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

FORM 20-F

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

OR

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

For the fiscal year ended December 31, 2017

OR

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

OR

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

Commission file number 001-36625

CYBERARK SOFTWARE LTD.
(Exact name of Registrant as specified in its charter)

ISRAEL

(Jurisdiction of incorporation or organization)
9 Hapsagot St.
Park Ofer B, P.O. BOX 3143
Petach-Tikva 4951040, Israel
(Address of principal executive offices)

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General Counsel & Corporate Secretary
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CyberArk Software Ltd.
9 Hapsagot St.
Park Ofer B, P.O. BOX 3143
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(Name, telephone, e-mail and/or facsimile number and address of company contact person)

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

Title of each class	Name of each exchange on which registered
Ordinary shares, par value NIS 0.01 per share	**The NASDAQ Stock Market LLC**

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

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

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: **As of December 31, 2017, the registrant had outstanding 35,274,888 ordinary shares, par value NIS 0.01 per share.**

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

Yes ☒ No ☐

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

Yes ☐ No ☒

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

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☒ No ☐

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

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

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

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

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

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

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

☐ Item 17 ☐ Item 18

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

Yes ☐ No ☒

CYBERARK SOFTWARE LTD.

FORM 20-F
ANNUAL REPORT FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

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INTRODUCTION

In this annual report, the terms “CyberArk,” “we,” “us,” “our” and “the company” refer to CyberArk Software Ltd. and its subsidiaries.

This annual report includes statistical, market and industry data and forecasts, which we obtained from publicly available information and independent industry publications and reports that we believe to be reliable sources. These publicly available industry publications and reports generally state that they obtain their information from sources that they believe to be reliable, but they do not guarantee the accuracy or completeness of the information. Although we believe that these sources are reliable, we have not independently verified the information contained in such publications. Certain estimates and forecasts involve uncertainties and risks and are subject to change based on various factors, including those discussed under the headings “Special Note Regarding Forward-Looking Statements” and “Item 3.D Risk Factors” in this annual report.

Throughout this annual report, we refer to various trademarks, service marks and trade names that we use in our business. The “CyberArk” design logo is the property of CyberArk Software Ltd. CyberArk® is our registered trademark in the United States. We have several other trademarks, service marks and pending applications relating to our products. In particular, although we have omitted the “®” and “™” trademark designations in this annual report from each reference to our Privileged Account Security Solution, Enterprise Password Vault, Privileged Session Manager, Privileged Threat Analytics, Application Identity Manager, Conjur, Endpoint Privilege Manager, On-Demand Privileges Manager, secure Digital Vault, Web Management Interface, Master Policy Engine and Discovery Engine, and DNA, C^3 Alliance, all rights to such names and trademarks are nevertheless reserved. Other trademarks and service marks appearing in this annual report are the property of their respective holders.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

In addition to historical facts, this annual report contains forward-looking statements within the meaning of Section 27A of the U.S. Securities Act of 1933, as amended, or the Securities Act, Section 21E of the U.S. Securities Exchange Act of 1934, as amended, or the Exchange Act, and the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements are subject to risks and uncertainties, and include information about possible or assumed future results of our business, financial condition, results of operations, liquidity, plans and objectives. In some cases, you can identify forward-looking statements by terminology such as “believe,” “may,” “estimate,” “continue,” “anticipate,” “intend,” “should,” “plan,” “expect,” “predict,” “potential,” or the negative of these terms or other similar expressions. The statements we make regarding the following matters are forward-looking by their nature:

- our expectations regarding revenues generated by our hybrid sales model;
- our expectations regarding our operating and net profit margins;
- our expectations regarding significant drivers of our future growth;
- our plans to continue to invest in research and development to develop on-premise and cloud-based products and services for both existing and new products;
- our plans to invest in sales and marketing efforts and expand our channel partnerships across existing and new geographies;
- our plans to hire additional new employees;
- our plans to pursue additional strategic acquisitions;
- our plans to leverage our global footprint in existing and new industry verticals to further expand our market share;
- our plans to pursue incremental sales by further expanding our customer success team;
- our ability to successfully integrate the operations, products and personnel of Conjur, Inc. which we acquired in 2017; and
- our expectations regarding our tax classifications.

The preceding list is not intended to be an exhaustive list of all of our forward-looking statements. The forward-looking statements are based on our beliefs, assumptions and expectations of future performance, taking into account the information currently available to us. These statements are only predictions based upon our current expectations and projections about future events. There are important factors that could cause our actual results, levels of activity, performance or achievements to differ materially from the results, levels of activity, performance or achievements expressed or implied by the forward-looking statements. In particular, you should consider the risks provided under "Item 3.D Risk Factors" in this annual report.

You should not rely upon forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that future results, levels of activity, performance and events and circumstances reflected in the forward-looking statements will be achieved or will occur. Except as required by law, we undertake no obligation to update publicly any forward-looking statements for any reason after the date of this annual report, to conform these statements to actual results or to changes in our expectations.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. Selected Financial Data

The following tables set forth our selected consolidated financial data. You should read the following selected consolidated financial data in conjunction with "Item 5. Operating and Financial Review and Prospects" and our consolidated financial statements and related notes included elsewhere in this annual report. Historical results are not necessarily indicative of the results that may be expected in the future. Our financial statements have been prepared in accordance with U.S. Generally Accepted Accounting Principles, or U.S. GAAP.

The selected consolidated statements of operations data for each of the years in the three-year period ended December 31, 2017 and the consolidated balance sheet data as of December 31, 2016 and 2017 are derived from our audited consolidated financial statements appearing elsewhere in this annual report. The consolidated statements of operations data for the years ended December 31, 2013 and 2014 and the consolidated balance sheet data as of December 31, 2013, 2014 and 2015 are derived from our audited consolidated financial statements that are not included in this annual report.

	Year ended December 31,				
	2013	2014	2015	2016	2017
	(in thousands except share and per share data)				
Consolidated Statements of Operations:					
Revenues:					
License	$ 38,907	$ 61,320	$ 100,113	$ 131,530	$ 147,640
Maintenance and professional services	27,250	41,679	60,699	85,083	114,061
Total revenues	66,157	102,999	160,812	216,613	261,701
Cost of revenues:					
License	1,216	2,654	5,088	4,726	7,911
Maintenance and professional services	7,860	12,053	17,572	25,425	33,937
Total cost of revenues(1)	9,076	14,707	22,660	30,151	41,848
Gross profit	57,081	88,292	138,152	186,462	219,853
Operating expenses:					
Research and development(1)	10,404	14,400	21,734	34,614	42,389
Sales and marketing(1)	32,840	44,943	66,206	93,775	126,739
General and administrative(1)	4,758	8,495	16,990	22,117	30,399
Total operating expenses	48,002	67,838	104,930	150,506	199,527
Operating income	9,079	20,454	33,222	35,956	20,326
Financial income (expenses), net	(1,124)	(5,988)	(1,479)	245	4,103
Income before taxes on income	7,955	14,466	31,743	36,201	24,429
Taxes on income	(1,320)	(4,512)	(5,949)	(8,077)	(8,414)
Net income	$ 6,635	$ 9,954	$ 25,794	$ 28,124	$ 16,015
Basic net income per ordinary share(2)	$ 0.25	$ 0.46	$ 0.80	$ 0.83	$ 0.46
Diluted net income per ordinary share(2)	$ 0.14	$ 0.34	$ 0.73	$ 0.78	$ 0.44
Weighted average number of ordinary shares used in computing basic net income per ordinary share(2)	6,900,433	13,335,059	32,124,772	33,741,359	34,824,312
Weighted average number of ordinary shares used in computing diluted net income per ordinary share(2)	10,765,914	29,704,730	35,322,716	35,838,863	36,175,824

	As of December 31,				
	2013	2014	2015	2016	2017
			(in thousands)		
Consolidated Balance Sheet Data:					
Cash, cash equivalents, marketable securities and short-term bank deposits	$ 65,368	$ 177,181	$ 238,252	$ 295,475	$ 330,340
Deferred revenue, current and long term	24,478	32,160	54,389	73,506	105,235
Working capital(3)	48,900	156,829	197,095	235,010	251,247
Total assets	89,632	210,552	334,424	403,031	502,576
Preferred share warrant liability	2,134	—	—	—	—
Total shareholders' equity	45,846	155,008	246,670	296,216	353,965

(1) Includes share-based compensation expense as follows:

	Year ended December 31,				
	2013	2014	2015	2016	2017
			(in thousands)		
Cost of revenues	$ 39	$ 137	$ 499	$ 1,386	$ 2,289
Research and development	73	172	1,507	4,660	6,110
Sales and marketing	126	347	2,214	5,765	8,642
General and administrative	165	917	2,829	5,724	8,196
Total share-based compensation expenses	$ 403	$ 1,573	$ 7,049	$ 17,535	$ 25,237

(2) Basic and diluted net income per ordinary share is computed based on the weighted average number of ordinary shares outstanding during each period. For additional information, see note 13 to our consolidated financial statements included elsewhere in this annual report.

(3) We define working capital as total current assets minus total current liabilities. In 2015, we adopted Accounting Standard Update No. 2015-17, Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes (ASU 2015-17) retrospectively and reclassified all of our current deferred tax assets to noncurrent deferred tax assets on our consolidated balance sheets data for all periods presented. As a result of such reclassifications, certain noncurrent deferred tax liabilities as of December 31, 2013 and 2014 were netted with noncurrent deferred tax assets.

Non-GAAP operating income and non-GAAP net income are non-GAAP financial measures. We define non-GAAP operating income and non-GAAP net income as operating income and net income, respectively, which each exclude (i) share-based compensation expense, (ii) expenses related to the March 2015 public offering of ordinary shares by certain of our shareholders and to the June 2015 public offering of ordinary shares by us and certain of our shareholders, (iii) expenses related to acquisitions, (iv) amortization of intangible assets related to acquisitions and (v) expenses related to facility exit costs. Non-GAAP net income also excludes (i) financial expenses resulting from the revaluation of warrants to purchase preferred shares, (ii) tax effects related to the non-GAAP adjustments set forth above and (iii) tax effects related to the impact to our deferred tax asset as a result of the US Tax Cuts and Jobs Act 2017 (the "Tax Act"). The following tables reconcile operating income and net income, the most directly comparable U.S. GAAP measures, to non-GAAP operating income and non-GAAP net income for the periods presented:

	2013	2014	2015	2016	2017
			(in thousands)		
Reconciliation of Operating Income to Non-GAAP Operating Income:					
Operating income	$ 9,079	$ 20,454	$ 33,222	$ 35,956	$ 20,326
Share-based compensation	403	1,573	7,049	17,535	25,237
Public offering related expenses	—	—	1,568	—	—
Acquisition related expenses	—	—	677	—	686
Amortization of intangible assets – Cost of revenues	—	—	359	1,420	4,213
Amortization of intangible assets – Research and development	—	—	749	1,913	—
Amortization of intangible assets – Sales and marketing	—	—	17	1,190	1,046
Facility exit costs	—	—	—	—	342
Non-GAAP operating income	$ 9,482	$ 22,027	$ 43,641	$ 58,014	$ 51,850

	Year ended December 31,				
	2013	2014	2015	2016	2017
			(in thousands)		
Reconciliation of Net Income to Non-GAAP Net Income:					
Net income	$ 6,635	$ 9,954	$ 25,794	$ 28,124	$ 16,015
Share-based compensation	403	1,573	7,049	17,535	25,237
Warrant adjustment	1,446	4,309	—	—	—
Public offering related expenses	—	—	1,568	—	—
Acquisition related expenses	—	—	677	—	686
Amortization of intangible assets – Cost of revenues	—	—	359	1,420	4,213
Amortization of intangible assets – Research and development	—	—	749	1,913	—
Amortization of intangible assets – Sales and marketing	—	—	17	1,190	1,046
Facility exit costs	—	—	—	—	342
Taxes on income related to non-GAAP adjustments	—	—	(951)	(4,937)	(12,226)
Change in the U.S. federal tax rate	—	—	—	—	6,582
Non-GAAP net income	$ 8,484	$ 15,836	$ 35,262	$ 45,245	$ 41,895

For a description of how we use non-GAAP operating income and non-GAAP net income to evaluate our business, see “Item 5. Operating and Financial Review and Prospects—Key Financial Metrics.” We believe that these non-GAAP financial measures are useful in evaluating our business because of varying available valuation methodologies, subjective assumptions and the variety of equity instruments that can impact a company’s non-cash expenses and because they exclude one-time cash expenditures that do not reflect the performance of our core business. We believe that providing non-GAAP operating income and non-GAAP net income that exclude, as appropriate, share-based compensation expenses, expenses relating to public offerings of our ordinary shares, expenses related to facility exit costs, financial expenses resulting from the valuation of warrants to purchase preferred shares, expenses related to acquisitions, amortization of intangible assets related to acquisitions, tax effects related to the impact to our deferred tax asset as a result of the Tax Act and the tax effects related to these non-GAAP adjustments allows for more meaningful comparisons between our operating results from period to period. Share-based compensation expense has been, and will continue to be for the foreseeable future, a significant recurring expense in our business and an important part of the compensation we provide to employees. Additionally, excluding financial expenses with respect to revaluation of warrants to purchase preferred shares allows for more meaningful comparison between our net income from period to period. As these warrants were exercised in connection with our initial public offering, they are no longer revalued at each balance sheet date. We also believe that expenses related to the public offerings of our ordinary shares in March 2015 and June 2015, expenses related to our acquisitions, expenses related to facility exit costs, amortization of intangible assets related to acquisitions, tax effects related to the impact to our deferred tax asset as a result of the Tax Act and the tax effects related to the non-GAAP adjustments set forth above do not reflect the performance of our core business and would impact period-to-period comparability.

Other companies, including companies in our industry, may calculate non-GAAP operating income and non-GAAP net income differently or not at all, which reduces their usefulness as a comparative measure. You should consider non-GAAP operating income and non-GAAP net income along with other financial performance measures, including operating income and net income, and our financial results presented in accordance with U.S. GAAP.

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

Risks Related to Our Business and Our Industry

The IT security market is rapidly evolving within the increasingly challenging cyber threat landscape and the continuing use of hybrid on-premises and cloud-based infrastructure. Our sales may not continue to grow at current rates or may decline, and our share price could decrease as a result of market and industry developments we did not anticipate.

We operate in a rapidly evolving industry focused on securing organizations' IT systems and sensitive data. Our solutions focus on safeguarding privileged accounts, credentials, and secrets which are those accounts within an organization that give users, applications, and machine identities the highest levels of access, or "privileged" access, to IT systems, on-premises and cloud-based infrastructure, industrial control systems, applications and data. While breaches of such privileged accounts continue to gain media attention in recent years, IT security spending within enterprises is often concentrated on endpoint and web security products designed to stop threats from penetrating corporate networks. Organizations that use these security products may allocate all or most of their IT security budgets to these products and may not adopt our solutions in addition to such products. Organizations are moving portions of their data to be managed by third parties, primarily infrastructure, platform and application service providers, and may rely on such providers' internal security measures. Further, security solutions such as ours, which are focused on disrupting cyber attacks by insiders and external perpetrators that have penetrated an organization's on-premises infrastructure or cloud estate, represent a security layer designed to respond to advanced threats and more rigorous compliance standards and audit requirements. However, advanced cyber attackers are skilled at adapting to new technologies and developing new methods of gaining access to organizations' sensitive data. As our customers' technologies and business plans evolve and become more complex, we expect them to face new and increasingly sophisticated methods of attack. We face significant challenges in ensuring that our solutions effectively identify and respond to such attacks without disrupting the performance of our customers' IT systems. As a result, we must continually modify and improve our products, services, licensing models and prices in response to market and technology trends to ensure we are meeting market needs and continue providing solutions that can be deployed in a variety of environments, including cloud and hybrid.

We cannot guarantee that we will be able to anticipate future market needs and opportunities or be able to develop or acquire product enhancements or new products to meet such needs or opportunities in a timely manner or at all. Even if we are able to anticipate, develop and commercially introduce enhancements and new products, such as our recently introduced Conjur solution which addresses the security challenges in DevOps methodologies, there can be no assurance that such enhancements or new products will achieve widespread market acceptance.

In addition, any changes in compliance standards or audit requirements that deemphasize the types of controls, security, monitoring and analysis that our solutions provide would adversely impact demand for our offerings. It is therefore difficult to predict how large the market will be for our solutions. If solutions such as ours are not viewed by organizations as necessary, or if customers do not recognize the benefit of our solutions as a critical layer of an effective security strategy, then our revenues may not continue to grow at their current rate or may decline, and our share price could suffer.

Our quarterly results of operations may fluctuate for a variety of reasons, including our failure to close significant sales before the end of a particular quarter or unexpected changes in the sales volumes we expect across certain quarters and geographies. We may, as a result, fail to meet publicly announced financial guidance or other expectations about our business, which could cause our ordinary shares to decline in value.

A meaningful portion of our revenues is generated through deals of significant size, and purchases of our products and services often occur at the end of each quarter. We also typically experience seasonality in our sales, particularly demonstrated by increased sales in the last quarter of the year. In addition, our sales cycle can last several months from proof of concept to delivery of our solutions to our customers, and this sales cycle can be even longer, less predictable and more resource-intensive for larger sales. Customers may also require additional internal approvals or seek to test our products for a longer trial period before deciding to purchase our solutions. Furthermore, even if we close a sale during a given quarter, we may be unable to recognize the revenues derived from such sale during the same period due to our revenue recognition policy. See "Item 5.A. Operating and Financial Review and Prospects—Operating Results—Application of Critical Accounting Policies and Estimates—Revenue Recognition."

As a result, the timing of individual sales or of their respective revenue recognition can be difficult to predict. In some cases, sales have occurred in quarters subsequent to those we anticipated, or have not occurred at all. All of these factors impact our quarterly results and our ability to accurately predict them, and may lead to difficulties in meeting market expectations regarding our actual results. If our financial results for a particular period do not meet our guidance or if we reduce our guidance for future periods, the market price of our ordinary shares may decline.

In addition to the sales cycle-related fluctuations set forth above, our results of operations may continue to vary as a result of a number of factors, many of which may be outside of our control or difficult to predict, including:

- our ability to attract and retain new customers;
- our ability to sell additional products to current customers;
- the ability of our service operation to keep pace with license sales to new and existing customers and to satisfy customer demands for consultancy and professional services;
- the amount and timing of our operating costs;
- a change in our mix of products and services;
- the ability of our channel partners to accurately predict the timing and scope of significant sales;
- increases or decreases in our expenses caused by fluctuations in foreign currency exchange rates or changes in taxes or other applicable regulations (See "—We are exposed to fluctuations in currency exchange rates, which could negatively affect our financial condition and results of operations");
- introduction of new accounting pronouncements or changes in our accounting policies or practices;
- changes in the nature and methodology of cyber attacks and other threats to corporate data;
- changes in customer or channel partner requirements or market needs;
- changes in the growth rate of the information security market;
- the timing and success of new product and service introductions by us or our competitors or any other change in the competitive landscape of the information security market, including consolidation among our customers or competitors;

- changes in our pricing policies or those of our competitors;
- general economic conditions in our markets;
- a disruption in, or termination of, our relationship with channel partners;
- our ability to successfully expand our business globally; and
- reductions in maintenance and SaaS subscription renewal rates.

Any of these factors, individually or in the aggregate, may result in significant fluctuations in our financial and other operating results from period to period. These fluctuations could result in our failure to meet our operating plan or the expectations of investors or analysts for any given period. If we fail to meet such expectations for these or other reasons, the market price of our ordinary shares could decrease substantially, and we could face costly lawsuits, including securities class action suits, which could adversely affect our results of operations and business.

Our reputation and business could be harmed based on real or perceived shortcomings, defects or vulnerabilities in our solutions or the provision of our services, or due to the failure of our customers, channel partners, managed security service providers, or subcontractors to correctly implement, manage and maintain our solutions, resulting in lawsuits or financial losses.

Security products and solutions are complex in design and deployment, and may contain errors that are not capable of being remediated or detected until after their deployment. Any errors, defects, or misconfigurations could cause our products or services to be vulnerable to security attacks, cause them to fail to secure networks, and negatively impact customer operations. If we fail to identify and respond to new and increasingly complex methods of attack on privileged accounts and update our products to detect or prevent such threats effectively, which would require significant resources, our business and reputation will suffer. In particular, we may suffer significant adverse publicity and reputational harm if our solutions (or the services we provide in relation to our solutions) are associated, or are believed to be associated, with a significant breach or a breach at a high profile customer or managed service provider network, or in the event of a breach in third party systems utilized by us as part of our cloud-based security solution.

In addition, our Endpoint Privilege Manager product is made available to our customers both as on-premises software and as software as a service (SaaS). Providing SaaS involves storage and transmission of customers' policies for management of their network and operational proprietary information related to their assets and users, security breaches or product defects in our SaaS solutions could result in loss or alteration of this data, unauthorized access to multiple customers' data and ultimately lead to downtime or compromise of the customers' systems on which our SaaS solution is installed. Further, the third party data hosting facilities used for the provision of our SaaS solutions are vulnerable to damages, interruptions or other unanticipated problems that could result in disruption in the provision of these solutions. Any disruptions or other performance problems with our SaaS solutions could harm our reputation and business, damage our customers' businesses, subject us to potential liability and cause customers to terminate or not renew their subscriptions to our SaaS solutions.

False detection of threats (referred to as "false positives"), while typical in our industry, may reduce perception of the reliability of our products and may therefore adversely impact market acceptance of our products. If our solutions restrict legitimate privileged access by authorized personnel to IT systems and applications by falsely identifying those users as an attack or otherwise unauthorized, our customers' businesses could be harmed. There can be no assurance that, despite our testing efforts, errors will not be found in existing and new versions of our products, resulting in loss of or delay in market acceptance. In such instances, we may be required, or may choose, for customer relations or other reasons, to expend additional resources in order to help correct such problem.

As our solutions not only reinforce but also rely on the common security concept of placing multiple layers of security controls throughout an IT system, the failure of our customers, channel partners, managed service providers or subcontractors to correctly implement and effectively manage and maintain our solutions (and the environments in which they are utilized), or to consistently implement and utilize generally accepted and comprehensive, multi-layered security measures and processes in the customer networks, may lessen the efficacy of our solutions. Additionally, our customers or our channel partners may independently develop plug-ins or change existing plug-ins or APIs that we provided to them for interfacing purposes in an incorrect or insecure manner. Such failure or these other customer and partner actions may lead to breaches of our customers' IT systems and loss or alteration of sensitive data or systems, and potentially to a perception that our solutions failed. Further, our failure to provide our customers and channel partners with adequate services related to the use, implementation and maintenance of our solutions, could lead to claims against us.

An actual or perceived cyber attack, other security breach or theft of our customers' data, regardless of whether the breach or theft is attributable to the failure of our products (or the services we provided in relation to our products), could adversely affect the market's perception of the efficacy of our solutions and current or potential customers may look to our competitors for alternatives to our solutions. An actual or perceived failure of our products, or our failure to provide adequate services to our customers and channel partners, may also subject us to lawsuits, indemnity claims and financial losses, as well as the expenditure of significant financial resources to analyze, correct or eliminate any vulnerabilities. Although our license agreements typically contain provisions that limit our liabilities towards our customers, partners and relevant third parties, there is no assurance these provisions will withstand legal challenges, and certain liabilities may not be limited or capped. It could also cause us to suffer reputational harm, lose existing customers, or deter new and existing customers from purchasing our solutions, additional products or our services.

If we are unable to acquire new customers or sell additional products and services to our existing customers, our future revenues and operating results will be harmed.

Our success and continued growth depends, in part, on our ability to acquire a sufficient number of new customers. The number of customers that we add in a given period impacts both our short- and long-term revenues. Similarly, a significant portion of our revenues is generated from sales to existing customers. If we are unable to attract a sufficient number of new customers or fail to continue to sell new licenses and incremental licenses to our existing customers, we may be unable to generate revenue growth at desired rates.

The IT security market is competitive and many of our competitors have substantial financial, personnel, and other resources that they utilize to develop products and attract customers.

We devote significant efforts to developing, marketing and selling additional licenses and associated maintenance and support to existing customers and rely on these efforts for a portion of our revenues, and to a lesser extent, renewing SaaS or term based license agreements. These efforts require a significant investment in building and maintaining customer relationships, as well as significant research and development efforts in order to provide product upgrades and launch new products.

As we expand our market reach to gain new business, we may experience difficulties in gaining traction and raising awareness among potential customers regarding the critical role that our solutions play in securing medium-sized businesses and addressing the vulnerabilities associated with emerging types of accounts (such as our expansion into securing DevOps environments), and may face more competitive pressure in such markets. Even if we are successful in promoting the need for securing accounts in DevOps environments, potential customers may prefer to use the open source version of our Conjur solution which we released in 2017, instead of purchasing a license for the comprehensive DevOps security solution we offer and we may be unable to generate revenue growth at desired rates.

As a result, it may be difficult for us to add new customers to our customer base and to retain our existing customers. Competition in the marketplace may lead us to acquire fewer new customers or result in us providing discounts and other commercial incentives to new or existing customers.

Additional factors that impact our ability to acquire new customers or sell additional products and services to our existing customers include the perceived need for IT security, the size of our prospective and existing customers' IT budgets, the utility and efficacy of our existing and new offerings, whether proven or perceived, changes in our pricing model that may impact the size of new business transactions, and general economic conditions. These factors may have a material negative impact on future revenues and operating results.

We face intense competition from a wide variety of IT security vendors operating in different market segments and across diverse IT environments, which may challenge our ability to maintain or improve our competitive position or to meet our planned growth rates.

The IT security market in which we operate is characterized by intense competition, constant innovation, rapid adoption of different technological solutions and services, and evolving security threats. We compete with a multitude of companies that offer a broad array of IT security products that employ different approaches and delivery models to address these evolving threats.

Our current and potential future competitors include CA, Inc., International Business Machines Corporation, One Identity LLC and Oracle Corporation in the access and identity management market. We also compete with smaller companies such as BeyondTrust, Inc., that may offer solutions at lower price points or with a more limited range of functionality than our own offerings, or with smaller companies that operate in specific market segments or in certain geographies Further, we may face competition due to changes in the manner that organizations utilize IT assets and the security solutions applied to them, such as the provision of privileged account security functionalities as part of public cloud providers' infrastructure offerings, or cloud-based identity management solutions. We also may compete, to a certain extent, with vendors that offer products or services in adjacent or complementary markets to privileged account security. Limited IT budgets may also result in competition with providers of other advanced threat protection solutions such as McAfee, LLC, Palo Alto Networks, RSA Security LLC., and Symantec Corporation. Some of our competitors are large companies that have the technical and financial resources and broad customer bases needed to bring competitive solutions to the market and already have existing relationships as an established vendor for other product offerings. Such companies may use these advantages to offer products and services that are perceived to be as effective as ours at a lower price or for free as part of a larger product package or solely in consideration for maintenance and services fees, which could result in increased market pressure to offer our solutions and services at lower prices. They may also develop different products to compete with our current solutions and respond more quickly and effectively than we do to new or changing opportunities, technologies, standards or client requirements or enjoy stronger sales and service capabilities in certain regions.

Our competitors may enjoy potential competitive advantages over us, such as:

- greater name recognition, a longer operating history and a larger customer base, notwithstanding the increased visibility of our brand in recent years since our initial public offering;
- larger sales and marketing budgets and resources;
- broader distribution and established relationships with channel partners, advisory firms and customers;
- increased effectiveness in protecting, detecting and responding to cyber attacks.
- greater or localized resources for customer support and provision of services;
- greater speed at which a solution can be deployed;
- greater resources to make acquisitions;
- larger intellectual property portfolios; and
- greater financial, technical and other resources

Our current and potential competitors may also establish cooperative relationships among themselves or with third parties that may further enhance their resources and capabilities. Current or potential competitors may be acquired by third parties with greater resources. As a result of such acquisitions, our current or potential competitors may be able to adapt more quickly to new technologies and customer needs, devote greater resources to the promotion or sale of their products and services, initiate or withstand substantial price competition, take advantage of other opportunities more readily or develop and expand their product and service offerings more quickly than we do. Larger competitors with more diverse product offerings may reduce the price of products that compete with ours in order to promote the sale of other products or may bundle them with other products, which would lead to increased pricing pressure on our products and could cause the average sales prices for our products to decline. Similarly, we may also face increased competition following an acquisition of new lines of business that compete with providers of such technologies.

In addition, other IT security technologies exist or could be developed in the future by current or future competitors, and our business could be materially and adversely affected if such technologies are widely adopted. We may not be able to successfully anticipate or adapt to changing technology or customer requirements on a timely basis, or at all. If we fail to keep up with technological changes or to convince our customers and potential customers of the value of our solutions even in light of new technologies, our business, results of operations and financial condition could be materially and adversely affected.

Our share price may be adversely affected if our investments in our business do not deliver anticipated growth and we are unable to increase our operating and net income margins.

We have experienced a decrease in our operating and net income margins in recent periods. From the year ended December 31, 2015 to the year ended December 31, 2017, our revenue grew from $160.8 million to $261.7 million, representing a compound annual growth rate of approximately 28%. Over the same period, we experienced declines in our operating and net income margins from 21% to 8% and from 16% to 6%, respectively. The primary driver of the decline in margins has been our investment in expanding our sales force and marketing activity relative to the growth we achieved. We are making significant investments in our business in order to drive future growth. For example, we expect to continue to expand our sales and marketing personnel significantly and face a number of challenges in achieving our hiring and integration goals. It takes time and resources to train and integrate new sales force members across our global operations. Costs associated with adding new personnel to our sales force are expensed before their positive impact on our sales is recognized, and even then a significant portion of any revenues that they generate from maintenance and services are deferred over the delivery period of those services. We have also spent increased amounts on research and development and general and administrative costs associated with scaling our business. Our share price may be adversely affected even if we generate future growth if we are unable to increase our operating and net margins at the same time or if the growth rate generated was less than anticipated causing the operating and net margins to still decline.

We may fail to fully integrate, or realize the benefits expected from acquisitions, which may require significant management attention, disrupt our business, dilute shareholder value and adversely affect our results of operations.

As part of our business strategy and in order to remain competitive, we continue to evaluate acquiring or making investments in complementary companies, products or technologies. We may not be able to find suitable acquisition candidates or complete such acquisitions on favorable terms. If we do complete acquisitions, we may not ultimately strengthen our competitive position or achieve our goals, and any acquisitions we complete could be viewed negatively by our customers, analysts and investors. In addition, if we are unsuccessful at integrating our acquisitions or the technologies associated with such acquisitions or fail to fully attain the expected benefits of these acquisitions, our revenues and results of operations could be adversely affected. Any integration process may require significant time and resources, and we may not be able to manage the process successfully and may experience a decline in our profitability as we incur expenses prior to fully realizing the benefits of the acquisition. We may not successfully evaluate or utilize the acquired technology or personnel, or accurately forecast the financial impact of an acquisition transaction, including accounting charges and tax liabilities. We could become subject to legal claims following the acquisition, or fail to accurately forecast the potential impact of any pre-existing claims. Further, the issuance of equity or debt to finance any such acquisitions could result in dilution to our shareholders and could subject us to covenants or other restrictions that would impede our ability to manage our operations. While we have experienced some of these types of issues in connection with past acquisitions, none of which has materially affected our operations or financial condition, we cannot guarantee that any such event will not have a material adverse impact on our business and results in the future.

We are subject to a number of risks, including regulatory risks, associated with global sales and operations, which could materially affect our business.

We are a global company subject to varied and complex laws, regulations and customs. The application of these laws and regulations to our business is often unclear and may at times conflict. Compliance with these laws and regulations may involve significant costs or require changes in our business practices that result in reduced revenue and profitability. Furthermore, business practices in the global markets that we serve may differ from those in the United States and may require us to include non-standard terms in customer contracts, such as extended payment or warranty terms. To the extent that we enter into customer contracts that include non-standard terms related to payment, warranties, or performance obligations, our results of operations may be adversely impacted.

Additionally, our global sales and operations are subject to a number of risks, including the following:

- higher costs of doing business globally, including costs incurred in maintaining office space, securing adequate staffing and localizing our contracts;
- fluctuations in exchange rates between the U.S. dollar and foreign currencies in markets where we do business (See "—We are exposed to fluctuations in currency exchange rates, which could negatively affect our financial condition and results of operations");
- Uncertainty of the economic, financial, regulatory, trade, tax and legal implications of the withdrawal of the U.K. from the E.U. ("Brexit") and how this could affect our business, both globally and specifically in the region;
- greater difficulty in enforcing contracts and managing collections, as well as longer collection periods;
- compliance with anti-bribery laws, including, without limitation, compliance with the U.S. Foreign Corrupt Practices Act and the U.K. Anti-Bribery Act;
- heightened risk of unfair or corrupt business practices in certain geographies and of improper or fraudulent sales arrangements that may impact financial results and result in restatements of, or irregularities in, financial statements;
- risks associated with trade restrictions and foreign legal requirements, including any importation, certification, and localization of our platform that may be required in foreign countries;
- greater risk of unexpected changes in regulatory practices, tariffs, and tax laws and treaties (See "— Our business may be materially affected by changes to fiscal and tax policies. Potentially negative or unexpected tax consequences of these policies, or the uncertainty surrounding their potential effects, could adversely affect our results of operations and share price;
- compliance with, and the uncertainty of, laws and regulations that apply to our areas of business, including corporate governance, anti-trust and competition, import and export control, employee and third-party complaints, conflicts of interest, securities regulations and other regulatory requirements affecting trade and investment;
- reduced or uncertain protection of intellectual property rights in some countries;
- social, economic and political instability, terrorist attacks and security concerns in general; and
- management communication and integration problems resulting from cultural and geographic dispersion.

These and other factors could harm our ability to generate future global revenues and, consequently, materially impact our business, results of operations and financial condition. Non-compliance could also result in fines, damages, or criminal sanctions against us, our officers or our employees, prohibitions on the conduct of our business, and damage to our reputation.

If our internal IT network system is compromised by cyber attackers or other data thieves, or by a critical system failure, our reputation, financial condition and operating results could be materially adversely affected.

Our solution and product offerings will not gain market share unless the marketplace is confident that we provide effective IT security protection. As we provide privileged account security products, we may be an attractive target for cyber attackers or other data thieves since a breach of our system could provide data information regarding not only us, but potentially regarding the customers that our solutions protect. Further, we may be targeted by cyber terrorists because we are an Israeli company.

While, from time to time we encounter intrusion incidents and attempts, none of which to date has resulted in any material adverse impact to our business or operations, we cannot guarantee that any future attacks will not materially adversely affect our business or results of operations. In addition, as our market position continues to grow specifically in the security industry, an increasing number of cyber attackers may begin to focus on finding ways to penetrate our network systems, which might eventually affect our products and services. The risk of cyber attacks to our company may also result from breaches of our contractors, business partners, vendors and other third parties associated with us, or due to human errors of those acting on our behalf.

Separately, we may be subject to information technology system failures or network disruptions caused by natural disasters, accidents, power disruptions, telecommunications failures, acts of terrorism, security breaches, wars, computer viruses, or other events or disruptions. System redundancy and other continuity measures may be ineffective or inadequate, and our business continuity and disaster recovery planning may not be sufficient for all eventualities. These events could adversely affect our operation, reputation, financial condition and operating results.

In addition, we rely on hosted SaaS technologies from third parties in order to operate critical functions of our business, including customer relationship management and financial operation services (provided by our ERP system). If these services are breached or become unavailable due to extended outages or interruptions or because they are no longer available on commercially reasonable terms, our expenses could increase, our ability to manage our operations could be interrupted and our processes for managing sales of our products and services and supporting our customers could be impaired until equivalent services, if available, are identified, obtained and integrated; all of which could materially harm our business.

If we experience a significant technology incident, such as a serious product vulnerability, security breach or a failure of a system that is critical for the operations of our business, it could impair our ability to operate our business, including our ability to provide maintenance and support services to our customers. If this happens, our revenues could decline and our business could suffer, and we may need to make significant further investments to protect data and infrastructure. Because we are in the computer security industry, an actual or perceived vulnerability, failure, disruption, or breach of our network or privileged account security in our systems also could adversely affect the market perception of our products and services, or of our expertise in this field, as well as our perception among new and existing customers. Additionally, a significant security breach could subject us to potential liability, litigation and regulatory or other government action. If any of the foregoing were to occur, our business may suffer and our share price may be negatively impacted.

If we do not effectively expand, train and retain our sales and marketing personnel, we may be unable to acquire new customers or sell additional products and services to existing customers, and our business will suffer.

We depend significantly on our sales force to attract new customers and expand sales to existing customers. We generate approximately 40% of our revenues from direct sales. As a result, our ability to grow our revenues depends in part on our success in recruiting, training and retaining sufficient numbers of sales personnel to support our growth, particularly in the United States. The number of our sales and marketing personnel increased from 377 as of December 31, 2016 to 491 as of December 31, 2017. We expect to continue to expand our sales and marketing personnel significantly and face a number of challenges in achieving our hiring and integration goals. There is intense competition for individuals with sales training and experience. In addition, the training and integration of a large number of sales and marketing personnel in a short time requires the allocation of significant internal resources. We invest significant time and resources in training new sales force personnel to understand our solutions and growth strategy. Based on our past experience, it takes an average of approximately six to nine months before a new sales force member operates at target performance levels. However, we may be unable to achieve or maintain our target performance levels with large numbers of new sales personnel as quickly as we have done in the past. Our failure to hire a sufficient number of qualified sales force members and train them to operate at target performance levels may materially and adversely impact our projected growth rate.

We rely on channel partners to generate a significant portion of our revenue, market our solutions and provide necessary services to our customers. If we fail to maintain successful relationships with our channel partners, or if our channel partners fail to perform, our ability to market, sell and distribute our solutions will be limited, and our business, financial position and results of operations will be harmed.

In addition to our direct sales force, we rely on our channel partners to market, sell, support and implement our solutions, particularly in Europe and the Asia Pacific and Japan regions. We expect that sales through our channel partners will continue to account for a significant percentage of our revenue. In the year ended December 31, 2017, we generated approximately 60% of our revenues from sales to channel partners such as distributors, systems integrators, value-added resellers and managed security service providers, and we expect that channel partners will represent a substantial portion of our revenues for the foreseeable future. Further, we cooperate with advisory firms in marketing our solutions and providing implementation services to our customers, in both direct and indirect sales. Our agreements with channel partners are non-exclusive, meaning our partners may offer customers IT security products from other companies, including products that compete with our solutions. If our channel partners do not effectively market and sell our solutions, or choose to use greater efforts to market and sell their own products and services or the products and services of our competitors, our ability to grow our business will be adversely affected. Our channel partners may cease or deemphasize the marketing of our solutions with limited or no notice and with little or no penalty. Further, new channel partners require training and may take several months or more to achieve productivity. The loss of key channel partners, the inability to replace them or the failure to recruit additional channel partners could materially and adversely affect our results of operations. Our reliance on channel partners could also subject us to lawsuits or reputational harm if, for example, a channel partner misrepresents the functionality of our solutions to customers, fails to appropriately implement our solutions or violates applicable laws, and may further result in termination of such partner's agreement and potentially curb future revenues associated with it. Our ability to grow revenues in the future will depend in part on our success in maintaining successful relationships with our channel partners and training our channel partners to independently sell and install our solutions. If we are unable to maintain our relationship with channel partners or otherwise develop and expand our indirect sales channel, or if our channel partners fail to perform, our business, financial position and results of operations could be adversely affected.

Failure by us or our channel partners to maintain sufficient levels of customer support could have a material adverse effect on our business, financial condition and results of operations.

Our customers depend, in large part, on customer support and professional services delivered through our channel partners or by us to implement and roll out our solutions, and resolve issues relating to their use. Even with our support and that of our channel partners, our customers are ultimately responsible for effectively using our solutions and ensuring that their IT staff and other relevant users are properly trained in the use of our products and complementary security products, methodologies and processes. Failure of our channel partners or ourselves to support and train our customers in the correct use of our solutions, or failure to effectively assist customers in installing our solutions and providing effective ongoing support, may result in an increase in the vulnerability of our customers' IT systems and sensitive data. Additionally, if our channel partners do not effectively provide support and professional services to the satisfaction of our customers, we may be required to provide support to such customers, which would require us to invest in additional personnel and expend significant time and resources. We may not be able to keep up with demand for our services and support, particularly if the sales of our solutions exceed our internal forecasts. To the extent that we or our channel partners are unsuccessful in hiring, training and retaining adequate support resources, our ability and the ability of our channel partners to provide adequate and timely support and other services to our customers will be negatively impacted, and our customers' satisfaction with us and our products may be adversely affected. Accordingly, our failure to provide satisfactory maintenance and technical support services, whether directly or through our partners, could have a material and adverse effect on our business and results of operations.

We are exposed to fluctuations in currency exchange rates, which could negatively affect our financial condition and results of operations.

Our functional and reporting currency is the U.S. dollar and we generate a majority of our revenues in U.S. dollars. In 2017, the majority of our revenues were denominated in U.S. dollars and the remainder primarily in euros and British pounds sterling. In 2017, the substantial majority of our cost of revenues and operating expenses were denominated in U.S. dollars and New Israeli Shekels (NIS) and the remainder primarily in euros and British pounds sterling. Our foreign currency-denominated expenses consist primarily of personnel, rent and other overhead costs. Since a significant portion of our expenses is incurred in NIS and is substantially greater than our revenues in NIS, any appreciation of the NIS relative to the U.S. dollar could materially adversely impact our net income. For example, during 2017, appreciation of NIS relative to the U.S. dollar affected our operating profit by approximately $4.0 million. In addition, since the portion of our revenues generated in euros and British pounds sterling is greater than our expenses incurred in euros and British pounds sterling, respectively, any depreciation of the euro or the British pounds sterling relative to the U.S. dollar would adversely impact our net income. While any such currency exchange rate fluctuations did not have a material impact on our financial condition in 2017, we cannot guarantee that we would not experience adverse impact from currency exchange rate fluctuations in the future. We estimate that a 10% strengthening or weakening in the value of the NIS against the U.S. dollar would have decreased or increased, respectively, our net income by approximately $5.0 million in 2017. We estimate that a 10% strengthening or weakening in the value of the euro against the U.S. dollar would have increased or decreased, respectively, our net income by approximately $2.1 million in 2017. We estimate that a 10% strengthening or weakening in the value of the British pounds sterling against the U.S. dollar would have increased or decreased, respectively, our net income by approximately $0.8 million in 2017. These estimates of the impact of fluctuations in currency exchange rates on our historic results of operations may be different from the impact of fluctuations in exchange rates on our future results of operations since the mix of currencies comprising our revenues and expenses may change. We evaluate periodically the various currencies to which we are exposed and take hedging measures to reduce the potential adverse impact from the appreciation or the depreciation of our non U.S. dollar-denominated operations, as appropriate. We expect that the majority of our revenues will continue to be generated in U.S. dollars with the balance primarily in euros and British pounds sterling for the foreseeable future and that a significant portion of our expenses will continue to be denominated in NIS, U.S. dollars, British pounds sterling and in euros. We cannot provide any assurances that our hedging activities will be successful in protecting us from adverse impacts from currency exchange rate fluctuations. See "Item 11—Quantitative and Qualitative Disclosures About Market Risk—Foreign Currency Risk."

Our research and development efforts may not produce successful products or enhancements to our solutions that result in significant revenue or other benefits in the near future, if at all.

We expect to continue to dedicate significant financial and other resources to our research and development efforts in order to maintain our competitive position. For example, in 2017, we increased our dedicated research and development personnel by 22% compared to 2016. However, investing in research and development personnel, developing new products and enhancing existing products is expensive and time consuming, and there is no assurance that such activities will successfully anticipate market needs and result in significant new marketable products or enhancements to our products, design improvements, cost savings, revenues or other expected benefits. If we spend significant time and effort on research and development and are unable to generate an adequate return on our investment, we may not be able to compete effectively and our business and results of operations may be materially and adversely affected.

Our investment in product enhancements or new products could fail to attain sufficient market acceptance for many reasons, including:

- delays in releasing product enhancements or new products;
- failure to accurately predict market demand and to supply products that meet this demand in a timely fashion;
- inability to interoperate effectively with the existing or newly introduced technologies, systems or applications of our existing and prospective customers;
- defects in our products, errors or failures of our solutions to secure and protect privileged accounts against existing and new types of attacks;
- negative publicity about the performance or effectiveness of our products;
- introduction or anticipated introduction of competing products by our competitors;
- installation, configuration or usage errors by our customers; and
- easing or changing of regulatory requirements related to security.

If we fail to anticipate market requirements or fail to develop and introduce product enhancements or new products to meet those needs in a timely manner, it could cause us to lose existing customers and prevent us from gaining new customers, which would significantly harm our business, financial condition and results of operations.

If we are unable to hire, retain and motivate qualified personnel, our business will suffer.

Our future success depends, in part, on our ability to continue to attract and retain highly skilled personnel. Our inability to attract or retain qualified personnel or delays in hiring required personnel may seriously harm our business, financial condition and results of operations. Any of our employees may terminate their employment at any time. Competition for highly skilled personnel, specifically engineers for Research & Development positions, is often intense and results in increasing wages, especially in Israel, where we are headquartered, and where several large multinational corporations have entered the market. We may struggle to retain employees, and due to our profile and market position competitors actively seek to hire skilled personnel away from us. Furthermore, from time to time we have been subject to allegations that employees that have been hired from competitors may have been improperly solicited or divulged proprietary or other confidential information.

Our business may be materially affected by changes to fiscal and tax policies. Potentially negative or unexpected tax consequences of these policies, or the uncertainty surrounding their potential effects, could adversely affect our results of operations and share price.

As a multinational corporation, we are subject to income taxes, withholding taxes and indirect taxes in numerous jurisdictions worldwide. Significant judgment and management attention and resources are required in evaluating our tax positions and our worldwide provision for taxes. In the ordinary course of business, there are many activities and transactions for which the ultimate tax determination is uncertain. In addition, our tax obligations and effective tax rates could be adversely affected by changes in the relevant tax, accounting, and other laws, regulations, principles and interpretations. This may include recognizing tax losses or lower than anticipated earnings in jurisdictions where we have lower statutory rates and higher than anticipated earnings in jurisdictions where we have higher statutory rates, changes in foreign currency exchange rates, or changes in the valuation of our deferred tax assets and liabilities.

We may be audited in various jurisdictions, and such jurisdictions may assess additional taxes against us. If we experience unfavorable results from one or more such tax audits, there could be an adverse effect on our tax rate and therefore on our net income. Although we believe our tax estimates are reasonable, the final determination of any tax audits or litigation could be materially different from our historical tax provisions and accruals, which could have a material adverse effect on our operating results or cash flows in the period or periods for which a determination is made. Additionally, we are subject to transfer pricing rules and regulations, including those relating to the flow of funds between us and our affiliates, which are designed to ensure that appropriate levels of income are reported in each jurisdiction in which we operate.

The U.S. Tax Cuts and Jobs Act of 2017 (the “Act”), enacted in December 2017, introduced significant changes to the U.S. Internal Revenue Code. While it is still uncertain how these changes will affect us, certain of these changes could have a negative impact on our results of operations and business or the price of our ordinary shares. In addition, the final impacts of the Act could be different from our expectations.

Intellectual property claims may increase our costs or require us to cease selling certain products, which could adversely affect our financial condition and results of operations.

The IT security industry is characterized by the existence of a large number of relevant patents and frequent claims and related litigation regarding patent and other intellectual property rights. Leading companies in the IT security industry have extensive patent portfolios. From time to time, third-parties have asserted and may assert their patent, copyright, trademark and other intellectual property rights against us, our channel partners or our customers. Furthermore, we may be subject to indemnification obligations with respect to third-party intellectual property rights pursuant to our agreements with our customers and channel partners. Such indemnification provisions are customary for our industry. Any claims of intellectual property infringement or misappropriation brought against us, our channel partners or customers, even those without merit, could be expensive and time-consuming to defend, and divert management’s attention. We cannot assure you that we will have the resources to defend against all such claims. Successful claims of infringement or misappropriation by a third-party against us or a third-party that we indemnify could prevent us from distributing certain products or performing certain services or could require us to pay substantial damages (including, for example, treble damages if we are found to have willfully infringed patents and increased statutory damages if we are found to have willfully infringed copyrights), royalties or other fees. Such claims also could require us to cease making, licensing or using solutions that are alleged to infringe or misappropriate the intellectual property of others, to expend additional development resources to attempt to redesign our products or services or otherwise to develop non-infringing technology, to enter into potentially unfavorable royalty or license agreements in order to obtain the right to use necessary technologies or intellectual property rights, and to indemnify our customers and partners (and parties associated with them). Even if third parties may offer a license to their technology, the terms of any offered license may not be acceptable, and the failure to obtain a license or the costs associated with any license could cause our business, results of operations or financial condition to be materially and adversely affected. Defending against claims of infringement or being deemed to be infringing the intellectual property rights of others could impair our ability to innovate, develop, distribute and sell our current and planned products and services. If we are unable to ensure that we are not violating the intellectual property rights of others, our financial position may be adversely affected.

If our products fail to help our customers achieve and maintain compliance with certain government regulations and industry standards, our business and results of operations could be materially and adversely affected.

We generate a substantial portion of our revenues from our products and services which enable our customers to achieve and maintain compliance with certain government regulations and industry standards, and we expect that to continue for the foreseeable future. This includes third party certifications where our solutions are being utilized by our customers as a control demonstrating compliance with specific elements of certain third party certification standards. These industry standards may change with little or no notice, including changes that could make them more or less onerous for businesses. In addition, governments may also adopt new laws or regulations, or make changes to existing laws or regulations, some of which may conflict with each other, that could impact whether our solutions enable our customers to maintain compliance with such laws or regulations. If we are unable to adapt our solutions to changing government regulations and industry standards in a timely manner, or if our solutions fail to expedite our customers' compliance initiatives, our customers may lose confidence in our products and could switch to products offered by our competitors. In addition, if government regulations and industry standards related to IT security are changed in a manner that makes them less onerous, our customers may view compliance as less critical to their businesses, and our customers may be less willing to purchase our products and services. In either case, our sales and financial results would suffer.

Regulatory data privacy concerns, evolving regulations of cloud computing, cross-border data transfer restrictions and other domestic or foreign regulations may limit the use and adoption of, or require modification of, our products and services, which could limit our ability to attract new customers or support our current customers, thus reducing our revenues, harming our operating results and adversely affecting our business.

Regulation related to the provision of services on the Internet is increasing, as federal, state and foreign governments continue to adopt new laws and regulations addressing cybersecurity, privacy, data protection and the collection, processing, storage and use of personal information. Such laws and regulations, such as the 2016 E.U.-U.S. framework for data transfers known as Privacy Shield or the adoption and implementation of the E.U. General Data Protection Regulation ("GDPR") which becomes effective in May 2018, are subject to new and differing interpretations and may be inconsistent among jurisdictions. Engineering efforts to build new capabilities to facilitate compliance with the law may entail substantial expense and the diversion of engineering resources from other projects. If we are unable to engineer products that meet our legal duties or help our customers meet their obligations under the GDPR or other data regulations, we might experience reduced demand for our products or services. Non-compliance with such existing or new regulations may result in substantial monetary penalties and compliance reviews by regulators may result in burdensome or inconsistent requirements affecting the location and management of our customer and internal employee data. Compliance may require changes in services, business practices, or internal systems resulting in increased costs, lower revenue, reduced efficiency, or greater difficulty in competing with foreign-based firms.

These and other regulatory requirements around the privacy or cross-border transfer of personal data could restrict our ability to store and process data as part of our SaaS solutions, or, in some cases, impact our ability to offer our SaaS products in certain jurisdictions. Such laws may also impact our customers' ability to deploy certain of our solutions globally, to the extent they utilize our products for storing personal information that they store and process. In addition, in many cases these privacy laws apply not only to transfers of information to third parties, but also within an enterprise, including our company or our customers. The costs of compliance with, and other burdens imposed by, such laws, regulations and standards (regardless of whether there was any data breach) may require resources to create new products or modify existing products, lead to us being subject to significant fines, penalties or liabilities for noncompliance, and may slow the pace at which we close sales transactions, any of which could harm our business. Further, mandatory disclosures regarding a breach of certain information are costly to implement and may lead to widespread negative publicity, which may cause customers to lose confidence in the effectiveness of our data security measures and harm our reputation and business.

If our products do not effectively interoperate with our customers' existing or future IT infrastructures, installations could be delayed or cancelled, which could harm our business.

Our products must effectively interoperate with our customers' existing or future IT infrastructures, which often have different specifications, utilize multiple protocol standards, deploy products from multiple vendors and contain multiple generations of products that have been added over time. If we find errors in the existing software or defects in the hardware used in our customers' infrastructure or problematic network configurations or settings, we may have to modify our software so that our products will interoperate with our customers' infrastructure and business processes. In addition, to stay competitive within certain markets, we may be required to make software modifications in future releases to comply with new statutory or regulatory requirements. These issues could result in longer sales cycles for our products and order cancellations, either of which could adversely affect our business, results of operations and financial condition.

If we are unable to adequately protect our proprietary technology and intellectual property rights, our business could suffer substantial harm.

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

As of December 31, 2017, we had 14 issued patents in the United States, 2 provisional U.S. patent applications and 26 pending U.S. patent applications. We also had 2 International PCT applications as well as 5 issued patents and 12 applications pending for examination in non-U.S. jurisdictions, all of which are counterparts of our U.S. patent applications. We expect to file additional patent applications in the future.

The process of obtaining patent protection is expensive and time-consuming, and we may not be able to prosecute all necessary or desirable patent applications at a reasonable cost or in a timely manner all the way through to the successful issuance of a patent. We may choose not to seek patent protection for certain innovations and may choose not to pursue patent protection in certain jurisdictions. Furthermore, it is possible that our patent applications may not issue as granted patents, that the scope of our issued patents will be insufficient or not have the coverage originally sought, that our issued patents will not provide us with any competitive advantages, and that our patents and other intellectual property rights may be challenged by others or invalidated through administrative processes or litigation. Finally, issuance of a patent does not guarantee that we have an absolute right to practice the patented invention. Our policy is to require our employees (and our consultants and service providers that develop intellectual property included in our products) to execute written agreements in which they assign to us their rights in potential inventions and other intellectual property created within the scope of their employment (or, with respect to consultants and service providers, their engagement to develop such intellectual property), but we cannot be certain that we have adequately protected our rights in every such agreement or that we have executed an agreement with every such party. Finally, in order to benefit from the protection of patents and other intellectual property rights, we must monitor and detect infringement and pursue infringement claims in certain circumstances in relevant jurisdictions, all of which are costly and time-consuming. As a result, we may not be able to obtain adequate protection or to effectively enforce our issued patents or other intellectual property rights.

In addition to patents, we rely on trade secret rights, copyrights and other rights to protect our unpatented proprietary intellectual property and technology. Despite our efforts to protect our proprietary technologies and our intellectual property rights, unauthorized parties, including our employees, consultants, service providers or customers, may attempt to copy aspects of our products or obtain and use our trade secrets or other confidential information. We generally enter into confidentiality agreements with our employees, consultants, service providers, vendors, channel partners, subcontractors and customers, and generally limit access to and distribution of our proprietary information and proprietary technology through certain procedural safeguards. These agreements may not effectively prevent unauthorized use or disclosure of our intellectual property or technology and may not provide an adequate remedy in the event of unauthorized use or disclosure of our intellectual property or technology. We cannot be certain that the steps taken by us will prevent misappropriation of our intellectual property or technology or infringement of our intellectual property rights. In addition, the laws of some foreign countries where we sell our products do not protect intellectual property rights and technology to the same extent as the laws of the United States, and these countries may not enforce these laws as diligently as government agencies and private parties in the United States. If we are unable to protect our intellectual property, we may find ourselves at a competitive disadvantage to others who need not incur the additional expense, time and effort required to create the innovative products that have enabled us to be successful to date.

Our use of open source software, third-party software and other intellectual property may expose us to risks.

We license and integrate certain open source software components from third parties into our software and we expect to continue to use open source software in the future. Some open source software licenses require users who distribute or make available as a service open source software as part of their own software product to publicly disclose all or part of the source code of the users' developed software or to make available any derivative works of the open source code on unfavorable terms or at no cost. While we try to use the open source software in a manner consistent with the relevant license terms that would not require us to disclose our proprietary code or license our proprietary software at no cost, we cannot assure that our efforts will be successful. We may face claims by third parties seeking to enforce the license terms applicable to, such open source software, including by demanding the release of the open source software, derivative works or our proprietary source code that was developed using such software. In addition, if the license terms for the open source code change, we may be forced to re-engineer our software or incur additional costs.

Further, some of our products and services include other software or intellectual property licensed from third parties, and we also use software and other intellectual property licensed from third parties in our business. This exposes us to risks over which we may have little or no control. For example, a licensor may have difficulties keeping up with technological changes or may stop supporting the software or other intellectual property that it licenses to us. There can be no assurance that the licenses we use will be available on acceptable terms, if at all. In addition, a third party may assert that we or our customers are in breach of the terms of a license, which could, among other things, give such third party the right to terminate a license or seek damages from us, or both. Our inability to obtain or maintain certain licenses or other rights or to obtain or maintain such licenses or rights on favorable terms, or the need to engage in litigation regarding these matters, could result in delays in releases of new products, and could otherwise disrupt our business, until equivalent technology can be identified, licensed or developed.

Prolonged economic uncertainties or downturns in certain regions or industries could materially adversely affect our business.

Our business depends on our current and prospective customers' ability and willingness to invest money in IT security, which in turn is dependent upon their overall economic health. Negative economic conditions in the global economy or certain regions such as U.S. or Europe, including conditions resulting from financial and credit market fluctuations, could cause a decrease in corporate spending on information security software. In 2017, we generated 56% of our revenues from the United States, 31% of our revenues from Europe, the Middle East and Africa and 13% from the rest of the world, which includes countries from Asia Pacific and Japan region, Latin America region and Canada.

In addition, a significant portion of our revenues is generated from customers in the financial services industry, including banking and insurance. Negative economic conditions may cause customers generally and in that industry in particular to reduce their IT spending. Customers may delay or cancel IT projects, choose to focus on in-house development efforts or seek to lower their costs by renegotiating maintenance and support agreements. To the extent purchases of licenses for our software are perceived by customers and potential customers to be discretionary, our revenues may be disproportionately affected by delays or reductions in general IT spending. If the economic conditions of the general economy or industries in which we operate worsen from present levels, our results of operation could be adversely affected.

We rely significantly on revenues from maintenance and support contracts, which we recognize ratably over the term of the associated contract and, to a lesser extent, from professional services contracts, which we recognize as services are performed, and any downturns in sales of these contracts would not be immediately reflected in full in our quarterly operating results.

Maintenance and support and professional services revenues accounted for 44% of our total revenues in 2017. Sales of maintenance and support and professional services may decline or fluctuate as a result of a number of factors, including the number of product licenses we sell, our customers' level of satisfaction with our products and services, the prices of our products and services, the prices of products and services offered by our competitors or reductions in our customers' spending levels. If our sales of maintenance and support and professional services contracts decline, our revenues or revenue growth may decline and our business will suffer. We recognize revenues from maintenance and support contracts ratably on a straight-line basis over the term of the related contract which is typically one year and, to a lesser extent, three years, and from professional services as services are performed. As a result, a meaningful portion of the revenues we report each quarter results from the recognition of deferred revenues from maintenance and support and professional services contracts entered into during previous quarters. Consequently, a decline in the number or size of such contracts in any one quarter will not be fully reflected in revenues in that quarter, but will negatively affect our revenues in future quarters. Accordingly, the effect of significant downturns in maintenance and support and professional services contracts would not be reflected in full in our results of operations until future periods.

A portion of our revenues is generated by sales to government entities, which are subject to a number of challenges and risks, such as increased competitive pressures, administrative delays and additional approval requirements.

A portion of our revenues is generated by sales to U.S. and foreign federal, state and local governmental agency customers, and we may in the future increase sales to government entities. Selling to government entities can be highly competitive, expensive and time consuming, often requiring significant upfront time and expense without any assurance that we will complete a sale or imposing terms of sale which are less favorable than the prevailing market terms. Government demand and payment for our products and services may be impacted by public sector budgetary cycles and funding authorizations, with funding reductions or delays adversely affecting public sector demand for our products. Additionally, for purchases by the U.S. government, the government may require certain products to be manufactured in the United States and other high cost manufacturing locations, and we may not manufacture all products in locations that meet the requirements of the U.S. government. Finally, some government entities require our products to be certified by industry-approved security agencies as a pre-condition of purchasing our products. The grant of such certifications depends on the then-current requirements of the certifying agency. We cannot be certain that any certificate will be granted or renewed or that we will be able to satisfying the technological and other requirements to maintain certifications. The loss of any of our product certificates, or the failure to obtain new ones, could cause us to suffer reputational harm, lose existing customers, or deter new and existing customers from purchasing our solutions, additional products or our services.

We are subject to governmental export and import controls that could subject us to liability in the event of non-compliance or impair our ability to compete in international markets.

We incorporate encryption capabilities into certain products and these products are subject to U.S. export control requirements. We are also subject to Israeli export controls on encryption technology since our product development initiatives are primarily conducted in Israel. If the applicable U.S. or Israeli requirements regarding the export of encryption technology were to change or if we change the encryption functionality in our products, we may need to satisfy additional requirements or obtain specific permissions (licenses) in the United States or Israel in order to continue to export our products to the same range of customers and countries as we presently do. There can be no assurance that we will be able to satisfy such additional requirements or obtain specific licenses under these circumstances in either the United States or Israel. Furthermore, various other countries regulate the import of certain encryption products and technology, including import permitting and licensing requirements, and have enacted laws that could limit our ability to distribute our products or could limit our customers' ability to implement our products in those countries.

We are also subject to U.S., Israeli and other applicable export control and economic sanctions laws, which prohibit the export or sale of certain products or services to embargoed or sanctioned countries, governments and persons. Our products could be exported to these sanctioned targets by our channel partners or sold directly by us to such targets despite our due diligence and, in the case of sanctionable activities by our channel partners, the contractual undertakings they have given us, and any such export could have negative consequences, including government investigations, penalties and reputational harm. Any change in export or import regulations, economic sanctions or related legislation, shift in the enforcement or scope of existing regulations, or change in the countries, governments, persons or technologies targeted by such regulations, could result in decreased use of our products by, or in our decreased ability to export or sell our products to, existing or potential customers with international operations. Any decreased use of our products or limitation on our ability to export or sell our products and services would likely adversely affect our business, financial condition and results of operations.

In addition, in the future we may be subject to defense-related export controls. For example, currently our solutions are not subject to supervision under the Israeli Defense Export Control Law, 5767-2007, but if they were used for purposes that are classified as defense-related or if they fall under "dual-use goods and technology" as referred to below, we could become subject to such regulation. In particular, under the Israeli Defense Export Control Law, 5767-2007, an Israeli company may not conduct "defense marketing activity" without a defense marketing license from the Israeli Ministry of Defense (MOD) and may be subject to a requirement to obtain a specific license from the MOD for any export of defense related products and/or knowhow. The definition of defense marketing activity is broad and includes any marketing of "defense equipment," "defense knowhow" or "defense services" outside of Israel, which includes "dual-use goods and technology" (material and equipment intended in principle for civilian use and that can also be used for defensive purposes, such as our cybersecurity solutions) that is specified in the list of Goods and Dual-Use Technology annexed to the Wassenaar Arrangement on Export Controls for Conventional Arms and Dual-Use Goods and Technologies, if intended for defense use only, or is specified under Israeli legislation. "Dual-use goods and technology" will be subject to control by the Ministry of Economy if intended for civilian use only. In December 2013, regulations under the Wassenaar Arrangement included for the first time a chapter on cyber-related matters, which chapter was last amended in December 2017. We believe that our products do not fall under this chapter; however, in the future we may become subject to this regulation or similar regulations, which would limit our sales and marketing activities and could therefore have an adverse effect on our results of operations. Similar issues could arise under the U.S. defense/military export controls under the Arms Export Control Act and the International Traffic in Arms Regulations. Accordingly, there can be no assurance whether our solutions would be impacted by any potential new regulations pertaining to cybersecurity products and services similar to those provided by us, and what impact potential new regulations would have on our sales or our costs relating to compliance.

Risks Related to Our Ordinary Shares

Our share price may be volatile, and you may lose all or part of your investment.

Since our initial public offering in September 2014, our ordinary shares have traded on the Nasdaq Global Select Market as high as $76.35 per share and as low as $22.12 per share through February 28, 2018. In addition, the market price of our ordinary shares could be highly volatile and may fluctuate substantially as a result of many factors, some of which are beyond our control, including, but not limited to:

- actual or anticipated fluctuations in our results of operations and the results of other similar companies;
- variance in our financial performance from the expectations of market analysts;
- announcements by us or our competitors of significant business developments, changes in service provider relationships, acquisitions or expansion plans;
- changes in the prices of our products and services or in our pricing models;
- our involvement in litigation;
- our sale of ordinary shares or other securities in the future;
- market conditions in our industry;
- changes in key personnel;
- speculation in the press or the investment community;
- the trading volume of our ordinary shares;

- changes in the estimation of the future size and growth rate of our markets;
- any merger and acquisition activities; and
- general economic and market conditions.

In addition, the stock markets have experienced price and volume fluctuations. Broad market and industry factors may materially harm the market price of our ordinary shares, regardless of our operating performance. In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been instituted against that company. If we were involved in any similar litigation we could incur substantial costs and our management's attention and resources could be diverted, which could materially adversely affect our business.

If securities or industry analysts cease to publish research or publish inaccurate or unfavorable research reports about our business, our share price and trading volume could decline.

The trading price for our ordinary shares is affected by any research or reports that securities or industry analysts publish about us or our business. If one or more of the analysts who cover us or our business publish inaccurate or unfavorable research reports about us or our business, and in particular, if they downgrade their evaluations of our ordinary shares, the price of our ordinary shares would likely decline. If one or more of these analysts cease coverage of our company, we could lose visibility in the market for our ordinary shares, which in turn could cause our share price to decline.

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

As a foreign private issuer whose shares are listed on the NASDAQ Global Select Market, we are permitted to follow certain home country corporate governance practices instead of certain rules of NASDAQ. We currently follow Israeli home country practices with regard to the quorum requirement for shareholder meetings and NASDAQ requirements relating to distribution of our annual report to shareholders. As permitted under the Israeli Companies Law, 5759-1999, or the Companies Law, our articles of association provide that the quorum for any meeting of shareholders shall be the presence of at least two shareholders present in person or by proxy who hold at least 25% of the voting power of our shares instead of 33 1/3% of our issued share capital (as prescribed by NASDAQ's rules). Further, as permitted by the Companies Law and in accordance with the generally accepted business practice in Israel, we do not distribute our annual report to shareholders but make it available through our public website. We may in the future elect to follow Israeli home country practices with regard to other matters such as director nomination procedures, separate executive sessions of independent directors and the requirement to obtain shareholder approval for certain dilutive events (such as for the establishment or amendment of certain equity-based compensation plans, issuances that will result in a change of control of the company, certain transactions other than a public offering involving issuances of a 20% or more interest in the company and certain acquisitions of the stock or assets of another company). Accordingly, our shareholders may not be afforded the same protection as provided under NASDAQ corporate governance rules. Following our home country governance practices as opposed to the requirements that would otherwise apply to a United States company listed on NASDAQ may provide less protection than is accorded to shareholders of domestic issuers. See "Item16.G. Corporate Governance."

Our business could be negatively affected as a result of the actions of activist shareholders, and such activism could impact the trading value of our securities.

In recent years, U.S. and non-U.S. companies listed on securities exchanges in the United States have been faced with governance-related demands from activist shareholders, unsolicited tender offers and proxy contests. Although as a foreign private issuer we are not subject to U.S. proxy rules, responding to any action of this type by activist shareholders could be costly and time-consuming, disrupting our operations and diverting the attention of management and our employees. Such activities could interfere with our ability to execute our strategic plans. In addition, a proxy contest for the election of directors at our annual meeting would require us to incur significant legal fees and proxy solicitation expenses and require significant time and attention by management and our board of directors. The perceived uncertainties due to such actions of activist shareholders also could affect the market price of our securities.

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

As a foreign private issuer, we are exempt from a number of requirements under U.S. securities laws that apply to public companies that are not foreign private issuers. In particular, we are exempt from the rules and regulations under the Exchange Act related to the furnishing and content of proxy statements, and our officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we are not required under the Exchange Act to file annual and current reports and financial statements with the SEC as frequently or as promptly as U.S. domestic companies whose securities are registered under the Exchange Act and we are generally exempt from filing quarterly reports with the SEC under the Exchange Act. We are also exempt from the provisions of Regulation FD, which prohibits issuers from making selective disclosure of material nonpublic information to, among others, broker-dealers and holders of a company's securities under circumstances in which it is reasonably foreseeable that the holder will trade in the company's securities on the basis of the information. Even though we intend to comply voluntarily with Regulation FD, these exemptions and leniencies will reduce the frequency and scope of information and protections to which you are entitled as an investor. For so long as we qualify as a foreign private issuer, we are not required to comply with the proxy rules applicable to U.S. domestic companies, although pursuant to the Companies Law, we disclose the annual compensation of our five most highly compensated office holders (as defined under the Companies Law) on an individual basis, including in this annual report.

Since a majority of our voting securities are either directly or indirectly owned of record by residents of the United States, we would lose our foreign private issuer status if any of the following were to occur: (i) the majority of our executive officers or directors were United States citizens or residents, (ii) more than 50 percent of our assets were located in the United States, or (iii) our business was administered principally in the United States. Although we have elected to comply with certain U.S. regulatory provisions, our loss of foreign private issuer status would make such provisions mandatory. The regulatory and compliance costs to us under U.S. securities laws as a U.S. domestic issuer may be significantly higher. We may also be required to modify certain of our policies to comply with good governance practices associated with U.S. domestic issuers. Such conversion and modifications will involve additional costs. In addition, we would lose our ability to rely on the Nasdaq exemptions from certain corporate governance requirements that are available to foreign private issuers.

If we sell our ordinary shares in future financings, ordinary shareholders could experience immediate dilution and, as a result, the market price of our ordinary shares may decline.

We may from time to time issue additional ordinary shares at a discount from the current trading price of our ordinary shares. As a result, our ordinary shareholders would experience immediate dilution upon the purchase of any ordinary shares sold at such discount. In addition, as opportunities present themselves, we may enter into equity or debt financings or similar arrangements in the future, including the issuance of convertible debt securities, preferred shares or ordinary shares. If we issue ordinary shares or securities convertible into ordinary shares, holders of our ordinary shares could experience dilution.

If we are unable to satisfy the requirements of Sections 404(a) and 404(b) of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, or if our internal control over financial reporting is not effective, investors may lose confidence in the accuracy and the completeness of our financial reports and the trading price of our ordinary shares may be negatively affected.

Pursuant to Section 404(a) of the Sarbanes-Oxley Act, we are required to furnish a report by management on the effectiveness of our internal control over financial reporting. Additionally, pursuant to Section 404(b) of the Sarbanes-Oxley Act, we must include an auditor attestation on our internal control over financial reporting.

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

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

As a public company we may become subject to further compliance obligations, which may strain our resources and divert management's attention.

Changing laws, regulations and standards in the United States relating to corporate governance and public disclosure and other matters may be implemented in the future, which may increase our legal and financial compliance costs, make some activities more time consuming and divert management's time and attention from revenue-generating activities to compliance activities. If our efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to practice, regulatory authorities may initiate legal proceedings against us and our business may be harmed. Being a publicly traded company in the United States and being subject to U.S. rules and regulations may make it more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These factors could also make it more difficult for us to attract and retain qualified members of our board of directors, particularly to serve on our audit committee, and qualified executive officers.

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

Generally, if for any taxable year 75% or more of our gross income is passive income, or at least 50% of the average quarterly value of our assets (which may be measured in part by the market value of our ordinary shares, which is subject to change) are held for the production of, or produce, passive income, we would be characterized as a passive foreign investment company, or PFIC, for U.S. federal income tax purposes under the Internal Revenue Code of 1986, as amended, or the Code. Based on our gross income and gross assets, and the nature of our business, we believe that we were not classified as a PFIC for the taxable year ended December 31, 2017. Because PFIC status is determined annually based on our income, assets and activities for the entire taxable year, it is not possible to determine whether we will be characterized as a PFIC for the taxable year ending December 31, 2018, or for any subsequent year, until we finalize our financial statements for that year. Furthermore, because the value of our gross assets is likely to be determined in large part by reference to our market capitalization, a decline in the value of our ordinary shares may result in our becoming a PFIC. Accordingly, there can be no assurance that we will not be considered a PFIC for any taxable year. Our characterization as a PFIC could result in material adverse tax consequences for you if you are a U.S. investor, including having gains realized on the sale of our ordinary shares treated as ordinary income, rather than a capital gain, the loss of the preferential rate applicable to dividends received on our ordinary shares by individuals who are U.S. holders, and having interest charges apply to distributions by us and the proceeds of share sales. Certain elections exist that may alleviate some of the adverse consequences of PFIC status and would result in an alternative treatment (such as mark-to-market treatment) of our ordinary shares. Prospective U.S. investors should consult their own tax advisers regarding the potential application of the PFIC rules to them. Prospective U.S. investors should refer to "Item 10.E. Taxation—Certain United States Federal Income Tax Consequences" for discussion of additional U.S. income tax considerations applicable to them based on our treatment as a PFIC.

Certain U.S. holders of our ordinary shares may suffer adverse tax consequences if we or any of our non-U.S. subsidiaries are characterized as a "controlled foreign corporation", or a CFC, under Section 957(a) of the Code. Certain changes to the CFC constructive ownership rules under Section 958(b) of the Code introduced by the TCJA may cause one or more of our non-U.S. subsidiaries to be treated as CFCs, may also impact our CFC status, and may affect holders of our ordinary shares that are United States shareholders. Generally, for U.S. shareholders that own 10% or more of the combined vote or combined value of our ordinary shares, this may result in negative U.S. federal income tax consequences and these shareholders may be subject to certain reporting requirements with the U.S. Internal Revenue Service. Any such 10% U.S. shareholder should consult its own tax advisors regarding the U.S. tax consequences of acquiring, owning, or disposing our ordinary shares and the impact of the TCJA, especially the changes to the rules relating to CFCs.

Risks Relating to Our Incorporation and Location in Israel

Our headquarters, substantially all of research and development activities and other significant operations are located in Israel and, therefore, our results may be adversely affected by political, economic and military instability in Israel.

Our headquarters and principal research and development facilities are located in Israel. In addition, the majority of our key employees, officers and directors are residents of Israel. Accordingly, political, economic and military conditions in Israel may directly affect our business. Since the establishment of the State of Israel in 1948, a number of armed conflicts have taken place between Israel and its neighboring countries. In recent years, these have included hostilities between Israel and Hezbollah in Lebanon and Hamas in the Gaza strip, both of which resulted in rockets being fired into Israel causing casualties and disruption of economic activities. In addition, Israel faces threats from more distant neighbors, including, in particular, Iran. Our commercial insurance does not cover losses that may occur as a result of an event associated with the security situation in the Middle East. Although the Israeli government is currently committed to covering the reinstatement value of direct damages that are caused by terrorist attacks or acts of war, we cannot assure you that this government coverage will be maintained, or if maintained, will be sufficient to compensate us fully for damages incurred. Any losses or damages incurred by us could have a material adverse effect on our business. Any armed conflict involving Israel could adversely affect our operations and results of operations.

Further, our operations could be disrupted by the obligations of personnel to perform military service. As of December 31, 2017, we had 378 employees based in Israel, certain of which may be called upon to perform up to 54 days in each three year period (and in the case of non-officer commanders or officers, up to 70 or 84 days, respectively, in each three year period) of military reserve duty until they reach the age of 40 (and in some cases, depending on their specific military profession up to 45 or even 49 years of age) and, in certain emergency circumstances, may be called to immediate and unlimited active duty. Our operations could be disrupted by the absence of a significant number of employees related to military service, which could materially adversely affect our business and results of operations.

Several countries, principally in the Middle East, restrict doing business with Israel and Israeli companies, and additional countries may impose restrictions on doing business with Israel and Israeli companies whether as a result of hostilities in the region or otherwise. In addition, there have been increased efforts by activists to cause companies and consumers to boycott Israeli goods based on Israeli government policies. Such actions, particularly if they become more widespread, may adversely impact our ability to sell our products. Any hostilities involving Israel or any interruption or curtailment of trade between Israel and its present trading partners, or a significant downturn in the economic or financial condition of Israel, could adversely affect our business, financial condition and results of operations. We may also be targeted by cyber terrorists specifically because we are an Israeli company.

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

We were granted Approved Enterprise status under the Israeli Law for the Encouragement of Capital Investments, 5719-1959, or the Investment Law. We elected the alternative benefits program, pursuant to which income derived from the Approved Enterprise program is tax-exempt for two years and enjoys a reduced tax rate of 10.0% to 25.0% for up to a total of eight years, subject to an adjustment based on the percentage of foreign investors' ownership. We were also eligible for certain tax benefits provided to Benefited Enterprises under the Investment Law. In March 2013, we notified the Israel Tax Authority that we apply the new tax Preferred Enterprise regime under the Investment Law instead of our Approved Enterprise and Benefited Enterprise. Accordingly, we are eligible for certain tax benefits provided to Preferred Enterprises under the Investment Law. If we do not meet the conditions stipulated in the Investment Law and the regulations promulgated thereunder, as amended, for the Preferred Enterprise, any of the associated tax benefits may be canceled and we would be required to repay the amount of such benefits, in whole or in part, including interest and CPI linkage (or other monetary penalties). Further, in the future these tax benefits may be reduced or discontinued. If these tax benefits are reduced, cancelled or discontinued, our Israeli taxable income would be subject to regular Israeli corporate tax rates which would harm our financial condition and results of operation. Additionally, if we increase our activities outside of Israel through acquisitions, for example, our expanded activities might not be eligible for inclusion in future Israeli tax benefit programs. See "Item 5. Operating and Financial Review and Prospects—Operating Results—Israeli Tax Considerations and Government Programs—Law for the Encouragement of Capital Investments, 5719-1959."

We may become subject to claims for remuneration or royalties for assigned service invention rights by our employees.

We enter into assignment-of-invention agreements with our employees pursuant to which such individuals agree to assign to us all rights to any inventions created in the scope of their employment or engagement with us. A significant portion of our intellectual property has been developed by our employees during the course of their employment by us. Under the Israeli Patent Law, 5727-1967, inventions conceived by an employee during the scope of his or her employment with a company are regarded as "service inventions" which belong to the employer, absent a specific agreement between the employee and employer giving the employee service invention rights. Although our employees have agreed to assign to us service invention rights, as a result of uncertainty under Israeli law with respect to service invention rights and the efficacy of related waivers, including with respect to remuneration and its extent, we may face claims demanding remuneration in consideration for assigned inventions. As a consequence of such claims, we could be required to pay additional remuneration or royalties to our current and/or former employees, or be forced to litigate such claims, which could negatively affect our business.

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

Our articles of association contain certain provisions that may delay or prevent a change of control. These provisions include that our directors (other than external directors, if applicable) are elected on a staggered basis, and therefore a potential acquirer cannot readily replace our entire board of directors at a single annual general shareholder meeting. In addition, Israeli corporate law regulates acquisitions of shares through tender offers and mergers, requires special approvals for transactions involving directors, officers or significant shareholders and regulates other matters that may be relevant to such types of transactions. See "Item 10.B. Articles of Association—Acquisitions under Israeli Law" for additional information.

Furthermore, Israeli tax considerations may make potential transactions unappealing to us or to our shareholders whose country of residence does not have a tax treaty with Israel exempting such shareholders from Israeli tax. For example, Israeli tax law does not recognize tax-free share exchanges to the same extent as U.S. tax law. With respect to mergers involving an exchange of shares, Israeli tax law allows for tax deferral in certain circumstances but makes the deferral contingent on the fulfillment of a number of conditions, including, in some cases, a holding period of two years from the date of the transaction during which sales and dispositions of shares of the participating companies are subject to certain restrictions. Moreover, with respect to certain share swap transactions, the tax deferral is limited in time, and when such time expires, the tax becomes payable even if no disposition of the shares has occurred. These provisions of Israeli law and our articles of association could have the effect of delaying or preventing a change in control in us and may make it more difficult for a third-party to acquire us, even if doing so would be beneficial to our shareholders, and may limit the price that investors may be willing to pay in the future for our ordinary shares.

It may be difficult to enforce a judgment of a U.S. court against us, our officers and directors or the Israeli auditors named in this annual report in Israel or the United States, to assert U.S. securities laws claims in Israel or to serve process on our officers and directors and these auditors.

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

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

The rights and responsibilities of the holders of our ordinary shares are governed by our articles of association and by Israeli law. These rights and responsibilities differ in some material respects from the rights and responsibilities of shareholders in U.S.-based corporations. In particular, a shareholder of an Israeli company has a duty to act in good faith and in a customary manner in exercising its rights and performing its obligations towards the company and other shareholders, and to refrain from abusing its power in the company, including, among other things, in voting at a general meeting of shareholders on matters such as amendments to a company’s articles of association, increases in a company’s authorized share capital, mergers and acquisitions and related party transactions requiring shareholder approval. In addition, shareholders have a general duty to refrain from discriminating against other shareholders and a shareholder who is aware that it possesses the power to determine the outcome of a shareholder vote or to appoint or prevent the appointment of a director or chief executive officer in the company has a duty of fairness toward the company with regard to such vote or appointment. There is limited case law available to assist us in understanding the nature of this duty or the implications of these provisions. These provisions may be interpreted to impose additional obligations and liabilities on holders of our ordinary shares that are not typically imposed on shareholders of U.S. corporations. See “Item 6.C. Board Practices — Approval of Related Party Transactions under Israeli Law—Fiduciary Duties of Directors and Executive Officers.”

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

Our History

We were founded in 1999 with the vision of protecting high-value business data and pioneered our Digital Vault technology, which is the foundation of our primary platform. That same year, we began offering our first product, the Sensitive Information Management Solution (previously called the Sensitive Document Vault), which provides a secure platform through which our customers' employees can share sensitive files. We believe our early innovation in vaulting technology enabled us to evolve into a company that provides a comprehensive security solution built for privileged accounts. In 2005, we introduced our Privileged Account Security Solution, which has become our leading offering and reflects our emphasis on protecting privileged accounts across an organization. In September 2014, we listed our ordinary shares on the NASDAQ Global Select Market. In 2015, we acquired Viewfinity, a provider of Windows least privilege management and application control software, as well as Cybertinel, a cyber security company specializing in cyber threat detection technology. In May 2017, we acquired Conjur Inc., a provider of DevOps security software, and in March 2018, we acquired certain assets of Vaultive, Inc., a cloud security provider. Based on our continued innovation, today we are a leader in privileged account security, a critical layer of IT security to protect data, infrastructure and assets across the enterprise, in the cloud and throughout the DevOps pipeline.

We are a company limited by shares organized under the laws of the State of Israel. We are registered with the Israeli Registrar of Companies. Our registration number is 51-229164-2. Our principal executive offices are located at 9 Hapsagot St., Park Ofer B, POB 3143, Petach-Tikva, 4951040, Israel, and our telephone number is +972 (3) 918-0000. Our website address is www.cyberark.com. Information contained on, or that can be accessed through, our website is not part of this annual report and is not incorporated by reference herein. We have included our website address in this annual report solely for informational purposes. Our agent for service of process in the United States is CyberArk Software, Inc., located at 60 Wells Avenue, Newton, MA 02459, and our telephone number is (617) 965-1544.

Principal Capital Expenditures

Our capital expenditures for fiscal years 2015, 2016 and 2017 amounted to $2.1 million, $2.8 million and $6.8 million, respectively. Capital expenditures consist primarily of investments in leasehold improvements for our office space and the purchase of computers and related equipment. We anticipate our capital expenditures in fiscal year 2018 to be in a range of $10 million and $11 million, of which approximately $5 million relates to our offices in London, Singapore, the U.S. and the global headquarters in Israel. We anticipate our capital expenditures in 2018 will be financed with cash on hand and cash flow generated from operating activities.

B. Business Overview

We are a global leader in privileged account security, a critical layer of IT security to protect data, infrastructure and assets across the enterprise, in the cloud and throughout the DevOps pipeline. Our software solutions are focused on protecting privileged accounts, credentials and secrets, which are consistently sought-after by cyber attackers to accomplish their goals. Privileged accounts are pervasive and act as the "keys to the IT kingdom," providing complete access to, and control of, IT infrastructure (whether located on-premises or in the cloud), applications, DevOps tools, and critical business data. In the hands of an external attacker or malicious insider, privileged credentials allow attackers to take control of and disrupt an organization's IT environment and industrial control systems, steal confidential information and commit financial fraud. Our comprehensive solutions proactively protect credentials, isolate and monitor sessions, detect and respond to privileged threats, provide applications and DevOps secrets management, and enforce privileged account security on the endpoint. Our customers use our innovative solutions to introduce a critical security layer to protect against, detect and respond to cyber attacks before they strike vital systems, compromise sensitive data and disrupt business operations.

Organizations worldwide are experiencing an unprecedented increase in the sophistication, scale and frequency of cyber attacks. The challenge this presents is intensified by the growing adoption of new technologies such as cloud computing, new container and micro-service-based application architectures leveraging DevOps methodologies, enterprise mobility and social networking, which has resulted in increasingly complex and distributed IT environments with significantly larger attack surfaces. Organizations have historically relied upon perimeter-based threat protection solutions such as network and web security tools as the predominant defense against cyber attacks, yet these traditional solutions have a limited ability to stop today's advanced threats. Many organizations are still in the early stages of adapting their security strategies to address this new threat environment and are evolving their approaches based on the assumption that their network perimeter has been or will be breached. They are therefore increasingly implementing new layers of security inside the network to disrupt attacks before they result in the theft of confidential information or other serious damage. Regulators are also continuing to mandate rigorous compliance standards and audit requirements in response to this evolving threat landscape.

We believe that the implementation of a privileged account security solution is one of the most critical layers of an effective security strategy. Privileged accounts, credentials and secrets represent some of the most vulnerable aspects of an organization's IT infrastructure. Privileged accounts are used by system administrators, third-party and cloud service providers, applications and business users, and they exist in nearly every connected device, server, hypervisor, container, operating system, database, application and endpoint. Due to the broad access and control they provide, privileged account exploitation has become a critical stage of the cyber attack lifecycle. The typical cyber attack involves an attacker effecting an initial breach, escalating privileges to access target systems, moving laterally through the IT infrastructure to identify valuable targets, and exfiltrating, or stealing, the desired information.

Our solutions can be deployed in traditional on-premises data centers, public, private or hybrid cloud environments. Our innovative software solutions are the result of over 18 years of research and expertise, combined with valuable knowledge we have gained from working with our diverse population of customers and from our acquisitions of Viewfinity, Cybertinel and Conjur.

The CyberArk Privileged Account Security Solution provides the most comprehensive approach to securing privileged credentials on-premises and in the cloud, from every endpoint and application, and throughout the DevOps pipeline. The solution consists of our Core offering for credential protection, session isolation and monitoring, and privileged threat detection and prevention. The Core offering can be extended with least privilege control for Linux, Unix, and Windows servers and domain control protection. The solution also includes application credential and DevOps secrets management with Application Identity Manager and Conjur and protection of privilege on endpoints with Endpoint Privilege Manager.

Every product in the CyberArk Privileged Account Security Solution is stand-alone and can be managed independently while still sharing resources and data from common infrastructure, and integrates out of the box with over 100 types of IT assets in the datacenter or the cloud.

At the core of the infrastructure are an isolated vault server, a unified policy engine, a discovery engine and layers of security that provide scalability, reliability and unmatched security for privileged accounts, credentials and secrets.

Our solution complement other vendors' IT, security and cloud solutions in two significant ways. First, through enhancing the security of these solutions by reducing the misuse potential of privileged accounts used by or incorporated within these solutions and second, through the sharing of valuable information between the solutions, for improved detection, protection and response in the event of a cyber attack.

In April 2016, we announced the launch of the C^3 Alliance, CyberArk's global technology partner program, which brings together enterprise software, IT Security and services providers to build on the power of privileged account security to better protect customers from cyber threats. The program establishes a product integration foundation with our C^3 Alliance technology partners for the benefit of our mutual customers.

As of December 31, 2017, we had approximately 3,650 customers, including approximately 50% of the Fortune 100 companies and approximately 30% of the Global 2000 companies. We define a customer to include a distinct entity, division or business unit of a company. Our customers include leading organizations in a diverse set of industries, including financial services, manufacturing, insurance, healthcare, energy and utilities, transportation, retail, technology and telecommunications, as well as government agencies. We sell our solutions through a high touch, channel fulfilled hybrid sales model that combines the leverage of channel sales as well as advisory firm influence with the account control of direct sales. This provides us with significant opportunities to grow our current customer base. This approach allows us to maintain close relationships with our customers and benefit from the global reach of our channel and advisory firm partners. Additionally, we continue to enhance our product offerings and go-to-market strategy by establishing technology alliances within the IT infrastructure and security vendor ecosystem.

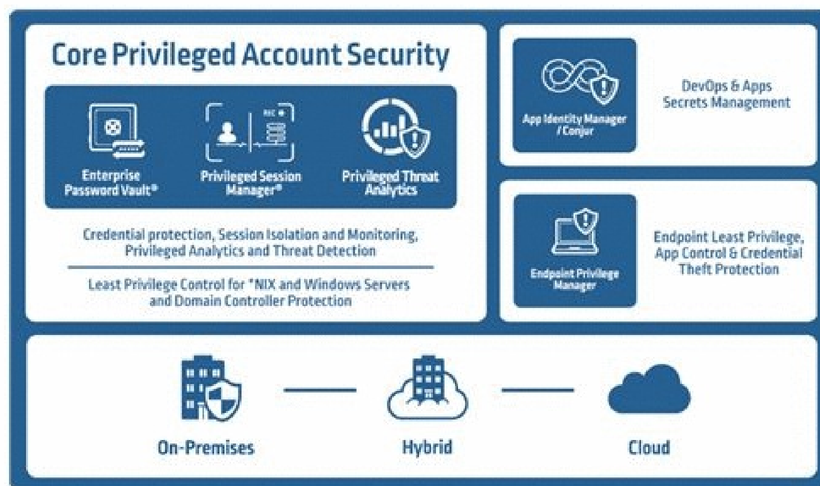
Industry Background

The continuous string of targeted, damaging breaches executed by both external attackers and malicious insiders, along with an increase in the attack surface due to the growing complexity and distributed nature of IT environments, have made it extremely challenging for enterprises and government agencies around the world to protect sensitive information and infrastructure. These challenges are driving the need for privileged account security solutions that provide a critical layer of IT security and complement traditional threat protection technologies by protecting privileged accounts, credentials and secrets.

Our Products

Our products secure organizations' high-value data and critical IT assets by providing proactive protection against external and internal cyber threats and enabling real-time detection and neutralization of attacks.

Privileged Account Security Solution



The comprehensive, purpose-built CyberArk Privileged Account Security Solution provides our customers with a set of products that enable them to secure, manage and monitor privileged account access and activities. Our solution consists of a Core Privileged Account Security offering, application credential and DevOps secrets management with Application Identity Manager and Conjur, and endpoint protection with Endpoint Privilege Manager. These products share a common technology platform that includes our secure Digital Vault, Web Management Interface, Master Policy Engine and Discovery Engine. We also offer over 100+ certified joint solutions with leading cloud, security, and IT management providers via our C^3 Alliance program.

Core Privileged Account Security

CyberArk's Core Privileged Account Security offering includes credential protection and management; session isolation and monitoring; and privileged analytics and threat detection. This offering includes CyberArk's industry leading Enterprise Password Vault, Privileged Session Manager and Privileged Threat Analytics.

Enterprise Password Vault. The Core Privileged Account Security offering helps prevent the malicious use of privileged user passwords and SSH keys, and protects vulnerable accounts. It secures privileged credentials based on an organization's privileged account security policies and controls who can access which credentials and when. This automated process also reduces the time of manually tracking and updating privileged credentials to meet audit and compliance standards.

Privileged Session Manager. The Core Privileged Account Security offering secures, isolates, controls and monitors privileged user access and activities to critical Unix, Linux, and Windows-based systems, databases, virtual machines, network devices, mainframes, websites, SaaS applications, and more. It provides a single-access control point, helps prevent malware from jumping to a target system through the isolation of end users, and records every keystroke and mouse click for continuous monitoring. Detailed session recordings and the ability to search, locate, and alert of sensitive events without having to filter through logs simplifies compliance audits and accelerates forensic investigations. Real-time monitoring helps provide continuous protection for privileged access as well as automatic suspension and termination of privileged sessions if any activity is deemed suspicious. The solution also provides full integration with third-party SIEM solutions with alerts on unusual activity. It also provides AD Bridge capabilities that enable organizations to centrally manage Unix users and accounts that are linked to AD through the CyberArk platform.

Privileged Threat Analytics. The Core Privileged Account Security offering enables organizations to detect, alert and respond to anomalous privileged activity indicating an in-progress attack. The solution collects a targeted set of data from multiple sources, including the CyberArk Digital Vault, SIEM and the network. Then, the solution applies statistical and deterministic algorithms, enabling organizations to detect indications of compromise early in the attack lifecycle by identifying malicious privileged account activity.

The Core Privileged Account Security offering can be extended to secure least privilege on Linux, Unix, and Windows servers and protect domain controllers.

Least Privilege Management. The CyberArk Core Privileged Account Security offering allows privileged users to use administrative commands from their native Unix/Linux session while eliminating unneeded root access or admin rights. This solution provides unified and correlated logging of all super user activity linking it to a personal username while providing the freedom needed to perform job functions. Granular access control is given while continuously monitoring all administrative commands super users run based on their role and task. The solution also enables organizations to block and contain attacks on Windows servers to reduce the risk of information being stolen or encrypted and held for ransom.

Domain Controller Protection. CyberArk offers an ultra-light weight Windows agent that performs network behavior analytics to detect a range of potential threats including suspected credential theft, lateral movement and privilege escalation on domain controllers. It provides the ability to enforce granular controls for least privilege and application control on domain controllers and to detect a variety of in-progress Kerberos attacks including Golden Ticket, Overpass-the-Hash and Privilege Attribute Certificate (PAC) manipulation.

Application Credential and DevOps Secrets Management

CyberArk offers Application Credential and DevOps Secrets Management with Application Identity Manager and Conjur. These offerings can be used together or on their own to secure credentials in commercial off-the-shelf applications as well as applications built on containers and micro-services using DevOps methodologies.

Application Identity Manager. The solution eliminates hard-coded passwords and locally stored SSH keys from commercial off-the-shelf applications and scripts. The CyberArk Application Identity Manager meets enterprises requirements for availability and business continuity, including within complex and distributed network environments. The product helps eliminate embedded application credentials, often without requiring code changes or affecting application performance.

Conjur. CyberArk Conjur is a secrets management solution tailored to meet the specific infrastructure requirements of native cloud and DevOps environments. The solution helps information security and DevOps organizations secure and manage secrets used by users and machine identities such as DevOps and PaaS tools, cloud-native applications, micro-services and containers. Designed for cloud-scale, Conjur is based on a distributed, high availability architecture. Conjur provides comprehensive secrets management for sensitive data used by DevOps tools and cloud-native applications such as API keys, certificates, passwords, SSH keys and tokens. Conjur integrates with the DevOps toolchain and helps secure and manage secrets used by CI/CD tools such as Ansible, Chef, Jenkins and Puppet and container orchestration software such as Docker. Conjur is available in open source and enterprise versions.

Endpoint Protection

Endpoint Privilege Manager. CyberArk Endpoint Privilege Manager secures privileges on the endpoint (Windows and Mac desktops) and helps contain attacks early in their lifecycle. It enables revocation of local administrator rights, while minimizing impact on user productivity, by seamlessly elevating privileges for authorized applications or tasks. Application control, with automatic policy creation, allows organizations to prevent malicious applications from executing, and runs unknown applications in a restricted mode. This, combined with credential theft protection, helps prevent malware such as ransomware from gaining a foothold and contains attacks on the endpoint. CyberArk Endpoint Privilege Manager is available through on-premises and SaaS deployments.

Shared Technology Platform. Our shared technology platform is the foundation of the CyberArk Privileged Account Security Solution and includes our secure Digital Vault, Web Management Interface, Master Policy Engine and Discovery Engine. Our Digital Vault is an encrypted server that only responds to preset vault protocols to promote security throughout an organization's network. CyberArk solutions use the Digital Vault to safely store, audit and manage passwords, privileged credentials and secrets, policy information and privileged account session data. Our proprietary vault protocol technology enables distributed deployments across global networks for central management and auditing while providing enterprise-wide global coverage. Our Web Management Interface provides a single, user-friendly interface for customers to set, manage and monitor privileged account security policies across an entire organization in a matter of minutes while allowing for granular level exceptions to meet the organization's specific operational needs. Organizations can also leverage REST APIs to automate privileged account security tasks and quickly integrate CyberArk solutions with existing security, operations and DevOps tools. Our Master Policy Engine and Discovery Engine enable organizations to understand the scope of privileged account risk and helps ensure that all privileged account activity is accounted for by automatically discovering new privileged accounts or changes to existing accounts.

Our Services

Maintenance and Support

Our customers typically purchase one year or, to a lesser extent, three years, of software maintenance and support, in conjunction with their initial purchase of perpetual licenses for our products. Thereafter, they can renew such maintenance and support for additional one or three-year periods. These two alternative maintenance and support periods are common in the software industry. Customers pay for each alternative in full at the beginning of their terms. The substantial majority of our contracts sold are for a one-year term. For example, for the years 2015 through 2017 approximately 85% of the renewal contracts were for a one year term.

Our global customer support organization has expertise in our software and how it interacts with complex IT environments. When sales are made to customers directly, we typically also provide any necessary maintenance and support pursuant to a maintenance and support contract directly with the customer. When sales are made through channels, the channel partner (primarily in the EMEA and Asia Pacific and Japan regions) typically provides the first and second level support and we typically provide third level support if the issue cannot be resolved by the channel partner.

Our maintenance and support program provides customers the right to software bug repairs, the latest system enhancements and updates on an if-and-when available basis during the maintenance period, and access to our technical support services. Our technical support services are provided via our online support center, which enables customers to submit new support queries and monitor the status of open and past queries. Our online support system also provides customers with access to our CyberArk Knowledge Base, an online user-driven information repository that provides customers the ability to address their own queries. Additionally, we offer email and telephone support during business hours to customers that purchase a standard support package and 24/7 availability to customers that purchase our 24/7 support package.

Professional Services

Our products are designed for customers to be able to download, install and deploy on their own. CyberArk solutions are highly configurable and many customers will select either one of our many trained channel partners or our CyberArk Security Services team to provide expert professional services. Our Security Services team can be contracted to assist customers in planning, installing and configuring our solution to meet the needs of their security and IT environment. Our Security Services team provides ongoing consulting services regarding best practices in privileged account security, and recommended ways to implement our solutions to meet specific customer requirements. Additionally, they share best practices associated with privileged account security to educate customers and partners on such best practices through virtual classroom, live face-to-face, or self-paced classes.

Our Technology

The comprehensive CyberArk Privileged Account Security Solution relies on a set of proprietary technologies that provide a high level of security, scalability and reliability. The core technologies included in our solution are as follows.

Secure Digital Vault Technology. Our proprietary Digital Vault technology provides a highly secure, isolated environment, independent of other software, and is engineered with multiple layers of security. Our Digital Vault provides a data encryption mechanism that eliminates the need for encryption key management by the end user, while each object in our Digital Vault is encrypted with its own unique encryption key. To ensure security throughout the network, our Digital Vault communicates within an organization's network and over the internet through a proprietary and highly protected Vault Protocol, enabling an organization to implement the centrally managed Privileged Account Security Solution with products located in multiple datacenters and geographic locations. Our Digital Vault provides an additional level of protection by preventing the vault administrator from accessing or discovering protected data stored within it. In addition, our Digital Vault database is embedded, isolated and self-managed as part of our Digital Vault software, thereby blocking database administrator access to our Digital Vault database to further eliminate threats. Our Privileged Account Security Solution's additional products use the highly secured Digital Vault to safely store, audit and manage passwords, privileged credentials, policy information and privileged account session data.

Sophisticated Threat Analytics Algorithms. Our team of cyber experts and development engineers has developed proprietary algorithms that are at the core of our privileged analytics and threat detection solution. These algorithms were developed using our deep understanding of cybersecurity and cyber attack techniques, together with over a decade of rich experience in analyzing privileged account activities. Our solution uses these proprietary algorithms to construct a behavioral profile for privileged users within an organization and continuously updates the profile based on normal changes in behavior. Once a behavioral profile is established, the threat analytics algorithms provide the ability to look for deviations from that profile in order to identify anomalies in user behavior. It then scores each individual anomaly and determines the level of threat based on the correlation of such anomalous events. Additionally, agents can be deployed to analyze and to detect Kerberos-based attacks in real-time. These attacks are particularly dangerous since they enable attackers to gain unrestricted access and control to the entire IT infrastructure. Alerts with full details of the incident, including the probability of malicious intent, can be raised immediately, allowing an organization's incident response team to review the potential threat and take action when necessary.

Strong Application Authentication and Credential Management. The Conjur and Application Identity Manager architecture allows an organization to eliminate hard-coded application credentials, such as passwords and encryption keys, from applications and scripts. Our secure, proprietary technology permits authentication of an application during run-time, based on any combination of the application's signature, executable path or IP address, and operating system user. Following application authentication, the authenticated application uses a secure application programming interface, or API, to request privileged account credentials during run-time and, based on the application permissions in our Privileged Account Security Solution, up-to-date credentials are provided to the application. To ensure business continuity, and high availability and performance even within complex and distributed network environments, our advanced product architecture provides a secure local credentials cache on the application server, eliminating the dependency on network availability and traffic during a run-time application credential request. Our proprietary architecture provides even higher value in application server environments, allowing an organization to eliminate application credentials without the need to perform any code changes or impacting application availability.

Privileged Session Recording and Controls. Our innovative privileged session recording and control mechanisms provide the ability to isolate an organization's IT systems from end-user desktops, while monitoring and recording the privileged session activities. Our proprietary architecture provides a highly secure, proxy-based solution that does not require agent installation on the target systems and provides a single-access control point to the target systems. The architecture blocks direct communication between an end-user's desktop and a target system, thus preventing potential malware on the desktop from infiltrating the target system. This architecture further ensures that privileged credentials will remain protected and will not be exposed to the end-user or reach the desktop. Comprehensive recording capabilities provide the ability to record every keystroke and mouse click on the privileged session, and also provide DVR-like recordings with search, locate and alert capabilities. Risk scoring can be applied to each recorded session, automating the review of all privileged sessions and enabling auditors to prioritize and deprioritize workloads based on the associated risk.

Endpoint Privilege Manager Server and Endpoint Agents. Following the acquisition of Viewfinity, Inc. in 2015, we began offering endpoint agent technology, which provides policy-based privilege management, application control and credential theft protection capabilities. The agent is able to detect the privileged commands, and application installation or invocation on the endpoint, and to validate whether it is permissible by the organization's security policy, otherwise blocking the operation. Having users operate in a least privilege mode together with the Endpoint Privilege Manager agent-technology effectively reduces the surface that attackers or malware can exploit. The Endpoint Privilege Manager server provides policy-based agent management and consolidated reporting, which allows organizations to manage privileges and handle application control. The Endpoint Privilege Manager server can also leverage third party threat and reputation information to enrich the policy and black-list definitions to further strengthen controls and block bad or malicious applications based on such security intelligence.

Our Customers

As of December 31, 2017, we had approximately 3,650 customers, including approximately 50% of the Fortune 100 companies and approximately 30% of the Global 2000 companies. Our customers include leading organizations in a diverse set of industries, including financial services, manufacturing, insurance, healthcare, energy and utilities, transportation, retail, technology and telecommunications, as well as government agencies

Our business is not dependent on any particular customer. No customer in 2015, 2016 and 2017 and no channel partner in 2015 and 2017 accounted for more than 10% of our revenues. In 2016, our largest channel partner accounted for approximately 12.1% of our revenues. Our diverse global footprint is evidenced by the fact that in 2017, we generated 55.6% of our revenues from customers in the United States, 31.2% from the EMEA region and 13.2% from the rest of the world, including countries in North and South America other than the United States and countries in the Asia Pacific region.

Sales and Marketing

Sales

We believe that our hybrid sales model, which combines the leverage of high touch, channel sales with the account control of direct sales, has played an important role in the growth of our customer base to date. We maintain a highly trained sales force that is responsible for developing and closing new business, the management of relationships with our channel partners and the support and expansion of relationships with existing customers. Our sales organization is organized by geographic regions, consisting of the Americas, EMEA and Asia Pacific and Japan regions. As of December 31, 2017, our global network of channel partners consisted of approximately 370 resellers, distributors and managed service providers. Our channel partners generally complement our sales efforts by helping identify potential sales targets, maintaining relationships with certain customers and introducing new products to existing customers and offering post-sale professional services and technical support. In 2017, we generated approximately 40% of our revenues from direct sales from our field offices located throughout the world. Approximately 50% of our sales in the United States are direct while the substantial majority of our sales in the EMEA region and the rest of the world are through channel partners. We work with many global systems integration partners and several leading regional security value added resellers, such as Optiv Security Inc., Computacenter PLC, Orange S.A. Business Services (Orange Cyberdefense), M.Tech, NCC Group, Sirius Computer Solutions, Inc. and Netpoleon Solutions These companies were each among our top 15 channel partners in 2016 and 2017 by revenues and we have derived a meaningful amount from sales to each of them during the last two years.

Our sales cycle varies by size of the customer, the number of products purchased and the complexity of the customer's IT infrastructure, ranging from several weeks for incremental sales to existing customers to many months for sales to new customers or large deployments. To support our broadly dispersed global channel and customer base, as of December 31, 2017, we had sales personnel in 35 countries. We plan to continue investing in our sales organization to support both the growth of our channel partners and our direct sales organization.

Marketing

Our marketing strategy is focused on building our brand strength, communicating the benefits of our solutions, developing leads and increasing sales to existing customers. We market our software as a solution to stop cyber threats before they have the chance to stop business. We execute our strategy by leveraging a combination of internal marketing professionals and a network of channel partners to communicate the value proposition and differentiation for our products, generating qualified leads for our sales force and channel partners. Our marketing efforts also include public relations in multiple regions and extensive content development available through our website. We are focused on ongoing thought-leadership campaigns to reinforce our positioning as the privileged account security leader. Our marketing team is expanding its efforts by investing in analytics-driven lead development, stronger global coordination, quick response to current events and proactive and consistent communication with market analysts.

Research and Development

Continued investment in research and development is critical to our business. Our research and development efforts are focused primarily on improving and continuing to enhance existing products and services, as well as developing new products, features and functionality to meet market needs. We believe the timely development of new products and capabilities is essential to maintaining our competitive position. We regularly release new versions of our software which incorporate new features and enhancements to existing ones. We also maintain a dedicated CyberArk Labs team that researches reported advanced cyber attacks, the attackers' techniques and post-exploit methods that lead to new security development initiatives for our products, and provides thought-leadership on targeted attack mitigation.

As of December 31, 2017, we had 250 employees focused on research and development. We conduct our research and development activities primarily in Israel. We believe this provides us with access to world class engineering talent. Our research and development expenses were $21.7 million, $34.6 million and $42.4 million in 2015, 2016 and 2017, respectively.

Intellectual Property

We rely on a combination of patent, trademark, copyright and trade secret laws, confidentiality procedures and contractual provisions to protect our technology and the related intellectual property.

As of December 31, 2017, we had 14 issued patents in the United States, 2 provisional U.S. patent applications and 26 pending U.S. patent applications. We also had 2 International PCT applications as well as 5 issued patents and 12 applications pending for examination in non-U.S. jurisdictions, all of which are counterparts of our U.S. patent applications.

The claims for which we have sought patent protection relate to current and future elements of our products and technology, including the Digital Vault, Discovery & Audit tool, Privileged Threat Analytics, Privileged Session Manager, Endpoint Privilege Manager and Application Identity Manager.

We generally enter into confidentiality agreements with our employees, consultants, service providers, resellers and customers and generally limit internal and external access to, and distribution of, our proprietary information and proprietary technology through certain procedural safeguards. These agreements and measures may not effectively prevent unauthorized use or disclosure of our intellectual property or technology and may not provide an adequate remedy in the event of unauthorized use or disclosure of our intellectual property or technology.

Our industry is characterized by the existence of a large number of relevant patents and frequent claims and related litigation regarding patent and other intellectual property rights. In particular, leading companies in the security industry have extensive patent portfolios. If we become more successful, we believe that competitors will be more likely to try to develop products that are similar to ours and that may infringe our proprietary rights. It may also be more likely that competitors or third parties will claim that our products infringe their proprietary rights. From time to time, third parties have asserted and may assert their patent, copyright, trademark and other intellectual property rights against us, our channel partners, users or customers, whom our standard license and other agreements obligate us to indemnify against such claims under certain circumstances. Successful claims of infringement or misappropriation by a third party could prevent us from distributing certain products or performing certain services or could require us to pay substantial damages (including, for example, treble damages if we are found to have willfully infringed patents and increased statutory damages if we are found to have willfully infringed copyrights), royalties or other fees. Such claims also could require us to cease making, licensing or using solutions that are alleged to infringe or misappropriate the intellectual property of others, or to expend additional development resources to attempt to redesign our products or services or otherwise to develop non-infringing technology; enter into potentially unfavorable royalty or license agreements in order to obtain the right to use necessary technologies or intellectual property rights; and to indemnify our customers and partners (and parties associated with them). Even if third parties may offer a license to their technology, the terms of any offered license may not be acceptable, and the failure to obtain a license or the costs associated with any license could cause our business, results of operations or financial condition to be materially and adversely affected.

Competition

The IT security market in which we operate is characterized by intense competition, constant innovation, rapid adoption of different technological solutions and services, and evolving security threats. We compete with a multitude of companies that offer a broad array of IT security products that employ different approaches and delivery models to address these evolving threats.

Our current and potential future competitors include CA, Inc., International Business Machines Corporation, One Identity LLC. and Oracle Corporation in the access and identity management market. We also compete with smaller companies such as BeyondTrust, Inc. that may offer solutions at lower price points often with a more limited range of functionality than our own offerings, or with smaller companies that operate in specific market segments or in certain territories or regions. Further, we may face competition due to changes in the manner that organizations utilize IT assets and the security solutions applied to them, such as the provision of privileged account security functionalities as part of public cloud providers' infrastructure offerings, or cloud-based identity management solutions. We also may compete to a certain extent with vendors who offer products or services in adjacent or complementary markets to privileged account security. Limited IT budgets may also result in competition with providers of other advanced threat protection solutions such as McAfee, LLC, Palo Alto Networks, RSA Security LLC. and Symantec Corporation.

The principal competitive factors in our market include:

- the breadth and completeness of a security solution;
- reliability and effectiveness in protecting, detecting and responding to cyber attacks;
- analytics and accountability at an individual user level;
- ability of customers to achieve and maintain compliance with compliance standards and audit requirements;
- strength of sale and marketing efforts, including advisory firms and channel partner relationships;
- global reach and customer base;
- scalability and ease of integration with an organization's existing IT infrastructure and security investments;
- brand awareness and reputation;
- innovation and thought leadership;
- quality of customer support and professional services;
- speed at which a solution can be deployed; and
- price of a solution and cost of maintenance and professional services.

We believe we compete favorably with our competitors on the basis of these factors. However, some of our current and potential future competitors may enjoy potential competitive advantages, such as greater name recognition, longer operating history, larger market share, larger existing user base and greater financial, technical and other resources.

Properties

Our corporate headquarters are located in Petach Tikva, Israel in an office consisting of approximately 97,424 square feet to which we moved in September 2017. The current lease expires in June 2022 with the option to extend for two successive one year periods. Our U.S. headquarters are located in Newton, Massachusetts in an office consisting of approximately 22,000 square feet. In February 2018, we signed a lease amendment to expand our rights to an additional 9,000 square feet in the same building for a term of seven and a half years with an option to extend for an additional seven year period. The lease for the main portion of the office expires, based on the lease amendment, in April 2024 with the option to extend for two successive five year periods. We maintain additional sales offices in England, France, Germany, Singapore, Australia, Japan, Italy, Netherlands and Turkey. We believe that our facilities are sufficient to meet our current needs and that if we require additional space to accommodate our growth we will be able to obtain additional facilities on commercially reasonable terms.

Internal Cybersecurity

As we provide privileged account security products, we are sensitive as to the possibility of cyber attacks and data theft, since a breach of our system could provide data information regarding not only us, but potentially regarding the customers that our solutions protect. Further, we may be targeted by cyber terrorists because we are an Israeli company. We are also aware of the impact of an actual or perceived breach of our network may have on the market perception of our products and services and potential liability.

We are focused on implementing new technologies and solutions to assist in prevention of potential and attempted cyber attacks, as well as protective measures and contingency plans in the event of an existing attack. We have made certain updates to our IT infrastructure to enhance our ability to prevent and respond to such threats and we routinely test the infrastructure for vulnerabilities.

We conduct periodic trainings for our employees in this respect on phishing, malware and other cybersecurity risks to the Company and we have mechanisms in place designed to ensure prompt internal reporting of potential or actual cybersecurity breaches. Finally, our agreements with third parties also typically contain provisions that reduce or limit our exposure to liability.

Legal Proceedings

See “Item 8.A. Financial Information—Consolidated Financial Statements and Other Financial Information—Legal proceedings.”

C. Organizational Structure

The legal name of our company is CyberArk Software Ltd. and we are organized under the laws of the State of Israel.

The following table sets forth our key subsidiaries all of which are 100% owned directly or indirectly by CyberArk Software Ltd.:

Name of Subsidiary	Place of Incorporation
CyberArk Software, Inc.	Delaware, United States
Cyber-Ark Software (UK) Limited	United Kingdom
CyberArk Software (Singapore) PTE. LTD.	Singapore
Cyber-Ark Software (DACH) GmbH	Germany
CyberArk Software Italy S.r.l.	Italy
CyberArk Software (France) SARL	France
CyberArk Software (Netherlands) B.V.	Netherlands
CyberArk Software (Australia) Pty Ltd.	Australia
CyberArk Software (Japan) K.K.	Japan
CyberArk Software Canada Inc.	Canada
Conjur, Inc.	Delaware, United States
Vaultive, Ltd.	Israel

D. Property, Plants and Equipment

See “Item 4.B.—Business Overview—Property” for a discussion of property, plants and equipment.

ITEM 4A. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

Company Overview

We are a global leader in privileged account security, a critical layer of IT security to protect data, infrastructure and assets across the enterprise, in the cloud and throughout the DevOps pipeline. Our software solutions are focused on protecting privileged accounts, credentials and secrets, which are consistently sought-after by cyber attackers to accomplish their goals. Privileged accounts are pervasive and act as the "keys to the IT kingdom" providing complete access to, and control of, IT infrastructure (whether located on-premises or in the cloud), applications, DevOps tools, and critical business data. In the hands of an external attacker or malicious insider, privileged credentials allow attackers to take control of and disrupt an organization's IT environment and industrial control systems, steal confidential information and commit financial fraud. Our comprehensive solutions proactively protect credentials, isolate and monitor sessions, detect and respond to privileged threats, provide applications and DevOps secrets management, and enforce privileged account security on the endpoint. Our customers use our innovative solutions to introduce acritical security layer to protect against, detect and respond to cyber attacks before they strike vital systems, compromise sensitive data and disrupt business operations.

We have a history of innovation. We started operations in 1999 with the vision of protecting high-value business data and pioneered our Digital Vault technology, which is the foundation of our primary platform. That same year, we began offering our first product, the Sensitive Information Management Solution (previously called the Sensitive Document Vault), which provides a secure platform through which our customers' employees can share sensitive files. We believe our early innovation in vaulting technology enabled us to evolve into a company that provides comprehensive security solutions built for privileged accounts. In 2005, we introduced our Privileged Account Security Solution, which has become our leading offering and reflects our emphasis on protecting privileged accounts across an organization. In May 2017, we acquired Conjur Inc., a provider of DevOps security software and in March 2018, we acquired certain assets of Vaultive, Inc., a cloud security provider.

Our Privileged Account Security Solution consists of three main product areas. The first is our Core Privileged Account Security offering which includes the Enterprise Password Vault, Privileged Session Manager, and Privileged Threat Analytics with add-on options for domain controller protection and least privilege control for Linux, Unix, and Windows servers. We also offer Application Identity Manager and Conjur for application and DevOps secrets management and Endpoint Privilege Manager to secure endpoints.

We derive our revenues from licensing our cybersecurity software, selling maintenance and support contracts, and providing professional services to the extent requested by customers. Our license revenues consist primarily of revenues from sales of our Privileged Account Security Solution. Our customers typically purchase one year and, to a lesser extent, three years, of maintenance and support in conjunction with their initial purchase of perpetual licenses for our products. Thereafter, they can renew such maintenance and support for additional one or three-year periods.

We seek to foster long-term relationships with our customers. We have a significant opportunity to generate additional revenues from our existing customers by helping them identify and address gaps in their current privileged account security strategy. Our solution provides our customers flexibility to initially deploy one or more of our products for a single use case and then expand usage over time to address more use cases, to add incremental licenses for more users or systems or to license additional products from our comprehensive solution. We measure the perpetual license maintenance renewal rate for our customers over a 12-month period, based on a dollar renewal rate of contracts expiring during that time period. Our renewal rate for each of the years ended December 31, 2015, 2016 and 2017 was over 90%. Our key strategies to maintain our renewal rate include focusing on the quality and reliability of our product updates and our technical support services.

We sell our products directly and through a global network of channel partners, including distributors and resellers, who then sell to their end customers. In 2017, we generated approximately 60% of our revenues through sales made by our global network of channel partners, with the balance being generated through our direct sales force. When analyzing our business, we refer to end customers as our customers throughout this annual report. We believe that our hybrid sales model, which combines the leverage of channel sales with the account control of direct sales, will continue to play an important role in the growth of our customer base. Our hybrid sales model has aided our global growth by allowing us to partner with local distributors while being able to use our direct sales team in locations where that approach is advantageous to our business.

We market and sell our solutions to organizations in a variety of industries and geographies. As of December 31, 2017, we had approximately 3,650 customers, including approximately 50% of the Fortune 100 companies and approximately 30% of the Global 2000 companies. We define a customer to include a distinct entity, division or business unit of a company. The growth of our business and our future success depend on our ability to expand our customer base and increase our sales to existing customers, which depend on many factors, including our ability to expand our sales force, introduce new products and grow our relationships with channel partners. While each of these areas presents significant opportunities for us, they also pose important challenges and risks that we must successfully address in order to sustain the growth of our business and improve our results of operations. Additionally, the IT security market in which we operate is characterized by intense competition, constant innovation and evolving security needs, each of which may impact our ability to grow our business.

We have experienced significant growth over the last several years, as evidenced by a compound annual growth rate in revenues of 27.6% from 2015 to 2017. We have also increased our number of employees and subcontractors from 644 as of December 31, 2015 to 1,015 as of December 31, 2017. We intend to continue to execute on our strategy of growing our business to meet the needs of our customers and to pursue opportunities in new and existing verticals, geographies and products. We intend to continue to invest in the development of our sales and marketing teams, with a particular focus on expanding our channel partnerships, targeting new customers, creating technology partnerships and solidifying relationships with existing customers. We also plan to continue to invest in research and development in order to continue to develop technology for both existing and new on- premise, cloud-based products and services and products to secure the DevOps pipeline, containers and microservices.

During the years ended December 31, 2015, 2016 and 2017, our revenues were $160.8 million, $216.6 million and $261.7 million, respectively, representing year-over-year growth of 34.7% and 20.8% in 2016 and 2017, respectively, and with maintenance and professional services comprising 39.3% and 43.6% of our revenues in 2016 and 2017, respectively. Our net income for the years ended December 31, 2015, 2016 and 2017 was $25.8 million, $28.1 million and $16.0 million, respectively.

Key Financial Metrics

We monitor several key financial metrics to help us evaluate growth trends, establish budgets, measure the effectiveness of our sales and marketing efforts and assess operational efficiencies. The key financial metrics that we monitor are as follows:

	Year ended December 31,		
	2015	2016	2017
		(in thousands)	
Revenues	$ 160,812	$ 216,613	$ 261,701
Non-GAAP operating income(1)	43,641	58,014	51,850
Non-GAAP net income(1)	35,262	45,245	41,895
Net cash provided by operating activities	59,160	56,310	80,737
Total deferred revenues (as of period-end)	54,389	73,506	105,235

(1) For a reconciliation of non-GAAP operating income to operating income and of non-GAAP net income to net income, the nearest comparable GAAP measures, see “Item 3.A. Selected Financial Data.”

Revenues. We derive our revenues from licensing our cybersecurity software, selling maintenance and support contracts, and providing professional services to the extent requested by customers. We review our revenues generally to assess the overall health of our business and our license revenues in particular to assess the adoption of our software and our growth in the markets we serve.

We consider our license revenues to be particularly important in assessing our results of operations because license fees impact both our short-term and long-term revenues. License purchases, whether by new customers or due to expansion by existing customers, impact our revenues favorably in the short-term because we recognize substantially all license fees immediately upon delivery. License purchases further contribute significantly to our revenues in the long term because the size of our maintenance and support contracts is directly related to our licenses revenues but revenues from maintenance and support contracts are recognized on a straight-line basis over the term of the related contract. This fact, coupled with the high renewal rate for our maintenance and support contracts, means that a meaningful portion of the revenues we report each period are recognized from deferred revenues generated by maintenance and support contracts entered into during previous quarters.

The amount that a customer pays for a license can vary from a few thousand dollars to many millions of dollars depending on its scope. We generally license our products on a price per user or price per server basis; however, our license agreements with a small number of our largest customers do not contain any limit on the number of users or servers in recognition of the size of the overall agreement. We also license certain of our products based on the number of concurrent sessions monitored or endpoints secured. As a result, we do not track, and are unable to track, the amount of license revenues we generate on per user or per server basis. We do, however, maintain internal price guidelines for different size transactions and, since our cost of license revenues is negligible, we generate incremental profit from every license. Although we are focused on growing our customer base, we also do not focus on the exact number of customers that we add in a given period because our revenues are also a function of the size of initial sales to new customers and the size of upsells or cross sells to existing customers. We seek to increase the number of large transactions that we enter into because they better leverage our operating expense base, and particularly our sales and marketing expenses, and also generate larger maintenance and support contracts to drive future revenues and margins.

Because the size of our maintenance and support contracts is directly related to our licenses revenues and because the rates that we charge for professional services fluctuate very little, the drivers of changes in these sources of revenues have to date been volume-based. Historically, there has been little fluctuation in price when we renew a contract for maintenance and support or for professional services. While the demand for professional services is expected to increase as our customers and license base grow, we expect that our channel partners will increase the amount of such services that they provide. Therefore, while we expect an increase in the dollar amount of our professional services revenue, we do not expect our professional services revenues to increase materially as a percentage of total revenues.

See “—Components of Statements of Operations—Revenues” for more information.

Non-GAAP Operating Income and Non-GAAP Net Income. Non-GAAP operating income and non-GAAP net income are non-GAAP financial measures. We define non-GAAP operating income and non-GAAP net income as operating income and net income, respectively, which each exclude (i) share-based compensation expense, (ii) expenses related to the March 2015 public offering of ordinary shares by certain of our shareholders and to the June 2015 public offering of ordinary shares by us and certain of our shareholders, (iii) expenses related to acquisitions, (iv) expenses related to facility exit costs and (v) amortization of intangible assets related to acquisitions. Non-GAAP net income also excludes (i) tax effects related to the non-GAAP adjustments set forth above and (ii) tax effects related to the impact to our deferred tax asset as a result of the Tax Act.

We believe that providing non-GAAP operating income and non-GAAP net income that exclude, as appropriate, share-based compensation expenses, expenses relating to public offerings of our ordinary shares, expenses related to acquisitions, amortization of intangible assets related to acquisitions, the tax effects related to these non-GAAP adjustments and the tax effects related to the impact to our deferred tax asset as a result of the Tax Act allows for more meaningful comparisons between our financial results from period to period. Share-based compensation expense has been, and will continue to a significant recurring expense in our business and an important part of the compensation we provide to employees for the foreseeable future. Share-based compensation expense has varying available valuation methodologies, subjective assumptions and the variety of equity instruments that can impact a company’s non-cash expense. We also believe that expenses related to the public offerings of our ordinary shares in March 2015 and June 2015, expenses related to our acquisitions, amortization of intangible assets related to acquisitions, facility exit costs and the impact of the Tax Act, do not reflect the performance of our core business and would impact period-to-period comparability. Each of our non-GAAP financial measures is an important tool for financial and operational decision making and for evaluating our own financial results over different periods of time. In particular, these financial measures reflect our operating expenses, the largest of which is currently sales and marketing. Accordingly, we assess the effectiveness of our sales and marketing efforts in part by considering whether increases in such expenditures are reflected in increased revenues and increased non-GAAP operating income and non-GAAP net income. The material factors driving changes in these financial measures are discussed under the subheading “—Comparison of Period to Period Results of Operations.” As well as under “Item 3.A. Selected Financial Data.”

Net Cash Provided by Operating Activities. We monitor net cash provided by operating activities as a measure of our overall business performance. Our net cash provided by operating activities is driven in large part by net income and from up-front payments for maintenance and support contracts and professional services. Monitoring net cash provided by operating activities enables us to analyze our financial performance as it includes our deferred revenues and removes the non-cash effects of certain items such as depreciation, amortization and share-based compensation expense, thereby allowing us to better understand and manage the cash needs of our business. The material factors driving changes in our net cash provided by operating activities are discussed under "Liquidity and Capital Resources."

Total Deferred Revenues. Our total deferred revenues consist of amounts that have been collected but that have not yet been recognized as revenues because they do not meet the applicable criteria. The substantial majority of our deferred revenues consists of the unrecognized portion of upfront payments associated with maintenance and support contracts. The remaining balance of our deferred revenues consists of payments for licenses, and, to a lesser extent, professional services that could not yet be recognized. We monitor our total deferred revenues because it represents a significant portion of revenues to be recognized in future periods. Substantially all of the increase in our total deferred revenues has been from growth in our maintenance and support contracts which, in turn, is driven by growth of our license revenues. The material factors driving changes in our license revenues are discussed under "—Comparison of Period to Period Results of Operations."

A. Operating Results

The following discussion and analysis should be read in conjunction with the section titled "Item 3.A. Selected Financial Data" of this annual report and our consolidated financial statements and the related notes contained elsewhere in this annual report. This discussion and analysis may contain forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth in "Item 3.D. Risk Factors" of this annual report. Our financial statements have been prepared in accordance with U.S. GAAP.

Components of Statements of Operations

Revenues

Our revenues consist of the following:

- *License Revenues.* License revenues are generated primarily from sales of licenses for our cybersecurity software: Privileged Account Security Solution and Sensitive Information Management Solution.

  - Privileged Account Security Solution – the substantial majority of our license revenues has been from sales of our Privileged Account Security Solution. Customers can purchase Enterprise Password Vault, Privileged Session Manager, Privileged Threat Analytics, Application Identity Manager, Conjur, Endpoint Privilege Manager and On-Demand Privileges Manager. We license our Enterprise Password Vault to our customers based on the number of privileged account users. We offer customers the choice of licensing our Privileged Session Manager based on the number of devices secured or the number of concurrent sessions it monitors. We license our Application Identity Manager, Conjur and On-Demand Privileges Manager to our customers based on the number of servers that each such product protects. We license our Privileged Threat Analytics to customers based on the number of protected endpoints, such as servers, desktops, databases or mobile devices. We license our Endpoint Privilege Manager to our customers based on the number of protected endpoints such as servers and desktops.

  - Sensitive Information Management Solution–we generate additional license revenues through sales of our Sensitive Information Management Solution, our first product to market. Customers license the Sensitive Information Management Solution based on the permitted number of users of the software.

- *Maintenance and Professional Services Revenues*. Maintenance revenues are generated from maintenance and support contracts purchased by our customers in order to gain access to the latest software enhancements and updates on an ‘if and when available’ basis and to telephone and email technical support. We also offer professional services focused on both deployment and training our customers to fully leverage the use of our products.

Geographic Breakdown of Revenues

The United States is our biggest market, with the balance of our revenues generated from the EMEA region and the rest of the world, including North and South America (excluding the United States) as well as countries in the Asia Pacific and Japan region. The following table sets forth the geographic breakdown of our revenues by region for the periods indicated:

	Year ended December 31,					
	2015		2016		2017	
	Amount	% of Revenues	Amount	% of Revenues	Amount	% of Revenues
			(in thousands)			
United States	$ 92,034	57.2%	$ 125,749	58.1%	$ 145,453	55.6%
EMEA	50,644	31.5%	68,094	31.4%	81,778	31.2%
Rest of World	18,134	11.3%	22,770	10.5%	34,470	13.2%
Total revenues	$ 160,812	100.0%	$ 216,613	100.0%	$ 261,701	100.0%

Cost of Revenues

Our total cost of revenues consists of the following:

- *Cost of License Revenues.* Cost of license revenues consists primarily of amortization of intangible assets, payments to third-party software vendors and shipping costs associated with delivery of our software. We expect the absolute cost of license revenues to increase as our license revenues increase.

- *Cost of Maintenance and Professional Services Revenues.* Cost of maintenance and professional services revenues primarily consists of personnel costs for our global customer support and professional services organization. Such costs consist of salaries, benefits, bonuses, share-based compensation and subcontractors’ fees. We expect the absolute cost of maintenance and professional services revenues to increase as our customer base grows and as we hire additional professional services and technical support personnel.

Gross Profit and Gross Margin

Gross profit is total revenues less total cost of revenues. Gross margin is gross profit expressed as a percentage of total revenues. Our gross margin has historically fluctuated slightly from period to period as a result of changes in the mix of license revenues and maintenance and professional services revenues and we expect this pattern to continue.

Operating Expenses

Our operating expenses are classified into three categories: research and development, sales and marketing and general and administrative. For each category, the largest component is personnel costs, which consists of salaries, employee benefits (including commissions and bonuses) and share-based compensation expense. Operating expenses also include allocated overhead costs for facilities as well as depreciation and amortization. Allocated costs for facilities primarily consist of rent and office maintenance and utilities. Operating expenses are generally recognized as incurred. We expect personnel and all allocated costs to continue to increase in absolute dollars as we hire new employees and add facilities to continue to grow our business. We continue to expect operating margins to decline in the near term compared to prior periods as we further increase our headcount to support the future growth of our business.

Research and Development. Research and development expenses consist primarily of personnel costs attributable to our research and development personnel and consultants as well as allocated overhead costs, amortization and depreciation. We expense research and development expenses as incurred. We continue to expect that our research and development expenses will continue to increase in absolute dollars as we continue to grow our research and development headcount to further strengthen our technology platform and invest in the development of both existing and new products.

Sales and Marketing. Sales and marketing expenses are the largest component of our operating expenses and consist primarily of personnel costs, including variable compensation, as well as marketing and business development costs, product certifications, travel expenses, allocated overhead costs, depreciation and amortization of intangibles assets. We expect that sales and marketing expenses will continue to increase in absolute dollars as we plan to expand our sales and marketing efforts globally. We continue to expect sales and marketing expenses will remain our largest category of operating expenses.

General and Administrative. General and administrative expenses consist primarily of personnel costs for our executive, finance, human resources, legal and administrative personnel. General and administrative expenses also include external legal, accounting and other professional service fees. We continue to expect that general and administrative expense will increase in absolute dollars as we grow and expand our operations and operate as a public company, including higher corporate insurance, investor relations and accounting expenses, and the additional costs relating to our ongoing regulatory compliance efforts.

Financial Income (Expenses), Net

Financial income (expenses), net consists of interest income, foreign currency exchange gains or losses and foreign exchange forward transactions expenses. Interest income consists of interest earned on our cash, cash equivalents, short- and long-term bank deposits and marketable securities. We expect interest income to vary depending on our average investment balances and market interest rates during each reporting period. Foreign currency exchange changes reflect gains or losses related to transactions denominated in currencies other than the U.S. dollar.

Taxes on Income

The standard corporate tax rate in Israel is currently 23.0%, and was 26.5%, 25.0% and 24.0% for 2015, 2016 and 2017, respectively.

As discussed in greater detail below under “Israeli Tax Consideration and Government Programs”, we have received various tax benefits under the Investment Law. Under the Investment Law, our effective tax rate to be paid with respect to our eligible Israeli taxable income under these benefits programs is 16.0% for 2015 and 2016 and 12.0% for 2017.

Under the Investment Law and other Israeli legislation, we are entitled to certain additional tax benefits, including accelerated depreciation and amortization rates for tax purposes on certain assets and deduction of public offering expenses in three equal annual installments.

Our non-Israeli subsidiaries are taxed according to the tax laws in their respective jurisdictions of organization. Due to our multi-jurisdictional operations, we apply significant judgment to determine our consolidated income tax position.

Comparison of Period to Period Results of Operations

The following table sets forth our results of operations in dollars and as a percentage of revenues for the periods indicated:

	Year ended December 31,					
	2015		2016		2017	
	Amount	% of Revenues	Amount	% of Revenues	Amount	% of Revenues
	($ in thousands)					
Revenues:						
License	$ 100,113	62.3%	$ 131,530	60.7%	$ 147,640	56.4%
Maintenance and professional services	60,699	37.7	85,083	39.3	114,061	43.6
Total revenues	160,812	100.0	216,613	100.0	261,701	100.0
Cost of revenues:						
License	5,088	3.2	4,726	2.2	7,911	3.0
Maintenance and professional services	17,572	10.9	25,425	11.7	33,937	13.0
Total cost of revenues	22,660	14.1	30,151	13.9	41,848	16.0
Gross profit	138,152	85.9	186,462	86.1	219,853	84.0
Operating expenses:						
Research and development	21,734	13.5	34,614	16.0	42,389	16.2
Sales and marketing	66,206	41.2	93,775	43.3	126,739	48.4
General and administrative	16,990	10.6	22,117	10.2	30,399	11.6
Total operating expenses	104,930	65.3	150,506	69.5	199,527	76.2
Operating income	33,222	20.6	35,956	16.6	20,326	7.8
Financial income (expenses), net	(1,479)	(0.9)	245	0.1	4,103	1.5
Income before taxes on income	31,743	19.7	36,201	16.7	24,429	9.3
Taxes on income	(5,949)	(3.7)	(8,077)	(3.7)	(8,414)	(3.2)
Net income	$ 25,794	16.0%	$ 28,124	13.0%	$ 16,015	6.1%

Year Ended December 31, 2016 Compared to Year Ended December 31, 2017

Revenues

	Year ended December 31,					
	2016		2017		Change	
	Amount	% of Revenues	Amount	% of Revenues	Amount	%
	($ in thousands)					
Revenues:						
License	$ 131,530	60.7%	$ 147,640	56.4%	$ 16,110	12.2%
Maintenance and professional services	85,083	39.3	114,061	43.6	28,978	34.1
Total revenues	$ 216,613	100.0%	$ 261,701	100.0%	$ 45,088	20.8%

Revenues increased by $45.1 million, or 20.8%, from $216.6 million in 2016 to $261.7 million in 2017. This increase was due to increased sales of our solutions. This increase was also driven by growth in both our license revenues and our maintenance and professional services revenues. This growth was most pronounced in the United States, where revenues increased by $19.7 million and in EMEA with an increases of $13.7 million compared to $11.7 million in the rest of the world. The significant increase in revenues from the United States and EMEA primarily resulted from a higher volume of deals including large transactions of greater than $1.0 million each that together accounted for $36.6 million. Multiple large transactions or even a single large transaction in a specific period could materially impact relative growth rates among our different regions for a particular period. We increased our number of customers from approximately 3,100 as of December 31, 2016 to approximately 3,650 as of December 31, 2017.

License revenues increased by $16.1 million, or 12.2%, from $131.5 million in 2016 to $147.6 million in 2017. In 2017, approximately 60% of license revenues were generated from sales to customers from whom we had generated revenues before this period. Substantially all of the license revenue growth resulted from increased sales of our Privileged Account Security Solution, driven by increased demand for our Enterprise Password Vault and Privileged Session Manager as well as strong growth from Endpoint Privilege Manager and Application Identity Manager.

Maintenance and professional services revenues increased by $29.0 million, or 34.1%, from $85.1 million in 2016 to $114.1 million in 2017. Maintenance revenues increased by $23.5 million from $69.4 million in 2016 to $92.9 million in 2017, with renewals accounting for approximately $17.0 million and initial maintenance contracts for approximately $6.5 million, respectively, of this increase. Professional services revenues increased by $5.5 million from $15.7 million in 2016 to $21.2 million in 2017 primarily due to the provision of more services to customers.

Cost of Revenues and Gross Profit

	Year ended December 31,					
	2016		2017		Change	
	Amount	% of Revenues	Amount	% of Revenues	Amount	%
	($ in thousands)					
Cost of revenues:						
License	$ 4,726	2.2%	$ 7,911	3.0%	$ 3,185	67.4%
Maintenance and professional services	25,425	11.7	33,937	13.0	8,512	33.5
Total cost of revenues	$ 30,151	13.9%	$ 41,848	16.0%	$ 11,697	38.8%
Gross profit	$ 186,462	86.1%	$ 219,853	84.0%	$ 33,391	17.9%

Cost of license revenues increased by $3.2 million, or 67.4%, from $4.7 million in 2016 to $7.9 million in 2017. The increase in cost of license revenues was driven primarily from amortization of intangible assets.

Cost of maintenance and professional services revenues increased by $7.8 million, or 44.7%, from $17.6 million in 2015 to $25.4 million in 2016. The increase in cost of maintenance and professional services revenues was driven primarily by a $6.2 million increase in personnel costs and related expenses as our technical support and professional services headcount grew from 166 at the end of 2016 to 188 at the end of 2017.The increase was also attributable to a $1.1 million increase related to third party consultants.

Gross profit increased by $33.4 million, or 17.9%, from $186.5 million in 2016 to $219.9 million in 2017. Gross margins decreased from 86.1% in 2016 to 84.0% in 2017. This was driven by an increase in expenses for amortization of intangible assets from our acquisitions as well as planned increases in expenses for third party software and an increase in the use of third party contractors for services.

Operating Expenses

	Year ended December 31,					
	2016		2017		Change	
	Amount	% of Revenues	Amount	% of Revenues	Amount	%
	($ in thousands)					
Operating expenses:						
Research and development	$ 34,614	16.0%	$ 42,389	16.2%	$ 7,775	22.5%
Sales and marketing	93,775	43.3	126,739	48.4	32,964	35.2
General and administrative	22,117	10.2	30,399	11.6	8,282	37.4
Total operating expenses	$ 150,506	69.5%	$ 199,527	76.2%	$ 49,021	32.6%

Research and Development. Research and development expenses increased by $7.8 million, or 22.5%, from $34.6 million in 2016 to $42.4 million in 2017. This increase was primarily attributable to a $0.6 million increase in subcontractor and consultant expenses and a $7.3 million increase in personnel costs and related expenses, as we increased our research and development team headcount from 205 at the end of 2016 to 250 at the end of 2017 to support continued investment in our future product and service offerings. The increase was also attributable to a $0.7 million increase related to overhead cost offset by a $2.0 million decrease in amortization of intangible assets from our acquisitions.

Sales and Marketing. Sales and marketing expenses increased by $32.9 million, or 35.2%, from $93.8 million in 2016 to $126.7 million in 2017. This increase was primarily attributable to a $25.9 million increase in personnel costs and related expenses due to increased headcount in all regions to expand our sales and marketing organization coupled with a $3.5 million increase in expenses related to our marketing programs, $2.0 million increase in travel and related expenses and a $0.5 million increase in facility costs. Our sales and marketing headcount grew from 377 at the end of 2016 to 491 at the end of 2017.

General and Administrative. General and administrative expenses increased by $8.3 million, or 37.4%, from $22.1 million in 2016 to $30.4 million in 2017. This increase was primarily attributable to an increase of $4.2 million in personnel costs and related expenses due to increased headcount coupled with a $2.0 million increase in services fees due to consultants, external counsel, accounting and other professionals.

Financial Income (Expenses), Net. Financial income (expenses), net changed by $3.9 million from $0.2 million of income in 2016 to $4.1 million of income in 2017. This change resulted primarily from an increase of $1.1 million in interest income from investments in marketable securities and short- and long-term bank deposits and from an increase of $2.7 million due to gains from foreign currency exchange.

Taxes on Income. Taxes on income increased from $8.1 million in 2016 to $8.4 million in 2017. Our effective tax rate was 22.3% in 2016 and 34.4% in 2017. The higher effective tax rate in 2017 in comparison to 2016 is mainly attributed to a $6.5 million tax expense from adjustment to our deferred tax assets as a result of the new Tax Act partially offset by the stock based compensation benefit recognized as a result of the adoption of Accounting Standards Update No.2016-09.

Year Ended December 31, 2015 Compared to Year Ended December 31, 2016

Revenues

	Year ended December 31,					
	2015		2016		Change	
	Amount	% of Revenues	Amount	% of Revenues	Amount	%
	($ in thousands)					
Revenues:						
License	$ 100,113	62.3%	$ 131,530	60.7%	$ 31,417	31.4%
Maintenance and professional services	60,699	37.7	85,083	39.3	24,384	40.2
Total revenues	$ 160,812	100.0%	$ 216,613	100.0%	$ 55,801	34.7%

Revenues increased by $55.8 million, or 34.7%, from $160.8 million in 2015 to $216.6 million in 2016. This increase was due to increased sales of our solutions. This increase was also driven by growth in both our license revenues and our maintenance and professional services revenues. This growth was most pronounced in the United States, where revenues increased by $33.7 million compared to increases of $17.5 million in EMEA and $4.6 million in the rest of the world. The significant increase in revenues from the United States primarily resulted from a higher volume of deals including large transactions of greater than $1.0 million each that together accounted for $21.6 million. Multiple large transactions or even a single large transaction in a specific period could materially impact relative growth rates among our different regions for a particular period. We increased our number of customers from approximately 2,500 as of December 31, 2015 to approximately 3,100 as of December 31, 2016.

License revenues increased by $31.4 million, or 31.4%, from $100.1 million in 2015 to $131.5 million in 2016. In 2016, approximately 60.0% of license revenues were generated from sales to customers from whom we had generated revenues before this period. Substantially all of the license revenue growth resulted from increased sales of our Privileged Account Security Solution, driven by increased demand for our Enterprise Password Vault and Privileged Session Manager.

Maintenance and professional services revenues increased by $24.4 million, or 40.2%, from $60.7 million in 2015 to $85.1 million in 2016. Maintenance revenues increased by $21.3 million from $48.1 million in 2015 to $69.4 million in 2016, with renewals accounting for approximately $11.9 million and initial maintenance contracts for approximately $9.4 million, respectively, of this increase. Professional services revenues increased by $3.1 million from $12.6 million in 2015 to $15.7 million in 2016 primarily due to the provision of more services to customers.

Cost of Revenues and Gross Profit

	Year ended December 31,					
	2015		2016		Change	
	Amount	% of Revenues	Amount	% of Revenues	Amount	%
	($ in thousands)					
Cost of revenues:						
License	$ 5,088	3.2%	$ 4,726	2.2%	$ (362)	(7.1)%
Maintenance and professional services	17,572	10.9	25,425	11.7	7,853	44.7
Total cost of revenues	$ 22,660	14.1%	$ 30,151	13.9%	$ 7,491	33.1%
Gross profit	$ 138,152	85.9%	$ 186,462	86.1%	$ 48,310	35.0%

Cost of license revenues decreased by $0.4 million, or 7.1%, from $5.1 million in 2015 to $4.7 million in 2016. The decrease in cost of license revenues was driven primarily by the contribution of our in-house Endpoint Privilege Manager product compared to the third-party product resold in 2015.

Cost of maintenance and professional services revenues increased by $7.8 million, or 44.7%, from $17.6 million in 2015 to $25.4 million in 2016. The increase in cost of maintenance and professional services revenues was driven primarily by a $6.2 million increase in personnel costs and related expenses as our technical support and professional services headcount grew from 118 at the end of 2015 to 166 at the end of 2016.

Gross profit increased by $48.3 million, or 35.0%, from $138.2 million in 2015 to $186.5 million in 2016. Gross margins increased from 85.9% in 2015 to 86.1% in 2016. This increase was driven by our revenue growth outpacing the growth of our cost of revenue as well as higher margin contribution of our in-house Endpoint Privilege Manager product compared to the third-party product resold in 2015.

Operating Expenses

	Year ended December 31,					
	2015		2016		Change	
	Amount	% of Revenues	Amount	% of Revenues	Amount	%
	($ in thousands)					
Operating expenses:						
Research and development	$ 21,734	13.5%	$ 34,614	16.0%	$ 12,880	59.3%
Sales and marketing	66,206	41.2	93,775	43.3	27,569	41.6
General and administrative	16,990	10.6	22,117	10.2	5,127	30.2
Total operating expenses	$ 104,930	65.3%	$ 150,506	69.5%	$ 45,576	43.4%

Research and Development. Research and development expenses increased by $12.9 million, or 59.3%, from $21.7 million in 2015 to $34.6 million in 2016. This increase was primarily attributable to a $10.3 million increase in personnel costs and related expenses as we increased our research and development team headcount from 176 at the end of 2015 (including approximately 30 employees who joined us following the acquisitions of Cybertinel and Viewfinity which occurred in the second half of 2015) to 205 at the end of 2016 to support continued investment in our future product and service offerings. The increase was also attributable to a $1.2 million increase related to amortization of intangible assets from our acquisitions.

Sales and Marketing. Sales and marketing expenses increased by $27.6 million, or 41.6%, from $66.2 million in 2015 to $93.8 million in 2016. This increase was primarily attributable to a $19.6 million increase in personnel costs and related expenses due to increased headcount in all regions to expand our sales and marketing organization coupled with a $3.1 million increase in expenses related to our marketing programs and a $1.6 million increase in travel and related expenses. The increase was also attributable to a $1.2 million increase related to amortization of intangible assets from our acquisitions. Our sales and marketing headcount grew from 294 at the end of 2015 to 377 at the end of 2016.

General and Administrative. General and administrative expenses increased by $5.1 million, or 30.2%, from $17.0 million in 2015 to $22.1 million in 2016. This increase was primarily attributable to an increase of $4.3 million in personnel costs and related expenses due to increased headcount.

Financial Income (Expenses), Net. Financial income (expenses), net changed by $1.7 million from $1.5 million of expenses in 2015 to $0.2 million of income in 2016. This change resulted primarily from an increase of $1.4 million in interest income from investments in marketable securities and short and long term deposits.

Taxes on Income. Taxes on income increased from $5.9 million in 2015 to $8.1 million in 2016. This increase was attributable to the increase in pre-tax income coupled with certain tax benefits we were able to recognize in 2015 resulting from acquisitions.

Application of Critical Accounting Policies and Estimates

Our accounting policies and their effect on our financial condition and results of operations are more fully described in our consolidated financial statements included elsewhere in this annual report. We have prepared our financial statements in conformity with U.S. GAAP, which requires management to make estimates and assumptions that in certain circumstances affect the reported amounts of assets and liabilities, revenues and expenses and disclosure of contingent assets and liabilities. These estimates are prepared using our best judgment, after considering past and current events and economic conditions. While management believes the factors evaluated provide a meaningful basis for establishing and applying sound accounting policies, management cannot guarantee that the estimates will always be consistent with actual results. In addition, certain information relied upon by us in preparing such estimates includes internally generated financial and operating information, external market information, when available, and when necessary, information obtained from consultations with third-parties. Actual results could differ from these estimates and could have a material adverse effect on our reported results. See "Item 3.D. Risk Factors" for a discussion of the possible risks which may affect these estimates.

We believe that the accounting policies discussed below are critical to our financial results and to the understanding of our past and future performance, as these policies relate to the more significant areas involving management's estimates and assumptions. We consider an accounting estimate to be critical if: (1) it requires us to make assumptions because information was not available at the time or it included matters that were highly uncertain at the time we were making our estimate; and (2) changes in the estimate could have a material impact on our financial condition or results of operations.

Revenue Recognition

We account for our software licensing sales in accordance with the Financial Accounting Standards Board, or FASB, Accounting Standards Codification, or ASC, 985-605, "Software Revenue Recognition." ASC 985-605 generally requires revenue earned on software arrangements involving multiple elements to be allocated to each element based on the relative fair value of the elements when Vendor Specific Objective Evidence, or VSOE, of fair value exists for all elements and to be allocated to the different elements in the arrangement under the "residual method" when VSOE of fair value exists for all undelivered elements and no VSOE exists for the delivered elements.

Maintenance and professional services are sold separately and therefore the selling price (VSOE) is based on stand-alone transactions.

Under the residual method, at the outset of the arrangement with the customer, we defer revenues for the fair value of our undelivered elements and recognizes revenue for the remainder of the arrangement fee attributable to the elements initially delivered in the arrangement (software element) when all other criteria in ASC 985-605 have been met. Any discount in the arrangement is allocated to the delivered element.

We recognize software license revenues when persuasive evidence of an arrangement exists, the software license has been delivered, there are no uncertainties surrounding product acceptance, there are no significant future performance obligations, the license fees are fixed or determinable and collection of the license fee is considered probable. Fees for arrangements with payment terms extending beyond customary payment terms are considered not to be fixed or determinable, in which case revenue is deferred and recognized when payments become due from the customer provided that all other revenue recognition criteria have been met.

We recognize revenues from the sale of term license arrangements, ratably, on a straight-line basis, over the term of the underlying contract and is typically one year or, to a lesser extent, three years.

Revenues from maintenance and support contracts are recognized ratably on a straight-line basis over the term of the related contract and revenues from professional services consist mostly of time and material services which are recognized as the services are performed. Our agreements with resellers are non-exchangeable, non-refundable, non-returnable and carry no rights of price protection. Accordingly, we consider resellers as customers.

Professional services are not considered to be essential to the functionality of the software.

We do not grant a right of return to our customers.

Deferred revenue includes unearned amounts received under maintenance and support contracts, professional services and amounts received from customers for licenses that do not meet the revenue recognition criteria as of the balance sheet date.

Derivative instruments

ASC No. 815, "Derivative and Hedging", requires companies to recognize all of their derivative instruments as either assets or liabilities on the balance sheet at fair value. For those derivative instruments that are designated and qualify as hedging instruments, a company must designate the hedging instrument, based upon the exposure being hedged, as a fair value hedge, cash flow hedge or a hedge of a net investment in a foreign operation.

For derivative instruments that are designated and qualify as a cash flow hedge (i.e., hedging the exposure to variability in expected future cash flows that is attributable to a particular risk), the effective portion of the gain or loss on the derivative instrument is reported as a component of other comprehensive income and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. The remaining gain or loss on the derivative instrument in excess of the cumulative change in the present value of future cash flows of the hedged item, if any, is recognized in current earnings during the period of change.

To hedge against the risk of changes in cash flows resulting from foreign currency salary payments during the year, we have instituted a foreign currency cash flow hedging program. We hedge a portion of our forecasted expenses denominated in NIS. These forward and option contracts are designated as cash flow hedges, as defined by ASC 815, and are all effective, as their critical terms match underlying transactions being hedged.

In addition to the derivatives that are designated as hedges as discussed above, we also enter into certain foreign exchange forward transactions to economically hedge certain account receivables in Euros and GBP. Gains and losses related to such derivative instruments are recorded in financial income (expenses), net.

Share-Based Compensation

Option Valuations

Under U.S. GAAP, we account for share-based compensation for employees in accordance with the provisions of the FASB's ASC Topic 718 "Compensation —Stock Based Compensation," or ASC 718, which requires us to measure the cost of options based on the fair value of the award on the grant date.

We selected the Black-Scholes-Merton option pricing model as the most appropriate method for determining the estimated fair value of options. The resulting cost of an equity incentive award is recognized as an expense over the requisite service period of the award, which is usually the vesting period. We recognize compensation expense over the vesting period using the straight-line method and classify these amounts in the consolidated financial statements based on the department to which the related employee reports.

The determination of the grant date fair value of options using the Black-Scholes-Merton option pricing model is affected by estimates and assumptions regarding a number of complex and subjective variables. These variables include the expected volatility of our share price over the expected term of the options, share option exercise, risk-free interest rates and expected dividends, which are estimated as follows:

- *Expected Term.* The expected term of options granted represents the period of time that options granted are expected to be outstanding, and is determined based on the simplified method in accordance with ASC No. 718-10-S99-1, (SAB No. 110), as adequate historical experience is not available to provide a reasonable estimate;

- *Volatility.* The expected share price volatility was based on the historical equity volatility of our ordinary shares as well as comparable companies that are publicly traded;

- *Risk-free Rate.* The risk-free interest rate is based on the yield from U.S. Treasury zero-coupon bonds with a term equivalent to the contractual life of the options; and

- *Dividend Yield.* We have never declared or paid any cash dividends and do not presently plan to pay cash dividends in the foreseeable future. Consequently, we used an expected dividend yield of zero.

Goodwill and other Intangible Assets

Goodwill and certain other purchased intangible assets have been recorded in our financial statements as a result of acquisitions. Goodwill represents excess of the purchase price in a business combination over the fair value of identifiable tangible and intangible assets acquired of businesses acquired. Goodwill is not amortized, but rather is subject to an impairment test.

ASC No. 350, "Intangible—Goodwill and other" ("ASC 350") requires goodwill to be tested for impairment at least annually and, in certain circumstances, between annual tests. We operate as one reporting unit. Therefore, goodwill is tested for impairment by comparing the fair value of the reporting unit with its carrying value. We elect to perform an annual impairment test of goodwill as of October 1 of each year, or more frequently if impairment indicators are present.

For the years ended December 31, 2015, 2016 and 2017, no impairment losses were identified.

Purchased intangible assets with finite lives are carried at cost, less accumulated amortization. Amortization is computed over the estimated useful lives of the respective assets which range from two to eleven years. Acquired customer relationship and backlog are amortized over their estimated useful lives in proportion to the economic benefits realized. Other intangible assets consist primarily of technology are amortized over their estimated useful lives on a straight-line basis.

Income Taxes

We account for income taxes in accordance with ASC No. 740-10, "Income Taxes" ("ASC No. 740-10"). ASC No. 740-10 prescribes the use of the asset and liability method whereby deferred tax asset and liability account balances are determined based on temporary differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. We provide a valuation allowance, if necessary, to reduce deferred tax assets to their estimated realizable value if it is more likely than not that some portion or all of the deferred tax asset will not be realized.

We established reserves for uncertain tax positions based on the evaluation of whether or not the Company's uncertain tax position is "more likely than not" to be sustained upon examination. We record interest and penalties pertaining to its uncertain tax positions in the financial statements as income tax expense.

Legal Contingencies

From time to time we become involved in legal proceedings or be subject to claims arising in the ordinary course of our business. Such matters are subject to many uncertainties and outcomes are not predictable with assurance. We accrue for contingencies when the loss is probable and can reasonably estimate the amount of any such loss.

Israeli Tax Considerations and Government Programs

The following is a brief summary of the material Israeli tax laws applicable to us, and certain Israeli Government programs that benefit us. To the extent that the discussion is based on new tax legislation that has not yet been subject to judicial or administrative interpretation, we cannot assure you that the appropriate tax authorities or the courts will accept the views expressed in this discussion. The discussion below is subject to change, including due to amendments under Israeli law or changes to the applicable judicial or administrative interpretations of Israeli law, which could affect the tax consequences described below.

General Corporate Tax Structure in Israel

The standard corporate tax rate in Israel is currently 23.0%, and was 26.5%, 25.0% and 24.0 for 2015, 2016 and 2017, respectively. However, the effective tax rate payable by a company that derives income from an Approved Enterprise, a Benefited Enterprise or a Preferred Enterprise (as discussed below) may be considerably less. Capital gains derived by an Israeli company are generally subject to tax at the prevailing ordinary corporate tax rate.

Tax Benefits and Grants for Research and Development

Israeli tax law allows, under certain conditions, a tax deduction for research and development expenditures, including capital expenditures, for the year in which they are incurred if:

- the expenditures are approved by the relevant Israeli government ministry, determined by the field of research;
- the research and development is for the promotion or development of the company; and
- the research and development is carried out by or on behalf of the company seeking the deduction.

However, the amount of such deductible expenses shall be reduced by the sum of any funds received through government grants for the finance of such scientific research and development projects. Expenditures not so approved are deductible over a three-year period from the first year that the expenditures were made if the research or development is for the promotion or development of the company.

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

The Law for the Encouragement of Industry (Taxes), 5729-1969, generally referred to as the Industry Encouragement Law, provides several tax benefits for "Industrial Companies".

The Industry Encouragement Law defines an "Industrial Company" as an Israeli resident company which was incorporated in Israel, of which 90% or more of its income in any tax year, other than income from certain government loans, is derived from an "Industrial Enterprise" owned by it and located in Israel. An "Industrial Enterprise" is defined as an enterprise whose principal activity in a given tax year is industrial production.

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

- deduction of the cost of purchased know-how, patents and rights to use a patent and know-how which are used for the development or promotion of the Industrial Enterprise, over an eight-year period commencing on the year in which such rights were first exercised;
- under limited conditions, an election to file consolidated tax returns together with Israeli Industrial Companies controlled by it; and
- expenses related to a public offering are deductible in equal amounts over three years commencing on the year of offering.

Eligibility for benefits under the Industry Encouragement Law is not contingent upon the approval of any governmental authority. We believe that we qualify as an Industrial Company within the meaning of the Industry Encouragement Law. The Israel Tax Authority may determine that we do not qualify as an Industrial Company, which could entail our loss of the benefits that relate to this status. There can be no assurance that we will continue to qualify as an Industrial Company or that the benefits described above will be available in the future.

Law for the Encouragement of Capital Investments, 5719-1959

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

The Investment Law was significantly amended effective April 1, 2005, or the 2005 Amendment, further amended as of January 1, 2011, or the 2011 Amendment, and further amended as of January 1, 2017, or the 2017 Amendment. Pursuant to the 2005 Amendment, tax benefits granted in accordance with the provisions of the Investment Law prior to its revision by the 2005 Amendment remain in force but any benefits granted subsequently are subject to the provisions of the 2005 Amendment. Similarly, the 2011 Amendment introduced new benefits to replace those granted in accordance with the provisions of the Investment Law in effect prior to the 2011 Amendment. However, companies entitled to benefits under the Investment Law as in effect prior to January 1, 2011 were entitled to choose to continue to enjoy such benefits, provided that certain conditions are met, or elect instead, irrevocably, to forego such benefits and have the benefits of the 2011 Amendment apply. The 2017 Amendment introduces new benefits for Technological Enterprises which meet certain conditions, alongside the existing tax benefits.

Tax Benefits Prior to the 2005 Amendment

An investment program that is implemented in accordance with the provisions of the Investment Law prior to the 2005 Amendment, referred to as an "Approved Enterprise", is entitled to certain benefits. A company that wished to receive benefits as an Approved Enterprise must have received approval from the Israeli Authority for Investments and Development of the Industry and Economy, or the Investment Center. Each certificate of approval for an Approved Enterprise relates to a specific investment program, delineated both by the financial scope of the investment, including sources of funds, and by the physical characteristics of the facility or other assets.

In general, an Approved Enterprise is entitled to receive a cash grant from the Government of Israel or an alternative package of tax benefits, known as the alternative benefits track. The tax benefits available under any certificate of approval relate only to taxable income attributable to the specific program and are contingent upon meeting the criteria set out in such certificate. Income derived from activity that is not integral to the activity of the Approved Enterprise will not enjoy tax benefits.

The tax benefits under the alternative benefits track include an exemption from corporate tax on undistributed income which was generated from an Approved Enterprise for between two and ten years from the first year of taxable income, depending on the geographic location of the Approved Enterprise facility within Israel, and the taxation of income generated from an Approved Enterprise at a reduced corporate tax rate of between 10% to 25% for the remainder of the benefits period, depending on the level of foreign investment in the company in each year, as detailed below. The benefits commence on the date in which that taxable income is first earned. The benefits period under Approved Enterprise status is limited to 12 years from the year in which the production commenced (as determined by the Investment Center), or 14 years from the year of receipt of the approval as an Approved Enterprise, whichever ends earlier. If a company has more than one Approved Enterprise program or if only a portion of its capital investments are approved, its effective tax rates is the result of a weighted combination of the applicable tax rates. The entitlement to the above benefits is subject to fulfillment of certain conditions, according to the law and related regulations.

In addition, a company that has an Approved Enterprise program is eligible for further tax benefits if it qualifies as a Foreign Investors' Company, or an FIC, which is a company with a level of foreign investment, as defined in the Investment Law, of more than 25%. The level of foreign investment is measured as the percentage of rights in the company (in terms of shares, rights to profits, voting and appointment of directors), and of combined share and loan capital, that are owned, directly or indirectly, by persons who are not residents of Israel. The determination as to whether a company qualifies as an FIC is made on an annual basis. A company that qualifies as an FIC and has an Approved Enterprise program is eligible for an extension of the period during which it is entitled to tax benefits under its Approved Enterprise status (so that the benefits period may be up to ten years) and for further tax benefits if the level of foreign investment is 49% or more. If a company that has an Approved Enterprise program is a wholly owned subsidiary of another company, then the percentage of foreign investments is determined based on the percentage of foreign investment in the parent company. As specified above, depending on the geographic location of the Approved Enterprise within Israel, income derived from the Approved Enterprise program may be exempt from tax on its undistributed income for a period of between two to ten years, and will be subject to a reduced corporate tax rate for the remainder of the benefits period. The tax rate for the remainder of the benefits period will be 25%, unless the level of foreign investment is at least 49% (20% if the foreign investment is 49% or more but less than 74%; 15% if 74% or more but less than 90%; and 10% if 90% or more).

If a company elects the alternative benefits track and subsequently distributes a dividend out of income derived by its Approved Enterprise during the tax exemption period it will be subject to corporate tax in respect of the amount of the distributed dividend (grossed-up to reflect the pre-tax income that it would have had to earn in order to distribute the dividend) at the corporate tax rate which would have been otherwise applicable if such income had not been tax-exempted under the alternative benefits track. This rate generally ranges from 10% to 25%, depending on the level of foreign investment in the company in each year, as explained above. In addition, dividends paid out of income attributed to an Approved Enterprise (or out of dividends received from a company whose income is attributed to an Approved Enterprise) are generally subject to withholding tax at source at the rate of 15% or such lower rate as may be provided in an applicable tax treaty (subject to the receipt in advance of a valid certificate from the Israel Tax Authority allowing for a reduced tax rate). The 15% tax rate is limited to dividends and distributions out of income derived during the benefits period and actually paid at any time up to 12 years thereafter. After this period, the withholding tax is applied at a rate of up to 30%, or at the lower rate under an applicable tax treaty (subject to the receipt in advance of a valid certificate from the Israel Tax Authority allowing for a reduced tax rate). In the case of an FIC, the 12-year limitation on reduced withholding tax on dividends does not apply.

The Investment Law also provides that an Approved Enterprise is entitled to accelerated depreciation on its property and equipment that are included in an Approved Enterprise program during the first five years in which the equipment is used. This benefit is an incentive granted by the Israeli government regardless of whether the alternative benefits program is elected.

The benefits available to an Approved Enterprise are subject to the continued fulfillment of conditions stipulated in the Investment Law and its regulations and the criteria in the specific certificate of approval, as described above. If a company does not meet these conditions, it would be required to refund the amount of tax benefits, adjusted to the Israeli consumer price index, and interest, or other monetary penalties.

Tax Benefits Subsequent to the 2005 Amendment

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

An enterprise that qualifies under the new provisions is referred to as a “Benefited Enterprise”, rather than “Approved Enterprise”. The 2005 Amendment provides that a certificate of approval from the Investment Center will only be necessary for receiving cash grants. As a result, it was no longer necessary for a company to obtain the advance approval of the Investment Center in order to receive the tax benefits previously available under the alternative benefits track. Rather, a company may claim the tax benefits offered by the Investment Law directly in its tax returns, provided that its facilities meet the criteria for tax benefits set forth in the 2005 Amendment. A company that has a Benefited Enterprise may, at its discretion, approach the Israel Tax Authority for a pre-ruling confirming that it is in compliance with the provisions of the Investment Law.

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

The extent of the tax benefits available under the 2005 Amendment to qualifying income of a Benefited Enterprise depends on, among other things, the geographic location in Israel of the Benefited Enterprise. The location will also determine the period for which tax benefits are available. Such tax benefits include an exemption from corporate tax on undistributed income generated by the Benefited Enterprise for a period of between two to ten years, depending on the geographic location of the Benefited Enterprise in Israel, and a reduced corporate tax rate of between 10% to 25% for the remainder of the benefits period, depending on the level of foreign investment in the company in each year, as explained above. The benefits period is limited to 12 or 14 years from the year the company first chose to have the tax benefits apply, depending on the location of the company.

A company qualifying for tax benefits under the 2005 Amendment which pays a dividend out of income derived by its Benefited Enterprise during the tax exemption period will be subject to corporate tax in respect of the amount of the dividend distributed (grossed-up to reflect the pre-tax income that it would have had to earn in order to distribute the dividend) at the corporate tax rate which would have otherwise been applicable. Dividends paid out of income attributed to a Benefited Enterprise (or out of dividends received from a company whose income is attributed to a Benefited Enterprise) are generally subject to withholding tax at source at the rate of 15% or at a lower rate as may be provided in an applicable tax treaty (subject to the receipt in advance of a valid certificate from the Israel Tax Authority allowing for a reduced tax rate). The reduced rate of 15% is limited to dividends and distributions out of income attributed to a Beneficiary Enterprise during the benefits period and actually paid at any time up to 12 years thereafter except with respect to an FIC, in which case the 12-year limit does not apply.

The benefits available to a Benefited Enterprise are subject to the continued fulfillment of conditions stipulated in the Investment Law and its regulations. If a company does not meet these conditions, it would be required to refund the amount of tax benefits, adjusted to the Israeli consumer price index, and interest, or other monetary penalties.

Tax Benefits under the 2011 Amendment

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

Dividends paid out of preferred income attributed to a Preferred Enterprise are generally subject to withholding tax at the rate of 20% or such lower rate as may be provided in an applicable tax treaty (subject to the receipt in advance of a valid certificate from the Israel Tax Authority allowing for a reduced tax rate). However, if such dividends are paid to an Israeli company, no tax is required to be withheld (although, if such dividends are subsequently distributed to individuals or a non-Israeli company, withholding tax at a rate of 20% or such lower rate as may be provided in an applicable tax treaty will apply). In 2017-2019, dividends paid out of preferred income attributed to a Special Preferred Enterprise, directly to a foreign parent company, are subject to withholding tax at source at the rate of 5% (temporary provisions).

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

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

We have examined the possible effect, if any, of the provisions of the 2011 Amendment on our financial statements and have decided to apply the new benefits under the 2011 Amendment instead of the benefits provided to our Approved Enterprise and Benefited Enterprise as of 2013 tax year.

New Tax Benefits under the 2017 Amendment.

The 2017 Amendment was enacted as part of the Economic Efficiency Law that was published on December 29, 2016, and is effective as of January 1, 2017. The 2017 Amendment provides new tax benefits for two types of "Technology Enterprises", as described below, and is in addition to the other existing tax beneficial programs under the Investment Law.

The 2017 Amendment provides that a technology company satisfying certain conditions will qualify as a “Preferred Technology Enterprise” and will thereby enjoy a reduced corporate tax rate of 12% on income that qualifies as “Preferred Technology Income”, as defined in the Investment Law. The tax rate is further reduced to 7.5% for a Preferred Technology Enterprise located in development Zone A. In addition, a Preferred Technology Enterprise will enjoy a reduced corporate tax rate of 12% on capital gain derived from the sale of certain “Benefitted Intangible Assets” (as defined in the Investment Law) to a related foreign company if the Benefitted Intangible Assets were acquired from a foreign company on or after January 1, 2017 for at least NIS 200 million, and the sale receives prior approval from the National Authority for Technological Innovation, or NATI.

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

Dividends distributed by a Preferred Technology Enterprise or a Special Preferred Technology Enterprise, paid out of Preferred Technology Income, are generally subject to withholding tax at source at the rate of 20% or such lower rate as may be provided in an applicable tax treaty (subject to the receipt in advance of a valid certificate from the Israel Tax Authority allowing for a reduced tax rate). However, if such dividends are paid to an Israeli company, no tax is required to be withheld. If such divided are distributed to a foreign company and other conditions are met, the withholding tax rate will be 4%.

We have examined the impact of the 2017 Amendment and the degree to which we will qualify as a Preferred Technology Enterprise and have elected to adopt it as of 2017 onwards.

Recently Issued Accounting Pronouncements

In May 2014, FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606) (ASU 2014-09), an updated standard on revenue recognition and issued subsequent amendments to the initial guidance in March 2016, April 2016, May 2016 and December 2016 within ASU 2016-08, 2016-10, 2016-12 and 2016-20, respectively. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods and services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods and services. In addition, the new standard requires expanded disclosures.

We have adopted the standard effective January 1, 2018 using the modified retrospective method.

The most significant impact of the new standard relates to the way we account for term license arrangements and costs to obtain customer contracts. Specifically, under the current revenue standard, we recognizes both the term license and maintenance revenues ratably over the contract period whereas under the new revenue standard term license revenues are recognized upfront, upon delivery, and the associated maintenance revenues are recognized over the contract period. We have also considered the impact of the guidance in ASC 340-40, “Other Assets and Deferred Costs” under the new standard. Under our current accounting policy, sales commissions are expensed as incurred. The new standard requires the capitalization of all incremental costs that we incur to obtain a contract with a customer that we would not have incurred if the contract had not been obtained, provided we expect to recover the costs.

We applied the new standard with respect to existing contracts which are not substantially completed as of January 1, 2018. As a result, we expect to record a decrease in our deferred revenues of approximately $3.7 million mainly from upfront recognition of license revenue from term licenses and an asset of approximately $13.0 related to incremental cost to obtain contracts which is mainly due to sales commissions that will be recorded against retained earnings.

In February 2016, the FASB issued ASU 2016-02. ASU 2016-02 changes the current lease accounting standard by requiring the recognition of lease assets and lease liabilities for all leases, including those currently classified as operating leases. This new guidance is to be applied under a modified retrospective application to the earliest reporting period presented for reporting periods beginning after December 15, 2018. Early adoption is permitted. We are currently evaluating the potential impact of this new guidance on our financial statements.

In June 2016, the FASB Issued ASU 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The new standard requires financial assets measured at amortized cost be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The standard will be effective for beginning January 1, 2020, with early adoption permitted. We are evaluating the impact of adopting this new accounting guidance on our consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash", 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. This ASU is effective for annual and interim periods beginning after December 15, 2017. The adoption of this standard will not have a material impact on our consolidated financial statements of cash flows.

In January 2017, FASB issued ASU 2017-01, Business Combinations (Topic 805) Clarifying the Definition of Business. ASU 2017-01 clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The update to the standard is effective for interim and annual periods beginning after December 15, 2017, and applied prospectively. We do not expect the adoption of this standard will have a material impact on our consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, simplifying the Test for Goodwill Impairment (Topic 350). This standard eliminates Step 2 from the goodwill impairment test, instead requiring an entity to recognize a goodwill impairment charge for the amount by which the goodwill carrying amount exceeds the reporting unit's fair value. This guidance is effective for interim and annual goodwill impairment tests in fiscal years beginning after December 15, 2019 with early adoption permitted. This guidance must be applied on a prospective basis. We are currently evaluating the potential effect of the guidance on our consolidated financial statements.

In August 2017, the FASB issued ASU 2017-12, "Targeted Improvements to Accounting for Hedging Activities." The standard better aligns an entity's hedging activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results in the financial statements. The standard will prospectively make hedge accounting easier to apply to hedging activities and also enhances disclosure requirements for how hedge transactions are reflected in the financial statements when hedge accounting is elected. The standard is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. We are evaluating the impact of adopting this new accounting guidance on our financial statements.

B. Liquidity and Capital Resources

We fund our operations with cash generated from operating activities. We have also raised capital through the sale of equity securities in public offerings and to a lesser extent, through exercised options. Our primary current uses of our cash are ongoing operating expenses and capital expenditures.

As of December 31, 2017, we had $330.3 million of cash, cash equivalents, short-term bank deposits and marketable securities. This compared with cash, cash equivalents, short-term bank deposits and marketable securities of $295.5 million and $238.3 million as of December 31, 2016 and 2015, respectively. We believe that our existing cash, cash equivalents, marketable securities and short-term bank deposits will be sufficient to fund our operations and capital expenditures for at least the next 12 months. Our future capital requirements will depend on many factors, including our rate of revenue growth, the expansion of our sales and marketing activities, the timing and extent of spending to support product development efforts and expansion into new geographic locations, the timing of introductions of new software products and enhancements to existing software products and the continuing market acceptance of our software offerings.

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

	Year Ended December 31,		
	2015	2016	2017
		($ in thousands)	
Net cash provided by operating activities	$ 59,160	$ 56,310	$ 80,737
Net cash used in investing activities	(7,012)	(121,861)	(95,057)
Net cash provided by financing activities	58,207	3,969	2,624

A substantial source of our net cash provided by operating activities is our deferred revenues, which is included on our consolidated balance sheet as a liability. The majority of our deferred revenues consist of the unrecognized portion of upfront payments associated with maintenance and professional services, with the remainder consisting of payments for licenses that could not yet be recognized. We assess our liquidity, in part, through an analysis of our short and long term deferred revenues that have not yet been recognized as revenues together with our other sources of liquidity. Deferred revenues for licenses are recognized when all applicable revenue criteria are met. Revenues from maintenance and support contracts are recognized ratably on a straight line basis over the term of the related contract which is typically one year and, to a lesser extent, three years, and from professional services as services are performed. Thus, since we frequently recognize revenues in subsequent periods to when certain payments may be received, an increase in deferred revenues adds to the liquidity of our operations.

Net Cash Provided by Operating Activities

Our cash flows historically have reflected our net income coupled with changes in our non-cash working capital. During the year ended December 31, 2017, operating activities provided $80.7 million in cash as a result of $16.0 million net income, adjusted by $25.2 million of non-cash charges related to share-based compensation expenses, $7.9 million related to depreciation and amortization expenses, $14.9 million increase in long term deferred revenues, $5.9 million decrease in deferred tax assets and by an increase of $11.0 million in our non-cash working capital offset by $0.2 million net increase from other long-term assets and liabilities.

The increase of $11.0 million in our non-cash working capital was due to a $16.9 million increase in short-term deferred revenues, a $3.0 million increase in accrued expenses and other current liabilities, an increase of $6.3 million in employees and payroll accruals offset by an increase of $15.2 million in other current assets. Our days' sales outstanding, or DSO, was 63 days for the year ended December 31, 2017.

During the year ended December 31, 2016, operating activities provided $56.3 million in cash as a result of $28.1 million net income , adjusted by $17.5 million of non-cash charges related to share-based compensation expenses and $6.5 million related to depreciation and amortization expenses coupled with $6.1 million increase in long term deferred revenues and $0.5 million net increase from other long-term assets and liabilities and offset by both an increase of $1.1 million in deferred tax assets and by an increase of $1.3 million in our non-cash working capital.

The increase of $1.3 million in our non-cash working capital was due to a $13.0 million increase in short-term deferred revenues, a $2.4 million decrease in accrued expenses and other current liabilities, an increase of $2.6 million in employees and payroll accruals and an increase of $14.5 million in other current assets. Our days' sales outstanding, or DSO, was 56 days for the year ended December 31, 2016.

During the year ended December 31, 2015, operating activities provided $59.2 million in cash as a result of $25.8 million net income combined with a decrease of $21.2 million in our non-cash working capital, adjusted by $9.3 million of non-cash charges related to share-based compensation expenses of $7.0 million and depreciation and amortization of $2.3 million coupled with an approximately $7.0 million increase in other long-term assets and liabilities and long-term deferred revenues from three-year maintenance contracts for which we collected payment up front which were partially offset by an increase of $4.1 million in deferred tax assets. The decrease of $21.2 million in our non-cash working capital was due to a $14.5 million increase in short-term deferred revenues, a $2.5 million increase in accrued expenses and other current liabilities, and an increase of $5.0 million in employees and payroll accruals which were partially offset by an increase of $0.8 million in other current assets. Our days' sales outstanding, or DSO, was 46 days for the year ended December 31, 2015.

Net Cash Used in Investing Activities

Net cash used in investing activities was $7.0 million, $121.9 million and $95.0 million for the years ended December 31, 2015, 2016 and 2017 respectively. Investing activities have consisted primarily of investment in, and proceeds from, short-term and long-term deposits, investment in, and proceeds from marketable securities, acquisitions and purchase of property and equipment.

Net Cash Provided by Financing Activities

Our financing activities have consisted of proceeds from the issuance and sale of our securities, excess tax benefit from stock-based compensation and proceeds from the exercise of share options. Net cash provided by financing activities was $58.2 million, $4.0 million and $2.6 million for the years ended December 31, 2015, 2016 and 2017, respectively.

C. Research and Development, Patents and Licenses, etc.

We conduct our research and development activities primarily in Israel. As of December 31, 2017, our research and development department included 250 employees and contractors. In 2017, research and development costs accounted for 16.2% of our total revenues.

We employ a strategy of seeking patent protection for some of our technologies. As of December 31, 2017, we have obtained 19 issued patents for certain of our technologies in various jurisdictions, including the United States and have 38 pending patent applications that were filed in various jurisdictions, including the United States. No patent application is material to the overall conduct of our business.

For a description of our research and development policies, see "Item 4.B. Business Overview—Research and development."

D. Trend Information

Other than as disclosed elsewhere in this annual report, we are not aware of any trends, uncertainties, demands, commitments or events for the period from January 1, 2017 to December 31, 2017 that are reasonably likely to have a material adverse effect on our net revenue, income, profitability, liquidity or capital resources, or that caused the disclosed financial information to be not necessarily indicative of future operating results or financial condition.

E. Off-Balance Sheet Arrangements

We do not currently engage in off-balance sheet financing arrangements. In addition, we do not have any interest in entities referred to as variable interest entities, which includes special purposes entities and other structured finance entities.

F. Contractual Obligations

The following summarizes our contractual obligations as of December 31, 2017:

	Total	2018	2019	2020	2021	2022
Operating lease obligations(1)	$ 17,814	$ 5,646	$ 5,494	$ 4,299	$ 1,437	$ 938
Uncertain tax obligations(2)	1,119	—	—	—	—	—
Severance pay(3)	5,712	—	—	—	—	—
Total	$ 24,645	$ 5,646	$ 5,494	$ 4,299	$ 1,437	$ 938

(1) Operating lease obligations consist of our contractual rental expenses under operating leases of facilities and certain motor vehicles.

(2) Consists of accruals for certain income tax positions under ASC 740 that are paid upon settlement, and for which we are unable to reasonably estimate the ultimate amount and timing of settlement. See Note 11(l) to our consolidated financial statements included elsewhere in this annual report for further information regarding our liability under ASC 740. Payment of these obligations would result from settlements with tax authorities. Due to the difficulty in determining the timing of resolution of audits, these obligations are only presented in their total amount.

(3) Severance pay relates to accrued severance obligations to our Israeli employees as required under Israeli labor laws. These obligations are payable only upon the termination, retirement or death of the respective employee and may be reduced if the employee's termination is voluntary. These obligations are partially funded through accounts maintained with financial institutions and recognized as an asset on our balance sheet. As of December 31, 2017, $2.0 million is unfunded. See Note 2(l) to our consolidated financial statement included elsewhere in this report for further information.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

The following table sets forth the name, age and position of each of our executive officers and directors as of March 14, 2018:

Name	Age	Position
Executive Officers		
Ehud (Udi) Mokady	49	Chairman of the Board and Chief Executive Officer and Founder
Joshua Siegel	54	Chief Financial Officer
Chen Bitan	48	General Manager, EMEA, Asia Pacific and Japan
Ronen (Ron) Zoran	43	Chief Revenue Officer
Roy Adar	46	Senior Vice President, Product Management
Donna Rahav	39	General Counsel, Corporate Secretary and Compliance Officer
Directors		
Gadi Tirosh(1)(3)(4)	51	Lead Independent Director
Ron Gutler(1)(2)(3)(4)	60	Director
Kim Perdikou(1)(2)(3)(4)	60	Director
David Schaeffer(4)	61	Director
Amnon Shoshani(2)(4)	54	Director

(1) Member of our compensation committee.

(2) Member of our audit committee.

(3) Member of our nominating and governance committee.

(4) Independent director under the rules of the NASDAQ Stock Market.

Executive Officers

Ehud (Udi) Mokady is one of our founders and serves as our Chief Executive Officer since 2005 and as chairman of the board since June 2016. He previously served as our President from 2005 to 2016 and as our Chief Operating Officer from 1999 to 2005. Mr. Mokady has also served as a member of our board since November 2004. Mr. Mokady serves as a member of the Board of Directors of Demisto, Inc. commencing in January 2018. From 1997 to 1999, Mr. Mokady served as general counsel at Tadiran Spectralink Ltd., a producer of secure wireless communication systems. From 1986 to 1989, Mr. Mokady served in a military intelligence unit in the Israel Defense Forces. Mr. Mokady was honored by a panel of independent judges with the New England EY Entrepreneur Of The Year™ 2014 Award in the Technology Security category. Mr. Mokady holds a Bachelor of Laws (LL.B.) from Hebrew University in Jerusalem, Israel and a Master of Science Management (MSM) from Boston University in Massachusetts.

Joshua Siegel has served as our Chief Financial Officer since May 2011. Prior to joining CyberArk, Mr. Siegel served as Chief Financial Officer for Voltaire Ltd., a provider of InfiniBand and Ethernet connectivity solutions, from December 2005 to February 2011, and as Director of Finance and then Vice President of Finance from April 2002 to December 2005. Voltaire completed an initial public offering and listing on NASDAQ in 2007 and was acquired by Mellanox Technologies, Ltd. in 2011. From 2000 to 2002, he was Vice President of Finance at KereniX Networks Ltd., a terabit routing and transport system company. From 1995 to 2000, Mr. Siegel served in various positions at Lucent Technologies Networks Ltd. (formerly Lannet Ltd.). From 1990 to 1995, he served in various positions at SLM Corporation (Sallie Mae—Student Loan Marketing Association). Mr. Siegel holds a Bachelor of Arts in economics and an MBA with a concentration in finance from the University of Michigan in Ann Arbor.

Chen Bitan has served as our General Manager of EMEA, Asia Pacific and Japan since 2005 and as Head of Research & Development since 1999. From March 1998 to April 1999, Mr. Bitan worked as Project Manager for Amdocs Software Ltd., leading the development of billing and customer care systems for telecommunications providers. From 1995 to 1998, he worked for Magic Software Enterprises Ltd. as Research and Development Group Manager leading the development of their 4GL products for the Asia Pacific market. From 1988 to 1995, Mr. Bitan served in a software engineering unit in the Israel Defense Forces (IDF) in various research and development roles, finally leading the programming education department as Department Manager at the Computer Studies Academy (Mamram). Mr. Bitan holds a Bachelor of Science in computer science and political science from Bar-Ilan University in Ramat-Gan, Israel.

Ronen (Ron) Zoran has served as our Chief Revenue Officer since August 2017. He previously served as our Vice President of Americas Sales since 2015 to 2017 and has worked at CyberArk since our founding in 1999. Mr. Zoran has held several sales leadership positions at the Company, including Vice President of North America Sales from July 2013 to December 2014, Regional Director and Senior Director of Channels from January 2005 to June 2013, as well as research and development positions, such as R&D Group Manager and Director of Technical Services. From 1993 to 1999, Mr. Zoran served as an Officer and R&D Group Manager at the Technological Computer Center of the Israeli Defense Forces. He holds an MBA from Northeastern University and a Bachelor of Arts in computer science from Bar-Ilan University, Israel.

Roy Adar has served as our Senior Vice President of Product Management since 2015 and previously served as our Vice President of Product Management from 2006 to 2015. Prior to joining CyberArk, Mr. Adar held the position of Product Manager at NICE Systems Ltd., an Israeli software company, from 2002 through 2005. From 1997 to 2001, he worked at Integrity Systems, Inc., an Israeli IT integrator, in several roles, including development group manager, technical consultant and product manager. Mr. Adar holds an MBA from the Kellogg School of Management at Northwestern University in Illinois and a Bachelor of Arts in computer science from Open University in Tel Aviv, Israel.

Donna Rahav has served as our General Counsel, Corporate Secretary and Compliance Officer since 2014. Prior to joining CyberArk, Ms. Rahav served as Deputy General Counsel at Allot Communications Ltd. (NASDAQ and TASE: ALLT), a global provider of bandwidth management solutions, from 2011 to 2014. From 2009 to 2011 she served as Legal Counsel at Alvarion Ltd. (NASDAQ and TASE: ALVR), and from 2008 to 2009 she served in similar capacity at MediaMind Technologies, Inc. (formerly Eyeblaster, Inc.; NASDAQ: MDMD). Prior to that, from 2004 to 2006 she was an associate at an Israeli law firm specializing in technology transactions. Ms. Rahav holds a Bachelor of Laws from Tel Aviv University in Israel, and a Master of Laws from Tel Aviv University in collaboration with University of California, Berkeley, an executive program focused on corporate and commercial law.

Directors

Gadi Tirosh has served as a member of our board of directors since June 2011, as chairman of the board between July 2013 and June 2016 and as lead independent director since July 2016. Since 2005, Mr. Tirosh has served as Managing Partner at Jerusalem Venture Partners, an Israeli venture capital firm that focuses, among other things, on cyber-security companies and operates the JVP Cyber Labs incubator. From 1999 to 2005, he served as Corporate Vice President of Product Marketing and as a member of the executive committee for NDS Group Ltd. ((NASDAQ:NNDS) later acquired by Cisco Systems, Inc. a provider of end-to-end software solutions to the pay-television industry, including content protection and video security. Mr. Tirosh holds a Bachelor of Science in computer science and mathematics and an Executive MBA from the Hebrew University in Jerusalem, Israel.

Ron Gutler has served as a member of our board of directors since July 2014 and served as an external director under the Companies Law between July 2014 and May 2016. From August 2012 through January 2018, Mr. Gutler served as chairman of the board of the College of Management Academic Studies in Israel. From May 2002 through February 2013, Mr. Gutler served as the Chairman of NICE Systems Ltd., a public company specializing in voice recording, data security, and surveillance. Between 2000 and 2011, Mr. Gutler served as the Chairman of G.J.E. 121 Promoting Investment Ltd., a real estate company. Between 2000 and 2002, Mr. Gutler managed the Blue Border Horizon Fund, a global macro fund. Mr. Gutler is a former Managing Director and a Partner of Bankers Trust Company, which is currently part of Deutsche Bank. He also established and headed the Israeli office of Bankers Trust. Mr. Gutler is currently a director of Wix.com Ltd. (NASDAQ: WIX), Psagot Investment House, Psagot Securities and Hapoalim Securities USA (HSU). Mr. Gutler holds a Bachelor of Arts in economics and international relations and an MBA, both from the Hebrew University in Jerusalem, Israel.

Kim Perdikou has served as a member of our board of directors since July 2014 and served as an external director under the Companies Law between July 2014 and May 2016. Ms. Perdikou serves as a Managing Member of CloudScale Capital Partners which she joined in August 2017. Ms. Perdikou serves as Chairman of REBBL Inc., which she joined in June 2014, a private beverage company delivering taste, function and nutrition. Ms. Perdikou served as the Juniper Networks, Inc. board observer on two of Juniper's portfolio companies from January 2013 to July 2014. From 2010 to August 2013, Ms. Perdikou served as the Executive Vice President for the Office of the Chief Executive Officer at Juniper Networks, Inc. Before that she served as the Executive Vice President and General Manager of Infrastructure Products Group and as Chief Information Officer at Juniper Networks, Inc. from 2006 to 2010 and from August 2000 to January 2006, respectively. Ms. Perdikou served on the board of directors and audit committee of Lam Research Corporation, a major provider of wafer fabrication equipment and services, from May 2011 to November 2012. Ms. Perdikou served in leadership positions at Women.com, Readers Digest, Knight Ridder, and Dun & Bradstreet. Ms. Perdikou holds a Bachelor of Science degree in computing science with operational research from Paisley University in Paisley, Scotland, a Post-Graduate degree in education from Jordanhill College in Glasgow, Scotland and a Master's of Science in information systems from Pace University in New York, the United States.

David Schaeffer has served as a member of our board of directors since May 2014. Mr. Schaeffer has served as the Chairman, Chief Executive Officer and President of Cogent Communications, Inc. (NASDAQ: CCOI), an internet service provider based in the United States that is listed on NASDAQ, since he founded the company in August 1999. Mr. Schaeffer was the founder of Pathnet, Inc., a broadband telecommunications provider, where he served as Chief Executive Officer from 1995 until 1997 and as Chairman from 1997 until 1999. Mr. Schaeffer holds a Bachelor of Science in physics from the University of Maryland, the United States.

Amnon Shoshani has served as a member of our board of directors since November 2009. Since February 1995, Mr. Shoshani has served as the Founder and Managing Partner of Cabaret Holdings Ltd. and, since March 1999, he has also served as Managing Partner of Cabaret Security Ltd., Cabaret Holdings Ltd. and ArbaOne Inc. ventures activities where he had a lead role in managing the group's portfolio companies. Within that role, since June 2005 Mr. Shoshani has served as the CEO and Chairman of TIP-The Industry Pivot Ltd., a company that provides game changing technologies to the industrial world. From 1994 to April 2005, Mr. Shoshani owned a Tel-Aviv boutique law firm engaged in entrepreneurship, traditional industries and high tech, which he founded. Mr. Shoshani holds an LL.B. from Tel Aviv University, Israel.

B. Compensation

Compensation of Directors and Executive Officers

The aggregate compensation expensed, including share-based compensation and other compensation expensed by us and our subsidiaries, to our directors and executive officers with respect to the year ended December 31, 2017 was $13.6 million. This amount includes approximately $0.6 million set aside or accrued to provide pension, severance, retirement, or similar benefits.

The table below sets forth the compensation paid to our five most highly compensated office holders (as defined in the Companies Law and described under "Board Practices—- Disclosure of Compensation of Executive Officers" below) during or with respect to the year ended December 31, 2017. We refer to the five individuals for whom disclosure is provided herein as our "Covered Executives."

For purposes of the table and the summary below, "compensation" includes base salary, bonuses, equity-based compensation, retirement or termination payments, and any benefits or perquisites such as car, phone and social benefits, as well as any undertaking to provide such compensation in the future.

Summary Compensation Table

	Information Regarding the Covered Executive(1)			
Name and Principal Position(2)	**Base Salary**	**Benefits and Perquisites (3)**	**Variable Compensation (4)**	**Equity-Based Compensation (5)**
Ehud (Udi) Mokady, Chairman of the Board & CEO	$ 375,000	$ 119,354	$ 304,187	$ 3,669,105
Joshua Siegel, Chief Financial Officer	319,246	110,167	165,962	1,555,708
Ronen (Ron) Zoran, Chief Revenue Officer,	272,917	59,699	291,500	867,465
Chen Bitan, General Manager, EMEA, Asia Pacific and Japan	259,139	83,380	110,586	647,587
Roy Adar, Senior Vice President, Product Management	207,088	98,653	93,922	541,650

(1) In accordance with Israeli law, all amounts reported in the table are in terms of cost to our company, as recorded in our financial statements for the year ended December 31, 2017.

(2) All current executive officers listed in the table are full-time employees. Cash compensation amounts denominated in currencies other than the U.S. dollar were converted into U.S. dollars at the average conversion rate for the year ended December 31, 2017.

(3) Amounts reported in this column include benefits and perquisites, including those mandated by applicable law. Such benefits and perquisites may include, to the extent applicable to each executive, payments, contributions and/or allocations for savings funds, pension, severance, vacation, car or car allowance, medical insurances and benefits, risk insurances (such as life, disability and accident insurances), convalescence pay, payments for social security, tax gross-up payments and other benefits and perquisites consistent with our guidelines, regardless of whether such amounts have actually been paid to the executive.

(4) Amounts reported in this column refer to Variable Compensation such as commission, incentive and bonus payments as recorded in our financial statements for the year ended December 31, 2017.

(5) Amounts reported in this column represent the expense recorded in our financial statements for the year ended December 31, 2017 with respect to equity-based compensation, reflecting also equity awards made in previous years which have vested during the current year. Assumptions and key variables used in the calculation of such amounts are described in paragraph c of Note 10 to our audited consolidated financial statements, which are included in this annual report.

Employment Agreements with Executive Officers

We have entered into written employment agreements with all of our executive officers. Most of these agreements contain provisions regarding non-competition and all of these agreements contain provisions regarding confidentiality of information and ownership of inventions. The non-competition provision applies for a period that is generally 12 months following termination of employment. The enforceability of covenants not to compete in Israel, the United States and the United Kingdom is subject to limitations. In addition, we are required to provide one to six months' notice prior to terminating the employment of our executive officers, other than in the case of a termination for cause.

Directors' Service Contracts

Other than with respect to Ehud (Udi) Mokady, the Chairman of our Board who is also an executive officer, there are no arrangements or understandings between us, on the one hand, and any of our directors, on the other hand, providing for benefits upon termination of their service as directors of our company, except that directors are permitted to exercise vested options for one year following the termination of their service.

Equity Incentive Plans

2014 Share Incentive Plan

The 2014 Share Incentive Plan, or the 2014 SIP, was adopted by our board of directors and became effective on June 10, 2014. The 2014 SIP was approved by our shareholders on July 10, 2014. The 2014 SIP provides for the grant of options, restricted shares, restricted share units and other share-based awards to our employees, directors, officers, consultants, advisors and any other person providing services to us or our affiliates, under varying tax regimes. The maximum aggregate number of shares that may be issued pursuant to awards under this 2014 SIP is the sum of (a) 422,000 shares plus (b) an increase of 1,220,054 shares as of January 1, 2015 plus (c) on January 1 of each calendar year commencing in 2016, a number of shares equal to the lesser of: (i) an amount determined by our board of directors, if so determined prior to the January 1 of the calendar year in which the increase will occur, (ii) 4% of the total number of shares outstanding on December 31 of the immediately preceding calendar year, and (iii) 4,000,000 shares. Additionally, any share underlying an award that is cancelled or terminated or forfeited for any reason without having been exercised will automatically be available for grant under the 2014 SIP. As of December 31, 2017, 2,703,461 ordinary shares underlying share-based awards were outstanding under the 2014 SIP and 1,188,093 ordinary shares were reserved for future grant under the 2014 SIP. On January 1, 2018, the aggregate number of ordinary shares reserved for issuance under the 2014 SIP was increased by 1,200,000 shares. Either our board, or a committee established by our board, administers the 2014 SIP, and the board may, at any time, suspend, terminate, modify, or amend the 2014 SIP retroactively or prospectively.

The board or the committee may grant awards intended to qualify as an incentive stock option, non-qualified stock option, Israeli Income Tax Ordinance Section 102 award, Section 3(9) award, or other designations under other regimes. Other than with respect to incentive stock options, governed by the specific exercise price provisions of the 2014 SIP, the exercise price of any award will be determined by the committee or the board (as applicable). Unless otherwise stated in the applicable award agreement, option awards under the 2014 SIP expire ten years after their grant date and vest and become exercisable as follows: subject to continued service by grantee, 25% of the underlying shares vest on the first anniversary of the vesting commencement date, and 6.25% of the underlying shares vest quarterly over the following three years. Upon termination of the employment or service of a grantee, any unvested awards will be forfeited on the termination date. Upon termination by reason of death, disability or retirement, all of the grantee's vested awards may be exercised at any time within one year after such death or disability or within three months following retirement. Upon termination for "cause" (as defined in the 2014 SIP), all awards granted to such grantee (whether vested or not) will be forfeited on the termination date. Upon termination for any other reason all vested and exercisable awards at the time of termination may, unless earlier terminated in accordance with their terms, be exercised within up to three months after the termination date (or such different period as the committee will prescribe).

The committee and the board may grant restricted shares under the 2014 SIP. If a grantee's employment or service to the company or any affiliate thereof terminates for any reason prior to the vesting of such grantee's restricted shares, any unvested shares will be forfeited by such grantee. The committee and the board may also grant restricted share units, or RSUs and other awards under the 2014 SIP, including shares, cash, cash and shares, other share units, share appreciation rights, and/or the opportunity to purchase our shares in connection with our public offerings.

In order to comply with the provisions of Section 102, all awards to Israeli grantees must be held in trust for the benefit of the relevant grantee for the requisite period prescribed by the Ordinance.

Upon a "Change in Control" event (as defined in the 2014 SIP), any award then outstanding will be assumed or substituted by us or the successor corporation or by any affiliate thereof, as determined by the committee. Regardless of whether or not awards are assumed or substituted, the committee may: (1) provide for grantees to have the right to exercise their awards or otherwise for the accelerated vesting of the unvested underlying shares , under such terms as the committee will determine, including the cancellation of all unexercised awards (whether vested or unvested) upon or immediately prior to the closing of the Change in Control; and/or (2) provide for the cancellation of each outstanding and unexercised award at or immediately prior to the closing of the Change in Control, and payment to the grantees of an amount in cash, our shares, the acquirer or of a corporation or other business entity which is a party to the Change in Control or other property, as determined by the committee to be fair in the circumstances, and subject to such terms and conditions as determined by the committee.

Awards under the 2014 SIP are not transferable other than by will or by the laws of descent and distribution or to a grantee's designated beneficiary, unless, in the case of awards other than incentive stock options, otherwise determined by our committee or under the 2014 SIP. Awards may be granted from time to time pursuant to the 2014 SIP, within a period of ten years from the effective date of the 2014 SIP, which period may be extended by our board.

2011 Share Incentive Plan

The 2011 Share Incentive Plan, or the 2011 SIP, was adopted by our board of directors and became effective on July 14, 2011. The 2011 SIP was approved by our shareholders on December 20, 2011.Any share underlying an award that is cancelled or terminated or forfeited for any reason without having been exercised will automatically be available for grant under the 2014 SIP. As of December 31, 2017, 930,081 options to purchase ordinary shares remained outstanding under the 2011 SIP. No new awards may be granted under the 2011 SIP.

Either our board or a committee established by our board administers the 2011 SIP. Option awards to purchase our ordinary shares that were granted under the 2011 SIP are designated in the applicable award agreement as an incentive stock option, non-qualified stock option, Section 102 award (with such designation to include the relevant tax track), Section 3(i) award, or other designations under other regimes. Unless otherwise stated in the applicable award agreement, options under the 2011 SIP vest and become exercisable as follows: subject to continued service by the grantee, 25% of the underlying shares vest on the first anniversary of the grant date, and 6.25% of the underlying shares vest quarterly over the course of the following three years. Upon termination of employment or service of a grantee, any unvested options are forfeited on the termination date. Upon termination by reason of death, disability or retirement, all of the grantee's vested options may be exercised at any time within one year after such death or disability or within three months following retirement. Upon termination for cause (as defined in the 2011 SIP), all options granted to such grantee (whether vested or not) are forfeited on the termination date. Upon termination for any other reason all vested and exercisable options at the time of termination may, unless earlier terminated in accordance with their terms, be exercised within up to 90 days after the termination date.

In the event of certain merger or sale events (as specified in the 2011 SIP), any award then outstanding will be assumed or an equivalent award will be substituted by such successor corporation under substantially the same terms as such award. If such awards are not assumed or substituted by an equivalent award, then the committee may (i) provide for grantees to have the right to exercise their awards or otherwise for the acceleration of vesting of such awards, under such terms and conditions as the committee will determine; and/or (ii) provide for the cancellation of each outstanding award at the closing of such transaction, and payment to the grantees of an amount in cash as determined by the committee to be fair in the circumstances, and subject to such terms and conditions as determined by the committee.

Awards under the 2011 SIP are not transferable other than by will or by the laws of descent and distribution, unless otherwise determined by the board or under the 2011 SIP, and generally expire ten years following the grant date. The 2011 SIP will terminate on the tenth anniversary of the effective date, other than with respect to those awards outstanding under the 2011 SIP at the time of termination.

2001 Stock Option Plan and 2001 Section 102 Stock Option Plan

The 2001 Stock Option Plan, or the 2001 SOP, and the 2001 Section 102 Stock Option Plan, as amended March 5, 2003, or the 2001 Section 102 SOP were adopted by our board of directors and became effective on March 27, 2001. The 2001 SOP and the 2001 Section 102 SOP were approved by our shareholders on March 22, 2002. If an option granted under the 2001 SOP expires or terminates for any reason without having been exercised in full, the unpurchased shares subject to such option will be available for subsequent grants under the 2014 SIP. If an employee’s rights in any options under the 2001 Section 102 SOP do not vest, such options may be reissued under the 2014 SIP. As of December 31, 2017, a total of 17,770 options to purchase ordinary shares remained outstanding under the 2001 SOP and the 2001 Section 102 SOP. The 2001 SOP and the 2001 Section 102 SOP terminated on March 27, 2011, other than with respect to those awards outstanding under the 2001 SOP and the 2001 Section 102 SOP at the time of such termination. No new awards may be granted under the 2001 SOP or the 2001 Section 102 SOP.

The 2001 SOP and the 2001 Section 102 SOP are administered by a committee appointed by the board, which may amend outstanding option agreements with the affected grantee’s consent. Pursuant to the May 30, 2013 board resolution, the respective term of the options that were granted by us to certain employees of the company and of our UK subsidiary was extended from 10 years to 15 years.

The terms of the options granted under the 2001 SOP and the 2001 Section 102 SOP are generally set forth in the applicable award agreement; however, an incentive stock option may be exercised for at least three months following termination of a grantee’s employment (or for one year following a termination due to the grantee’s death or disability). Upon certain acquisition and similar events (as specified in the 2001 SOP and the 2001 Section 102 SOP), the board will take any one or more of the following actions with respect of the then outstanding options: (i) provide that such options shall be assumed, or equivalent options will be substituted, by the acquiring or succeeding corporation (or an affiliate thereof), (ii) upon written notice to the grantees, provide that all the then-unexercised options will become exercisable in full as of a specified time prior to the acquisition event and will terminate immediately prior to the consummation of such acquisition event, (iii) upon a merger under the terms of which holders of our outstanding ordinary shares will receive upon consummation thereof a cash payment for each share surrendered in the merger, make or provide for a cash payment to the grantees equal to a formula provided in the 2001 SOP, or (iv) upon written notice to the grantees, provide that all the then vested and unvested outstanding options will terminate immediately prior to the consummation of such acquisition event, and to the extent the vested options will have not been exercised prior to the acquisition event, all such options will become null and void at the consummation of such acquisition event.

Awards under the 2001 SOP and 2001 Section 102 SOP are generally not transferable other than by will or by the laws of descent and distribution, unless otherwise determined by the board.

C. Board Practices

Board of Directors

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

We comply with the rule of the NASDAQ Stock Market that a majority of our directors be independent. Our board of directors has determined that all of our directors, other than our Chief Executive Officer, are independent under such rules. Directors serve for a period of three years pursuant to the staggered board provisions of our articles of association. Under our articles of association, our board of directors must consist of at least four and not more than nine directors. Our board of directors currently consists of six directors.

Our directors are divided into three classes with staggered three-year terms. Each class of directors consists, as nearly as possible, of one-third of the total number of directors constituting the entire board of directors. At each annual general meeting of our shareholders, the election or re-election of directors following the expiration of the term of office of the directors of that class of directors is for a term of office that expires on the third annual general meeting following such election or re-election, such that at each annual general meeting, the term of office of only one class of directors will expire. Each director will hold office until the annual general meeting of our shareholders in which his or her term expires, unless he or she is removed by a vote of 65% of the total voting power of our shareholders at a general meeting of our shareholders or upon the occurrence of certain events, in accordance with the Companies Law and our articles of association.

Our directors are divided among the three classes as follows:

(i) the Class I directors are Ehud (Udi) Mokady and David Schaeffer, and their term expires at the annual general meeting of shareholders to be held in 2018 and when their successors are elected and qualified;

(ii) the Class II directors, are Gadi Tirosh and Amnon Shoshani, and their term expires at the annual general meeting of shareholders to be held in 2019 and when their successors are elected and qualified; and

(iii) the Class III directors are Ron Gutler and Kim Perdikou, and their term expires at the annual general meeting of shareholders to be held in 2020 and when their successors are elected and qualified.

In addition, our articles of association allow our board of directors to appoint directors, create new directorships or fill vacancies on our board of directors up to the maximum number of directors permitted under our articles of association. In case of an appointment by our board of directors to fill a vacancy on our board of directors due to a director no longer serving, the term of office shall be equal to the remaining period of the term of office of the director(s) whose office(s) have been vacated, and in case of a new appointment where the number of directors serving is less than the maximum number stated in our articles of association, our board of directors shall determine at the time of appointment the class to which the new director shall be assigned.

Under the Companies Law and our articles of association, nominations for directors may be made by any shareholder(s) holding together at least 1% of our outstanding voting power. However, any such shareholder may make such a nomination only if a written notice of such shareholder's intent to make such nomination has been timely and duly given to our Secretary (or, if we have no Secretary, our Chief Executive Officer), as set forth in our articles of association. Any such notice must include certain information regarding the proposing shareholder and the proposed director nominee, the consent of the proposed director nominee(s) to serve as our director(s) if elected and a declaration signed by the proposed director nominee(s) as required by under the Companies Law and that all of the information that is required to be provided to us in connection with such election under the Companies Law and under our articles of association has been provided.

Under the Companies Law, our board of directors must determine the minimum number of directors who are required to have accounting and financial expertise. A director with accounting and financial expertise is a director who, due to his or her education, experience and skills, possesses an expertise in, and an understanding of, financial and accounting matters and financial statements, such that he or she is able to understand the financial statements of the company and initiate a discussion about the presentation of financial data.

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

Our board of directors has determined that each of Ron Gutler and Kim Perdikou possesses accounting and financial expertise as defined under the Companies Law.

External Directors

Under the Companies Law, companies incorporated under the laws of the State of Israel that are public companies, including companies with shares listed on the NASDAQ Global Select Market, are required to appoint at least two external directors.

Pursuant to regulations enacted under the Companies Law, the board of directors of a public company whose shares are listed on certain non-Israeli stock exchanges, including the NASDAQ Global Select Market, that do not have a controlling shareholder (as such term is defined in the Companies Law), may, subject to certain conditions, elect to "opt-out" of the requirements of the Companies Law regarding the election of external directors and to the composition of the audit committee and compensation committee, provided that the company complies with the requirements as to director independence and audit committee and compensation committee composition applicable to companies that are incorporated in the jurisdiction in which its stock exchange is located. In May 2016, our board of directors elected to opt-out of the Companies Law requirements to appoint external directors and related Companies Law rules concerning the composition of the audit committee and compensation committee.

The foregoing exemptions will continue to be available to us so long as: (i) we do not have a "controlling shareholder" (as such term is defined under the Companies Law), (ii) our shares are traded on a U.S. stock exchange, including the NASDAQ Global Select Market, and (iii) we comply with the NASDAQ Global Select Market listing rules applicable to domestic U.S. companies. If in the future we were to have a controlling shareholder, we would again be required to comply with the requirements relating to external directors and composition of the audit committee and compensation committee.

Under the Companies Law, the term "controlling shareholder" means a shareholder with the ability to direct the activities of the company, other than by virtue of being an office holder. A shareholder is presumed to be a controlling shareholder if the shareholder holds 50% or more of the voting rights in a company or has the right to appoint the majority of the directors of the company or its general manager. For the purpose of approving transactions with controlling shareholders, the term "controlling shareholder" also includes any shareholder that holds 25% or more of the voting rights of the company if no other shareholder holds more than 50% of the voting rights in the company.

Lead Independent Director

Mr. Mokady has been our CEO since 2005, and following approval by our shareholders at the June 2016 annual meeting, has held that post in addition to serving as Chairman since 2016, for the maximum period permitted under the Companies Law. As approved by our shareholders at the June 2016 meeting, for so long as the positions of the Chief Executive Officer and Chairman of the Board are combined, the non-executive board members will select a Lead Independent Director from among the independent directors of the Board, who has served a minimum of one year as a director. If at any meeting of the Board the Lead Independent Director is not present, a majority of the independent members of the Board present will select an independent member of the Board to act as Lead Independent Director for the purpose and duration of such meeting. The authorities and responsibilities of the Lead Independent Director include, but are not limited to, the following:

- providing leadership to the Board if circumstances arise in which the role of the Chairman may be, or may be perceived to be, in conflict, and responding to any reported conflicts of interest, or potential conflicts of interest, arising for any director;

- presiding as chairman of the meeting at all meetings of the Board at which the Chairman of the Board is not present, including executive sessions of the independent members of the Board;
- serving as liaison between the Chairman of the Board and the independent members of the Board;
- approving meeting agendas for the Board;
- approving information sent to the Board;
- approving meeting schedules to assure that there is sufficient time for discussion of all agenda items;
- having the authority to call meetings of the independent members of the Board of Directors;
- if requested by a major shareholder, ensuring that he or she is available for consultation and direct communication; and
- performing such other duties as the Board may from time to time delegate to assist the Board in the fulfillment of its duties.

Audit Committee

Under the Companies Law, the board of directors of a public company must appoint an audit committee. Our audit committee consists of three independent directors, Ron Gutler (Chairperson), Kim Perdikou, and Amnon Shoshani.

Audit Committee Composition

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

All members of our audit committee meet the requirements for financial literacy under the applicable rules and regulations of the SEC and NASDAQ corporate governance rules. Our board of directors has determined that Ron Gutler and Kim Perdikou are audit committee financial experts as defined by SEC rules and have the requisite financial experience as defined by NASDAQ corporate governance rules.

Each of the members of the audit committee is “independent” as such term is defined in Rule 10A-3(b)(1) under the Exchange Act, which is different from the general test for independence of board members and members of other committees.

Audit Committee Role

Our board of directors has an audit committee charter that sets forth the responsibilities of the audit committee consistent with the rules of the SEC and the listing requirements of the NASDAQ Stock Market, as well as the requirements for such committee under the Companies Law. The responsibilities of the audit committee under the audit committee charter include, among others, the following:

- overseeing of our accounting and financial reporting process and the audits of our financial statements;
- retaining and terminating our independent registered public accounting firm subject to the approval of our board of directors and, in the case of retention, of our shareholders and recommending the terms of audit and non-audit services provided by the independent registered public accounting firm for pre-approval by our board of directors and related fees and terms;
- establishing systems of internal controls over our financial reporting, including communication and implementation thereof and the assessment of the internal controls in accordance with the Sarbanes-Oxley Act, and any attestation by the independent registered public accounting firm;

- determining whether there are deficiencies in the business management practices of our company, including in consultation with our internal auditor or the independent registered public accounting firm, and making recommendations to the board of directors to improve such practices;
- determining whether to approve certain related party transactions (see "Item 6.C. Board Practices —Approval of Related Party Transactions under Israeli Law");
- recommending to the board of directors the retention and termination of our internal auditor, and determining the internal auditor's fees and other terms of engagement, in accordance with the Companies Law;
- approving the working plan proposed by the internal auditor and reviewing and discussion the work of the internal auditor on a quarterly basis;
- establishing procedures for the handling of employees' complaints as to the deficiencies in the management of our business and the protection to be provided to such employees; and
- performing such other duties consistent with the audit committee charter, our governing documents, stock exchange rules and applicable law that may be requested by the board of directors from time to time, including discussing guidelines and policies to govern the process by which the Company undertakes risk assessment and management in sensitive areas.

Compensation Committee

Under the Companies Law, the board of directors of any public company must appoint a compensation committee. Our compensation committee consists of three independent directors, Kim Perdikou (Chairperson), Gadi Tirosh and Ron Gutler.

Compensation Committee Composition

Under NASDAQ corporate governance rules, we are required to maintain a compensation committee consisting of at least two independent directors. Each current member of the compensation committee (which currently includes Kim Perdikou (Chairperson), Gadi Tirosh and Ron Gutler) is required to be independent under NASDAQ rules relating to compensation committee members, which are different from the general test for independence of board and committee members. Each of the members of our compensation committee satisfies those requirements.

Compensation Policy pursuant to the Israeli Companies Law

The duties of the compensation committee include the recommendation to the company's board of directors of a policy regarding the terms of engagement of office holders, as such term is defined under the Companies Law, to which we refer as a compensation policy. That compensation policy must be adopted by the company's board of directors, after considering the recommendations of the compensation committee, and must be brought for approval by the company's shareholders, which approval requires a Special Approval for Compensation (as defined below under "—Approval of Related Party Transactions under Israeli Law— Disclosure of Personal Interests of an Office Holder and Approval of Certain Transactions").

The compensation policy must serve as the basis for decisions concerning the financial terms of employment or engagement of office holders, including exculpation, insurance, indemnification or any monetary payment, obligation of payment or other benefit in respect of employment or engagement. The compensation policy must relate to certain factors, including advancement of the company's objectives, the company's business plan and its long-term strategy, and creation of appropriate incentives for office holders. It must also consider, among other things, the company's risk management, size and the nature of its operations. The compensation policy must include certain principles, such as: a link between variable compensation and long-term performance, which variable compensation shall, other than with respect to office holders who report to the CEO, be primarily based on measurable criteria; the relationship between variable and fixed compensation; and the minimum holding or vesting period for variable, equity-based compensation. The compensation committee is responsible for (a) recommending the compensation policy to a company's board of directors for its approval (and subsequent approval by our shareholders) and (b) duties related to the compensation policy and to the compensation of a company's office holders (as described below). Accordingly, following the recommendation of our compensation committee, on November 12, 2014 and December 18, 2014, our board of directors and shareholders, respectively, approved our compensation policy.

Compensation Committee Role

Our board of directors has adopted a compensation committee charter that sets forth the responsibilities of the compensation committee. The responsibilities of the committee set forth in its charter and the Companies Law include, among others, the following:

- recommending to the board of directors for its approval a compensation policy and subsequently reviewing it from time to time, assessing its implementation and recommending periodic updates, whether a new compensation policy should be adopted or an existing compensation policy should continue in effect;
- reviewing, evaluating and making recommendations regarding the terms of office, compensation and benefits for our office holders, including the non-employee directors, taking into account our compensation policy;
- exempting certain compensation arrangements from the requirement to obtain shareholder approval under the Companies Law (including with respect to the Chief Executive Officer); and
- reviewing and the granting of equity-based awards pursuant to our equity incentive plans to the extent such authority is delegated to the compensation committee by our board of directors and the reserving of additional shares for issuance thereunder.

Nominating and Governance Committee

Our nominating and governance committee consists of three independent directors, Gadi Tirosh (Chairperson), Kim Perdikou and Ron Gutler.

Nominating and Governance Committee Role

Our board of directors has a nominating and governance committee charter that sets forth the responsibilities of the nominating and governance committee, which include:

- overseeing and assisting our board of directors in reviewing and recommending nominees for election as directors and as members of the committees of the board of directors;
- establishing procedures for, and administering the performance of the members of our board and its committees;
- evaluating and making recommendations to our board of directors regarding the termination of membership of directors;
- reviewing, evaluating and making recommendations regarding management succession and development;
- reviewing and making recommendations to our board of directors regarding board member qualifications, composition and structure and the nature and duties of the committees and qualifications of committee members; and
- establishing and maintaining effective corporate governance policies and practices, including, but not limited to, developing and recommending to our board of directors a set of corporate governance guidelines applicable to our company.

Disclosure of Compensation of Executive Officers

For so long as we qualify as a foreign private issuer, we are not required to comply with the proxy rules applicable to U.S. domestic companies, including the requirement applicable to certain domestic issuers that do not qualify as emerging growth companies to disclose on an individual, rather than an aggregate, basis, the compensation of our named executive officers as defined in Item 402 of Regulation S-K. Nevertheless, the Companies Law requires that we disclose the annual compensation of our five most highly compensated office holders (as defined under the Companies Law) on an individual basis. Under the Companies Law regulations, this disclosure is required to be included in the annual proxy statement for our annual meeting of shareholders each year, which we will furnish to the SEC under cover of a Report of Foreign Private Issuer on Form 6-K. Because of that disclosure requirement under Israeli law, we are also including such information in this annual report, pursuant to the disclosure requirements of Form 20-F.

For additional information, see "Item 6B. Compensation—Compensation of Directors and Executive Officers."

Compensation of Directors

Under the Companies Law, compensation of directors requires the approval described below under "Approval of Related Party Transactions under Israeli Law - Disclosure of Personal Interests of an Office Holder and Approval of Certain Transactions."

The directors are also entitled to be paid reasonable travel, hotel and other expenses expended by them in attending board meetings and performing their functions as directors of the company, all of which is to be determined by the board of directors.

For additional information, see "Item 6B. Compensation—Compensation of Directors and Executive Officers."

Internal Auditor

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

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

The role of the internal auditor is to examine, among other things, our compliance with applicable law and orderly business procedures. The audit committee is required to oversee the activities and to assess the performance of the internal auditor as well as to review the internal auditor's work plan. Chaikin, Cohen, Rubin & Co. serves as our internal auditor.

Approval of Related Party Transactions under Israeli Law

Fiduciary Duties of Directors and Executive Officers

The Companies Law codifies the fiduciary duties that office holders owe to a company. The term "office holder" is defined under the Companies Law as a general manager, chief business manager, deputy general manager, vice general manager, any other person assuming the responsibilities of any of these positions (regardless of that person's title), a director and any other manager directly subordinate to the general manager.

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

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

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

The duty of loyalty includes a duty to:

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

We may approve an act specified above that would otherwise constitute a breach of the duty of loyalty of an office holder, provided, that the office holder acted in good faith, the act or its approval does not harm the company, and the office holder discloses his or her personal interest, including any related material information or document, a sufficient time before the approval of such act. Any such approval is subject to the terms of the Companies Law, setting forth, among other things, the organs of the company entitled to provide such approval, and the methods of obtaining such approval.

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

The Companies Law requires that an office holder promptly disclose to the board of directors any personal interest that he or she may be aware of and all related material information or documents concerning any existing or proposed transaction with the company. An interested office holder's disclosure must be made promptly and in any event no later than the first meeting of the board of directors in which the transaction is considered.

Under the Companies Law, a "personal interest" includes an interest of any person in an act or transaction of a company, including a personal interest of such person's relative or of a corporate body in which such person or a relative of such person is a 5% or greater shareholder, director or general manager, or in which he or she has the right to appoint at least one director or the general manager, but excluding a personal interest stemming from one's ownership of shares in the company. A personal interest furthermore includes the personal interest of a person for whom the office holder holds a voting proxy or the personal interest of the office holder with respect to his or her vote on behalf of a person for whom he or she holds a proxy even if such shareholder has no personal interest in the matter. An office holder is not, however, obliged to disclose a personal interest if it derives solely from the personal interest of his or her relative in a transaction that is not considered an extraordinary transaction. Under the Companies Law, an extraordinary transaction is defined as any of the following:

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

If it is determined that an office holder has a personal interest in a transaction, approval by the board of directors (and, in certain circumstances, of its applicable committee) is required for the transaction, unless the company's articles of association provide for a different method of approval. Further, so long as an office holder has disclosed his or her personal interest in a transaction and acted in good faith and the transaction or action does not harm the company's best interests, the board of directors may approve an action by the office holder that would otherwise be deemed a breach of duty of loyalty.

The compensation of, or an undertaking to indemnify or insure, an office holder requires approval first by the company's compensation committee, then by the company's board of directors, and, if such compensation arrangement or an undertaking to indemnify or insure is that of a director, the approval of the shareholders by an ordinary majority. If such compensation arrangement or an undertaking to indemnify or insure is inconsistent with the company's stated compensation policy then such arrangement is subject to the approval of a majority vote of the shares present and voting at a shareholders meeting, provided that either, which we refer to as the Special Approval for Compensation:

(a) such majority includes at least a majority of the shares held by all shareholders who do not have a personal interest in such compensation arrangement and are not controlling shareholders, excluding abstentions; or

(b) the total number of shares of shareholders who do not have a personal interest in the compensation arrangement and who vote against the arrangement does not exceed 2% of the company's aggregate voting rights.

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

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

We currently do not have a controlling shareholder. If in the future we would have a controlling shareholder, disclosure requirements regarding personal interests will apply and shareholder approval (meeting a special majority requirement) will be required with respect to transactions specified in the Companies Law involving the controlling shareholder, parties having certain relationships with the controlling shareholder and certain other specific transactions. In such cases, the votes of a controlling shareholder and certain parties associated with it would be excluded for purposes of special majority voting requirements. Additionally, the Companies Law provides a different, broader definition of a controlling shareholder with respect to the provisions pertaining to the approval of related party transactions.

Shareholder Duties

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

- an amendment to the company's articles of association;
- an increase of the company's authorized share capital;
- a merger; or
- the approval of related party transactions and acts of office holders that require shareholder approval.

In addition, a shareholder also has a general duty to refrain from discriminating against other shareholders.

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

Exculpation, Insurance and Indemnification of Directors and Officers

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

Under the Companies Law and the Securities Law, 5738—1968, or the Securities Law, a company may indemnify an office holder in respect of the following liabilities, payments and expenses incurred for acts performed by him or her as an office holder, either pursuant to an undertaking made in advance of an event or following an event, provided its articles of association include a provision authorizing such indemnification:

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

- expenses incurred by an office holder in connection with an Administrative Procedure under the Securities Law, including reasonable litigation expenses and reasonable attorneys' fees; and
- reasonable litigation expenses, including attorneys' fees, incurred by the office holder or imposed by a court in proceedings instituted against him or her by the company, on its behalf, or by a third party, or in connection with criminal proceedings in which the office holder was acquitted, or as a result of a conviction for an offense that does not require proof of criminal intent.

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

- a breach of duty of care to the company or to a third party, to the extent such a breach arises out of the negligent conduct of the office holder;
- a breach of the duty of loyalty to the company, provided that the office holder acted in good faith and had a reasonable basis to believe that the act would not harm the company;
- a monetary liability imposed on the office holder in favor of a third party;
- a monetary liability imposed on the office holder in favor of an injured party in certain Administrative proceedings; and
- expenses incurred by an office holder in connection with certain Administrative proceedings, including reasonable litigation expenses and reasonable attorneys' fees.

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

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

Under the Companies Law, exculpation, indemnification and insurance of office holders in a public company must be approved by the compensation committee and the board of directors and, with respect to certain office holders or under certain circumstances, also by the shareholders. See "Item 6.C. Board Practices—Approval of Related Party Transactions under Israeli Law."

We have entered into indemnification agreements with our office holders to exculpate, indemnify and insure our office holders to the fullest extent permitted or to be permitted by our articles of association and applicable law (including without limitation), the Companies Law, the Israeli Securities Law, 5728-1968 and the Israeli Restrictive Trade Practices Law, 5758-1988. We have obtained director and officer liability insurance for the benefit of our office holders and intend to continue to maintain such insurance as deemed adequate and to the extent permitted by the Companies Law.

D. Employees

As of December 31, 2017, we had 1,015 employees and subcontractors with 378 located in Israel, 362 in the United States, 77 in the United Kingdom and 198 across 32 other countries. The following table shows the breakdown of our global workforce of employees and subcontractors by category of activity as of the dates indicated:

	As of December 31,		
Department	**2015**	**2016**	**2017**
Sales and marketing	294	377	491
Research and development	176	205	250
Services and support	118	166	188
General and administrative	56	75	86
Total	644	823	1,015

With respect to our Israeli employees, Israeli labor laws govern the length of the workday, minimum wages for employees, procedures for hiring and dismissing employees, determination of severance pay, annual leave, sick days, advance notice of termination of employment, equal opportunity and anti-discrimination laws and other conditions of employment. Subject to certain exceptions, Israeli law generally requires severance pay upon the retirement, death or dismissal of an employee, and requires us and our employees to make payments to the National Insurance Institute, which is similar to the U.S. Social Security Administration. Our employees have pension plans that comply with the applicable Israeli legal requirements and we make monthly contributions to severance pay funds for all employees, which cover potential severance pay obligations.

None of our employees work under any collective bargaining agreements, except for our employees in Italy who work under the national collective bargaining agreement for trade and commerce sector (*CCNL Commercio*) which affects matters such as length of working, annual holidays entitlement, sick leave, travel expenses and pension rights, and our employees in France who work under the collective bargaining agreement for offices of technical studies, offices of consulting engineers and consulting firms (*SYNTEC CBA*).

Extension orders issued by the Israeli Ministry of Economy and Industry (formerly the Israeli Ministry of Industry, Trade and Labor) apply to our employees is Israel and affect matters such as cost of living adjustments to salaries, length of working hours and week, recuperation pay, travel expenses, and pension rights. We have never experienced labor-related work stoppages or strikes and believe that our relations with our employees are satisfactory.

E. Share Ownership

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

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

The following table sets forth information with respect to the beneficial ownership of our shares as of February 28, 2018 by:

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

The beneficial ownership of ordinary shares is determined in accordance with the rules of the SEC and generally includes any ordinary shares over which a person exercises sole or shared voting or investment power, or the right to receive the economic benefit of ownership. For purposes of the table below, we deem shares subject to equity-based awards that are currently exercisable or exercisable within 60 days of February 28, 2018, to be outstanding and to be beneficially owned by the person holding the equity-based awards for the purposes of computing the percentage ownership of that person but we do not treat them as outstanding for the purpose of computing the percentage ownership of any other person. The percentage of shares beneficially owned is based on 35,578,423 ordinary shares outstanding as of February 28, 2018.

As of February 28, 2018, we had 11 holders of record of our ordinary shares in the United States, including Cede & Co., the nominee of The Depository Trust Company. These shareholders held in the aggregate 35,363,606 of our outstanding ordinary shares, or 99.4% of our outstanding ordinary shares as of February 28, 2018. The number of record holders in the United States is not representative of the number of beneficial holders nor is it representative of where such beneficial holders are resident since many of these ordinary shares were held by brokers or other nominees.

All of our shareholders, including the shareholders listed below, have the same voting rights attached to their ordinary shares. See “Item 10.B. Memorandum and Articles of Association.” None of our principal shareholders or our directors and executive officers have different or special voting rights with respect to their ordinary shares. Unless otherwise noted below, each shareholder’s address is CyberArk Software Ltd. 9 Hapsagot St., Park Ofer B, POB 3143, Petach-Tikva, 4951040, Israel.

A description of any material relationship that our principal shareholders have had with us or any of our predecessors or affiliates since January 1, 2017 is included under “Item 7B. Related Party Transactions.”

Name of Beneficial Owner	Shares Beneficially Owned Number	%
Principal Shareholders		
Entities affiliated with Eminence Capital, LP (1)	3,352,576	9.42%
Matrix Capital Management Company, LLC (2)	2,130,500	5.99%
Executive Officers and Directors		
Ehud (Udi) Mokady(3)	647,923	1.82%
Joshua Siegel	*	*
Chen Bitan	*	*
Ronen (Ron) Zoran	*	*
Roy Adar	*	*
Donna Rahav	*	*
Gadi Tirosh	*	*
Ron Gutler	*	*
Kim Perdikou	*	*
David Schaeffer	*	*
Amnon Shoshani	*	**
All executive officers and directors as a group (11 persons)	1,401,493	3.94%

* Less than 1%.

(1) Based on a Schedule 13G/A filed on February 14, 2018 by Eminence Capital LP (“Eminence Capital”), Eminence GP, LLC (“Eminence GP”) and Ricky Sandler, shares beneficially owned consist of 3,352,576 ordinary shares held for the accounts of various funds affiliated with Eminence LP, namely, Eminence Partners, L.P. (“Eminence I”). Eminence Partners II, L.P. (“Eminence II”), Eminence Eaglewood Master, L.P. (“Eminence Eaglewood”), Eminence Partners Long, L.P. (together with Eminence I, Eminence II and Eminence Eaglewood, the “Partnerships”), Eminence Fund Master, Ltd. (“Eminence Offshore Master Fund”), Eminence Fund Leveraged Master, Ltd. (together with Eminence Offshore Master Fund, the “Master Funds”), and Eminence Fund Long, Ltd. (“Eminence Offshore Long,” and together with the Partnerships and Master Funds, the “Eminence Funds”) and a separately managed account (the “SMA”). Eminence Capital serves as the management company to the Eminence Funds with respect to the ordinary shares directly owned by the Eminence Funds and the investment adviser to the SMA with respect to the ordinary shares directly owned by the SMA. Eminence Capital may be deemed to have voting and dispositive power over the 3,352,576 shares held for the accounts of the Eminence Funds and the SMA. Eminence GP serves as general partner or manager with respect to the ordinary shares directly owned by the Partnerships and Master Funds and may be deemed to have voting and dispositive power over the 2,547,327 shares held for the accounts of the Partnerships and Master Funds. Mr. Sandler is the chief executive officer of Eminence Capital and the managing member of Eminence GP and may be deemed to have voting and dispositive power with respect to the 3,352,576 ordinary shares directly owned by the Eminence Funds and the SMA, as applicable. The address of the principal business and principal office of Eminence GP and Eminence Capital is 65 East 55th Street, 25th Floor, New York, NY 10022. The business address of Mr. Sandler is 65 East 55th Street, 25th Floor, New York, NY 10022.

(2) Based on a Schedule 13F-HR filed by Matrix Capital Management Company, LP on February 14, 2018, represents 2,130,500 ordinary shares over which Matrix has sole investment discretion. The address of Matrix Capital Management Company, LP is 100 Winter Street, c/o Matrix Capital Management, Waltham, MA 02451.

(3) Mr. Mokady's shares include 3,000 shares held in trust for family members over which Mr. Mokady is the beneficial owner.

Significant Changes

Based on a Schedule 13G/A filed with the SEC on June 9, 2017, as of May 31, 2017, T. Rowe Price Associates, Inc. and certain of its affiliates and subsidiaries ceased to beneficially own more than 5% of our ordinary shares. Based on a Schedule 13G/A filed with the SEC on February 13, 2018, as of December 29, 2017, FMR LLC and certain of its affiliates and subsidiaries no longer beneficially owned any of our ordinary shares.

B. Related Party Transactions

Our policy is to enter into transactions with related parties on terms that, on the whole, are no more favorable, or no less favorable, than those available from unaffiliated third parties. Based on our experience in the business sectors in which we operate and the terms of our transactions with unaffiliated third parties, we believe that all of the transactions described below met this policy standard at the time they occurred.

The following is a description of material transactions, or series of related material transactions, since January 1, 2017, to which we were or will be a party and in which the other parties included or will include our directors, executive officers, holders of more than 10% of our voting securities or any member of the immediate family of any of the foregoing persons.

Registration Rights

Our investor rights agreement entitles our shareholders to certain registration rights. The only shareholder that is currently entitled to registration rights is Cabaret Security Ltd., including Form F-3 demand rights and piggyback registration rights.

Agreements with Directors and Officers

Employment and Related Agreements. We have entered into written employment agreements with each of our executive officers. These agreements provide for notice periods of varying duration for termination of the agreement by us or by the relevant executive officer, during which time the executive officer will continue to receive base salary and benefits. These agreements also contain customary provisions regarding confidentiality of information and ownership of inventions.

Equity Awards. Since our inception we have granted options to purchase, and restricted share units underlying, our ordinary shares to our officers and certain of our directors. Such award agreements contain acceleration provisions upon certain merger, acquisition, or change of control transactions. We describe our option plans under "Item 6.B. Compensation—Equity Incentive Plans" and the equity-based compensation received by certain of our executive officers in "Item 6.B. Compensation—Compensation of Directors and Executive Officers." If the relationship between us and an executive officer, or a director, is terminated, except for cause (as defined in the various option plan agreements), all options that are vested will remain exercisable for ninety days after such termination in the case of our executive officers, or one year in the case of our directors.

Exculpation, Indemnification and Insurance. Our articles of association permit us to exculpate, indemnify and insure certain of our office holders to the fullest extent permitted by Israeli law. We have entered into agreements with certain of our office holders, including our directors, exculpating them from a breach of their duty of care to us to the fullest extent permitted by law and undertaking to indemnify them to the fullest extent permitted by law, subject to certain exceptions, including with respect to liabilities resulting from our initial public offering to the extent that these liabilities are not covered by insurance. See "Item 6.C. Board Practices—Exculpation, Insurance and Indemnification of Directors and Officers."

C. Interests of Experts and Counsel

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

Consolidated Financial Statements

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

Legal Proceedings

From time to time we are involved in legal proceedings or becomes subject to claims arising in its ordinary course of business. Such matters are generally subject to many uncertainties and outcomes are not predictable with assurance. We accrue for contingencies when the loss is probable and it can reasonably estimate the amount of any such loss. Except as set forth below, we are currently not a party to any material legal or administrative proceedings for which an appropriate accrual has not been made, and is not aware of any pending or threatened material legal or administrative proceedings against us.

On April 25, 2017, a complaint was filed against us, in a U.S. court, alleging breach of contract in connection with a sale made to one of our customers. The customer is seeking damages in the amount of $0.8 million plus recovery of certain implementation and replacement costs allegedly incurred by it. The lawsuit is still pending and discovery is ongoing, and we continue to evaluate the customer's claims. As of December 31, 2017, we are unable to assess the outcome of the claim due to its early stage and therefore no provision has been recorded.

Dividend Policy

We have never declared or paid any cash dividends on our ordinary shares. We do not anticipate paying any cash dividends in the foreseeable future. We currently intend to retain future earnings, if any, to finance operations and expand our business. Our board of directors has sole discretion whether to pay dividends. If our board of directors decides to pay dividends, the form, frequency and amount will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our directors may deem relevant. The distribution of dividends may also be limited by Israeli law, which permits the distribution of dividends only out of retained earnings or otherwise upon the permission of an Israeli court.

B. Significant Changes

No significant changes have occurred since December 31, 2017, except as otherwise disclosed in this annual report.

ITEM 9. THE OFFER AND LISTING

A. Offer and Listing Details

Our ordinary shares have been quoted on NASDAQ under the symbol “CYBR” since September 24, 2014. Prior to that date, there was no public trading market for our ordinary shares. Our IPO was priced at $16.00 per share on September 24, 2014. The following table sets forth for the periods indicated the high and low sales prices per ordinary share as reported on NASDAQ:

	Low	High
Annual:		
2018 (through February 28, 2018)	$ 40.63	$ 50.11
2017	$ 39.34	$ 55.65
2016	31.50	59.28
2015	33.00	76.35
2014 (beginning September 24, 2014)	22.12	47.01
Quarterly:		
First Quarter 2018 (through February 28, 2018)	$ 40.63	$ 50.11
Fourth Quarter 2017	40.62	47.74
Third Quarter 2017	39.34	51.26
Second Quarter 2017	45.97	55.63
First Quarter 2017	45.61	55.65
Fourth Quarter 2016	44.57	56.25
Third Quarter 2016	47.82	59.28
Second Quarter 2016	37.00	51.06
First Quarter 2016	31.50	49.56
Most Recent Six Months:		
February 2018	41.55	50.11
January 2018	40.63	44.30
December 2017	41.10	47.10
November 2017	40.66	47.74
October 2017	40.62	44.19
September 2017	40.16	43.30

B. Plan of Distribution

Not applicable.

C. Markets

See "—Listing Details" above.

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

Certain information related to our articles of association and memorandum of association is disclosed in our Registration Statement on Form F-1, as amended (Registration No. 333-204516), and is incorporated by reference.

Registration Number and Purposes of the Company. Our registration number with the Israeli Registrar of Companies is 51-229164-2. Our purpose, as set forth in article 3 of our articles of association, is to engage in any lawful activity.

Voting Rights and Conversion. All ordinary shares have identical voting and other rights in all respects.

Transfer of Shares. Our fully paid ordinary shares are issued in registered form and may be freely transferred under our articles of association, unless the transfer is restricted or prohibited by another instrument, applicable law or the rules of a stock exchange on which the shares are listed for trade. The ownership or voting of our ordinary shares by non-residents of Israel is not restricted in any way by our articles of association or the laws of the State of Israel, except for ownership by nationals of some countries that are, or have been, in a state of war with Israel.

Election of Directors. Our ordinary shares do not have cumulative voting rights for the election of directors. As a result, the holders of a majority of the voting power represented at a shareholders meeting have the power to elect all of our directors.

Under our articles of association, our board of directors must consist of not less than four but no more than nine directors. Pursuant to our articles of association, the vote required to appoint a director is a simple majority vote of holders of our voting shares, participating and voting at the relevant meeting. In addition, our directors are divided into three classes that are each elected at the third annual general meeting of our shareholders, in a staggered fashion (such that one class is elected each annual general meeting), and serve on our board of directors unless they are removed by a vote of 65% of the total voting power of our shareholders at a general meeting of our shareholders or upon the occurrence of certain events, in accordance with the Companies Law and our articles of association. In addition, our articles of association allow our board of directors to fill vacancies on the board of directors or to appoint new directors up to the maximum number of directors permitted under our articles of association. Such directors serve for a term of office equal to the remaining period of the term of office of the directors(s) whose office(s) have been vacated or in the case of new directors, for a term of office according to the class to which such director was assigned upon appointment. See "Item 6.C. Board Practices—External Directors" for a description of the exemption from the requirements under the Companies Law to appoint external directors.

Dividend and Liquidation Rights. We may declare a dividend to be paid to the holders of our ordinary shares in proportion to their respective shareholdings. Under the Companies Law, dividend distributions are determined by the board of directors and do not require the approval of the shareholders of a company unless the company's articles of association provide otherwise. Our articles of association do not require shareholder approval of a dividend distribution and provide that dividend distributions may be determined by our board of directors.

Pursuant to the Companies Law, the distribution amount is limited to the greater of retained earnings or earnings generated over the previous two years, according to our then last reviewed or audited financial statements, provided that the date of the financial statements is not more than six months prior to the date of the distribution. In the event that we do not have retained earnings or earnings generated over the two most recent years, we may seek the approval of the Israeli court in order to distribute a dividend. In each case, we are only permitted to distribute a dividend if our board of directors and the court, if applicable, determines that there is no reasonable concern that payment of the dividend will prevent us from satisfying our existing and foreseeable obligations as they become due.

In the event of our liquidation, after satisfaction of liabilities to creditors, our assets will be distributed to the holders of our ordinary shares in proportion to their shareholdings. This right, as well as the right to receive dividends, may be affected by the grant of preferential dividend or distribution rights to the holders of a class of shares with preferential rights that may be authorized in the future.

Exchange Controls. There are currently no Israeli currency control restrictions on remittances of dividends on our ordinary shares, proceeds from the sale of the shares or interest or other payments to non-residents of Israel, except for shareholders who are subjects of countries that are, or have been, in a state of war with Israel.

Shareholder Meetings. Under Israeli law, we are required to hold an annual general meeting of our shareholders once every calendar year that must be held no later than 15 months after the date of the previous annual general meeting. All meetings other than the annual general meeting of shareholders are referred to in our articles of association as special general meetings. Our board of directors may call special general meetings whenever it sees fit, at such time and place, within or outside of Israel, as it may determine. In addition, the Companies Law provides that our board of directors is required to convene a special general meeting upon the written request of (i) any two of our directors or one-quarter of the members of our board of directors or (ii) one or more shareholders holding, in the aggregate, either (a) 5% or more of our outstanding issued shares and 1% of our outstanding voting power or (b) 5% or more of our outstanding voting power.

Subject to the provisions of the Companies Law and the regulations promulgated thereunder, shareholders entitled to participate and vote at general meetings are the shareholders of record on a date to be decided by the board of directors, which may be between four and 40 days prior to the date of the meeting. Furthermore, the Companies Law requires that resolutions regarding the following matters must be passed at a general meeting of our shareholders:

- amendments to our articles of association;

- appointment or termination of our auditors;
- approval of certain related party transactions;
- increases or reductions of our authorized share capital;
- certain merger transactions; and
- the exercise of our board of director’s powers by a general meeting, if our board of directors is unable to exercise its powers and the exercise of any of its powers is required for our proper management.

The Companies Law requires that notice of any annual general meeting or special general meeting be provided to shareholders at least 21 days prior to the meeting and if the agenda of the meeting includes the appointment or removal of directors, the approval of transactions with office holders or interested or related parties, or an approval of a merger, notice must be provided at least 35 days prior to the meeting.

Under the Companies Law, shareholders of a public company are not permitted to take action via written consent in lieu of a meeting.

Voting Rights

Quorum requirements. Pursuant to our articles of association, holders of our ordinary shares have one vote for each ordinary share held on all matters submitted to a vote before the shareholders at a general meeting. As a foreign private issuer, the quorum required for our general meetings of shareholders consists of at least two shareholders present in person or by proxy who hold or represent between them at least 25% of the total outstanding voting rights. A meeting adjourned for lack of a quorum is generally adjourned to the same day in the following week at the same time and place, to such time and date if so specified in the notice of the meeting, or to such time and date as the chairman of the general meeting shall determine (which may be earlier or later than the forgoing dates). At the reconvened meeting, any one shareholder present in person or by proxy shall constitute a lawful quorum, generally, regardless of the number of shares held by such shareholder unless the meeting was convened pursuant to a shareholders request as permitted under the Companies Law, in such case, the quorum shall be one or more shareholder, present in person or by proxy, and holding the number of shares required under the Companies Law for making such requisition.

Vote Requirements. Our articles of association provide that all resolutions of our shareholders require a simple majority vote, unless otherwise required by the Companies Law or by our articles of association. Under our articles of association, the alteration of the rights, privileges, preferences or obligations of any class of our shares requires the ordinary majority vote of all classes of shares voting together as a single class at a shareholder meeting. Our articles of association also require that the removal of any director from office (other than external directors) or the amendment of the provisions of our articles of association relating to our staggered board requires the vote of 65% of the total voting power of our shareholders. Another exception to the simple majority vote requirement is a resolution for the voluntary winding up, or an approval of a scheme of arrangement or reorganization, of the company pursuant to Section 350 of the Companies Law, which requires the approval of holders of 75% of the voting rights represented at the meeting, in person, by proxy or by voting deed and voting on the resolution.

Access to Corporate Records. Under the Companies Law, shareholders are provided access to: minutes of our general meetings; our shareholders register and principal shareholders register, articles of association and annual financial statements, certain other documents as provided in the Companies Law, and any document that we are required by law to file publicly with the Israeli Companies Registrar or the Israel Securities Authority. In addition, shareholders may request to be provided with any document related to an action or transaction requiring shareholder approval under the related party transaction provisions of the Companies Law. We may deny this request if we believe it has not been made in good faith or if such denial is necessary to protect our interest or protect a trade secret or patent.

Acquisitions under Israeli Law

Full Tender Offer. A person wishing to acquire shares of an Israeli public company and who would as a result hold over 90% of the target company’s issued and outstanding share capital or that of a certain class of shares is required by the Companies Law to make a tender offer to all of the company’s shareholders or the shareholders who hold shares of the relevant class for the purchase of all of the issued and outstanding shares of the company or of the same class, as applicable.

If the shareholders who do not accept the offer hold less than 5% of the issued and outstanding share capital of the company or of the applicable class of shares, and more than half of the shareholders who do not have a personal interest in the offer accept the offer, all of the shares that the acquirer offered to purchase will be transferred to the acquirer by operation of law. However, a tender offer will also be accepted if the shareholders who do not accept the offer hold less than 2% of the issued and outstanding share capital of the company or of the applicable class of shares.

If the tender offer was not accepted, the acquirer may not acquire shares of the company that will increase its holdings to more than 90% of the company's issued and outstanding share capital or of the applicable class from shareholders who accepted the tender offer.

Special Tender Offer. The Companies Law provides that an acquisition of shares of an Israeli public company must be made by means of a special tender offer if as a result of the acquisition the purchaser would become a holder of 25% or more of the voting rights in the company. This requirement does not apply if there is already another holder of at least 25% of the voting rights in the company. Similarly, the Companies Law provides that an acquisition of shares in a public company must be made by means of a special tender offer if as a result of the acquisition the purchaser would become a holder of more than 45% of the voting rights in the company, if there is no other shareholder of the company who holds more than 45% of the voting rights in the company, subject to certain exceptions. These requirements do not apply if the acquisition occurs in the context of a private placement approved by the general meeting as a private offering whose purpose is to give the acquirer at least 25% or 45% or more, as the case may be.

A special tender offer may be consummated only if (i) at least 5% of the voting power attached to the company's outstanding shares will be acquired by the offeror and (ii) the special tender offer is accepted by a majority of the votes of those offerees who gave notice of their position in respect of the offer; in counting the votes of offerees, the votes of a holder of control in the offeror, a person who has personal interest in acceptance of the special tender offer, holders of 25% or more of the voting rights in the company or anyone on their behalf, including their relatives and entities controlled by them, will not be taken into account.

Merger. The Companies Law permits merger transactions if approved by each party's board of directors and, unless certain requirements described under the Companies Law are met, by a majority vote of each party's shareholders.

For purposes of the shareholder vote, unless a court rules otherwise, the merger will not be deemed approved if a majority of the votes of shares represented at the shareholders meeting that are held by parties other than the other party to the merger, or by any person (or group of persons acting in concert) who holds (or hold, as the case may be) 25% or more of the voting rights or the right to appoint 25% or more of the directors of the other party, vote against the merger. If, however, the merger involves a merger with a company's own controlling shareholder or if the controlling shareholder has a personal interest in the merger, then the merger is instead subject to the same special majority approval that governs all extraordinary transactions with controlling shareholders (as described under "Management—Approval of Related Party Transactions under Israeli Law—Disclosure of personal interests of controlling shareholders and approval of certain transactions").

If the transaction would have been approved by the shareholders of a merging company but for the separate approval of each class or the exclusion of the votes of certain shareholders as provided above, a court may still approve the merger upon the request of holders of at least 25% of the voting rights of a company, if the court holds that the merger is fair and reasonable, taking into account the value of the parties to the merger and the consideration offered to the shareholders of the company.

Upon the request of a creditor of either party to the proposed merger, the court may delay or prevent the merger if it concludes that there exists a reasonable concern that, as a result of the merger, the surviving company will be unable to satisfy the obligations of the merging entities, and may further give instructions to secure the rights of creditors.

In addition, a merger may not be consummated unless at least 50 days have passed from the date on which a proposal for approval of the merger was filed by each party with the Israeli Registrar of Companies and at least 30 days have passed from the date on which the merger was approved by the shareholders of each party.

Anti-takeover Measures under Israeli Law

The Companies Law allows us to create and issue shares having rights different from those attached to our ordinary shares, including shares providing certain preferred rights with respect to voting, distributions or other matters and shares having preemptive rights. No preferred shares are authorized under our articles of association. In the future, if we do authorize, create and issue a specific class of preferred shares, such class of shares, depending on the specific rights that may be attached to it, may have the ability to frustrate or prevent a takeover or otherwise prevent our shareholders from realizing a potential premium over the market value of their ordinary shares. The authorization and designation of a class of preferred shares will require an amendment to our articles of association, which requires the prior approval of the holders of a majority of the voting power attaching to our issued and outstanding shares at a general meeting. The convening of the meeting, the shareholders entitled to participate and the majority vote required to be obtained at such a meeting will be subject to the requirements set forth in the Companies Law as described above in "—Voting Rights."

Transfer Agent and Registrar

The transfer agent and registrar for our ordinary shares is American Stock Transfer & Trust Company, LLC. Its address is 6201 15th Avenue, Brooklyn, New York 11219, and its telephone number is (800) 937-5449.

Listing

Our ordinary shares are listed on the NASDAQ Global Select Market under the symbol "CYBR."

C. Material Contracts

For a description of the registration rights that we granted under our Fourth Amended Investor Rights Agreement, please refer to "Item 7.B. Related Party Transaction—Registration Rights."

We entered into an underwriting agreement between us, Goldman, Sachs & Co. and Deutsche Bank Securities Inc., as representatives of the underwriters, with respect to the ordinary shares sold by certain of our shareholders in a public offering of ordinary shares, on March 11, 2015. We also entered into an underwriting agreement between us, Goldman, Sachs & Co., Deutsche Bank Securities Inc. and Barclays Capital Inc., as representatives of the underwriters, with respect to the ordinary shares sold by us and certain of our shareholders in a public offering of ordinary shares, on June 10, 2015.

Under each of the underwriting agreements described above, we have agreed to indemnify the underwriters covered by the corresponding agreement against certain liabilities, including liabilities under the Securities Act, and to contribute to payments such underwriters may be required to make in respect of such liabilities.

For a description of our leases, see Item 4.B.—Business Overview—Properties.

D. Exchange Controls

In 1998, Israeli currency control regulations were liberalized significantly, so that Israeli residents generally may freely deal in foreign currency and foreign assets, and non-residents may freely deal in Israeli currency and Israeli assets. There are currently no Israeli currency control restrictions on remittances of dividends on the ordinary shares or the proceeds from the sale of the shares provided that all taxes were paid or withheld; however, legislation remains in effect pursuant to which currency controls can be imposed by administrative action at any time.

Non-residents of Israel may freely hold and trade our securities. Neither our articles of association nor the laws of the State of Israel restrict in any way the ownership or voting of ordinary shares by non-residents, except that such restrictions may exist with respect to citizens of countries which are in a state of war with Israel. Israeli residents are allowed to purchase our ordinary shares.

E. Taxation

The following description is not intended to constitute a complete analysis of all tax consequences relating to the acquisition, ownership and disposition of our ordinary shares. You should consult your own tax advisor concerning the tax consequences of your particular situation, as well as any tax consequences that may arise under the laws of any state, local, foreign or other taxing jurisdiction. This summary does not discuss all of the aspects of Israeli tax law that may be relevant to a particular investor in light of his or her personal investment circumstances or to some types of investors subject to special treatment under Israeli law. Examples of such investors include residents of Israel or traders in securities who are subject to special tax regimes not covered in this discussion.

Certain Israeli Tax Consequences

Capital Gains Taxes Applicable to Non-Israeli Resident Shareholders

A non-Israeli resident who derives capital gains from the sale of shares in an Israeli resident company that were purchased after the company was listed for trading on a stock exchange outside of Israel should be exempt from Israeli tax so long as the shares were not held through a permanent establishment that the non-resident maintains in Israel and that such shareholders are not subject to the Israeli Income Tax Law (Inflationary Adjustments) 5745-1985. However, non-Israeli corporations will not be entitled to the foregoing exemption if Israeli residents: (i) have a controlling interest of more than 25% in such non-Israeli corporation or (ii) are the beneficiaries of, or are entitled to, 25% or more of the revenues or profits of such non-Israeli corporation, whether directly or indirectly. Such exemption is not applicable to a person whose gains from selling or otherwise disposing of the shares are deemed to be a business income.

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

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

Taxation of Non-Israeli Shareholders on Receipt of Dividends

Non-Israeli residents (either an individual or a corporation) are generally subject to Israeli income tax on the receipt of dividends paid on our ordinary shares at the rate of 25%, unless relief is provided in a treaty between Israel and the shareholder's country of residence. With respect to a person who is a "substantial shareholder" at the time of receiving the dividend or on any time during the preceding twelve months, the applicable tax rate is 30%. A "substantial shareholder" is generally a person who alone or together with such person's relative or another person who collaborates with such person on a permanent basis, holds, directly or indirectly, at least 10% of any of the "means of control" of the corporation. "Means of control" generally include the right to vote, receive profits, nominate a director or an executive officer, receive assets upon liquidation, or order someone who holds any of the aforesaid rights how to act, regardless of the source of such right. Such dividends paid to non-Israeli residents are generally subject to Israeli withholding tax at a rate of 25% so long as the shares are registered with a Nominee Company (whether the recipient is a substantial shareholder or not), unless a reduced tax rate is provided under an applicable tax treaty, provided that a certificate from the Israel Tax Authority allowing for a reduced withholding tax rate is obtained in advance. However, a distribution of dividends to non-Israeli residents is subject to withholding tax at source at a rate of 15% if the dividend is distributed from income attributed to an Approved Enterprise or a Benefited Enterprise or 20% if the dividend is distributed from income attributed to a Preferred Enterprise, unless a reduced tax rate is provided under an applicable tax treaty(subject to the receipt in advance of a valid certificate from the Israel Tax Authority allowing for a reduced tax rate). Under the United States-Israel Tax Treaty, the maximum rate of tax withheld at source in Israel on dividends paid to a holder of our ordinary shares who is a U.S. resident (for purposes of the United States-Israel Tax Treaty) is 25%. However, the maximum rate of withholding tax on dividends, not generated from an Approved Enterprise or Benefited Enterprise, that are paid to a United States corporation holding 10% or more of the outstanding voting capital throughout the tax year in which the dividend is distributed as well as during the previous tax year, is 12.5%, provided that no more than 25% of the gross income for such preceding year consists of certain types of dividends and interest. Notwithstanding the foregoing, a distribution of dividends to non-Israeli residents is subject to withholding tax at source at a rate of 15% if the dividend is distributed from income attributed to an Approved Enterprise or a Benefited Enterprise for such U.S. corporation shareholder, provided that the condition related to our gross income for the previous year (as set forth in the previous sentence) is met. We cannot assure you that in the event we declare a dividend we will designate the income out of which the dividend is paid in a manner that will reduce shareholders' tax liability.

If the dividend is attributable partly to income derived from an Approved Enterprise, Benefited Enterprise or Preferred Enterprise, and partly to other sources of income, the withholding rate will be a blended rate reflecting the relative portions of the two types of income. U.S. residents who are subject to Israeli withholding tax on a dividend may be entitled to a credit or deduction for United States federal income tax purposes in the amount of the taxes withheld, subject to detailed rules contained in U.S. tax legislation.

Excess Tax

Individuals who are subject to tax in Israel (whether any such individual is an Israeli resident or non-Israeli resident) are also subject to an additional tax at the rate of 2% on annual taxable income exceeding NIS 803,520 in 2016 (and as of 2017, the additional tax will be at a rate of 3% on annual income exceeding NIS 640,000) which amount is linked to the annual change in the Israeli consumer price index, including, but not limited to, dividends, interest and capital gain.

Estate and Gift Tax

Israeli law presently does not impose estate or gift taxes.

Certain United States Federal Income Tax Consequences

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

- banks, financial institutions or insurance companies;
- real estate investment trusts, regulated investment companies or grantor trusts;
- brokers, dealers or traders in securities, commodities or currencies;
- tax-exempt entities or organizations, including an “individual retirement account” or “Roth IRA” as defined in Section 408 or 408A of the Code, respectively;
- certain former citizens or long-term residents of the United States;
- persons that receive our shares as compensation for the performance of services;
- persons that hold our shares as part of a “hedging,” “integrated” or “conversion” transaction or as a position in a “straddle” for United States federal income tax purposes;
- partnerships (including entities classified as partnerships for United States federal income tax purposes) or other pass-through entities, or indirect holders that hold our shares through such an entity;
- S corporations;
- holders that acquire ordinary shares as a result of holding or owning our preferred shares;

- holders whose “functional currency” is not the U.S. Dollar; or
- holders that own directly, indirectly or through attribution 10.0% or more of the voting power or value of our shares.

Moreover, this description does not address the United States federal estate, gift or alternative minimum tax consequences, or any state, local or foreign tax consequences, of the acquisition, ownership and disposition of our ordinary shares.

This description is based on the Code, existing, proposed and temporary United States Treasury Regulations and judicial and administrative interpretations thereof, in each case as in effect and available on the date hereof. All of the foregoing is subject to change, which change could apply retroactively and could affect the tax consequences described below. There can be no assurances that the U.S. Internal Revenue Service, or IRS, will not take a different position concerning the tax consequences of the ownership and disposition of our ordinary shares or that such a position would not be sustained. Holders should consult their own tax advisors concerning the U.S. federal, state, local and foreign tax consequences of acquiring, owning and disposing of our ordinary shares in their particular circumstances.

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

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

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

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

Distributions

Subject to the discussion below under “Passive Foreign Investment Company Considerations,” if you are a U.S. Holder, the gross amount of any distribution made to you with respect to our ordinary shares before reduction for any Israeli taxes withheld therefrom, other than certain distributions, if any, of our ordinary shares distributed pro rata to all our shareholders, generally will be includible in your income as dividend income to the extent such distribution is paid out of our current or accumulated earnings and profits as determined under United States federal income tax principles. We do not expect to maintain calculations of our earnings and profits under United States federal income tax principles. Therefore, if you are a U.S. Holder you should expect that the entire amount of any distribution generally will be reported as dividend income to you. Subject to applicable limitations, dividends paid to certain non-corporate U.S. Holders may qualify for the preferential rates of taxation with respect to dividends on ordinary shares if certain requirements, including stock holding period requirements, are satisfied by the recipient and we are eligible for the benefits of the United States-Israel Tax Treaty.

However, such dividends will not be eligible for the dividends received deduction generally allowed to corporate U.S. Holders. To the extent that the amount of any distribution by us exceeds our current and accumulated earnings and profits as determined under United States federal income tax principles, it will be treated first as a return of your adjusted tax basis in our ordinary shares and thereafter as either long-term or short-term capital gain depending upon whether the U.S. Holder has held our ordinary shares for more than one year as of the time such distribution is received.

Subject to certain conditions and limitations, Israeli tax withheld on dividends may be deducted from your taxable income or credited against your United States federal income tax liability. If you are a U.S. Holder, dividends paid to you with respect to our ordinary shares will generally be treated as foreign source income, which may be relevant in calculating your foreign tax credit limitation. However, for periods in which we are a "United Stated-owned foreign corporation," a portion of dividends paid by us may be treated as U.S. source solely for purposes of the foreign tax credit. We would be treated as a United States-owned foreign corporation if 50% or more of the total value or total voting power of our stock is owned, directly, indirectly or by attribution, by United States persons. To the extent any portion of our dividends is treated as U.S. source income pursuant to this rule, the ability of a U.S. Holder to claim a foreign tax credit for any Israeli withholding taxes payable in respect of our dividends may be limited. A U.S. Holder entitled to benefits under the United States-Israel Tax Treaty may, however, elect to treat any dividends as foreign source income for foreign tax credit purposes if the dividend income is separated from other income items for purposes of calculating the U.S. Holder's foreign tax credit. U.S. Holders should consult their own tax advisors about the impact of, and any exception available to, the special sourcing rule described in this paragraph, and the desirability of making, and the method of making, such an election.

The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose, dividends that we distribute generally should constitute "passive category income," or, in the case of certain U.S. Holders, "general category income." A foreign tax credit for foreign taxes imposed on distributions may be denied if you do not satisfy certain minimum holding period requirements. The rules relating to the determination of the foreign tax credit are complex, and you should consult your tax advisor to determine whether and to what extent you will be entitled to this credit.

Sale, Exchange or Other Taxable Disposition of Ordinary Shares

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

Passive Foreign Investment Company Considerations

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

A non-U.S. corporation will be classified as a PFIC for federal income tax purposes in any taxable year in which, after applying certain look-through rules with respect to the income and assets of subsidiaries, either:

- at least 75% of its gross income is "passive income"; or
- at least 50% of the average quarterly value of its total gross assets (which may be measured in part by the market value of our ordinary shares, which is subject to change) is attributable to assets that produce "passive income" or are held for the production of passive income.

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

Based on the composition of our gross income and the fair market value of our assets, and the nature of our business, we believe that we were not classified as a PFIC for the taxable year ended December 31, 2017. Because PFIC status is determined annually based on our income, assets and activities for the entire taxable year, it is not possible to determine whether we will be characterized as a PFIC for the taxable year ending December 31, 2018, or for any subsequent year, until we finalize our financial statements for that year. Furthermore, because the value of our gross assets is likely to be determined in large part by reference to our market capitalization, a decline in the value of our ordinary shares may result in our becoming a PFIC. Accordingly, there can be no assurance that we will not be considered a PFIC for any taxable year.

Under certain attribution rules, as a PFIC, U.S. Holders may be deemed to own their proportionate share of our PFIC subsidiaries, such subsidiaries referred to as "lower-tier PFICs," and will be subject to U.S. federal income tax in the manner discussed below on (1) a distribution to us on the shares of a "lower-tier PFIC" and (2) a disposition by us of shares of a "lower-tier PFIC," both as if the holder directly held the shares of such "lower-tier PFIC."

If an entity is treated as a PFIC for any taxable year during which a U.S. Holder holds (or, as discussed in the previous paragraph, is deemed to hold) its ordinary shares, such holder will be subject to adverse U.S. federal income tax rules. In general, if a U.S. Holder disposes of shares of a PFIC (including an indirect disposition or a constructive disposition of shares of a "lower-tier PFIC"), gain recognized or deemed recognized by such holder would be allocated ratably over such holder's holding period for the shares. The amounts allocated to the taxable year of disposition and to years before the entity became a PFIC, if any, would be treated as ordinary income.

The amount allocated to each other taxable year would be subject to tax at the highest rate in effect for such taxable year for individuals or corporations, as appropriate, and an interest charge would be imposed on the tax attributable to such allocated amounts. Further, any distribution in respect of shares of a PFIC (or a distribution by a lower-tier PFIC to its shareholders that is deemed to be received by a U.S. Holder) in excess of 125% of the average of the annual distributions on such shares received or deemed to be received during the preceding three years or the U.S. Holder's holding period, whichever is shorter, would be subject to taxation in the manner described above. In addition, dividend distributions made to you will not qualify for the preferential rates of taxation applicable to long-term capital gains discussed above under "Distributions."

Where a company that is a PFIC meets certain reporting requirements, a U.S. Holder can avoid certain adverse PFIC consequences described above by making a "qualified electing fund", or QEF, election to be taxed currently on its proportionate share of the PFIC's ordinary income and net capital gains.

If we are a PFIC and our ordinary shares are "regularly traded" on a "qualified exchange," a U.S. Holder may make a mark-to-market election with respect to our ordinary shares (but not the shares of any lower-tier PFICs), which may help mitigate the adverse tax consequences resulting from our PFIC status (but not that of any lower-tier PFICs). Our ordinary shares will be treated as "regularly traded" in any calendar year in which more than a de minimis quantity of the ordinary shares are traded on a qualified exchange on at least 15 days during each calendar quarter (subject to the rule that trades that have as one of their principal purposes the meeting of the trading requirement are disregarded). The NASDAQ Global Select Market is a qualified exchange for this purpose and, consequently, if the ordinary shares are regularly traded, the mark-to-market election will be available to a U.S. Holder; however, there can be no assurance that trading volumes will be sufficient to permit a mark-to-market election. In addition, because a mark-to-market election with respect to us does not apply to any equity interests in "lower-tier PFICs" that we own, a U.S. Holder generally will continue to be subject to the PFIC rules with respect to its indirect interest in any investments held by us that are treated as equity interests in a PFIC for U.S. federal income tax purposes.

If a U.S. Holder makes the mark-to-market election, for each year in which we are a PFIC, the holder will generally include as ordinary income the excess, if any, of the fair market value of ordinary shares at the end of the taxable year over their adjusted tax basis, and will be permitted an ordinary loss in respect of the excess, if any, of the adjusted tax basis of our ordinary shares over their fair market value at the end of the taxable year (but only to the extent of the net amount of previously included income as a result of the mark-to-market election). A U.S. Holder that makes a valid mark-to-market election will not include mark-to-market gain or loss in income for any taxable year that we are not classified as a PFIC (although cessation of our status as a PFIC will not terminate the mark-to-market election). Thus, if we are classified as a PFIC in a taxable year after a year in which we are not classified as a PFIC, the U.S. Holder's original election (unless revoked or terminated) continues to apply and the U.S. Holder must include any mark-to-market gain or loss in such year. If a U.S. Holder makes the election, the holder's tax basis in our ordinary shares will be adjusted to reflect any such income or loss amounts. Any gain recognized on a sale or other disposition of our ordinary shares will be treated as ordinary income. Any losses recognized on a sale or other disposition of our ordinary shares will be treated as ordinary loss to the extent of any net mark-to-market gains for prior years. U.S. Holders should consult their own tax advisors regarding the availability and consequences of making a mark-to-market election in their particular circumstances. In particular, U.S. Holders should consider carefully the impact of a mark-to-market election with respect to our ordinary shares if we have "lower-tier PFICs" for which such election is not available. Once made, the mark-to-market election cannot be revoked without the consent of the IRS unless our ordinary shares cease to be "regularly traded."

If a U.S. Holder owns ordinary shares during any year in which we are a PFIC, the U.S. Holder generally will be required to file an IRS Form 8621 (Information Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund) with respect to the company (regardless of whether a QEF or mark-to-market election is made), generally with the U.S. Holder's federal income tax return for that year. If our company were a PFIC for a given taxable year, then you should consult your tax advisor concerning your annual filing requirements.

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

Medicare Tax

Certain U.S. Holders that are individuals, estates or trusts are subject to a 3.8% tax on all or a portion of their "net investment income," which may include all or a portion of their dividend income and net gains from the disposition of ordinary shares. Each U.S. Holder that is an individual, estate or trust is urged to consult its tax advisors regarding the applicability of the Medicare tax to its income and gains in respect of its investment in our ordinary shares.

Backup Withholding Tax and Information Reporting Requirements

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

Foreign Asset Reporting

Certain U.S. Holders who are individuals are required to report information relating to an interest in our ordinary shares, subject to certain exceptions (including an exception for shares held in accounts maintained by U.S. financial institutions) by filing IRS Form 8938 (Statement of Specified Foreign Financial Assets) with their federal income tax return. U.S. Holders are urged to consult their tax advisors regarding their information reporting obligations, if any, with respect to their ownership and disposition of our ordinary shares.

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

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We are subject to the informational requirements of the Exchange Act that are applicable to foreign private issuers, and under those requirements file reports with the SEC. Those other reports or other information may be inspected without charge at the locations described above. As a foreign private issuer, we are exempt from the rules under the Exchange Act related to the furnishing and content of proxy statements, and our officers, directors and principal shareholders will be exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we are not required under the Exchange Act to file annual, quarterly and current reports and financial statements with the SEC as frequently or as promptly as United States companies whose securities are registered under the Exchange Act. However, we will file with the SEC, within 120 days after the end of each subsequent fiscal year, or such applicable time as required by the SEC, an annual report on Form 20-F containing financial statements audited by an independent registered public accounting firm, and will submit to the SEC reports on Form 6-K containing unaudited quarterly financial information.

You may read and copy any document we file with the SEC without charge at the SEC's public reference room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. You may also obtain copies of the documents at prescribed rates by writing to the Public Reference Section of the SEC at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC also maintains an internet website that contains reports and other information regarding issuers that file electronically with the SEC. Our filings with the SEC are also available to the public through the SEC's website at http://www.sec.gov.

I. Subsidiary Information

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to a variety of risks, including foreign currency exchange fluctuations, changes in interest rates and inflation. We regularly assess currency, interest rate and inflation risks to minimize any adverse effects on our business as a result of those factors.

Foreign Currency Risk

Our results of operations and cash flows are affected by fluctuations due to changes in foreign currency exchange rates. In 2017, the majority of our revenues were denominated in U.S. dollars and the remainder in other currencies, primarily euros and British pounds sterling. In 2017, the majority of our cost of revenues and operating expenses were denominated in U.S. dollars and NIS and the remainder in other currencies, primarily euros and British pounds sterling. Our foreign currency-denominated expenses consist primarily of personnel, rent and other overhead costs. Since a significant portion of our expenses is incurred in NIS and is substantially greater than our revenues in NIS, any appreciation of the NIS relative to the U.S. dollar could adversely impact our net income. For example, during 2017, appreciation of NIS relative to the U.S. dollar affected our operating profit by approximately $4.0 million. In addition, since the portion of our revenues generated in euros and British pounds sterling is greater than our expenses incurred in euros and British pounds sterling, respectively, any depreciation of the euro or British pounds sterling relative to the U.S. dollar would adversely impact our net income.

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

Period	Change in Average Exchange Rate of the NIS Against the U.S. dollar (%)
2017	(6.3)
2016	(1.1)
2015	8.6

The figures above represent the change in the average exchange rate in the given period compared to the average exchange rate in the immediately preceding period. Negative figures represent depreciation of the U.S. dollar compared to the NIS. A 10% strengthening or weakening in the value of the NIS against the U.S. dollar would have decreased or increased, respectively, our net income by approximately $5.0 million in 2017. We estimate that a 10% strengthening or weakening in the value of the euro against the U.S. dollar would have increased or decreased, respectively, our net income by approximately $2.1 million in 2017. We estimate that a 10% strengthening or weakening in the value of the British pounds sterling against the U.S. dollar would have increased or decreased, respectively, our net income by approximately $0.8 million in 2017. These estimates of the impact of fluctuations in currency exchange rates on our historic results of operations may be different from the impact of fluctuations in exchange rates on our future results of operations since the mix of currencies comprising our revenues and expenses may change.

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

To protect against the increase in value of forecasted foreign currency cash flow resulting from expenses paid in NIS during the year, we have instituted a foreign currency cash flow hedging program. We hedge portions of the anticipated payroll of our Israeli employees in NIS for a period of one to twelve months with forward contracts and other derivative instruments. In addition, from time to time we enter into foreign exchange forward transactions to economically hedge a portion of account receivables in Euros and British pounds sterling. We do not use derivative financial instruments for speculative or trading purposes.

Interest Rate Risk

The primary objectives of our investment activities are to preserve principal, support liquidity requirements, and maximize income without significantly increasing risk. Our investments are subject to market risk due to changes in interest rates, which may affect our interest income and fair market value of our investments.

To minimize this risk, we maintain our portfolio of cash, cash equivalents and short and long-term investments in a variety of securities, including commercial paper, money market funds, U.S. government and agency securities, and corporate debt securities. We do not believe that a 10% increase or decrease in interest rates would have a material impact on our operating results, cash flows or the fair value of our portfolio.

Other Market Risks

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

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not applicable.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Initial Public Offering

Our initial public offering of ordinary shares was effected through a Registration Statement on Form F-1 (File Nos. 333-196991) which was declared or became effective on September 23, 2014. As disclosed in our 2016 annual report on Form 20-F filed with the SEC on March 16, 2017, we used approximately $54.1 million of the net proceeds of the IPO for the acquisitions of Cybertinel, Viewfinity and certain assets of Agata Ltd. The balance of any IPO proceeds have been used for general corporate purposes. There was no material change in the planned use of proceeds from our IPO as described in our prospectus dated September 23, 2014 filed with the SEC pursuant to Rule 424(b).

None of the net proceeds of the IPO was paid directly or indirectly to any director or officer of ours or to their associates, persons owning 10% or more of any class of our equity securities, or to any of our affiliates.

ITEM 15. CONTROLS AND PROCEDURES

Disclosure controls and procedures

Our Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) of the Exchange Act) as of December 31, 2017, have concluded that, based on such evaluation, as of such date, our disclosure controls and procedures were effective such that information required to be disclosed by us in reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure and is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms.

Management annual report on internal control over financial reporting and attestation report of the registered public accounting firm

Our management, under the supervision of our Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that:

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

Our management assessed the effectiveness of internal control over financial reporting as of December 31, 2017 based on the criteria established in "Internal Control-Integrated Framework (2013)" published by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management has concluded that our internal control over financial reporting was effective as of December 31, 2017.

Our independent registered public accounting firm, Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global, has audited the consolidated financial statements included in this annual report on Form 20-F, and as part of its audit, has issued its audit report on the effectiveness of our internal control over financial reporting as of December 31, 2017. The report of Kost Forer Gabbay & Kasierer is included with our consolidated financial statements included elsewhere in this annual report and is incorporated herein by reference.

Changes in internal control over financial reporting

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

ITEM 16. [RESERVED]

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our board of directors has determined that Ron Gutler and Kim Perdikou are audit committee financial experts as defined by the SEC rules, have the requisite financial experience as defined by NASDAQ corporate governance rules and are “independent” as such term is defined in Rule 10A-3(b)(1) under the Exchange Act.

ITEM 16B. CODE OF ETHICS

We have adopted a corporate code of business conduct applicable to our executive officers, directors and all other employees. A copy of the code is delivered to every employee of CyberArk Software Ltd. and all of its subsidiaries, and is available to investors and others on our website at http://investors.cyberark.com or by contacting our investor relations department. The corporate code of business conduct includes our code of ethics which is applicable to our chief executive officer, our chief financial officer and all other senior financial officers. Pursuant to Item 16B of Form 20-F, if a waiver or amendment of the code of conduct (including the code of ethics) applies to our chief executive officer, chief financial officer or other persons performing similar functions and relates to standards promoting any of the values described in Item 16B(b) of Form 20-F, we will disclose such waiver or amendment (i) on our website within five business days following the date of amendment or waiver in accordance with the requirements of Instruction 4 to such Item 16B or (ii) through the filing of a Form 6-K. We granted no waivers under our code in 2017.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Principal Accountant Fees and Services

We have recorded the following fees for professional services rendered by Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global, an independent registered public accounting firm, for the years ended December 31, 2016 and 2017:

	2016	2017
	(in thousands)	
Audit Fees	$ 504	$ 559
Audit-Related Fees	110	130
Tax Fees	133	179
All Other Fees	-	7
Total	$ 747	$ 875

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

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

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

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

Our audit committee has adopted a pre-approval policy for the engagement of our independent accountant to perform certain audit and non-audit services. Pursuant to this policy, which is designed to assure that such engagements do not impair the independence of our auditors, the audit committee pre-approves each type of audit, audit-related, tax and other permitted service. The audit committee has delegated the pre-approval authority with respect to audit, audit-related, tax and permitted non-audit services up to a maximum of $25,000 to its chairperson and may in the future delegate such authority to one or more additional members of the audit committee, provided that all decisions by that member to pre-approve any such services must be subsequently reported, for informational purposes only, to the full audit committee. All audit and non-audit services provided by our auditors in 2017 were approved in accordance with our policy.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

Not applicable.

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16G. CORPORATE GOVERNANCE

As a foreign private issuer, we are permitted to comply with Israeli corporate governance practices instead of certain of the NASDAQ Listing Rules, provided that we disclose those NASDAQ Listing Rules with which we do not comply and the equivalent Israeli requirements that we follow instead. We currently rely on this "foreign private issuer exemption" with respect to the quorum requirement for meetings of our shareholders and NASDAQ requirements relating to distribution of our annual report to shareholders. As permitted under the Companies Law, pursuant to our articles of association, the quorum required for an ordinary meeting of shareholders consists of at least two shareholders present in person or by proxy who hold or represent between them at least 25% of the voting power of our shares (and, with respect to an adjourned meeting, generally one or more shareholders who hold or represent any number of shares), instead of 33 1/3% of the issued share capital provided under the NASDAQ Listing Rules. Further, as opposed to NASDAQ Listing Rule 5250(d), which requires listed issuers to make annual reports on Form 20-F available to shareholders in one of a number of specific manners, Israeli law does not require us to distribute such reports directly to shareholders, and the generally accepted business practice in Israel is not to distribute such reports to shareholders but to make such reports available through a public website. In addition, we will make our annual report on Form 20-F containing audited financial statements available to our shareholders at our offices (in addition to a public website). Otherwise, we comply with the NASDAQ corporate governance rules requiring that listed companies have a majority of independent directors and maintain a compensation and nominating committee composed entirely of independent directors.

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

PART III

ITEM 17. FINANCIAL STATEMENTS

Not applicable.

ITEM 18. FINANCIAL STATEMENTS

See pages F-2 through F-44 of this annual report.

ITEM 19. EXHIBITS

See exhibit index incorporated herein by reference.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

CyberArk Software Ltd.

Date: March 15, 2018

By: /s/ Ehud Mokady
Ehud Mokady
Chairman of the Board &
Chief Executive Officer

CYBERARK SOFTWARE LTD.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2017

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Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of CyberArk Software Ltd.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of CyberArk Software Ltd. (the Company) as of December 31, 2016 and 2017, the related consolidated statements of comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2017, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2016 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 15, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

We have served as the Company's auditor since 2000.

Tel-Aviv, Israel
March 15, 2018

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Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of CyberArk Software Ltd.

Opinion on Internal Control over Financial Reporting

We have audited CyberArk Software Ltd.'s internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, CyberArk Software Ltd. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2016 and 2017, the related consolidated statements of comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2017, and the related notes and our report dated March 15, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

Tel-Aviv, Israel
March 15, 2018

CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands

	December 31,	
	2016	**2017**
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 172,957	$ 161,261
Short-term bank deposits	86,829	107,647
Marketable securities	15,246	34,025
Trade receivables (net of allowance for doubtful debt accounts of $23 and $113 at December 31, 2016 and 2017, respectively)	33,330	45,315
Prepaid expenses and other current assets	4,804	7,407
Total current assets	313,166	355,655
LONG-TERM ASSETS:		
Property and equipment, net	4,760	9,230
Intangible assets, net	14,035	15,664
Goodwill	35,145	69,217
Marketable securities	20,443	27,407
Severance pay fund	3,332	3,692
Prepaid expenses and other long-term assets	1,761	2,368
Deferred tax assets	10,389	19,343
Total long-term assets	89,865	146,921
TOTAL ASSETS	$ 403,031	$ 502,576

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

CONSOLIDATED BALANCE SHEETS

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

	December 31,	
	2016	**2017**
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Trade payables	$ 2,699	$ 1,960
Employees and payroll accruals	18,470	25,253
Accrued expenses and other current liabilities	6,876	10,209
Deferred revenues	50,111	66,986
Total current liabilities	78,156	104,408
LONG-TERM LIABILITIES:		
Deferred revenues	23,395	38,249
Accrued severance pay	5,035	5,712
Other long-term liabilities	229	242
Total long-term liabilities	28,659	44,203
TOTAL LIABILITIES	106,815	148,611
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Ordinary shares of NIS 0.01 par value – Authorized: 250,000,000 shares at December 31, 2016 and 2017; Issued and outstanding: 34,250,590 shares and 35,274,888 shares at December 31, 2016 and 2017, respectively	88	91
Additional paid-in capital	221,609	249,874
Accumulated other comprehensive income (loss)	(175)	107
Retained earnings	74,694	103,893
Total shareholders' equity	296,216	353,965
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 403,031	$ 502,576

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

	Year ended December 31,		
	2015	2016	2017
Revenues:			
License	$ 100,113	$ 131,530	$ 147,640
Maintenance and professional services	60,699	85,083	114,061
	160,812	216,613	261,701
Cost of revenues:			
License	5,088	4,726	7,911
Maintenance and professional services	17,572	25,425	33,937
	22,660	30,151	41,848
Gross profit	138,152	186,462	219,853
Operating expenses:			
Research and development	21,734	34,614	42,389
Sales and marketing	66,206	93,775	126,739
General and administrative	16,990	22,117	30,399
Total operating expenses	104,930	150,506	199,527
Operating income	33,222	35,956	20,326
Financial income (expenses), net	(1,479)	245	4,103
Income before taxes on income	31,743	36,201	24,429
Taxes on income	(5,949)	(8,077)	(8,414)
Net income	$ 25,794	$ 28,124	$ 16,015
Basic net income per ordinary share	$ 0.80	$ 0.83	$ 0.46
Diluted net income per ordinary share	$ 0.73	$ 0.78	$ 0.44
Other comprehensive income (loss)			
Change in unrealized losses on marketable securities:			
Unrealized loss arising during the year	-	(141)	(29)
	-	(141)	(29)
Change in unrealized gain on cash flow hedges:			
Unrealized gain arising during the year	1	249	1,470
Loss (gain) reclassified into earnings	239	(190)	(1,159)
	240	59	311
Other comprehensive income (loss), net of taxes of $(46), $16 and $(41) for the years 2015, 2016 and 2017, respectively	240	(82)	282
Total comprehensive income	$ 26,034	$ 28,042	$ 16,297

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

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

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

	Ordinary shares		Additional paid-in capital	Accumulated other comprehensive income (loss)	Retained earnings	Total shareholders' equity
	Shares	Amount				
Balance as of January 1, 2015	30,501,352	$ 79	$ 134,486	$ (333)	$ 20,776	$ 155,008
Exercise of options and vested RSU's granted to employees	1,888,487	5	1,819	-	-	1,824
Other comprehensive income, net of tax	-	-	-	240	-	240
Share-based compensation	-	-	7,049	-	-	7,049
Issuance of ordinary shares upon public offering, net	900,000	2	52,573	-	-	52,575
Tax benefit related to share-based compensation and issuance expenses	-	-	4,180	-	-	4,180
Net income	-	-	-	-	25,794	25,794
Balance as of December 31, 2015	33,289,839	$ 86	$ 200,107	$ (93)	$ 46,570	$ 246,670
Exercise of options and vested RSU's granted to employees	960,751	2	2,501	-	-	2,503
Other comprehensive loss, net of tax	-	-	-	(82)	-	(82)
Share-based compensation	-	-	17,535	-	-	17,535
Tax benefit related to share-based compensation	-	-	1,466	-	-	1,466
Net income	-	-	-	-	28,124	28,124
Balance as of December 31, 2016	34,250,590	$ 88	$ 221,609	$ (175)	$ 74,694	$ 296,216
Cumulative effect adjustment resulting from adoption of new accounting pronouncements (see Note 2y)	-	-	376	-	13,184	13,560
Exercise of options and vested RSU's granted to employees	1,024,298	3	2,621	-	-	2,624
Other comprehensive income, net of tax	-	-	-	282	-	282
Share-based compensation	-	-	25,268	-	-	25,268
Net income	-	-	-	-	16,015	16,015
Balance as of December 31, 2017	35,274,888	$ 91	$ 249,874	$ 107	$ 103,893	$ 353,965

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Year ended December 31,		
	2015	2016	2017
Cash flows from operating activities:			
Net income	$ 25,794	$ 28,124	$ 16,015
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	2,254	6,488	7,856
Share-based compensation expense	7,049	17,535	25,237
Amortization of premium on marketable securities	-	275	382
Tax benefit related to share-based compensation	(3,808)	(1,466)	-
Deferred income taxes, net	(4,093)	(1,130)	5,856
Increase in trade receivables	(187)	(12,920)	(11,631)
Increase in prepaid expenses and other current and long-term assets	(1,183)	(1,485)	(3,278)
Increase (decrease) in trade payables	322	(177)	(1,288)
Increase in short-term and long-term deferred revenues	21,254	19,117	31,729
Increase in employees and payroll accruals	5,011	2,610	6,316
Increase (decrease) in accrued expenses and other current and long-term liabilities	6,353	(927)	3,226
Increase in accrued severance pay, net	394	266	317
Net cash provided by operating activities	59,160	56,310	80,737
Cash flows from investing activities:			
Proceeds from short and long-term deposits	49,329	-	-
Investment in short and long-term deposits	(619)	(82,940)	(20,722)
Investment in marketable securities	-	(40,433)	(43,604)
Proceeds from maturities of marketable securities	-	4,307	17,355
Purchase of property and equipment	(2,066)	(2,795)	(6,757)
Payments for business acquisitions, net of cash acquired (Schedule A)	(53,656)	-	(41,329)
Net cash used in investing activities	(7,012)	(121,861)	(95,057)
Cash flows from financing activities:			
Issuance of shares, net	52,575	-	-
Tax benefit related to share-based compensation	3,808	1,466	-
Proceeds from exercise of stock options	1,824	2,503	2,624
Net cash provided by financing activities	58,207	3,969	2,624
Increase (decrease) in cash and cash equivalents	110,355	(61,582)	(11,696)
Cash and cash equivalents at the beginning of the year	124,184	234,539	172,957
Cash and cash equivalents at the end of the year	$ 234,539	$ 172,957	$ 161,261
Non-cash activities:			
Purchase of property and equipment on credit	$ 338	$ 683	$ 981
Supplemental disclosure of cash flow activities:			
Cash paid during the year for taxes	$ 4,760	$ 10,577	$ 3,371

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

Schedule A - payments for business acquired (See note 1d.)

Estimated fair value of assets acquired and liabilities assumed at the date of Viewfinity's acquisition was as follows:

	Year ended December 31, 2015
Working capital, net (excluding ($7) of cash and cash equivalents acquired)	$ 497
Property and equipment	124
Other long-term assets	62
Goodwill	20,765
Other intangible assets	9,990
Deferred revenues	(931)
	$ 30,507

Estimated fair value of assets acquired and liabilities assumed at the date of Cybertinel's acquisition was as follows:

	Year ended December 31, 2015
Working capital, net (excluding $478 of cash and cash equivalents acquired)	$ (245)
Property and equipment	340
Other long-term assets	34
Goodwill	13,201
Other intangible assets	7,760
Deferred tax	(1,009)
Deferred revenues	(44)
	$ 20,037

Estimated fair value of assets acquired at the date of Agata's acquisition was as follows:

	Year ended December 31, 2015
Goodwill	$ 1,179
Other intangible assets	1,933
	$ 3,112

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

Schedule A - payments for business acquired (See note 1d.) (Cont.)

Estimated fair value of assets acquired and liabilities assumed at the date of Conjur's acquisition was as follows:

	Year ended December 31, 2017
Working capital, net (excluding $379 of cash and cash equivalents acquired)	$ (451)
Property and equipment	12
Goodwill	34,072
Other intangible assets	6,888
Deferred tax	808
	$ 41,329

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

NOTE 1: GENERAL

a. CyberArk Software Ltd. (together with its subsidiaries, the "Company") is an Israeli company that develops, markets and sells software-based security solutions and services. The Company's solutions and services enable organizations to safeguard and monitor their privileged accounts, which are those accounts within an organization that have access to the organization's high value assets and are located across its IT infrastructure. The Company's software provides customers with the ability to protect, detect, monitor and control access to privileged accounts in order to break the lifecycle of a targeted cyber attack before it can cause damage to an organization.

b. In March 2015, the Company completed a public offering in which certain shareholders sold 4,600,000 ordinary shares (including pursuant to the underwriters option to purchase additional ordinary shares) at a public offering price of $51.00 per share. The Company did not receive any proceeds from the sale of ordinary shares by the selling shareholders and the related offering expenses were recorded in the statement of comprehensive income.

c. In June 2015, the Company completed an additional public offering in which the Company issued and sold 900,000 ordinary shares at a public offering price of $61.00 per share. The total net proceeds received were $52,575 after deducting underwriting discounts of $2,196 and other offering expenses of $129. Another 4,000,000 shares were sold by certain selling shareholders. The Company did not receive any of the proceeds from the sales of shares by the selling shareholders and the related offering expenses were recorded in the statement of comprehensive income.

d. In August 2015, the Company acquired all of the share capital of Cybertinel Ltd. ("Cybertinel") for total gross consideration of $20,515. Cybertinel, an Israeli company, specializes in cyber threat detection technology.

In September 2015, the Company acquired certain assets of Agata Ltd ("Agata") for total consideration of $3,112. The Company accounted for the acquisition of Agata as a purchase of a business.

In October 2015, the Company acquired all of the share capital of Viewfinity, Inc. ("Viewfinity") for total gross consideration of $30,500. Viewfinity is a provider of Windows least privilege management and application control. The Company expensed the related acquisitions costs of $677 in general and administrative expenses.

In May 2017, the Company acquired all of the share capital of Conjur Inc. ("Conjur") for total gross consideration of $41,708. Conjur is a provider of DevOps security software. The Company expensed the related acquisition costs of $686 in general and administrative expenses.

NOTE 1: GENERAL (Cont.)

e. Unaudited pro forma results of operations:

The following table presents unaudited pro forma revenue, net income and basic and diluted net income for periods presented assuming the acquisition of Conjur occurred on January 1, 2016. The pro forma information is not necessarily indicative of the results of operations, which actually would have occurred had the acquisition been consummated on that date, nor does it purport to represent the results of operations for future periods:

Conjur:	December 31,	
	2016	2017
	(Unaudited)	
Pro forma revenue	$ 217,570	$ 262,169
Pro forma net income	$ 23,705	$ 13,985
Basic net income per ordinary share	$ 0.70	$ 0.40
Diluted net income per ordinary share	$ 0.66	$ 0.39

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”).

a. Use of estimates:

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates, judgments and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The Company evaluates on an ongoing basis its assumptions, including those related to contingencies, income taxes, deferred taxes, share-based compensation, value of intangible assets and goodwill as well as in estimates used in applying the revenue recognition policy. The Company's management believes that the estimates, judgment and assumptions used are reasonable based upon information available at the time they are made. These estimates, judgments and assumptions can affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

b. Principles of consolidation:

The consolidated financial statements include the financial statements of CyberArk Software Ltd. and its wholly-owned subsidiaries. All intercompany transactions and balances, have been eliminated upon consolidation.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Cont.)

c. Financial statements in U.S. dollars:

A majority of the Company's revenues are generated in U.S. dollars. In addition, the equity investments were in U.S. dollars and a substantial portion of the Company's costs are incurred in U.S. dollars and New Israeli Shekels (“NIS”). The Company's management believes that the U.S. dollar is the currency of the primary economic environment in which the Company and each of its subsidiaries operates. Thus, the functional and reporting currency of the Company is the U.S. dollar.

Accordingly, monetary accounts maintained in currencies other than the U.S. dollar are re-measured into U.S. dollars in accordance with Statement of the Accounting Standard Codification (“ASC”) No. 830 “Foreign Currency Matters” (“ASC No. 830”). All transaction gains and losses of the re-measured monetary balance sheet items are reflected in the statement of comprehensive income as financial income or expenses, as appropriate.

d. Cash and cash equivalents:

Cash equivalents are short-term highly liquid deposits that are readily convertible to cash with original maturities of three months or less, at the date acquired.

e. Short-term bank deposits:

Short-term bank deposits are deposits with maturities of up to one year. As of December 31, 2016 and 2017, the Company's bank deposits are denominated in U.S. dollars and NIS and bear yearly interest at weighted average deposits rates of 1.26% and 1.69%, respectively. Short-term bank deposits are presented at their cost, including accrued interest. A portion of these deposits is used as security for the rental of premises and as a security for the Company's hedging activities.

f. Investments in marketable securities:

The Company accounts for investments in debt marketable securities in accordance with ASC No. 320, “Investments - Debt and Equity Securities”. The Company’s management determines the appropriate classification of its investments in marketable securities at the time of purchase and re-evaluates such determinations at each balance sheet date. The Company classifies all of its marketable securities as available-for-sale. Available-for-sale securities are carried at fair value, with the unrealized gains and losses, net of tax, reported in accumulated other comprehensive income (loss) in shareholders' equity. Realized gains and losses on sale of marketable securities are included in financial income (expenses), net and are derived using the specific identification method for determining the cost of securities sold. The amortized cost of marketable securities is adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization together with interest on securities is included in financial income (expenses), net.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The Company's securities are reviewed for impairment in accordance with ASC 320-10-35. If such assets are considered to be impaired, the impairment charge is recognized in earnings when a decline in the fair value of its investments below the cost basis is judged to be Other-Than-Temporary Impairment (OTTI). Factors considered in making such a determination include the duration and severity of the impairment, the reason for the decline in value, the potential recovery period and the Company's intent to sell, including whether it is more likely than not that the Company will be required to sell the investment before recovery of cost basis. Based on the above factors, the Company concluded that unrealized losses on its available-for-sale securities, for the years ended December 31, 2015 2016 and 2017 were not OTTI.

g. Property and equipment:

Property and equipment are stated at cost, net of accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets at the following annual rates:

	%
Computers, software and related equipment	16 - 33
Office furniture and equipment	7 - 20
Leasehold improvements	Over the shorter of the related lease period or the life of the asset

h. Long-lived assets:

The long-lived assets of the Company are reviewed for impairment in accordance with ASC No. 360, “Property, Plant and Equipment” (“ASC No. 360”), whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the future undiscounted cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. During the years ended December 31, 2015, 2016 and 2017, no impairment losses have been identified.

i. Business combination:

The Company accounts for its business acquisitions in accordance with Accounting Standards Codification ASC No. 805, “Business Combinations”. The Company uses its best estimates and assumptions as part of the purchase price allocation process to value assets acquired and liabilities assumed at the business combination date. The total purchase price allocated to the tangible assets acquired is assigned based on the fair values as of the date of the acquisition.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Cont.)

j. Goodwill and other intangible assets:

Goodwill and certain other purchased intangible assets have been recorded in the Company's financial statements as a result of acquisitions. Goodwill represents excess of the purchase price in a business combination over the fair value of identifiable tangible and intangible assets acquired of businesses acquired. Goodwill is not amortized, but rather is subject to an impairment test.

ASC No. 350, "Intangible—Goodwill and other" ("ASC 350") requires goodwill to be tested for impairment at least annually and, in certain circumstances, between annual tests. The Company operates as one reporting unit. Therefore, goodwill is tested for impairment by comparing the fair value of the reporting unit with its carrying value. The Company elects to perform an annual impairment test of goodwill as of October 1 of each year, or more frequently if impairment indicators are present.

For the years ended December 31, 2015, 2016 and 2017, no impairment losses were identified.

Purchased intangible assets with finite lives are carried at cost, less accumulated amortization. Amortization is computed over the estimated useful lives of the respective assets which range from two to eleven years. Acquired customer relationship and backlog are amortized over their estimated useful lives in proportion to the economic benefits realized. Other intangible assets consist primarily of technology are amortized over their estimated useful lives on a straight-line basis.

k. Derivative instruments:

ASC No. 815, "Derivative and Hedging", requires companies to recognize all of their derivative instruments as either assets or liabilities on the balance sheet at fair value.

For those derivative instruments that are designated and qualify as hedging instruments, a company must designate the hedging instrument, based upon the exposure being hedged, as a fair value hedge, cash flow hedge or a hedge of a net investment in a foreign operation.

For derivative instruments that are designated and qualify as a cash flow hedge (i.e., hedging the exposure to variability in expected future cash flows that is attributable to a particular risk), the effective portion of the gain or loss on the derivative instrument is reported as a component of other comprehensive income and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. The remaining gain or loss on the derivative instrument in excess of the cumulative change in the present value of future cash flows of the hedged item, if any, is recognized in current earnings during the period of change.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Cont.)

To hedge against the risk of changes in cash flows resulting from foreign currency salary payments during the year, the Company has instituted a foreign currency cash flow hedging program. The Company hedges portions of its forecasted expenses denominated in NIS. These forward and option contracts are designated as cash flow hedges, as defined by ASC 815, and are all effective, as their critical terms match underlying transactions being hedged.

As of December 31, 2016 and 2017, the amount recorded in accumulated other comprehensive income (loss) from the Company's currency forward and option transactions was $(34) (net of tax of $6) and $277 (net of tax of $38), respectively. At December 31, 2017, the notional amounts of foreign exchange forward contracts into which the Company entered were $17,366. The foreign exchange forward contracts will expire by September 2018. The fair value of derivative instruments assets balance as of December 31, 2016 and 2017, totaled $32 and $315, respectively. The fair value of derivative instruments liabilities balance as of December 31, 2016 and 2017, totaled $72 and $0, respectively.

In addition to the derivatives that are designated as hedges as discussed above, the Company enters into certain foreign exchange forward transactions to economically hedge certain account receivables in Euros and GBP. Gains and losses related to such derivative instruments are recorded in financial expenses, net. As of December 31, 2017, the notional amounts of foreign exchange forward contracts into which the Company entered were $7,731. The foreign exchange forward contracts will expire by October 2018. The fair value of derivative instruments assets balance as of December 31, 2016 and 2017, totaled $347 and $0, respectively. The fair value of derivative instruments liabilities balance as of December 31, 2016 and 2017 totaled $6 and $683, respectively.

For the years ended December 31, 2015, 2016 and 2017, the Company recorded financial income (loss), net from hedging transactions of $260, $270 and $(796), respectively.

l. Severance pay:

The Israeli Severance Pay Law, 1963 (“Severance Pay Law”), specifies that employees are entitled to severance payment, following the termination of their employment. Under the Severance Pay Law, the severance payment is calculated as one month salary for each year of employment, or a portion thereof.

The majority of the Company's liability for severance pay is covered by the provisions of Section 14 of the Severance Pay Law (“Section 14”). Under Section 14, employees are entitled to monthly deposits, at a rate of 8.33% of their monthly salary, made on behalf of the employee with insurance companies. Payments in accordance with Section 14 release the Company from any future severance payments in respect of those employees. As a result, the Company does not recognize any liability for severance pay due to these employees and the deposits under Section 14 are not recorded as an asset in the Company's balance sheet.

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

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Cont.)

For the Company's employees in Israel who are not subject to Section 14, the Company calculated the liability for severance pay pursuant to the Severance Pay Law based on the most recent salary of these employees multiplied by the number of years of employment as of the balance sheet date. The Company's liability for these employees is fully provided for via monthly deposits with severance pay funds, insurance policies and accruals. The value of these deposits is recorded as an asset on the Company's balance sheet. Severance expense for the years ended December 31, 2015, 2016 and 2017, amounted to $1,794, $2,503 and $2,707, respectively.

m. U.S. defined contribution plan:

The U.S. subsidiary has a 401(k) defined contribution plan covering certain full time and part time employees in the U.S, excluding leased employees and contractors. All eligible employees may elect to contribute up to an annual maximum, of the lesser of 100% of their annual compensation to the plan through salary deferrals, subject to Internal Revenue Service limits, but not greater than $18 per year (for certain employees over 50 years of age the maximum contribution is $24 per year).

The U.S. subsidiary matches amounts equal to 100% of the first 3% of the employee's compensation that they contribute to the defined contribution plan and 50% of the next 2% of their compensation that they contribute to the defined contribution plan with a limit of $10.8 per year. For the years ended December 31, 2015, 2016 and 2017, the U.S. subsidiary recorded expenses for matching contributions of $907, $1,259 and $1,677, respectively.

n. Revenue recognition:

The Company generates revenues from licensing the rights to use its software products, maintenance and professional services. The Company sells its products through its direct sales force and indirectly through resellers.

The Company accounts for its software licensing sales in accordance with ASC 985-605, "Software Revenue Recognition". ASC 985-605 generally requires revenue earned on software arrangements involving multiple elements to be allocated to each element based on the relative fair value of the elements when Vendor Specific Objective Evidence ("VSOE") of fair value exists for all elements and to be allocated to the different elements in the arrangement under the "residual method" when VSOE of fair value exists for all undelivered elements and no VSOE exists for the delivered elements.

Maintenance and professional services are sold separately and therefore the selling price (VSOE) is based on stand-alone transactions.

Under the residual method, at the outset of the arrangement with the customer, the Company defers revenue for the fair value of its undelivered elements and recognizes revenue for the remainder of the arrangement fee attributable to the elements initially delivered in the arrangement (software element) when all other criteria in ASC 985-605 have been met. Any discount in the arrangement is allocated to the delivered element.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Software license revenues are recognized when persuasive evidence of an arrangement exists, the software license has been delivered, there are no uncertainties surrounding product acceptance, there are no significant future performance obligations, the license fees are fixed or determinable and collection of the license fee is considered probable. Fees for arrangements with payment terms extending beyond customary payment terms are considered not to be fixed or determinable, in which case revenue is deferred and recognized when payments become due from the customer provided that all other revenue recognition criteria have been met.

The Company recognizes revenues from the sale of term license arrangements ratably on a straight-line basis, over the term of the underlying contract, and is typically one year or to a lesser extent, three years.

Revenues from maintenance and support contracts are recognized ratably, on a straight-line basis over the term of the related contract and revenues from professional services consist mostly of time and material services which are recognized as the services are performed.

Professional services are not considered to be essential to the functionality of the software.

The Company does not grant a right of return to its customers.

The Company's software license, maintenance and professional services sold through resellers are non-exchangeable, non-refundable, non-returnable and without any rights of price protection. Accordingly, the Company considers resellers as customers.

Deferred revenue includes unearned amounts received under maintenance and support contracts, professional services and amounts received from customers for licenses that do not meet the revenue recognition criteria as of the balance sheet date.

o. Research and development costs:

Research and development costs are charged to the statements of comprehensive income as incurred. ASC 985-20, “Software - Costs of Software to Be Sold, Leased, or Marketed”, requires capitalization of certain software development costs subsequent to the establishment of technological feasibility.

Based on the Company's product development process, technological feasibility is established upon completion of a working model. Costs incurred by the Company between completion of the working model and the point at which the product is ready for general release, have been insignificant. Therefore, all research and development costs are expensed as incurred.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Cont.)

p. Internal use software:

The costs to obtain or develop for internal use software with respect to the Company's Enterprise Resource Planning ("ERP") system, are capitalized based on qualifying criteria, which includes a determination of whether such costs are incurred during the application stage. Such costs are amortized over the software's estimated life. Costs incurred to develop software applications consist of (a) certain external direct costs of materials and services incurred in developing or obtaining internal-use computer software, and (b) payroll and payroll-related costs for employees who are directly associated with, and who devote time to, the project.

q. Marketing expenses:

Marketing expenses consist primarily of marketing campaigns and tradeshows. Marketing expenses are charged to the statement of comprehensive income, as incurred. Marketing expenses for the years ended December 31, 2015, 2016 and 2017, amounted to $7,498, $10,622 and $14,106, respectively.

r. Share-based compensation:

The Company accounts for share-based compensation in accordance with ASC 718, "Compensation - Stock Compensation" ("ASC No. 718"). ASC No. 718 requires companies to estimate the fair value of equity-based payment awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as an expense over the requisite service periods in the Company's consolidated statements of comprehensive income.

The Company recognizes compensation expenses for the value of its awards granted based on the straight-line method over the requisite service period of each of the awards.

The Company has selected the Black-Scholes-Merton option-pricing model as the most appropriate fair value method for its option awards. The fair value of restricted stock units ("RSU") and performance stock units ("PSU") is based on the closing market value of the underlying shares at the date of grant.

The option-pricing model requires a number of assumptions, of which the most significant are the expected share price volatility and the expected option term.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Cont.)

s. Income taxes:

The Company accounts for income taxes in accordance with ASC No. 740-10, "Income Taxes" ("ASC No. 740-10"). ASC No. 740-10 prescribes the use of the asset and liability method whereby deferred tax asset and liability account balances are determined based on temporary differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company provides a valuation allowance, if necessary, to reduce deferred tax assets to their estimated realizable value if it is more likely than not that some portion or all of the deferred tax asset will not be realized.

The Company established reserves for uncertain tax positions based on the evaluation of whether or not the Company's uncertain tax position is "more likely than not" to be sustained upon examination. The Company records interest and penalties pertaining to its uncertain tax positions in the financial statements as income tax expense.

t. Basic and diluted net income per share:

Basic net income per ordinary share is computed by dividing net income for each reporting period by the weighted-average number of ordinary shares outstanding during each year. Diluted income per ordinary share is computed by dividing net income for each reporting period by the weighted average number of ordinary shares outstanding during the period, plus dilutive potential ordinary shares considered outstanding during the period, in accordance with ASC 260-10 "Earnings Per Share".

The total weighted average number of shares related to outstanding options, RSU's and PSU's that have been excluded from the calculation of diluted net earnings per share was 484,726, 1,381,114 and 1,880,018 for the years ended December 31, 2015, 2016 and 2017, respectively.

u. Comprehensive income (loss):

The Company accounts for comprehensive income (loss) in accordance with Accounting Standards Codification No. 220, "Comprehensive Income" ("ASC No. 220"). This statement establishes standards for the reporting and display of comprehensive income (loss) and its components in a full set of general purpose financial statements. Comprehensive income (loss) generally represents all changes in shareholders' equity during the period, except changes resulting from investments by, or distributions to, shareholders.

v. Concentration of credit risks:

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents, short-term bank deposits, marketable securities, trade receivables, severance pay funds and derivative instruments.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The majority of the Company's cash and cash equivalents and short-term bank deposits are invested with major banks in Israel and the United States. Such investments in the United States are primarily in excess of insured limits and are not insured in other jurisdictions. Generally, these investments may be redeemed upon demand and the Company believes that the financial institutions that hold Company's cash deposits are financially sound and, accordingly, bear minimal risk.

The Company's marketable securities consist of investments, which are highly rated by credit agencies, in government, corporate and government sponsored enterprises debentures. The Company's investment policy limits the amount that the Company may invest in any one type of investment or issuer, in order to reduce credit risk concentrations.

The trade receivables of the Company are mainly derived from sales to diverse set of customers located primarily in the United States, Europe and Asia. The Company performs ongoing credit evaluations of its customers and, to date, has not experienced any significant losses.

The Company has entered into forward contracts with major banks in Israel to protect against the risk of changes in exchange rates. The derivative instruments hedge a portion of the Company's non-dollar currency exposure.

w. Fair value of financial instruments:

The estimated fair value of financial instruments has been determined by the Company using available market information and valuation methodologies. Considerable judgment is required in estimating fair values. Accordingly, the estimates may not be indicative of the amounts the Company could realize in a current market exchange.

The following methods and assumptions were used by the Company in estimating the fair value of their financial instruments:

The carrying values of cash and cash equivalents, short-term bank deposits, trade receivables, prepaid expenses and other current assets, trade payables, employees and payroll accruals and accrued expenses and other current liabilities approximate their fair values due to the short-term maturities of these instruments.

The Company applies ASC No. 820, "Fair Value Measurements and Disclosures" ("ASC No. 820"), with respect to fair value measurements of all financial assets and liabilities.

The fair value of foreign currency contracts (used for hedging purposes) is estimated by obtaining current quotes from banks and third party valuations.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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 at the measurement date. 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-tier 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 - Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2 - Inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the assets or liabilities, either directly or indirectly through market corroboration, for substantially the full term of the financial instruments.

Level 3 - Inputs are unobservable inputs based on the Company's own assumptions used to measure assets and liabilities at fair value. The inputs require significant management judgment or estimation.

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.

In accordance with ASC 820, the Company measures its foreign currency derivative instruments, at fair value using the market approach valuation technique. Foreign currency derivative contracts as detailed in note 2.k are classified within Level 2 value hierarchy, as the valuation inputs are based on quoted prices and market observable data of similar instruments.

x. Legal contingencies:

From time to time, the Company becomes involved in legal proceedings or is subject to claims arising in its ordinary course of business. Such matters are generally subject to many uncertainties and outcomes are not predictable with assurance. The Company accrues for contingencies when the loss is probable and it can reasonably estimate the amount of any such loss. Except as set forth in Note 8c, the Company is currently not a party to any material legal or administrative proceedings and, is not aware of any material pending or threatened material legal or administrative proceedings against the Company.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Cont.)

y. Recently adopted accounting pronouncements:

In March 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-09 Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. This standard simplifies various aspects related to how share-based payments are accounted for and presented in the financial statements, including income taxes, forfeitures and statutory tax withholding requirements. The guidance is effective for the Company beginning in the first quarter of 2017.

This standard requires to recognize excess tax benefits as income taxes in the period in which they occur. This standard also requires the Company to classify excess tax benefits as an operating activity instead of financing activity in the consolidated statements of cash flows. The standard also provides an accounting policy election to account for forfeitures as they occur. The Company elected to account for forfeitures as they occur.

In October 2016, the FASB issued ASU 2016-16, Income Taxes (Topic 740); Intra-Entity Transfers of Assets Other than Inventory. This guidance was issued to improve the accounting for income tax consequences of intra-entity transfers of assets other than inventory. Under the amendment an entity should recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. The update is effective for annual periods beginning after December 15, 2017, and interim periods thereafter. The Company early adopted the standard in the first quarter of 2017.

The net cumulative effect of the adoption of these standards increased deferred taxes, additional paid-in capital and retained earnings by $13.6 million, $0.4 million and $13.2 million, respectively.

z. Recently issued accounting standards:

In May 2014, FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606) (ASU 2014-09), an updated standard on revenue recognition and issued subsequent amendments to the initial guidance in March 2016, April 2016, May 2016 and December 2016 within ASU 2016-08, 2016-10, 2016-12 and 2016-20, respectively. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods and services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods and services. In addition, the new standard requires expanded disclosures.

The Company has adopted the standard effective January 1, 2018 using the modified retrospective method.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The most significant impact of the new standard relates to the way the Company accounts for term license arrangements and costs to obtain customer contracts. Specifically, under the current revenue standard, the Company recognizes both the term license and maintenance revenues ratably over the contract period whereas under the new revenue standard term license revenues are recognized upfront, upon delivery, and the associated maintenance revenues are recognized over the contract period. The Company has also considered the impact of the guidance in ASC 340-40, "Other Assets and Deferred Costs" under the new standard. Under the Company's current accounting policy, sales commissions are expensed as incurred. The new standard requires the capitalization of all incremental costs that the Company incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained, provided the Company expects to recover the costs.

The Company applied the new standard with respect to existing contracts which are not substantially completed as of January 1, 2018. As a result, the Company expects to record a decrease to its deferred revenues of approximately $3.7 million mainly from upfront recognition of license revenue from term licenses and an asset of approximately $13.0 related to incremental cost to obtain contracts which is mainly due to sales commissions that will be recorded against retained earnings.

In February 2016, the FASB issued ASU 2016-02. ASU 2016-02 changes the current lease accounting standard by requiring the recognition of lease assets and lease liabilities for all leases, including those currently classified as operating leases. This new guidance is to be applied under a modified retrospective application to the earliest reporting period presented for reporting periods beginning after December 15, 2018. Early adoption is permitted. The Company is currently evaluating the potential impact of this new guidance on its financial statements.

In June 2016, the FASB Issued ASU 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The new standard requires financial assets measured at amortized cost be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The standard will be effective for the Company beginning January 1, 2020, with early adoption permitted. The Company is evaluating the impact of adopting this new accounting guidance on its consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash", 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. This ASU is effective for annual and interim periods beginning after December 15, 2017. The adoption of this standard will not have a material impact on the Company's consolidated financial statements of cash flows.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Cont.)

In January 2017, FASB issued ASU 2017-01, Business Combinations (Topic 805) Clarifying the Definition of Business. ASU 2017-01 clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The update to the standard is effective for interim and annual periods beginning after December 15, 2017, and applied prospectively. The Company does not expect that the adoption of this standard will have a material impact on the consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, simplifying the Test for Goodwill Impairment (Topic 350). This standard eliminates Step 2 from the goodwill impairment test, instead requiring an entity to recognize a goodwill impairment charge for the amount by which the goodwill carrying amount exceeds the reporting unit's fair value. This guidance is effective for interim and annual goodwill impairment tests in fiscal years beginning after December 15, 2019 with early adoption permitted. This guidance must be applied on a prospective basis. The Company is currently evaluating the potential effect of the guidance on its consolidated financial statements.

In August 2017, the FASB issued ASU 2017-12, “Targeted Improvements to Accounting for Hedging Activities.” The standard better aligns an entity’s hedging activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results in the financial statements. The standard will prospectively make hedge accounting easier to apply to hedging activities and also enhances disclosure requirements for how hedge transactions are reflected in the financial statements when hedge accounting is elected. The standard is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. The Company is evaluating the impact of adopting this new accounting guidance on its consolidated financial statements.

NOTE 3: MARKETABLE SECURITIES

The following tables summarize the amortized cost, unrealized gains and losses, and fair value of available-for-sale marketable securities as of December 31, 2016 and 2017:

	December 31, 2016			
	Amortized cost	Gross unrealized losses	Gross unrealized gains	Fair value
Corporate debentures	$ 32,734	$ (154)	$ -	$ 32,580
U.S. Agencies debentures	2,457	(14)	-	2,443
Government treasuries	666	-	-	666
Total	$ 35,857	$ (168)	$ -	$ 35,689

NOTE 3: MARKETABLE SECURITIES (Cont.)

	December 31, 2017			
	Amortized cost	Gross unrealized losses*)	Gross unrealized gains	Fair value
Corporate debentures	$ 58,321	$ (175)	$ 6	$ 58,152
U.S. Agencies debentures	3,311	(31)	-	3,280
Total	$ 61,632	$ (206)	$ 6	$ 61,432

*) Out of the unrealized losses, an amount of $84 has been in a continuous unrealized losses position for twelve months or longer.

The following table summarizes the amortized cost and fair value of available-for-sale marketable securities as of December 31, 2016 and 2017, by contractual years-to maturity:

	December 31,			
	2016		2017	
	Amortized cost	Fair value	Amortized cost	Fair value
Due within one year	$ 15,269	$ 15,246	$ 34,082	$ 34,025
Due between one and four years	20,588	20,443	27,550	27,407
	$ 35,857	$ 35,689	$ 61,632	$ 61,432

NOTE 4: PREPAID EXPENSES AND OTHER CURRENT ASSETS

	December 31,	
	2016	2017
Prepaid expenses	$ 3,169	$ 4,089
Hedging transaction assets	379	315
Government authorities	947	2,533
Other current assets	309	470
	$ 4,804	$ 7,407

NOTE 5: PROPERTY AND EQUIPMENT, NET

The composition of property and equipment is as follows:

	December 31,	
	2016	2017
Cost:		
Computers, software and related equipment *)	$ 5,792	$ 9,149
Leasehold improvements	1,621	3,200
Office furniture and equipment	1,353	2,167
	8,766	14,516
Less - accumulated depreciation	4,006	5,286
Depreciated cost	$ 4,760	$ 9,230

*) For the year ended December 31, 2016, the costs capitalized were not material. For the year ended December 31, 2017, the Company capitalized $1,027, including $31 share-based compensation costs, relating to its internal use software development for its ERP system.

Depreciation expense amounted to $1,129, $1,965 and $2,597 for the years ended December 31, 2015, 2016 and 2017, respectively.

NOTE 6: GOODWILL AND OTHER INTANGIBLE ASSETS, NET

Changes in the carrying amount of goodwill:

	December 31,	
	2016	2017
Balance as of beginning of the year	$ 35,145	$ 35,145
Goodwill acquired	-	34,072
Closing balance	$ 35,145	$ 69,217

The composition of intangible assets is as follows:

	December 31,	
	2016	2017
Original amount:		
Technology	$ 14,073	$ 20,717
Customer relationships	5,120	5,120
Other	490	664
	19,683	26,501
Less - accumulated amortization	5,648	10,837
Intangible assets, net	$ 14,035	$ 15,664

Amortization expense amounted to $1,125, $4,523 and $5,259 for the years ended December 31, 2015, 2016, and 2017, respectively.

The estimated future amortization expense of intangible assets as of December 31, 2017 is as follows:

2018	$ 5,486
2019	4,505
2020	2,737
2021	1,655
2022	723
Thereafter	558
	$ 15,664

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

NOTE 7: ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	December 31,	
	2016	2017
Government authorities	$ 3,722	$ 5,433
Accrued expenses	2,602	2,974
Unrecognized tax benefits	474	1,119
Hedging transaction liabilities	78	683
	$ 6,876	$ 10,209

NOTE 8: COMMITMENTS AND CONTINGENT LIABILITIES

a. Lease commitments:

The Company leases its facilities under various operating lease agreements, which expire through 2022. In addition, the Company leases certain motor vehicles under certain car operating lease agreements which expire through 2020. The minimum lease payments under operating leases as of December 31, 2017 are as follows:

	Lease of premises	Lease of motor vehicles
2018	$ 5,271	$ 375
2019	5,238	256
2020	4,220	79
2021	1,437	-
2022	938	-
	$ 17,104	$ 710

Total premises lease expense for the years ended December 31, 2015, 2016 and 2017 was $2,653, $3,649 and $4,760, respectively.

Total motor vehicle lease expense for the years ended December 31, 2015, 2016 and 2017 was $435, $511 and $544, respectively.

b. Pledges and bank guarantees:

The Company pledged a bank deposit of $1,260, mainly in respect of an office lease agreement and hedging transactions. This balance is presented as part of short-term bank deposits and other long-term assets.

The Company obtained bank guarantees of $1,003, primarily in connection with an office lease agreement.

NOTE 8: COMMITMENTS AND CONTINGENT LIABILITIES (Cont.)

c. Legal contingencies:

On April 25, 2017, a complaint was filed against the Company, in a U.S court, alleging breach of contract in connection with a sale made to one of its customers. The customer is seeking damages in the amount of $763 plus recovery for certain implementation and replacement costs allegedly incurred by it. The Company has denied any and all liability. The lawsuit is still pending and discovery is ongoing, and the Company continues to evaluate the customer's claims. As of December 31, 2017, the Company is unable to assess the outcome of the claim, due to its early stage and therefore no provision has been recorded.

NOTE 9: FAIR VALUE MEASUREMENTS

The following tables present the fair value of money market funds and marketable securities for the year ended December 31, 2016 and 2017:

	December 31,					
	2016			2017		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Cash equivalents:						
Money market funds	$ 1,906	$ -	$ 1,906	$ 1,749	$ -	$ 1,749
Marketable securities:						
Corporate debentures	-	32,580	32,580	-	58,152	58,152
U.S. Agencies debentures	-	2,443	2,443	-	3,280	3,280
Government treasuries	-	666	666	-	-	-
Total assets measured at fair value	$ 1,906	$ 35,689	$ 37,595	$ 1,749	$ 61,432	$ 63,181

NOTE 10: SHAREHOLDERS' EQUITY

a. Composition of share capital of the Company:

	December 31,			
	2016		2017	
	Authorized	Issued and outstanding	Authorized	Issued and outstanding
	Number of shares			
Ordinary shares of NIS 0.01 par value each	250,000,000	34,250,590	250,000,000	35,274,888

b. Ordinary shares:

The ordinary shares of the Company confer upon the holders the right to receive notices of and to participate and vote in general meetings of the Company, rights to receive dividends and rights to participate in distribution of assets upon liquidation.

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

NOTE 10: SHAREHOLDERS' EQUITY (Cont.)

c. Share-based compensation:

Under the Company's 2014 share incentive plan (the "2014 Plan"), options, RSUs and other Share-based Awards may be granted to employees, officers, non-employee consultants and directors of the Company.

In 2017, the Company granted PSU's to its Chairman of the Board and Chief Executive Officer, whereby the vesting is determined based on the Company`s achievement of annual performance targets and continued employment over the vesting period.

Under the 2014 Plan, as of December 31, 2017, an aggregate number of 1,188,093 ordinary shares were reserved for future grant. Any share underlying an award that is cancelled, terminated or forfeited for any reason without having been exercised will automatically be available for grant under the 2014 Plan.

The total share-based compensation expense related to all of the Company's equity-based awards, recognized for the years ended December 31, 2015, 2016 and 2017 is comprised as follows:

	Year ended December 31,		
	2015	**2016**	**2017**
Cost of revenues	$ 499	$ 1,386	$ 2,289
Research and development	1,507	4,660	6,110
Sales and marketing	2,214	5,765	8,642
General and administrative	2,829	5,724	8,196
Total share-based compensation expense	$ 7,049	$ 17,535	$ 25,237

The total unrecognized compensation cost amounted to $59,583 as of December 31, 2017, and is expected to be recognized over a weighted average period of 2.66 years.

NOTE 10: SHAREHOLDERS' EQUITY (Cont.)

d. Options granted to employees:

A summary of the activity in options granted to employees for the year ended December 31, 2017 is as follows:

	Amount of options	Weighted average exercise price	Weighted average remaining contractual term (in years)	Aggregate intrinsic value
Balance as of December 31, 2016	3,038,357	$ 22.58	6.70	$ 77,346
Granted	427,650	$ 48.91		
Exercised	(753,711)	$ 3.48		
Forfeited	(171,878)	$ 45.23		
Balance as of December 31, 2017	2,540,418	$ 31.15	6.99	$ 39,659
Exercisable as of December 31, 2017	1,694,564	$ 22.54	6.15	$ 39,118

The computation of expected volatility is based on actual historical share price volatility of comparable companies and the Company's historical equity volatility. The expected option term represents the period of time that options granted are expected to be outstanding. For stock-option awards which were at the money when granted (plain vanilla stock-options), it is determined based on the simplified method in accordance with SAB No. 110, as adequate historical experience is not available to provide a reasonable estimate. The simplified method will continue to apply until enough historical experience is available to provide a reasonable estimate of the expected term. The Company has historically not paid dividends and has no foreseeable plans to pay dividends and, therefore, uses an expected dividend yield of zero in the option pricing model. The risk-free interest rate is based on the yield of U.S. treasury bonds with equivalent terms.

The following table sets forth the parameters used in computation of the options compensation to employees for the years ended December 31, 2015, 2016 and 2017:

	Year ended December 31,		
	2015	2016	2017
Expected volatility	45%	45%	45%-48%
Expected dividends	0%	0%	0%
Expected term (in years)	5.78-6.12	5.25-6.10	5.25-6.25
Risk free rate	1.37%-1.68%	1.30%- 1.70%	1.77%- 2.05%

NOTE 10: SHAREHOLDERS' EQUITY (Cont.)

A summary of options data for the years ended December 31, 2015, 2016 and 2017, is as follows:

	Year ended December 31,		
	2015	2016	2017
Weighted-average grant date fair value of options granted	$ 24.56	$ 19.16	$ 21.81
Total intrinsic value of the options exercised	$ 110,191	$ 37,618	$ 33,614

The aggregate intrinsic value is calculated as the difference between the per-share exercise price and the deemed fair value of an ordinary share for each share subject to an option multiplied by the number of shares subject to options at the date of exercise.

The following tables summarize information about the Company's outstanding and exercisable options granted to employees as of December 31, 2017:

Exercise price	Options outstanding as of December 31, 2017	Weighted average remaining contractual term (years)	Options exercisable as of December 31, 2017	Weighted average remaining contractual term (years)
$ 0.20 – 2.21	669,752	4.42	669,752	4.42
$ 6.47 – 14.00	376,103	6.20	372,779	6.20
$ 37.44 – 44.37	270,269	8.42	97,108	8.06
$ 45.58 – 51.86	744,621	8.68	258,483	8.31
$ 52.48 – 64.93	479,673	7.75	296,442	7.51
	2,540,418	6.99	1,694,564	6.15

e. A summary of RSUs and PSUs activity for the year ended December 31, 2017 is as follows:

	Amount of RSU's and PSU's	Weighted average grant date fair value
Unvested as of December 31, 2016	729,705	$ 48.14
Granted	776,876	$ 47.67
Vested	(270,587)	$ 49.25
Forfeited	(125,095)	$ 47.33
Unvested as of December 31, 2017	1,110,899	$ 47.63

The total fair value of RSU's and PSU's vested (based on fair value of the Company's ordinary shares at vesting date) during the years ended December 31, 2015, 2016 and 2017 was $998, $5,981 and $12,547, respectively.

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

NOTE 11: INCOME TAXES

CyberArk Software Ltd.'s subsidiaries are separately taxed under the domestic tax laws of the jurisdiction of incorporation of each entity.

a. Corporate tax in Israel:

Ordinary taxable income of the Company is subject to a corporate tax rate as follows: 2015 – 26.5%, 2016 – 25% and 2017 – 24%

In December 2016, the Israeli Parliament approved the Economic Efficiency Law (Legislative Amendments for Applying the Economic Policy for the 2017 and 2018 Budget Years), which reduces the corporate income tax rate to 24% effective from January 1, 2017 and to 23% effective from January 1, 2018.

b. Income before taxes on income is comprised as follows:

	Year ended December 31,		
	2015	2016	2017
Domestic	$ 28,285	$ 32,077	$ 13,937
Foreign	3,458	4,124	10,492
	$ 31,743	$ 36,201	$ 24,429

NOTE 11: INCOME TAXES (Cont.)

c. Deferred income taxes:

Deferred taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts recorded for tax purposes. Significant components of the Company's deferred tax assets and liabilities are as follows:

	December 31,	
	2016	2017
Deferred tax assets:		
Carry-forwards losses and credits	$ 1,956	$ 11,703
Capital losses carry-forwards	50	90
Research and development expenses	4,119	1,448
Deferred revenues	4,222	4,316
Issuance expenses	124	-
Share-based compensation	2,979	4,347
Accruals and other	1,612	1,183
Deferred tax assets before valuation allowance	15,062	23,087
Less: Valuation allowance	50	90
Net deferred tax asset	$ 15,012	$ 22,997
Deferred tax liabilities:		
Intangible assets	$ 3,961	$ 3,096
Property and equipment and other	662	558
Deferred tax liabilities	$ 4,623	$ 3,654

As of December 31, 2017, approximately $23,787 of undistributed earnings held by the company's foreign subsidiaries are designated as indefinitely reinvested. If we were to repatriate these earnings to Israel, we would subject to income taxes and to an adjustment for foreign tax credits and foreign withholding taxes. Determination of the amount of unrecognized deferred tax liability related to these earnings is not practicable.

d. Income taxes are comprised as follows:

	Year ended December 31,		
	2015	2016	2017
Current	$ 10,042	$ 9,207	$ 2,558
Deferred	(4,093)	(1,130)	5,856
	$ 5,949	$ 8,077	$ 8,414

	Year ended December 31,		
	2015	2016	2017
Domestic	$ 5,208	$ 4,906	$ 3,033
Foreign	741	3,171	5,381
	$ 5,949	$ 8,077	$ 8,414

NOTE 11: INCOME TAXES (Cont.)

e. A reconciliation of the Company's theoretical income tax expense to actual income tax expense is as follows:

	Year ended December 31,		
	2015	2016	2017
Income before income taxes	$ 31,743	$ 36,201	$ 24,429
Statutory tax rate	26.5%	25.0%	24.0%
Theoretical income tax expense	8,412	9,050	5,863
Utilization of tax losses and deferred taxes for which valuation allowance was provided, net	(771)	(72)	(5,050)
Deferred taxes on losses for which valuation allowance was provided, net	(1,713)	-	-
Non-deductible expenses	2,295	2,569	2,081
Unrecognized tax benefits	8	81	645
Foreign and preferred enterprise tax rates differential	(2,303)	(3,468)	(1,792)
Impact of Tax Cuts and Jobs Act of 2017	-	-	6,492
Other	21	(83)	175
Income tax expense	$ 5,949	$ 8,077	$ 8,414

f. Net operating loss carry-forwards:

As of December 31, 2017, the Company had net operating and capital tax losses totaling approximately $41,643 and $390, respectively, out of which approximately $2,936 and $390 of losses, respectively, were attributed to Israel and can be carried forward indefinitely and $38,707 and none, respectively, were attributed to the U.S. subsidiary and can be carried forward for up to 20 years. Utilization of some of U.S. net operating losses are subject to annual limitation due to the “change in ownership” provisions of the Internal Revenue Code of 1986 and similar state provisions. The annual limitation may result in the expiration of net operating losses before utilization.

g. Tax benefits under the Law for the Encouragement of Capital Investments, 1959:

The Company has been granted “Approved Enterprise” Status, under the above Law. The Company has elected the alternative benefits program, waiver of grants in return for tax exemptions. Pursuant thereto, the income of the Company derived from the “Approved Enterprise” program is tax-exempt for two years and will enjoy a reduced tax rate of 10%-25% for up to a total of eight years (subject to an adjustment based upon the foreign investors' ownership of the Company).

NOTE 11: INCOME TAXES (Cont.)

The period of tax benefits detailed above is subject to limits of 12 years from the year of commencement of production, or 14 years from granting of approval, whichever is earlier.

The tax-exempt income attributable to the “Approved Enterprise” can be distributed to shareholders, without subjecting the Company to taxes, only upon the complete liquidation of the Company. If these retained tax-exempt profits are distributed, they would be taxed at the corporate tax rate applicable to such profits as if the Company had not elected the alternative tax benefits program (currently between 10% to 25% for an “Approved Enterprise”).

Entitlement to the above benefits is conditional upon the Company fulfilling the conditions stipulated by the above law, regulations published thereunder and the letters of approval for the specific investments in “approved enterprises”. In the event of failure to comply with these conditions, the benefits may be canceled and the Company may be required to refund the amount of the benefits, in whole or in part, including interest and CPI linkage.

On April 1, 2005, an amendment to the Investment Law came into effect (“2005 Amendment”) and significantly changed the provisions of the Investment Law. However, the Investment Law provides that terms and benefits included in any letter of approval already granted will remain subject to the provisions of the law as they were on the date of such approval. Therefore, the Company's existing Approved Enterprise will generally not be subject to the provisions of the 2005 Amendment.

Such an enterprise is a “Beneficiary Enterprise”, rather than the previous terminology of Approved Enterprise. The period of tax benefits for a new Beneficiary Enterprise commences in the “Year of Commencement”. This year is the later of: (1) the year in which taxable income is first generated by the company, or (2) the Year of Election.

As of December 31, 2017, approximately $14,669 was derived from tax exempt profits earned by the Company's “Approved Enterprises” and “Beneficiary Enterprise”. The Company and its Board of Directors have determined that such tax-exempt income will not be distributed as dividends and intends to reinvest the amount of its tax exempt income earned by the Company. Accordingly, no provision for deferred income taxes has been provided on income attributable to the Company's “Approved Enterprises” and “Beneficiary Enterprise” as such income is essentially permanently reinvested.

If the Company's retained tax-exempt income is distributed, the income would be taxed at the applicable corporate tax rate as if it had not elected the alternative tax benefits under the Investment Law and an income tax liability of up to $3,601 would be incurred as of December 31, 2017.

NOTE 11: INCOME TAXES (Cont.)

On December 29, 2010, the Knesset approved an additional amendment to the Law for the Encouragement of Capital Investments, 1959 ("2010 Amendment"). According to the 2010 Amendment, a reduced uniform corporate tax rate for exporting industrial enterprises (over 25%) was established. The reduced tax rate will not be program dependent and will apply to the "Preferred Enterprise's" (as such term is defined in the Investment Law) entire income. Pursuant to the 2010 Amendment, a "Preferred Enterprise" is entitled to a reduced corporate tax rate of 15% in 2011 and 2012, unless the Preferred Enterprise is located in a specified development zone, in which case the rate will be 10%. Such corporate tax rate was determined to be 16% for 2014 until 2016.

On March 2013, the Company notified the Israeli Tax Authorities that it had transferred from Beneficiary Enterprise status to Preferred Enterprise status onwards.

Amendment to the Law for the Encouragement of Capital Investments, 1959 ("Amendment 73"):

In December 2016, the Israeli Knesset passed Amendment 73 to the Investment Law which included a number of changes to the Investments Law regimes. Certain changes were scheduled to come into effect beginning January 1, 2017, provided that regulations are promulgated by the Finance Ministry to implement the "Nexus Principles" based on OECD guidelines recently published as part of the Base Erosion and Profit Shifting (BEPS) project. The regulations have been approved on May 1, 2017 and accordingly, these changes have come into effect.

Applicable benefits under the new regime include:

Introduction of a benefit regime for "Preferred Technology Enterprises", granting a 12% tax rate in central Israel - on income deriving from Intellectual Property, subject to a number of conditions being fulfilled, including a minimal amount or ratio of annual R&D expenditure and R&D employees, as well as having at least 25% of annual income derived from exports. Preferred Technological Enterprise ("PTE") is defined as an enterprise which meets the aforementioned conditions and for which total consolidated revenues of its parent company and all subsidiaries are less than NIS 10 billion.

A 12% capital gains tax rate on the sale of a preferred intangible asset to a foreign affiliated enterprise, provided that the asset was initially purchased from a foreign resident at an amount of NIS 200 million or more.

A withholding tax rate of 20% for dividends paid from PTE income (with an exemption from such withholding tax applying to dividends paid to an Israeli company). Such rate may be reduced to 4% on dividends paid to a foreign resident company, subject to certain conditions regarding percentage of foreign ownership of the distributing entity.

The Company adopted the PTE since 2017.

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

NOTE 11: INCOME TAXES (Cont.)

h. Tax benefits under the Law for the Encouragement of Industry (Taxation), 1969:

Management believes that the Company currently qualifies as an "industrial company" under the above law and as such, is entitled to certain tax benefits including accelerated depreciation, deduction of public offering expenses in three equal annual installments and amortization of other intangible property rights for tax purposes.

i. Tax Benefits for Research and Development

Israeli tax law (section 20a to the Israeli Tax Ordinance) allows, under certain conditions, a tax deduction for research and development expenses, including capital expenses, for the year in which they are paid. Such expenses must relate to scientific research in industry, agriculture, transportation, or energy, and must be approved by the relevant Israeli government ministry, determined by the field of research. Furthermore, the research and development must be for the promotion of the company's business and carried out by or on behalf of the company seeking such tax deduction. However, the amount of such deductible expenses is reduced by the sum of any funds received through government grants for the finance of such scientific research and development projects. As for expenses incurred in scientific research that is not approved by the relevant Israeli government ministry, they will be deductible over a three-year period starting from the tax year in which they are paid. The Company believes that it is eligible for the above mentioned benefits.

j. Tax Reform- United States of America

The U.S. Tax Cuts and Jobs Act of 2017 ("TCJA") was approved by US Congress on December 20, 2017 and signed into law by US President Donald J. Trump on December 22, 2017. This legislation makes complex and significant changes to the U.S. Internal Revenue Code. Such changes include a reduction in the corporate tax rate and limitations on certain corporate deductions and credits, among other changes. The changes include, but are not limited to:

Rate Reduction

The TCJA reduces the U.S. federal corporate income tax rate from 35% to 21% for tax years beginning after December 31, 2017. In addition, the TCJA makes certain changes to the depreciation rules and implements new limits on the deductibility of certain expenses and deduction.

The Company recorded a reduction of its deferred tax assets as of December 31, 2017 of approximately $6.5 million.

NOTE 11: INCOME TAXES (Cont.)

Deemed Repatriation Transition Tax

The Deemed Repatriation Transition Tax is a tax on previously untaxed accumulated and current earnings and profits (“E&P”) of certain foreign subsidiaries. To determine the amount of the Transition Tax, the Company must determine, in addition to other factors, the amount of post-1986 E&P of its foreign subsidiaries, as well as the amount of non-U.S. income taxes paid on such earnings. The Company’s US subsidiary has one foreign subsidiary which impact of the Transaction Tax is expected to be immaterial.

The SEC staff has issued SAB 118 which will allow the Company to record provisional amounts during a measurement period. The Company has concluded that a reasonable estimate could be developed for the effects of the tax reform. However, due to the short time frame between the enactment of the reform and the year end, its fundamental changes, the accounting complexity, and the expected ongoing guidance and accounting interpretations over the next 12 months, the Company considers the accounting of the deferred tax remeasurement and other items to be incomplete.

k. Tax assessments:

As of December 31, 2017, CyberArk Software Ltd.’s tax years until December 31, 2012 are subject to statutes of limitation. The Company is currently under examination by the Israeli Tax Authorities for the tax years 2013 through 2015. As of that date, the U.K. subsidiary's tax years until December 31, 2013 are also subject to statutes of limitation. The U.S. subsidiary's tax years ended from December 31, 2011 and 2014 through 2017 are still open, as the statutes of limitation have not yet expired. The U.S. subsidiary is currently under examination by the U.S. Internal Revenue Service for the tax years 2015 and 2016.

NOTE 11: INCOME TAXES (Cont.)

l. Unrecognized tax benefits:

A reconciliation of the opening and closing amounts of total unrecognized tax benefits is as follows:

	Year ended December 31,	
	2016	2017
Opening balance	$ 362	$ 474
Increase related to prior year tax positions	53	348
Increase related to current year tax positions	59	297
Closing balance	$ 474	$ 1,119

During the years ended December 31, 2015, 2016 and 2017, the Company recorded $5, $18 and $56, respectively, for interest expense related to uncertain tax positions. As of December 31, 2016 and 2017, accrued interest was $47 and $103, respectively.

Although the Company believes that it has adequately provided for any reasonably foreseeable outcomes related to tax audits and settlement, there is no assurance that the final tax outcome of its tax audits will not be different from that which is reflected in the Company's income tax provisions. Such differences could have a material effect on the Company's income tax provision, cash flow from operating activities and net income in the period in which such determination is made.

NOTE 12: FINANCIAL INCOME (EXPENSES), NET

	Year ended December 31,		
	2015	2016	2017
Bank charges	$ (86)	$ (144)	$ (158)
Exchange rate income (losses), net	(1,723)	(969)	1,735
	(1,809)	(1,113)	1,577
Interest income	330	1,358	2,526
Financial income (expenses), net	$ (1,479)	$ 245	$ 4,103

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

NOTE 13: BASIC AND DILUTED NET INCOME PER SHARE

	Year ended December 31,		
	2015	**2016**	**2017**
Numerator:			
Net income available to shareholders of ordinary shares	$ 25,794	$ 28,124	$ 16,015
Denominator:			
Shares used in computing net income per ordinary shares, basic	32,124,772	33,741,359	34,824,312

	Year ended December 31,		
	2015	**2016**	**2017**
Numerator:			
Net income available to shareholders of ordinary shares	$ 25,794	$ 28,124	$ 16,015
Denominator:			
Shares used in computing net income per ordinary shares, diluted	35,322,716	35,838,863	36,175,824

NOTE 14: SEGMENTS, CUSTOMERS AND GEOGRAPHIC INFORMATION

a. The Company applies ASC Topic 280, "Segment Reporting" ("ASC No. 280"). The Company operates in one reportable segment.

The total revenues are attributed to geographic areas based on the location of the Company's channel partners which are considered as end customers, as well as direct customers of the Company.

b. The following tables present total revenues for the years ended December 31, 2015, 2016 and 2017 and long-lived assets as of December 31, 2016 and 2017:

Revenues:

	Year ended December 31,		
	2015	2016	2017
United States	$ 92,034	$ 125,749	$ 145,453
Israel	5,203	6,818	7,282
United Kingdom	16,746	21,699	24,837
Europe, the Middle East and Africa *)	28,695	39,577	49,659
Other	18,134	22,770	34,470
	$ 160,812	$ 216,613	$ 261,701

For the year ended December 31, 2016, 12.1% of the Company's total revenues were derived from one channel partner. For the years ended December 31, 2015 and 2017, no single customer contributed more than 10% to the Company's total revenues.

Long-lived assets:

	December 31,	
	2016	2017
United States	$ 1,421	$ 1,252
Israel	3,014	7,493
United Kingdom	90	233
Europe, the Middle East and Africa *)	24	39
Other	211	213
	$ 4,760	$ 9,230

*) Excluding United Kingdom and Israel

NOTE 15: SUBSEQUENT EVENTS

On March 12, 2018, the Company acquired all of the share capital of Vaultive Ltd ("Vaultive") for total gross cash consideration of approximately $19 million. Vaultive is a privately-owned Israeli company, whose technology would enable the Company to advance its privilege account security for the cloud.

INDEX OF EXHIBITS

Exhibit No.	Description
1.1	Amended and Restated Articles of Association of the Registrant
2.1	Specimen share certificate (incorporated by reference to Exhibit 4.1 to the Registrant's Registration Statement on Form F-1, as amended (Registration No. 333-196991))
2.2	Fourth Amended Investor Rights Agreement, dated July 10, 2014, by and among the Registrant and the other parties thereto (incorporated by reference to Exhibit 10.1 to the Registrant's Registration Statement on Form F-1, as amended (Registration No. 333-196991))
4.1	Form of Indemnification Agreement (incorporated by reference to Exhibit 10.2 to the Registrant's Registration Statement on Form F-1, as amended (Registration No. 333-196991))
4.2	Office Lease Agreement, dated October 28, 2013, between Cyber-Ark Software, Inc. and Wells 60 Realty LLC (incorporated by reference to Exhibit 10.4 to the Registrant's Registration Statement on Form F-1, as amended (Registration No. 333-196991))
4.3	First Amendment of Lease, dated October 23, 2014, between Cyber-Ark Software, Inc. and Wells 60 Realty LLC (incorporated by reference to Exhibit 10.6 to the Registrant's Registration Statement on Form F-1, as amended (Registration No. 333-202329));
4.4	Second Amendment of Lease, dated February 27, 2018 between CyberArk Software, Inc. and Wells 60 Realty LLC
4.5	Summary of Office Lease Agreement, dated February 26, 2015, between the Registrant and Azorei Mallal Industries Ltd., as amended ∞
4.6	2001 Stock Option Plan (incorporated by reference to Exhibit 10.5 to the Registrant's Registration Statement on Form F-1, as amended (Registration No. 333-196991))
4.7	Section 102 2001 Stock Option Plan (incorporated by reference to Exhibit 10.6 to the Registrant's Registration Statement on Form F-1, as amended (Registration No. 333-196991))
4.8	First Amendment to Section 102 2001 Stock Option Plan (incorporated by reference to Exhibit 10.7 to the Registrant's Registration Statement on Form F-1, as amended (Registration No. 333-196991))
4.9	2011 Share Incentive Plan (incorporated by reference to Exhibit 10.8 to the Registrant's Registration Statement on Form F-1, as amended (Registration No. 333-196991))
4.10	CyberArk Software Ltd. 2014 Share Incentive Plan, as amended (incorporated by reference to Exhibit 4.10 to the Registrant's Annual Report on Form 20-F for the year ended December 31, 2015)
4.11	CyberArk Executive Compensation Policy (incorporated by reference to Appendix A of Exhibit 99.1 to the Registrant's Report of Foreign Private Issuer on Form 6-K filed with the SEC on November 20, 2014)
8.1	List of subsidiaries of the Registrant
12.1	Certification of Principal Executive Officer required by Rule 13a-14(a) and Rule 15d-14(a) (Section 302 Certifications)

12.2	Certification of Principal Financial Officer required by Rule 13a-14(a) and Rule 15d-14(a) (Section 302 Certifications)
13.1	Certification of Principal Executive Officer required by Rule 13a-14(b) and Rule 15d-14(b) (Section 906 Certifications), furnished herewith
13.2	Certification of Principal Financial Officer required by Rule 13a-14(b) and Rule 15d-14(b) (Section 906 Certifications), furnished herewith
15.1	Consent of Kost Forer Gabbay & Kasierer (a member of Ernst & Young Global)
101.INS	XBRL Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

∞ English summary of original Hebrew document

Exhibit 1.1

THE COMPANIES LAW, 1999
A LIMITED LIABILITY COMPANY

ARTICLES OF ASSOCIATION OF
CYBERARK SOFTWARE LTD.

PRELIMINARY

1. **DEFINITIONS; INTERPRETATION**.

(a) In these Articles, the following terms (whether or not capitalized) shall bear the meanings set forth opposite to them respectively, unless inconsistent with the subject or context.

"Articles"	shall mean these Articles of Association, as amended from time to time.
"Board of Directors"	shall mean the Board of Directors of the Company.
"Chairman"	shall mean the Chairman of the Board of Directors, or the Chairman of the General Meeting, as the context provides;
"Company"	shall mean **CYBERARK SOFTWARE LTD**.
"Companies Law"	shall mean the Israeli Companies Law, 5759-1999. The Companies Law shall include reference to the Companies Ordinance (New Version), 5743-1983, of the State of Israel, to the extent in effect according to the provisions thereof.
"Director(s)"	shall mean the member(s) of the Board of Directors holding office at any given time, including alternate directors. "External Director(s)" shall mean as defined in the Companies Law.
"General Meeting"	shall mean an Annual General Meeting or Special General Meeting of the Shareholders, as the case may be.
"NIS"	shall mean New Israeli Shekels.
"Office"	shall mean the registered office of the Company at any given time.
"Office Holder" or "Officer"	shall mean as defined in the Companies Law.
"RTP Law"	shall mean the Israeli Restrictive Trade Practices Law, 5758- 1988.
"Securities Law"	shall mean the Israeli Securities Law 5728-1968.
"Shareholder(s)"	shall mean the shareholder(s) of the Company, at any given time.
"in writing" or "writing"	shall mean written, printed, photocopied, photographic, typed, sent via email, facsimile or produced by any visible substitute for writing, or partly one and partly another, and signed shall be construed accordingly.

(b) Unless otherwise defined in these Articles or required by the context, terms used herein shall have the meaning provided therefor under the Companies Law.

(c) Unless the context shall otherwise require: words in the singular shall also include the plural, and vice versa; any pronoun shall include the corresponding masculine, feminine and neuter forms; the words “include”, “includes” and “including” shall be deemed to be followed by the phrase “without limitation”; the words “herein”, “hereof” and “hereunder” and words of similar import refer to these Articles in its entirety and not to any part hereof; all references herein to Articles, Sections or clauses shall be deemed references to Articles, Sections or clauses of these Articles; any references to any agreement or other instrument or law, statute or regulation are to it as amended, supplemented or restated, from time to time (and, in the case of any law, to any successor provisions or re-enactment or modification thereof being in force at the time); any reference to “law” shall include any supranational, national, federal, state, local, or foreign statute or law and all rules and regulations promulgated thereunder (including, any rules, regulations or forms prescribed by any governmental authority or securities exchange commission or authority, if and to the extent applicable); any reference to a “day” or a number of “days” (without any explicit reference otherwise, such as to business days) shall be interpreted as a reference to a calendar day or number of calendar days; reference to month or year means according to the Gregorian calendar; any reference to a “company”, “corporate body” or “entity” shall include a, partnership, corporation, limited liability company, association, trust, unincorporated organization, or a government or agency or political subdivision thereof, and reference to a “person” shall mean any of the foregoing or an individual.

(d) The captions in these Articles are for convenience only and shall not be deemed a part hereof or affect the construction or interpretation of any provision hereof.

LIMITED LIABILITY

2. The Company is a limited liability company and therefore each shareholder’s obligations to the Company shall be limited to the payment of the nominal value of the shares held by such shareholder, subject to the provisions of the Companies Law.

PUBLIC COMPANY; COMPANY’S OBJECTIVES

3. **PUBLIC COMPANY; OBJECTIVES**.

(a) The Company is a Public Company as such term is defined in and as long as it qualifies under the Companies Law.

(b) The Company's objectives are to carry on any business, and do any act, which is not prohibited by law.

4. **DONATIONS**.

The Company may donate a reasonable amount of money (in cash or in kind, including the Company’s securities) for any purpose that the Board of Directors finds appropriate.

SHARE CAPITAL

5. **AUTHORIZED SHARE CAPITAL**.

(a) The share capital of the Company shall consist of NIS 2,500,000 divided into 250,000,000 Ordinary Shares, of a nominal value of NIS 0.01 each (the “**Shares**”).

(b) The Shares shall rank *pari passu* in all respects.

6. **INCREASE OF AUTHORIZED SHARE CAPITAL**.

(a) The Company may, from time to time, by a Shareholders' resolution, whether or not all the shares then authorized have been issued, and whether or not all the shares theretofore issued have been called up for payment, increase its authorized share capital by the creation of new shares. Any such increase shall be in such amount and shall be divided into shares of such nominal amounts, and such shares shall confer such rights and preferences, and shall be subject to such restrictions, as such resolution shall provide.

(b) Except to the extent otherwise provided in such resolution, any new shares included in the authorized share capital increased as aforesaid shall be subject to all the provisions of these Articles which are applicable to shares of such class included in the existing share capital without regard to class (and, if such new shares are of the same class as a class of shares included in the existing share capital, to all of the provisions which are applicable to shares of such class included in the existing share capital).

7. **SPECIAL OR CLASS RIGHTS; MODIFICATION OF RIGHTS**.

(a) The Company may, from time to time, by a Shareholders' resolution, provide for shares with such preferred or deferred rights or other special rights and/or such restrictions, whether in regard to dividends, voting, repayment of share capital or otherwise, as may be stipulated in such resolution.

(b) If at any time the share capital of the Company is divided into different classes of shares, the rights attached to any class, unless otherwise provided by these Articles, may be modified or cancelled by the Company by a resolution of the General Meeting of the holders of all shares as one class, without any required separate resolution of any class of shares.

(c) The provisions of these Articles relating to General Meetings shall, mutatis mutandis, apply to any separate General Meeting of the holders of the shares of a particular class, it being clarified that the requisite quorum at any such separate General Meeting shall be two or more shareholders present in person or by proxy and holding not less than twenty-five percent (25%) of the issued shares of such class.

(d) Unless otherwise provided by these Articles, an increase in the authorized share capital, the creation of a new class of shares, an increase in the authorized share capital of a class of shares, or the issuance of additional shares thereof out of the authorized and unissued share capital, shall not be deemed, for purposes of this Article 7, to modify or derogate or cancel the rights attached to previously issued shares of such class or of any other class.

8. **CONSOLIDATION, DIVISION, CANCELLATION AND REDUCTION OF SHARE CAPITAL**.

(a) The Company may, from time to time, by or pursuant to an authorization of a Shareholders' resolution, and subject to applicable law:

(i) consolidate all or any part of its issued or unissued authorized share capital into shares of a per share nominal value which is larger, equal to or smaller than the per share nominal value of its existing shares;

(ii) divide or sub-divide its shares (issued or unissued) or any of them, into shares of smaller or the same nominal value (subject, however, to the provisions of the Companies Law), and the resolution whereby any share is divided may determine that, as among the holders of the shares resulting from such subdivision, one or more of the shares may, in contrast to others, have any such preferred or deferred rights or rights of redemption or other special rights, or be subject to any such restrictions, as the Company may attach to unissued or new shares;

(iii) cancel any shares which, at the date of the adoption of such resolution, have not been taken or agreed to be taken by any person, and reduce the amount of its share capital by the amount of the shares so canceled; or

(iv) reduce its share capital in any manner.

(b) With respect to any consolidation of issued shares and with respect to any other action which may result in fractional shares, the Board of Directors may settle any difficulty which may arise with regard thereto, as it deems fit, and, in connection with any such consolidation or other action which could result in fractional shares, may, without limiting its aforesaid power:

(i) determine, as to the holder of shares so consolidated, which issued shares shall be consolidated into a share of a larger, equal or smaller nominal value per share;

(ii) issue, in contemplation of or subsequent to such consolidation or other action, shares sufficient to preclude or remove fractional share holdings;

(iii) redeem such shares or fractional shares sufficient to preclude or remove fractional share holdings;

(iv) round up, round down or round to the nearest whole number, any fractional shares resulting from the consolidation or from any other action which may result in fractional shares; or

(v) cause the transfer of fractional shares by certain shareholders of the Company to other shareholders thereof so as to most expediently preclude or remove any fractional shareholdings, and cause the transferees of such fractional shares to pay the transferors thereof the fair value thereof, and the Board of Directors is hereby authorized to act in connection with such transfer, as agent for the transferors and transferees of any such fractional shares, with full power of substitution, for the purposes of implementing the provisions of this sub-Article 8(b)(v).

9. **ISSUANCE OF SHARE CERTIFICATES, REPLACEMENT OF LOST CERTIFICATES**.

(a) To the extent that the Board of Directors determines that all shares shall be certificated or, if the Board of Directors does not so determine, to the extent that any shareholder requests a share certificate, share certificates shall be issued under the corporate seal of the Company or its written, typed or stamped name and shall bear the signature of one Director, or of any person or persons authorized therefor by the Board of Directors. Signatures may be affixed in any mechanical or electronic form, as the Board of Directors may prescribe.

(b) Subject to the Article 9(a), each Shareholder shall be entitled to one numbered certificate for all the shares of any class registered in his name. Each certificate shall specify the serial numbers of the shares represented thereby and may also specify the amount paid up thereon. The Company (as determined by an officer of the Company to be designated by the Chief Executive Officer) shall not refuse a request by a Shareholder to obtain several certificates in place of one certificate, unless such request is, in the opinion of such officer, unreasonable. Where a Shareholder has sold or transferred some of such Shareholder's shares, such Shareholder shall be entitled to receive a certificate in respect of such Shareholder's remaining shares, provided that the previous certificate is delivered to the Company before the issuance of a new certificate.

(c) A share certificate registered in the names of two or more persons shall be delivered to the person first named in the Register of Shareholders in respect of such co-ownership.

(d) A share certificate which has been defaced, lost or destroyed, may be replaced, and the Company shall issue a new certificate to replace such defaced, lost or destroyed certificate upon payment of such fee, and upon the furnishing of such evidence of ownership and such indemnity, as the Board of Directors in its discretion deems fit.

10. **REGISTERED HOLDER**.

Except as otherwise provided in these Articles or the Companies Law, the Company shall be entitled to treat the registered holder of each share as the absolute owner thereof, and accordingly, shall not, except as ordered by a court of competent jurisdiction, or as required by the Companies Law, be obligated to recognize any equitable or other claim to, or interest in, such share on the part of any other person.

11. **ISSUANCE AND REPURCHASE OF SHARES**.

(a) The unissued shares from time to time shall be under the control of the Board of Directors (and to the full extent permitted by law any Committee thereof), which shall have the power to issue or otherwise dispose of shares and of securities convertible or exercisable into or other rights to acquire from the Company to such persons, on such terms and conditions (including inter alia terms relating to calls set forth in Article 13(f) hereof), and either at par or at a premium, or subject to the provisions of the Companies Law, at a discount and/or with payment of commission, and at such times, as the Board of Directors (or the Committee, as the case may be) deems fit, and the power to give to any person the option to acquire from the Company any shares or securities convertible or exercisable into or other rights to acquire from the Company, either at par or at a premium, or, subject as aforesaid, at a discount and/or with payment of commission, during such time and for such consideration as the Board of Directors (or the Committee, as the case may be) deems fit.

(b) The Company may at any time and from time to time, subject to the Companies Law, repurchase or finance the purchase of any shares or other securities issued by the Company, in such manner and under such terms as the Board of Directors shall determine, whether from any one or more shareholders. Such purchase shall not be deemed as payment of dividends and no shareholder will have the right to require the Company to purchase his shares or offer to purchase shares from any other shareholders.

12. **PAYMENT IN INSTALLMENT**.

If pursuant to the terms of issuance of any share, all or any portion of the price thereof shall be payable in installments, every such installment shall be paid to the Company on the due date thereof by the then registered holder(s) of the share or the person(s) then entitled thereto.

13. **CALLS ON SHARES**.

(a) The Board of Directors may, from time to time, as it, in its discretion, deems fit, make calls for payment upon shareholders in respect of any sum (including premium) which has not been paid up in respect of shares held by such shareholders and which is not, pursuant to the terms of issuance of such shares or otherwise, payable at a fixed time, and each shareholder shall pay the amount of every call so made upon him (and of each installment thereof if the same is payable in installments), to the person(s) and at the time(s) and place(s) designated by the Board of Directors, as any such times may be thereafter extended and/or such person(s) or place(s) changed. Unless otherwise stipulated in the resolution of the Board of Directors (and in the notice hereafter referred to), each payment in response to a call shall be deemed to constitute a pro rata payment on account of all the shares in respect of which such call was made.

(b) Notice of any call for payment by a shareholder shall be given in writing to such shareholder not less than fourteen (14) days prior to the time of payment fixed in such notice, and shall specify the time and place of payment, and the person to whom such payment is to be made. Prior to the time for any such payment fixed in a notice of a call given to a shareholder, the Board of Directors may in its absolute discretion, by notice in writing to such shareholder, revoke such call in whole or in part, extend the time fixed for payment thereof, or designate a different place of payment or person to whom payment is to be made. In the event of a call payable in installments, only one notice thereof need be given.

(c) If pursuant to the terms of issuance of a share or otherwise, an amount is made payable at a fixed time (whether on account of such nominal value of such share or by way of premium), such amount shall be payable at such time as if it were payable by virtue of a call made by the Board of Directors and for which notice was given in accordance with paragraphs (a) and (b) of this Article 13, and the provision of these Articles with regard to calls (and the non-payment thereof) shall be applicable to such amount or such installment (and the non-payment thereof).

(d) Joint holders of a share shall be jointly and severally liable to pay all calls for payment in respect of such share and all interest payable thereon.

(e) Any amount called for payment which is not paid when due shall bear interest from the date fixed for payment until actual payment thereof, at such rate (not exceeding the then prevailing debitory rate charged by leading commercial banks in Israel), and payable at such time(s) as the Board of Directors may prescribe.

(f) Upon the issuance of shares, the Board of Directors may provide for differences among the holders of such shares as to the amounts and times for payment of calls for payment in respect of such shares.

14. **PREPAYMENT**.

With the approval of the Board of Directors, any shareholder may pay to the Company any amount not yet payable in respect of his shares, and the Board of Directors may approve the payment by the Company of interest on any such amount until the same would be payable if it had not been paid in advance, at such rate and time(s) as may be approved by the Board of Directors. The Board of Directors may at any time cause the Company to repay all or any part of the money so advanced, without premium or penalty. Nothing in this Article 14 shall derogate from the right of the Board of Directors to make any call for payment before or after receipt by the Company of any such advance.

15. **FORFEITURE AND SURRENDER**.

(a) If any shareholder fails to pay an amount payable by virtue of a call, installment or interest thereon as provided for in accordance herewith, on or before the day fixed for payment of the same, the Board of Directors, may at any time after the day fixed for such payment, so long as such amount (or any portion thereof) or interest thereon (or any portion thereof) remains unpaid, forfeit all or any of the shares in respect of which such payment was called for. All expenses incurred by the Company in attempting to collect any such amount or interest thereon, including, without limitation, attorneys' fees and costs of legal proceedings, shall be added to, and shall, for all purposes (including the accrual of interest thereon) constitute a part of, the amount payable to the Company in respect of such call.

(b) Upon the adoption of a resolution as to the forfeiture of a shareholder's share, the Board of Directors shall cause notice thereof to be given to such shareholder, which notice shall state that, in the event of the failure to pay the entire amount so payable by a date specified in the notice (which date shall be not less than fourteen (14) days after the date such notice is given and which may be extended by the Board of Directors), such shares shall be ipso facto forfeited, provided, however, that, prior to such date, the Board of Directors may cancel such resolution of forfeiture, but no such cancellation shall stop the Board of Directors from adopting a further resolution of forfeiture in respect of the non-payment of the same amount.

(c) Without derogating from Articles 52 and 56 hereof, whenever shares are forfeited as herein provided, all dividends, if any, theretofore declared in respect thereof and not actually paid shall be deemed to have been forfeited at the same time.

(d) The Company, by resolution of the Board of Directors, may accept the voluntary surrender of any share.

(e) Any share forfeited or surrendered as provided herein, shall become the property of the Company as dormant share, and the same, subject to the provisions of these Articles, may be sold, re-issued or otherwise disposed of as the Board of Directors deems fit.

(f) Any person whose shares have been forfeited or surrendered shall cease to be a shareholder in respect of the forfeited or surrendered shares, but shall, notwithstanding, be liable to pay, and shall forthwith pay, to the Company, all calls, interest and expenses owing upon or in respect of such shares at the time of forfeiture or surrender, together with interest thereon from the time of forfeiture or surrender until actual payment, at the rate prescribed in Article 13(e) above, and the Board of Directors, in its discretion, may, but shall not be obligated to, enforce or collect the payment of such amounts, or any part thereof, as it shall deem fit. In the event of such forfeiture or surrender, the Company, by resolution of the Board of Directors, may accelerate the date(s) of payment of any or all amounts then owing to the Company by the person in question (but not yet due) in respect of all shares owned by such shareholder, solely or jointly with another.

(g) The Board of Directors may at any time, before any share so forfeited or surrendered shall have been sold, re-issued or otherwise disposed of, nullify the forfeiture or surrender on such conditions as it deems fit, but no such nullification shall stop the Board of Directors form re-exercising its powers of forfeiture pursuant to this Article 15.

16. **LIEN**.

(a) Except to the extent the same may be waived or subordinated in writing, the Company shall have a first and paramount lien upon all the shares registered in the name of each shareholder (without regard to any equitable or other claim or interest in such shares on the part of any other person), and upon the proceeds of the sale thereof, for his debts, liabilities and engagements to the Company arising from any amount payable by such shareholder in respect of any unpaid or partly paid share, whether or not such debt, liability or engagement has matured. Such lien shall extend to all dividends from time to time declared or paid in respect of such share. Unless otherwise provided, the registration by the Company of a transfer of shares shall be deemed to be a waiver on the part of the Company of the lien (if any) existing on such shares immediately prior to such transfer.

(b) The Board of Directors may cause the Company to sell a share subject to such a lien when the debt, liability or engagement giving rise to such lien has matured, in such manner as the Board of Directors deems fit, but no such sale shall be made unless such debt, liability or engagement has not been satisfied within fourteen (14) days after written notice of the intention to sell shall have been served on such shareholder, his executors or administrators.

(c) The net proceeds of any such sale, after payment of the costs and expenses thereof or ancillary thereto, shall be applied in or toward satisfaction of the debts, liabilities or engagements of such shareholder in respect of such share (whether or not the same have matured), and the residue (if any) shall be paid to the shareholder, his executors, administrators or assigns.

17. **SALE AFTER FORFEITURE OF SURRENDER OR IN ENFORCEMENT OF LIEN**.

Upon any sale of a share after forfeiture or surrender or for enforcing a lien, the Board of Directors may appoint any person to execute an instrument of transfer of the share so sold and cause the purchaser's name to be entered in the Register of Shareholders in respect of such share. The purchaser shall be registered as the shareholder and shall not be bound to see to the regularity of the sale proceedings, or to the application of the proceeds of such sale, and after his name has been entered in the Register of Shareholders in respect of such share, the validity of the sale shall not be impeached by any person, and person, and the remedy of any person aggrieved by the sale shall be in damages only and against the Company exclusively.

18. **REDEEMABLE SHARES**.

The Company may, subject to applicable law, issue redeemable shares or other securities and redeem the same upon terms and conditions to be set forth in a written agreement between the Company and the holder of such shares or in their terms of issuance.

TRANSFER OF SHARES

19. **REGISTRATION OF TRANSFER**.

No transfer of shares shall be registered unless a proper writing or instrument of transfer (in any customary form or any other form satisfactory to the Board of Directors) has been submitted to the Company (or its transfer agent), together with any share certificate(s) and such other evidence of title as the Board of Directors may reasonably require. Until the transferee has been registered in the Register of Shareholders in respect of the shares so transferred, the Company may continue to regard the transferor as the owner thereof. The Board of Directors, may, from time to time, prescribe a fee for the registration of a transfer.

20. **SUSPENSION OF REGISTRATION**.

The Board of Directors may, in its discretion to the extent it deems necessary, close the Register of Shareholders of registration of transfers of shares for a period determined by the Board of Directors, and no registrations of transfers of shares shall be made by the Company during any such period during which the Register of Shareholders is so closed.

TRANSMISSION OF SHARES

21. **DECEDENTS' SHARES**.

(a) In case of a share registered in the names of two or more holders, the Company may recognize the survivor(s) as the sole owner(s) thereof unless and until the provisions of Article 21(b) have been effectively invoked.

(b) Any person becoming entitled to a share in consequence of the death of any person, upon producing evidence of the grant of probate or letters of administration or declaration of succession (or such other evidence as the Board of Directors may reasonably deem sufficient (or to an officer of the Company to be designated by the Chief Executive Officer)), shall be registered as a shareholder in respect of such share, or may, subject to the provisions as to transfer contained herein, transfer such share.

22. **RECEIVERS AND LIQUIDATORS**.

(a) The Company may recognize any receiver, liquidator or similar official appointed to wind-up, dissolve or otherwise liquidate a corporate shareholder, and a trustee, manager, receiver, liquidator or similar official appointed in bankruptcy or in connection with the reorganization of, or similar proceeding with respect to a shareholder or its properties, as being entitled to the shares registered in the name of such shareholder.

(b) Such receiver, liquidator or similar official appointed to wind-up, dissolve or otherwise liquidate a corporate shareholder and such trustee, manager, receiver, liquidator or similar official appointed in bankruptcy or in connection with the reorganization of, or similar proceedings with respect to a shareholder or its properties, upon producing such evidence as the Board of Directors (or an officer of the Company to be designated by the Chief Executive Officer) may deem sufficient as to his authority to act in such capacity or under this Article, shall with the consent of the Board of Directors (which the Board of Directors may grant or refuse in its absolute discretion), be registered as a shareholder in respect of such shares, or may, subject to the regulations as to transfer herein contained, transfer such shares.

GENERAL MEETINGS

23. **GENERAL MEETINGS**.

(a) An annual General Meeting ("**Annual General Meeting**") shall be held at such time and at such place, either within or out of the State of Israel, as may be determined by the Board of Directors.

(b) All General Meetings other than Annual General Meetings shall be called "**Special General Meetings**".

24. **RECORD DATE FOR GENERAL MEETING**.

Notwithstanding any provision of these Articles to the contrary, and to allow the Company to determine the shareholders entitled to notice of or to vote at any General Meeting or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or grant of any rights, or entitled to exercise any rights in respect of or to take or be the subject of any other action, the Board of Directors may fix a record date, which shall not be more than the maximum period and not less than the minimum period permitted by law. A determination of shareholders of record entitled to notice of or to vote at a meeting shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

25. **SHAREHOLDER PROPOSAL REQUEST**.

(a) Any Shareholder or Shareholders of the Company holding at least one percent (1%) of the voting rights of the Company (the "**Proposing Shareholder(s)**") may request, subject to the Companies Law, that the Board of Directors include a matter on the agenda of a General Meeting to be held in the future, provided that the Board determines that the matter is appropriate to be considered in a General Meeting (a "**Proposal Request**"). In order for the Board of Directors to consider a Proposal Request and whether to include the matter stated therein in the agenda of a General Meeting, notice of the Proposal Request must be timely delivered in accordance with applicable laws, and the Proposal Request must comply with the requirement of these Articles (including this Article 25) and any applicable law and stock exchange rules and regulations. The Proposal Request must be in writing, signed by all of the Proposing Shareholder(s) making such request, delivered, either in person or by certified mail, postage prepaid, and received by the Secretary (or, in the absence thereof by the Chief Executive Officer of the Company). To be considered timely, a Proposal Request must be received within the time periods prescribed by applicable law. The announcement of an adjournment or postponement of a General Meeting shall not commence a new time period (or extend any time period) for the delivery of a Proposal Request as described above. In addition to any information required to be included in accordance with applicable law, the Proposal Request must include the following: (i) the name, address, telephone number, fax number and email address of the Proposing Shareholder (or each Proposing Shareholder, as the case may be) and, if an entity, the name(s) of the person(s) that controls or manages such entity; (ii) the number of Shares held by the Proposing Shareholder(s), directly or indirectly (and, if any of such Shares are held indirectly, an explanation of how they are held and by whom), which shall be in such number no less than as is required to qualify as a Proposing Shareholder, accompanied by evidence satisfactory to the Company of the record holding of such Shares by the Proposing Shareholder(s) as of the date of the Proposal Request, and a representation that the Proposing Shareholder(s) intends to appear in person or by proxy at the meeting; (iii) the matter requested to be included on the agenda of a General Meeting, all information related to such matter, the reason that such matter is proposed to be brought before the General Meeting, the complete text of the resolution that the Proposing Shareholder proposes to be voted upon at the General Meeting and, if the Proposing Shareholder wishes to have a position statement in support of the Proposal Request, a copy of such position statement that complies with the requirement of any applicable law (if any), (iv) a description of all arrangements or understandings between the Proposing Shareholders and any other Person(s) (naming such Person or Persons) in connection with the matter that is requested to be included on the agenda and a declaration signed by all Proposing Shareholder(s) of whether any of them has a personal interest in the matter and, if so, a description in reasonable detail of such personal interest; (v) a description of all Derivative Transactions (as defined below) by each Proposing Shareholder(s) during the previous twelve (12) month period, including the date of the transactions and the class, series and number of securities involved in, and the material economic terms of, such Derivative Transactions; and (vi) a declaration that all of the information that is required under the Companies Law and any other applicable law and stock exchange rules and regulations to be provided to the Company in connection with such matter, if any, has been provided to the Company. The Board of Directors, may, in its discretion, to the extent it deems necessary, request that the Proposing Shareholder(s) provide additional information necessary so as to include a matter in the agenda of a General Meeting, as the Board of Directors may reasonably require.

A "**Derivative Transaction**" means any agreement, arrangement, interest or understanding entered into by, or on behalf or for the benefit of, any Proposing Shareholder or any of its affiliates or associates, whether of record or beneficial: (1) the value of which is derived in whole or in part from the value of any class or series of shares or other securities of the Company, (2) which otherwise provides any direct or indirect opportunity to gain or share in any gain derived from a change in the value of securities of the Company, (3) the effect or intent of which is to mitigate loss, manage risk or benefit of security value or price changes, or (4) which provides the right to vote or increase or decrease the voting power of, such Proposing Shareholder, or any of its affiliates or associates, with respect to any shares or other securities of the Company, which agreement, arrangement, interest or understanding may include, without limitation, any option, warrant, debt position, note, bond, convertible security, swap, stock appreciation right, short position, profit interest, hedge, right to dividends, voting agreement, performance-related fee or arrangement to borrow or lend shares (whether or not subject to payment, settlement, exercise or conversion in any such class or series), and any proportionate interest of such Proposing Shareholder in the securities of the Company held by any general or limited partnership, or any limited liability company, of which such Proposing Shareholder is, directly or indirectly, a general partner or managing member.

(b) The information required pursuant to this Article shall be updated as of (i) the record date of the General Meeting, (ii) five business days before the General Meeting, and (iii) as of the General Meeting, and any adjournment or postponement thereof.

26. **NOTICE OF GENERAL MEETINGS; OMISSION TO GIVE NOTICE**.

(a) The Company is not required to give notice of a General Meeting, subject to any mandatory provision of the Companies Law. Notwithstanding anything herein to the contrary, to the extent permitted under the Companies Law, with the consent of all Shareholders entitled to vote thereon, a resolution may be proposed and passed at such meeting although a lesser notice period than hereinabove prescribed has been given.

(b) The accidental omission to give notice of a General Meeting to any Shareholder, or the non-receipt of notice sent to such Shareholder, shall not invalidate the proceedings at such meeting or any resolution adopted thereat.

(c) No Shareholder present, in person or by proxy, at any time during a General Meeting shall be entitled to seek the cancellation or invalidation of any proceedings or resolutions adopted at such General Meeting on account of any defect in the notice of such meeting relating to the time or the place thereof, or any item acted upon at such meeting.

(d) The Company may add additional places for Shareholders to review the full text of the proposed resolutions to be adopted at a General Meeting, including an internet site.

PROCEEDINGS AT GENERAL MEETINGS

27. **QUORUM**.

(a) No business shall be transacted at a General Meeting, or at any adjournment thereof, unless the quorum required under these Articles for such General Meeting or such adjourned meeting, as the case may be, is present when the meeting proceeds to business.

(b) In the absence of contrary provisions in these Articles, two or more shareholders (not in default in payment of any sum referred to in Article 13 hereof), present in person or by proxy and holding shares conferring in the aggregate at least twenty-five percent (25%) of the voting power of the Company, shall constitute a quorum of General Meetings. A proxy may be deemed to be two (2) or more Shareholders pursuant to the number of Shareholders represented by the proxy holder.

(c) If within half an hour from the time appointed for the meeting a quorum is not present, then without any further notice the meeting shall be adjourned either (i) to the same day in the next week, at the same time and place, (ii) to such day and at such time and place as indicated in the notice to such meeting, or (iii) to such day and at such time and place as the Chairman of the General Meeting shall determine (which may be earlier or later than the date pursuant to clause (i) above). No business shall be transacted at any adjourned meeting except business which might lawfully have been transacted at the meeting as originally called. At such adjourned meeting, if the original meeting was convened upon requisition under Section 63 of the Companies Law, one or more shareholders, present in person or by proxy, and holding the number of shares required for making such requisition, shall constitute a quorum, but in any other case any shareholder (not in default as aforesaid) present in person or by proxy, shall constitute a quorum.

28. **CHAIRMAN OF GENERAL MEETING**.

The Chairman of the Board of Directors, shall preside as Chairman of every General Meeting of the Company. If at any meeting the Chairman is not present within fifteen (15) minutes after the time fixed for holding the meeting or is unwilling to act as Chairman, any of the following may preside as Chairman of the meeting (and in the following order): Director, Chief Executive Officer, Chief Financial Officer, Secretary or any person designated by any of the foregoing. If at any such meeting none of the foregoing persons is present or all are unwilling to act as Chairman, the Shareholders present (in person or by proxy) shall choose a Shareholder or its proxy present at the meeting to be Chairman. The office of Chairman shall not, by itself, entitle the holder thereof to vote at any General Meeting nor shall it entitle such holder to a second or casting vote (without derogating, however, from the rights of such Chairman to vote as a shareholder or proxy of a shareholder if, in fact, he is also a shareholder or such proxy).

29. **ADOPTION OF RESOLUTIONS AT GENERAL MEETINGS**.

(a) Except as required by the Companies Law or these Articles, including, without limitation, Article 39 below, a resolution of the Shareholders shall be adopted if approved by the holders of a simple majority of the voting power represented at the General Meeting in person or by proxy and voting thereon, as one class, and disregarding abstentions from the count of the voting power present and voting. Without limiting the generality of the foregoing, a resolution with respect to a matter or action for which the Companies Law prescribes a higher majority or pursuant to which a provision requiring a higher majority would have been deemed to have been incorporated into these Articles, but for which the Law allows these Articles to provide otherwise (including, Section 327 and 24 of the Law), shall be adopted by a simple majority of the voting power represented at the General Meeting in person or by proxy and voting thereon, as one class, and disregarding abstentions from the count of the voting power present and voting.

(b) Every question submitted to a General Meeting shall be decided by a show of hands, but the Chairman of the General Meeting may determine that a resolution shall be decided by a written ballot. A written ballot may be implemented before the proposed resolution is voted upon or immediately after the declaration by the Chairman of the results of the vote by a show of hands. If a vote by written ballot is taken after such declaration, the results of the vote by a show of hands shall be of no effect, and the proposed resolution shall be decided by such written ballot.

(c) A declaration by the Chairman of the General Meeting that a resolution has been carried unanimously, or carried by a particular majority, or rejected, and an entry to that effect in the minute book of the Company, shall be prima facie evidence of the fact without proof of the number or proportion of the votes recorded in favor of or against such resolution.

30. **POWER TO ADJOURN**.

(a) A General Meeting, the consideration of any matter on its agenda or the resolution on any matter on its agenda, may be postponed or adjourned, from time to time and from place to place: (i) by the Chairman of a General Meeting at which a quorum is present (and he shall if so directed by the meeting, with the consent of the holders of a majority of the voting power represented in person or by proxy and voting on the question of adjournment), but no business shall be transacted at any such adjourned meeting except business which might lawfully have been transacted at the meeting as originally called, or a matter on its agenda with respect to which no resolution was adopted at the meeting originally called; or (ii) by the Board (whether prior to or at the General Meeting).

31. **VOTING POWER**.

Subject to the provisions of Article 32(a) and to any provision hereof conferring special rights as to voting, or restricting the right to vote, every Shareholder shall have one vote for each share held by him of record, on every resolution, without regard to whether the vote thereon is conducted by a show of hands, by written ballot or by any other means.

32. VOTING RIGHTS.

(a) No shareholder shall be entitled to vote at any General Meeting (or be counted as a part of the quorum thereat), unless all calls then payable by him in respect of his shares in the Company have been paid.

(b) A company or other corporate body being a Shareholder of the Company may duly authorize any person to be its representative at any meeting of the Company or to execute or deliver a proxy on its behalf. Any person so authorized shall be entitled to exercise on behalf of such Shareholder all the power, which the Shareholder could have exercised if it were an individual. Upon the request of the Chairman of the General Meeting, written evidence of such authorization (in form acceptable to the Chairman) shall be delivered to him.

(c) Any Shareholder entitled to vote may vote either in person or by proxy (who need not be Shareholder of the Company), or, if the Shareholder is a company or other corporate body, by representative authorized pursuant to Article (b) above.

(d) If two or more persons are registered as joint holders of any share, the vote of the senior who tenders a vote, in person or by proxy, shall be accepted to the exclusion of the vote(s) of the other joint holder(s). For the purpose of this Article 32(d), seniority shall be determined by the order of registration of the joint holders in the Register of Shareholder.

PROXIES

33. **INSTRUMENT OF APPOINTMENT**.

(a) An instrument appointing a proxy shall be in writing and shall be substantially in the following form:

"I ____of ____
(Name of Shareholder) *(Address of Shareholder)*
Being a shareholder of CYBERARK SOFTWARE LTD. hereby appoints
____ of ____
(Name of Proxy) *(Address of Proxy)*
as my proxy to vote for me and on my behalf at the General Meeting of the Company to be held on the _____ day of _____,_______ and at any adjournment(s) thereof.

Signed this ______ day of ____________,_____.

(Signature of Appointor)"

or in any usual or common form or in such other form as may be approved by the Board of Directors. Such proxy shall be duly signed by the appointor of such person's duly authorized attorney, or, if such appointor is company or other corporate body, in the manner in which it signs documents which binds it together with a certificate of an attorney with regard to the authority of the signatories.

(b) Subject to the Companies Law, the original instrument appointing a proxy or a copy thereof certified by an attorney (and the power of attorney or other authority, if any, under which such instrument has been signed) shall be delivered to the Company (at its Office, at its principal place of business, or at the offices of its registrar or transfer agent, or at such place as notice of the meeting may specify) not less than forty eight (48) hours (or such shorter period as the notice shall specify) before the time fixed for such meeting. Notwithstanding the above, the Chairman shall have the right to waive the time requirement provided above with respect to all instruments of proxies and to accept any and all instruments of proxy until the beginning of a General Meeting. A document appointing a proxy shall be valid for every adjourned meeting of the General Meeting to which the document relates.

34. **EFFECT OF DEATH OF APPOINTOR OF TRANSFER OF SHARE AND OR REVOCATION OF APPOINTMENT.**

(a) A vote cast in accordance with an instrument appointing a proxy shall be valid notwithstanding the prior death or bankruptcy of the appointing shareholder (or of his attorney-in-fact, if any, who signed such instrument), or the transfer of the share in respect of which the vote is cast, unless written notice of such matters shall have been received by the Company or by the Chairman of such meeting prior to such vote being cast.

(b) Subject to the Companies Law, an instrument appointing a proxy shall be deemed revoked (i) upon receipt by the Company or the Chairman, subsequent to receipt by the Company of such instrument, of written notice signed by the person signing such instrument or by the Shareholder appointing such proxy canceling the appointment thereunder (or the authority pursuant to which such instrument was signed) or of an instrument appointing a different proxy (and such other documents, if any, required under Article 33(b) for such new appointment), provided such notice of cancellation or instrument appointing a different proxy were so received at the place and within the time for delivery of the instrument revoked thereby as referred to in Article 33(b) hereof, or (ii) if the appointing shareholder is present in person at the meeting for which such instrument of proxy was delivered, upon receipt by the Chairman of such meeting of written notice from such shareholder of the revocation of such appointment, or if and when such shareholder votes at such meeting. A vote cast in accordance with an instrument appointing a proxy shall be valid notwithstanding the revocation or purported cancellation of the appointment, or the presence in person or vote of the appointing shareholder at a meeting for which it was rendered, unless such instrument of appointment was deemed revoked in accordance with the foregoing provisions of this Article 34(b) at or prior to the time such vote was cast.

BOARD OF DIRECTORS

35. **POWERS OF BOARD OF DIRECTORS**.

(a) The Board of Directors may exercise all such powers and do all such acts and things as the Board of Directors is authorized by law or as the Company is authorized to exercise and do and are not hereby or by law required to be exercised or done by the General Meeting. The authority conferred on the Board of Directors by this Article 35 shall be subject to the provisions of the Companies Law, these Articles and any regulation or resolution consistent with these Articles adopted from time to time at a General Meeting, provided, however, that no such regulation or resolution shall invalidate any prior act done by or pursuant to a decision of the Board of Directors which would have been valid if such regulation or resolution had not been adopted.

(b) Without limiting the generality of the foregoing, the Board of Directors may, from time to time, set aside any amount(s) out of the profits of the Company as a reserve or reserves for any purpose(s) which the Board of Directors, in its absolute discretion, shall deem fit, including without limitation, capitalization and distribution of bonus shares, and may invest any sum so set aside in any manner and from time to time deal with and vary such investments and dispose of all or any part thereof, and employ any such reserve or any part thereof in the business of the Company without being bound to keep the same separate from other assets of the Company, and may subdivide or re-designate any reserve or cancel the same or apply the funds therein for another purpose, all as the Board of Directors may from time to time think fit.

36. **EXERCISE OF POWERS OF BOARD OF DIRECTORS**.

(a) A meeting of the Board of Directors at which a quorum is present shall be competent to exercise all the authorities, powers and discretion vested in or exercisable by the Board of Directors.

(b) A resolution proposed at any meeting of the Board of Directors shall be deemed adopted if approved by a majority of the Directors present, entitled to vote and voting thereon when such resolution is put to a vote.

(c) The Board of Directors may adopt resolutions, without convening a meeting of the Board of Directors, in writing or in any other manner permitted by the Companies Law.

37. **DELEGATION OF POWERS**.

(a) The Board of Directors may, subject to the provisions of the Companies Law, delegate any or all of its powers to committees (in these Articles referred to as a "**Committee of the Board of Directors**", or "**Committee**"), each consisting of one or more persons (who may or may not be Directors), and it may from time to time revoke such delegation or alter the composition of any such Committee. No regulation imposed by the Board of Directors on any Committee and no resolution of the Board of Directors shall invalidate any prior act done or pursuant to a resolution by the Committee which would have been valid if such regulation or resolution of the Board had not been adopted. The meeting and proceedings of any such Committee of the Board of Directors shall, mutatis mutandis, be governed by the provisions herein contained for regulating the meetings of the Board of Directors, so far as not superseded by any regulations adopted by the Board of Directors. Unless otherwise expressly prohibited by the Board of Directors in delegating powers to a Committee of the Board of Directors, such Committee shall be empowered to further delegate such powers.

(b) Without derogating from the provisions of Article 49, the Board of Directors may from time to time appoint a Secretary to the Company, as well as officers, agents, employees and independent contractors, as the Board of Directors deems fit, and may terminate the service of any such person. The Board of Directors may, subject to the provisions of the Companies Law, determine the powers and duties, as well as the salaries and compensation, of all such persons.

(c) The Board of Directors may from time to time, by power of attorney or otherwise, appoint any person, company, firm or body of persons to be the attorney or attorneys of the Company at law or in fact for such purposes(s) and with such powers, authorities and discretions, and for such period and subject to such conditions, as it deems fit, and any such power of attorney or other appointment may contain such provisions for the protection and convenience of persons dealing with any such attorney as the Board of Directors deems fit, and may also authorize any such attorney to delegate all or any of the powers, authorities and discretions vested in him.

38. **NUMBER OF DIRECTORS**.

(a) The Board of Directors shall consist of such number of Directors (not less than four (4) nor more than 9 (nine), including the External Directors, to the extent required by law) as may be fixed from time to time by the Board of Directors.

(b) Notwithstanding anything to the contrary herein, this Article 38 may only be amended or replaced by a resolution adopted at a General Meeting by a majority of 65% of the voting power represented at the General Meeting in person or by proxy and voting thereon, disregarding abstentions from the count of the voting power present and voting.

39. **ELECTION AND REMOVAL OF DIRECTORS**.

(a) The Directors, excluding the External Directors, shall be classified, with respect to the term for which they each severally hold office, into three classes, as nearly equal in number as practicable, hereby designated as Class I, Class II and Class III. The Board of Directors may assign members of the Board of Directors already in office to such classes at the time such classification becomes effective.

(i) The term of office of the initial Class I directors shall expire at the first Annual General Meeting to be held in 2015 and when their successors are elected and qualified,

(ii) The term of office of the initial Class II directors shall expire at the first Annual General Meeting following the Annual General Meeting referred to in clause (i) above and when their successors are elected and qualified, and

(iii) The term of office of the initial Class III directors shall expire at the first Annual General Meeting following the Annual General Meeting referred to in clause (ii) above and when their successors are elected and qualified.

(b) At each Annual General Meeting, commencing with the Annual General Meeting to be held in 2015, each of the successors elected to replace the Directors of a Class whose term shall have expired at such Annual General Meeting shall be elected to hold office until the third Annual General Meeting next succeeding his or her election and until his or her respective successor shall have been elected and qualified. Notwithstanding anything to the contrary, each Director shall serve until his or her successor is elected and qualified or until such earlier time as such Director's office is vacated.

(c) If the number of Directors (excluding External Directors) that consists the Board of Directors is hereafter changed, any newly created directorships or decrease in directorships shall be so apportioned by the Board of Directors among the classes as to make all classes as nearly equal in number as is practicable, provided that no decrease in the number of Directors constituting the Board of Directors shall shorten the term of any incumbent Director.

(d) Prior to every General Meeting of the Company at which Directors are to be elected, and subject to clauses (a) and (h) of this Article, the Board of Directors (or a Committee thereof) shall select, by a resolution adopted by a majority of the Board of Directors (or such Committee), a number of Persons to be proposed to the Shareholders for election as Directors at such General Meeting (the "**Nominees**").

(e) Any Proposing Shareholder requesting to include on the agenda of a General Meeting a nomination of a Person to be proposed to the Shareholders for election as Director (such person, an "**Alternate Nominee**"), may so request provided that it complies with this Article 39(e) and Article 25 and applicable law. Unless otherwise determined by the Board, a Proposal Request relating to Alternate Nominee is deemed to be a matter that is appropriate to be considered only in an Annual General Meeting. In addition to any information required to be included in accordance with applicable law, such a Proposal Request shall include information required pursuant to Article 25, and shall also set forth: (i) the name, address, telephone number, fax number and email address of the Alternate Nominee and all citizenships and residencies of the Alternate Nominee; (ii) a description of all arrangements, relations or understandings between the Proposing Shareholder(s) or any of its affiliates and each Alternate Nominee; (iii) a declaration signed by the Alternate Nominee that he consents to be named in the Company's notices and proxy materials relating to the General Meeting, if provided or published, and, if elected, to serve on the Board of Directors and to be named in the Company's disclosures and filings, (iv) a declaration signed by each Alternate Nominee as required under the Companies Law and any other applicable law and stock exchange rules and regulations for the appointment of such an Alternate Nominee and an undertaking that all of the information that is required under law and stock exchange rules and regulations to be provided to the Company in connection with such an appointment has been provided (including, information in respect of the Alternate Nominee as would be provided in response to the applicable disclosure requirements under Form 20-F or any other applicable form prescribed by the U.S. Securities and Exchange Commission); (v) a declaration made by the Alternate Nominee of whether he meets the criteria for an independent director and/or External Director of the Company under the Companies Law and/or under any applicable law, regulation or stock exchange rules, and if not, then an explanation of why not; and (vi) any other information required at the time of submission of the Proposal Request by applicable law, regulations or stock exchange rules. In addition, the Proposing Shareholder shall promptly provide any other information reasonably requested by the Company. The Board of Directors may refuse to acknowledge the nomination of any person not made in compliance with the foregoing. The Company shall be entitled to publish any information provided by a Proposing Shareholder pursuant to this Article 39(e) and Article 25, and the Proposing Shareholder shall be responsible for the accuracy and completeness thereof.

(f) The Nominees or Alternate Nominees shall be elected by a resolution adopted at the General Meeting at which they are subject to election.

(g) Notwithstanding anything to the contrary herein, this Article 39 and Article 42(e) may only be amended, replaced or suspended by a resolution adopted at a General Meeting by a majority of 65% of the voting power represented at the General Meeting in person or by proxy and voting thereon, disregarding abstentions from the count of the voting power present and voting.

(h) Notwithstanding anything to the contrary in these Articles, the election, qualification, removal or dismissal of External Directors shall be only in accordance with the applicable provisions set forth in the Companies Law.

40. **COMMENCEMENT OF DIRECTORSHIP**.

Without derogating from Article 39, the term of office of a Director shall commence as of the date of his appointment or election, or on a later date if so specified in his appointment or election.

41. **CONTINUING DIRECTORS IN THE EVENT OF VACANCIES**.

The Board may at any time and from time to time appoint any person as a Director to fill a vacancy (whether such vacancy is due to a Director no longer serving or due to the number of Directors serving being less than the maximum number stated in Article 38 hereof). In the event of one or more such vacancies in the Board of Directors, the continuing Directors may continue to act in every matter, provided, however, that if they number less than the minimum number provided for pursuant to Article 38 hereof, they may only act in an emergency or to fill the office of director which has become vacant up to a number equal to the minimum number provided for pursuant to Article 38 hereof, or in order to call a General Meeting of the Company for the purpose of electing Directors to fill any or all vacancies. The office of a Director that was appointed by the Board of Directors to fill any vacancy shall only be for the remaining period of time during which the Director whose service has ended was filled would have held office, or in case of a vacancy due to the number of Directors serving being less than the maximum number stated in Article 38 hereof the Board shall determine at the time of appointment the class pursuant to Article 39 to which the additional Director shall be assigned.

42. **VACATION OF OFFICE**.

The office of a Director shall be vacated and he shall be dismissed or removed:

(a) ipso facto, upon his death;

(b) if he is prevented by applicable law from serving as a Director;

(c) if the Board determines that due to his mental or physical state he is unable to serve as a director;

(d) if his directorship expires pursuant to these Articles and/or applicable law;

(e) by a resolution adopted at a General Meeting by a majority of 65% of the voting power represented at the General Meeting in person or by proxy and voting thereon, disregarding abstentions from the count of the voting power present and voting. Such removal shall become effective on the date fixed in such resolution;

(f) by his written resignation, such resignation becoming effective on the date fixed therein, or upon the delivery thereof to the Company, whichever is later; or

(g) with respect to an External Director, and notwithstanding anything to the contrary herein, only pursuant to applicable law.

43. **CONFLICT OF INTERESTS; APPROVAL OF RELATED PARTY TRANSACTIONS**.

Subject to the provisions of the Companies Law and these Articles, no Director shall be disqualified by virtue of his office from holding any office or place of profit in the Company or in any company in which the Company shall be a shareholder or otherwise interested, or from contracting with the Company as vendor, purchaser or otherwise, nor shall any such contract, or any contract or arrangement entered into by or on behalf of the Company in which any Director shall be in any way interested, be avoided, nor, other than as required under the Companies Law, shall any Director be liable to account to the Company for any profit arising from any such office or place of profit or realized by any such contract or arrangement by reason only of such Director's holding that office or of the fiduciary relations thereby established, but the nature of his interest, as well as any material fact or document, must be disclosed by him at the meeting of the Board of Directors at which the contract or arrangement is first considered, if his interest then exists, or, in any other case, at no later than the first meeting of the Board of Directors after the acquisition of his interest.

44. **ALTERNATE DIRECTORS**.

(a) Subject to the provisions of the Companies Law, a Director may, by written notice to the Company, appoint, remove or replace any person as an alternate for himself; provided that the appointment of such person shall have effect only upon and subject to its being approved by the Board (in these Articles, an "**Alternate Director**"). Unless the appointing Director, by the instrument appointing an Alternate Director or by written notice to the Company, limits such appointment to a specified period of time or restricts it to a specified meeting or action of the Board of Directors, or otherwise restricts its scope, the appointment shall be for all purposes, and for a period of time concurrent with the term of the appointing Director.

(b) Any notice to the Company pursuant to Article 44(a) shall be given in person to, or by sending the same by mail to the attention of the Chairman of the Board of Directors at the principal office of the Company or to such other person or place as the Board of Directors shall have determined for such purpose, and shall become effective on the date fixed therein, upon the receipt thereof by the Company (at the place as aforesaid) or upon the approval of the appointment by the Board, whichever is later.

(c) An Alternate Director shall have all the rights and obligations of the Director who appointed him, provided however, that (i) he may not in turn appoint an alternate for himself (unless the instrument appointing him otherwise expressly provides), and (ii) an Alternate Director shall have no standing at any meeting of the Board of Directors or any Committee thereof while the Director who appointed him is present.

(d) Any individual, who qualifies to be a member of the Board of Directors, may act as an Alternate Director. One person may not act as Alternate Director for several directors or if he is serving as a Director.

(e) The office of an Alternate Director shall be vacated under the circumstances, mutatis mutandis, set forth in Article 42, and such office shall ipso facto be vacated if the office of the Director who appointed such Alternate Director is vacated, for any reason.

PROCEEDINGS OF THE BOARD OF DIRECTORS

45. **MEETINGS**.

(a) The Board of Directors may meet and adjourn its meetings and otherwise regulate such meetings and proceedings as the Directors think fit.

(b) Any Director may at any time, and the Secretary, upon the request of such Director, shall, convene a meeting of the Board of Directors, but not less than five (5) days' notice shall be given of any meeting so convened, unless such notice is waived in writing by all of the Directors as to a particular meeting or unless the matters to be discussed at such meeting are of such urgency and importance that notice ought reasonably to be waived under the circumstances.

(c) Notice of any such meeting shall be given in writing.

(d) Notwithstanding anything to the contrary herein, failure to deliver notice to a director of any such meeting in the manner required hereby may be waived by such Director, and a meeting shall be deemed to have been duly convened notwithstanding such defective notice if such failure or defect is waived prior to action being taken at such meeting, by all Directors entitled to participate at such meeting to whom notice was not duly given as aforesaid. Without derogating from the foregoing, no Director present at any time during a meeting of the Board of Directors shall be entitled to seek the cancellation or invalidation of any proceedings or resolutions adopted at such meeting on account of any defect in the notice of such meeting relating to the date, time or the place thereof or the convening of the meeting.

46. **QUORUM**.

Until otherwise unanimously decided by the Board of Directors, a quorum at a meeting of the Board of Directors shall be constituted by the presence in person or by any means of communication of a majority of the Directors then in office who are lawfully entitled to participate and vote in the meeting. No business shall be transacted at a meeting of the Board of Directors unless the requisite quorum is present (in person or by any means of communication) when the meeting proceeds to business.

47. **CHAIRMAN OF THE BOARD OF DIRECTORS**.

The Board of Directors shall, from time to time, elect one of its members to be the Chairman of the Board of Directors, remove such Chairman from office and appoint in his place. The Chairman of the Board of Directors shall preside at every meeting of the Board of Directors, but if there is no such Chairman, or if at any meeting he is not present within fifteen (15) minutes of the time fixed for the meeting or if he is unwilling to take the chair, the Directors present shall choose one of the Directors present at the meeting to be the Chairman of such meeting. The office of Chairman of the Board of Directors shall not, by itself, entitle the holder to a second or casting vote.

48. **VALIDITY OF ACTS DESPITE DEFECTS**.

All acts done or transacted at any meeting of the Board of Directors, or of a Committee of the Board of Directors, or by any person(s) acting as Director(s), shall, notwithstanding that it may afterwards be discovered that there was some defect in the appointment of the participants in such meeting or any of them or any person(s) acting as aforesaid, or that they or any of them were disqualified, be as valid as if there were no such defect or disqualification.

CHIEF EXECUTIVE OFFICER

49. **CHIEF EXECUTIVE OFFICER**.

(a) The Board of Directors shall from time to time appoint one or more persons, whether or not Directors, as Chief Executive Officer of the Company and may confer upon such person(s), and from time to time modify or revoke, such titles and such duties and authorities of the Board of Directors as the Board of Directors may deem fit, subject to such limitations and restrictions as the Board of Directors may from time to time prescribe. Such appointment(s) may be either for a fixed term or without any limitation of time, and the Board of Directors may from time to time (subject to any additional approvals required under, and the provisions of, the Companies Law and of any contract between any such person and the Company) fix their salaries and compensation, remove or dismiss them from office and appoint another or others in his or their place or places.

(b) Unless otherwise determined by the Board of Directors, the Chief Executive Officer shall have authority with respect of the management and operations of the Company in the ordinary course of business.

MINUTES

50. **MINUTES**.

Any minutes of the General Meeting or the Board of Directors or any committee thereof, if purporting to be signed by the Chairman of the General Meeting, the Board or a committee thereof, as the case may be, or by the Chairman of the next succeeding General Meeting, meeting of the Board or meeting of a committee thereof, as the case may be, shall constitute prima facie evidence of the matters recorded therein.

DIVIDENDS

51. **DECLARATION OF DIVIDENDS**.

The Board of Directors may from time declare, and cause the Company to pay, such dividend as may appear to the Board of Directors to be justified by the profits of the Company and as permitted by the Companies Law. The Board of Directors shall determine the time for payment of such dividends and the record date for determining the shareholders entitled thereto.

52. **AMOUNT PAYABLE BY WAY OF DIVIDENDS**.

(a) Subject to the provisions of these Articles and subject to the rights or conditions attached at that time to any share in the capital of the Company granting preferential, special or deferred rights or not granting any rights with respect to dividends, any dividend paid by the Company shall be allocated among the shareholders (not in default in payment of any sum referred to in Article 13 hereof) entitled thereto in proportion to their respective holdings of the shares in respect of which such dividends are being paid.

(b) Whenever the rights attached to any shares or the terms of issue of the shares do not provide otherwise, shares which are fully paid up or which are credited as fully or partly paid within any period which in respect thereof dividends are paid shall entitle the holders thereof to a dividend in proportion to the amount paid up or credited as paid up in respect of the nominal value of such shares and to the date of payment thereof (pro rata temporis).

53. **INTEREST**.

No dividend shall carry interest as against the Company.

54. **PAYMENT IN SPECIE**.

Upon the Board of Directors may determine that the Company (i) may cause any moneys, investments, or other assets forming part of the undivided profits of the Company, standing to the credit of a reserve fund, or to the credit of a reserve fund for the redemption of capital, or in the hands of the Company and available for dividends, or representing premiums received on the issuance of shares and standing to the credit of the share premium account, to be capitalized and distributed among such of the shareholders as would be entitled to receive the same if distributed by way of dividend and in the same proportion, on the footing that they become entitled thereto as capital, or may cause any part of such capitalized fund to be applied on behalf of such shareholders in paying up in full, either at par or at such premium as the resolution may provide, any unissued shares or debentures or debenture stock of the Company which shall be distributed accordingly, in payment, in full or in part, of the uncalled liability on any issued shares or debentures or debenture stock; and (ii) may cause such distribution or payment to be accepted by such shareholders in full satisfaction of their interest in the said capitalized sum.

55. **IMPLEMENTATION OF POWERS**.

For the purpose of giving full effect to any resolution under Article 54, and without derogating from the provisions of Article 56 hereof, the Board of Directors may settle any difficulty which may arise in regard to the distribution as it thinks expedient, and, in particular, may fix the value for distribution of any specific assets and may determine that cash payments shall be made to any shareholders upon the footing of the value so fixed, or that fractions of less value than a certain determined value may be disregarded in order to adjust the rights of all parties, and may vest any such cash, shares, debentures, debenture stock or specific assets in trustees upon such trusts for the persons entitled to the dividend or capitalized fund as may seem expedient to the Board of Directors. Where requisite, a proper contract shall be filed in accordance with Section 291 of the Companies Law, and the Board of Directors may appoint any person to sign such contract on behalf of the persons entitled to the dividend or capitalized fund.

56. **DEDUCTIONS FROM DIVIDENDS**.

The Board of Directors may deduct from any dividend or other moneys payable to any Shareholder in respect of a share any and all sums of money then payable by him to the Company on account of calls or otherwise in respect of shares of the Company and/or on account of any other matter of transaction whatsoever.

57. **RETENTION OF DIVIDENDS**.

(a) The Board of Directors may retain any dividend or other moneys payable or property distributable in respect of a share on which the Company has a lien, and may apply the same in or toward satisfaction of the debts, liabilities, or engagements in respect of which the lien exists.

(b) The Board of Directors may retain any dividend or other moneys payable or property distributable in respect of a share in respect of which any person is, under Articles 21 or 22, entitled to become a Shareholder, or which any person is, under said Articles, entitled to transfer, until such person shall become a Shareholder in respect of such share or shall transfer the same.

58. **UNCLAIMED DIVIDENDS**.

All unclaimed dividends or other moneys payable in respect of a share may be invested or otherwise made use of by the Board of Directors for the benefit of the Company until claimed. The payment by the Directors of any unclaimed dividend or such other moneys into a separate account shall not constitute the Company a trustee in respect thereof, and any dividend unclaimed after a period of seven (7) years from the date of declaration of such dividend, and any such other moneys unclaimed after a like period from the date the same were payable, shall be forfeited and shall revert to the Company, provided, however, that the Board of Directors may, at its discretion, cause the Company to pay any such dividend or such other moneys, or any part thereof, to a person who would have been entitled thereto had the same not reverted to the Company. The principal (and only the principal) of any unclaimed dividend of such other moneys shall be if claimed, paid to a person entitled thereto.

59. **MECHANICS OF PAYMENT**.

Any dividend or other moneys payable in cash in respect of a share may be paid by check or warrant sent through the post to, or left at, the registered address of the person entitled thereto or by transfer to a bank account specified by such person (or, if two or more persons are registered as joint holders of such share or are entitled jointly thereto in consequence of the death or bankruptcy of the holder or otherwise, to the joint holder whose name is registered first in the Register of Shareholders or his bank account or the person who the Company may then recognize as the owner thereof or entitled thereto under Article 21 or 22hereof, as applicable, or such person's bank account), or to such person and at such other address as the person entitled thereto may by writing direct, or in any other manner the Board deems appropriate. Every such check or warrant or other method of payment shall be made payable to the order of the person to whom it is sent, or to such person as the person entitled thereto as aforesaid may direct, and payment of the check or warrant by the banker upon whom it is drawn shall be a good discharge to the Company.

60. **RECEIPT FROM A JOINT HOLDER**.

If two or more persons are registered as joint holders of any share, or are entitled jointly thereto in consequence of the death or bankruptcy of the holder or otherwise, any one of them may give effectual receipts for any dividend or other moneys payable or property distributable in respect of such share.

ACCOUNTS

61. **BOOKS OF ACCOUNT**.

The Company's books of account shall be kept at the Office of the Company, or at such other place or places as the Board of Directors may think fit, and they shall always be open to inspection by all Directors. No shareholder, not being a Director, shall have any right to inspect any account or book or other similar document of the Company, except as conferred by law or authorized by the Board of Directors. The Company shall make copies of its annual financial statements available for inspection by the shareholders at the principal offices of the Company. The Company shall not be required to send copies of its annual financial statements to shareholders.

62. **AUDITORS**.

The appointment, authorities, rights and duties of the auditor(s) of the Company, shall be regulated by applicable law, provided, however, that in exercising its authority to fix the remuneration of the auditor(s), the shareholders in General Meeting may act (and in the absence of any action in connection therewith shall be deemed to have so acted) to authorize the Board of Directors (with right of delegation to management) to fix such remuneration subject to such criteria or standards, and if no such criteria or standards are so provided, such remuneration shall be fixed in an amount commensurate with the volume and nature of the services rendered by such auditor(s).

SUPPLEMENTARY REGISTERS

63. **SUPPLEMENTARY REGISTERS**.

Subject to and in accordance with the provisions of Sections 138 and 139 of the Companies Law, the Company may cause supplementary registers to be kept in any place outside Israel as the Board of Directors may think fit, and, subject to all applicable requirements of law, the Board of Directors may from time to time adopt such rules and procedures as it may think fit in connection with the keeping of such branch registers.

EXEMPTION, INDEMNITY AND INSURANCE

64. **INSURANCE**.

Subject to the provisions of the Companies Law with regard to such matters, the Company may enter into a contract for the insurance of the liability, in whole or in part, of any of its Office Holders imposed on such Office Holder due to an act performed by the Office Holder in the Office Holder's capacity as an Office Holder of the Company arising from any matter permitted by law, including the following:

(a) a breach of duty of care to the Company or to any other person;

(b) a breach of his fiduciary duty to the Company, provided that the Office Holder acted in good faith and had reasonable grounds to assume that act that resulted in such breach would not prejudice the interests of the Company;

(c) a financial liability imposed on such Office Holder in favor of any other person; and

(d) any other event, occurrence, matters or circumstances under any law with respect to which the Company may, or will be able to, insure an Office Holder, and to the extent such law requires the inclusion of a provision permitting such insurance in these Articles, then such provision is deemed to be included and incorporated herein by reference (including, without limitation, in accordance with Section 56h(b)(1) of the Securities Law, if and to the extent applicable, and Section 50P of the RTP Law).

65. **INDEMNITY**.

(a) Subject to the provisions of the Companies Law, the Company may retroactively indemnify an Office Holder of the Company with respect to the following liabilities and expenses, provided that such liabilities or expenses were imposed on such Office Holder or incurred by such Office Holder due to an act performed by the Office Holder in such Office Holder's capacity as an Office Holder of the Company:

(i) a financial liability imposed on an Office Holder in favor of another person by any court judgment, including a judgment given as a result of a settlement or an arbitrator's award which has been confirmed by a court in respect of an act performed by the Office Holder;

(ii) reasonable litigation expenses, including attorneys' fees, expended by the Office Holder as a result of an investigation or proceeding instituted against him or her by an authority authorized to conduct such investigation or proceeding, or in connection with a financial sanction, provided that (1) no indictment (as defined in the Companies Law) was filed against such office holder as a result of such investigation or proceeding; and (2) no financial liability in lieu of a criminal proceeding (as defined in the Companies Law) was imposed upon him or her as a result of such investigation or proceeding or if such financial liability was imposed, it was imposed with respect to an offence that does not require proof of criminal intent;

(iii) reasonable litigation costs, including attorney's fees, expended by an Office Holder or which were imposed on an Office Holder by a court in proceedings filed against the Office Holder by the Company or in its name or by any other person or in a criminal charge in respect of which the Office Holder was acquitted or in a criminal charge in respect of which the Office Holder was convicted for an offence which did not require proof of criminal intent; and

(iv) any other event, occurrence, matter or circumstances under any law with respect to which the Company may, or will be able to, indemnify an Office Holder, and to the extent such law requires the inclusion of a provision permitting such indemnity in these Articles, then such provision is deemed to be included and incorporated herein by reference (including, without limitation, in accordance with Section 56h(b)(1) of the Israeli Securities Law, if and to the extent applicable, and Section 50P(b)(2) of the RTP Law).

(b) Subject to the provisions of the Companies Law, the Company may undertake to indemnify an Office Holder, in advance, with respect to those liabilities and expenses described in the following Articles:

(i) Sub-Article 65(a)(ii) to 65(a)(iv); and

(ii) Sub-Article 65(a)(i), provided that:

(1) the undertaking to indemnify is limited to such events which the Directors shall deem to be likely to occur in light of the operations of the Company at the time that the undertaking to indemnify is made and for such amounts or criterion which the Directors may, at the time of the giving of such undertaking to indemnify, deem to be reasonable under the circumstances; and

(2) the undertaking to indemnify shall set forth such events which the Directors shall deem to be likely to occur in light of the operations of the Company at the time that the undertaking to indemnify is made, and the amounts and/or criterion which the Directors may, at the time of the giving of such undertaking to indemnify, deem to be reasonable under the circumstances.

66. **EXEMPTION**.

Subject to the provisions of the Companies Law, the Company may exempt and release, in advance, any Office Holder from any liability for damages arising out of a breach of a duty of care towards the Company.

67. **GENERAL**.

(a) Any amendment to the Companies Law adversely affecting the right of any Office Holder to be indemnified or insured pursuant to Articles 64 to 66 and any amendments to Articles 64 to 66 shall be prospective in effect, and shall not affect the Company's obligation or ability to indemnify or insure an Office Holder for any act or omission occurring prior to such amendment, unless otherwise provided by applicable law.

(b) The provisions of Articles 64 to 66 (i) shall apply to the maximum extent permitted by law (including, the Companies Law, the Securities Law and the RTP Law); and (ii) are not intended, and shall not be interpreted so as to restrict the Company, in any manner, in respect of the procurement of insurance and/or in respect of indemnification (whether in advance or retroactively) and/or exemption, in favor of any person who is not an Office Holder, including, without limitation, any employee, agent, consultant or contractor of the Company who is not an Office Holder; and/or any Office Holder to the extent that such insurance and/or indemnification is not specifically prohibited under law.

WINDING UP

68. **WINDING UP**.

If the Company is wound up, then, subject to applicable law and to the rights of the holders of shares with special rights upon winding up, the assets of the Company available for distribution among the shareholders shall be distributed to them in proportion to the nominal value of their respective holdings of the shares in respect of which such distribution is being made.

NOTICES

69. **NOTICES**.

(a) Any written notice or other document may be served by the Company upon any shareholder either personally, by facsimile, email or other electronic transmission, or by sending it by prepaid mail (airmail if sent internationally) addressed to such shareholder at his address as described in the Register of Shareholders or such other address as he may have designated in writing for the receipt of notices and other documents.

(b) Any written notice or other document may be served by any shareholder upon the Company by tendering the same in person to the Secretary or the Chief Executive Officer of the Company at the principal office of the Company, by facsimile transmission, or by sending it by prepaid registered mail (airmail if posted outside Israel) to the Company at its Office.

(c) Any such notice or other document shall be deemed to have been served:

(i) in the case of mailing, forty-eight (48) hours after it has been posted, or when actually received by the addressee if sooner than forty-eight hours after it has been posted, or

(ii) in the case of overnight air courier, on the next business day following the day sent, with receipt confirmed by the courier, or when actually received by the addressee if sooner than three business days after it has been sent;

(iii) in the case of personal delivery, when actually tendered in person, to such addressee.

(iv) in the case of facsimile, email or other electronic transmission, the on the first business day (during normal business hours in place of addressee) on which the sender receives automatic electronic confirmation by the addressee's facsimile machine that such notice was received by the addressee or delivery confirmation from the addressee's email or other communication server.

(d) If a notice is, in fact, received by the addressee, it shall be deemed to have been duly served, when received, notwithstanding that it was defectively addressed or failed, in some other respect, to comply with the provisions of this Article 69.

(e) All notices to be given to the shareholders shall, with respect to any share to which persons are jointly entitled, be given to whichever of such persons is named first in the Register of Shareholders, and any notice so given shall be sufficient notice to the holders of such share.

(f) Any shareholder whose address is not described in the Register of Shareholders, and who shall not have designated in writing an address for the receipt of notices, shall not be entitled to receive any notice from the Company.

(g) Notwithstanding anything to the contrary contained herein, notice by the Company of a General Meeting, containing the information required by applicable law and these Articles to be set forth therein, which is published, within the time otherwise required for giving notice of such meeting, in:

(i) at least two daily newspapers in the State of Israel shall be deemed to be notice of such meeting duly given, for the purposes of these Articles, to any shareholder whose address as registered in the Register of Shareholders (or as designated in writing for the receipt of notices and other documents) is located in the State of Israel; and

(ii) one daily newspaper in the City of New York and in one international wire service shall be deemed to be notice of such meeting duly given, for the purposes of these Articles, to any shareholder whose address as registered in the Register of Shareholders (or as designated in writing for the receipt of notices and other documents) is located outside the State of Israel.

(h) The mailing or publication date and the date of the meeting shall be counted as part of the days comprising any notice period.

Exhibit 4.4

SECOND AMENDMENT OF LEASE

This Second Amendment of Lease **("Second Amendment")** is entered as of this 27'" day of February, 2018 between Wells 60 Realty LLC **("Landlord"),** and CyberArk Software, Inc. **("Tenant").**

Reference is hereby made to the Lease dated October 28, 2013 between Landlord and Tenant **("Original Lease")** as affected by the Suite I03 Notice of Term and Rent Commencement Dates letter dated January 31, 2014 (the **"103 T.C. Letter")** and as further affected by First Amendment to Lease dated October 23, 2014 **("First Amendment")** and as further affected by the Suite 102 Notice of Term and Rent Commencement Dates letter dated February 10, 2015 (the **"102 T.C. Letter"),** pursuant to which Tenant rented from Landlord certain premises containing approximately 21,644 rentable square feet located on the first floor of the Building located at 60 Wells Avenue, Newton, Massachusetts (the **"Property")** as more particularly described in the Original Lease and shown as Suite Nos. 102 and 103 on the Plan attached hereto as Exhibit A (the **"Premises Plan").** Suite Nos. 102 and 103 are sometimes herein called the **"Existing Premises".** The Original Lease, I03 T.C. Letter, First Amendment, I02 T.C. Letter (and including where the context so admits, this Second Amendment) is sometimes herein collectively called the **"Lease".**

The purpose of this Second Amendment is to document the terms of Tenant **(i)** extending the Initial Term of the Lease of the Existing Premises, and (ii) leasing additional space on the first floor of the Building as more particularly depicted as Suite No. 100, Suite No. !OOA and Suite No. IOI, all as shown on the Premises Plan, and as further described below.

Capitalized terms used herein and not otherwise defined shall have the same meanings as set forth in the Lease (except as specifically designated in Section II.I O.J. hereof). For good and valuable consideration, the sufficiency and adequacy of which is hereby acknowledged, Tenant and Landlord hereby amend the Lease as follows:

I. **Existing Premises.** The Lease of the Existing Premises shall continue, and the Initial Term applicable thereto shall be extended for an additional two (2) years and shall expire on April 30, 2024, subject to any remaining extension terms applicable to the Existing Premises as set forth in the Lease as hereby amended. Yearly Fixed Rent applicable to the Existing Premises shall continue as set forth in the Lease, with the qualification that Yearly Fixed Rent shall increase to the annual rate of $735,896.04 payable monthly in advance in equal monthly installments of $61,324.67 beginning on May I, 2022 and continuing through April 30, 2023, and shall thereafter be increased to the annual rate of $746,718.00 payable monthly in advance in equal installments of $62,226.50 beginning May I, 2023 and continuing through April 30, 2024, with the further qualification that the Base Operating Cost Year for the Existing Premises shall be reset on May I, 2022 to the calendar year ending on December 31, 2022, and the Base Tax Year shall be reset on May I, 2022 to the fiscal year ending June 30, 2023. Except as specifically modified in this Second Amendment, all other terms and conditions of the Lease applicable to the Existing Premises shall continue without modification.

II. **Rental of Additional Premises.** Landlord hereby leases to Tenant and Tenant hereby leases from Landlord certain premises on the first floor of the Building, as more particularly depicted as Suite No. 100 (containing approximately 2,299 rentable square feet), Suite IOOA (containing approximately 3,002 rentable square feet) and Suite No. 101 (containing approximately 5,518 rentable square feet), all as shown on the Premises Plan (collectively, the **"Additional Premises").** As used in the Lease, the term **"Premises"** shall include the Existing Premises and the Additional Premises (effective as of the Term Commencement Date of each Suite within the Additional Premises). The following provisions of this Section II shall be applicable solely to the Additional Premises unless otherwise noted.

1. **Additional Premises Term Commencement Date.** The Tenn Commencement Date with respect to each Suite that comprises the Additional Premises shall be ten (10) days following Landlord's written notice to Tenant that Landlord's Work to the Additional Premises as described in Section II.I 0. hereof has been substantially completed as determined by Landlord's architect pursuant to Section II.10.G. of this Second Amendment. Suite Nos. 1OOA and 101 are currently vacant, and therefore the target Term Commencement Date applicable to both Suite Nos. 100A and 101 is between May 1, 2018 and June 1, 2018 (subject to the substantial completion of Landlord's Work). Notwithstanding the foregoing, the Term Commencement Date applicable to Suite No. 100 may occur on a later date than the Term Commencement Date applicable to Suite Nos. JOOA and 101, provided that in all events the Term Commencement Date applicable to Suite No. I00 shall occur no later than January 1, 2019 (subject to the substantial completion of Landlord's Work). The purpose of the foregoing extended Term Commencement Date for Suite 100 is to allow Landlord's management company (currently occupying Suite I00) additional time to relocate if it reqmres.

2. **Additional Premises Rent Commencement Date.** The Rent Commencement Date with respect to each Suite that comprises the Additional Premises shall be the date which is five (5) months after the Additional Premises Term Commencement Date (as applicable to each of the Suites that comprise the Additional Premises).

3. **Additional Premises Expiration Date.** The expiration date of the Lease Term for the Additional Premises shall be that date which is ninety (90) months (plus a portion of a month if the Suite Nos. lOOA and 101 Rent Commencement Date occurs other than on the first day of a calendar month, so that the Initial Term ends on the last day of a calendar month) following the Suite Nos. IOOA and 101 Rent Commencement Date **("Additional Premises Initial Term")** provided, however, if the Additional Premises Initial Term is extended pursuant to the terms of this Second Amendment, then the Additional Premises Expiration Date shall be at 5:00 PM on the last day of the Additional Premises Extension Term. The foregoing Additional Premises Expiration Date shall also apply to Suite No. I 00 notwithstanding that the Term Commencement Date and Rent Connnencement Date applicable to Suite No. 100 may be different than the Term Commencement and Rent Commencement Date applicable to Suite Nos. IOOA and JOI.

4. **Additional Premises Yearly Fixed Rent.** Yearly Fixed Rent for the Additional Premises shall be as follows during the Additional Premises Initial Term:

Tenant's Initials: ---

FOR SUITE NO. 100A and SUITE 101:

PERIOD	YEARLY FIXED RENT	MONTHLY PAYMENT
First Lease Year	$281,160.00	$ 23,430.00
Second Lease Year	$285,420.00	$ 23,785.00
Third Lease Year	$289,680.00	$ 24,140.00
Fourth Lease Year	$293,940.00	$ 24,495.00
Fifth Lease Year	$298,200.00	$ 24,850.00
Sixth Lease Year	$302,460.00	$ 25,205.00
Seventh Lease Year	$306,720.00	$ 25,560.00
Eighth Lease Year (6 months)	$310,980.00	$ 25,915.00

FOR SillTE NO. 100:

PERIOD	YEARLY FIXED RENT	MONTHLY PAYMENT
First Lease Year	$75,867.00	$ 6,322.25
Second Lease Year	$77,016.48	$ 6,418.04
Third Lease Year	$78,165.96	$ 6,513.83
Fourth Lease Year	$79,315.56	$ 6,609.63
Fifth Lease Year	$80,465.04	$ 6,705.42
Sixth Lease Year	$81,614.52	$ 6,801.21
Seventh Lease Year	$82,764.00	$ 6,897.00
Eighth Lease Year (6 months)	$83,913.48	$ 6,992.79

Yearly Fixed Rent shall be payable monthly in advance, in equal monthly installments **("Monthly Payment")** as set forth above, on the first day of each month beginning on the Rent Commencement Date of the applicable Suite(s) within the Additional Premises. For clarification purposes, the First Lease Year shall begin on the Term Commencement Date of the applicable Suite(s) within the Additional Premises and continue until the last day of the month that is twelve (12) months after the Rent Commencement Date thereof (except that the First Lease Year of the Suite 100 Term shall begin on the Suite 100 Term Commencement Date and shall end on the same date as the end of the First Lease Year of the Suite IOOA and Suite 101 Premises), the Second Lease Year shall commence on the day after the end of the First Lease Year and continue for a consecutive twelve (12) month period, and each Lease Year thereafter shall be a sequential consecutive period of twelve (12) months. Notwithstanding the foregoing, the Eighth Lease Year shall begin on the day immediately following the end of the Seventh Lease Year and shall end on the last day of the month that is six (6) months thereafter.

5. **Additional Premises Extension Term and Extension Term Yearlv Fixed Rent.** Provided Landlord has received written notice of Tenant's intent to extend no later than twelve (12) months prior to end of the Additional Premises Initial Term, Tenant may extend the Lease of the entire Additional Premises only (Suite Nos. 100, 100A, and 101) for one (1) period of seven (7) years commencing immediately after the end of the Additional Premises Initial Term (the **"Additional Premises Extension Term").** Yearly Fixed Rent dnring the Additional Premises Extension Tenn shall be at Fair Market Rent determined in accordance with Exhibit D attached to the Original Lease. Tenant's right to extend shall be subject to Tenant having maintained its Lease obligations current and without default not cured within any applicable grace periods through the Lease Term as then in effect. Tenant's right to extend the Lease for the Additional Premises Extension Term shall be subject to all other terms and conditions of Section 23 of the Original Lease.

Tenant's Initials: ---

6. **Additional Rent.** Tenant shall be responsible for Additional Rent applicable to the Additional Premises in a manner consistent with the payment of Additional Rent relating to the Existing Premises as set forth in the Lease and First Lease Amendment, beginning on the Additional Premises Term Commencement Date (as applicable to each of the Suites within the Additional Premises) with the qualification that the Base Operating Cost Year shall be the calendar year ending on December 31" of the same calendar year as the applicable Rent Commencement Date, and the Base Tax Year shall be the fiscal year ending June 30 of the year following the Additional Premises Rent Commencement Date (as applicable to each of the Suites within the Additional Premises).

7. **Electricity.** Tenant shall pay for electricity consumed within the Additional Premises in accordance with Section 6 of the Original Lease beginning on the Term Commencement Date applicable to each of the Suites within the Additional Premises.

8. **Secnrity Deposit.** Upon signing this Second Amendment, Tenant shall deposit with Landlord the sum of $29,752.25 to be added to the Security Deposit, so that the total Security Deposit held by Landlord is then $73,855.75.

9. **Prn Rata Share.** The percentage that the Additional Premises bears to the total rentable area held for rental by the Landlord at the Property. Landlord and Tenant agree that the Pro- Rata Share of the Existing Premises is 66.7%, and the aggregate Pro Rata Share of the Additional Premises is 33.3%, allocated 7.0% to Suite No. 100, 9.3% to Suite No. lOOA and 17% to Suite No. 101. The aggregate Pro Rata Share shall be adjusted upon the Term Commencement Date applicable to each Suite within the Additional Premises as they are added to the Premises.

10. **Landlord's Work to Additional Premises.** Prior to the Additional Premises Commencement Date with respect to each of the Suites therein, the interior of the Additional Premises shall be improved in accordance with Tenant's Final Layout Plan and the Construction Documents as those terms are defined below **("Tenant Improvements").** The following provisions shall be applicable to the Tenant Improvements (and to the extent Landlord perfonns the Tenant Improvements, are herein called **"Landlord's Work"):**

Tenant's Initials: ---

A. Tenant shall deliver to Landlord its program requirements for the Additional Premises by no later than February 14, 2018, and thereafter, Landlord shall prepare and deliver to Tenant a proposed initial layout plan of the Additional Premises **("Tenant's Initial Layout Plan")** which plan shall be prepared based upon existing Building conditions and Tenant's program requirements. For each day after February 14, 2018 that Tenant delivers its program requirements, the Rent Commencement Date applicable to the Additional Premises (and to each Suite therein) shall be advanced to an earlier date (on a day for day basis) for each day that the program requirements are delayed. Landlord and Tenant shall work together with Landlord's architect in good faith to develop Tenant's Initial Layout Plan into a final layout plan **("Tenant's Final Layout Plan").** Tenant's Final Layout Plan shall in all events be completed within fomteen (14) days following Landlord's delivery to Tenant of Tenant's Initial Layout Plan, and if not completed within such fourteen (14) day period (unless such delay is caused by the failure of Landlord's architect to timely deliver the Plans), then the Rent Commencement Date applicable to the Additional Premises (and to each Suite therein) shall be advanced to an earlier date (on a day for day basis) for each day that Tenant's Final Layout Plan is delayed. Within ten (I 0) days after the completion of Tenant's Final Layout Plan, Landlord's architect shall develop Tenant's Final Layout Plan into construction documents **("Construction Documents")** in a form which will enable Landlord's architect to stamp the Construction Documents, and to enable Landlord to obtain fixed pricing for the construction of the Tenant Improvements **("Fixed Pricing"),** and to apply for and obtain a Building Permit for the Tenant Improvements **("Building Permit").** Within a maximum of three (3) business days after request by Landlord, Tenant shall meet with Landlord and provide such supplemental information as Landlord or its architect may reasonably require in order to develop Tenant's Final Layout Plan into the Construction Documents and to facilitate obtaining the Fixed Pricing and/or the Building Permit. Subject to the provisions of Section II.10.F., Tenant agrees to consider the recommendations of Landlord's architect regarding the selections of materials (using similar materials previously used in other tenant spaces within the Building, including the Existing Premises, but excluding upgrades to materials within that space previously paid for by Tenant or other tenants) to be used to allow for the completion of the Tenant Improvements within sixty (60) days after the receipt of the Building Permit. Upon prior notice to Tenant, Landlord reserves the right to make changes to the Construction Documents as required by Landlord's architect to accommodate Building systems (i.e. plumbing, mechanical, and electric, chases and/or structural components) and to expedite completion of the Tenant Improvements (such as to accommodate the unavailability of materials by substituting available materials of comparable quality) and otherwise as necessary to obtain Fixed Pricing, comply with applicable building, health, fire, safety and MAAB codes, orders, rules and regulations **("Codes"),** and to obtain the Building Permit, provided such changes do not adversely affect, in any material manner, the utility or quality of Tenant Improvements or the cost to complete the Tenant Improvements. The Tenant Improvements shall be deemed modified by any such changes to the Construction Documents. The cost for Landlord's architect to prepare Tenant's Final Layout Plan and to develop same into Construction Documents shall be the responsibility of Landlord provided, however, any later revisions to the Construction Documents requested by Tenant shall be at Tenant's cost. Within three (3) business days following the completion of the Construction Documents and delivery to Tenant, Tenant shall review and if acceptable approve the Construction Documents, which approval shall not be unreasonably withheld, conditioned or delayed. I f Tenant disapproves the Construction Documents (unless such disapproval is due to the failure of the Construction Document to be consistent with Tenant's Final Layout Plan) or fails to approve the Construction Documents within three (3) business days, then the Rent Commencement Date applicable to the Additional Premises (and to each Suite therein) shall be advanced to an earlier date (on a day for day basis) for each day until the Construction Documents are approved. Promptly following the completion of the Construction Documents, Landlord shall obtain Fixed Pricing to complete the Tenant Improvements from its contractor(s) and shall deliver to Tenant a summary of the total cost to complete the Tenant Improvements. Within a maximum of three (3) business days following Landlord's delivery of the Fixed Pricing, Tenant shall have the opportunity to request that Landlord and its architect work with Tenant to modify the Construction Documents in an effort to reduce the Fixed Pricing. The parties shall then have seven (7) days to determine if such a reduction of the Fixed Pricing is feasible and finalize same, following which Landlord shall deliver to Tenant revised Fixed Pricing, which pricing shall be final. All costs to modify the Construction Documents to accomplish the foregoing shall be the responsibility of Tenant (to the extent available, Tenant shall be permitted to use any excess funds from the Improvement Allowance to pay for such costs in the event the Total Project Costs are less than $378,665.00). Landlord makes no representation as to whether or not the Total Project Costs will be less than or exceed the Improvement Allowance as those terms are defined below. For clarification purposes, it is understood that if Tenant delays or fails to comply with the time periods set forth in this Section II.IO.A. to the extent Tenant is required to do so, then the Rent Commencement Date applicable to the Additional Premises (and to each Suite therein) shall be advanced to an earlier date (on a day for day basis) for each day that Tenant's compliance is delayed.

Tenant's Initials: ---

B. Tenant shall pay to Landlord within ten (I 0) business days after invoice therefor, the amount by which the total cost to complete the Tenant Improvements **("Total Project Costs")** exceeds the amount of the Improvement Allowance as herein defined (the **"Excess Project Costs").** The Total Project Costs shall include, without limitation, all construction costs, including, without limitation, all materials, equipment, systems, labor, supervision, profit and overhead and similar costs necessary to complete the Tenant Improvements, plus all costs charged by Landlord's architect to select Tenant finishes and/or Tenant materials, and shall include a construction management fee to Landlord equal to five percent (5%) of the total cost of the Tenant Improvements. If, within three (3) business days after Landlord's delivery of the Tenant's Final Layout Plan, Tenant notifies Landlord that it elects for the HVAC system to be designed by a mechanical engineer rather than on a design-build basis by Landlord's HVAC contractor, then Landlord shall engage its mechanical engineer **("Landlord's Engineer")** to design the HVAC system, and the cost for such Landlord's Engineer's work shall be part of the Total Project Costs. Except as herein set forth, there shall be no changes to the Tenant Improvements or to the Construction Documents without the consent of Landlord and Tenant (which consent shall not be unreasonably withheld, conditioned or delayed), and in the event any such changes shall increase the Total Project Costs to an amount which is excess of the Improvement Allowance, then Tenant shall pay the costs of such change orders (which shall include a 5% construction management fee) within ten (IO) days after written request by Landlord, (and such cost shall be deemed Excess Project Costs as provided herein). If Tenant fails to timely pay the Excess Project Costs as required above, Landlord shall have the right to stop work on the Tenant Improvements until such time as the Excess Project Costs are paid, and the Rent Commencement Date shall be advanced to an earlier date on a day-for-day basis for each day the Excess Project Costs are not paid after the date due.

Tenant's Initials: ---

C. Landlord agrees that Tenant shall be entitled to receive an improvement allowance from Landlord for improvement of the Additional Premises as set forth in this Section II.IQ. **("Improvement Allowance")** in an amount which is the lesser of the following:
(a) an aggregate total of $378,665.00; or (b) 100% of the Total Project Costs. In all events, however, Tenant shall be responsible for the amount by which the Total Project Costs exceeds the Improvement Allowance. The Improvement Allowance shall be paid by Landlord directly to those contractors/parties performing the Tenant Improvements. Notwithstanding anything to the contrary contained herein, if the Total Project Costs are less than $378,665.00, then after completion of Landlord's Work and after the Rent Commencement Date for the Additional Premises, and provided no Events of Default have occurred under the Lease, Tenant shall be permitted to use the difference between $378,665.00 and the Total Project Costs **("Remaining Balance")** towards the cost of Tenant's Common Area Work (as hereafter defined) and/or Premises signage, and/or Tenant's voice/data equipment within the Additional Premises, and/or improvements to the Existing Premises (collectively, **"Tenant's Additional Work"),** all to be performed in accordance with the terms of the Lease, including without limitation, Section 11 of the Lease as modified in this Second Amendment. Additionally, after the Rent Commencement Date for the Additional Premises and completion of Tenant's Additional Work, including issuance of final occupancy certificates, and provided Tenant has complied with all obligations under this Second Amendment, including payment of any Excess Project Costs as set forth herein, Landlord shall reimburse Tenant for the cost of Tenant's Additional Work up to a maximum of an additional $50,000.00, upon, Landlord's receipt of evidence confirming full payment of all costs (as substantiated by evidence submitted to Landlord) and the lien-free completion of the Tenant's Additional Work.

D. Notwithstanding anything set forth herein, if and to the extent that it is determined by Landlord's architect or contractor that the Tenant Improvements cannot be completed without additional costs caused only by a preexisting Unforeseen Condition (defined below), then Landlord and Tenant shall cooperate to modify the Construction Documents to acconnnodate such Unforeseen Condition without increase to the Total Project Costs. Landlord and Tenant shall each pay one-half (Y:,) of the expense to so modify the Construction Documents. A n **"Unforeseen Condition"** is defined as an unanticipated condition, particular to the Building, which was unknown to Landlord's architect and is not readily apparent or customary to the type of work included within the scope of the Tenant Improvements. If the Construction Documents cannot be modified to accommodate the Unforeseen Condition without increasing the Total Project Costs, and if the Unforeseen Condition causes the Total Project Costs to exceed the Improvement Allowance, then the amount of such excess caused by the Unforeseen Condition shall be paid 50% by Landlord and 50% by Tenant.

E. If at any time Tenant requests changes to the Construction Documents which will cause the time to complete the Tenant Improvements to exceed sixty (60) days from receipt of the Building Permit, then Landlord and Tenant shall cooperate to modify the scope of the Tenant Improvements to enable completion within sixty (60) days from receipt of the Building Permit, or at Tenant's election, continue with the Landlord's Work as contemplated and advance the Rent Commencement Date to an earlier date (on a day for day basis) for each day in excess of sixty (60) days that it takes Landlord to complete Landlord's Work.

Tenant's Initials: ---

F. It is intended that Landlord's Work shall include only work which may be completed by Landlord in the ordinary course within sixty (60) days following the issuance of the Building Permit. Accordingly, notwithstanding anything set forth herein, in the event Tenant increases the scope of Tenant's program requirements, or if Tenant requests changes to the Construction Documents, or if after completion of the Construction Documents and before the commencement of Landlord's Work, Landlord determines that the Tenant Improvements will not be able to be completed within sixty (60) days after receipt of the Building Permit, then Tenant and Landlord agree to work collaboratively to immediately modify the scope of Landlord's Work to enable completion within sixty (60) days after the issuance of the Building Permit, provided, however, if such modifications are not resolved by Landlord and Tenant within five (5) days after notice from Landlord, then the Rent Commencement Date shall be advanced to an earlier date on a day-for-day basis for each day **in** excess of sixty (60) days that it takes Landlord to complete Landlord's Work (with such adjustment as may be necessary to account for delays in the Rent Commencement Date of the Suite 100 Premises on account of Landlord's delay in completion of Tenant Improvements to Suite 100).

G. For purposes of this Second Amendment, the Tenant Improvements shall be deemed "substantially completed" when (i) Landlord delivers to Tenant a certificate from Landlord's architect **("Architect's Certificate")** confirming that the Tenant Improvements have been completed in accordance with the requirements of the Construction Documents and this Second Amendment, except for items of work and adjustment of equipment and fixtures which can be completed after Tenant has taken occupancy of the Additional Premises (or a part thereof) without causing material interference with its business operations and use and enjoyment of the Additional Premises **("Punch-List Items"),** as specified in the Architect's Certificate; and (ii) all permits and other authorizations, to the extent required by the City of Newton to enable Tenant to take occupancy **in** accordance with applicable laws and regulations, have been issued, provided, however, in the event Landlord is delayed in obtaining the Certificate of Occupancy on account of work to be completed by Tenant (for example installation of cubicles, voice/data equipment, or other fixtures, furnishings and equipment), then substantial completion shall be deemed to have occurred upon issuance of the Architect's Certificate. Landlord agrees to complete the Punch-List Items within thirty (30) days, subject to delays on account of unavailability of materials, supplies or equipment or other causes beyond Landlord's reasonable control.

H. Tenant shall be pennitted access to the Additional Premises up to twenty-one (21) days prior to the Additional Premises Term Commencement Date for purposes of installation of Tenant's cubicles, wiring for Tenant's voice/data and other equipment, or other fixtures, furnishings and equipment, provided that such access shall in no way delay or interfere with the substantial completion of the Tenant Improvements. Such access shall be subject to all of the terms and conditions of the Lease, as amended hereby, except that no Rent shall be payable with respect to the Additional Premises prior to the Additional Premises Rent Commencement Date.

I. Notwithstanding the foregoing, **in** lieu of Landlord completing the Tenant Improvements, Tenant shall at its option have the right to complete its own Tenant Improvements to the Additional Premises, provided Tenant gives written notice to Landlord of its election to so perform its own Tenant Improvements **("T.I. Notice")** which T.L Notice shall be delivered to Landlord not later than three (3) business days after Landlord delivers to Tenant the Fixed Pricing for the Tenant Improvements. In such event, then the Additional Premises Term Commencement Date shall be that date which is seventy-five (75) days after Landlord delivers the Fixed Pricing as set forth in II.IO.A. above. Upon Tenant's completion of the Tenant hnprovements mcompliance with the provisions of Section 11 of the Lease, as modified in this Second Amendment, and including the issuance of all final occupancy certificates, Landlord shall reimburse Tenant for the cost of the Tenant Improvements up to the total amount of $378,665.00 upon Landlord's receipt of evidence confirming the full payment of all costs (as substantiated by evidence submitted to Landlord) and the lien-free completion of the Tenant Improvements. To the extent the total cost to complete the Tenant Improvements to the Additional Premises is less than $378,665.00, then Tenant shall be permitted to use such excess funds toward Tenant's Additional Work in accordance with the terms of Section II.IQ. of this Second Amendment.

Tenant's Initials: ---

J. Some of the terms defined in this Section II.IQ. may be the same or similar to those terms as defined in the Original Lease and/or First Amendment. Accordingly, notwithstanding anything set forth in this Section ILi0. or otherwise in the Lease, specified terms which are defined in this Section II.I0. (including those terms that may have been previously defined in other sections of the Original Lease or First Amendment), shall refer only to those defined terms as they relate to the Additional Premises and/or to any one or more Suites which comprise the Additional Premises.

III. **Parking.** Tenant's current parking allocation pursuant to Section 1 . of the Original Lease and Section III of the First Amendment shall be increased at the rate of 3.6 spaces per 1,000 rentable square feet of the Additional Premises, effective upon the Additional Premises Term Commencement Date (as applicable to each of the Suites that comprise the Additional Premises). For clarification, upon the Tenn Commencement Date of the entire Additional Premises, Tenant shall be entitled to use all of the parking spaces within the parking areas at the Property in accordance with the tenns of the Original Lease.

IV. **Landlord's Obligations.** Landlord's obligations as set forth in the Lease with respect to the Existing Premises shall continue and shall also apply to the Additional Premises. Landlord shall continue to retain a property management firm to provide customary property management services for the Building and Property. Prior to the Additional Premises Term Commencement Date, Landlord's HVAC contractor shall perform a full inspection and routine preventative maintenance of the HVAC equipment that services the Additional Premises.

V. **Premises Signage.** Promptly after execution of this Second Amendment, Landlord will work with Tenant to upgrade the primary Building signage at the Property, which shall include both the Property address and Tenant's company name. Tenant shall be permitted to install a second exterior signage on the Building subject to compliance with all applicable Codes and Landlord's reasonable aesthetic approval, and to all other signage provisions included in Section 25 of the Original Lease. Subject to certain reimbursement agreements by Landlord as set forth in Section II.IO.C. hereof, the cost of all Premises signage shall be paid by Tenant. At the expiration or other termination of the Lease, Tenant shall remove all Tenant signage (or at Landlord's option, all Tenant company names and logos from such signage), and shall repair any and all damage caused by such removal.

VI. **Broker.** Each of Landlord and Tenant represent to the other that neither has dealt with any other broker in com1ection with this Second Amendment other than Landmark Real Estate Advisors **("LREA").** Landlord shall be responsible for a commission in coilllection with this Second Amendment to LREA pursuant to a separate agreement between Landlord and LREA.

Tenant's Initials: ---

VII. **180 Wells Revocable Parking License Agreement.**

A. 24 Space Revocable Parking License Agreement. Landlord shall, within ninety (90) days after Tenant delivers to Landlord written notice of its election to proceed under this Section VII.A., cause the owner **("180 Wells Owner")** of the property located at 180 Wells Avenue, Newton, Massachusetts (the **"180 Wells Property"),** which 180 Wells Owner is an affiliate of Landlord, to enter into a 24 Space Revocable Parking License Agreement in the form attached hereto as Exhibit B-1 with Tenant for 24 parking spaces (to be designated by the 180 Wells Owner) within the parking lot servicing the 180 Wells Property. The 24 Space Revocable Parking License Agreement shall be for a term which is co-terminous with the Additional Premises Initial Term, provided, however, the 24 Space Revocable Parking License Agreement shall permit the 180 Wells Owner to relocate or re-designate the licensed parking spaces within the parking lot at the 180 Wells Property on seven (7) days advance written notice, and shall allow for the revocation of the license by 180 Wells Owner at any time upon sixty (60) days advance written notice. Additionally, Tenant shall have the right, on or after January I, 2020, to terminate the 24 Space Revocable Parking License Agreement by giving six (6) calendar months' notice to the 180 Wells Owner. The Base License Fee under the 24 Space Revocable Parking License Agreement shall be at the rate of $110.00 per parking space per month.

B. 20 Space Revocable Parking License Agreement. In addition to the foregoing 24 Space Revocable Parking License Agreement described in subsection VII. I above, promptly upon Landlord and Tenant executing and delivering this Second Amendment, Tenant shall be permitted to use an additional 20 parking spaces **("Additional 20 Spaces")** within the parking lot servicing the 180 Wells Property (as designated by the 180 Wells Owner). Tenant's use of the Additional 20 Spaces shall be governed by a separate revocable parking license agreement (the **"20 Space Revocable Parking License Agreement")** containing generally the same terms and conditions as the 24 Space Revocable Parking License Agreement, with the qualification that the Base License Fee shall be at the rate of $1.00 per parking space per month, and that the 180 Wells Owner may relocate or re-designate the licensed parking spaces within the parking lot at the 180 Wells Property on five (5) days advance written notice, and may revoke the 20 Space Revocable Parking License Agreement at any time upon thirty (30) days advance written notice to Tenant.

C. Pathway. Landlord shall, at its sole cost and expense, construct a walkable pathway connecting the 60 Wells parking lot and the 180 Wells parking lots **("Pathway")** pursuant to plans and specifications prepared by Landlord in its sole discretion. Landlord shall use good faith, commercially reasonable efforts to commence and thereafter complete the Pathway, subject to weather conditions and a reasonable time to design and construct the Pathway by August 1, 2018.

Tenant's Initials: ---

VIII. **Common Area - Lobby Addition.** The existing Building common areas shall be maintained in their present configuration. Notwithstanding the foregoing, and only after the Suite No. I00 Term Commencement Date, Tenant shall be pennitted to incorporate the front comer Wells Avenue facing lobby area (designated as "Wells Ave Lobby" on the Premises Plan) within Tenant's Premises **("Tenant's Common Area Work").** All Tenant's Common Area Work shall be perfonned and comply in all respects with the terms and provisions of the Lease, including, without limitation, Section 11 of the Lease as amended in this Second Amendment. Notwithstanding the foregoing, if Tenant elects to perform the Tenant's Common Area Work, then not later than thirty (30) days prior to the expiration date of the earliest to occur of the Existing Premises Expiration Date or the Additional Premises Expiration Date, Tenant shall, at its sole cost and expense, restore the Wells Ave Lobby to a Building common area in the condition that existed prior to construction of Tenant's Common Area Work, using finishes and materials approved in advance by the Landlord that best match or compliment the other finishes and materials within the Building common areas **("Common Area Restoration").** Tenant may elect to have Landlord complete the Common Area Restoration, in which event Tenant shall pay to Landlord in advance, the total cost (hard and soft costs) Landlord estimates it will incur to complete the Common Area Restoration, which shall include a 5% supervisory charge to Landlord. Upon completion of the Common Area Restoration, Landlord shall provide Tenant an accounting of the final costs actually incurred by Landlord for the Common Area Restoration and Landlord and Tenant shall reconcile any over-payment or under-payment by Tenant.

IX. **Building Security/Back-Up Power.** Landlord shall use reasonable efforts to require its property management firm and vendors regularly providing services within Tenant's Premises (for example, its cleaning contractor) to enter into a commercially reasonable and acceptable non- disclosure and confidentiality agreement with Tenant (relative to Tenant's business conducted from the Premises). Subject to Landlord's prior written approval, which approval shall not be unreasonably withheld, conditioned or delayed, Tenant shall have the right, at its sole cost and expense, to install, operate, repair, maintain and replace one or more natural gas back-up generators, and all reasonably necessary cabling and related appurtenances (collectively, the **"Generator")** to serve the Building, subject to the following: Tenant shall provide, for Landlord's review, all design specifications for the Generator, including the size, weight, and type of Generator to be used; Landlord's approval of the location of the Generator (which shall not be on the roof); any structural penetrations into the Building shall be subject to Landlord's approval in its sole discretion; and in the event at any time there are tenants in the Building other than Tenant, Landlord reserves the right to limit the time for any regular and routine operation of the Generator (other than for emergency operation) so that the Generator will not cause any material disturbance on account of noise, vibration or otherwise to any other tenants at the Building. The installation of the Generator shall be in accordance with all applicable laws and shall otherwise comply with Section 11 of the Lease. At the expiration or earlier termination of the Lease, Tenant, at its sole cost and expense, shall remove the Generator and properly repair any and all damage caused by such removal, and all areas affected shall be restored to the condition existing prior to installation of the Generator.

X. **Two Year Extension Term-Additional Premises and Existing Premises.** In addition to the Extension Term applicable to the Existing Premises as set forth in the Lease (including in Section I hereof), and the Extension Term applicable to the Additional Premises as set forth in Section Il.5. above, Tenant may extend the term of the Lease applicable to both the Existing Premises and the entire Additional Premises **("Extra Extension Term")** for two (2) years (for clarification purposes, through April 30, 2026 applicable to the Existing Premises and an additional two (2) years beyond the Expiration Date set forth above applicable to the Additional Premises), provided Landlord has received written notice, no later than April 30, 2023, of Tenant's intention to extend for such Extra Extension Term. Yearly Fixed Rent during the Extra Extension Tenn shall be at Fair Market Rent detennined in accordance with Exhibit D attached to the Original Lease. Tenant's right to extend the Lease for the Extra Extension Term shall be subject to the other provisions of Section 23 of the Original Lease.

Tenant's Initials: ---

XL **Modification of Section 11 of Original Lease.** Section 11 of the Original Lease shall be deleted in its entirety and replaced with Section 11 as set forth on Schedule 11 attached hereto and made a part hereof.

XII. **Status of Lease.** Tenant acknowledges that Tenant has no knowledge of any claims against Landlord under the Lease, and the Lease shall remain in full force and effect as currently existing, except as modified hereby.

XIII. **Effect of Amendment.** Except as otherwise specifically modified herein, all other terms and conditions of the Lease shall remain in full force and effect with respect to both the Existing Premises and the Additional Premises, and the Lease is hereby ratified and confirmed.

[End of Text - Signature Page Follows]

Tenant's Initials: ---

Executed under seal this___ day of________________ ,2018.

LANDLORD:

Wells 60 Realty LLC

By: Intrum Corp., Manager

By: ________________________
Randy A. Goldberg, President

TENANT:

CyberArk Software, Inc.

By: ____
Ehud Mokady, President and CEO duly authorized

By: ____
Suzy Peled-Spigelman, Vice President Finance, Americas, duly authorized

Tenant's Initials: ---

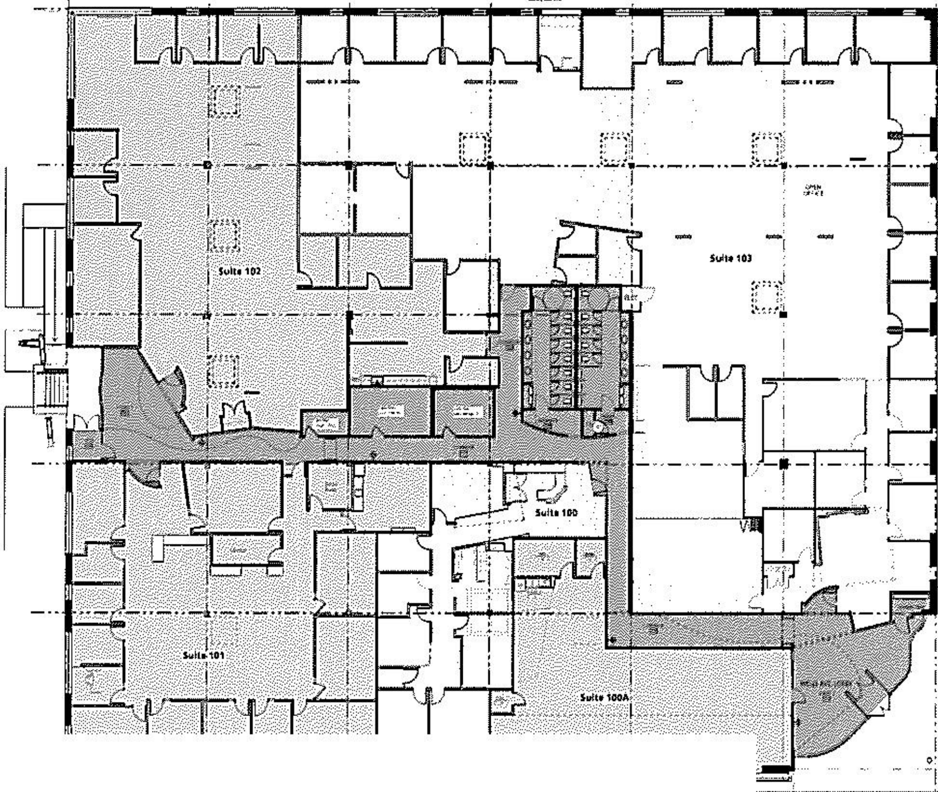
LIST OF EXHIBITS/SCHEDULES

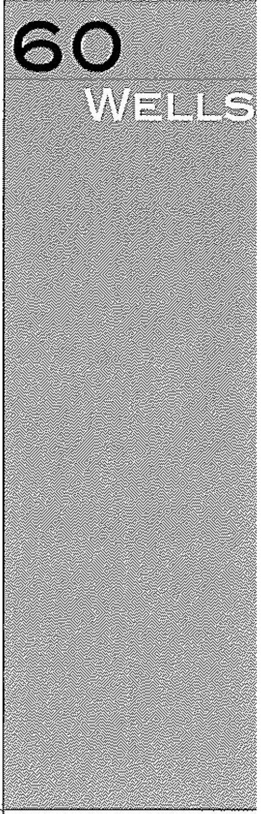
Exhibit A: Premises Plan
Exhibit B-1: Form of24 Space Revocable License Agreement
Exhibit B-2: Fann of20 Space Revocable License Agreement

Schedule 11: Modified Lease Section 11

Tenant's Initials: ---

EXHIBIT A
PREMISES PLAN





09/21/17

EXISTING CONDITIONS PLANS

Tenant's Initials: ---

EXHIBITB-1

FORM OF 24 SPACE REVOCABLE PARKING LICENSE AGREEMENT

<u>24 SPACE REVOCABLE PARKING LICENSE AGREEMENT</u>

This REVOCABLE PARKING LICENSE AGREEMENT **("Agreement")** is entered as of this day of , 20 by and between 180 Wells Realty LLC, a Massachusetts limited liability company with an address of 60 Wells Avenue, Suite 100, Newton, Massachusetts 02459 **("Licensor")** and CyberArk Software, Inc., having an address at 60 Wells Avenue, Suite 102, Newton, Massachusetts 02459 **("Licensee").**

<u>RECITALS:</u>

WHEREAS, Licensee desires to enter into a revocable license arrangement for the use of a limited part of the paved parking area on a portion of the property commonly known as 180 Wells Avenue, Newton, Massachusetts (the **"Property");** and

WHEREAS, Licensor is willing to enter into a revocable license arrangement for the use of a limited part of the paved parking area on a portion of the Property, subject to and conditioned upon compliance with this Agreement; and

WHEREAS, this Agreement is entered by Licensor and Licensee pursuant to the terms of that certain Lease between Wells 60 Realty LLC (as Landlord), and Licensee (as Tenant) dated October 28, 2013, as amended, relating to certain premises located at 60 Wells Avenue, Newton, MA (the **"60 Wells Lease").**

<u>AGREEMENT:</u>

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Licensor and Licensee agree as follows:

1. **<u>Grant of License.</u>** Subject to and conditioned upon the terms and provisions of this Agreement, Licensor hereby grants to Licensee a temporary, revocable license **("Revocable Parking License")** to use for parking only the twenty-four (24) parking spaces initially in the area **("Licensed Area")** as shown on the sketch attached as Exhibit A. Licensor may from time to time in its sole discretion relocate or re-designate all or any portion of the Licensed Area upon seven (7) days prior written notice **("Relocation Notice")** to Licensee, at which time the Licensed Area shall be changed as provided in the Relocation Notice. The Revocable Parking License creates only a revocable license arrangement with Licensee personally and no other party, and there are no tenancy, occupancy or possessory rights of any kind or nature created under this Agreement.

Tenant's Initials: ---

2. **Term.**The Term of this Agreement and the Revocable Parking License shall be for a period beginning on the Term Commencement Date and ending on the Expiration Date unless earlier tenninated as provided herein (the **"Term"),** without any right of renewal or extension. Notwithstanding the foregoing, at Licensor's option and in its sole discretion and in addition to Licensor's right to tenninate this Agreement and the Revocable Parking License upon Licensee's Default hereunder, Licensor may tenninate this Agreement and the Revocable Parking License by providing Licensee not less than sixty (60) days advance written notice of its intention to terminate **("Termination Notice").** Additionally, at any time on or after January 1, 2020, Licensee shall have the right to terminate this Agreement and the Revocable Parking License by providing Licensor not less than six (6) calendar months' notice of its intention to terminate **("Licensee Termination Notice").** Licensee agrees to timely cease using the Licensed Area and vacate and surrender the Licensed Area to Licensor in the condition required by this Agreement by the date set forth for termination in the Termination Notice or Licensee Termination Notice, on which date this Agreement and the Revocable Parking License will terminate (except for provisions of this Agreement that by their terms survive such termination).

3. **Term Commencement Date.** , 20 (that date which is ninety (90) days after notice from Licensee of Licensee's election to proceed).

4. **Expiration Date.**That date which is the last day of the Additional Premises Initial Term (as defined in the 60 Wells Lease), subject to the rights of early termination set forth in Paragraph 2 of this Agreement.

5. **Base License Fee.**During the Term of this Agreement and Revocable Parking License, the Base License Fee **("Base Fee")** shall be at the annual rate of$3I,680.00, with each monthly installment being $2,640.00. Each monthly installment of the Base Fee is payable monthly in advance, without offset, setoff or deduction for any reason, on the first day of each month, and shall be made payable to Licensor at the address set forth in the first paragraph, or, upon ten (10) days prior written notice from Licensor to Licensee, to Licensor's designee. At Licensor's request the Base Fee shall be paid by ACH deposits.

6. **Licensed Area.**The Licensed Area is only to be for the use and during the hours set forth in Section 7 hereof and for no other purpose. Licensee has the right, in common with Licensor, licensees of the Property and others acting by, through and under Licensor and such licensees, to use the paved passageways closest to the Licensed Area **("Access Areas")** on the Property for ingress to and egress from the Licensed Area and Wells Avenue. Pursuant to the Relocation Notice as provided in Section I of this Agreement, Licensor has the right at any time and from time to time during the Term to relocate all or a portion of the Licensed Area to another area of the parking lot servicing the Property. In no event shall Licensee be permitted to use any additional parking spaces/areas at the Property other than within the Licensed Area. Licensee agrees that Licensor shall not be responsible to police or otherwise monitor the Licensed Area in any manner, including, without limitation, Licensor is not responsible to ensure that unauthorized vehicle(s) are not parked within the Licensed Area. In no event shall Licensee have any right to tow, remove or otherwise notice (or cause any such towing, removal or notice of) any unauthorized vehicle(s) parked within Licensee's Licensed Area.

7. **Use.**The use of the Licensed Area is only for use of transient and not overnight parking of Licensee's employees' passenger automobiles only, and for no other use. To the extent permitted by applicable laws only, the Licensed Area is only to be used daily between the hours of 5:00 a.m. - midnight. All Licensee's employees' automobiles shall be registered, insured and in good operating and aesthetic condition. Licensee shall use the Licensed Area for parking of passenger vehicles only, and no repairing, washing, refueling, or maintaining of vehicles shall be permitted at the Licensed Area at any time. Licensee shall not permit any work to be performed on the vehicles nor any water, fumes, noise nor other adverse condition to occur on or emanate from the Licensed Area. Licensee shall comply with all applicable laws in connection with its use of the Licensed Area. Licensee shall keep the Licensed Area clean and free of any litter and debris. Licensee agrees, which agreement shall survive the tennination of this Agreement and the Revocable Parking License, that Licensor has no responsibility whatsoever for any loss, theft, damage or destruction to any vehicle in, at or near the Property or Licensed Area, or in connection with or arising out of the Revocable Parking License.

Tenant's Initials:----

8. **Security Deposit.**The Security Deposit shall be $2,640.00 paid to Licensor upon signing this Agreement. The Security Deposit shall be refunded to Licensee without interest within sixty (60) days after the Expiration Date conditioned upon and subject to the terms of this Agreement, including, without limitation, subject to Licensee's satisfactory compliance with the conditions of this Agreement and subject to deduction by Licensor for payment of Licensee's obligations not then fulfilled by Licensee. Licensor may use the Security Deposit to pay for any obligation hereunder not timely paid or performed by Licensee, and upon ten (I 0) days prior written notice from Licensor, Licensee shall replenish the Security Deposit to the full $2,640.00.

9. **Insurance.**Licensee shall procure and maintain in full force and effect during the Term of this Agreement a policy of comprehensive, general liability insurance in form, substance and amount satisfactory to Licensor, each on an occurrence basis, with minimum coverages for commercial general liability to be in an amount not less than $1,000,000.00 for each occurrence and $2,000,000.00 in the aggregate, and with an overall umbrella coverage of $5,000,000.00. The foregoing policy(ies) shall include without limitation non-owned and hired automobile coverage. All insurance policies and the amounts of insurance shall be location specific to 180 Wells Avenue, Newton, Massachusetts. Each policy of insurance shall name as additional insureds Licensor and Intrum Corp. and other related parties and/or mortgagee(s) of the Property (collectively, **"Licensor Related Parties"**) of which Licensee receives ten (IO) days advance written notice. Each such policy shall be Best Rated A- or better and non-cancelable with respect to Licensor and the Licensor Related Parties on less than thirty (30) days prior written notice to Licensor. Upon execution of this Agreement, a duplicate original or certificate of each insurance policy shall be delivered to Licensor with all premiums paid through at least the first twelve (12) months after the date hereof, and new or updated policies or certificates of insurance (each evidencing twelve (12) month's full premium payment) shall be delivered to Licensor not later than thirty (30) days prior to the expiration date of each then existing policy. Licensee hereby releases Licensor from any and all liability for any loss or damage resulting from or arising out of Licensee's or its employees' or patrons' use under this Agreement regardless of the fault or negligence of Licensor, and Licensee shall secure a waiver of subrogation provision in each applicable insurance policy. This Section shall survive the termination of this Agreement and the Revocable Parking License.

10. **Additional Payments**. In addition to the Base Fee and any other payments due from Licensee to Licensor hereunder, Licensee agrees to pay Licensor's costs, in connection with Licensor's work to identify the Licensed Area including, without limitation, costs to pay for signage and striping or other identification of the parking spaces in the Licensed Area (collectively, the **"Identification Costs"**). In connection therewith and simultaneously with the execution of this Agreement, Licensee shall pay to Licensor $1,000.00 (**"Initial Additional Payment"**) towards the Identification Costs. Licensor and Licensee agree that upon Licensor's determination of the final amount of Identification Costs, either (i) Licensor shall return to Licensee such amount overpaid by Licensee that is the difference between the actual Identification Costs and the Initial Additional Payment, or (ii) Licensee shall pay to Licensor within 15 days following billing from Licensor, the amount that the Identification Costs exceeds the Initial Additional Payment.

11. **Exoneration/Indemnification.** Licensee will exonerate, indemnify, save and hold harmless Licensor and its managers, members, employees, agents, successors and assigns **("Licensor Parties")** from and against any and all claims, liabilities or penalties asserted by or on behalf of any third party(ies): (i) on account of, or based upon, any injury to any person or loss of or damage to property sustained or occurring for any reason arising out of or related to Licensee's use of the Licensed Area or Access Areas; and (ii) on account of, or based upon, any injury to any person or loss of or damage to, property sustained or resulting from Licensee's breach of any provision of this Agreement, including without limitation, related to the use or release by Licensee, or those acting by, through or under Licensee, of any hazardous or toxic materials or waste as defined under any state or federal law. Notwithstanding the foregoing, Licensee shall not be liable under this Section 11 on account of claims, liabilities or penalties incurred on account of Licensor's Parties' gross negligence or willful misconduct. This Section shall survive the termination of this Agreement and the Revocable Parking License.

Tenant's Initials:----

12. **Miscellaneous.**

A. Repairs. Licensor has the right from time to time to maintain, repair and replace the paving and lighting on the Licensed Area and the Access Area as deemed necessary by Licensor, during which time certain portions of the Licensed Area or Access Area may be unavailable for use by Licensee.

B. Reimbursement of Costs. Any additional costs above the Base Fee to be paid to Licensor by Licensee under this Agreement shall be reimbursed to Licensor within thirty (30) days following billing and shall be paid to Licensor in the same manner and at the same address as provided for the payment of monthly installments of the Base Fee.

C. License Termination. Upon termination of this Agreement and the Revocable Parking License, Licensee shall vacate the Licensed Area and leave it in at least as good condition as when Licensee's occupancy began, subject to ordinary wear, and as later improved; and all Licensee's property and all debris shall be removed and all damage repaired. This Section shall survive the termination of the Revocable Parking License and this Agreement.

D. Maintenance, Repair and Replacement. Except as otherwise set forth below, Licensee shall be responsible at its own cost and expense to keep, or cause to be kept, clean and maintain the Licensed Area in good condition. Subject to Force Majeure events, Licensee's actions, and other occurrences beyond Licensor's reasonable control including, without limitation, the acts or omissions of third parties, Licensor shall be responsible in a commercially reasonable manner for the following: (i) the plowing and removal of snow from and sanding of ice to the Licensed Area as well as the passageways thereto and therefrom; and (ii) maintaining the existing parking lot lighting on or adjacent to the Licensed Area consistent with its current maintenance practices. Licensor shall also maintain, repair and replace the paving and lighting in the Licensed Area and Access Areas as deemed necessary by Licensor. Licensee agrees to cooperate with Licensor in connection with Licensor's responsibilities in this paragraph, including, without limitation, Licensee's arranging for vehicles to temporarily vacate and not use the Licensed Area from time to time to permit Licensor to perform its responsibilities.

E. As Is Condition. Licensee shall not be permitted to make any alterations or additions to the Licensed Area. Licensee agrees that Licensee has fully inspected the Licensed Area and Access Areas, has entered into this Agreement based on its own investigations and without reliance on any Licensor representation or warranty of any kind and accepts the Licensed Area in its "AS IS", with all faults, condition.

Tenant's Initials: ---

F. Assignment and Sublicensing. Licensee shall not assign this Agreement nor sublicense any rights to the whole or any part of the Licensed Area, and any purported assignment or sublicense shall be void *ab initio.*

G. Default. The term **"Default" or "default"** means (i) the failure of Licensee to pay any installment of the Base Fee or any other amount due hereunder on or within ten (10) days after its due date or (ii) the failure of Licensee to cure any non-monetary breach of this Agreement within ten (10) business days after written notice to Licensee. Upon a Default, Licensor shall have the right, at its option, to declare by written notice to Licensee, this Agreement and the Revocable Parking License immediately terminated, and thereafter to use the Licensed Area for any purpose, to deny Licensee access to the Property and remove from the Property, at Licensee's sole cost and expense and without liability to Licensor, all the vehicles and other property of Licensee and Licensee's employees and patrons, and to exercise all other remedies available to Licensor as provided in this Agreement and otherwise available at law and in equity. Licensor's remedies under this Agreement and at law and in equity are cumulative and may be exercised in any manner of Licensor's election. Costs of enforcement and collection, plus interest on all amounts not paid when due at 1.5% a month, shall be paid by Licensee to Licensor. In the event of a Default by Licensee resulting in Licensor's termination of this Agreement and the Revocable Parking License, Licensee (a) shall pay Licensor within seven (7) days after being invoiced therefor, the total of all amounts due from Licensee under this Agreement until Licensee has vacated the Licensed Area and left it in the condition required hereunder, and (b) shall pay Licensor within ten (10) days after being invoiced therefor, a sum equal to twelve (12) months of the Base Fee except if there are less than twelve (12) months left in the Term, in which case such sum shall be equal to the Base Fee for the remainder of the Tenn, plus interest at the rate of 18% per annum from the date(s) due through the date of payment of the foregoing amounts under (a) and (b) of this sentence, and plus (c) the costs of collection. Timely payment of the sums set forth in (a), (b) and (c) above shall be deemed liquidated damages on account of such default and termination, except for obligations specifically set forth herein to survive termination, and except that Licensor shall retain all rights, and Licensee shall continue to be liable under, Section 12.M. for Licensee's unauthorized use after termination. This Section shall survive the termination of this Agreement and the Revocable Parking License.

H. Subordination. This Agreement is automatically subordinate to all present and future Licensor mortgage financing.

I. Licensor Liability. Notwithstanding anything to the contrary contained herein, Licensor shall have no liability except for willful misconduct or gross negligence, and then only for the cost of the repair of personal property. Performance by Licensor shall be excused by third party delays. Licensor shall not be responsible for interruption in the outdoor lighting or other services/delivered by third parties. Licensor is only liable for its obligations hereunder during its time of ownership of the Property, with each successive owner of the Property only liable for its obligations hereunder during its respective period of ownership. This Section shall survive the termination of this Agreement and the Revocable Parking License.

J. Broker. Licensee represents and warrants to Licensor that it was not shown the Licensed Area by any broker nor was any broker or finder involved in Licensee's entering into this Agreement. Licensee shall indemnify Licensor from the falseness of the foregoing representation or warranty. This Section shall survive the termination of this Agreement and the Revocable Parking License.

Tenant's Initials: ---

K. Signage. Licensee shall not place signage at/on or paint or otherwise decorate or do any other work in or to the Licensed Area.

L. Notice. Notices from Licensor to Licensee under this Agreement shall be deemed duly served if delivered to Licensee's offices located at 60 Wells Avenue, Suite 102, Newton, Massachusetts 02459, or at such other address as Licensor shall notify Licensee, in each case to the attention of Randy A. Goldberg. Licensee's local contact in Newton is **("Contact Person")** who may be reached at ----------' with an e-mail address of ------------ with Licensee agreeing to notify Licensor with any change of the Contact Person and/or contact information. Otherwise, notices hereunder shall be deemed duly given from and after such time as (i) deposited with the U.S. Mails, for delivery via registered or certified mail, return receipt requested, postage prepaid, (ii) deposited for overnight delivery with a national courier with delivery tracking service such as FedEx, or (iii) by in-hand delivery to Licensee or Licensor at his/their/its Initial Address on the top of the first page hereof, or at such replacement address as may from time to time be given upon ten (10) days advance written notice to the other.

M. Licensee's Unauthorized Use After Termination. In the event that Licensee continues to access and use the Licensed Area or any portion of the Property beyond the expiration of the Term of this Agreement, or earlier termination of this Agreement or the Revocable Parking License, such use shall not create any rights in Licensee but shall subject Licensee to all the obligations set forth herein but at a rate equal to $7,920.00 for each month or part of any month **("Unauthorized Use Rate")** during which Licensee continues such unauthorized use. The foregoing is not intended to create liability from Licensee to Licensor for those parties that are not permitted to park within the Licensed Area under the terms of this Agreement. The acceptance of a purported fee check following the end of the Term shall not constitute the creation of any rights in Licensee, it being agreed that Licensee's status shall remain unlawful and a continuing Default of this Agreement, and notwithstanding anything set forth in this Agreement, Licensor shall have the right to exercise any and all rights and remedies available to Licensor hereunder and at law or in equity, including, without limitation, rights and remedies available on account of trespass. Licensee shall also pay to Licensor all damages, whether direct and/or indirect, sustained by reason of such unauthorized use. Otherwise, such unauthorized use shall be on the terms and conditions set forth in this Agreement, as far as applicable. This Section shall survive the termination of this Agreement and the Revocable Parking License.

N. Rules and Regulations. Licensee agrees to comply with all reasonable rules and regulations which Licensor may establish from time to time for the orderly and efficient management and operation of the Property or any portion thereof.

0. Counterparts. This Agreement may be signed in multiple originals and/or may be separately signed and assembled to contain the signatures of all the parties, with each counterpart constituting an original document.

P. Governing Law and Jurisdiction. This Agreement shall be governed and construed in accordance with the laws of the Commonwealth of Massachusetts. Licensee agrees that (a) jurisdiction for any legal process taken with respect to this Agreement and/or enforcement or compliance by or against any of the parties to this Agreement shall be exclusively commenced and processed within the State Courts of Norfolk, Middlesex or Suffolk Counties of the Commonwealth of Massachusetts, and (b) each such party submits to such jurisdiction.

Tenant's Initials: ---

Q. Entire Agreement. This Agreement contains the entire agreement between the parties and the terms may not in any way be altered, modified, or changed, or shall any term be added to or deleted from the agreement except by a writing signed by both parties. Licensor and Licensee agree there are no other agreements or understandings between Licensor and Licensee in the matters addressed in this Agreement.

R. No Joint Venture. Nothing in this Agreement is intended to or shall be construed to create either an express or implied partnership or joint venture between the parties.

S. Authority. Each individual executing this Agreement on behalf of his or her respective party represents and warrants that he or she is duly authorized to execute and deliver this Agreement on behalf of said entity in accordance with the governing documents of such entity, and that upon full execution and delivery this Agreement is binding upon said entity in accordance with its terms.

T. Unauthorized Parking. In addition to all the rights and remedies of Licensor hereunder, Licensor and Licensee agree to the provisions of this Section. Licensor, at its option, has the right to notify Licensee of the unauthorized use by Licensee's employee(s) of either of the following (each, an **"Unauthorized Use"):** (i) parking **in** areas outside the Licensed Area; or (ii) parking in the Licensed Area at times other than the pennitted hours; or (iii) using the Licensed Area or any other portion of the Property for uses other than as permitted under Section 7 of this Agreement. Upon the second notice in any twelve (12) month period from Licensor to Licensee of Unauthorized Use, the Base Fee shall be increased to the Unauthorized Use Rate, which Unauthorized Use Rate shall continue from the date of the second notice until such time as Licensee has demonstrated to Licensor that such Unauthorized Use has been discontinued for at least four (4) full consecutive weeks, provided, however, such Unauthorized Use Rate shall be payable for not less than one (I) full month. In addition, Licensee shall at all times use good faith efforts to prevent those parties affiliated with Licensee (including without limitation Licensee's guests and patrons) who are not permitted to use the Licensed Area under the terms of this Agreement from parking within the Licensed Area. This Section shall survive the termination of this Agreement and the Revocable Parking License.

End of text - Signature page follows

Tenant's Initials: ---

Executed as a sealed instrument as of the date first written above.

LICENSOR:

180 Wells Realty LLC

By: Intrum Corp., Manager

By: ________________________
Randy A. Goldberg, President

LICENSEE:

CyberArk Software, Inc.

By: ____
Ehud Mokady, President and CEO duly authorized

By: ____
Suzy Peled-Spigelman, Vice President Finance, Americas, duly authorized

Tenant's Initials: ---

Exhibit A

Plan of Licensed Area

Tenant's Initials: ---

EXHIBITB-2

FORM OF 20 SPACE REVOCABLE PARKING LICENSE AGREEMENT

20 SPACE REVOCABLE PARKING LICENSE AGREEMENT

This REVOCABLE PARKING LICENSE AGREEMENT **("Agreement")** is entered as of this day of , 20 by and between 180 Wells Realty LLC, a Massachusetts limited liability company with an address of 60 Wells Avenue, Suite 100, Newton, Massachusetts 02459 **("Licensor")** and CyberArk Software, Inc., having an address at 60 Wells Avenue, Suite 102, Newton, Massachusetts 02459 **("Licensee")**.

RECITALS:

WHEREAS, Licensee desires to enter into a revocable license arrangement for the use of a limited part of the paved parking area on a portion of the property commonly known as 180 Wells Avenue, Newton, Massachusetts (the "Property"); and

WHEREAS, Licensor is willing to enter into a revocable license arrangement for the use of a limited part of the paved parking area on a portion of the Property, subject to and conditioned upon compliance with this Agreement; and

WHEREAS, this Agreement is entered by Licensor and Licensee pursuant to the terms of that certain Lease between Wells 60 Realty LLC (as Landlord), and Licensee (as Tenant) dated October 28, 2013, as amended, relating to certain premises located at 60 Wells Avenue, Newton, MA (the "60 Wells Lease").

AGREEMENT:

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Licensor and Licensee agree as follows:

1. **Grant of License.**Subject to and conditioned upon the terms and provisions of this Agreement, Licensor hereby grants to Licensee a temporary, revocable license **("Revocable Parking License")** to use for parking only the twenty (20) parking spaces initially in the area **("Licensed Area")** as shown on the sketch attached as Exhibit A. Licensor may from time to time in its sole discretion relocate or re-designate all or any portion of the Licensed Area upon five (5) days prior written notice **("Relocation Notice")** to Licensee, at which time the Licensed Area shall be changed as provided in the Relocation Notice. The Revocable Parking License creates only a revocable license arrangement with Licensee personally and no other party, and there are no tenancy, occupancy or possessory rights of any kind or nature created under this Agreement.

2. **Term.**The Term of this Agreement and the Revocable Parking License shall be for a period beginning on the Term Commencement Date and ending on the Expiration Date unless earlier terminated as provided herein (the **"Term"),** without any right of renewal or extension except as set forth herein. Notwithstanding the foregoing, at Licensor's and/or Licensee's option and **in** its sole discretion both Licensee and Licensor shall have the right to terminate this Agreement and the Revocable Parking License by providing to the other party not less than thirty (30) days advance written notice of its intention to terminate **("Termination Notice").** Licensee agrees to timely cease using the Licensed Area and vacate and surrender the Licensed Area to Licensor in the condition required by this Agreement by the date set forth for termination in the Termination Notice, on which date this Agreement and the Revocable Parking License will terminate (except for provisions of this Agreement that by their terms survive such termination).

Tenant's Initials: ---

3. **Term Commencement Date.** ______________ „ 20_.

4. **Expiration Date.**That date which is twelve (12) months after the Term Commencement Date, renewable for successive periods of twelve (12) months each, but subject to the rights of early termination set forth in Paragraph 2 of this Agreement.

5. **Base License Fee.**During the Term of this Agreement and Revocable Parking License, the Base License Fee **("Base Fee")** shall be at the annual rate of $240.00, with each monthly installment being $20.00. Each monthly installment of the Base Fee is payable monthly in advance, without offset, setoff or deduction for any reason, on the first day of each month, and shall be made payable to Licensor at the address set forth in the first paragraph, or, upon ten (10) days prior written notice from Licensor to Licensee, to Licensor's designee. At Licensor's request the Base Fee shall be paid by ACH deposits.

6. **Licensed Area.**The Licensed Area is only to be for the use and during the hours set forth in Section 7 hereof and for no other purpose. Licensee has the right, in common with Licensor, licensees of the Property and others acting by, through and under Licensor and such licensees, to use the paved passageways closest to the Licensed Area **("Access Areas")** on the Property for ingress to and egress from the Licensed Area and Wells Avenue. Pursuant to the Relocation Notice as provided in Section I of this Agreement, Licensor has the right at any time and from time to time during the Term to relocate all or a portion of the Licensed Area to another area of the parking lot servicing the Property. In no event shall Licensee be permitted to use any additional parking spaces/areas at the Property other than within the Licensed Area. Licensee agrees that Licensor shall not be responsible to police or otherwise monitor the Licensed Area in any manner, including, without limitation, Licensor is not responsible to ensure that unauthorized vehicle(s) are not parked within the Licensed Area. In no event shall Licensee have any right to tow, remove or otherwise notice (or cause any such towing, removal or notice of) any unauthorized vehicle(s) parked within Licensee's Licensed Area.

7. **Use.**The use of the Licensed Area is only for use of transient and not overnight parking of Licensee's employees' passenger automobiles only, and for no other use. To the extent permitted by applicable laws only, the Licensed Area is only to be used daily between the hours of 5:00 a.m. - midnight. All Licensee's employees' automobiles shall be registered, insured and in good operating and aesthetic condition. Licensee shall use the Licensed Area for parking of passenger vehicles only, and no repairing, washing, refueling, or maintaining of vehicles shall be permitted at the Licensed Area at any time. Licensee shall not permit any work to be performed on the vehicles nor any water, fumes, noise nor other adverse condition to occur on or emanate from the Licensed Area. Licensee shall comply with all applicable laws in connection with its use of the Licensed Area. Licensee shall keep the Licensed Area clean and free of any litter and debris. Licensee agrees, which agreement shall survive the termination of this Agreement and the Revocable Parking License, that Licensor has no responsibility whatsoever for any loss, theft, damage or destruction to any vehicle in, at or near the Property or Licensed Area, or in connection with or arising out of the Revocable Parking License.

8. **Security Deposit.**The Security Deposit shall be $2,640.00 paid to Licensor upon signing this Agreement. The Security Deposit shall be refunded to Licensee without interest within sixty (60) days after the Expiration Date conditioned upon and subject to the terms of this Agreement, including, without limitation, subject to Licensee's satisfactory compliance with the conditions of this Agreement and subject to deduction by Licensor for payment of Licensee's obligations not then fulfilled by Licensee. Licensor may use the Security Deposit to pay for any obligation hereunder not timely paid or performed by Licensee, and upon ten (10) days prior written notice from Licensor, Licensee shall replenish the Security Deposit to the full $2,640.00.

Tenant's Initials: ---

9. **Insurance.** Licensee shall procure and maintain in full force and effect during the Term of this Agreement a policy of comprehensive, general liability insurance in form, substance and amount satisfactory to Licensor, each on an occurrence basis, with minimum coverages for commercial general liability to be in an amount not less than $1,000,000.00 for each occurrence and $2,000,000.00 in the aggregate, and with an overall umbrella coverage of $5,000,000.00. The foregoing policy(ies) shall include without limitation non-owned and hired automobile coverage. All insurance policies and the amounts of insurance shall be location specific to 180 Wells Avenue, Newton, Massachusetts. Each policy of insurance shall name as additional insureds Licensor and Intrum Corp. and other related parties and/or mortgagee(s) of the Property (collectively, **"Licensor Related Parties")** of which Licensee receives ten (10) days advance written notice. Each such policy shall be Best Rated A- or better and non-cancelable with respect to Licensor and the Licensor Related Parties on less than thirty (30) days prior written notice to Licensor. Upon execution of this Agreement, a duplicate original or certificate of each insurance policy shall be delivered to Licensor with all premiums paid through at least the first twelve (12) months after the date hereof, and new or updated policies or certificates of insurance (each evidencing twelve (12) month's full premium payment) shall be delivered to Licensor not later than thirty (30) days prior to the expiration date of each then existing policy. Licensee hereby releases Licensor from any and all liability for any loss or damage resulting from or arising out of Licensee's or its employees' or patrons' use under this Agreement regardless of the fault or negligence of Licensor, and Licensee shall secure a waiver of subrogation provision in each applicable insurance policy. This Section shall survive the termination of this Agreement and the Revocable Parking License.

10. **Additional Payments.** In addition to the Base Fee and any other payments due from Licensee to Licensor hereunder, Licensee agrees to pay Licensor's costs, in connection with Licensor's work to identify the Licensed Area including, without limitation, costs to pay for signage and striping or other identification of the parking spaces in the Licensed Area (collectively, the **"Identification Costs").** In connection therewith and simultaneously with the execution of this Agreement, Licensee shall pay to Licensor $1,000.00 **("Initial Additional Payment")** towards the Identification Costs. Licensor and Licensee agree that upon Licensor's determination of the final amount of Identification Costs, either (i) Licensor shall return to Licensee such amount overpaid by Licensee that is the difference between the actual Identification Costs and the Initial Additional Payment, or (ii) Licensee shall pay to Licensor within 15 days following billing from Licensor, the amount that the Identification Costs exceeds the Initial Additional Payment.

11. **Exoneration/Indemnification.** Licensee will exonerate, indemnify, save and hold hannless Licensor and its managers, members, employees, agents, snccessors and assigns **("Licensor Parties")** from and against any and all claims, liabilities or penalties asserted by or on behalf of any third party(ies): (i) on acconnt of, or based upon, any injury to any person or loss of or damage to property sustained or occurring for any reason arising out of or related to Licensee's use of the Licensed Area or Access Areas; and (ii) on account of, or based upon, any injury to any person or loss of or damage to, property sustained or resulting from Licensee's breach of any provision of this Agreement, including without limitation, related to the use or release by Licensee, or those acting by, through or under Licensee, of any hazardous or toxic materials or waste as defined under any state or federal law. Notwithstanding the foregoing, Licensee shall not be liable under this Section 11 on account of claims, liabilities or penalties incurred on account of Licensor's Parties' gross negligence or willful misconduct. This Section shall survive the termination of this Agreement and the Revocable Parking License.

Tenant's Initials:----

12. Miscellaneous.

A. Repairs. Licensor has the right from time to time to maintain, repair and replace the paving and lighting on the Licensed Area and the Access Area as deemed necessary by Licensor, during which time certain portions of the Licensed Area or Access Area may be unavailable for use by Licensee.

B. Reimbursement of Costs. Any additional costs above the Base Fee to be paid to Licensor by Licensee under this Agreement shall be reimbursed to Licensor within thirty (30) days following billing and shall be paid to Licensor in the same manner and at the same address as provided for the payment of monthly installments of the Base Fee.

C. License Termination. Upon termination of this Agreement and the Revocable Parking License by Licensor or by Licensee, Licensee shall vacate the Licensed Area and leave it in at least as good condition as when Licensee's occupancy began, subject to ordinary wear, and as later improved; and all Licensee's property and all debris shall be removed and all damage repaired. This Section shall survive the termination of the Revocable Parking License and this Agreement.

D. Maintenance, Repair and Replacement. Except as otherwise set forth below, Licensee shall be responsible at its own cost and expense to keep, or cause to be kept, clean and maintain the Licensed Area in good condition. Subject to Force Majeure events, Licensee's actions, and other occurrences beyond Licensor's reasonable control including, without limitation, the acts or omissions of third parties, Licensor shall be responsible in a commercially reasonable manner for the following: (i) the plowing and removal of snow from and sanding of ice to the Licensed Area as well as the passageways thereto and therefrom; and (ii) maintaining the existing parking lot lighting on or adjacent to the Licensed Area consistent with its current maintenance practices. Licensor shall also maintain, repair and replace the paving and lighting in the Licensed Area and Access Areas as deemed necessary by Licensor. Licensee agrees to cooperate with Licensor in connection with Licensor's responsibilities in this paragraph, including, without limitation, Licensee's arranging for vehicles to temporarily vacate and not use the Licensed Area from time to time to permit Licensor to perfonn its responsibilities.

E. As Is Condition. Licensee shall not be permitted to make any alterations or additions to the Licensed Area. Licensee agrees that Licensee has fully inspected the Licensed Area and Access Areas, has entered into this Agreement based on its own investigations and without reliance on any Licensor representation or warranty of any kind and accepts the Licensed Area in its "AS IS", with all faults, condition.

F. Assignment and Sublicensing. Licensee shall not assign this Agreement nor sublicense any rights to the whole or any part of the Licensed Area, and any purported assignment or sublicense shall be void *ab initio.*

G. Default. The term **"Default" or "default"** means (i) the failure of Licensee to pay any installment of the Base Fee or any other amount due hereunder on or within ten (10) days after its due date or (ii) the failure of Licensee to cure any non-monetary breach of this Agreement within ten (10) business days after written notice to Licensee. Upon a Default, Licensor shall have the right, at its option, to declare by written notice to Licensee, this Agreement and the Revocable Parking License immediately terminated, and thereafter to use the Licensed Area for any purpose, to deny Licensee access to the Property and remove from the Property, at Licensee's sole cost and expense and without liability to Licensor, all the vehicles and other property of Licensee and Licensee's employees and patrons, and to exercise all other remedies available to Licensor as provided in this Agreement and otherwise available at law and in equity. Licensor's remedies under this Agreement and at law and in equity are cumulative and may be exercised in any manner of Licensor's election. Costs of enforcement and collection, plus interest on all amounts not paid when due at 1.5% a month, shall be paid by Licensee to Licensor. In the event of a Default by Licensee resulting in Licensor's termination of this Agreement and the Revocable Parking License, Licensee (a) shall pay Licensor within seven (7) days after being invoiced therefor, the total of all amounts due from Licensee under this Agreement until Licensee has vacated the Licensed Area and left it in the condition required hereunder, and (b) to the extent then known, all other amounts that may be or become due to Licensee under this Agreement, including, without limitation, sums due under Sections 11., 12.M. and 12.T. hereof, plus interest at the rate of 18% per annum from the date(s) due through the date of payment of the foregoing amounts under (a) and (b) of this sentence, and (c) plus costs of collection. This Section shall survive the termination of this Agreement and the Revocable Parking License.

Tenant's Initials:----

H. Subordination. This Agreement is automatically subordinate to all present and future Licensor mortgage financing.

I. Licensor Liability. Notwithstanding anything to the contrary contained herein, Licensor shall have no liability except for willful misconduct or gross negligence, and then only for the cost of the repair of personal property. Performance by Licensor shall be excused by third party delays. Licensor shall not be responsible for interruption in the outdoor lighting or other services/delivered by third parties. Licensor is only liable for its obligations hereunder during its time of ownership of the Property, with each successive owner of the Property only liable for its obligations hereunder during its respective period of ownership. This Section shall survive the termination of this Agreement and the Revocable Parking License.

J. Broker. Licensee represents and warrants to Licensor that it was not shown the Licensed Area by any broker nor was any broker or finder involved in Licensee's entering into this Agreement. Licensee shall indemnify Licensor from the falseness of the foregoing representation or warranty. This Section shall survive the termination of this Agreement and the Revocable Parking License.

K. Signage. Licensee shall not place signage at/on or paint or otherwise decorate or do any other work in or to the Licensed Area.

L. Notice. Notices from Licensor to Licensee under this Agreement shall be deemed duly served if delivered to Licensee's offices located at 60 Wells Avenue, Suite 102, Newton, Massachusetts 02459, or at such other address as Licensor shall notify Licensee, in each case to the attention of Randy A. Goldberg. Licensee's local contact in Newton is ("Contact Person") who may be reached at, with an e-mail address of ---------- ------------ with Licensee agreeing to notify Licensor with any change of the Contact Person and/or contact infonnation. Otherwise, notices hereunder shall be deemed duly given from and after such time as (i) deposited with the U.S. Mails, for delivery via registered or certified mail, return receipt requested, postage prepaid, (ii) deposited for overnight delivery with a national courier with delivery tracking service such as FedEx, or (iii) by in-hand delivery to Licensee or Licensor at his/their/its Initial Address on the top of the first page hereof, or at such replacement address as may from time to time be given upon ten (I 0) days advance written notice to the other.

Tenant's Initials: ---

M. Licensee's Unauthorized Use After Termination. In the event that Licensee continues to access and use the Licensed Area or any portion of the Property beyond the expiration of the Term of this Agreement, or earlier termination of this Agreement or the Revocable Parking License, such use shall not create any rights in Licensee but shall subject Licensee to all the obligations set forth herein but at a rate equal to $7,920.00 for each month or part of any month **("Unauthorized Use Rate")** during which Licensee continues such unauthorized use. The foregoing is not intended to create liability from Licensee to Licensor for those parties that are not permitted to park within the Licensed Area under the terms of this Agreement. The acceptance of a purported fee check following the end of the Term shall not constitute the creation of any rights in Licensee, it being agreed that Licensee's status shall remain unlawful and a continuing Default of this Agreement, and notwithstanding anything set forth in this Agreement, Licensor shall have the right to exercise any and all rights and remedies available to Licensor hereunder and at law or in equity, including, without limitation, rights and remedies available on account of trespass. Licensee shall also pay to Licensor all damages, whether direct and/or indirect, sustained by reason of such unauthorized use. Otherwise, such unauthorized use shall be on the terms and conditions set forth in this Agreement, as far as applicable. This Section shall survive the termination of this Agreement and the Revocable Parking License.

N. Rules and Regulations. Licensee agrees to comply with all reasonable rules and regulations which Licensor may establish from time to time for the orderly and efficient management and operation of the Property or any portion thereof.

O. Countemarts. This Agreement may be signed in multiple originals and/or may be separately signed and assembled to contain the signatures of all the parties, with each counterpart constituting an original document.

P. Governing Law and Jurisdiction. This Agreement shall be governed and construed in accordance with the laws of the Commonwealth of Massachusetts. Licensee agrees that (a) jurisdiction for any legal process taken with respect to this Agreement and/or enforcement or compliance by or against any of the parties to this Agreement shall be exclusively commenced and processed within the State Courts of Norfolk, Middlesex or Suffolk Counties of the Commonwealth of Massachusetts, and (b) each such party submits to such jurisdiction.

Q. Entire Agreement. This Agreement contains the entire agreement between the parties and the terms may not in any way be altered, modified, or changed, or shall any term be added to or deleted from the agreement except by a writing signed by both parties. Licensor and Licensee agree there are no other agreements or understandings between Licensor and Licensee in the matters addressed in this Agreement.

R. No Joint Venture. Nothing in this Agreement is intended to or shall be construed to create either an express or implied partnership or joint venture between the parties.

S. Authority. Each individual executing this Agreement on behalf of his or her respective party represents and warrants that he or she is duly authorized to execute and deliver this Agreement on behalf of said entity in accordance with the governing documents of such entity, and that upon full execution and delivery this Agreement is binding upon said entity in accordance with its terms.

Tenant's Initials: ---

T. Unauthorized Parking. In addition to all the rights and remedies of Licensor hereunder, Licensor and Licensee agree to the provisions of this Section. Licensor, at its option, has the right to notify Licensee of the unauthorized use by Licensee's employee(s) of either of the following (each, an **"Unauthorized Use"): (i)** parking **in** areas outside the Licensed Area; or (ii) parking in the Licensed Area at times other than the permitted hours; or (iii) using the Licensed Area or any other portion of the Property for uses other than as permitted under Section 7 of this Agreement. Upon the second notice in any twelve (12) month period from Licensor to Licensee of Unauthorized Use, the Base Fee shall be increased to the Unauthorized Use Rate, which Unauthorized Use Rate shall continue from the date of the second notice until such time as Licensee has demonstrated to Licensor that such Unauthorized Use has been discontinued for at least four (4) full consecutive weeks, provided, however, such Unauthorized Use Rate shall be payable for not less than one (I) full month. In addition, Licensee shall at all times use good faith efforts to prevent those parties affiliated with Licensee (including without limitation Licensee's guests and patrons) who are not permitted to use the Licensed Area under the terms of this Agreement from parking within the Licensed Area. This Section shall survive the termination of this Agreement and the Revocable Parking License.

End of text - Signature page follows

Tenant's Initials: ---

Executed as a sealed instrument as of the date first written above.

LICENSOR:

180 Wells Realty LLC

By: Intrum Corp., Manager

By: ________________________
Randy A. Goldberg, President

LICENSEE:

CyberArk Software, Inc.

By: ____
Ehud Mokady, President and CEO duly authorized

By: ____
Suzy Peled-Spigelman, Vice President Finance, Americas, duly authorized

Tenant's Initials: ---

Exhibit A

Plan of Licensed Area

Tenant's Initials: ---

SCHEDULE 11

MODIFIED LEASE SECTION 11

Schedule 11
Replacement of Section 11 of Lease

11. Tenant's Work, Alterations and Improvements.

If Tenant determines that any alterations or improvements to the Premises are reasonably necessary or desirable for the operation of Tenant's business at the Premises for the Permitted Use **("Tenant's Work"),** all such Tenant's Work shall be subject to Landlord's express prior written consent and shall be performed in compliance with this Section 11. To the extent applicable, Tenant's Work shall also include, without limitation, Tenant's Additional Work as defined in Section II.10.C. of this Second Amendment and the Tenant Improvements if Tenant elects to itself complete the Tenant Improvements pursuant to Section II.IQ.I. of this Second Amendment ("Tenant's T.I. Work"). Tenant's Work (other than Tenant's Additional Work and Tenant's T.I. Work) shall not include any structural alterations or additions to the Premises, however, Landlord shall not unreasonable withhold, condition, or delay consent for cosmetic or non-structural alterations or improvements (removal or construction of interior non-structural partition walls shall be considered non-structural alterations), provided such proposed alterations or improvements: do not affect the mechanical systems of the Building, or any other tenant space, or the exterior (including exterior doors and windows) of the Building; do not detract from the continuing utility and structural integrity of the Building or the Property; and otherwise comply with the terms hereof. Landlord's consent shall not be required for alterations of a purely cosmetic nature (e.g. painting carpeting, etc.) so long as Tenant provide not less than ten (I 0) business days' notice to Landlord and otherwise complies with the provisions of this Section 11. Before commencing Tenant's Work or seeking permits therefor, Tenant shall submit to Landlord for Landlord's approval, a copy of all plans and specifications prepared and stamped by a licensed architect and/or applicable engineer (to the extent required to obtain a building permit for the applicable Tenant's Work); all contracts for labor and material, which contracts shall conform to the requirements hereof; evidence of insurance relative to such work in form and substance acceptable to Landlord; and evidence of availability of funds sufficient to complete all such work. Landlord's approval of the foregoing described pennits, plans, contracts, insurance and availability of funds shall not be unreasonably withheld, conditioned or delayed provided the Tenant's Work related thereto has been approved by Landlord if and as required herein. Before starting any Tenant's Work, Tenant shall deliver to Landlord copies of all permits, licenses and other authorizations required under all Applicable Laws (collectively, the **"Permits"),** all of which shall be maintained in Tenant's name in full force and effect. Subject to Landlord's Improvement Allowance and other payments and/or reimbursement due from Landlord to Tenant pursuant to Section II.IQ. of this Second Amendment, all Tenant's Work shall be at Tenant's sole cost and expense, shall be performed by Tenant in a good and workmanlike manner using new and first-class materials and supplies, free from defects in design, construction, workmanship and materials, in strict compliance with all Applicable Laws, and in a manner as will avoid jurisdictional and labor disputes, and once commenced shall be diligently pursued to completion. Tenant shall not pennit any mechanic's, materialmen's, or similar lien to be placed upon the Premises or the Property for labor or materials furnished to Tenant or claiming to have been furnished to Tenant in connection with work of any character perfonned or claimed to have been performed at the direction of Tenant, and Tenant shall cause any such lien, if placed, to be released of record within seven (7) days without cost to Landlord. Tenant shall, upon request, provide to Landlord from time to time promptly upon request, lien waivers from all parties performing work or supplying materials to the Premises. In the event that any Tenant's Work shall exceed $25,000.00, at Landlord's option, Landlord may condition the right of Tenant to perform any Tenant's Work to the Premises on lien bonds, escrows, or other conditions acceptable to Landlord to prevent liens arising against the Property. No Tenant's Work shall be commenced until Tenant has delivered to Landlord a copy of all contracts and subcontracts signed by Tenant's contractors for the approved Tenant's Work which contracts shall include the following language: "Contractor acknowledges that the work covered by this contract has been contracted for the benefit of CyberArk Software, Inc., and not for the benefit of the landlord or owner of the premises or real estate on which the premises is located, and therefore Contractor agrees that any claim or lien for non-payment or non-performance shall be asserted only against the leasehold interest of CyberArk Software, Inc. in the premises, and not against the owner of the premises or the real estate at which the work under this Contract shall be performed". Subject to the provisions of Section II.10. of this Second Amendment, all Tenant's Work, including all fixtures, alterations and other improvements made by Tenant to or at the Premises shall become the property of Landlord at the termination of Tenant's occupancy or, if requested by Landlord, all or any part thereof shall be removed by Tenant at Tenant's cost, and the Premises restored at the end of Tenant's occupancy. If at the time that Tenant requests Landlord's approval of the plans and specifications with respect to such Tenant's Work, Tenant also requests, in writing, Landlord's detennination of whether or not all or any portion of such Tenant's Work will be required to be removed at Lease termination (a **"Removal Determination"),** then Landlord shall advise Tenant of its Removal Determination at such time. Tenant shall indenmify Landlord and hold it harmless for all loss, cost, damage and expense, including without limitation, reasonable attorneys' fees, incurred by Landlord resulting from or relating to Tenant's Work, and the foregoing indemnification obligations shall survive termination or expiration of this Lease. Any alterations, additions or other work or improvements performed to the Premises without Landlord's express prior written consent shall, at Landlord's option, be a Default under this Lease unless within ten (10) days after notice to Tenant, arrangements satisfactory to Landlord, in its sole discretion, are made to resolve same.

Tenant's Initials: ---

Exhibit 4.5

English summary of the office lease agreement dated February 26, 2015 entered by and between Azorei Mallal Industries Ltd. (the **"Landlord"**) and CyberArk Software Ltd. (the **"Company"**), regarding the Company's new office space in Petach-Tikva, Israel, as amended on April 7, 2016 (**"Lease"**).

- Subject Matter of the Lease: Unprotected tenancy lease of office and parking spaces for the purpose of conducting the Company's business. Premises are located in Petach-Tikva, Israel.
- Term of the Lease:
  - The term of the Lease is sixty (60) months commencing on July 1, 2017 other than with respect to the 3rd floor which shall commence as of July 1, 2018, with the Company's right for early termination after 36 months. The Company is given two options to extend the term of the Lease of twelve (12) months each. Such options apply automatically unless the Company notifies the Landlord 180 days prior to the commencement of each such option period that it does not wish to exercise the option.
  - The term of the Lease for all parking spaces, leased by the Company from time to time, is linked to the lease term of the main premises.
- Premises Covered by the Lease:
  - Property – The Company leases the upper 8 floors, levels 3 to 10. The Company has an option to lease the remaining 2 floors subject to a prior written notice to be given no later than 31.10.2018.
  - Parking – The Company has the right to lease two hundred and forty (240) parking lots.
- Rental Fees:
  - Property – The Company shall pay a monthly rental fee of 74 NIS (approximately US$18) per square meter (gross). For the first option period, the monthly rental fees shall be increased by 5% compared to the monthly rental fee of the preceding period. All rental fees are exclusive of VAT and index-linked to the Consumer Price Index published by the Central Bureau of Statistics (the "**Index**"); *provided* that the rental fees shall not be less than the nominal values listed above.
  - Parking – The monthly rental fee for the parking spaces currently leased by the Company is NIS 433 per parking space, in each case plus VAT and Index-linked.
  - Management Fees – The management fees shall be paid on a cost plus 15% basis plus VAT and Index-linked.
  - Payment Terms – The rental fees shall be paid three months in advance. The Company has agreed to sign a direct debit with respect to the rental and management fees. In the event the Company is over-charged, that extra amount shall be remitted to the Company within five business days.
- Guarantees:
  - An autonomous un-conditional bank guarantee, for an amount representing three (3) months' rental fee plus VAT, to be extended from time to time by the Company to remain in force for the entire term of Lease and for ninety (90) days thereafter.
- Dispute Resolution:
  - Technical disputes raised regarding the Lease, shall be governed by an agreed-upon professional arbitrator (a civil engineer). Legal disputes raised regarding the Lease, shall be governed by Israeli Court in Tel Aviv.

- Other Terms of the Lease:

  - The Company has a right to sub-lease the premises (or any portion thereof) and to sub-let to a substitute lessee, subject to the Landlord's prior written consent. The Company may also transfer the Lease to an affiliate, subject to the Landlord's prior written consent.

  - Similar to other lease agreements, each party agrees to assume responsibility for any damage, injury or loss (bodily or otherwise) resulting from any act, omission or negligence on its part, and with respect of the Company—relating to its use of the leased property.

- The Lease further includes terms concerning the following matters:

  - Renovations – Generally, the Company may not perform any major renovations on the premises without prior written authorization from the Landlord. Subject to such advance approval by the Landlord, the Company may invest certain amounts on renovations for which the Landlord has agreed to reimburse the Company for a certain percentage of the costs.

  - Utilities – The Company is responsible for paying for water, power and telephone utility bills, in addition to any taxes or fees, tolls, levies, property taxes and any other payments owed to governmental or local authorities relating to the property during the term of the Lease, unless such fees are specifically designated for the property owner.

  - No Right of set-off – The parties have agreed that any amounts owed shall not be subject to a set-off right.

  - Termination of the Lease, vacating of premises and fixtures – Upon the termination or expiration of the Lease, the Company shall vacate the premises from any person or object which is not owned by the Landlord and return it to the Landlord in an undamaged, usable state. The Company has sole discretion to remove any fixtures, provided such removal does not damage the premises and provided that the Landlord will have no duty to compensate the Company for fixtures which it decides to leave.

Exhibit 8.1

List of Subsidiaries of CyberArk Software Ltd.

Name of Subsidiary	Place of Incorporation
CyberArk Software, Inc.	Delaware, United States
Cyber-Ark Software (UK) Limited	United Kingdom
CyberArk Software (Singapore) PTE. LTD.	Singapore
Cyber-Ark Software (DACH) GmbH	Germany
CyberArk Software Italy S.r.l.	Italy
CyberArk Software (France) SARL	France
CyberArk Software (Netherlands) B.V.	Netherlands
CyberArk Software (Australia) Pty Ltd.	Australia
CyberArk Software (Japan) K.K.	Japan
CyberArk Software Canada Inc.	Canada
Conjur, Inc.	Delaware, United States
Vaultive, Ltd.	Israel

Exhibit 12.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO EXCHANGE ACT RULE 13A-14(A)/15D-14(A) AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Ehud Mokady, certify that:

1. I have reviewed this Annual Report on Form 20-F of CyberArk Software Ltd. (the "company");

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

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

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

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

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

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

    d. Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

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

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

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

/s/ Ehud Mokady
Ehud Mokady
Chairman of the Board & Chief Executive Officer

Date: March 15, 2018

Exhibit 12.2

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO
EXCHANGE ACT RULE 13A-14(A)/15D-14(A)
AS ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Joshua Siegel, certify that:

1. I have reviewed this Annual Report on Form 20-F of CyberArk Software Ltd. (the “company”);

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

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

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

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

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

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

    d. Disclosed in this report any change in the company’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company’s internal control over financial reporting; and

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

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

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

/s/ Joshua Siegel
Joshua Siegel
Chief Financial Officer

Date: March 15, 2018

Exhibit 13.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of CyberArk Software Ltd. (the “Company”) on Form 20-F for the fiscal year ended December 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Ehud Mokady, do certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Ehud Mokady
Ehud Mokady
Chairman of the Board and Chief Executive Officer

Date: March 15, 2018

Exhibit 13.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of CyberArk Software Ltd. (the “Company”) on Form 20-F for the fiscal year ended December 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Joshua Siegel, do certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Joshua Siegel
Joshua Siegel
Chief Financial Officer

Date: March 15, 2018

Exhibit 15.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-200367, 333-202850 and 333-216755) of CyberArk Software Ltd. of our reports dated March 15, 2018 with respect to the consolidated financial statements of CyberArk Software Ltd. and its subsidiaries and the effectiveness of internal control over financial reporting of CyberArk Software Ltd. and its subsidiaries included in this annual report on Form 20-F for the year ended December 31, 2017.

Tel Aviv, Israel
March 15, 2018

/s/ KOST FORER GABBAY AND KASIERER
A member of Ernst & Young Global