution, registration rights, rights of first refusal or other transfer restrictions, or any other rights or obligations with respect to the Sale Shares owned by it.

3.6 Government Approval. No Governmental Approval is required to be obtained by it under the relevant Law in connection with the execution, delivery and performance of this Agreement at or prior to the Closing Date.

3.7 Third Party Consent. The execution, delivery and performance by it of this Agreement and the consummation of the Transaction do not and will not require any consent, approval or action by or notification to any Person.

ARTICLE 4
SELLER REPRESENTATIONS AND WARRANTIES RELATING TO THE COMPANY

The Seller hereby represents and warrants to the Purchaser that the statements contained in Schedule 4 are true and accurate as of the date hereof and as of the Closing Date (or, if made as of a date specified below, as of such date) with respect to the Relevant Companies, except as Disclosed.

ARTICLE 5
REPRESENTATIONS AND WARRANTIES OF THE PURCHASER

The Purchaser hereby represents and warrants to the Seller the statements contained in this Article 5 are true and accurate as of the date hereof and as of the Closing Date (or, if made as of a date specified below, as of such date).

5.1 Organization and Existence. It is duly organized, validly existing under the Laws of Korea and has all requisite power and authority required to perform each of its obligations under any agreement contemplated hereunder to which it is a party.

5.2 Due Authorization. It has full authority and capacity to execute and deliver this Agreement and to perform its obligations hereunder and all actions required to authorize the execution and performance of all its obligations under this Agreement and any other agreements and documents to which it is a party and the execution of which is contemplated hereunder have been duly taken. This Agreement has been duly executed and delivered by it, and this Agreement constitutes its legal, valid and binding obligation enforceable against it in accordance with its terms.

5.3 Absence of Conflicts. The execution, delivery and performance by it of this Agreement will not: (i) violate any applicable Law or Government Approval applicable to it, or (ii) violate or conflict with, or constitute (with due notice or lapse of time or both) a default under, any agreement or instrument to which it is a party or by which it is bound, or (iii) violate any term of its Organizational Documents.

5.4 No Proceeding. There is no Action pending or threatened against it, at law or in equity, that challenges, or may have the effect of preventing, delaying, making illegal or otherwise interfering with, the consummation of the Transaction.

5.5 Government Approval. Other than those Governmental Approvals listed in Schedule 5.5, no Governmental Approval is required to be obtained by it under the relevant Law in connection with the execution, delivery and performance of this Agreement at or prior to the Closing Date.

5.6 Third Party Consent. The execution, delivery and performance by it of this Agreement and the consummation of the Transaction do not and will not require any consent, approval or action by or notification to any Person.

5.7 Sufficient Funding. On or prior to the Closing Date, the Purchaser will have sufficient cash, available lines of credit or other sources of immediately available funds to satisfy its obligations under this Agreement at Closing, including the payment of the Purchase Price on the Closing Date.

ARTICLE 6
COVENANTS

6.1 General. During the period between the date hereof and the Closing Date, each Party will use its best efforts to take all actions and do all things necessary, proper or advisable to consummate, make effective, and comply with all of the terms of this Agreement and the Transaction applicable to such Party (including satisfaction, but not waiver, of the Closing conditions for which it is responsible or otherwise in control, as set forth in Article 7). Each Party shall cooperate with each other and use best efforts to satisfy each of the conditions precedent for which it is responsible.

6.2 Notices and Filings. Each Party will give any notices to, make any filings with, and use its best efforts to obtain, as soon as practicable any Governmental Approvals, if any, required of such Party for or in connection with the Transaction. Until the Closing, the Seller shall cause the Company to provide the Purchaser with all information and material relating to a business combination report in respect of the Transaction with the Korea Fair Trade Commission or any other filings required to be made with any other Governmental Authority without delay.

6.3 Conduct of Business Prior to Closing. During the period commencing on the date hereof and ending on the Closing Date, except with the prior written consent of the Purchaser, the Seller shall cause each Relevant Company to conduct its business in the Ordinary Course of Business except (i) in compliance with any change in applicable Law or (ii) as contemplated under this Agreement. Without limiting the generality of the foregoing, except as the Purchaser consents in writing in advance, which consent shall not be unreasonably withheld or delayed, the Seller shall cause each Relevant Company not to:

(a) issue, sell, pledge, transfer, grant, otherwise dispose of or encumber any shares of capital stock or other equity interests of any Relevant Company, convertible bonds, bonds with warrants or any other securities convertible into or exercisable for any shares of capital stock of any Relevant Company or equity interests, any rights, warrants, options, calls or commitments to acquire or related to any shares of capital stock or other equity interests with respect to the Company, any awards under any bonus, incentive or other compensation plan or arrangement which would result in the right to receive shares or other equity interests of any Relevant Company (including the grant of stock options) or modify or amend any right of any holder of outstanding shares of capital stock of, or any options with respect to any Relevant Company;

(b) enter into, assign, transfer, extend, modify or terminate any Material Contracts;

(c) amend any of the Organizational Documents of any Relevant Company or take any action with respect to any such amendment or any recapitalization, restructuring reorganization, liquidation or dissolution of any Relevant Company;

(d) declare, set aside, make or pay any dividend or other distribution, payable in cash, stock or property, with respect to any capital stock or other equity or ownership interest in any Relevant Company;

(e) take any action that would require resolutions of the shareholders meeting of any Relevant Company, except for those resolutions that may be required to effectuate and carryout the terms and conditions of this Agreement;

(f) borrow from financial institutions, issue any debt securities or otherwise incur any indebtedness or guarantee any indebtedness; assume, guarantee or endorse any obligations of any other Person (“***Indebtedness***”) which would result in the increase of the outstanding amount of Indebtedness of any Relevant Company as of the date of this Agreement by more than KRW 50,000,000, in the aggregate;

(g) sell, transfer, lease, license or otherwise dispose of assets, properties or businesses of any Relevant Company other than inventory in any single transaction in excess of KRW 50,000,000 or series of related transactions in excess of KRW 200,000,000 in the aggregate; incur, create or assume any Encumbrance on any of the assets or properties of any Relevant Company;

(h) make any change in the accounting methods, policies, practices and procedures of any Relevant Company; change the normal level of inventories or supplies, or alter its practice or policy in collection of accounts receivable or payment of accounts payable, other than in the Ordinary Course of Business;

(i) split, combine, subdivide, reclassify or redeem, or purchase or otherwise acquire, any outstanding securities of any Relevant Company, or undertake a capital reduction of any Relevant Company;

(j) take any action to accelerate the payment, funding or vesting of any pension, retirement, savings, profit sharing, deferred compensation, severance, consulting, bonus, group insurance or other compensation or benefits payable thereunder, other than in the Ordinary Course of Business;

(k) assume or enter into or renegotiate or renew any collective bargaining agreement, contract or other agreement or understanding with a labor union or labor organization of any Relevant Company;

(l) make any loans or capital contributions to, or investments in, any other Person;

(m) settle any pending or threatened claims, actions, arbitrations, disputes or other proceedings;

(n) make any capital expenditure in excess of KRW 100,000,000 individually or in the aggregate;

(o) acquire (by merger, consolidation or acquisition of shares or assets) any corporation, partnership or other business organization or division or business unit or material asset thereof or any equity interest therein;

(p) terminate or permit to lapse any of the Governmental Approvals or any third party consents, exemptions or waivers used in or necessary for legal existence or compliance with Laws applicable to, or the conduct of the business of each Relevant Company;

(q) enter into any new transaction with its Affiliate, officer or director of any Relevant Company;

(r) other than pursuant to employment agreements and/or the rules of employment of any Relevant Company existing as of the date of this Agreement, (A) make any material change in the terms and conditions of employment of any Employee or (B) hire, employ or lay off Employees which may incur any liabilities; grant any increase in the compensation of their Employees other than pursuant to employment agreements and/or the rules of employment of any Relevant Company existing as of the date of this Agreement; pay or provide compensation or benefit to its Employees other than pursuant to employment agreements and/or the rules of employment of any Relevant Company existing as of the date of this Agreement;

(s) have any Tax election made or materially changed; have any claim, notice, audit report or assessment in respect of Taxes settled or compromised (or agreement with respect thereto); execute or agree upon any Tax allocation agreement, Tax sharing agreement, advance pricing agreement, cost sharing agreement, pre-filing agreement, Tax indemnity agreement or closing agreement relating to any Tax entered into; have any annual Tax accounting period or method of Tax accounting changed or adopted; file any Tax petition, Tax complaint or administrative Tax appeal filed; have any right to claim a Tax refund surrendered or foregone; or have any extension or waiver of the statute of limitations period applicable to any Tax claim or assessment consented to; or

(t) authorize, approve or enter into any agreement, arrangement or commitment with respect to any of the foregoing.

6.4 Preservation of Business. During the period commencing on the date hereof and ending on the Closing Date, except with the prior written consent of the Purchaser, the Seller shall cause each Relevant Company to keep its business and properties substantially intact in all material respects, including its present operations, physical facilities, working conditions, and relationships with lessors, licensors, suppliers, customers, and Employees.

6.5 Notice of Development. During the period commencing on the date hereof and ending on the Closing Date, the Seller will give prompt written notice to the Purchaser of any material adverse development causing a breach of any of the representations and warranties in Articles 3 and 4. No disclosure by the Seller pursuant to this Article 6.5, however, shall be deemed to amend or supplement the Disclosure Schedule or to prevent or cure any misrepresentation, breach of warranty, or breach of covenant.

6.6 Exclusivity. The Seller shall not, and shall cause its Affiliates and its Affiliates' Representatives not to, directly or indirectly, solicit any inquires or proposals, or enter into any discussions, negotiations, understandings, arrangements or agreements, relating to the direct or indirect disposition, whether by sale, merger or otherwise, of all or any portion of the Sale Shares or the Business or Assets of any Relevant Company to any Person or (ii) disclose, directly or indirectly, to any Person any confidential information concerning any Relevant Company or its Business or Assets except as necessary to consummate the Transaction. If the Seller or any of its advisors receives or becomes aware of an offer for such a transaction, the Seller shall provide the Purchaser with notice thereof no later than three Business Days after the receipt thereof, which notice shall include the identity of the prospective buyer or soliciting party and the terms of such offer.

6.7 Third Party Consents and Notices. Prior to the Closing, the Seller shall, and shall cause the Company to, take necessary actions to obtain written consents from or provide notice to, as applicable, each of the counterparties to the contracts listed on Schedule 6.7.

6.8 Restrictive Covenant.

(a) In order to ensure that the Purchaser will realize the benefits of the Transaction, the Seller hereby agrees that such Seller shall not, and shall cause its Affiliates not to (other than in case of Route Jade Co., Ltd. and Elcom in their respective Ordinary Course of Business as of the Closing Date), irrespective of any territory, and during five years after the Closing: (i) directly or indirectly, alone or as a partner, joint venture, officer, director, member, employee, consultant, agent, independent contractor or shareholder of, or landlord or lender to, any company or business, engage in any business that is the same, similar or competes with the relevant Business, and any other activity related to such Business (the "***Competing Activities***"), whether or not for compensation; (ii) induce or attempt to induce any suppliers of any Relevant Company to cease to supply or to restrict or vary supply terms to such company, (iii) solicit or induce any current customer of any Relevant Company to cease to procure products and services from, to restrict or vary terms of products and services procured from such Relevant Company, and/or (iv) solicit, entice or induce any employee of any Relevant Company to terminate his/her employment with such Relevant Company.

(b) The Parties agree and acknowledge that the breach of Article 6.8 may cause irreparable damage to any Relevant Company and/or the Purchaser and upon breach of any provision of Article 6.8, the Company shall be entitled to injunctive relief, specific performance, or other equitable relief without the requirement to post a bond or other security; provided, however, that the foregoing remedies shall in no way limit any other remedies which such Relevant Company and the Purchaser may have (including the right to monetary damages).

6.9 Resignation. On or prior to the Closing Date, the Seller shall procure that each of the Resigning Officers and Directors voluntarily resign from the Company as an officer or director (such resignation to be effective on the Closing Date), provide a waiver and release of all claims against the Company, and execute and deliver a resignation, waiver and release letter substantially in the form of Exhibit A.

6.10 Shareholders' Meeting. The Seller shall procure the Company to convene a shareholders' meeting as soon as possible for the appointment of the persons designated by the Purchaser as directors and the statutory auditor of the Company as of the Closing Date and the approval of the amendment of the articles of incorporation of the Company in the form attached as Exhibit B.

6.11 Release. The Purchaser shall use its reasonable efforts to ensure any guarantees provided by the Seller in respect of any Indebtedness incurred by the Company is released as promptly as possible after the Closing.

6.12 Company Subsidiary Dissolution. Each Party shall use its best efforts to cause the Company to initiate the dissolution and liquidation of the Company Subsidiary as expeditiously as possible.

ARTICLE 7
CONDITIONS PRECEDENT

7.1 Conditions Precedent to the Obligations of the Parties. The obligations of each of the Parties to consummate the Transaction shall be subject to the satisfaction or waiver of all of the following conditions; provided, however, that the foregoing shall be applicable only to a Party to whom the failure of any of the following conditions is not attributable:

(a) The consummation of the Transaction shall not have been restrained, enjoined or otherwise prohibited or made illegal by any applicable Law;

(b) No order, injunction, judgment or decree issued by any Governmental Authority or other legal restraint or prohibition preventing the consummation of Transaction shall be in effect; and

(c) No proceeding initiated by any Governmental Authority shall be pending or threatened that seek to restrain, enjoin or otherwise prevent the consummation of the Transaction.

7 . 2 Conditions Precedent to the Obligations of the Seller. The obligations of the Seller to consummate the Transaction shall be subject to the satisfaction or waiver by the Seller of all of the following conditions:

(a) The representations and warranties of the Purchaser set out in Article 5 shall be true and accurate as of the Closing Date;

(b) The Purchaser shall have in all material respects (except those agreements, covenants and conditions qualified by "materiality," "Material Adverse Change/Effect" or words of similar meaning, which must be true and correct in all respects) performed and complied with all agreements, covenants and conditions required by this Agreement to be performed or complied with by the Purchaser at or prior to the Closing; and

7 . 3 Conditions Precedent to the Obligation of the Purchaser. The obligation of the Purchaser to consummate the Transaction shall be subject to the satisfaction or waiver by the Purchaser of all of the following conditions:

(a) The Seller shall have in all material respects (except those agreements, covenants and conditions qualified by "materiality," "Material Adverse Change/Effect" or words of similar meaning, which must be true and correct in all such respects) performed and complied with all agreements, obligations, covenants and conditions required by this Agreement to be performed or complied with by the Seller at or prior to the Closing;

(b) The representations and warranties of the Seller set out in Article 3 shall be true and accurate and the representations and warranties set out in Article 4 shall be true and accurate in all material respects (except those representations and warranties qualified by "materiality," "Material Adverse Change/Effect" or words of similar meaning, which must be true and correct in all such respects) as of the Closing Date;

(c) Since the date hereof, there shall not have occurred any Material Adverse Change;

(d) Chairman Hong shall have delivered a resignation, waiver and release letter signed by each of the Resigning Officers and Directors in the form attached hereto as Exhibit A together with any other documents necessary to complete registration of their resignation;

(e) The Purchaser, the Seller and the Escrow Agent shall have entered into the Escrow Agreement in accordance with Article 2.3;

(f) The Seller shall have delivered to the Purchaser a document evidencing convening of a shareholders' meeting of the Company for the appointment of the persons designated by the Purchaser as directors and the statutory auditor of the Company as of the Closing Date and approval of the amendment to the articles of incorporation of the Company in the form attached hereto as Exhibit B.

7.4 Waiver.

(a) The Seller may at any time waive in whole or in part and conditionally or unconditionally the conditions set out in Article 7.2 by notice in writing to the Purchaser.

(b) The Purchaser may at any time waive in whole or in part and conditionally or unconditionally the conditions set out in Article 7.3 by notice in writing to the Seller.

ARTICLE 8
INDEMNIFICATION

8.1 Seller's Indemnification.

(a) General Indemnity. Subject to Article 8 and the other terms and conditions of this Agreement, the Seller shall indemnify and hold harmless the Purchaser and its respective Affiliates (the "***Purchaser Indemnified Parties***") from and against any and all losses, damages, liabilities, costs (including legal costs and experts' and consultants' fees), charges, expenses, actions, proceedings, loss of opportunities, claims, demands, fines, interest and penalties (collectively, the "***Losses***") that are sustained or incurred by any of the Purchaser Indemnified Parties by reason of, resulting from or arising out of any breach or inaccuracy in any representation or warranty made by such Seller contained in this Agreement, or any breach, violation or non-fulfillment of any covenant, obligation or agreement contained in this Agreement. Regardless of whether the Purchaser or any of its Affiliates or any of their respective Representatives had or should have had knowledge or notice of any facts or circumstances which would result in the breach of, or inaccuracy in, any representation or warranty or the failure of any condition to be satisfied or the breach of any covenant, agreement or obligation hereunder, for purposes of this Agreement, the Purchaser shall not be deemed to have waived such breach or inaccuracy or condition. Actual or constructive knowledge, due diligence investigations, access to information, sophistication, experience, notices and any other actual or deemed sources of information outside the express provisions of this Agreement shall in no way limit the scope of any representation, warranty or condition or heighten any materiality or Material Adverse Effect threshold herein or otherwise expand any qualification or other provision herein beyond what is expressly provided herein.

(b) Special Indemnities. Without limiting the generality of Article 8.1(a) and notwithstanding the following matters set forth in this Article 8.1(b) being Disclosed, Chairman Hong shall indemnify and hold harmless the Purchaser Indemnified Parties from and against any and all Losses arising, directly or indirectly, from or in connection with the matters set forth in this Article 8.1(b).

(i) Statutory Working Hours and Weekly Holiday Pay. Chairman Hong shall indemnify and hold harmless the Purchaser Indemnified Parties from and against any and all Losses arising, directly or indirectly, from or in connection with (i) unpaid or underpaid work allowances under applicable Law payable to an Employee and/or a former employee of the Company; (ii) other payments due by Company to an Employee and/or former employee of the Company under applicable Law and/or by contract; and (iii) violation of any applicable Law relating to the employment of its current and former Employees.

(ii) Illegal Dispatch. Chairman Hong shall indemnify and hold harmless the Purchaser Indemnified Parties from and against any and all Losses arising, directly or indirectly, from or in connection with any illegal dispatch of subcontract workers currently and/or formerly engaged by or related to the Company.

(iii) Use of Head Office. Chairman Hong shall indemnify and hold harmless the Purchaser Indemnified Parties from and against any and all Losses arising, directly or indirectly, from or in connection with the Company's failure to obtain, or violation of, the relevant Governmental Approval for the use of its head office building located at 30-78 1220 Beongil Gyeongsu-Daero, Jangan-gu, Suwon-si, Gyeonggi-do, Korea.

(iv) Lease and Use of Warehouse in Agro-Industrial Complex. Chairman Hong shall indemnify and hold harmless the Purchaser Indemnified Parties from and against any and all Losses arising, directly or indirectly, from or in connection with the Company's occupancy of its industrial sites without executing an occupancy contract in compliance with the Industrial Cluster Act.

(v) Affiliated Transactions. Chairman Hong shall indemnify and hold harmless the Purchaser Indemnified Parties from and against any and all Losses arising, directly or indirectly, from or in connection with (A) the Company's failure to comply with the relevant Laws with respect to the entry into any and all transactions with any of its Affiliates or (B) the agreements entered into with such Affiliates not complying with the relevant Laws.

(vi) Firebreak at S&C Electric's Plant. Chairman Hong shall indemnify and hold harmless the Purchaser Indemnified Parties from and against any and all Losses arising, directly or indirectly, from or in connection with any Action relating to a firebreak at S&C Electric's plant located at 3251 W.Franklin Drive, Franklin WI 53132, U.S.A on August 10, 2016 to which the Company is, or becomes, a party.

(vii) Tax. Chairman Hong shall indemnify and hold harmless the Purchaser Indemnified Parties from and against any and all Losses arising, directly or indirectly, from or in connection with any violation of the representation and warranty under Sections 4.13(g), (h) or (i) (Taxes) of Schedule 4.

(c) Limitation on the Seller's Liability:

(i) Notwithstanding any provision to the contrary in this Agreement, the aggregate liability of the Seller under this Agreement arising as a result of a breach of the representations and warranties contained in Articles 3.1 (Citizenship/Residence), 3.3 (Authorization), 3.6 (The Sale Shares) and Section 4.1 (Organization and Existence) of Schedule 4 shall be unlimited.

(ii) Subject to Paragraph (i) above, the Seller shall not have any liability for any Loss relating to any individual claim or series of related claims based on a similar set of operative facts unless Loss relating to such claim or series of related claims suffered by the Purchaser is greater than KRW 100,000,000 and the Seller shall not have any liability for the Losses unless and until the aggregate of all Losses for which the Seller shall be liable exceeds on a cumulative basis KRW 1,000,000,000 at which point the Seller shall be responsible for the full amount of such Losses.

(iii) Subject to Paragraph (i) above, in no event shall the aggregate liability of Chairman Hong under this Agreement arising as a result of a breach of a representation and warranty, whether pursuant to this Article 8.1 or otherwise exceed (i) the Escrow Amount for any and all Losses arising, directly or indirectly, from or in connection with Article 8.1(a), and (ii) KRW 16,600,000,000 for any and all Losses arising, directly or indirectly, from or in connection with the matters set forth in this Article 8.1(b) subject to Article 8.1(c)(iv).

(iv) For the avoidance of doubt, limitations on the Seller's liability under Article 8.1(c)(ii) shall not apply to any liability arising pursuant to Article 8.1(b), provided that the Seller shall not have any liability for any Loss under Article 8.1(b)(vi) unless and until the aggregate of all Losses for which the Seller shall be liable exceeds on a cumulative basis USD 1 million at which point the Seller shall be responsible for the full amount of such Losses up to USD 5 million.

(v) The amount of any Loss for which indemnification is provided under this Article 8 shall be determined net of any amounts actually recovered by the Purchaser Indemnified Party under or pursuant to any insurance policy to which or under which such Purchaser Indemnified Party is a party or has rights (it being agreed that if any insurance, indemnification, reimbursement or similar proceeds are recovered by the Purchaser Indemnified Party for any Loss after the Seller has made an indemnification payment in connection with such Loss, an amount equal to the lesser of such indemnification payment made by the Seller and such proceeds received by the Purchaser Indemnified Party shall as promptly as practicable be remitted to the Seller).

(vi) Notwithstanding anything to the contrary contained herein, the Parties shall not, in any event, be liable (whether based on breach of contract, tort or otherwise) for (i) any consequential, punitive, incidental or indirect damages or (ii) Losses that arise out of changes in any applicable Law or its interpretation after the date hereof.

8.2 Purchaser's Indemnification. Subject to the other terms and conditions of this Agreement, the Purchaser shall indemnify and hold harmless the Seller (the "***Seller Indemnified Party***") from and against any Losses that are sustained or incurred by any of the Seller by reason of, resulting from or arising out of any material breach or inaccuracy in any representation or warranty made by the Purchaser contained in this Agreement, or any material breach, violation or non-fulfillment of any covenant, obligation or agreement contained in this Agreement.

8.3 Survival Period.

(a) Except as provided for in Article 8.3(c), all of the representations and warranties contained herein shall survive the Closing hereunder and continue in full force and effect for a period of two years thereafter; provided, however, that (i) the representations and warranties contained in Sections 4.13 (Taxes) of Schedule 4 shall survive until the expiration of the applicable statute of limitations, and (ii) the representations and warranties contained in Section 4.17 (Environmental Matters) of Schedule 4, shall survive for a period of three years thereafter; it being understood that, if notice of any claim for indemnification has been given (within the meaning of Article 10.9) within the applicable survival period, the representations and warranties or the indemnification obligations that are the subject of such indemnification claim shall survive with respect to such claim until such time as such claim becomes the subject of a Final Determination.

(b) The special indemnification obligations of the Seller set out in Article 8.1(b)(i) (Statutory Working Hours and Weekly Holiday Pay), 8.1(b)(ii) (Illegal Dispatch), 8.1(b)(v) (Affiliated Transactions) and 8.1(b)(vi) (Firebreak at S&C Electric's Plant) shall survive the Closing hereunder and continue in full force and effect for a period of two years thereafter, and the special indemnification obligations of the Seller set out in Article 8.1(b)(iii) (Use of Head Office) special indemnification obligations of the Seller set out in Article 8.1(b)(iv) (Lease and Use of Warehouse in Agro-Industrial Complex) shall survive the Closing hereunder and continue in full force and effect for a period of three years thereafter, and special indemnification obligations of the Seller set out in Article 8.1(b)(vii) (Tax) shall survive until the expiration of the applicable statute of limitations.

(c) Representations and warranties set out in Articles 3.1 (Citizenship and Residence), 3.3 (Authorization), 3.6 (The Sale Shares) and Section 4.1 (Organization and Existence) of Schedule 4) shall survive indefinitely.

8.4 Procedure for Indemnification

(a) Notices of claims under this Agreement by any Indemnified Party shall be given to the Purchaser or the Seller, as the case may be (the "***Indemnifying Party***") within the relevant period specified in Article 8.3, but in any event no later than 60 calendar days after such Indemnified Party's first becoming aware of such claim. In case of claims for inaccuracy in or breach of representations and warranties, such notice shall be made within the relevant survival period pursuant to Article 8.3. Such notice of claim shall specify in reasonable detail the factual basis of the claim and a non-binding estimate of the amount of Losses which are, or are to be, the subject of the claim (including any Losses which are contingent on the occurrence of any future event). If any Party fails to give notice required pursuant to this Article 8.4(a) within the relevant period specified in Article 8.3, such Party shall not be entitled to make the relevant claim under this Agreement. Upon receipt of such notice, in the event that the Indemnifying Party does not agree with the contents of such notice of claim, it must notify the Indemnified Party of such disagreement within 14 Business Days of receiving the notice of claim, and the Parties agree to resolve such dispute through Article 10.3.

(b) If any claim is instituted by a third party against any Indemnified Party, the Indemnifying Party shall have the right, at its expense, to participate in or assume control of the negotiation, settlement or defense of such claim by advising the Indemnified Party of its election within 15 days of the date it receives notice of the claim. Even if the Indemnifying Party elects to participate in or assume control of such negotiation, settlement or defense, the Indemnified Party shall have the right to participate in the negotiation, settlement or defense of such third party claim and to retain counsel to act on its behalf; provided, however, that the fees and disbursements of such counsel shall be paid by the Indemnified Party. The Indemnified Party shall cooperate at the Indemnifying Party's expense with the Indemnifying Party so as to permit the Indemnifying Party to conduct such negotiation, settlement and defense and for this purpose shall preserve all relevant documents in relation to the third party claim, allow the Indemnifying Party access on reasonable notice to inspect and take copies of all such documents and require its personnel to provide such statements as the Indemnifying Party may reasonably require and to attend and give evidence at any trial or hearing in respect of the third party claim. If, having elected to assume control of the negotiation, settlement or defense of the third party claim, the Indemnifying Party thereafter fails to conduct such negotiation, settlement or defense with reasonable diligence, then the Indemnified Party shall be entitled to assume such control at its own cost and the Indemnifying Party shall be bound by the results obtained by the Indemnified Party with respect to such third part claim, provided, however, that in no event shall the Indemnified Party settle the proceeding without the prior written consent of the Indemnifying Party, which shall not be unreasonably withheld, delayed or conditioned.

8 . 5 Adjustment of Purchase Price. Any payment to the Indemnified Parties under this Article 8 will be, to the extent permitted by applicable Laws, an adjustment to the Purchase Price.

8 . 6 Governmental Approvals. In the event that any Governmental Approvals are necessary in connection with any payment to be made by the Seller pursuant to the Seller's indemnification obligations set forth under this Article 8, the Seller hereby agrees to execute and deliver all such documents, and do all such things, as may be required, for purposes of obtaining any such Governmental Approval.

ARTICLE 9
TERMINATION

9.1 Termination. This Agreement may be terminated by written notice to the other Party at any time prior to the Closing Date:

(a) by the written agreement of the Purchaser and the Seller;

(b) by either Party, if the other Party shall have breached, in any material respect, any of its representations, warranties, covenants or other obligations under this Agreement and such breach shall be incapable of cure or has not been cured within 15 Business Days following the giving of written notice of such breach to the other Party;

(c) by the Purchaser, if any of the conditions in Article 7.1 or 7.3 shall not have been, or is or becomes incapable of being satisfied, unless such failure shall be due to the failure of the Purchaser to perform or comply with any of the covenants, agreements or conditions hereof to be performed or complied with by it prior to the Closing, and the Purchaser has not waived such condition, and the non-satisfaction is not due to a failure by the Purchaser to fulfill its obligations under this Agreement;

(d) by the Seller, if any of the conditions in Article 7.1 or 7.2 shall not have been, or is or becomes incapable of being satisfied, unless such failure shall be due to the failure of the Seller to perform or comply with any of the covenants, agreements or conditions hereof to be performed or complied with by it prior to the Closing, and the Seller have not waived such condition, and the non-satisfaction is not due to a failure by the Seller to fulfill its obligations under this Agreement;

(e) by either Party, if a Law has been promulgated or enacted that makes illegal the performance of this Agreement as at the Closing, or an Order that enjoins or restrains the performance of this Agreement as at the Closing has become final and non-appealable;

(f) by the Purchaser, if a Material Adverse Effect (or Change) has occurred after the date hereof and before the Closing;

(g) by the Purchaser, if (i) an Order has been made, petition filed or resolution passed for the winding up, dissolution or liquidation of the Company or for the appointment of a liquidator, custodian or trustee for all or substantially all of the property or assets of the Company or for an administration order in respect of the Company, (ii) the Company has commenced any other proceeding for itself under any bankruptcy, reorganization, arrangement, adjustment of debt, release of debtors, dissolution, insolvency, liquidation or similar law of any jurisdiction, and there has not been commenced against the Company any such proceeding, or (iii) any public auction, foreclosure, attachment, execution or other process has been levied on any assets of the Company;

(h) by the Seller, if (i) an Order has been made, petition filed or resolution passed for the winding up, dissolution or liquidation of the Purchaser or for the appointment of a liquidator, custodian or trustee for all or substantially all of the property or assets of the Purchaser or for an administration order in respect of the Purchaser, (ii) the Purchaser has commenced any other proceeding for itself under any bankruptcy, reorganization, arrangement, adjustment of debt, release of debtors, dissolution, insolvency, liquidation or similar law, as applicable, of any jurisdiction, and there has not been commenced against the Purchaser any such proceeding, or (iii) any public auction, foreclosure, attachment, execution or other process has been levied on any assets of the Purchaser; or

9.2 Effect of Termination. If this Agreement is terminated pursuant to Article 9.1, this Agreement shall become void and of no effect without liability of any Party (or its Affiliates or any of its Representatives) to the other Party; provided, however, that nothing herein shall relieve any Party from liability for any breach hereof prior to such termination; provided, further, that the provisions of Articles 1, 8, 9 and 10 shall survive any termination of this Agreement.

ARTICLE 10
MISCELLANEOUS

10.1 Taxes and Expenses. Except as otherwise expressly provided in this Agreement, each Party shall be responsible for and bear its own taxes, fees, costs and expenses imposed, levied, assessed or incurred on or by the Party for or in connection with the negotiation, preparation, execution and performance of this Agreement and the Transaction, including, without limitation, fees and disbursements of legal counsel.

10.2 Confidentiality and Public Announcements. Each Party shall maintain in confidence, and shall cause its Representatives to maintain in confidence, any written, oral, or other information obtained in confidence from the other Party or the Company in connection with this Agreement or the Transaction, unless (i) such information is already known to such Party or to others not bound by a duty of confidentiality or such information becomes publicly available through no fault of such Party, (ii) the use of such information is necessary or appropriate in making any filing or obtaining any Governmental Approvals required for the consummation of the Transaction, or (iii) the furnishing or use of such information is required by applicable Laws. The foregoing confidentiality obligations shall not apply to the Purchaser with respect to confidential information concerning the Company from and after the Closing. Further, the Parties shall not make or issue any press release or public disclosure without the prior consent of the other Parties in relation to the execution, content, and termination of this Agreement; provided, however, that the Purchaser, alone or jointly with its Affiliate(s) and/or the Company, may, without the prior consent of the Seller, make or issue a press release(s) and/or a public announcement or disclosure(s) as may be required under applicable Laws or other relevant requirements of a securities exchange after it has notified the Seller of such fact.

10.3 Governing Law; Dispute Resolution.

(a) This Agreement and all disputes arising out of or in connection with this Agreement shall be governed by, interpreted under, and construed and enforceable in accordance with, the Laws of Korea.

(b) Any dispute arising out of or in connection with this Agreement, including any question regarding its existence, validity or termination, shall be referred to and finally resolved by arbitration under the Rules of the International Chamber of Commerce, which Rules are deemed to be incorporated by reference into this clause. The number of arbitrators shall be three. The seat, or legal place, of arbitration shall be Hong Kong. The language to be used in the arbitral proceedings shall be English. Any arbitration award shall be final and binding upon the Parties.

10.4 Assignment. This Agreement and each and every covenant, term and condition hereof shall be binding upon and inure to the benefit of the Parties and their respective successors and assigns. Neither Party may assign any of its rights or delegate any of its obligations under this Agreement without obtaining the prior written consent of the other Party; provided, however, that the Purchaser may assign all of its rights or delegate all of its obligation under this Agreement to its Affiliate by providing a written notice in advance to the Seller.

10.5 Entire Agreement. This Agreement and the Escrow Agreement constitute the entire agreement between the Purchaser on one hand and the Seller on the other hand in respect of the subject matter hereof and supersedes any prior expressions of intent or understandings with respect thereto; provided, however, that nothing in this Agreement, the Escrow Agreement or related agreements shall be deemed to terminate or supersede the provisions of any confidentiality and nondisclosure agreements executed by the Parties hereto prior to the date hereof, which agreements shall continue in full force and effect until terminated in accordance with their respective terms.

10.6 Amendments and Waivers; Remedies Cumulative. This Agreement may be amended or modified only by an instrument in writing duly executed by the Parties. Any amendment or waiver effected in accordance with this Article 10.6 shall be binding upon the Parties hereto their respective assigns, successors, heirs, executors and administrators. The failure or delay of either Party to require performance by the other Party of any provision of this Agreement shall not affect its right to require performance of such provision nor shall any single or partial exercise of the same preclude any further exercise thereof or the exercise of any other right, power or remedy.

10.7 Set off. The Purchaser shall utilize or exhaust in full the Escrow Amount before proceeding against the Seller with respect to any Seller Indemnifiable Claims.

10.8 Severability. If any provision of this Agreement is found to be invalid or unenforceable, then such provision shall be construed, to the extent feasible, so as to render the provision enforceable and to provide for the consummation of the Transaction on substantially the same terms as originally set forth herein, and if no feasible interpretation would save such provision, it shall be severed from the remainder of this Agreement, which shall remain in full force and effect unless the severed provision is essential to the rights or benefits intended by the Parties. In such event, the Parties shall use best efforts to negotiate, in good faith, a substitute, valid and enforceable provision or agreement which most nearly affects the Parties' intent in entering into this Agreement.

10.9 Notices. Each notice, demand or other communication to be given or made under this Agreement shall be in writing and delivered by hand or internationally recognized overnight air courier or transmitted by facsimile to the relevant Party at its address or fax number set out in Schedule 1 (or such other address or fax number as the addressee has by seven days' prior written notice specified to the other Party). Any notice, demand or other communication so addressed to the relevant Party shall be deemed to have been duly given (a) if delivered by hand or internationally recognized overnight air courier, when actually delivered to the relevant address, and (b) if transmitted by fax, when dispatched with a simultaneous confirmation of transmission, provided that if such day is not a working day in the place to which it is sent, such notice, demand or other communication shall be deemed delivered on the next following working day at such place.

10.10 No Third Party Beneficiary. This Agreement is solely for the benefit of the Parties and permitted assigns, and this Agreement shall not otherwise be deemed to confer upon or give to any other third party, including any creditor, any remedy, claim, liability, reimbursement, cause of action or other right.

10.11 Language; Counterparts. This Agreement shall be executed in the English language. This Agreement may be executed in counterparts, each of which shall be deemed to constitute an original but all of which shall constitute one and the same instrument. Any facsimile copy of another Party's executed counterpart of this Agreement (or its signature page thereof) shall be deemed to be an executed original thereof.

10.12 Effectiveness**.** This Agreement shall take effect and become legally binding upon the execution of all of this Agreement, the Service Agreement, and all of the share purchase agreements with each of the Corporate Sellers.

[Signature page follows]

Signature Page to Share Purchase Agreement

IN WITNESS WHEREOF, each of the Parties has caused this Agreement to be executed as of the date first above written.

SELLER:
JI JUN HONG
(홍지준)

By: _________________________

Date of Birth: _____

Signature Page to Share Purchase Agreement

PURCHASER:
SolarEdge Technologies Korea Co., Ltd.

By: ________________________
Name:
Title:

Exhibit 31.1

I, Guy Sella, certify that:

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

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2018

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

Exhibit 31.2

I, Ronen Faier, certify that:

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

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2018

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

Exhibit 32.1

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

I, Guy Sella, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of SolarEdge Technologies, Inc. for the quarterly period ended September 30, 2018 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.

November 2, 2018

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

Exhibit 32.2

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

I, Ronen Faier, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of SolarEdge Technologies, Inc. for the quarterly period ended September 30, 2018 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.

November 2, 2018

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

Exhibit 99.1

SHARE PURCHASE AGREEMENT

This Share Purchase Agreement (the "Agreement") is made and entered into on October __________, 2018, by and between:

(1) _____, a company incorporated under the laws of the Republic of Korea ("Korea"), having its principal office at _____ (the "Seller"); and

(2) SolarEdge Technologies Korea Co., Ltd., a company incorporated under the laws of Korea, having its principal office at 3-307, 308, Office A, 17 Worldcupbuk-ro 54gil, Mapo-gu, Seoul, Korea (the "Purchaser").

The Seller and the Purchaser shall hereinafter be referred to individually as a "Party" and collectively as "Parties" as the context may require.

RECITALS

WHEREAS, the Seller owns _____ shares of common stock of Kokam Co., Ltd., a joint stock company (chusik hoesa in Korean) duly organized and existing under the Laws of Korea with its registered office at (the "Company"), representing _____ % of the total issued and outstanding capital stock of the Company (the "Sale Shares");

WHEREAS, the Purchaser is interested in purchasing approximately 74% of the total issued and outstanding shares in the Company contemporaneously with the Closing contemplated hereunder; and

WHEREAS, in accordance with the terms and conditions of this Agreement, the Seller desires to sell and transfer the Sale Shares owned by it to the Purchaser, and the Purchaser desires to purchase such Sale Shares from the Seller.

NOW, THEREFORE, in consideration of the premises and of the mutual representations, warranties and covenants herein contained, the Parties hereby agree as follows:

Article 1. Sale and Purchase of the Shares

1.1 Sale and Purchase of Shares. Subject to the terms and conditions of this Agreement, the Seller shall sell to the Purchaser and the Purchaser shall purchase from the Seller the Sale Shares, free and clear of any and all liens, charges, security interests, pledges, encumbrances, claims and demands whatsoever.

1.2 Purchase Price. The purchase price for the Sale Shares sold by the Seller and purchased by the Purchaser (the "Purchase Price") shall be KRW 1,471,571,172 (KRW 6,444 per share).

Article 2. Closing

2.1 Closing Date. Subject to the terms of this Agreement, the closing (the "Closing") of the share transfer transaction contemplated hereunder shall take place at the office of Shin & Kim, commencing at 10:00 a.m. Seoul time on the date on which the closing of the sale and purchase of 4,887,596 shares of the Company between the Purchaser and Ji Jun Hong occurs or such other date mutually agreed upon between the parties (such date is hereinafter referred to as the "Closing Date"), provided that the Closing shall only take place upon the contemporaneous closing of the sale and purchase of shares from other shareholders in the Company representing 11,309,718 shares of the Company.

2.2 Closing Transactions. At the Closing, (i) the Seller shall deliver the share certificates representing the Sale Shares, (ii) the Purchaser shall pay the Purchase Price to the Seller by wire transfer of immediately available funds to the bank account of the Seller set forth below:

Bank Name: _____
Bank Account Number: _____
Account Holder: _____

2.3 Further Assurance. The Seller shall undertake to do and effect all actions required for the purposes of completing the transactions contemplated by the SPA and in particular the vesting of the rights in connection with the Sale Shares to the Purchaser.

Article 3. Representations and Warranties

3.1 Representations and Warranties of Seller. The Seller represents and warrants to the Purchaser, as of the Closing Date, as follows:

(a) It is an entity duly organized and validly existing under the laws of Korea, is a tax resident of Korea and has full power and authority to execute and deliver this Agreement and to perform its obligations hereunder.

(b) The execution and delivery by it of this Agreement, and the performance by it of all of its obligations hereunder have been duly authorized by all necessary corporate action.

(c) This Agreement is, when executed by it will be, duly executed and delivered by it, and constitute, or will constitute, its legal, valid and binding obligation, enforceable against it in accordance with their respective terms.

(d) Neither the execution and delivery by it of this Agreement, nor the performance by it of its obligations hereunder, require the consent or approval of, or filing with, any Person or any Authority.

(e) It is the record and beneficial owner of, owns, and has good and marketable title to and the legal right and power to sell and deliver, the Sale Shares, free and clear of any Encumbrances. The Sale Shares owned by it are not subject to any put option, tag-along or co-sale right or any similar option or right. Such Sale Shares have been duly authorized, are validly issued, fully paid and non-assessable.

3.2 Representations and Warranties of Purchaser. The Purchaser represents and warrants to the Seller, as of the Closing Date, as follows:

(a) It is an entity duly organized and validly existing under the laws of Korea, and has full power and authority to execute and deliver this Agreement and to perform its obligations hereunder and thereunder.

(b) The execution and delivery by it of this Agreement, and the performance by it of all of its obligations hereunder have been duly authorized by all necessary corporate action.

(c) This Agreement is, when executed by it will be, duly executed and delivered by it, and constitute, or will constitute, its legal, valid and binding obligation, enforceable against it in accordance with their respective terms.

(d) Neither the execution and delivery by it of this Agreement, nor the performance by it of its obligations hereunder, require the consent or approval of, or filing with, any Person or any Authority.

Article 4. Governing Law and Jurisdiction

4.1 Governing Law. This Agreement and all disputes arising out of or in connection with this Agreement shall be governed by, interpreted under, and construed and enforceable in accordance with, the Laws of Korea.

4.2 Dispute Resolution. Any dispute arising out of or in connection with this Agreement, including any question regarding its existence, validity or termination, shall be referred to and finally resolved by arbitration under the Rules of the International Chamber of Commerce, which Rules are deemed to be incorporated by reference into this clause. The number of arbitrators shall be three. The seat, or legal place, of arbitration shall be Hong Kong. The language to be used in the arbitral proceedings shall be English. Any arbitration award shall be final and binding upon the Parties.

Article 5. Indemnification

5.1 Each Party (the "Indemnifying Party") shall indemnify and hold harmless the other Party (the "Indemnified Party") from and against any and all losses, damages, liabilities, costs (including legal costs and experts' and consultants' fees), charges, expenses, actions, proceedings, claims, demands, fines, interest and penalties that are sustained or incurred by the Indemnified Party by reason of, resulting from or arising out of any breach or inaccuracy in any representation or warranty or breach of any covenant of the Indemnifying Party contained in this Agreement.

Article 6. Miscellaneous

6.1 Effectiveness. This Agreement shall become effective as of the date the Purchaser executes the sale purchase agreements with the Seller and other shareholders in the Company representing the sale and purchase of 11,309,718 shares of the Company, including the sale and purchase of 4,887,596 shares of the Company from Ji Jun Hong.

6.2 Notices. All notices, consents, waivers, and other communications under this Agreement shall be (i) in writing, (ii) delivered by hand-delivery, registered first class mail (return receipt requested), facsimile, or air courier guaranteeing overnight delivery, (iii) deemed to have been given on the date on which it is received.

6.3 Assignment. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns, and no other Person shall have any right, benefit or obligation under this Agreement.

6.4 Amendments. This Agreement may be amended only by written agreement among the relevant parties.

6.5 Severability. If one of more provisions of this Agreement are held to be invalid or unenforceable to any extent under applicable law, such provision shall be interpreted as if it were written so as to be enforceable to the maximum extent permitted by applicable law, so as to effectuate the parties' intent to the maximum extent, and the remainder of this Agreement shall be interpreted as if such provision were excluded and shall be valid and enforceable in accordance with its terms to the maximum extent permitted by applicable law.

6.6 Costs, Expenses and Taxes. Each party shall bear its own costs, expenses and taxes incurred in connection with this Agreement, including, without limitation, the fees and expenses of their respective accountants and legal counsel, capital gains tax (in case of the Seller) and securities transaction tax (in case of the Seller), regardless of whether the transactions contemplated hereby shall be consummated.

6.7 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, and all of which together shall constitute one and the same document.

(Signature page to follow)

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their representatives as of the date first above written.

_____

____
Name:
Title:

SolarEdge Technologies Korea Co., Ltd.

____
Name: Guy Sella
Title: Representative Director