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

FORM 20-F

(Mark One)

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

OR

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

For the fiscal year ended December 31, 2016

OR

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

OR

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

Commission file number 001-36903

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

Israel
(Jurisdiction of incorporation or organization)

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

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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 registrant's classes of capital or common stock as of the close of the period covered by the annual report: As of December 31, 2016, the registrant had outstanding:

30,989,873 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 Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

☒ **Yes** ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer.

Large accelerated filer: ☐ Accelerated filer: ☒ Non-accelerated filer: ☐

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

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

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

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

☐ **Yes** ☒ **No**

TABLE OF CONTENTS

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain information included or incorporated by reference in this annual report on Form 20-F may be deemed to be "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are often characterized by the use of forward-looking terminology such as "may," "will," "expect," "anticipate," "estimate," "continue," "believe," "should," "intend," "project" or other similar words, but are not the only way these statements are identified.

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

- our expectations regarding the expansion of our servable addressable market;
- our expectations regarding our future gross margins and operating expenses;
- our expectations regarding our growth and overall profitability;
- our expectations regarding the impacts of variability on our future revenues;
- our expectations regarding drivers of our future growth, including anticipated sales growth, penetration of new markets, and expansion of our customer base;
- our plans to expand into continue our expansion into new product markets;
- our plans to continue to invest in research and development to introduce new systems and improved solutions;
- our expectations regarding the success of our new products and systems;
- the impact of government laws and regulations;
- our expectations regarding our anticipated cash requirements for the next 12 months;
- our plans to expand our international operations;
- our plans to file and procure additional patents relating to our intellectual property rights and the adequate protection of these rights;
- our plans to pursue strategic acquisitions or invest in complementary companies, products or technologies; and
- our expectations regarding the time during which we will be an emerging growth company under the JOBS Act.

The preceding list is not intended to be an exhaustive list of all of our forward-looking statements. The forward-looking statements are based on our beliefs, assumptions and expectations of future performance, taking into account the information currently available to us. These statements are only predictions based upon our current expectations and projections about future events. There are important factors that could cause our actual results, levels of activity, performance or achievements to differ materially from the results, levels of activity, performance or achievements expressed or implied by the forward-looking statements. In particular, you should consider the risks described in "ITEM 3.D Risk Factors," "ITEM 4 Information on the Company," and "ITEM 5 Operating and Financial Review and Prospects."

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

USE OF TRADE NAMES

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

CERTAIN ADDITIONAL TERMS AND CONVENTIONS

In this annual report, unless the context otherwise requires:

- references to "Kornit Digital," "our company," "the Company," "the registrant," "we," "us," and "our" refer to Kornit Digital Ltd.;
- references to "ordinary shares", "our shares" and similar expressions refer to the Company's Ordinary Shares, par value NIS 0.01 per share;
- references to "dollars", "U.S. dollars", "U.S. $" and "$" are to United States Dollars;
- references to "shekels" and "NIS" are to New Israeli Shekels, the Israeli currency;
- references to "GAAP" are to U.S. Generally Accepted Accounting Principles;
- references to our "articles" are to our Articles of Association, as amended;
- references to the "Companies Law" are to the Israeli Companies Law, 5759-1999, as amended;
- references to the "Securities Act" are to the U.S. Securities Act of 1933, as amended;
- references to the "Exchange Act" are to the U.S. Securities Exchange Act of 1934, as amended;
- references to "NASDAQ" are to the NASDAQ Stock Market;
- references to the "SEC" are to the United States Securities and Exchange Commission; and
- references to the "IPO" are to the initial public offering of our ordinary shares in the United States, which closed on April 8, 2015.

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, and it is qualified in its entirety by reference to, our historical financial information and other information provided in this annual report, including "ITEM 5 - Operating and Financial Review and Prospects" and our consolidated financial statements and the related notes appearing elsewhere in this annual report.

The selected consolidated statements of income data for the years ended December 31, 2014, 2015 and 2016 and selected consolidated balance sheet data as of December 31, 2015 and 2016 are derived from our audited consolidated financial statements appearing in ITEM 18. Financial Statements. The selected consolidated statements of income data for the year ended December 31, 2012 and 2013 and the selected consolidated balance sheet data as of December 31, 2012, 2013 and 2014 has been derived from our audited consolidated financial statements not appearing in this annual report. The historical results set forth below are not necessarily indicative of the results to be expected in future periods. Our financial statements have been prepared in accordance with GAAP.

	Year Ended December 31,				
	2012	2013	2014	2015	2016
	(in thousands, except share and per share data)				
Consolidated Statements of Income:					
Revenues	$ 39,167	$ 49,395	$ 66,364	$ 86,405	$ 108,694
Cost of revenues[(1)]	22,741	27,953	37,187	45,820	59,284
Gross profit	16,426	21,442	29,177	40,585	49,410
Operating expenses:					
Research and development[(1)]	4,839	7,443	9,475	11,950	17,383
Sales and marketing[(1)]	4,668	7,734	10,616	13,367	18,338
General and administrative[(1)]	3,092	3,278	5,266	9,500	12,259
Total operating expenses	12,599	18,455	25,357	34,817	47,980
Operating income	3,827	2,987	3,820	5,768	1,430
Finance income (expenses), net	(285)	(460)	(15)	(334)	464
Income before taxes on income	3,542	2,527	3,805	5,434	1,476
Taxes on income	1,228	1,393	782	709	648
Net income	$ 2,314	$ 1,134	$ 3,023	$ 4,725	$ 828
Net earnings per ordinary share[(2)]					
Basic	$ 0.26	$ 0.13	$ 0.34	$ 0.19	$ 0.03
Diluted	$ 0.24	$ 0.11	$ 0.29	$ 0.18	$ 0.03
Weighted average number of ordinary shares used in computing income per ordinary share[(2)]					
Basic	8,953,565	8,953,565	8,969,588	24,633,369	30,562,255
Diluted	9,649,573	9,880,049	10,446,329	26,458,584	31,732,532

	As of December 31,				
	2012	2013	2014	2015	2016
	(in thousands)				
Consolidated balance sheet data:					
Cash and cash equivalents	$ 4,663	$ 5,329	$ 4,993	$ 18,464	$ 22,789
Working capital[3]	12,166	12,811	14,863	65,455	68,651
Total assets	24,407	31,627	34,714	123,352	140,046
Total long term liabilities	1,372	1,617	2,025	1,839	2,725
Total shareholders' equity	14,311	15,608	19,351	100,262	107,188

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

	Year Ended December 31,				
	2012	2013	2014	2015	2016
	(in thousands)				
Share-based Compensation Expense:					
Cost of revenues	$ 10	$ 11	$ 96	$ 306	$ 482
Research and development	13	21	86	281	217
Sales and marketing	36	66	207	537	654
General and administrative	18	28	508	1,259	1,641
Total share-based compensation expense	$ 77	$ 126	$ 897	$ 2,383	$ 2,994

(2) Basic and diluted net earnings per ordinary share is computed based on the basic and diluted weighted average number of ordinary shares outstanding during each period. For additional information, see notes 2y and 11 to our consolidated financial statements included in ITEM 18. Financial Statements.

(3) Working capital is defined as total current assets minus total current liabilities. In November 2015, the Financial Accounting Standards Board, or the FASB, issued Accounting Standards Update No. 2015-17, Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes (ASU 2015-17), which simplifies the presentation of deferred income taxes by requiring deferred tax assets and liabilities to be classified as noncurrent on the balance sheet. We early adopted this standard in 2015 retrospectively and reclassified all of our current deferred tax assets to noncurrent deferred tax assets which has resulted in a change to previously published working capital amounts for the years ended December 31, 2012, 2013 and 2014.

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

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

Risks Related to Our Business and Our Industry

If the market for digital textile printing does not develop as we anticipate, our sales may not grow as quickly as expected and our share price could decline.

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

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

Our business model benefits significantly from recurring sales of our ink and other consumables for our existing and growing installed base of systems. Third parties could try to sell, and purchasers of our systems can seek to buy, alternative versions of our ink or other consumables. We have encountered limited instances of these activities by third parties in specific markets. Third-party ink and other consumables might be less expensive or otherwise more appealing to our customers than our ink and other consumables. Significant sales of third-party inks and other consumables to our customers could adversely impact our revenues and would have a more significant effect on our gross margins and overall profitability.

Given the sensitivity of our systems and, in particular, print heads to lower quality ink, which may cause our print heads to clog or otherwise malfunction, our systems operate at the highest throughput level only when using our ink and other consumables in order to protect them from damage. In addition, since we are unable to control the impact of third-party inks, their use voids the warranty that comes with our systems. We have also sought to protect the proprietary technology underlying our ink through patents and other forms of intellectual property protections. These steps that we have taken to ensure the smooth operation of our systems and our ability to fully invoke all our intellectual property rights may be challenged. Any reduction in our ability to market and sell our ink and other consumables for use in our systems may adversely impact our future revenues and our overall profitability.

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

The principal competition for our digital printing systems comes from manufacturers of analog screen printing systems, textile printers and ink. Our principal competitor in the high throughput digital DTG market is Aeoon Technologies GmbH. We also face competition in this market from Brother International Corporation, Seiko Epson Corporation, Ricoh and a number of smaller competitors with respect to our entry level system. Our competitors in the R2R market include: Dover Corporation through its MS Printing Solutions S.r.l. subsidiary, Durst Phototechnik AG; Electronics for Imaging, Inc. through its Reggiani Macchine SpA subsidiary; Mimaki Engineering Co., Ltd.; and a number of smaller competitors. Some of our current and potential competitors have larger overall installed bases, longer operating histories and greater name recognition than we have. In addition, many of these competitors have greater sales and marketing resources, more advanced manufacturing operations, broader distribution channels and greater customer support resources than we have. Some of our competitors in the R2R market have become increasingly interested in moving from rotary screen printing to digital printing and have broadened their product offering by merging with or acquiring other companies in the R2R market. Current and future competitors may be able to respond more quickly to changes in customer demands and devote greater resources to the development, promotion and sale of their printers and ink and other consumables than we can. Our current and potential competitors in both the DTG and R2R markets may also develop and market new technologies that render our existing solutions unmarketable or less competitive. In addition, if these competitors develop products with similar or superior functionality to our solutions at prices comparable to or lower than ours, we may be forced to decrease the prices of our solutions in order to remain competitive, which could reduce our gross margins.

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

Our distributor in the United States, Hirsch International Corporation, accounted for approximately 18% and 21% of our revenues in 2015 and 2016, respectively. We have entered into a non-exclusive distributor agreement with Hirsch with a term that ends in April 2017 subject to automatic renewal for successive one-year periods unless one party notifies the other party that it does not wish to renew the agreement. Hirsch may fail to devote the same level of attention to our solutions as it currently does, elect to distribute competitors' products or be less successful than distributors of competitors' products in their territories and, as a result, sales of our solutions may suffer. In addition, our relationship with Hirsch could be terminated with little or no notice if Hirsch becomes subject to bankruptcy or other similar proceedings or otherwise becomes unable or unwilling to continue its business relationship with us, and we may not be able to find a qualified and successful replacement in a timely manner. Additionally, a default by Hirsch at a time that it has a significant receivables balance with us could harm our financial condition. For the year ended December 31, 2016, Amazon Corporate LLC, a subsidiary of Amazon.com, Inc., accounted for approximately 16% of our revenues (net of $2.0 million related to the fair value of warrants issued to an affiliate of Amazon). Our ten largest customers accounted for approximately 65% of our revenues for the year ended December 31, 2016. The loss of either this distributor or customer, or another one of our significant customers, or variability in their order flows could materially adversely affect our revenues. Due to the concentration of our revenues with this distributor and customer, any such event could have a material adverse effect on our results of operations.

Our operating results are subject to seasonal variations, which could cause the price of our ordinary shares to decline.

Our business is seasonal. The fourth quarter has historically been our strongest quarter in terms of revenues and the first quarter has been our weakest. This seasonality coincides with holiday spending, which is at its highest at the end of the year, especially in the United States and Europe. In the last three fiscal years, we have continuously increased our operating expenses throughout the year, and as such, the expense run rate at which we have ended each year is significantly higher than where we started the given year. The carryover of such costs into the first quarter of the following year results in downward pressure on operating margins, which is compounded by seasonally lower revenue in the first quarter compared to other quarters.

In addition, during the fourth quarter, when customer spending is at its highest levels, we enjoy a more favorable revenue mix, generating greater revenues from the sales of ink and other consumables than in the first quarter. Since sales of ink and other consumables generate higher gross margins than systems sales, gross margin in the fourth quarter tends to be higher than gross margin in the first quarter, when our customers typically reduce their system utilization rates significantly, and thereby purchase less ink and other consumables. This impact leads to a reduction in overall operating margins. As we continue to focus our sales efforts on larger accounts, and as we continue to invest in the growth of our business, the impact of this seasonal decline in revenues generated from sales of ink and other consumables may have a more pronounced impact on gross margins and operating margins.

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

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

Our customers generally purchase our ink and other consumables on an as-needed basis, and delays in making such purchases by a number of customers could result in a meaningful shift of revenues from one quarter to the next. Moreover, because ink and other consumables have a shelf life of up to 12 months, we typically maintain inventories of ink and other consumables sufficient to cover our average sales for one quarter. These inventories may not match customers' demands for any given quarter, which could cause shortages or excesses in our inventory of ink and other consumables and result in fluctuations of our quarterly revenues. These inventory requirements may also limit our ability to profit from economies of scale in the production and marketing of our ink and other consumables.

Furthermore, we base our current and future expense levels on our revenue forecasts and operating plans, and our costs are relatively fixed in the short term, due in part to long lead times required for ordering certain components of our systems and ordering assembly of our systems by third-party manufacturers. Accordingly, we would likely not be able to reduce our costs sufficiently to compensate for an unexpected shortfall in revenues during a particular quarter, and even a relatively small decrease in revenues could disproportionately and adversely affect our financial results for that quarter. The variability and unpredictability of these and other factors could result in our failing to meet financial expectations for a given period.

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

In January 2017, we entered into a master purchase agreement with an affiliate of Amazon.com, Inc. governing our sales of our systems and ink and other consumables at agreed upon prices that vary based on sales volumes. We also agreed to provide maintenance services and extended warranties to Amazon at agreed prices. The term of the agreement is five years beginning on May 1, 2016 and extends automatically for additional one year periods unless terminated by Amazon. We have issued to an affiliate of Amazon warrants to purchase up to 2,932,176 of our ordinary shares.

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

- Our revenues are presented net of the relative value of the warrants in each particular period related to the revenues recognized. Since the value of the warrants depends, in part, on the price of our shares and their volatility, our net revenues may fluctuate due to the non-cash impact of the value of the warrant on our gross revenues.

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

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

The impact of the provisions listed above cannot be fully predicted in advance and could, in certain circumstances, adversely impact our business or results of operations.

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

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

- The print heads for our systems are supplied by a sole supplier, FujiFilm Dimatix, Inc., or FDMX. We entered into an agreement with FDMX in 2015, pursuant to which FDMX is continuing to sell us certain off-the-shelf print heads and additional products, all of which FDMX regularly sells to providers of inkjet systems. The agreement provides that beginning with the start of the first one-year renewal period, FDMX may increase the prices of the products that we purchase from it upon 90-days' prior notice, subject to certain conditions. The agreement renews automatically for successive one-year periods, but FDMX or we can terminate the agreement upon 90 days' notice prior to the end of the then current term. Our current agreement terminates in December 2019 and provides for one three-year renewal period and for further one-year renewal periods thereafter. Our agreement further provides that FDMX may, at its option, discontinue products supplied under the agreement, provided that we are given one year notice of the planned discontinuance and are provided with an end of life purchase program.

- A chemical used in some of our inks is supplied by B.G. (Israel) Technologies Ltd., or BG Bond, a subsidiary of Ashtrom Ltd., a large public Israeli industrial company. We entered into an agreement with BG Bond in December 2016 pursuant to which we agree to purchase and BG Bond agrees to produce this chemical at set prices. In exchange for an upfront payment, which is refundable upon the purchase of the chemical, BG Bond agreed to install additional equipment dedicated to the production of the chemical. The agreement is for a term of five years or until we purchase a certain agreed upon minimum quantity and cannot be terminated by us other than in case of material breach by BG Bond. For some of our inks, this chemical is supplied by The Dow Chemical Company, a multinational producer of chemicals and other compounds. We currently purchase these chemicals from the Dow Chemical Company on a purchase order basis.

The loss of any of these suppliers, or of a supplier for which there are limited other sources, could result in the delay of the manufacture and delivery of our systems. For instance, FDMX has from time to time indicated that it may discontinue manufacturing the print head that we currently source from it and use in our systems, although it has never provided notice that it is actually doing so. In the event FDMX discontinues manufacturing the print head, we would be required to qualify a new print head for our systems. In order to minimize the risk of any impact from a disruption or discontinuation in the supply of print heads, raw materials or other components from limited source suppliers, we maintain an additional inventory of such components, in addition to the end of life purchase program that would be available to us if the products we purchase from FDMX were discontinued. Nevertheless, such inventory may not be sufficient to enable us to continue supplying our products should we need to locate and qualify a new supplier.

Other risks stemming from our reliance on suppliers include:

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

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

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

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

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

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

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

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

We manufacture our ink and other consumables at our facility in Kiryat Gat, Israel. We also rely on contract manufacturing services provided by ITS Industrial Techno Logic Solutions Ltd. and Flex Israel Ltd., which are also in Israel, to assemble our systems. We expect that almost all of our revenues in the near term will be derived from the systems and ink and other consumables manufactured at these facilities. If operations in any of these facilities were to be disrupted due to a major equipment failure or power failure lasting beyond the capabilities of backup generators or other events outside of our reasonable control, our manufacturing capacity could be shut down for an extended period, we could experience a loss of raw materials or finished goods inventory and our ability to operate our business would be harmed. In addition, in any such event, the repair or reconstruction of our or our third-party manufacturers' manufacturing facilities and storage facilities could take a significant amount of time. During this period, we or our third-party manufacturers would be unable to manufacture some or all of our systems or we may not be able to produce our ink and other consumables. In addition, at any given moment we have only a limited inventory of our systems and ink and other consumables that we can supply to our customers in the event that our manufacturing is disrupted.

Systems we introduced during the past two years or that are in development may not achieve market acceptance or gain adequate market share.

Since 2015, we introduced two new systems to the market. We began selling our Allegro system commercially in the R2R market in the second quarter of 2015. During 2016, we commercially launched our new system, the Vulcan, which is a digital alternative for carousel screen printing within the DTG segment. We cannot ensure that the significant investments that we have made in distribution, sales and customer service teams to launch the new systems will enable us to continue to market, sell and distribute the systems as planned. Market acceptance of the new systems will depend on, among other things, the systems demonstrating a real advantage over existing printers, the success of our sales and marketing teams in creating awareness of the systems, the sales price and the return on investment of the systems relative to alternative printers, customer recognition of the value of our technology, the effectiveness of our marketing campaigns, and the general willingness of potential customers to try new technologies. In the event that we are unable to achieve market acceptance of our new systems, our growth and future prospects may be adversely affected.

Our operating and net profit margins could decline further in the near-term if we fail to execute on our growth strategies.

Our operating margin declined from 6.7% in 2015 to 1.3% in 2016. Our growth strategies, many of which are aimed at improving our operating and net profit margins, include increasing sales to existing customers, acquiring new high volume customers, capitalizing on growth in our targeted markets and extending our serviceable addressable market by continuing to enhance our solutions. If we do not execute these strategies successfully, it could adversely impact our revenues and have a negative impact on our operating and net profit margins.

Our business and operations may be negatively affected if we fail to effectively manage our growth.

We have experienced significant growth in a relatively short period of time and intend to continue to grow our business. Our revenues grew from $66.4 million in 2014 to $108.7 million in 2016. Our headcount increased from 251 as of December 31, 2014 to 390 as of December 31, 2016. We plan to hire additional employees across all areas of our company. Our rapid growth has placed significant demands on our management, sales and operational and financial infrastructure, and our growth will continue to place significant demands on these resources. Further, in order to manage our future growth effectively, we must continue to improve and expand our IT and financial infrastructure, operating and administrative systems and controls and efficiently manage headcount, capital and processes. We may not be able to successfully implement these improvements in a timely or efficient manner, and our failure to do so may materially impact our projected growth rate.

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

Our manufacturing and development facilities use chemicals and produce waste materials, which require us to hold business licenses that may include conditions set by the Ministry of Environmental Protection for the operations of such facilities. We are also subject to extensive environmental, health and safety laws and regulations governing, among other things, the use, storage, registration, handling and disposal of chemicals and waste materials, the presence of specified substances in electrical products, air, water and ground contamination, air emissions and the cleanup of contaminated sites. While we have currently not identified any material non-compliance with these laws and regulations, in the future they could potentially require the expenditure of significant amounts in the event of non-compliance and/or remediation. If we fail to comply with such laws or regulations, we may be subject to fines and other civil, administrative or criminal sanctions, including the revocation of our toxin permit, business permits, or other permits and licenses necessary to continue our business activities. In addition, we may be required to pay damages or civil judgments in respect of third-party claims, including those relating to personal injury, including exposure to hazardous substances that we use, store, handle, transport, manufacture or dispose of, or property damage. Some environmental, health and safety laws and regulations allow for strict, joint and several liability for remediation costs, regardless of comparative fault. We may be identified as a potentially responsible party under such laws. Such developments could have a material adverse effect on our business, financial condition and results of operations. Environmental, health and safety laws and regulations may also change from time to time. Complying with any new requirements may involve substantial costs and could cause significant disruptions to our research, development, manufacturing, and sales.

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

The dollar is our functional and reporting currency. However, a significant portion of our operating expenses are incurred in Israeli shekels, or NIS. As a result, we are exposed to the risk that the NIS may appreciate relative to the dollar, or, if the NIS instead devalues relative to the dollar, that the inflation rate in Israel may exceed such rate of devaluation of the NIS, or that the timing of such devaluation may lag behind inflation in Israel. In any such event, the dollar cost of our operations in Israel would increase and our dollar-denominated results of operations would be adversely affected. To protect against an increase the dollar-denominated value of expenses paid in NIS during the year, we have instituted a foreign currency cash flow hedging program, which seeks to hedge a portion of the economic exposure associated with our anticipated NIS-denominated expenses using derivative instruments. We expect that the substantial majority of our revenues will continue to be denominated in U.S. dollars for the foreseeable future and that a significant portion of our expenses will continue to be denominated in NIS. We cannot provide any assurances that our hedging activities will be successful in protecting us in full from adverse impacts from currency exchange rate fluctuations since we only plan to hedge a portion of our foreign currency exposure, and we cannot predict any future trends in the rate of inflation in Israel or the rate of devaluation (if any) of the NIS against the dollar. For example, based on annual average exchange rates, the dollar depreciated 0.9% and appreciated 8.6% against the NIS in 2014 and 2015, respectively, and depreciated by 1.1% against the NIS in 2016. During these periods, there was deflation in Israel of 0.2%, 1.0% and 0.2% in 2014, 2015 and 2016, respectively. If the dollar cost of our operations increases, our dollar-measured results of operations will be adversely affected. See “ITEM 11. Quantitative and Qualitative Disclosures About Market Risk—Foreign Currency Risk.”

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

Our success depends upon the continued service and performance of our senior management and other key personnel. Our senior executive team is critical to the management of our business and operations, as well as to the development of our strategies. The loss of the services of any of these personnel could delay or prevent the continued successful implementation of our growth strategy, or our commercialization of new applications for our systems and ink and other consumables, or could otherwise affect our ability to manage our company effectively and to carry out our business plan. Members of our senior management team may resign at any time. High demand exists for senior management and other key personnel in our industry. There can be no assurance that we will be able to continue to retain such personnel.

Our growth and success also depend on our ability to attract and retain additional highly qualified scientific, technical, sales, managerial, operational, HR, marketing and finance personnel. We compete to attract qualified personnel, and, in some jurisdictions in which we operate, the existence of non-competition agreements between prospective employees and their former employers may prevent us from hiring those individuals or subject us to lawsuits from their former employers. While we attempt to provide competitive compensation packages to attract and retain key personnel, some of our competitors have greater resources and more experience than we have, making it difficult for us to compete successfully for key personnel. If we cannot attract and retain sufficiently qualified technical employees for our research and development operations on acceptable terms, we may not be able to continue to competitively develop and commercialize our solutions or new applications for our existing systems. Further, any failure to effectively integrate new personnel could prevent us from successfully growing our company.

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

We generally enter into non-competition agreements with our employees. These agreements prohibit our employees, if they cease working for us, from competing directly with us or working for our competitors or clients for a limited period. We may be unable to enforce these agreements under the laws of the jurisdictions in which our employees work and it may be difficult for us to restrict our competitors from benefiting from the expertise that our former employees or consultants developed while working for us. For example, Israeli labor courts have required employers seeking to enforce non-compete undertakings of a former employee to demonstrate that the competitive activities of the former employee will harm one of a limited number of material interests of the employer that have been recognized by the courts, such as the secrecy of a company's trade secrets or other intellectual property.

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

We have a worldwide sales, marketing and support infrastructure that is comprised of independent distributors and value added resellers, and our own personnel resulting in a sales, marketing and support presence in over 100 countries, including markets in North America, Western and Eastern Europe, the Asia Pacific region and Latin America. We expect to continue to increase our sales headcount, our applications development headcount, our field support headcount, our marketing headcount and our engineering headcount and, in some cases, establish new relationships with distributors, particularly in markets where we currently do not have a sales or customer support presence. As we continue to expand our international sales and operations, we are subject to a number of risks, including the following:

- greater difficulty in enforcing contracts and accounts receivable collection, as well as longer collection periods;
- increased expenses incurred in establishing and maintaining office space and equipment for our international operations;
- fluctuations in exchange rates between the U.S. dollar and foreign currencies in markets where we do business;
- greater difficulty in recruiting local experienced personnel, and the costs and expenses associated with such activities;
- general economic and political conditions in these foreign markets;

- economic uncertainty around the world;
- management communication and integration problems resulting from cultural and geographic dispersion;
- risks associated with trade restrictions and foreign legal requirements, including the importation, certification, and localization of our solutions required in foreign countries, such as high import taxes in Brazil and other Latin American markets where we sell our products;
- greater risk of unexpected changes in regulatory practices, tariffs, and tax laws and treaties;
- the uncertainty of protection for intellectual property rights in some countries;
- greater risk of a failure of employees to comply with both U.S. and foreign laws, including antitrust regulations, the U.S. Foreign Corrupt Practices Act (FCPA), and any trade regulations ensuring fair trade practices; and
- heightened risk of unfair or corrupt business practices in certain regions and of improper or fraudulent sales arrangements that may impact financial results and result in restatements of, or irregularities in, financial statements.

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

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

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

As of December 31, 2016, we owned nine issued patents in the United States and 12 provisional or pending U.S. patent applications, along with ten pending non-U.S. patent applications. We also had ten patents issued in non-U.S. jurisdictions, and six pending Patent Cooperation Treaty patent applications, which are counterparts of our U.S. patent applications. The non-U.S. jurisdictions in which we have issued patents or pending applications are China, the European Union or European countries of the European Union, Hong Kong, Israel and India. We may file additional patent applications in the future. The process of obtaining patent protection is expensive, time-consuming, and uncertain, and we may not be able to 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 through administrative processes or litigation resulting in patent claims being narrowed, invalidated, or unenforceable. In addition, issuance of a patent does not guarantee that we have an absolute right to practice the patented invention. Our policy is to require our employees (and our consultants and service providers, including third-party manufacturers of our systems and components, that develop intellectual property included in our systems) to execute written agreements in which they assign to us their rights in potential inventions and other intellectual property created within the scope of their employment (or, with respect to consultants and service providers, their engagement to develop such intellectual property), but we cannot assure you that we have adequately protected our rights in every such agreement or that we have executed an agreement with every such party. Finally, in order to benefit from the protection of patents and other intellectual property rights, we must monitor and detect infringement and pursue infringement claims in certain circumstances in relevant jurisdictions, all of which are costly and time-consuming. As a result, we may not be able to obtain adequate protection or to effectively enforce our issued patents or other intellectual property rights.

In addition to patents, we rely on trade secret rights, copyrights, trademarks, and other rights to protect our proprietary intellectual property and technology. Despite our efforts to protect our proprietary intellectual property and technology, unauthorized parties, including our employees, consultants, service providers or customers, may attempt to copy aspects of our solutions or obtain and use our trade secrets or other confidential information. We generally enter into confidentiality agreements with our employees, consultants, service providers, vendors, channel partners and customers, and generally limit access to and distribution of our proprietary information and proprietary technology through certain procedural safeguards. These agreements may not effectively prevent unauthorized use or disclosure of our intellectual property or technology and may not provide an adequate remedy in the event of unauthorized use or disclosure of our intellectual property or technology. We cannot assure you that the steps taken by us will prevent misappropriation of our intellectual property or technology or infringement of our intellectual property rights. In addition, the laws of some foreign countries where we sell or distribute our solutions do not protect intellectual property rights and technology to the same extent as the laws of the United States, and these countries may not enforce these laws as diligently as government agencies and private parties in the United States. Based on the 2013 report on intellectual property rights protection and enforcement published by the Office of the United States Trade Representative, such countries included Ukraine (designated a priority foreign country) and Chile, China, India, Indonesia, Russia and Thailand (designated as priority watch list countries).

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

We own trademarks that identify “Kornit” and “NeoPigment” among others, and have registered these trademarks in certain key markets. Although we take steps to monitor the possible infringement or misuse of our trademarks, third parties may violate our trademark rights. Any unauthorized use of our trademarks could harm our reputation or commercial interests. In addition, efforts to enforce our trademarks may be expensive and time-consuming, and may not effectively prevent infringement.

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

We have in the past and may in the future become subject to third-party claims that assert that our solutions, services and intellectual property infringe, misappropriate or otherwise violate third-party intellectual property or other proprietary rights.

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

Adverse outcomes in intellectual property disputes could:

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

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

A significant portion of our intellectual property has been developed by our employees in the course of their employment for us. Under the Israeli Patent Law, 5727-1967, or the Patent Law, inventions conceived by an employee in the course and as a result of or arising from his or her employment with a company are regarded as "service inventions," which belong to the employer, absent a specific agreement between the employee and employer giving the employee proprietary rights. The Patent Law also provides under Section 134 that if there is no agreement between an employer and an employee as to whether the employee is entitled to consideration for service inventions, and to what extent and under which conditions, the Israeli Compensation and Royalties Committee, or the Committee, a body constituted under the Patent Law, shall determine these issues. Section 135 of the Patent law provides criteria for assisting the Committee in making its decisions. According to case law handed down by the Committee, an employee's right to receive consideration for service inventions is a personal right and is entirely separate from the proprietary rights in such invention. Therefore, this right must be explicitly waived by the employee. A decision handed down in May 2014 by the Committee clarifies that the right to receive consideration under Section 134 can be waived and that such waiver can be made orally, in writing or by behavior like any other contract. The Committee will examine, on a case by case basis, the general contractual framework between the parties, using interpretation rules of the general Israeli contract laws. Further, the Committee has not yet determined one specific formula for calculating this remuneration, nor the criteria or circumstances under which an employee's waiver of his right to remuneration will be disregarded. Similarly, it remains unclear whether waivers by employees in their employment agreements of the alleged right to receive consideration for service inventions should be declared as void being a depriving provision in a standard contract. We generally enter into assignment-of-invention agreements with our employees pursuant to which such individuals assign to us all rights to any inventions created in the scope of their employment or engagement with us. Although our employees have agreed to assign to us service invention rights and have specifically waived their right to receive any special remuneration for such service inventions beyond their regular salary and benefits, we may face claims demanding remuneration in consideration for assigned inventions.

Undetected defects in the design or manufacturing of our products may harm our business and results of operations.

Our systems, ink and other consumables, and associated software may contain undetected errors or defects when first introduced or as new versions are released. We have experienced these errors or defects in the past during the introduction of new systems and system upgrades. We expect that these errors or defects will be found from time to time in new or enhanced systems after commencement of commercial distribution or upon software upgrades. These problems may cause us to incur significant warranty and repair costs, divert the attention of our engineers from our product development and customer service efforts and harm our reputation. We may experience a delay in revenue recognition or collection of due payments from relevant customers as a result of our systems' inability to meet agreed performance metrics. In addition, the use of third-party inks may harm the operation of our systems and reduce customer satisfaction with them, which could harm our reputation and adversely affect sales of our systems. We may also be subject to liability claims for damages related to system errors or defects. Although we carry insurance policies covering this type of liability, these policies may not provide sufficient protection should a claim be asserted against us. Any product liability claim brought against us could force us to incur significant expenses, divert management time and attention, and harm our reputation and business. In addition, costs or payments made in connection with warranty and product liability claims and system recalls could materially affect our financial condition and results of operations.

We may need substantial additional capital in the future, which may cause dilution to our existing shareholders, restrict our operations or require us to relinquish rights to our pipeline products or intellectual property. If additional capital is not available, we may have to delay, reduce or cease operations.

Based on our current business plan, we believe our cash flows from operating activities and our existing cash resources will be sufficient to meet our currently anticipated cash requirements through the next 12 months without drawing on our lines of credit or using significant amounts of the net proceeds from our initial public offering and our recently completed follow-on offering. Nevertheless, to the extent our anticipated cash requirements change, we may seek additional funding in the future. This funding may consist of equity offerings, debt financings or any other means to expand our sales and marketing capabilities, develop our future solutions or pursue other general corporate purposes. Securing additional financing may divert our management from our day-to-day activities, which may adversely affect our ability to market our current solutions and develop and sell future solutions. Additional funding may not be available to us on acceptable terms, or at all.

To the extent that we raise additional capital through, for example, the sale of equity or convertible debt securities, your ownership interest will be diluted, and the terms may include liquidation or other preferences that adversely affect your rights as a shareholder. The incurrence of indebtedness or the issuance of certain equity securities could result in increased fixed payment obligations and could also result in certain restrictive covenants, such as limitations on our ability to incur additional debt, limitations on our ability to acquire or license intellectual property rights and other operating restrictions that could adversely impact our ability to conduct our business. In addition, the issuance of additional equity securities by us, or the possibility of such issuance, may cause the market price of our ordinary shares to decline.

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

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

Risks Related to Our Ordinary Shares

Our share price may be volatile.

Our ordinary shares were first offered publicly in our initial public offering in April 2015 at a price of $10.00 per share, and our ordinary shares have subsequently traded as high as $18.50 and as low as $8.10 through March 20, 2017. The market price of our ordinary shares could be highly volatile and may fluctuate substantially as a result of many factors, including:

- actual or anticipated variations in our and/or our competitors' results of operations and financial condition;
- variance in our financial performance from the expectations of market analysts;
- announcements by us or our competitors of significant business developments, changes in service provider relationships, acquisitions, strategic relationships or expansion plans;

- changes in the prices of our solutions;
- our involvement in litigation;
- our sale of ordinary shares or other securities in the future;
- market conditions in our industry;
- changes in key personnel;
- the trading volume of our ordinary shares;
- changes in the estimation of the future size and growth rate of our markets; and
- general economic and market conditions.

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

Fortissimo Capital has a significant influence over matters requiring shareholder approval, which could delay or prevent a change of control.

As of February 28, 2017, Fortissimo Capital beneficially owns approximately 26.3% of our ordinary shares.

As a result, this shareholder could exert significant influence over our operations and business strategy and may have sufficient voting power to control the outcome of matters requiring shareholder approval. These matters may include:

- the composition of our board of directors, which has the authority to direct our business and to appoint and remove our officers;
- approving or rejecting a merger, consolidation or other business combination;
- raising future capital; and
- amending our articles, which govern the rights attached to our ordinary shares.

This concentration of ownership of our ordinary shares could delay or prevent proxy contests, mergers, tender offers, open-market purchase programs or other purchases of our ordinary shares. This concentration of ownership may also adversely affect our share price.

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

We have never declared or paid cash dividends on our share capital, nor do we anticipate paying any cash dividends on our share capital in the foreseeable future. We currently intend to retain all available funds and any future earnings to fund the development and growth of our business. As a result, capital appreciation, if any, of our ordinary shares will be investors' sole source of gain for the foreseeable future. In addition, Israeli law limits our ability to declare and pay dividends, and may subject our dividends to Israeli withholding taxes. Furthermore, our payment of dividends (out of tax-exempt income) may retroactively subject us to certain Israeli corporate income taxes, to which we would not otherwise be subject.

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

As a foreign private issuer whose shares are listed on the NASDAQ Global Select Market, we are permitted to follow certain home country corporate governance practices instead of those otherwise required under the corporate governance standards for U.S. domestic issuers. We currently follow Israeli home country practices with regard to the (i) quorum requirement for shareholder meetings, (ii) independent director oversight requirement for director nominations and (iii) independence requirement for the board of directors. See "ITEM 16G. Corporate Governance." Furthermore, we may in the future elect to follow Israeli home country practices with regard to other matters such as the requirement to have a compensation committee, separate executive sessions of independent directors or 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 investors of domestic issuers. See "ITEM 16G. Corporate Governance."

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. These exemptions and leniencies will reduce the frequency and scope of information and protections to which you are entitled as an investor.

We are not required to comply with the proxy rules applicable to U.S. domestic companies, including the requirement applicable to emerging growth companies to disclose the compensation of our Chief Executive Officer and other two most highly compensated executive officers on an individual, rather than on an aggregate, basis. Nevertheless, the Companies Law requires us to disclose in the notice of convening an annual general meeting the annual compensation of our five most highly compensated office holders on an individual basis, rather than on an aggregate basis, as was previously permitted for Israeli public companies listed overseas. This disclosure is not as extensive as that required of a U.S. domestic issuer.

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

We are an "emerging growth company" and the reduced disclosure requirements applicable to emerging growth companies may make our ordinary shares less attractive to investors.

We are an "emerging growth company," as defined in the Jumpstart Our Business Startups Act of 2012 effective on April 5, 2012, or the JOBS Act, and we may take advantage of certain exemptions from various requirements that are applicable to other public companies that are not emerging growth companies. Most of such requirements relate to disclosures that we would only be required to make if we cease to be a foreign private issuer in the future. Nevertheless, as a foreign private issuer that is an emerging growth company, we are not required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act for up to five fiscal years after April 2, 2015, the date of our initial public offering. We will remain an emerging growth company until the earliest of: (a) the last day of our fiscal year during which we have total annual gross revenues of at least $1.0 billion; (b) the last day of our fiscal year following the fifth anniversary of the completion of our initial public offering; (c) the date on which we have, during the previous three-year period, issued more than $1.0 billion in non-convertible debt; or (d) the date on which we are deemed to be a "large accelerated filer" under the Exchange Act. When we are no longer deemed to be an emerging growth company, we will not be entitled to the exemptions provided in the JOBS Act discussed above. We cannot predict if investors will find our ordinary shares less attractive as a result of our reliance on exemptions under the JOBS Act. If some investors find our ordinary shares less attractive as a result, there may be a less active trading market for our ordinary shares and our share price may be more volatile.

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

Future sales by us or our shareholders of a substantial number of ordinary shares in the public market, or the perception that these sales might occur, could cause the market price of our ordinary shares to decline or could impair our ability to raise capital through a future sale of, or pay for acquisitions using, our equity securities. Shares held by our pre-IPO shareholders are now eligible for sale under Rule 144 of the Securities Act, which could cause additional downward pressure on the market price of our ordinary shares.

Fortissimo Capital is entitled to require that we conduct underwritten offerings under the U.S. Securities Act of 1933 with respect to the resale of its shares into the public markets. In addition, Amazon is also entitled to certain registration rights starting on January 10, 2018. All shares sold pursuant to an offering covered by a registration statement will be freely transferable except if purchased by an affiliate. See "ITEM 7.B — Related Party Transactions — Investors' Rights Agreement." and "ITEM 10.C – Material Contracts – Agreements with Amazon."

As of December 31, 2016, options to purchase 1,009,118 ordinary shares granted to employees and office holders were vested and exercisable. We have filed registration statements on Form S-8 under the Securities Act registering ordinary shares that we may issue under our share incentive plans, of which as of December 31, 2016 there were options to purchase 2,733,166 shares outstanding. Shares included in such registration statements may be freely sold in the public market upon issuance, except for shares held by affiliates who have certain restrictions on their ability to sell.

Under Section 404 of the Sarbanes-Oxley Act and as an emerging growth company, we are currently not required to obtain an auditor attestation regarding our internal control over financial reporting.

We are required to comply with the evaluation and certification requirements of Section 404 of the Sarbanes-Oxley Act with respect to internal control over financial reporting as of this annual report. Once we no longer qualify as an "emerging growth company" under the JOBS Act and lose the ability to rely on the exemptions related thereto discussed above, our independent registered public accounting firm will need to attest to the effectiveness of our internal control over financial reporting under Section 404. To maintain the effectiveness of our disclosure controls and procedures and our internal control over financial reporting, we may 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. Irrespective of compliance with Section 404, any failure of our internal controls could have a material adverse effect on our stated results of operations and harm our reputation. If any such failure were to occur, we may be required to take remedial actions and make required changes to our internal control over financial reporting and we may experience higher than anticipated operating expenses, as well as higher independent auditor fees during and after the implementation of these changes. If we are unable to implement any of the required changes to our internal control over financial reporting effectively or efficiently or are required to do so earlier than anticipated, it could adversely affect our operations, financial reporting and/or results of operations and could result in an adverse opinion on internal controls from our independent auditors.

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

Generally, if for any taxable year 75% or more of our gross income is passive income, or at least 50% of the average quarterly value of our assets (which may be determined in part by the market value of our ordinary shares, which is subject to change) are held for the production of, or produce, passive income, we would be characterized as a passive foreign investment company, or PFIC, for U.S. federal income tax purposes. Based on historic and certain estimates of our gross income, gross assets and market capitalization (which may fluctuate from time to time) and the nature of our business, we believe we were not a PFIC for the taxable year ending 2016 and we do not expect that we will be classified as a PFIC for the taxable year ending December 31, 2017. Because PFIC status is based on our income, assets and activities for the entire taxable year, it is not possible to determine whether we will be characterized as a PFIC for our 2017 taxable year until after the close of the year. There can be no assurance that we will not be considered a PFIC for any taxable year. If we are characterized as a PFIC, our U.S. shareholders may suffer adverse tax consequences, including having gains realized on the sale of our ordinary shares treated as ordinary income, rather than as capital gain, the loss of the preferential rate applicable to dividends received on our ordinary shares by individuals who are U.S. Holders (as defined in "ITEM 10.E Taxation and Government Programs—U.S. Federal Income Taxation"), and having interest charges apply to distributions by us and the proceeds of sales of our ordinary shares. Certain elections exist that may alleviate some of the adverse consequences of PFIC status and would result in an alternative treatment (such as mark-to-market treatment) of our ordinary shares. For a more detailed discussion, see "ITEM 10.E Taxation and Government Programs—U.S. Federal Income Taxation—Passive Foreign Investment Company Considerations."

Risks Related to Our Operations in Israel

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

Our headquarters, research and development and manufacturing facility, and the manufacturing facilities of our third-party manufacturers, are located in Israel. In addition, the majority of our key employees, officers and directors are residents of Israel. 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, 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. While we are currently considering evaluating a business continuity plan to provide for alternative sites outside of Israel, there can be no assurance that we will be able to implement such a plan on a cost-effective basis, or at all, and even if implemented, whether such plan would be successful. 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, 2016, we had 249 employees based in Israel, certain of whom 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 solutions.

In addition, the shipping and delivery of our systems and ink and other consumables from our manufacturing facilities and those of our third-party manufacturers in Israel could be delayed or interrupted by political, economic, military, and other events outside of our reasonable control, including labor strikes at ports in Israel or at ports of destination, military attacks on transportation facilities or vessels, and severe weather events. If delivery and installation of our products is delayed or prevented by any such events, our revenues could be materially and adversely impacted.

The government tax benefits that we currently receive require us to meet several conditions and may be terminated or reduced in the future, which would increase our costs.

We and our wholly-owned Israeli subsidiary, Kornit Digital Technologies Ltd., or Kornit Technologies, are entitled to various tax benefits under the Israeli Law for the Encouragement of Capital Investments, 1959, or the Investment Law. As a result of this status, the effective tax rate for our taxable income generated in Israel is expected to be between zero and 5% in 2016. However, if we do not meet the requirements for maintaining these benefits, the tax benefits may be reduced or cancelled and the relevant operations would be subject to Israeli corporate tax at the standard rate, which was 26.5% in 2014 and 2015, 25% in 2016, and is currently set at 24% for 2017 and 23% for 2018 and thereafter. In addition to being subject to the standard corporate tax rate, we could be required to refund any tax benefits that we have already received, as adjusted by the Israeli consumer price index, plus interest and penalties thereon. Even if we continue to meet the relevant requirements, the tax benefits that our current beneficiary enterprises receive may not be continued in the future at their current levels or at all. If these tax benefits would be reduced or eliminated, the amount of taxes that we pay would likely increase, as all of our operations would consequently be subject to corporate tax at the standard rate, which could adversely affect our results of operations. Additionally, if we increase our activities outside of Israel, for example, via acquisitions, our increased activities may not be eligible for inclusion in Israeli tax benefit programs. See “ITEM 5. Operating and Financial Review and Prospects - Taxation and Israeli Government Programs Applicable to our Company — Law for the Encouragement of Capital Investments, 5719-1959.”

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

Our research and development efforts were financed in part through grants from the Israeli National Authority for Technological Innovation, or the Innovation Authority (previously known as the Israeli Office of the Chief Scientist), which we repaid in full in 2015. Even though we have fully repaid our Innovation Authority grants, we must nevertheless continue to comply with the requirements of the Encouragement of Research, Development and Technological Innovation in the Industry Law, 5744-1984 (formerly known as the Law for the Encouragement of Research and Development in Industry 5744-1984), and related regulations, or collectively, the Innovation Law.

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

Although we have repaid our grants in full, we remain subject to the restrictions set forth under the Innovation Law, including:

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

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

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

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

We have received grants from the Office of the Chief Scientist prior to an extensive amendment to the Innovation Law that came into effect as of January 1, 2016, or the Amendment, which may also affect the terms of existing grants. The Amendment provides for an interim transition period, which has not yet expired, after which time our grants will be subject to terms of the Amendment and the Innovation Authority's new guidelines, if and when issued. Furthermore, the Innovation Law following the Amendment includes new provisions with respect to sanctions imposed for violations of the Innovation Law. Under the Innovation Law, as amended by the Amendment, the Innovation Authority has the power to modify the terms of existing grants. Such changes, if introduced by the Authority in the future, may impact the terms governing our grants. As of the date of this prospectus supplement, we are unable to assess the effect of such changes, if any, on our business.

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

Israeli corporate law regulates mergers, requires tender offers for acquisitions of shares above specified thresholds, requires special approvals for transactions involving directors, officers or significant shareholders and regulates other matters that may be relevant to such types of transactions. For example, a tender offer for all of a company's issued and outstanding shares can only be completed if the acquirer receives positive responses from the holders of at least 95% of the issued share capital, otherwise, the acquirer may not own more than 90% of a company's issued and outstanding share capital. Completion of the tender offer also requires approval of a majority in number of the offerees that do not have a personal interest in the tender offer, unless at least 98% of the company's outstanding shares are tendered. Furthermore, the shareholders, including those who indicated their acceptance of the tender offer (unless the acquirer stipulated in its tender offer that a shareholder that accepts the offer may not seek appraisal rights), may, at any time within six months following the completion of the tender offer, petition an Israeli court to alter the consideration for the acquisition. See "ITEM 10.B — Articles of Association — Acquisitions under Israeli Law."

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

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

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

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

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

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

ITEM 4. Information on the Company.

A. History and Development of the Company

Our History

Our legal name is Kornit Digital Ltd. and we were incorporated under the laws of the State of Israel on January 16, 2002.

In April 2015, we completed our IPO, pursuant to which we sold 8.165 million ordinary shares for aggregate gross proceeds (before underwriting discounts, commissions and expenses) of $81.65 million. Our ordinary shares began trading on the NASDAQ Global Select Market, under the symbol "KRNT," on April 2, 2015.

We are subject to the provisions of the Israeli Companies Law, 5759-1999. Our principal executive offices are located at 12 Ha'Amal Street, Rosh Ha'Ayin 4809246, Israel, and our telephone number is +972-3-908-5800. Our website address is www.kornit.com (the information contained therein or linked thereto shall not be considered incorporated by reference in this annual report). Our agent for service of process in the United States is Kornit Digital North America Inc., located at 10541-10601 North Commerce Street, Mequon, Wisconsin 53092, and its telephone number is (262) 518-0200.

Principal Capital Expenditures

Capital expenditures for purchase of property, plant and equipment and the digital direct to garment printing assets of SPSI Inc., were $1.9 million, $2.9 million and $14.7 million in the years ended December 31, 2014, 2015 and 2016, respectively. Capital expenditures in the year ended December 31, 2016 included $9.2 million with respect to the purchase of the digital direct-to-garment printing assets of SPSI Inc. and $5.5 million in property, plant and equipment.

B. Business Overview

Industry

Overview

The global textile and garment industry, including textile, clothing, footwear and luxury fashion, was worth nearly $3 trillion in 2015 and is projected to grow between 2% and 5% annually through 2020, according to a 2016 Digital Textile Printing Industry Forecast 2015-2020 report by InfoTrends, a provider of market intelligence on the digital imaging industry. The global printed textile industry represents a sub-segment of the global textile industry. The global printed textile industry involves printing on fabric rolls, finished garments and unsewn pieces of cut fabric at various stages along the value chain in the production of goods for the apparel, household, technical and display end markets.

There is a diverse ecosystem of businesses that utilize textile printing processes, such as custom decorators, online businesses, brand owners and contract printers. Custom decorators of varying sizes use their own manufacturing facilities to print promotional, sports, educational and souvenir products. Online businesses use textile printing in a "produce to order" business model through online platforms that facilitate the rapid printing and shipping of customized and personalized goods to consumers. Brand owners typically use contract printers for textile production and printing and are increasingly aware of the benefits of various printing processes, which influences their choice of contract printer.

We believe that the vast majority of the output of the global printed textile industry in 2016, which was projected to be approximately 32 to 33 billion square meters, was produced using analog print methods, specifically screen printing, carousels for printing on garments and rotary screen printers for printing on rolls of fabric. Our assessment is based on data provided in a 2016 report by Smithers Pira, a provider of market intelligence on the printed textile industry. The Pira report provides digital printing output estimates for 2016 and projects the analog printing output for 2016 as well as the annual digital textile printing growth rate through 2021, which we used to calculate a projected digital output of approximately 870 million square meters for 2016, representing 2.9% of total projected annual global printed textile output in 2016. According to the Pira report, initial growth rates in the digital textile printing market were more than 45% between 2004 and 2009, declining to an average CAGR of 25% between 2009 and 2012, an average CAGR of 18.8% between 2012 and 2014 and an average CAGR of 15.6% for 2014 to 2016 as the market became more mature and, in part, due to the impact of the global economic slowdown. Digital textile printing output is forecasted to grow at a 17.5% CAGR globally from 2016 to 2021 driven by projected CAGR over the same period of approximately 16.5% in North America, 15.0% in Western Europe, 13.5% in Eastern Europe and 20.1% in Asia according to the Pira report. Within digital textile printing, clothing applications represent the greatest amount of digital printed textile output and are projected to grow at a faster rate than household, technical and display applications.

We estimate that global revenue from digital textile printing equipment and ink will grow at a 15.7% CAGR between 2016 and 2021 based on the estimate of such revenue for 2016 and the projection for 2021, in each case, contained in the Pira report. There is currently a global installed base of approximately 42,000 digital textile printers.

Trends Impacting Digital Textile Printing

Evolving consumer behavior is driving the growth in digital printing as well as the shift to online retail. This behavior is motivated by increased demand for variety and complexity of images and designs as well as increased desire for customization and personalization. In order to distinguish themselves from the masses, consumers demand, and brand owners seek to supply, a wide range of styles that are innovative and diverse.

Apparel represents the largest segment of the online retail market and sales are highly influenced by rapidly changing consumer trends. We believe that four key trends are currently driving growth in both the online retail market and the demand for digital printing solutions:

- *Immediate Gratification.* According to a 2016 report by Consumer Intelligence Research Partners, from 2013 to 2015 the number of Amazon customers in the United States willing to pay more in order to receive products faster more than doubled to 54 million. This change in consumer behavior is causing retailers to alter their approach to inventory management in order to retain the business of discrete shoppers. In addition to retooling their internal fulfillment capabilities, many retail brands have begun to leverage the capacity of third party online stores in order to meet customer demands for delivery speed and product quality. We believe that the industry will see an increase in proximity production, whereby traditional retailers will use more localized digital printing capacity in order to satisfy consumer demands.

- *Personal Expression.* We believe consumers are increasingly seeking the ability to customize products by choosing preferred features from a menu of options, or the ability to personalize products by adding an individualized pattern. We believe this trend is driving the shift to digital printing and online retail in both our DTG and R2R end markets.

- *Influence of Social Media.* The means through which customers gather information to inform purchase decisions has also evolved in today's digital world. According to a study by PwC, 78% of consumers were influenced by social media in making online shopping decisions in 2015, up from 68% in the prior year. We believe this trend further promotes the shift to the online retail channel.

- *Consumer Preference.* Today's consumer is leveraging the online channel for apparel purchases at a pace that far exceeds traditional brick and mortar purchases. According to a report by Internet Retailer, the online channel represented 17.0% of U.S. apparel sales in 2015, up from 14.8% in 2014. The market share gain corresponds to apparel revenue growth of 19.7% in the online channel and only 1.1% growth in the brick and mortar channel. We believe our installed base reflects the convergence of the growth in online apparel retail and the growth in digital printing. As of December 2016, we estimate that our top 10 accounts in terms of revenue have the capacity to produce 60 million garments per year in aggregate, and that total production across our installed base in 2016 was 70 to 80 million garments.

New business models have developed in response to the evolution of these consumer trends and the rapid growth of the online retail market. Our solutions enable this category of "web-to-print" businesses to fulfill consumer demand more quickly and cost-effectively in a manner that is differentiated from traditional brick and mortar businesses.

A number of large scale web-to-print platforms have emerged. These platforms often leverage digital printing solutions to facilitate business for a variety of content creators. The ecosystem of web-to-print businesses which we currently serve includes:

- *Self-Fulfillment*. Companies manufacturing and selling their own designs which are advertised on their own websites and through other marketing means.

- *Hybrid Printers.* Companies who both manufacture in-house and outsource manufacturing to third party fulfillment providers, who are often also our customers.

- *Third Party Fulfillment Centers.* Companies serving as third party fulfillment for other businesses. Demand for these businesses is typically generated online through other web retailers.

Proximity to the consumer is a key factor for these businesses since it minimizes shipping costs and enables them to offer rapid turnaround. In many cases, retailers have asked us for assistance in identifying our local customers to help with their fulfillment.

The following characteristics of digital textile printing have enabled these new business models and are driving the shift from analog to digital textile printing:

- *Manufacturing flexibility.* Digital textile printing allows a full image or design to be printed on a garment or cut fabric in one manufacturing step compared to multiple steps in an analog printing process. Digital textile printing gives manufacturers the ability to print small runs, with personalization capabilities, in a cost-effective manner with a minimum order quantity of one unit.

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

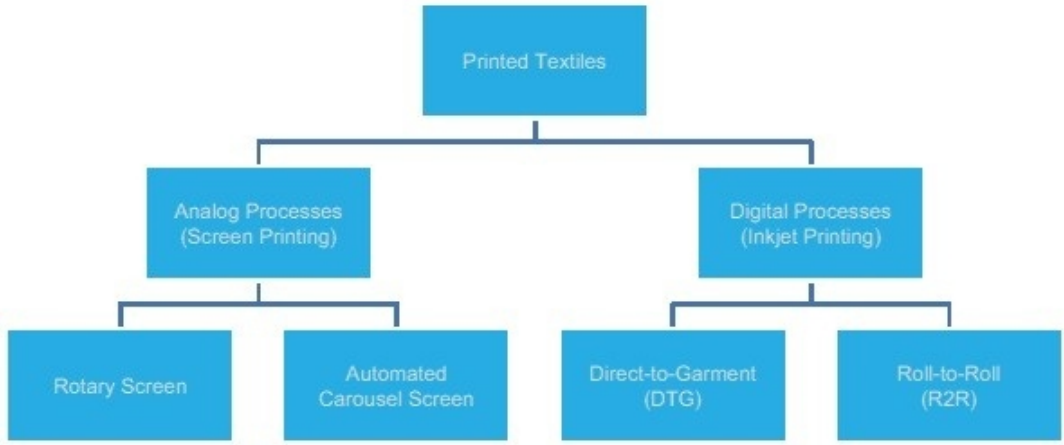
- *Decreased risk of excess inventory.* The costly and time-consuming upfront setup required in analog production methods is avoided when using digital printing technologies. Therefore, digital printing enables the cost efficient production of a smaller quantity of garments which mitigates excess inventory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

- *Reduced labor and physical space requirements.* Digital textile printing requires significantly less labor to print an equivalent output due to the significant reduction in process steps. The digital textile printing process also reduces the need for floor space for manufacturing equipment by eliminating certain process steps and by consolidating multiple process steps into a single printing system. The combination of labor savings and smaller shop floor footprint, coupled with lower energy consumption and a lack of environmental impact, enables manufacturers to move production closer to consumers in a cost-effective manner.

In addition to these consumer driven trends, the textile printing industry is being impacted by environmental considerations. Regulatory bodies and consumers are increasingly focused on social responsibility and eco-friendly manufacturing, demanding that custom decorators, online businesses, brand owners and contract printers reduce the negative environmental impact of textile treatment and dyeing, which represents a significant portion of total industrial waste water. Digital textile printing significantly reduces industrial water consumption and discharge of toxic chemicals by eliminating the need to wash screens for color changes and repeated use. We believe that this results in reduced environmental impact and, in turn, enables manufacturers to comply with regulatory and brand guidelines at a location of their choosing.

Overview of Textile Printing Processes

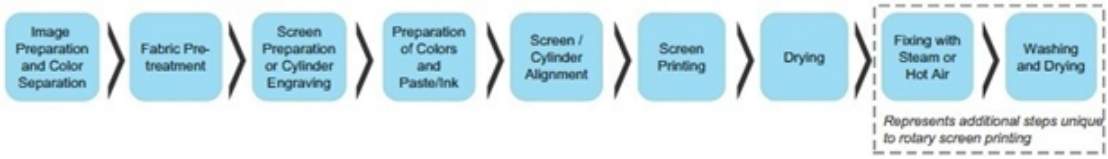
The graphic and accompanying description below present various textile printing processes:



Analog Printing Processes

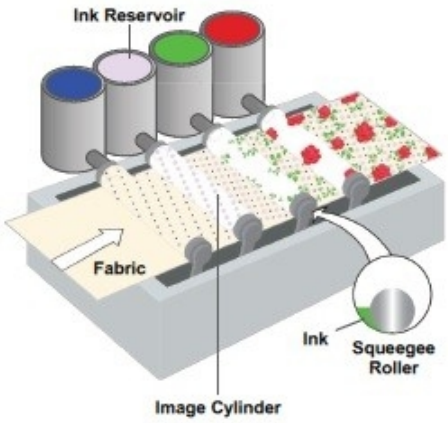
Screen printing is the most commonly used printing process for textiles. The two primary methods of screen printing are rotary screen printing and automated carousel screen printing.

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



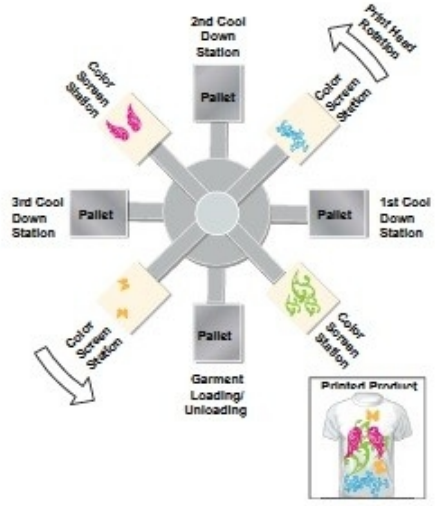
- ***Rotary screen printing***. Rotary screen printing is commonly used to print on outerwear, underwear, sportswear, upholstery and linens. It involves multiple, time-consuming process steps. Rolls of fabric pass through rotating cylinders that are engraved with the image or design to be printed. Each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

The following chart depicts the analog rotary screen printing process:



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

The following chart depicts the automated carousel screen printing process:



Digital Printing Processes

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

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

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

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

- ***Roll-to-Roll (R2R)***. In R2R printing, rolls of fabric pass in-line through wide-format inkjet printers that are utilized to directly print images and designs onto rolling fabric. The following chart summarizes the key steps involved in the R2R printing process:

Recent technological developments in digital printing have supported the adoption of digital printing by the global printed textile industry, including by custom decorators, online businesses, brand owners and contract printers. As a result of consumer and macro trends impacting these businesses, we believe that the global printed textile industry offers a significant and rapidly growing market for digital printing solutions.

Business

Overview

We develop, design and market innovative digital printing solutions for the global printed textile industry. Our vision is to revolutionize this industry by facilitating the transition from analog processes that have not evolved for decades to digital methods of production that address contemporary supply, demand and environmental dynamics. We focus on the rapidly growing high throughput, direct-to-garment, or DTG, and roll-to-roll, or R2R, segments of the printed textile industry. Our solutions include our proprietary digital printing systems, ink and other consumables, associated software and value added services that allow for large scale printing of short runs of complex images and designs directly on finished garments and fabrics. Our solutions are differentiated from other digital methods of production because they eliminate the need to pre-treat fabrics prior to printing, thereby offering our customers the ability to digitally print high quality images and designs on a variety of fabrics in a streamlined and environmentally-friendly manner. When compared to analog methods of production, our solutions also significantly reduce production lead times and enable customers to more efficiently and cost-effectively produce smaller quantities of individually printed designs, thereby mitigating the risk of excess inventory, which is a significant challenge for the printed textile industry.

There are a number of trends within the global printed textile industry that we believe are driving greater demand for our solutions. Consumers are continuing to seek to differentiate themselves by wearing customized and personalized garments with colorful and intricate images and designs. Consumers are also increasingly purchasing retail products online, with apparel representing the largest portion of this market. Brand owners and contract printers are seeking methods to shorten time to market and reduce production lead times in order to more efficiently and cost-effectively produce smaller runs of printed textiles and reduce the risk of excess inventory while concurrently meeting consumer demands. As consumers increasingly shift to online retail channels, there is an increased need for brand owners and contract printers to improve efficiency, as consumers demand more varied product offerings and faster fulfillment of orders. Simultaneously, regulatory bodies and consumers are increasingly focused on social responsibility and eco-friendly manufacturing, demanding that printed textile manufacturers reduce the negative environmental impact associated with the manufacturing of printed textiles. Our solutions address these trends by enabling our customers to print smaller quantities of customized products in a time efficient, cost-effective and environmentally friendly manner, effectively allowing them to transition from customary methods of supply and demand to demand and supply.

We have developed and offer a broad portfolio of differentiated digital printing solutions for the DTG market that provide answers to challenges faced by participants in the global printed textile industry. Our DTG solutions utilize our patented wet-on-wet printing methodology that eliminates the common practice of separately coating and drying textiles prior to printing. This methodology also enables printing on a wide range of untreated fabrics, including cotton, wool, polyester, lycra and denim. With throughputs ranging from 32 to 250 garments per hour, our entry level and high throughput DTG solutions are suited to the needs of a variety of customers, from smaller commercial operators with limited budgets to mass producers with mature operations and complex manufacturing requirements. Our patented NeoPigment ink and other consumables have been specially formulated to be compatible with our systems and overcome the quality-related challenges that pigment-based inks have traditionally faced when used in digital printing. Our software solutions simplify workflows in the printing process, by offering a complete solution from web order intake through graphic job preparation and execution. We also offer customers maintenance and support services as well as value added services aimed at optimizing the use of our systems.

Building on the expertise and capabilities we have accumulated in developing and offering differentiated solutions for the DTG market, we market a digital printing solution, the Allegro, targeting the R2R market. While the DTG market generally involves printing on finished garments, the R2R market is focused on printing on fabrics that are subsequently converted into finished garments, home or office décor and other items. The Allegro utilizes our proprietary wet-on-wet printing methodology and houses an integrated drying and curing system. It offers the first single-step, stand-alone R2R digital textile printing solution available on the market. We primarily market the Allegro to web-based businesses that require a high degree of variety and limited quantity orders, as well as to fabric converters, which source large quantities of fabric and convert untreated fabrics into finished materials to be sold to garment and home décor manufacturers. We believe that with the Allegro we are well positioned to take advantage of the growing trend towards customized home décor. We began selling the Allegro commercially in the second quarter of 2015.

We were founded in 2002 in Israel, shipped our first system in 2005 and, as of December 31, 2016, had over 1,000 customers globally. As of December 31, 2016, we had 390 employees located across four regions: Israel, the United States, Europe and the Asia Pacific region. In the year ended December 31, 2016, we generated revenues of $108.7 million, representing an increase of 25.8% over the prior fiscal year. In the year ended December 31, 2016, we generated 66.3% of our revenues from the Americas, 22.7% from EMEA and 11.0% from the Asia Pacific region.

Our Competitive Strengths

The following are our key competitive strengths:

- **Leading player in fast-growing digital DTG market**. We are a leading player in the fast-growing digital DTG market based on our sales and have over 1,000 customers globally. We estimate that global revenue from digital textile printing equipment and ink will grow at a 15.7% CAGR between 2016 and 2021 based on the estimate of such revenue for 2016 and the projection for 2021, in each case, contained in the Pira report. In 2015, we grew our revenues 30.2% compared to 2014 and, in 2016, we grew our revenues 25.8% compared to 2015. We believe that high throughput DTG applications in the textile printing market are positioned to grow at a rate greater than the 15.7% overall industry growth rate projected between 2016 and 2021. We have outperformed the industry growth rate over the past several years, growing our revenue at a 26.7% CAGR from the 12 months ended June 30, 2014 to the 12 months ended June 30, 2016, versus an industry CAGR of 15.6% for the same period, as estimated in the Pira report. The Pira report estimates that the DTG market has an addressable opportunity of six to 10 billion garments a year. According to a prior Smithers Pira report published in 2014, over 300,000 sites globally print primarily t-shirts and other apparel.

- **Well positioned to disrupt the R2R market with our unique single-step manufacturing solution**. We believe we are well positioned to capitalize on the growing trend toward customized home décor with our unique R2R solution. Our Allegro system combined with our proprietary process was designed to offer a single-step manufacturing solution which is especially suited for businesses which don't have a vertically integrated textile mill. Unlike other digital textile printers, the Allegro does not require multiple pre-processing and post-processing steps which are customarily used in vertically integrated textile mills and which utilize high levels of energy and space and have a negative environmental impact. Given its architecture, it is perfectly suited for short and micro runs. Allegro is compact in size and requires a single person to operate and fits very well in an urban and non-industrial setting. Allegro is unique in its ability to print on multiple fabric types without the need for different inks and consumables, while generally other systems and technologies for R2R digital printing require dedication of discrete printers to specific fabric types.

- **Disruptive technology that enables our customers to adopt new or improve existing business models**. Our digital printing solutions allow our customers to develop new or improve existing business models by enabling them to produce short to medium runs of high-quality customized garments efficiently. This also facilitates "web to print" business models that manufacture on a "produce to order" basis and allows brand owners to produce garments in house. With a constantly growing worldwide customer base of more than 1,000 customers, we are witnessing the creation of a global fulfillment network of printing specialists which are leveraged by large numbers of websites that offer customizable garment printing services. As demand from these customers continues to grow so does utilization of our systems which in turn consume more ink and once used to their full capacity require purchasing of more systems.

- **Attractive business model**. We currently offer a broad portfolio of differentiated digital printing solutions for the digital DTG market. Our existing and growing installed base of systems results in recurring sales of ink and other consumables, which are specially formulated to enable our systems to operate at the highest throughput level. These recurring sales are generated at attractive gross margins. Recurring sales of ink and other consumables have historically offered us a degree of visibility into a significant component of our results of operations. We believe that our recurring sales model also enables us to foster close customer relationships as it facilitates ongoing engagement with our customers, which positions us to provide tailored solutions and expands our ability to provide value added services to our customers. Our customer relationships are further strengthened by a trend towards ownership of multiple systems, as the number of customers with at least two systems has grown from 155 as of December 31, 2014, to 219 as of December 31, 2016 and the number of customers with at least 10 systems has grown from nine as of December 31, 2014, to 15 as of December 31, 2016. We anticipate revenue from services to increase over time as we reach upgrade cycles across our growing installed base. Additionally, sales of ink and other consumables are generally higher in high throughput systems such as the Vulcan, Avalanche and Allegro systems. Large accounts typically run at high utilization rates and can consume up to five times as much ink per year compared to other accounts. By developing and implementing proprietary end-to-end solutions for our customers, we believe our business model is differentiated from more commoditized solutions serving the same end markets. We have proven our ability to grow revenues while maintaining an attractive margin profile and we intend to continue investing in our business to drive profitable growth in the future.

- **Robust intellectual property portfolio driven by an innovation-based culture**. Our intellectual property portfolio reflects over a decade of significant investments in digital textile printing, which we believe creates significant barriers to entry. We have developed a strong base of technology know-how, backed by our portfolio of intellectual property, which includes 19 issued patents and 22 pending patent applications that cover wet-on-wet printing methodology, ink formulations, printing processes and related methods and systems. Our team of over 110 researchers and developers, including chemists, electrical engineers, system engineers and mechanical engineers, ensures that our systems remain technologically advanced, and are well engineered, user-friendly and highly reliable.

- **Extensive product portfolio and strong new product pipeline**. With throughputs ranging from 32 to 250 garments per hour, our DTG systems are suited for smaller commercial operators with limited budgets, as well as mass producers with mature operations and complex needs. We have commercialized two new solutions in the market: the Allegro, a one-step, integrated R2R printing, drying and curing system, and the Vulcan, a cost-effective digital substitution for carousel screen printing. Our future roadmap remains focused on the continued development of proprietary processes, continuously expanding the breadth of applications upon which we can print while pushing the envelope of cost efficient manufacturing further as a means to expand our servable addressable markets.

- **Environmentally friendly printing processes**. A significant portion of global industrial water pollution comes from textile treatment and dyeing. We believe that environmental factors are beginning to assume a significant role in the decision-making process of our existing and potential customers, with an increasing number of countries adopting restrictions on the use of technologies like screen printing that generate significant wastewater. Our printing process eliminates the need for separate pre-treatment, as well as steaming, washing or rinsing of textiles during the printing process, which leads to a significant reduction in water consumption compared to conventional printing methods. In addition, our inks are biodegradable and certified by leading industry groups as being safe for system operators, consumers and the environment. Finally, our systems offer energy saving processes that result in the use of significantly less power compared to traditional printing processes. We believe that these environmental benefits will further drive market penetration of our solutions and enable manufacturers to move production closer to the consumer in a cost-effective manner.

- **Strong management team**. Our Chief Executive Officer, Gabi Seligsohn, and our Chief Financial Officer, Guy Avidan, bring extensive experience of managing publicly traded companies. Our management team's industry expertise, history with our company and extensive experience in running global publicly traded companies will enable us to execute our growth strategy. We have recently strengthened our management infrastructure with key hires who are experienced in the management of people, large scale business, innovation and product development in larger organizations including Intel, HP, KlA Tencor and Stratasys. Over the past three years, we have also invested heavily in human resources to support our growth. Since 2013, our workforce has more than doubled from 190 to 390 as of December 31, 2016. Additionally, more than 150 of our employees are in the field, enabling us to provide more localized service for our customers.

Our Strategy

The following are the key elements of our growth strategy:

- **Increase sales to existing customers**. We are focused on increasing sales to existing customers by introducing new digital printing applications, developing new features and functionality of our systems, increasing sales of software and services, selling systems from our additional product families and enabling our customers to increase utilization of systems by improving productivity and reliability. We also intend to actively refer business to our customers by connecting them with online businesses that seek fulfillment partners, which will enhance customer intimacy. Our direct sales and marketing teams and application development professionals play an active role in customer education and this referral process. Our objective is to help customers operate their businesses more efficiently and to increase utilization of their systems, thereby requiring more ink and other consumables purchases as well as potential investment in new systems as our customers require additional capacity.

- **Acquire new high volume customers**. Our technology is ideally positioned to enable business models focused on mass customization and personalization. We plan to continue growing our customer base by targeting customers with growth business models and demand for our high throughput solutions, including multiple systems or fleets of our systems. An example of this strategy is the Master Purchase Agreement, signed on January 10, 2017, with an affiliate of Amazon.com, Inc. Under the Purchase Agreement, Amazon may purchase, and we have committed to supply, multiple Avalanche 1000 digital DTG systems and NeoPigment ink and other consumables. We have also agreed to provide maintenance services and extended warranties to Amazon. Prior to the Purchase Agreement, we had more than 20 systems in production with Amazon and expect to growth this relationship meaningfully in the future.

- **Capitalize on growth in our targeted markets**. Evolving consumer behavior is driving the growth in digital printing as well as the shift to online retail. Since the online shopping experience relies heavily on the display of large varieties of designs as well as short cycle times from order to delivery, webstores are faced with a need to carefully manage inventories, which requires the new paradigm of demand and supply. Our solutions enable our customers to print in smaller, customized quantities in a time efficient, cost-effective and environmentally-friendly manner, effectively leading them to move from customary methods of supply and demand to this new paradigm. Digital textile printing allows retailers to establish new fulfillment centers (or re-task existing ones) in different parts of the world to support consumers' demand for variety, while shortening lead times from order to delivery and protecting against excess or obsolete inventory risks. With over 1,000 customers globally, many of which operate as fulfillment centers, we believe we are well positioned to play an enabling role for this trend. Our high throughput systems and proprietary inks ensure replicable quality and maximum uptime, which in turn, allow our customers to address the demands of online retail. We will continue tailoring our solutions to meet the needs of our customers in this evolving consumer environment through the ongoing development of our technology and the continued investment in the development of new ink formulas for our systems in order to expand the range of fabrics on which we can print and further improve the quality of our high resolution images and designs.

- **Extend our serviceable addressable market (SAM) by continuing to enhance our solutions**. We will continue to expand our SAM as we introduce new features and functionality that enhance the capabilities of our systems and inks, and enable our systems to print on new types of media. We are also continuing to drive adoption of digital DTG printing solutions by customers who primarily use screen printing carousels, which is how the majority of DTG printing jobs are currently performed. While we have started to penetrate this market by offering standalone DTG solutions, such as our Avalanche and Storm II systems, we plan to deepen our penetration and further transition users of these analog systems to digital printing technologies through our Vulcan system. Given Vulcan's ease of setup, lower cost per print, and high throughput levels, we are seeking to disrupt the core screen printed textile industry and target replacement of a significant installed base of automated carousels We have also begun to expand our SAM by selectively targeting the digital R2R market through our Allegro system, which offers customers the ability to produce limited quantity orders with a high degree of variety and uniquely supports multiple fabric types in a single-step R2R printing process. We believe that our technology portfolio and the industry expertise of our employees and partners will allow us to continue to deliver a broad base of textile solutions to our customers that meet the challenges of printing on textile substrates. Continuing to respond to these challenges will enable us to further expand our SAM as we produce higher quality prints on a wider set of fabrics. This will enable us to expand into areas such as the $97 billion "athleisure" market, where clothing designed for workouts and other athletic activities is worn in other settings.

- **Extend our leadership position through ongoing investments in research and development, acquisitions and strategic partnerships**. We seek to continue to differentiate ourselves and extend our leadership position by investing in research and development, acquisitions and strategic partnerships. We intend to leverage our customer relationships to identify emerging industry needs and innovate and develop new intellectual property and applications that address those needs. We are also developing new systems and intend to develop and introduce additional systems in the future. From time to time, we may also supplement our internal efforts with complementary inorganic initiatives such as acquisitions and strategic partnerships in order to enhance our positioning. For example, our acquisition of Polymeric Imaging in 2015 expanded our ink technology capabilities, and our acquisition of the digital DTG printing assets of SPSI in 2016 enabled us to strengthen our sales channel and gain access to a large screen printing customer base that we can now target for sales of digital solutions. Each of these acquisitions enhanced the positioning of our company. Future acquisitions may also allow us to strengthen our existing portfolio of solutions or add new capabilities. In an effort to better inform current and prospective customers about the capabilities of our solutions, we have also made investments in our direct sales and marketing teams and application development professionals.

Our Systems

Our line of DTG systems offers a range of performance options depending on the needs of the customer. These options include the number and size of printing pallets, number of print heads, printing throughput and process ink colors, as well as other customizable features. We categorize our DTG systems into two groups that are focused on the industrial segment of the DTG market: entry level and high throughput. As our business and marketplace has evolved, we have shifted the mix of our system sales primarily to high throughput systems.

- *Entry Level*. We currently have one entry level system, our Breeze system. This system reduces the need for floor space for manufacturing equipment by eliminating certain process steps and by consolidating multiple process steps into a single printing system. The Breeze allows businesses to adopt digital technology with a limited upfront investment and use the same technology as our high throughput systems but with smaller garment printing areas and at lower throughput levels.

- *High Throughput.* We offer a wide range of high throughput systems. We market a hybrid platform, the Paradigm II, which connects to existing screen printing carousels for customers who want to combine short runs of multicolor images into their ongoing screen printing operations. Our mid-level platform, the Storm, which employs one axis of print heads and two pallets, consists of four models (Storm 2, Storm Hexa, Storm Duo and Storm 1000). Our next level of high throughput systems is based on the Avalanche platform which employs two print head axis with two pallets and also comes in four different models (Avalanche, Avalanche DC, Avalanche 1000 and Avalanche Hexa). During 2016, we successfully commercially launched our new high throughput platform, the Vulcan which is geared towards addressing the needs of mass production at a significantly lower cost per print relative to our other systems.

Our systems vary in throughput and productivity, applications of use, breadth of color gamut and cost per print. The underlying strategy behind our system lineup is to accommodate a variety of customer needs with a variety of capabilities and at a variety of price points. All of our DTG systems utilize our patented wet-on-wet printing methodology that involves spraying a wetting solution on the fabric before applying our proprietary pigment-based inks. This unique capability enables our systems to reach high throughput levels while still producing high quality images and designs. The wetting solution prevents the ink from bleeding into the textile and fixes the ink drops, which enables digital printing with high color-intensity and image sharpness. This methodology eliminates the common practice of separately coating and drying textiles prior to printing and allows for printing on a wide range of untreated fabrics.

Our Vulcan system is designed to enable mass production of customized garments with high and consistent printing quality. It is designed to run at throughputs higher than any of our existing systems. The system’s architecture takes a different ergonomic approach to the sequence of loading and unloading of garments than that of our existing systems, enabling higher throughputs. The system utilizes state of the art print head technology and specially designed inks which allow for significant reduction in cost per print due to an increase in color intensity which allows for use of less ink per printed area as well as a reduction in wasted ink as a result of a transition to recirculating print heads. We began beta testing of the Vulcan at customer sites in the first quarter of 2016 and began realizing revenue from Vulcan sales in the fourth quarter of 2016. Given the Vulcan’s ease of setup and high throughput levels, we are seeking to disrupt the core screen printed textile industry and target replacement of a significant installed base of automated carousels. The Vulcan also capitalizes on our advanced print head and ink technology to limit waste, allowing for installation in locations where carousels cannot be installed due to environmental, health and safety laws and regulations.

Our Allegro system was the first R2R printing system to allow for one-step R2R printing. It combines a printing system and a drying and curing module so that a full end to end manufacturing process is enabled. Unlike the Allegro, all other R2R printers require additional steps. The Allegro takes advantage of our patented wet-on-wet methodology to allow for in-line printing on various fabrics, without requiring a separate pre-treatment process, thereby avoiding the need to use textiles that are specifically designed for digital printing. The Allegro is designed to achieve high throughputs and does not require water or steam for any part of the printing process, making it friendly to the environment. By using our proprietary pigment based ink, Allegro is able to print on a variety of natural and synthetic fabrics providing customers with a significant level of flexibility. Other dye-based systems are specifically designed to either print on natural fabrics or on synthetics and these systems cannot be used with other types of fabric as the processes and consumables used vary considerably from one to the other.

Our systems range in price from $60,000 to over $800,000 and consume an average of $5,000 to $300,000 of ink and consumables annually per system.

DTG Systems

The following table summarizes key aspects of our DTG systems, all of which are compatible with a wide range of fabrics, including cotton, wool, polyester, lycra and denim and print at maximum resolutions ranging from 600 to 1,200 DPI. Our systems are currently unable to print at a level of quality acceptable for large scale manufacturing on dyed polyester or nylon. However, we are in advanced stages of developing the capability to print on dyed polyester, giving us the opportunity to penetrate the $97 billion athleisure market.

System	Target Customer	Effective Throughput Dark/Light Garments[(1)]	Colors	Max. Printing Area
Breeze	Entry Level	32/25	CMYK + White	14 x 18 in
Storm II	High Throughput	120/65	CMYK + White	20 x 28 in
Storm 1000	High Throughput	170/85	CMYK + White	20 x 28 in
Storm Hexa	High Throughput	170/85	CMYKRG + White	20 x 28 in
Avalanche	High Throughput	150/100	CMYK + White	23.5 x 35 in
Avalanche DC Pro	High Throughput	150/100	CMYK + White + Discharge ink	23.5 x 35 in
Avalanche 1000	High Throughput	220/160	CMYK + White	23.5 x 35 in
Avalanche Hexa	High Throughput	180/140	CMYKRG + White	23.5 x 35 in
Paradigm II	High Throughput	120/120	CMYK	15.5 x 19.5 in
Vulcan	High Throughput	250/250	CMYKRG + White	28 x 39 in

(1) Maximum output for sellable product for dark and light garments. Output for all systems, except the Vulcan, is measured in High Productivity print mode using A4 size prints per hour with pretreatment included. Output for the Vulcan system is measured in Standard print mode using 12 x 12 in size prints per hour with pretreatment included.

Ink and Other Consumables

Our ink and other consumables consist of our patented NeoPigment ink, proprietary binding agent, priming fluid, wiping fluid, and flushing fluid. Our pigment based inks are available in seven colors and are formulated for optimal use exclusively in our systems. Our patented wet-on-wet printing methodology combines the use of pigments rather than dyes in conjunction with our proprietary binding agent, and allows us to print on a wide range of fabrics without the need for a separate pre-treatment process or system reconfiguration, resulting in minimal setup times for each run and high throughput levels. Given the proprietary nature of our printing methodology, our ink and consumables attachment rate is near 100%. We also continuously invest in the development of new ink formulas for our systems in order to expand the range of fabrics on which we can print and further improve the quality of our high resolution images and designs.

We have developed two patented methods for printing on dark or colored fabrics. The first method involves printing a layer of specially formulated white ink as a base upon which to print colored images and designs. Printing on top of this foundation enhances color intensity and creates contrast against the dark or colored fabric. In addition, we have developed a patented discharge ink for printing on dark or colored fabrics. The discharge ink bleaches the fabric dye and applies colored ink in the locations where the discharge ink removed the fabric dye. This method, which is primarily used by brand owners and contract printers, allows the printing of high resolution images and designs without compromising the texture or feel of the garment.

Integrated Software

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

Many of our customers also purchase our QuickP Designer standalone software. QuickP Designer is a software package that combines our own internally developed Ruster Image Processing, or RIP, software with other print job management capabilities and includes an advanced ink consumption estimation tool. A single QuickP Designer license can be used to support multiple Kornit systems.

We also offer our QuickP Plus 2.0 software suite, which provides customers with a full workflow solution from design creation and acceptance of job orders through production and order management.

Another solution that we are developing for use with our systems is Konnect, a cloud based service that gathers production data from our systems and presents it in a coherent and accessible way. With Konnect, customers can easily monitor their systems and identify different production trends, gaining important business insights relating to production costs, system utilization, system uptime and other metrics.

Our Services

Our services consist of maintenance and support, and professional services. We are seeking to increase the number of customers that rely on us to provide services for their systems by expanding our service capabilities. As of December 31, 2016, we had service contracts in place with approximately 16% of our installed base. In addition to driving gross margin improvement, we believe this will provide us an opportunity for direct contact with customers with the goal of reducing system down-time, educating customers about optimal use of our systems to drive increased utilization, expanding the variety of print applications and increasing sales of post-warranty service contracts and other professional application development services. During 2016 we began to introduce hardware and software upgrades to our existing systems. These upgrades are geared towards improving productivity, adding important features and functionality while improving user experience, extending application usage and improving system reliability. We plan to continue to develop upgrade packages over time as part of our commitment to protecting customers' investment in our solutions.

Maintenance and Support

We typically provide a one-year warranty on our systems, which covers parts, labor and remote support. Our customers can also purchase an additional year of warranty coverage in conjunction with their initial purchase of our systems. Thereafter, customers can renew maintenance and support contracts for additional periods by purchasing a maintenance and support package that covers remote support, software upgrades and onsite yearly maintenance or they can choose to rely on our support on a non-contractual time and material basis. In the United States, we provide maintenance and support directly to our customers. In EMEA, we provide maintenance and support to approximately half of our customers, depending on their location. In the Asia Pacific region, our independent distributors provide initial maintenance and support, and we provide second-line support when needed.

Professional Services

Our systems are designed such that customers can operate them without our assistance or that of our independent distributors. However, nearly all customers purchase our basic installation package and some take our advanced training program. Our advanced training program is an onsite tutorial ranging from three to five days, which includes customized consulting aimed at optimizing the use of our systems. Courses are also provided at our regional offices. We continuously seek to expand the number and content of the training programs. We provide professional services to customers in all regions both in person and through advanced web based learning systems.

Our Customers

Our diverse global customer base consisted of more than 1,000 customers as of December 31, 2016.

Throughout our growing installed base, our customers are able to serve a variety of different business models, particularly the new business models that have developed in response to the evolution of consumer trends and the rapid growth of the online retail market. Our solutions enable this category of "web-to-print" businesses to fulfill consumer demand more quickly and cost-effectively in a manner that is differentiated from traditional brick and mortar businesses. A number of large scale web-to-print platforms have emerged. These platforms often leverage digital printing solutions to facilitate business for other content providers.

The ecosystem of web-to-print businesses which we currently serve includes:

- *Self-Fulfillment*. Companies manufacturing and selling their own designs which are advertised on their own websites and through other marketing means.

- *Hybrid Printers.* Companies who both manufacture in-house and outsource manufacturing to third party fulfillment providers, who are often also our customers.

- *Third Party Fulfillment Centers.* Companies serving as third party fulfillment for other businesses. Third party fulfillment providers include a number of our customers. Demand for these businesses is typically generated online through other web retailers.

Proximity to the end customer is a key factor for these businesses since it minimizes shipping costs and enables them to offer rapid turnaround to consumers, which is a key factor in choosing where to buy online apparel. In many cases, retailers have asked us for assistance in identifying our local customers to help with their fulfillment.

See "ITEM 10.D - Material Contracts - Agreements with Amazon."

Sales and Distribution

Our go to market strategy consists of a hybrid model of indirect and direct sales. We generate a significant portion of our sales through a global network of independent distributors and value added resellers that we refer to as our channel partners. Our channel partners, in turn, sell the solutions they purchase from us to customers for whom we provide installation services, or sell and install our solutions on their own. Our channel partners work closely with our sales force and assist us by identifying potential sales targets, closing new business and maintaining relationships with and, in certain jurisdictions, providing support directly to our customers. Almost all of our independent distributors have our systems available for tradeshows, product demonstrations at their facilities, and other promotional activities. As of December 31, 2016, our global network of channel partners consisted of approximately 70 independent distributors and resellers. Sales by our distributors accounted for approximately 47% of our revenues in 2016, approximately 64% of our revenues in 2015 and approximately 72% in 2014. In addition to working closely with our channel partners, our direct sales force engages in direct sales in certain geographies, and also with our largest customers, irrespective of their location. We continually evaluate our go to market strategy in the geographies we serve in an effort to best serve our direct or indirect customers. As our roadmap continues to evolve, the sophistication of our systems and our selling prices will require us to continue to advance the capabilities of our sales and marketing teams as well as those of our distributors.

A substantial portion of our sales in North America are performed through independent distributors. Hirsch International Corporation and SPSI, Inc. were our top two independent distributors by revenues in 2014, 2015 and 2016, accounting for 25%, 18% and 21% of our revenues in each such period in the case of Hirsch, and 15%, 15% and 7% of our revenues in each such period in the case of SPSI. We entered into a distributor agreement with Hirsch, dated April 1, 2014, with an initial term of three years, which will renew automatically for successive one-year periods unless one party notifies the other party that it does not wish to renew the agreement, by providing 90 days' notice prior to the end of the initial term of renewal period, as applicable. Our agreement with Hirsch is a non-exclusive distribution contract across North America, including 28 states concentrated on the East and West Coasts of the United States, as well as five Canadian provinces. We maintain projected sales plans for a number of different systems on a yearly basis and there is a minimum yearly sales requirement for systems and ink and other consumables.

In July 2016 we acquired the digital direct to garment printing assets of SPSI. We had been partners with SPSI since 2004 and our agreement with SPSI was previously a non-exclusive distribution contract across the United States, including 20 states mainly in the Midwest, Northwest and Southwest regions. The decision to acquire the SPSI assets was made in light of the fact that the territory covered by SPSI had an increasing number of larger accounts which required a more direct relationship with such customers. By fostering direct relationships with these customers, we aim to deepen our technical relationship with them as well better align our product roadmap to meet their needs. Through the acquisition we attained access to over 5,000 screen printing customers of SPSI, who represent a market opportunity for us to potentially provide systems that will facilitate their transition to digital printing.

Marketing

Our marketing strategy is aimed at positioning us as a global leader in digital textile printing. We are focused on increasing awareness of our brand and communicating the benefits of our disruptive technology and how it addresses market needs in order to develop leads and increase sales to existing customers. We market our systems as a comprehensive solution to the growing trend towards mass customization and personalization. We seek to execute our strategy by leveraging a combination of internal marketing professionals and a network of channel partners to communicate the value proposition and differentiation of our systems, generating qualified leads for our direct sales force and channel partners. By investing in analytics-driven lead development and through detailed interactions with key customers, we seek to create and update our product roadmaps and individual marketing plans to optimize distribution while helping facilitate the process of release, ramp-up and sales.

We use a variety of advanced inbound and outbound online marketing methods to reach and communicate with potential customers. Inbound methods include a variety of online marketing strategies comprised of search marketing (for example, search engine optimization and pay per click advertising), social media, blogs, syndication, webinars and white papers. Outbound channels include a fully automated e-mailer and web based customer nurturing and scoring process, as well as more traditional marketing methods such as print advertisements, direct mail and e-mail, tradeshows, newsletters and referrals. In addition, we have developed domestic and international onsite demonstration capabilities in our regional offices in the United States, Germany, Hong Kong and China and we also rely on demonstration facilities setup by our channel partners.

Manufacturing, Inventory and Suppliers

Manufacturing

Our systems are assembled by ITS Industrial Techno-logic Solutions Ltd., or ITS, at its facilities in Rosh Ha'Ayin, Israel and by Flex Ltd., or Flex, at its facilities in Yavne, Israel. Aside from our print heads, we source many of the components of our systems directly, which we believe allows us to manage our material costs and take advantage of the overall volume of systems manufactured at both facilities without the overhead of having in house manufacturing.

We entered into our first manufacturing agreement with ITS in May 2009. We replaced that agreement with a new agreement dated November 19, 2014, pursuant to which ITS manufactures the Avalanche, Avalanche 1000, Storm II, and Allegro systems in accordance with our bill of materials, drawings and designs. The initial term of the new agreement is for two years and it renews automatically for successive one-year periods thereafter unless either party notifies the other party that it does not wish to renew the agreement by providing 30 days' notice prior to the end of the initial two-year term or any subsequent one-year renewal term. Either party can also terminate the agreement at any time upon 365 days' notice. Prices are set forth in the agreement and are determined separately with respect to the printers, services and raw materials.

We entered into a manufacturing services agreement with Flex in May 2015, pursuant to which Flex manufactures our Avalanche, Storm, Breeze and Paradigm II systems and also manufactures our Vulcan system on a full turnkey basis in accordance with our bill of materials, drawings and designs. The initial term of the agreement is three years and it renews automatically for additional periods of 24 months unless notice of termination is given by either party at least 180 days prior to the end of the initial term or a renewal term. We can terminate the agreement at any time upon 180 days' notice and Flex may terminate the agreement at any time upon 365 days' notice. Prices are set in advance for periods of 18 months but are subject to change based on certain enumerated circumstances set forth in the agreement or as agreed between Flex and us.

We produce and bottle our ink and other consumables at our facility in Kiryat Gat, Israel using raw materials purchased from various suppliers for milling pigments and mixing, bottling and packaging.

Inventory and Suppliers

We purchase our print heads from FujiFilm Dimatix, Inc., or FDMX, and then customize them at our Kiryat Gat, Israel facility, for optimal use in our systems. We maintain an inventory of parts to facilitate the timely assembly of our systems and for servicing our installed base. Most components are available from multiple suppliers, although certain components used in our systems and consumables are only available from single or limited sources.

We first entered into an agreement with FDMX in 2006. In December 2015, we entered into a new agreement with FDMX. Pursuant to this agreement, FDMX sells us print heads and additional by-products. Under the agreement, we are entitled to sell, lease and use the FDMX products and components subject to certain limitations, including the use of FDMX products or components for applications other than printing images and designs on textiles, reselling print heads other than as integral components of our systems, or as spare or replacement parts, and distributing in markets reserved by FDMX. The agreement with FDMX also provides that we are required to make an additional semi-annual payment to FDMX based on the amount of inks, other than inks and other consumables sold by FDMX, that we sell over a relevant period or, if we do not sell ink and other consumables, a payment based on sales of our systems. We have granted customary audit rights to FDMX to verify the amount of sales that we make. The agreement provides that beginning with the start of the first one-year renewal period, FDMX may increase the prices of the products that we purchase from it upon 90-days' prior notice, subject to certain conditions. Our current agreement terminates in December 2019 and provides for one three-year renewal period and one-year renewal periods thereafter. Our agreement further provides that FDMX may, at its option, discontinue products supplied under the agreement, provided that we are given one year's notice of the planned discontinuance and are provided with an end of life purchase program.

A chemical used in some of our inks is supplied by BG Bond. We entered into an agreement with BG Bond in December 2016 pursuant to which we agree to purchase and BG Bond agrees to produce this chemical at set prices. In exchange for an upfront payment, which is refundable upon the purchase of the chemical, BG Bond agreed to install additional equipment dedicated to the production of the chemical. The agreement is for a term of five years or until we purchase a certain agreed upon minimum quantity and cannot be terminated by us other than in case of material breach by BG Bond. For some of our other inks, this chemical is supplied by The Dow Chemical Corporation, a large multinational manufacturer of chemicals. We currently purchase the chemical from The Dow Chemical Corporation on a purchase order basis.

We consider our single and limited-source suppliers to be reliable, but the loss of any one of these suppliers could result in the delay of the manufacture and delivery of our systems. In order to minimize the risk of any impact from a disruption or discontinuation in the supply of print heads, emulsion or components from limited source suppliers, we maintain an additional inventory of such components. Nevertheless, such inventory may not be sufficient to enable us to continue supplying our products during the period that may be required to locate and qualify a new supplier. See "Risk Factors — If our relationships with suppliers, especially with single source suppliers of components, were to terminate, our business could be harmed."

Research and Development

We believe that continued investment in research and development is important to position us as a global leader in digital textile printing. We conduct our research and development activities in Israel and we believe this provides us with access to world-class engineers and chemists. Our research and development efforts are focused on improving and enhancing our existing systems and services, as well as developing new systems, software, features and functionality. We are also focused on enhancing our current DTG systems with new features and functionality, improving system reliability and uptime and making our systems even more user-friendly, and investing in new chemistry for broadening our span of applications. Our research and development expenses were $9.5 million, $12.0 million and $17.4 million in the years ended December 31, 2014, 2015 and 2016, respectively.

Intellectual Property

We consider our proprietary technology to be important to the development, manufacture, and sale of our systems and seek to protect such technology through a combination of patents, trade secrets, confidentiality agreements and other contractual arrangements with our employees, consultants, customers and manufacturers.

As of December 31, 2016, we owned nine issued patents in the United States and 12 provisional or pending U.S. patent applications. We also had ten patents issued in non-U.S. jurisdictions, along with ten pending non-U.S. applications, and have six pending Patent Cooperation Treaty patent applications, which are counterparts of our U.S. patent applications. The non-U.S. jurisdictions in which we have issued patents or pending applications are China, the European Union or European countries of the European Union, Hong Kong, Israel and India. The principal granted patents relate to our wet-on-wet printing methodology, ink formulations, printing processes and related methods and systems, with expiration dates ranging from 2020 to 2035.

We enter into confidentiality agreements with our employees, consultants, channel partners, customers and manufacturers and limit internal and external access to, and distribution of, our 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.

In addition, we own the registered trademarks “KORNIT” and “NEOPIGMENT” and make use of a number of additional unregistered trademarks.

There can be no assurance that our patents or other intellectual property rights will afford us a meaningful competitive advantage. We believe that our success depends primarily on our research and development, marketing, business development, applications know-how and service support teams and application experts as well as our ongoing relationships with our large customer base. Accordingly, we believe that the expiration or termination of any of our patents or patent licenses, or the failure of any of our patent applications to result in an issued patent, would not have a material adverse effect on our business or financial position.

Competition

Textile printing is most commonly conducted using automated carousel screen printing. In recent years, manufacturers of digital printers have increased their penetration of this market. As such, we compete with companies that manufacture automated carousel screen printers as well as those that manufacture digital printers. Our principal competitor in the high throughput digital DTG market is Aeoon Technologies GmbH. We also face competition from Brother International Corporation, Seiko Epson Corporation and a number of smaller competitors with respect to our entry level systems. Our technologies allow us to offer a wide spectrum of digital textile printing systems of varying features, capacities and price points. We believe that this strategy will enable us to effectively compete with the other textile printer and ink manufacturers in the digital DTG market.

Within the R2R market, we continue to see conversion from rotary screen printing to digital printing, as high throughput digital R2R systems are now increasingly capable of printing complex, customized images and designs. Our competitors in the R2R market include Dover Corporation, through its MS Printing Solutions S.r.l. subsidiary, Durst Phototechnik AG, Electronics for Imaging, Inc., through its Reggiani Macchine SpA subsidiary, Mimaki Engineering Co., Ltd., and a number of smaller competitors. Our digital R2R solutions offer customers the ability to produce limited quantity orders, with a high degree of variety, and allow us to uniquely support multiple fabric types in a single step R2R printing process, whereas competitive solutions require multiple pre-processing and post-processing steps. We believe our differentiated, end-to-end solutions will enable us to effectively compete with other textile printer and ink manufacturers in the digital R2R market.

C. Organizational Structure

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

D. Property, Plants and Equipment

Our corporate headquarters are located in Rosh Ha'Ayin, Israel in an office and research and development facility consisting of approximately 72,000 square feet. The lease for this office expires in December 2020, with an option to extend the lease for an additional five years. We recently leased an additional facility of approximately 8,000 square feet near our corporate headquarters. The lease for this additional space expires in December 2020, with an option to extend the lease for an additional 18 months. In Israel, we also lease a manufacturing facility in Kiryat Gat, which consists of approximately 15,000 square feet. The lease for the Kiryat Gat manufacturing facility expires on May 30, 2018, and we have an option to lease this facility for an additional three years. The current utilization of the total production capacity at this facility would allow us to more than double our current output at the facility by increasing the number of shifts on the existing production lines by hiring additional manufacturing personnel and without requiring us to expand the physical structure of the facility. Our U.S. offices are located in Mequon, Wisconsin, consisting of approximately 12,000 square feet. The lease for this office expires in June 2018. We maintain additional sales, support and marketing offices in Dusseldorf, Hong Kong, Shanghai and Florida.

ITEM 4A. Unresolved Staff Comments.

None.

ITEM 5. Operating and Financial Review and Prospects.

The information contained in this section should be read in conjunction with our financial statements for the year ended December 31, 2016 and related notes and the information contained elsewhere in this annual report. Our financial statements have been prepared in accordance with GAAP. This discussion contains forward-looking statements that are subject to known and unknown risks and uncertainties. As a result of many factors, such as those set forth under "ITEM 3.D. Risk Factors" and "Cautionary Note Regarding Forward-Looking Statements," our actual results may differ materially from those anticipated in these forward-looking statements.

Overview

We develop, design and market innovative digital printing solutions for the global printed textile industry. Our vision is to revolutionize this industry by facilitating the transition from analog processes that have not evolved for decades to digital methods of production that address contemporary supply, demand and environmental dynamics. We focus on the rapidly growing high throughput DTG and R2R segments of the printed textile industry. Our solutions include our proprietary digital printing systems, ink and other consumables, associated software and value added services that allow for large scale printing of short runs of complex images and designs directly on finished garments and fabrics.

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

Building on the expertise and capabilities we have accumulated in developing and offering differentiated solutions for the DTG market, we market a digital printing solution, the Allegro, targeting the R2R market. While the DTG market generally involves printing on finished garments, the R2R market is focused on printing on fabrics that are subsequently converted into finished garments, home or office décor and other items. The Allegro utilizes our proprietary wet-on-wet printing methodology and houses an integrated drying and curing system. We primarily market the Allegro to web-based businesses that require a high degree of variety and limited quantity orders, as well as to fabric converters, which source large quantities of fabric and convert untreated fabrics into finished materials to be sold to garment and home décor manufacturers. We believe that with the Allegro we are well positioned to take advantage of the growing trend towards customized home décor. We began selling the Allegro commercially in the second quarter of 2015.

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

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

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

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

We were founded in 2002 in Israel and shipped our first system in 2005. As of December 31, 2016, we had 390 employees located across four regions: Israel, the United States, Europe and the Asia Pacific region.

A. Operating Results

The information contained in this section should be read in conjunction with our audited financial statements for the years ended December 31, 2014, 2015 and 2016 and related notes and the information contained in ITEM 18. Financial Statements. Our financial statements have been prepared in accordance with GAAP.

Components of Statement of Operations

Revenues

Systems, Ink and Other Consumables, Value Added Services

Substantially all of our revenues are generated from sales of our systems and ink and other consumables. A majority of our revenues is currently derived from sales of our systems, although we are targeting an equal mix of revenues from our systems compared to ink and other consumables in the medium term. We do not consider the period to period change in our total installed base to be a helpful metric in assessing our performance because we currently sell a number of different systems that have significantly different throughput characteristics and average selling prices. Accordingly, since we have not experienced material changes in the prices at which we sell ink and other consumables, we believe the best measure of the success of our strategy is the amount of the increase in revenues from ink and other consumables that is generated in each period.

We also generate a portion of our revenues from the provision of spare parts to our distributors and customers, post-warranty service contracts, value added services consisting of time and material based support and system upgrades. We also started to generate revenues from providing application development services and system and application training.

We sell our products directly and through independent distributors who resell them to customers. Sales by our distributors accounted for approximately 64% of our revenues in 2015 and approximately 47% of our revenues during 2016. On July 1, 2016, we completed the acquisition of the DTG assets of one of our distributors in the United States, which increased our direct sales during 2016.

We recognize revenues from sales of our systems upon delivery, provided that all other revenue recognition criteria are met. In respect of sale of systems with installation and training, we consider the installation and training to be not essential to the functionality of the systems. Therefore, we recognize the revenues upon delivery in accordance with the agreed-upon delivery terms once all other revenue recognition criteria have been met. We recognize revenues net of discounts, volume based rebates, returns and net of the fair value of the warrants associated with revenues recognized from Amazon. Revenues from ink and other consumables are generally recognized upon delivery. Revenues from provision of value added services are generally recognized at the time such support services are provided.

See "—Critical Accounting Policies—Revenue Recognition".

Geographic Breakdown of Revenues

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

	Year Ended December 31,					
	2014		2015		2016	
	$	%	$	%	$	%
	(in thousands except percentages)					
Americas (mostly U.S)	$ 36,752	55.4%	$ 48,790	56.5%	$ 72,011	66.3%
EMEA	18,004	27.1	21,600	25	24,720	22.7
Asia Pacific	11,608	17.5	16,015	18.5	11,963	11.0
Total revenues	$ 66,364	100.0%	$ 86,405	100.0%	$ 108,694	100.0%

Cost of Revenues and Gross Profit

Cost of revenues consists primarily of payments to the third-party contract manufacturers who assemble our systems and who are responsible for ordering most of the components for those systems. Cost of revenues also includes components for our systems for which we are responsible, such as print heads, as well as raw materials for ink and other consumables. Cost of revenues includes personnel expenses, such as operation and supply chain employees, and related overhead for the manufacturing of our systems, as well as expenses for service personnel involved in the installation and support of our systems and overhead for the manufacturing process of ink and other consumables. For 2016, cost of revenues also included the difference between the higher carrying cost of the acquired inventory from a distributor purchased on July 1, 2016 which was recorded at fair value. We expect cost of revenues to increase in absolute dollars due to increased revenues, but remain relatively constant or decrease as a percentage of total revenues, as we continue to improve our manufacturing processes and supply chain and as the costs related to our service infrastructure, which have a fixed component, are leveraged across a larger installed base and the adjustment to cost of revenues which resulted from the acquisition in 2016.

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

We currently provide maintenance and support for all of our systems sold in the United States even if the sale is made through a distributor. We are seeking to increase the number of customers that rely on us to provide maintenance and support for their systems by expanding our maintenance and support capabilities. In addition to driving gross margin improvement, we believe this will provide an opportunity for direct contact with customers with the goal of reducing system down-time, educating customers about optimal use of our systems to drive increased utilization, expanding the variety of print applications and increasing sales of post-warranty service contracts and other professional application development services. Our service operations have not been profitable on a standalone basis. We are seeking to generate greater revenues from our service offering, and thereby leverage the fixed cost component associated with it, by increasing sales of post-warranty service contracts, selling upgrade kits and providing other professional services.

Operating Expenses

Our operating expenses are classified into three categories: research and development expenses, sales and marketing expenses, and general and administrative expenses. For each category, the largest component is generally personnel costs, consisting of salaries and related personnel expenses, including share-based compensation expenses. Operating expenses also include allocated overhead costs for facilities, including rent payments under our facility leases. We expect personnel and allocated costs to continue to increase at a controlled pace as we hire new employees to support growth of our business, but at a slower pace than in prior years. In the long term, we expect operating expenses to decrease as a percentage of revenues.

Research and Development Expenses. The largest component of our research and development expenses is salaries and related personnel expenses for our research and development employees. Research and development expenses also include purchases of laboratory supplies; expenses related to beta testing of our systems; and allocated overhead costs for facilities, including rent payments under our facilities leases. We record all research and development expenses as they are incurred. We expect research and development expenses to increase in absolute terms as we continue to hire additional engineers and chemists for the development of upgrades to existing systems and additional systems that we develop. Our current research and development efforts are primarily focused on completing the development of our Vulcan printing system, enhancing our current DTG systems with new features and functionality, improving system reliability and uptime and improving our solution user experience. We are also investing in the development of new ink formulas for our new systems and in order to expand the range of fabrics on which we can print and further improve color quality and diversification of our high resolution images and designs.

Sales and Marketing Expenses. The largest component of our sales and marketing expenses is salaries and related personnel expenses for our marketing, sales and other sales-support employees. Sales and marketing expenses also include trade shows, other advertising and promotions, including distributor open houses and media advertising; sales-based commissions; shipping costs to our subsidiaries and allocated overhead costs for facilities, including rent payments under our facilities leases. We market our solutions using a combination of internal marketing professionals and our network of channel partners. We expect sales and marketing expenses to continue to increase in absolute terms in the near term as we add sales and marketing personnel, including as a part of our expansion to new territories, and strengthen relationships with our distributors.

General and Administrative Expenses. The largest component of our general and administrative expenses is salaries and related personnel expenses for our executive officers, financial staff, information technology staff, and human resources staff. General and administrative costs also include fees for accounting and legal services and allocated overhead costs for facilities, including rent payments under our facilities leases. We expect our general and administrative expenses to increase in absolute terms in the near term, but at a slower pace than in prior years, as a result of additional personnel to support our growth.

Finance Income (expenses), Net

Finance income (expenses), net consists of interest income and foreign currency exchange gains or losses. Foreign currency exchange changes reflect gains or losses related to changes in the value of our non-U.S. dollar denominated financial assets, primarily cash and cash equivalents, and trade payables and receivables. As of December 31, 2016, we did not have any indebtedness for borrowed amounts. Interest income consists of interest earned on our cash, cash equivalents, short-term bank deposits and marketable securities, offset by amortization of premium on marketable securities. We expect interest income to vary depending on our average investment balances and market interest rates during each reporting period.

Taxes on Income

The corporate tax rate in Israel was 26.5% in fiscal 2014 and 2015 and 25% in 2016. Recent amendments of the Israeli Income Tax Ordinance (New Version) 1961, or the Ordinance decreased the corporate tax rate to 24% commencing on January 1, 2017 and 23% beginning on January 1, 2018 and thereafter. However, as discussed in greater detail below under “Taxation and Israeli Government Programs Applicable To Our Company — Israeli Tax Considerations and Government Programs,” we and our wholly-owned Israeli subsidiary Kornit Technologies, are entitled to various tax benefits under the Israeli Law for the Encouragement of Capital Investments, 1959, or the Investment Law. As a result of these benefits, referred to as “benefited enterprise” and “preferred enterprise” status, prior to 2014, substantially all of the income that we generated was exempt from income tax resulting in an overall effective tax rate, on a blended basis, of approximately 5%. Although Kornit Technologies had (and continues to have) net operating loss carryforwards, prior to 2014 we were unable to apply them to offset the amount of Israeli taxable income that we generated. As a result, we were subject to taxes on our taxable income at the parent company level.

Starting from January 1, 2014, we consolidate the results of our Israeli operations for tax purposes such that net operating loss carryforwards of Kornit Technologies generated from 2014 onwards can be used to offset Israeli taxable income from us. Kornit Technologies currently generates sufficient net operating loss carryforwards to offset the taxable income of the parent. Accordingly, we were not subject to income tax in Israel in 2014, 2015 or 2016 and our effective tax rate was the blended rate of our Israeli tax and those of our non-Israeli subsidiaries in their respective jurisdictions of organization.

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, deduction of public offering expenses in three equal annual installments and amortization of other intangible property rights for tax purposes.

Comparison of Period to Period Results of Operations

	Year Ended December 31,		
	2014	2015	2016
	(in thousands)		
Revenues, net	$ 66,364	$ 86,405	$ 108,694
Cost of revenues	37,187	45,820	59,284
Gross profit	29,177	40,585	49,410
Operating expenses:			
Research and development	9,475	11,950	17,383
Sales and marketing	10,616	13,367	18,338
General and administrative	5,266	9,500	12,259
Total operating expenses	25,357	34,817	47,980
Operating income	3,820	5,768	1,430
Finance income (expenses), net	(15)	(334)	46
Income before taxes on income	3,805	5,434	1,476
Taxes on income	782	709	648
Net income	$ 3,023	$ 4,725	$ 828

	Year Ended December 31,		
	2014	2015	2016
	(as a % of revenues)		
Revenues, net	100.0%	100.0%	100%
Cost of revenues	56.0	53.0	54.5
Gross profit	44.0	47.0	45.5
Operating expenses:			
Research and development	14.3	13.8	16.0
Sales and marketing	16.0	15.5	16.9
General and administrative	7.9	11.0	11.2
Total operating expenses	38.2	40.3	44.1
Operating income	5.8	6.7	1.3
Finance income (expenses), net	(0.0)	(0.4)	0.0
Income before taxes on income	5.8	6.3	1.4
Taxes on income	1.2	0.8	0.6
Net income	4.6%	5.5%	0.8%

Comparison of the Years Ended December 31, 2015 and 2016

Revenues, net

Revenues, net increased by $22.3 million, or 25.8%, to $108.7 million in 2016 from $86.4 million in 2015. The growth in revenues resulted from a 27.2% increase in systems and services revenues to $65.9 million in 2016 from $51.8 million in 2015 and a 23.8% increase in sales of ink and other consumables to $42.8 million in 2016 from $34.6 million in 2015. The $14.1 million growth in systems and services revenues was attributable to a change in the mix of systems sold, specifically sales of higher throughput systems, which sell for higher average selling prices than our entry level systems, in 2016 compared to 2015. We believe that the increase in sales of high throughput systems was a result of the growing maturity of the web-to-print business model which calls for high throughput systems to meet the growing consumer demand. The $8.2 million increase in ink and other consumables revenues was due to higher sales volumes of ink and other consumables and our larger installed base. The improvements in system and services revenues and ink and consumables revenues was offset by the fair value of warrants associated with revenues recognized from Amazon of $2.0 million. Excluding the effect of the fair value of warrants issued to Amazon, our revenues increased by $24.3 million or 28.1% in 2016 compared to 2015.

Cost of Revenues and Gross Profit

Cost of revenues increased by $13.5 million, or 29.4%, to $59.3 million in 2016 from $45.8 million in 2015. Gross profit increased by $8.8 million, or 21.7%, to $49.4 million in 2016, as compared to $40.6 million in 2015. Gross margin was 45.5% in 2016 compared to 47.0% in 2015. The decrease in gross margin is related to an increase in systems and services gross margin which resulted from an increase in sales of higher margin high throughput systems, economies of scale and an increase in sales of service contracts. While gross margin was positively impacted by an increase in sales of higher margin high throughput systems and economies of scale during 2016 compared to 2015, such positive impact was offset by the impact of a non-recurring charge for the repurchase of inventory in connection with the acquisition of the digital printing assets of SPSI during 2016 of $2.5 million and the fair value of the warrants issued to Amazon of $2.0 million, which negatively affected gross profit and resulted in a slight decrease in gross margin. Ink and consumables gross margin remained flat from 2015 to 2016. Excluding the effects of the non-recurring charge for repurchase of inventory in connection with the SPSI acquisition and the charge for the fair value of warrants issued to Amazon, gross profit would have been $53.9 million in 2016 compared to $40.6 million in 2015 and gross margin would have been 48.7% in 2016 compared to 47.0% 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	$ 11,950	13.8%	$ 17,383	16.0	5,433	45.5%
Sales and marketing	13,367	15.5	18,338	16.9	4,971	37.2
General and administrative	9,500	11.0	12,259	11.3	2,759	29.0
Total operating expenses	$ 34,817	40.3%	$ 47,980	44.2	13,163	37.7%

Research and Development. Research and development expenses increased by 45.5% in 2016 compared to 2015. This resulted primarily from an increase of $3.3 million in salaries and related personnel expenses and share based compensation due to the hiring of additional personnel in 2016 reflecting an increase in headcount compared to 2015, an increase of $1.3 million in costs due to increased research and development activity, which primarily includes $0.7 million in facilities costs in connection with the expansion of our headquarters in Rosh Ha'Ayin, Israel, and an increase of $0.6 million in depreciation due to the purchase of the digital direct to garment printing assets of SPSI in 2016. As a percentage of total revenues, our research and development expenses increased during this period, from 13.8% in 2015 to 16.0% in 2016.

Sales and Marketing. Sales and marketing expenses increased by 37.2% in 2016 compared to 2015. This increase was primarily due to an increase of $3.0 million in salaries and related personnel expenses and share based compensation expenses due to the hiring of sales and marketing personnel in 2016 reflecting an increase in headcount in 2016 compared to 2015, an increase of $0.7 million in marketing activities, including trade shows and online marketing activities, an increase of $0.6 million in costs of shipping to subsidiaries and an increase of $0.5 million in amortization of assets due to the purchase of the digital direct to garment printing assets of SPSI in 2016. As a percentage of total revenues, our sales and marketing expenses increased during this period from 15.5% in 2015 to 16.9% in 2016.

General and Administrative. General and administrative expenses increased by 29.0% in 2016 compared to 2015. This resulted primarily from an increase of $1.7 million in salaries and related personnel expenses and share based compensation due to the hiring of additional personnel reflecting an increase in headcount and compensation to executives compared to 2015, an increase of $0.4 million in expenses related to upgrades of our IT infrastructure, an increase of $0.3 million in legal expenses relating to settlement of a legal claim, an increase of $0.3 million in costs associated with being a publicly traded company and an increase of $0.2 million of facilities costs due to expansion of our facilities. These increases were offset by a decrease of $0.8 million due to a one-time payment in 2015 to Fortissimo Capital, our principal shareholder, in connection with the termination of our management services agreement with them and a decrease of $0.2 million due to one-time bonuses in 2015 in connection with our initial public offering. As a percentage of total revenues, our general and administrative expenses increased from 11.0% in 2015 to 11.2% in 2016.

Finance Income (Expenses), Net

Finance income (expenses), net reflected expenses of $0.3 million in 2015 and income of $46,000 in 2016. This change resulted primarily from interest accrued and received with respect to our cash investments and marketable securities in 2016 offset by the effects of exchange rates on our non-dollar denominated financial assets, specifically the exchange rate of the U.S. dollar to the NIS.

Taxes on Income

Taxes on income decreased slightly from $0.7 million in 2015 to $0.6 million in 2016.

Comparison of the Years Ended December 31, 2014 and 2015

Revenues

Revenues increased by $20.0 million, or 30.2%, to $86.4 million in 2015 from $66.4 million in 2014. The growth in revenues resulted from a 27.5% increase in systems and services revenues to $51.8 million in 2015 from $40.6 million in 2014 and a 34.4% increase in sales of ink and other consumables to $34.6 million in 2015 from $25.8 million in 2014. The $11.2 million growth in systems and services revenues was attributable to the initial sales of our Allegro system and a change in the mix of systems sold, specifically sales of more high throughput systems in this period, which sell for higher average selling prices than our entry level systems. We believe that the increase in sales of high throughput systems was a result of focusing our marketing efforts on high throughput systems and the growing maturity of the web-to-print business model facilitated by high throughput systems. The $8.9 million increase in ink and other consumables revenues was due to higher sales volumes of ink and other consumables and our larger installed base. The absolute and percentage increase in ink and other consumables revenues in 2015 compared to 2014 was higher than in 2014 compared to 2013 because of the increase in install base of high throughput and R2R systems in 2015, which drives higher consumption of our ink and other consumables.

Cost of Revenues and Gross Profit

Cost of revenues increased by $8.6 million, or 23.2%, to $45.8 million in 2015 from $37.2 million in 2014. Gross profit increased by $11.4 million, or 39.1%, to $40.6 million in 2015, as compared to $29.2 million in 2014. Gross margin was 47.0% in 2015 compared to 44.0% in 2014. The increase in gross margin is related to an increase in systems and services gross margin which resulted from an increase in sales of higher margin high throughput systems, economies of scale and increase in sales of service contracts. Ink and consumables gross margin remained flat from 2014 to 2015.

Operating Expenses

	Year Ended December 31,					
	2014		2015		Change	
	Amount	% of Revenues	Amount	% of Revenues	Amount	%
	($ in thousands)					
Operating expenses:						
Research and development	$ 9,475	14.3%	$ 11,950	13.8	2,475	26.1%
Sales and marketing	10,616	16.0	13,367	15.5	2,751	25.9
General and administrative	5,266	7.9	9,500	11.0	4,234	80.4
Total operating expenses	$ 25,357	38.2%	$ 34,817	40.3	9,460	37.3%

Research and Development. Research and development expenses increased by 26.1% in 2015 compared to 2014. This resulted primarily from an increase of $2.0 million in salaries and related personnel expenses and share based compensation due to the hiring of additional personnel reflecting an increase in headcount, which contributed to the accelerated development of the Vulcan and other pipeline products compared to the previous year. This was offset by a decrease in consulting costs of $0.3 million and an increase of $0.3 million in facilities costs allocated to research and development in connection with the expansion of our headquarters in Rosh Ha'Ayin, Israel. As a percentage of total revenues, our research and development expenses slightly decreased during this period, from 14.3% in 2014 to 13.8% in 2015.

Sales and Marketing. Sales and marketing expenses increased by 25.9% in 2015 compared to 2014. This increase was primarily due to an increase of $1.7 million in salaries and related personnel expenses and share based compensation expenses due to the hiring of sales and marketing personnel in 2015 reflecting an increase in headcount compared to the previous year and an increase of $0.5 million in marketing activities, including trade shows and online marketing activities. As a percentage of total revenues, our sales and marketing expenses slightly decreased during this period, from 16.0% in 2014 to 15.5% in 2015.

General and Administrative. General and administrative expenses increased by 80.4% in 2015 compared to 2014. This resulted primarily from an increase of $1.7 million in salaries and related personnel expenses and share based compensation due to the hiring of additional personnel reflecting an increase in headcount compared to the previous year and management changes at the end of 2014 and an increase of $0.8 million in expenses of consultants, including accountants and counsel as a result of our becoming a publicly-traded company during 2015. In addition, an increase of $0.8 million in general and administrative expenses resulted from a one-time payment to Fortissimo Capital, our principal shareholder, in connection with the termination of our management services agreement with them. As a percentage of total revenues, our general and administrative expenses increased from 7.9% in 2014 to 11% in 2015.

Finance Expenses, Net

Finance expenses, net increased from net expenses of $15,000 in 2014 to $0.3 million in 2015. This increase in expenses resulted primarily from the effects of exchange rates on our non-dollar denominated financial assets, specifically the exchange rate of the U.S. dollar to the NIS offset by accrued interest of our cash investments and marketable securities.

Taxes on Income

Taxes on income decreased from $0.8 million in 2014 to $0.7 million in 2015. Our effective tax rate was 13.0% for 2015 compared to 20.6% for 2014. Starting in 2014, we consolidated Kornit Technologies for tax purposes, which resulted in significantly lower taxable income and, as such, a correspondingly lower effective tax rate.

Critical Accounting Policies

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

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

Revenue Recognition

We generate revenues from the sale of our systems, ink and other consumables and value added services. We generate revenues from sale of our solutions directly to customers and indirectly through independent distributors. We recognize revenue when (1) persuasive evidence of a final agreement exists, (2) delivery has occurred or services have been rendered, (3) the selling price is fixed or determinable, and (4) collectability is reasonably assured. We recognize revenues from selling these products upon delivery, provided that all other revenue recognition criteria are met. In respect of sale of systems with installation and training, we consider the installation and training to be not essential to the functionality of the systems. Therefore, we recognized in accordance with the agreed-upon delivery terms once all other revenue recognition criteria have been met.

We recognize revenues net of discounts, volume based rebates, returns and net of the fair value of the warrants associated with revenues recognized from Amazon.

Revenues from ink and other consumable products are generally recognized upon shipment assuming all other revenue recognition criteria have been met.

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

We typically provide a one-year warranty on our systems. After the initial warranty period, we offer customers optional extended warranty contracts ranging generally from one to three years. Revenues from extended warranties are recognized ratably, on a straight-line basis, over the period of the service. Unearned revenues are derived mainly from these prepaid agreements. We classify the portion of unearned revenue not expected to be earned in the subsequent 12 months as long-term.

We assess collectability as part of the revenue recognition process. This assessment includes a number of factors such as an evaluation of the creditworthiness of the customer, past due amounts, past payment history, and current economic conditions. If it is determined that collectability cannot be reasonably assured, we defer recognition of revenue until collectability is assured.

Inventories

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

As of December 31, 2016, we had $24.1 million of inventory of which $12.3 million consisted of raw materials and components and $11.8 million consisted of completed systems, ink and other consumables. We recorded inventory write-offs in a total amount of $0.3 million, $0.8 million and $2.2 million for the years ended December 31, 2014, 2015 and 2016, respectively.

Share-Based Compensation

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 binomial option pricing model as the most appropriate method for determining the estimated fair value of options which requires the use of subjective assumptions, including the expected term of the award and the expected volatility of the price of our common stock. We recognize share-based compensation expense on a straight-line basis over the requisite service periods of the awards, net of estimated forfeitures. 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, net of estimated forfeitures. Our estimated forfeiture rate is based on an analysis of our actual historical forfeitures. A change in our estimated forfeiture rate could have a significant impact on our share-based compensation expense as the cumulative effect of adjusting the rate is recognized in the period the forfeiture estimate is changed. 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. We will continue to use judgment in evaluating the assumptions related to our share-based compensation expense on a prospective basis. As we continue to accumulate additional data, we may have refinements to our estimates, which could materially impact our future share-based compensation expense

Taxes

We are subject to income taxes principally in Israel and the United States. Significant judgment is required in evaluating our uncertain tax positions and determining our provision for income taxes. We recognize income taxes under the liability method. Tax benefits are recognized from uncertain tax positions only if we believe that it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. Although we believe we have adequately reserved for our uncertain tax positions, no assurance can be given that the final tax outcome of these matters will not be different. We adjust these reserves when facts and circumstances change, such as the closing of a tax audit, the refinement of an estimate or changes in tax laws. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact the provision for income taxes in the period in which such determination is made. The provision for income taxes includes the effects of any reserves that are considered appropriate, as well as the related net interest and penalties.

We recognize deferred tax assets and liabilities for future tax consequences arising from differences between the carrying amounts of existing assets and liabilities under U.S. GAAP and their respective tax bases, and for net operating loss carryforwards and tax credit carryforwards. We regularly review our deferred tax assets for recoverability and establish a valuation allowance if it is more likely than not that some portion or all of the deferred tax assets will not be realized. To make this judgment, we must make predictions of the amount and category of taxable income from various sources and weigh all available positive and negative evidence about these possible sources of taxable income.

While we believe the resulting tax balances as of December 31, 2014, 2015 and 2016 are appropriately accounted for, the ultimate outcome of such matters could result in favorable or unfavorable adjustments to our consolidated financial statements and such adjustments could be material. We have filed or are in the process of filing local and foreign tax returns that may be audited by the respective tax authorities. We believe that we adequately provided for any reasonably foreseeable outcomes related to tax audits and settlement; however, our future results may include favorable or unfavorable adjustments to our estimated tax liabilities in the period the assessments are made or resolved, audits are closed or when statute of limitations on potential assessments expire.

Warranty costs

We typically grant a one-year warranty on our systems and record a provision for warranty at the time the product's revenue is recognized. We estimate the liability of possible warranty claims based on our historical experience. We estimate the costs that may be incurred under our warranty arrangements and record a liability in the amount of such costs at the time product revenue is recognized. We periodically assess the adequacy of the recorded warranty liabilities and adjust the amounts as necessary.

Marketable Securities

Marketable securities consist are currently debt securities. We determine the appropriate classification of marketable securities at the time of purchase and re-evaluate such designation at each balance sheet date. In accordance with FASB ASC No. 320, "Investment Debt and Equity Securities," we classify marketable securities as available-for-sale. Available-for-sale securities are stated at fair value, with unrealized gains and losses reported in accumulated other comprehensive income (loss), a separate component of shareholders' equity, net of taxes. Realized gains and losses on sales of marketable securities, as determined on a specific identification basis, are included in finance income, net. The amortized cost of marketable securities is adjusted for amortization of premium and accretion of discount to maturity, both of which, together with interest, are included in finance income, net.

We recognize an impairment charge when a decline in the fair value of our investments in debt securities below the cost basis of such securities is judged to be other-than-temporary. The determination of credit losses requires significant judgment and actual results may be materially different from our estimates. Factors considered in making such a determination include the duration and severity of the impairment, the reason for the decline in value, the ability of the issuer to meet payment obligations, the potential recovery period and our intent to sell, including whether it is more likely than not that we will be required to sell the investment before recovery of cost basis. For securities that are deemed other-than-temporarily impaired, the amount of impairment is recognized in the statement of operations and is limited to the amount related to credit losses, while impairment related to other factors is recognized in other comprehensive income (loss).

During the years ended December 31, 2015 and 2016, no other-than temporary impairment were recorded related to our marketable securities.

Recently Issued and Adopted Accounting Pronouncements

In May 2014, the FASB issued an accounting standards update that provides a comprehensive model for recognizing revenue with customers. This update clarifies and replaces all existing revenue recognition guidance within U.S. GAAP and may be adopted retrospectively for all periods presented or adopted using a modified retrospective approach. This update is effective for annual and interim periods beginning after December 15, 2016. In July 2015, FASB deferred the effective date by one year to December 15, 2017 (beginning with our first quarter in 2018) and permitting early adoption of the standard, but not before the original effective date of December 15, 2016. We will adopt the new standard in the first quarter of 2018 and expect to apply the modified retrospective approach. We are in the initial stages of our evaluation of the impact of the new standard on its accounting policies, processes, and system requirements. We have assigned internal resources in addition to the engagement of a third party service provider to assist in the evaluation. Implementation efforts, to date, have included training on the new standard and preparing initial gap assessments on our significant revenue streams. While we continue to assess the potential impacts of the new standard, including the areas described above, we do not know or cannot reasonably estimate quantitative information related to the impact of the new standard on our financial statements at this time.

In July 2015, the FASB issued ASU No. 2015-11, *Simplifying the Measurement of Inventory (Topic 330)*, which simplifies its current requirement that an entity measure inventory at lower of cost or market, when market could be replacement cost, net realizable value, or net realizable value less an approximately normal profit margin. Inventory within the scope of ASU 2015-11 should be measured at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. This amendment should be applied prospectively and is effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. Early application is permitted as of the beginning of an interim or annual reporting period. The adoption of ASU 2015-11 is not expected to have a material effect on our consolidated financial statements.

In February 2016, the FASB issued Accounting Standard Update, or ASU, No. 2016-02, "Leases". The updated standard aims to increase transparency and comparability among organizations by requiring lessees to recognize lease assets and lease liabilities on the balance sheet and requiring disclosure of key information about leasing arrangements. This update is effective for annual periods beginning after December 15, 2018, and interim periods within those annual periods; early adoption is permitted and modified retrospective application is required. We are in the process of evaluating this guidance to determine the impact it will have on our consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, "Improvements to Employee Share-Based Payment Accounting." This ASU affects entities that issue share-based payment awards to their employees. The ASU is designed to simplify several aspects of accounting for share-based payment award transactions, which include the income tax consequences, classification of awards as either equity or liabilities, classification on the statement of cash flows and forfeiture rate calculations. We will adopt this ASU on its effective date of January 1, 2017. Our adoption of ASU 2016-09 will not have a material impact on our consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, “Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment.” This ASU eliminates the requirement to measure the implied fair value of goodwill by assigning the fair value of a reporting unit to all assets and liabilities within that unit (the “Step 2 test”) from the goodwill impairment test. Instead, if the carrying amount of a reporting unit exceeds its fair value, an impairment loss is recognized in an amount equal to that excess, limited by the amount of goodwill in that reporting unit. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the qualitative impairment test is necessary. This new standard should be applied on a prospective basis and the nature of and reason for the change in accounting principle should be disclosed upon transition. The amendments in this update should be adopted for annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. Early adoption is permitted on testing dates after January 1, 2017. We are currently evaluating the impact of adopting the new guidance on the consolidated financial statements and the timing of adoption.

In October 2016, the FASB issued ASU 2016-13 “Measurement of Credit Losses on Financial Instruments” requiring an allowance to be recorded for all expected credit losses for financial assets. The allowance for credit losses is based on historical information, current conditions and reasonable and supportable forecasts. The new standard also makes revisions to the other than temporary impairment model for available-for-sale debt securities. Disclosures of credit quality indicators in relation to the amortized cost of financing receivables are further disaggregated by year of origination. The new accounting guidance is effective for interim and annual periods beginning after December 15, 2019 with early adoption permitted for interim and annual periods beginning after December 15, 2018. The amendments will be applied through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. We are analyzing the impact of this new standard and, at this time, cannot estimate the impact of adoption on our net income. We plan to adopt ASU 2016-13 effective January 1, 2020.

Taxation and Israeli Government Programs Applicable To Our Company

Israeli Tax Considerations and Government Programs

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

General Corporate Tax Structure in Israel

Israeli companies are generally subject to corporate tax on their taxable income. As of 2017, the corporate tax rate is 24% (in 2016, the corporate tax rate was 25% and in 2015, the corporate tax rate was 26.5%). However, the effective tax rate payable by a company that derives income from a Preferred Enterprise or a Benefited Enterprise (as discussed below) may be considerably less. Capital gains derived by an Israeli company are subject to the prevailing corporate tax rate.

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

The Law for the Encouragement of Industry (Taxes), 5729-1969, generally referred to as the Industry Encouragement Law, provides several tax benefits for “Industrial Companies.” We currently qualify as an Industrial Company within the meaning of the Industry Encouragement Law.

The Industry Encouragement Law defines an “Industrial Company” as a company resident in Israel, which was incorporated in Israel and of which 90% or more of its income in any tax year, other than income from certain government loans, is derived from an “Industrial Enterprise” located in Israel and owned by it. 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 with related Israeli Industrial Companies controlled by it; and
- expenses related to a public offering are deductible in equal amounts over three years.

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

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

Law for the Encouragement of Capital Investments, 5719-1959

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

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

Tax Benefits Subsequent to the 2005 Amendment

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

An enterprise that qualifies under the new provisions is referred to as a "Benefited Enterprise." The 2005 Amendment provides that Approved Enterprise status will only be necessary for receiving cash grants. As a result, it was no longer necessary for a company to obtain the advance approval of the Investment Center in order to receive the tax benefits previously available under the alternative benefits track. Instead, a company may claim the tax benefits offered by the Investment Law directly in its tax returns, provided that its facilities meet the criteria for tax benefits set forth in the 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 from the end of the year in which the company requested to have the tax benefits apply to its Benefited Enterprise. Where a company requests to have the tax benefits apply to an expansion of existing facilities, only the expansion will be considered to be a Benefited Enterprise and the company's effective tax rate will be the weighted average of the applicable rates. In such case, the minimum investment required in order to qualify as a Benefited Enterprise must exceed a certain percentage of the value of the company's production assets before the expansion.

The extent of the tax benefits available under the 2005 Amendment to qualifying income of a Benefited Enterprise depends on, among other things, the geographic location 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 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. 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 gross amount of the dividend distributed (grossed-up to reflect the pre-tax income that it would have had to earn in order to distribute the dividend) at the corporate tax rate which would have otherwise been applicable. Dividends paid 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 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 reduced rate of 15% is limited to dividends and distributions out of income derived during the benefits period and actually paid at any time up to 12 years thereafter. After this period, the withholding tax is applied at a rate of up to 30%, or at a lower rate under an applicable tax treaty. In the case of a Foreign Investors' Company, the 12-year limitation on reduced withholding tax on dividends does not apply.

The benefits available to a Benefited Enterprise are subject to the 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, as adjusted by the Israeli consumer price index, and interest, or other monetary penalties.

We currently have Benefited Enterprise programs under the Investments Law, which, we believe, entitle us to a tax exemption for undistributed income and a reduced tax rate. The benefits period for our company began in 2010. Our company is expected to enjoy these tax benefits until 2019. Our subsidiary Kornit Technologies is subject to the 2011 Amendment (as described below) and thus the tax benefits will not be subject to time limitations.

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 flat tax rate of 15% with respect to its preferred income derived by its Preferred Enterprise in 2011 and 2012, unless the Preferred Enterprise is located in a certain development zone, in which case the rate will be 10%. Such corporate tax rate reduced to 12.5% and 7%, respectively, in 2013 and increased to 16% and 9% in 2014 and through 2016. Pursuant to the 2017 Amendment, in 2017 and thereafter, the corporate tax rate for a Preferred Enterprise which is located in a specified development zone was decreased to 7.5%, while the reduced corporate tax rate for other development zones remains 16%. Income derived by a Preferred Company from a 'Special Preferred Enterprise' (as such term is defined in the Investment Law) would be entitled, during a benefits period of 10 years, to further reduced tax rates of 8%, or to 5% if the Special Preferred Enterprise is located in a certain development zone. As of January 1, 2017, the definition of "Special Preferred Enterprise" includes less stringent conditions..

Dividends paid out of preferred income attributed to a Preferred Enterprise or to a Special Preferred Enterprise are generally subject to withholding tax at source at the rate of 20% 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 subsequently distributed to individuals or a non-Israeli company, withholding of 20% or such lower rate as may be provided in an applicable tax treaty will apply). In 2017 through 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 and certain tax benefits before the 2011 Amendment became effective will remain subject to the provisions of the Investment Law as in effect on the date of such approval, and subject to certain conditions; (ii) terms and benefits included in any certificate of approval that was granted to an Approved Enterprise which had participated in an alternative benefits track before the 2011 Amendment became effective will remain subject to the provisions of the Investment Law as in effect on the date of such approval, provided that certain conditions are met; and (iii) a Benefited Enterprise can elect to continue to benefit from the benefits provided to it before the 2011 Amendment came into effect, provided that certain conditions are met. As of December 31, 2016, Kornit Technologies had filed a request to apply the new benefits under the 2011 Amendment.

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

The 2017 Amendment was enacted as part of the Economic Efficiency Law that was published on December 29, 2016, and is effective as of January 1, 2017, subject to the publication of regulations expected to be released before March 31, 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 Company will enjoy a reduced corporate tax rate of 12% on capital gain derived from the sale of certain “Benefitted Intangible Assets” (as defined in the Investment Law) to a related foreign company if the Benefitted Intangible Assets were acquired from a foreign company on or after January 1, 2017 for at least NIS 200 million, and the sale receives prior approval from the Innovation Authority.

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 the Innovation Authority. 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 subject to withholding tax at source at the rate of 20%, and if distributed to a foreign company and other conditions are met, the withholding tax rate will be 4%.

We are examining the impact of the 2017 Amendment and the degree to which we will qualify as a Preferred Technology Enterprise or Special Preferred Technology Enterprise, and the amount of Preferred Technology Income that we may have, or other benefits that we may receive from the 2017 Amendment.

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

B. Liquidity and Capital Resources

As of December 31, 2016, we had approximately $22.8 million in cash and cash equivalents, and $38.2 million in marketable securities totaling $61.0 million. On January 31, 2017, we closed a follow-on offering of our ordinary shares from which we received net proceeds of approximately $35.1 million. We fund our operations with cash generated from operating activities and cash raised during the IPO and the follow-on offering. In the past, we have also raised capital through the sale of equity securities to investors in private placements.

Our cash requirements have principally been for working capital, capital expenditures and acquisitions. Our working capital requirements reflect the growth in our business. Historically, we have funded our working capital (primarily inventory and accounts receivables) and capital expenditures from cash flows provided by our operating activities, investments in our equity securities and cash and cash equivalents on hand. We have funded our acquisitions from the proceeds of our initial public offering and cash on hand. Our other capital expenditures relate primarily to investment in our headquarters and research and development labs in Rosh Ha'ayin, Israel and in our manufacturing facility for our ink and other consumables in Kiryat Gat, Israel. In addition to investments in those facilities, our capital investments have included improvements and expansion of our worldwide locations and corporate facilities to support our growth and investment and improvements in our information technology.

The most significant elements of our working capital requirements are for inventory, accounts receivable and trade payables. We partially fund the procurement of the components of our systems that are assembled by our third-party manufacturers. Due to the growth in our business, our inventory strategy has included increasing inventory levels to meet anticipated customer demand for our solutions. This includes maintaining an inventory of systems and inks and other consumables at levels that we expect to sell during the successive months. Our accounts receivable significantly increased due to the growth in our business and preferred payment terms we are providing our customers. Our trade payables also increased due to the growth in our business.

As of December 31, 2016, we had three lines of credit with Israeli banks for total borrowings of up to $4.1 million, all of which was undrawn as of December 31, 2016. These lines of credit are unsecured and available subject to our maintenance of a 30% ratio of total shareholders' equity to total assets. Interest rates across our credit lines varied from 1.5% to 2.3% as of December 31, 2016. Any borrowings under our credit lines would become repayable if Fortissimo Capital ceases to be our controlling shareholder (which for this purpose generally requires Fortissimo Capital to continue to hold 25% of our outstanding ordinary shares).

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

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

	Year Ended December 31,		
	2014	2015	2016
	(in thousands)		
Net cash provided by (used in) operating activities	$ (337)	$ (2,210)	$ 956
Net cash provided by (used in) investing activities	738	(58,571)	2,463
Net cash provided by (used in) financing activities	(655)	74,601	939

Net Cash Provided by (Used in) Operating Activities

Year Ended December 31, 2016

Net cash provided by operating activities in the year ended December 31, 2016 was $1.0 million.

Net cash provided by operating activities consisted of net income of $0.8 million and an increase of approximately $6.1 million in inventory from the year ended December 31, 2015 to the year ended December 31, 2016. This was primarily due to our strategy of increasing inventory levels to meet anticipated customer demand for our solutions.

During the same period, we experienced an increase of $2.8 million in trade payables due to growth of our business and more favorable payment terms from our suppliers. In addition, trade receivables increased by $9.3 million due primarily to the growth of our business and better payment terms to our customers. Our days sales' outstanding, or DSO, for the year ended December 31, 2016 was 106 compared to 95 for the year ended December 31, 2015 as a result of such better payment terms to our customers.

Year Ended December 31, 2015

Net cash used in operating activities in the year ended December 31, 2015 was $2.2 million.

Net cash used in operating activities consisted of net income of $4.6 million and an increase of approximately $4.6 million in inventory from the year ended December 31, 2014 to the year ended December 31, 2015. This was primarily due to our strategy of increasing inventory levels to meet anticipated customer demand for our solutions.

During the same period, we experienced an increase of $7.0 million in trade payables due to growth of our business and more favorable payment terms from our suppliers. In addition, trade receivables increased by $13.1 million due primarily to the growth of our business and better payment terms to our customers. Our DSO for the year ended December 31, 2015 was 95 compared to 54 for the year ended December 31, 2014 as a result of such better payment terms to our customers.

Net Cash Provided by (Used in) Investing Activities

Net cash provided by investing activities was $2.5 million for the year ended December 31, 2016, which was primarily attributable to our proceeds from short-term bank deposits of $22.0 million offset by our purchase of marketable securities of $11.5 million, our investment in property and equipment of $5.5 million and $9.2 million paid in connection with our acquisition of SPSI. Net cash used in investing activities was $58.9 million for the year ended December 31, 2015, which was primarily attributable to our investment in short term bank deposits and marketable securities.

Net Cash Provided by Financing Activities

Net cash provided by financing activities was $0.9 million for the year ended December 31, 2016, which was attributable to the exercise of share options. Net cash provided by financing activities was $74.6 million for the year ended December 31, 2015, which was primarily attributable to our IPO.

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

For a description of our research and development programs and the amounts that we have incurred over the last three years pursuant to those programs, please see "ITEM 4.B Business Overview—Research and Development."

D. Trend Information

Our results of operations and financial condition may be affected by various trends and factors discussed in "ITEM 3.D Risk Factors," including "If the market for digital textile printing does not develop as we anticipate, our sales may not grow as quickly as expected and our share price could decline." and "ITEM 4.B Business Overview—Industry," changes in political, military or economic conditions in Israel and in the Middle East, general slowing of local or global economies and decreased economic activity in one or more of our target markets.

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. Tabular Disclosure of Contractual Obligations

Our contractual obligations as of December 31, 2016 are summarized in the following table:

	Payments Due by Period (in thousands)						
	Total	2017	2018	2019	2020	2021	2022 and thereafter
Operating lease obligations [1]	$ 8,785	$ 2,528	$ 2,165	$ 1,933	$ 1,820	$ 339	-
Uncertain tax positions [2]	1,004						-
Purchase commitments [3]	34,182	34,182					-
Severance payment [4]	1,269						-
Total	$ 45,240	$ 36,710	$ 2,165	$ 1,933	$ 1,820	$ 339	-

(1) Operating lease obligations consist of our contractual rental expenses under operating leases of facilities and 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 13(h) to our consolidated financial statements included in ITEM 18 of 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) Consists of commitments to purchase inventory through the end of 2017.
(4) Severance payments of $1.27 million are payable only upon termination, retirement or death of our employees. Of this amount, $0.5 million is unfunded as of December 31, 2016. Since we are unable to reasonably estimate the timing of settlement, the timing of such payments is not specified in the table. See also Note 2(v) to our consolidated financial statements appearing included in "ITEM 18 Financial Statements" of this annual report.

ITEM 6. Directors, Senior Management and Employees.

A. Directors and Senior Management

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

Name	Age	Position
Executive Officers		
Gabi Seligsohn	50	Chief Executive Officer and Director
Nuriel Amir	49	Chief Technology Officer
Guy Avidan	54	Chief Financial Officer
Gilad Yron	44	Executive Vice President of Global Business
Ofer Sandelson	62	Chief Operating Officer
Guy Zimmerman	49	Vice President of Marketing & Business Development
Directors		
Yuval Cohen	54	Chairman of the Board of Directors
Gabi Seligsohn	50	Chief Executive Officer and Director
Ofer Ben-Zur	52	Director
Eli Blatt	54	Director
Lauri Hanover[(1)(2)(3)(4)]	57	Director
Marc Lesnick	50	Director
Alon Lumbroso[(3)]	59	Director
Jerry Mandel[(1)(2)(3)(4)]	52	Director
Dov Ofer[(1)(2)(3)]	63	Director

(1) Member of our audit committee.
(2) Member of our compensation committee.
(3) Independent director under the NASDAQ Stock Market rules.
(4) Serves as an external director under the Israeli Companies Law.

Executive Officers

Gabi Seligsohn has served as a member of our board of directors since March 2015 and has served as our Chief Executive Officer since April 2014. From August 2006 until August 2013, Mr. Seligsohn served as the President and Chief Executive Officer of Nova Measuring Instruments Ltd., ("Nova") (NASDAQ: NVMI), a designer, developer and producer of optical metrology solutions. From 1998 until 2006, Mr. Seligsohn served in several key positions in Nova, including Executive Vice President of the Global Business Management Group from August 2005 to August 2006. From August 2002 until August 2005, he served as President of Nova's U.S. subsidiary, Nova Measuring Instruments Inc. Additionally, prior to August 2002, Mr. Seligsohn was Vice President Strategic Business Development of Nova Measuring Instruments Inc. where he established Nova's OEM group and managed the Applied Materials and Lam Research accounts between 2000 and 2002. From 1998 until 2000, he served as Global Strategic Account Manager for Nova's five leading customers. Mr. Seligsohn joined Nova after serving two years as Sales Manager for key financial accounts at Digital Equipment Corporation. Currently, Mr. Seligsohn serves as a director of DSP Group Inc. (NASDAQ: DSPG). In 2010, he was voted Chief Executive Officer of the year by the Israeli Institute of Management for hi-tech industries in the large company category. He holds an LL.B. from the University of Reading in Reading, England.

Nuriel Amir has served as our Chief Technology Officer since July 2016. From 2012 until mid-2016, Dr. Amir served as the Tech director of KLA-Tencor, focusing on application development and marketing. From 2008 until 2012, Dr. Amir served as the R&D director for Numonyx B.V. and Micron Technology, Inc. (NASDAQ: MU), leading the technology development and transfer to production of 45nm flash NOR technology. From 1977 until 2008, Dr. Amir served in several positions at Intel in Israel and the U.S. in the fields of: R&D, transfer to production, Process Integration, Yield, Device, Labs and Quality and Reliability, culminating as Yield department manager. Dr. Amir holds a Ph.D. from the microelectronic research center at the Electrical Engineering Faculty at the Technion, and has taught at several universities and colleges. Dr. Amir has 20 patent applications and over 40 publications including talks in the Society of Photo-Optical Instrumentation Engineers International, or SPIE.

Guy Avidan has served as our Chief Financial Officer since September 2014. From July 2010 until November 2014, Mr. Avidan served as Vice President of Finance and Chief Financial Officer of AudioCodes Ltd. ("AudioCodes") (NASDAQ: AUDC). Prior to joining AudioCodes, Mr. Avidan served for 15 years in various managerial positions, including Co-President, at MRV Communications Inc. (NASDAQ: MRVC), a global provider of optical communications network infrastructure equipment and services. While at MRV Communications, he served as Chief Financial Officer between 2007 and 2009, Vice President and General Manager of MRV International from 2001 to 2007. From 1992 to 1995, Mr. Avidan served as Vice President of Finance and Chief Financial Officer of Ace North Hills, which was acquired by MRV Communications. Mr. Avidan is a CPA in Israel and holds a B.A. in Economics and Accounting from Haifa University in Israel.

Gilad Yron has served as our Executive Vice President of Global Business since May 2016. From February 2015 until April 2016, Mr. Yron served as Senior Vice President of Products at Stratasys, Ltd. (NASDAQ: SSYS). His previous positions with Stratasys included VP Business Development and strategic alliances and Managing Director of Asia Pacific and Japan operating out of Hong Kong. From 2006 until 2010, Mr. Yron served in various positions for Nur Macroprinters, which later became part of HP, including Business Manager for the Asia-Pacific region and Service Director. Mr. Yron holds a Bs.C. in Physics from Tel Aviv University.

Ofer Sandelson has served as our Chief Operating Officer since July 2013. Prior to joining our company, Mr. Sandelson served as Chief Executive Officer of RVB Holdings Ltd. ("RVB"), a Cleantech technology company. From 2010 to 2011, Mr. Sandelson served as the Chief Executive Officer of BrightView Systems Ltd., provider of a Thin Film Solar defect detection system. From 2008 to 2010, Mr. Sandelson served as Managing Director at Aurum Ventures, where he led the private fund's Cleantech investments. Prior to joining Aurum Ventures, Mr. Sandelson held executive management positions, including Chief Executive Officer and President of CogniTens in Israel, Chief Executive Officer of both Lifewatch Inc. and Instromedix, medical devices companies in the United States and affiliates of Card Guard AG. Prior to serving in these roles, Mr. Sandelson spent 14 years as a senior executive with Orbotech (NASDAQ: ORBK), where he served in several positions, including Executive VP and Co-President of the PCB Division, as well as Corporate VP Operations and VP Customer Support. Mr. Sandelson studied Physics and Chemistry at Dawson College in Montreal, Canada.

Guy Zimmerman has served as our Vice President of Marketing and Business Development since April 2013. From 2010 to April 2013, Mr. Zimmerman served as VP of Global Sales and Business Development at Tefron Ltd., a provider of seamless garment technology, where he led the sales and sales support organization serving global retail and fashion brands. From 2008 to 2010, he served as Vice President of Strategy and Business Development at Tnuva Group, Israel's largest food manufacturer. Prior to joining Tnuva Group, Mr. Zimmerman spent eight years at McKinsey & Company from 2000 to 2008, where he specialized in retail and consumer goods, leaving as an Associate Partner. From 1997 to 2000, Mr. Zimmerman led a software startup in the field of operational healthcare management systems. Mr. Zimmerman holds a B.Sc. in Industrial Engineering from Tel Aviv University in Israel.

Directors

Yuval Cohen has served as the Chairman of our board of directors since August 2011. Mr. Cohen is the founding and managing partner of Fortissimo Capital, a private equity fund established in 2004 and our controlling shareholder. From 1997 through 2002, Mr. Cohen was a General Partner at Jerusalem Venture Partners ("JVP"), an Israeli-based venture capital fund, where he led investments in, and served on the boards of directors of, several portfolio companies. Prior to joining JVP, he held executive positions at various Silicon Valley companies, including DSP Group, Inc. (NASDAQ: DSPG), and Intel Corporation (NASDAQ: INTC). Currently, Mr. Cohen serves as a director of Wix.com Ltd. (NASDAQ: WIX). He also serves on the board of directors of several privately held portfolio companies of Fortissimo Capital. Mr. Cohen holds a B.Sc. in Industrial Engineering from Tel Aviv University in Israel and an M.B.A. from Harvard Business School in Massachusetts.

Ofer Ben-Zur is a co-founder of our company and has served as director since 2002. From April 2014 to July 2016, Mr. Ben-Zur served as our President and Chief Technology Officer. From 2002 to April 2014, Mr. Ben-Zur served as our Chief Executive Officer, as well as the manager of our department of research and development. Prior to establishing our company, Mr. Ben-Zur worked as a consultant for several companies in the inkjet and semi-conductor industries. From March 1998 until November 1999, Mr. Ben-Zur led a development team at Idanit — Scitex, a world leader in wide format printers. From 1993 to 1998, he worked as a mechanical development engineer at Applied-Materials (NASDAQ: AMAT). Mr. Ben-Zur holds a B.Sc. in Mechanical Engineering from the Technion — Israel Institute of Technology in Israel, an M.Sc. in Mechanical Engineering from Tel Aviv University in Israel, and an M.B.A. from Bradford University in England.

Eli Blatt has served as a member of our board of directors since August 2011. Mr. Blatt joined Fortissimo Capital in 2004. From March 1999 to May 2004, Mr. Blatt worked at Noosh, Inc., a provider of cloud-based integrated project and procurement solutions, serving as its Chief Financial Officer from 2002 to 2004 and Vice President of Operations from 1999 to 2002. From 1997 to 1999, Mr. Blatt served as Director of Operations for CheckPoint Software Technologies Inc. (NASDAQ: CHKP), an internet security company. Currently, Mr. Blatt serves on the board of directors of RadView Software Ltd. (NASDAQ: RDVW) and several privately held portfolio companies of Fortissimo Capital. Mr. Blatt holds a B.Sc. in Industrial Engineering from Tel Aviv University in Israel and an M.B.A. from Indiana University in Indiana.

Lauri Hanover has served as a member of our board of directors since March 2015 and is an external director under the Companies Law, the chairperson of our audit committee and a member of our compensation committee. Ms. Hanover has served as the Chief Financial Officer of Netafim Ltd., a global leader in smart irrigation systems, since August 2013. From 2009 to 2013, she served as Chief Financial Officer and Executive Vice President of the Tnuva Group, Israel's largest food manufacturer. From 2008 to 2009, Ms. Hanover served as Chief Executive Officer of Gross, Kleinhendler, Hodak, Halevy and Greenberg & Co., an Israeli law firm. From 2004 to 2007, she served as Chief Financial Officer and Senior Vice President of Lumenis Ltd. (NASDAQ: LMNS), a medical laser device company. From 2000 to 2004, Ms. Hanover served as the Chief Financial Officer and Corporate Vice President of NICE Systems Ltd. (NASDAQ: NICE), an interaction analytics company, and from 1997 to 2000, as Chief Financial Officer and Executive Vice President of Sapiens International Corporation N.V. (NASDAQ: SPNS), a provider of software solutions for the insurance industry. From 1981 to 2007, she served in a variety of financial management positions, including Corporate Controller and Director of Corporate Budgeting and Financial Analysis at Scitex Corporation Ltd., a developer and manufacturer of inkjet printers, and Senior Financial Analyst at Philip Morris Inc. (Altria), a leading consumer goods manufacturer. Currently, Ms. Hanover serves as a director and chairman of the audit and compensation committees of SodaStream International Ltd (NASDAQ: SODA). Ms. Hanover holds a B.A. from the University of Pennsylvania, a B.S. in Economics from The Wharton School of the University of Pennsylvania, as well as an M.B.A. from New York University in New York

Marc Lesnick has served as a member of our board of directors since August 2011. Mr. Lesnick joined Fortissimo Capital in 2004. From 2001 through 2003 prior to joining Fortissimo Capital, Mr. Lesnick served as an independent consultant to various high tech companies and institutional investors. From 1997 to 2001, Mr. Lesnick served as the Managing Director of Jerusalem Global, a boutique investment bank based in Israel, and its affiliated entities. From 1992 to 1997 prior to joining Jerusalem Global, Mr. Lesnick was an attorney at Weil, Gotshal & Manges LLP in New York, where he focused on public offerings and mergers and acquisitions. Currently, Mr. Lesnick serves on the board of directors of several privately held portfolio companies of Fortissimo Capital. Mr. Lesnick received a B.A. in Economics from Yeshiva University in New York and a J.D. from the University of Pennsylvania in Pennsylvania.

Alon Lumbroso has served as a member of our board of directors since March 2015. Since June 2015, Mr. Lumbroso has been the chief executive officer of DipTech Ltd. From January 2014 until March 2015, Mr. Lumbroso was a founder and partner of WebUP, an internet enterprise established in 2014 that acquires and manages internet sites. From 2011 to 2014, Mr. Lumbroso served as President of Mul-T-Lock Ltd., a subsidiary of ASSA ABLOY, a global supplier of locks and security solutions, as well as Market Region Manager of ASSA ABLOY. From 2005 to 2011, he served as Chief Executive Officer and director of Larotec Ltd., a developer and manufacturer of web-based end-to-end solutions. In addition, from 2004 to 2012, Mr. Lumbroso served as Chairman of BioExplorers Ltd., a developer of homeland security systems for the detection of explosives. From 2003 to 2004, he served as Chief Executive Officer of MindGuard, a developer and producer of medical devices. From 2000 to 2003, he served as Managing Director of Creo Europe (now CreoEMEA and formerly CreoScitex), a manufacturer and supplier of digital presses and printers. In addition, from 1998 to 2000, Mr. Lumbroso served as Managing Directors of Scitex and CreoScitex Asia Pacific, Hong Kong. Currently, he serves as a partner and director of iCar 2007 Ltd. Mr. Lumbroso holds a B.Sc. in Industrial Engineering from Tel Aviv University in Israel and an M.B.A. from Bar-Ilan University in Israel.

Jerry Mandel has served as a member of our board of directors since March 2015 and is an external director under the Companies Law, chairman of our compensation committee and a member of our audit committee. Mr. Mandel is the owner and CEO of Galil Capital Finance Ltd., a privately held company that provides financial advisory and investment management services. Mr. Mandel is also the founder, Chief Executive Officer, and managing member of GC Florida Group, a group of partnerships established in 2009 that invests in and manages residential and commercial properties. From 2007 to 2009, he served as Chief Executive Officer and a director of GMF Ltd., an investment firm that provides mezzanine financing to middle-market companies. From 2005 to 2008, Mr. Mandel served as a director for Chen Yahav, the pension funds arm of Bank Yahav, and from 2004 to 2005, he served as a director and audit committee member of Cellcom Israel Ltd., a leading Israeli cellular company. From 1998 to 2003, Mr. Mandel was the Director of Investment Banking of EEMEA for Merrill Lynch & Co. and responsible for the origination and execution of investment banking activities in Israel. Currently, Mr. Mandel serves as a director and audit committee member of Direct Insurance — Financial Investments Ltd. (TASE: DIFI). Mr. Mandel holds a B.Sc. in Industrial Engineering from Tel Aviv University in Israel and an M.B.A. from Columbia Business School in New York.

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

Arrangements Concerning Election of Directors; Family Relationships

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

B. Compensation

The aggregate compensation paid and equity-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, 2016 was $4.3 million. This amount includes approximately $0.3 million set aside or accrued to provide pension, severance, retirement or similar benefits or expenses. As of December 31, 2016, options to purchase 1,529,110 ordinary shares granted to our directors and executive officers were outstanding under our share incentive plans at a weighted average exercise price of $6.27 per share. Certain of our officers and directors receive a severance payment of up to six months of their base salary upon termination of their employment.

The following table presents the grant dates, number of options, related exercise prices and expiration dates of options granted to our directors and executive officers for the year ended December 31, 2016:

Grant Date	Number of Options	Exercise Price of Options	Expiration Date of Options
June 7, 2016	100,000	$ 10.10	June 7, 2026
August 4, 2016	145,000	10.05	August 4, 2026
September 28, 2016	120,000	9.49	September 28, 2026

Director Compensation

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

Our directors are entitled to cash compensation as follows:

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

- annual fees in the amount of $24,000 and $30,000 for the chairman; and
- per-meeting fees in the amount of $1,000 or $500 for participation in meetings via phone.

Executive Officer Compensation

The table below outlines the compensation granted to our five most highly compensated office holders during or with respect to the year ended December 31, 2016, in the disclosure format of Regulation 21 of the Israeli Securities Regulations (Periodic and Immediate Reports), 1970. We refer to the five individuals for whom disclosure is provided herein as our "Covered Executives."

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

Summary Compensation Table

Information Regarding the Covered Executive[1]

Name and Principal Position[2]	Base Salary ($)	Benefits and Perquisites ($)[3]	Variable compensation ($)[4]	Equity-Based Compensation ($)[5]	Total ($)
			(in thousands)		
Gabi Seligsohn, Chief Executive Officer	344	89	150	819	1,402
Guy Avidan, Chief Financial Officer	184	84	98	252	618
Ofer Sandelson, Chief Operating Officer	163	67	63	138	431
Guy Zimmerman, VP of Marketing and Business Development	162	37	66	155	420
Gilad Yron, EVP Global Business	136	49	58	100	343

(1) All amounts reported in the table are in terms of cost to us, as recorded in our financial statements.
(2) All current executive officers listed in the table are our 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 2016.

(3) Amounts reported in this column include benefits and perquisites, including those mandated by applicable law. Such benefits and perquisites may include, to the extent applicable to the executive, payments, contributions and/or allocations for savings funds, pension, severance, vacation, car or car allowance, medical insurances and benefits, risk insurances (e.g., life, disability, accident), convalescence pay, payments for social security, tax gross-up payments and other benefits and perquisites consistent with our guidelines.
(4) Amounts reported in this column refer to incentive and bonus payments which were paid with respect to 2016.
(5) Amounts reported in this column represent the expense recorded in our financial statements for the year ended December 31, 2016 with respect to equity-based compensation. Assumptions and key variables used in the calculation of such amounts are described in paragraph (q) of Note 2 to our audited financial statements, which are included in "ITEM 18 Financial Reports" of this annual report.

2004 Share Option Plan

In May 2004 our board of directors adopted and our shareholders approved our 2004 Share Option Plan, or the 2004 Plan. The 2004 Plan was amended on June 15, 2005. We are no longer granting options under the 2004 Plan because it was superseded by the 2012 Plan, although previously granted awards remain outstanding. As of December 31, 2016, we had options to purchase 215,236 ordinary shares outstanding under the 2004 Plan.

The 2004 Plan provides for the grant of options to our and our subsidiaries' and affiliates' directors, employees and officers, who are expected to continue to our future growth and success.

The 2004 Plan is administered by our board of directors or by a compensation committee appointed by the board of directors, which determines, subject to Israeli law, the grantees of awards and the terms of the grant, including, exercise prices, vesting schedules, acceleration of vesting and the other matters necessary in the administration of the 2004 Plan. The 2004 Plan enabled us to issue awards under various tax regimes, including, without limitation, pursuant to Section 102 of the Israeli Income Tax Ordinance (New Version) 1961, or the Ordinance.

Section 102 of the Ordinance allows employees, directors and officers, who are not controlling shareholders, to receive favorable tax treatment for compensation in the form of shares or options. Section 102 of the Ordinance includes two alternatives for tax treatment involving the issuance of options or shares to a trustee for the benefit of the grantees and also includes an additional alternative for the issuance of options or shares directly to the grantee. Section 102(b)(2) of the Ordinance, which provides the most favorable tax treatment for grantees, permits the issuance to a trustee under the "capital gain track." Note however, that according to Section 102(b)(3) of the Ordinance, if the company granting the shares or options is a publicly traded company or is listed for trading on any stock exchange within a period of 90 days from the date of grant, any difference between the exercise price of the Awards (if any) and the average closing price of the company's shares at the 30 trading days preceding the grant date (when the company is listed on a stock exchange) or 30 trading days following the listing of the company, as applicable, will be taxed as "ordinary income" at the grantee's marginal tax rate. In order to comply with the terms of the capital gain track, all securities granted under a specific plan and subject to the provisions of Section 102 of the Ordinance, as well as the shares issued upon exercise of such securities and other shares received following any realization of rights with respect to such securities, such as share dividends and share splits, must be registered in the name of a trustee selected by the board of directors and held in trust for the benefit of the relevant grantee. The trustee may not release these securities to the relevant grantee before 24 months from the date of grant and deposit of such securities with the trustee. However, under this track, we are not allowed to deduct an expense with respect to the issuance of the options or shares.

Vesting schedule of options granted under the 2004 Plan is set forth in each grantee's grant letter.

Options granted prior to June 15, 2005 may be exercised up to 10 years from the grant date and options granted thereafter may be exercised up to seven years from the grant date. In the event of the death of a grantee while employed or engaged by us, or the termination of a grantee's employment or services for reasons of disability or termination of a grantee's employment of services for reason of retirement in accordance with applicable law, the grantee, or in the case of death, his or her legal successor, may exercise options that have vested prior to termination until the earlier of: (i) a period of one (1) year from the date of disability, retirement or death, or (ii) the term of the options (i.e. seven or 10 years as set forth above). If we terminate a grantee's employment or service for cause, all of the grantee's vested and unvested options will expire on the date of termination. If a grantee's employment or service is terminated for any other reason, the grantee may generally exercise his or her vested options within the earlier of: 90 days after the date of termination, or (ii) the term of the options.

Options may not be sold, assigned, pledged or otherwise disposed of by the participant who holds such options, except by will or the laws of descent.

In the event of a merger or consolidation of our company, or a sale of all, or substantially all, of our shares or assets or other transaction having a similar effect on us, then without the consent of the option holder, our board of directors or its designated committee, as applicable, shall decide (i) if and how unvested options shall be canceled, replaced or accelerated, (ii) if and how vested options shall be exercised, replaced and/or sold by the trustee or the company on behalf of the option holder, and (iii) how the underlying shares issued upon exercise of options and held by the trustee on behalf of the option holder shall be replaced and/or sold by the trustee on behalf of the option holder.

2012 Share Incentive Plan

In October 2012, our board of directors adopted and our shareholders approved our 2012 Share Incentive Plan, or the 2012 Plan. The 2012 Plan replaced our 2004 Plan. We are no longer granting options under the 2012 Plan because it was superseded by the 2015 Plan, although previously granted awards remain outstanding. The 2012 Plan provides for the grant of options, restricted shares, restricted share units and other share-based awards to our and our subsidiaries' and affiliates' directors, employees, officers, consultants, advisors, and any other person whose services are considered valuable to us or our affiliates, to continue as service providers, to increase their efforts on our behalf or on behalf of our subsidiary or affiliate and to promote the success of our business. As of December 31, 2016, we had options to purchase 1,233,112 ordinary shares outstanding under the 2012 Plan.

The 2012 Plan is administered by our board of directors or by a committee designated by the board of directors, which determines, subject to Israeli law, the grantees of awards and the terms of the grant, including, exercise prices, vesting schedules, acceleration of vesting and the other matters necessary in the administration of the 2012 Plan. The 2012 Plan enables us to issue awards under various tax regimes, including, without limitation, pursuant to Section 102 of the Ordinance as discussed under "2004 Share Option Plan" above, and under Section 3(i) of the Ordinance and Section 422 of the United States Internal Revenue Code of 1986, as amended, or the Code.

The 2012 Plan provides that options granted to our employees, directors and officers who are not controlling shareholders and who are considered Israeli residents are intended to qualify for special tax treatment under the "capital gain track" provisions of Section 102(b) of the Ordinance. Our Israeli non-employee service providers and controlling shareholders may only be granted options under Section 3(i) of the Ordinance, which does not provide for similar tax benefits.

Options granted under the 2012 Plan to U.S. residents may qualify as "incentive stock options" within the meaning of Section 422 of the Code, or may be non-qualified. The exercise price for "incentive stock options" must not be less than the fair market value on the date on which an option is granted, or 110% of the fair market value if the option holder holds more than 10% of our share capital.

Options granted under the 2012 Plan generally vest over four years commencing on the date of grant, such that 50% vest on the second anniversary of the date of grant and an additional 25% vest at the end of each subsequent anniversary, provided that the participant remains continuously employed or engaged by us. In some cases, 25% vest on the first anniversary of the date of grant and an additional 6.25% vest at the end of each subsequent quarter, provided that the participant remains continuously employed by or engaged by us.

Options, other than certain incentive share options, that are not exercised within seven years from the grant date expire, unless otherwise determined by our board of directors or its designated committee, as applicable. Share options that qualify as "incentive stock options" and are granted to a person holding more than 10% of our voting power will expire within five years from the date of the grant. In the event of the death of a grantee while employed by or performing service for us or a subsidiary or within three months after the date of the employee's termination, or the termination of a grantee's employment or services for reasons of disability, the grantee, or in the case of death, his or her legal successor, may exercise options that have vested prior to termination within a period of one year from the date of disability or death. If a grantee's employment or service is terminated by reason of retirement in accordance with applicable law, the grantee may exercise his or her vested options within the three month period after the date of such retirement. If we terminate a grantee's employment or service for cause, all of the grantee's vested and unvested options will expire on the date of termination. If a grantee's employment or service is terminated for any other reason, the grantee may generally exercise his or her vested options within 90 days of the date of termination. Any expired or unvested options return to the pool and become available for reissuance.

In the event of a merger or consolidation of our company, or a sale of all, or substantially all, of our shares or assets or other transaction having a similar effect on us, then without the consent of the option holder, our board of directors or its designated committee, as applicable, may but is not required to (i) cause any outstanding award to be assumed or an equivalent award to be substituted by such successor corporation, or (ii) in case the successor corporation does not assume or substitute the award (a) provide the grantee with the option to exercise the award as to all or part of the shares or (b) cancel the options and pay in cash an amount determined by the board of directors or the committee as fair in the circumstances. Notwithstanding the foregoing, our board of directors or its designated committee may upon such event amend, modify or terminate the terms of any award, including conferring the right to purchase any other security or asset that the board of directors or the committee shall deem, in good faith, appropriate.

2015 Incentive Compensation Plan

In March 2015, we adopted our 2015 Incentive Compensation Plan, or the 2015 Plan. The 2015 Plan provides for the grant of share options, share appreciation rights, restricted share awards, restricted share units, cash-based awards, other share-based awards and dividend equivalents to our company's and our affiliates' respective employees, non-employee directors and consultants. The reserved pool of shares under the 2015 Plan is the sum of (i) 661,745 shares; plus (ii) on January 1 of each calendar year during the term of the 2015 Plan a number of shares equal to the lesser of: (x) 3% of the total number of shares outstanding on December 31 of the immediately preceding calendar year, (y) an amount determined by our board of directors, and (z) 1,965,930 shares. From and after the effective date of the 2015 Plan, no further grants or awards shall be made under the 2012 Plan. Generally, shares that are forfeited, cancelled, terminated or expire unexercised, settled in cash in lieu of issuance of shares under the 2015 Plan or the 2012 Plan shall be available for issuance under new awards. Generally, any shares tendered or withheld to pay the exercise price, purchase price of an award, or any withholding taxes shall be available for issuance under new awards. Shares delivered pursuant to "substitute awards" (awards granted in assumption or substitution of awards granted by a company acquired by us) shall not reduce the shares available for issuance under the 2015 Plan. As of December 31, 2016, we had options to purchase 1,307,458 ordinary shares outstanding under the 2015 Plan and 1,284,813 ordinary shares reserved for additional grants, including the increase which was effective on January 1, 2017.

Subject to applicable law, the 2015 Plan is administered by our compensation committee which has full authority in all matters related to the discharge of its responsibilities and the exercise of its authority under the plan. Awards under the 2015 Plan may be granted until 10 years after the effective date of the 2015 Plan.

The terms of options granted under the 2015 Plan, including the exercise price, vesting provisions and the duration of an option, shall be determined by the compensation committee and set forth in an award agreement. Except as provided in the applicable award agreement, or in the discretion of the compensation committee, an option may be exercised only to the extent that it is then exercisable and shall terminate immediately upon a termination of service of the grantee.

Share appreciation rights, or SARs, are awards entitling a grantee to receive a payment representing the difference between the base price per share of the right and the fair market value of a share on the date of exercise. SARs may be granted in tandem with an option or independent and unrelated to an option. The terms of SARs granted under the 2015 Plan, including the base price per share, vesting provisions and the duration of an SAR, shall be determined by the compensation committee and set forth in an award agreement. Except as provided in the applicable award agreement, or in the discretion of the compensation committee, a SAR may be exercised only to the extent that it is then exercisable and shall terminate immediately upon a termination of service of the grantee. At the discretion of the compensation committee, SARs will be payable in cash, ordinary shares or equivalent value or some combination thereof.

Restricted share awards are ordinary shares that are awarded to a grantee subject to the satisfaction of the terms and conditions established by the compensation committee in the award agreement. Until such time as the applicable restrictions lapse, restricted shares are subject to forfeiture and may not be sold, assigned, pledged or otherwise disposed of by the grantee who holds those shares.

Restricted share units are awards covering a number of hypothetical units with respect to shares that are granted subject to such vesting and transfer restrictions and conditions of payment as the compensation committee may determine in an award agreement. Restricted share units are payable in cash, ordinary shares of equivalent value or a combination thereof.

The 2015 Plan provides for the grant of cash-based award and other share-based awards (which are equity-based or equity related award not otherwise described in the 2015 Plan). The terms of such cash-based awards or other share-based shall be determined by the compensation committee and set forth in the award agreement.

The Committee may grant dividend equivalents based on the dividends declared on shares that are subject to any award. Dividend equivalents may be subject to any limitations and/or restrictions determined by the compensation committee and shall be converted to cash or additional shares by such formula and at such time, and shall be paid at such times, as may be determined by the compensation committee.

In the event of any dividend (excluding any ordinary dividend) or other distribution, recapitalization, share split, reverse share split, reorganization, merger, consolidation, split-up, split-off, combination, repurchase or exchange of shares or similar event (including a change in control) that affects the ordinary shares, the compensation committee shall make any such adjustments in such manner as it may deem equitable, including any or all of the following: (i) adjusting the number of shares available for grant under the 2015 Plan, (ii) adjusting the terms of outstanding awards, (iii) providing for a substitution or assumption of awards and (iv) cancelling awards in exchange for a payment in cash. In the event of a change of control, each outstanding award shall be treated as the compensation committee determines, including, without limitation, (i) that each award be honored or assumed, or equivalent rights substituted therefor, by the new employer or (ii) that all unvested awards will terminate upon the change in control. Notwithstanding the foregoing, in the event that it is determined that neither (i) or (ii) in the preceding sentence will apply, all awards will become fully vested.

2015 Israeli Sub Plan

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

2015 U.S. Sub Plan

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

Employee Stock Purchase Plan

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

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

C. Board Practices

Board of Directors

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

Under our articles, our board of directors must consist of at least five and not more than nine directors, including at least two external directors required to be appointed under the Companies Law. Our board of directors consists of nine directors, including our two external directors. Other than external directors, for whom special election requirements apply under the Companies Law, as detailed below, our directors are divided into three classes with staggered three-year terms. Each class of directors consists, as nearly as possible, of one-third of the total number of directors constituting the entire board of directors (other than the external directors). At each annual general meeting of our shareholders, the election or re-election of directors following the expiration of the term of office of the directors of that class of directors is for a term of office that expires on the third annual general meeting following such election or re-election, such that at each annual general meeting the term of office of only one class of directors expires. Each director will hold office until the annual general meeting of our shareholders in which his or her term expires, unless 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.

Our directors are divided among the three classes as follows:

(i) the Class I directors are Alon Lumbroso and Dov Ofer, and their terms expire at the annual general meeting of the shareholders to be held in 2019 and when their successors are elected and qualified;

(ii) the Class II directors are Ofer Ben-Zur and Gabi Seligsohn, and their terms expire at our annual general meeting of the shareholders to be held in 2017 and when their successors are elected and qualified; and

(iii) the Class III directors are Eli Blatt, Yuval Cohen and Marc Lesnick, and their terms expire at our annual general meeting of the shareholders to be held in 2018 and when their successors are elected and qualified.

Our board of directors has determined that our directors, Lauri Hanover, Alon Lumbroso, Jerry Mandel and Dov Ofer are independent under the rules of the NASDAQ Stock Market. The definition of "independent director" under the NASDAQ Stock Market rules and "external director" under the Companies Law overlap to a significant degree such that we would generally expect the two directors serving as external directors to satisfy the requirements to be independent under the NASDAQ Stock Market rules. However, it is possible for a director to qualify as an "external director" under the Companies Law without qualifying as an "independent director" under the NASDAQ Stock Market rules, or vice-versa. The definition of external director under the Companies Law includes a set of statutory criteria that must be satisfied, including criteria whose aim is to ensure that there is no factor that would impair the ability of the external director to exercise independent judgment. The definition of independent director under the NASDAQ Stock Market rules specifies similar, although less stringent, requirements in addition to the requirement that the board of directors consider any factor which would impair the ability of the independent director to exercise independent judgment. In addition, both external directors and independent directors serve for a period of three years; external directors pursuant to the requirements of the Companies Law and independent directors pursuant to the staggered board provisions of our articles. However, external directors must be elected by a special majority of shareholders while independent directors may be elected by an ordinary majority. See "—External Directors" for a description of the requirements under the Companies Law for a director to serve as an external director.

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

In addition, our articles allow our board of directors to appoint directors to fill vacancies on our board of directors for a term of office equal to the remaining period of the term of office of the director(s) whose office(s) have been vacated. External directors are elected for an initial term of three years and may be elected for additional three-year terms under the circumstances described below. External directors may be removed from office only under the limited circumstances set forth in the Companies Law. See "—External Directors."

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

Under regulations recently promulgated under the Israeli Companies Law, Israeli public companies whose shares are traded on certain U.S. stock exchanges, such as the NASDAQ Global Select Market, and that lack a controlling shareholder (as defined below) are exempt from the requirement to appoint external directors. Any such company is also exempt from the Israeli Companies Law requirements related to the composition of the audit and compensation committees of the Board. Eligibility for these exemptions is conditioned on compliance with U.S. stock exchange listing rules related to majority Board independence and the composition of the audit and compensation committees of the Board, as applicable to all listed domestic U.S. companies.

External Directors

Under the Companies Law, we are required to include on our board of directors at least two members who qualify as external directors. Lauri Hanover and Jerry Mandel serve as our external directors.

The provisions of the Companies Law set forth special approval requirements for the election of external directors. External directors must be elected by a majority vote of the shares present and voting at a meeting of shareholders, provided that either:

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

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

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

The initial term of an external director is three years. Thereafter, an external director may be reelected by shareholders to serve in that capacity for up to two additional three-year terms, provided that:

- his or her service for each such additional term is recommended by one or more shareholders holding at least 1% of the company's voting rights and is approved at a shareholders meeting by a disinterested majority, where the total number of shares held by non-controlling, disinterested shareholders voting for such reelection exceeds 2% of the aggregate voting rights in the company and subject to additional restrictions set forth in the Companies Law with respect to the affiliation of the external director nominee;

- the external director proposed his or her own nomination, and such nomination was approved in accordance with the requirements described in the paragraph above; or

- his or her service for each such additional term is recommended by the board of directors and is approved at a meeting of shareholders by the same majority required for the initial election of an external director (as described above).

The term of office for external directors for Israeli companies traded on certain foreign stock exchanges, including the NASDAQ Global Select Market, may be extended indefinitely in increments of additional three-year terms, in each case provided that the audit committee and the board of directors of the company confirm that, in light of the external director's expertise and special contribution to the work of the board of directors and its committees, the reelection for such additional period(s) is beneficial to the company, and provided that the external director is reelected subject to the same shareholder vote requirements (as described above regarding the reelection of external directors). Prior to the approval of the reelection of the external director at a general meeting of shareholders, the company's shareholders must be informed of the term previously served by him or her and of the reasons why the board of directors and audit committee recommended the extension of his or her term.

External directors may be removed from office by a special general meeting of shareholders called by the board of directors, which approves such dismissal by the same shareholder vote percentage required for their election or by a court, in each case, only under limited circumstances, including ceasing to meet the statutory qualifications for appointment, or violating their duty of loyalty to the company.

If an external directorship becomes vacant and there are fewer than two external directors on the board of directors at the time, then the board of directors is required under the Companies Law to call a shareholders' meeting as soon as practicable to appoint a replacement external director.

Each committee of the board of directors that exercises the powers of the board of directors must include at least one external director, except that the audit committee and the compensation committee must include all external directors then serving on the board of directors and an external director must serve as the chair thereof. Under the Companies Law, external directors of a company are prohibited from receiving, directly or indirectly, any compensation from the company other than for their services as external directors pursuant to the Companies Law and the regulations promulgated thereunder. Compensation of an external director is determined prior to his or her appointment and may not be changed during his or her term subject to certain exceptions.

The Companies Law provides that a person is not qualified to be appointed as an external director if (i) the person is a relative of a controlling shareholder of the company, or (ii) if that person or his or her relative, partner, employer, another person to whom he or she was directly or indirectly subordinate, or any entity under the person's control, has or had, during the two years preceding the date of appointment as an external director: (a) any affiliation or other disqualifying relationship with the company, with any person or entity controlling the company or a relative of such person, or with any entity controlled by or under common control with the company; or (b) in the case of a company with no shareholder holding 25% or more of its voting rights, had at the date of appointment as an external director, any affiliation or other disqualifying relationship with a person then serving as chairman of the board or chief executive officer, a holder of 5% or more of the issued share capital or voting power in the company or the most senior financial officer.

The term "relative" is defined in the Companies Law as a spouse, sibling, parent, grandparent or descendant; spouse's sibling, parent or descendant; and the spouse of each of the foregoing persons.

Under the Companies Law, the term "affiliation" and the similar types of disqualifying relationships, as used above, include (subject to certain exceptions):

- an employment relationship;
- a business or professional relationship even if not maintained on a regular basis (excluding insignificant relationships);
- control; and
- service as an office holder, excluding service as a director in a private company prior to the initial public offering of its shares if such director was appointed as a director of the private company in order to serve as an external director following the initial public offering.

The term “office holder” is defined in 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.

In addition, no person may serve as an external director if that person’s position or professional or other activities create, or may create, a conflict of interest with that person’s responsibilities as a director or otherwise interfere with that person’s ability to serve as an external director or if the person is an employee of the Israel Securities Authority or of an Israeli stock exchange. A person may furthermore not continue to serve as an external director if he or she received direct or indirect compensation from the company including amounts paid pursuant to indemnification or exculpation contracts or commitments and insurance coverage for his or her service as an external director, other than as permitted by the Companies Law and the regulations promulgated thereunder.

Following the termination of an external director’s service on a board of directors, such former external director and his or her spouse and children may not be provided a direct or indirect benefit by the company, its controlling shareholder or any entity under its controlling shareholder’s control. This includes engagement as an office holder of the company or a company controlled by its controlling shareholder or employment by, or provision of services to, any such company for consideration, either directly or indirectly, including through a corporation controlled by the former external director. This restriction extends for a period of two years with regard to the former external director and his or her spouse or child and for one year with respect to other relatives of the former external director.

If at the time at which an external director is appointed all members of the board of directors who are not controlling shareholders or relatives of controlling shareholders of the company are of the same gender, the external director to be appointed must be of the other gender. A director of one company may not be appointed as an external director of another company if a director of the other company is acting as an external director of the first company at such time.

According to the Companies Law and regulations promulgated thereunder, a person may be appointed as an external director only if he or she has professional qualifications or if he or she has accounting and financial expertise (each, as defined below), provided that at least one of the external directors must be determined by our board of directors to have accounting and financial expertise. However, if at least one of our other directors (i) meets the independence requirements under the Exchange Act, (ii) meets the standards of the Listing Rules of the NASDAQ Stock Market rules for membership on the audit committee, and (iii) has accounting and financial expertise as defined under the Companies Law, then neither of our external directors is required to possess accounting and financial expertise as long as each possesses the requisite professional qualifications.

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. A director is deemed to have professional qualifications if he or she has any of (i) an academic degree in economics, business management, accounting, law or public administration, (ii) an academic degree or has completed another form of higher education in the primary field of business of the company or in a field which is relevant to his/her position in the company, or (iii) at least five years of experience serving in one of the following capacities, or at least five years of cumulative experience serving in two or more of the following capacities: (a) a senior business management position in a company with a significant volume of business; (b) a senior position in the company’s primary field of business; or (c) a senior position in public administration or service. The board of directors is charged with determining whether a director possesses financial and accounting expertise or professional qualifications.

Our board of directors has determined that each of Lauri Hanover and Jerry Mandel possesses accounting expertise, financial expertise and professional qualifications as defined under the Companies Law.

Leadership Structure of the Board

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

Board Committees

Audit Committee

Our audit committee consists of our two external directors, Lauri Hanover (Chairperson) and Jerry Mandel as well as Dov Ofer.

Companies Law Requirements

Under the Companies Law, we are required to appoint an audit committee. The audit committee must be comprised of at least three directors, including all of the external directors, one of whom must serve as chairperson of the committee. The audit committee may not include the chairman of the board, a controlling shareholder of the company, a relative of a controlling shareholder, a director employed by or providing services on a regular basis to the company, to a controlling shareholder or to an entity controlled by a controlling shareholder, or a director who derives most of his or her income from a controlling shareholder. In addition, under the Companies Law, the audit committee of a publicly traded company must consist of a majority of independent directors. In general, an "independent director" under the Companies Law is defined as either an external director or as a director who meets the following criteria:

- he or she meets the qualifications for being appointed as an external director, except for the requirement (i) that the director be an Israeli resident (which does not apply to companies such as ours whose securities have been offered outside of Israel or are listed for trading outside of Israel) and (ii) for accounting and financial expertise or professional qualifications; and

- he or she has not served as a director of the company for a period exceeding nine consecutive years. For this purpose, a break of less than two years in the service shall not be deemed to interrupt the continuation of the service.

NASDAQ Listing Requirements

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

All members of our audit committee meet the requirements for financial literacy under the applicable rules and regulations of the SEC and NASDAQ corporate governance rules. Our board of directors has determined that Lauri Hanover and Jerry Mandel is each an audit committee financial expert as defined by the SEC rules and has the requisite financial experience as defined by NASDAQ corporate governance rules.

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

Audit Committee Role

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

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

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

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

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

- determining whether there are deficiencies in the business management practices of our company, including in consultation with our internal auditor or the independent auditor, and making recommendations to the board of directors to improve such practices;
- determining whether to approve certain related party transactions (including transactions in which an office holder has a personal interest and whether such transaction is material or extraordinary under the Companies Law) (see "—Approval of Related Party Transactions under Israeli Law");
- establishing the approval process (including, potentially, the approval of the audit committee and conducting a competitive procedure supervised by the audit committee) for certain transactions with a controlling shareholder or in which a controlling shareholder has a personal interest;
- where the board of directors approves the working plan of the internal auditor, examining such working plan before its submission to the board of directors and proposing amendments thereto;
- examining our internal audit controls and internal auditor's performance, including whether the internal auditor has sufficient resources and tools to fulfill his or her responsibilities;
- examining the scope of our auditor's work and compensation and submitting a recommendation with respect thereto to our board of directors or shareholders, depending on which of them is considering the appointment of our auditor; and
- establishing procedures for the handling of employees' complaints as to the management of our business and the protection to be provided to such employees.

Our audit committee may not approve any actions requiring its approval (see "—Approval of Related Party Transactions under Israeli Law"), unless at the time of the approval a majority of the committee's members are present, which majority consists of independent directors including at least one external director.

Compensation Committee and Compensation Policy

Our compensation committee consists of our two external directors, Jerry Mandel (Chairman) and Lauri Hanover as well as Dov Ofer.

Companies Law Requirements

Under the Companies Law, the board of directors of a public company must appoint a compensation committee. The compensation committee must be comprised of at least three directors, including all of the external directors, who must constitute a majority of the members of, and include the chairman of, the compensation committee. However, subject to certain exceptions, Israeli companies whose securities are traded on stock exchanges such as the NASDAQ Global Select Market, and who do not have a controlling shareholder, do not have to meet this majority requirement; provided, however, that the compensation committee meets other Companies Law composition requirements, as well as the requirements of the jurisdiction where the company's securities are traded. As we currently have a controlling shareholder for this purpose, we are obligated to meet the majority requirement, although this may change in the future. Each compensation committee member who is not an external director must be a director whose compensation does not exceed an amount that may be paid to an external director. The compensation committee is subject to the same Companies Law restrictions as the audit committee as to who may not be a member of the compensation committee.

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

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

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

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

Consistent with the foregoing requirements, following the recommendation of our compensation committee, our Board and our shareholders approved our compensation policy in July 2015 and September 2015, respectively.

NASDAQ Listing Requirements

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

Compensation Committee Role

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

- the responsibilities set forth in the compensation policy;
- reviewing and approving the granting of options and other incentive awards to the extent such authority is delegated by our board of directors; and
- reviewing, evaluating and making recommendations regarding the compensation and benefits for our non-employee directors.

Compensation of Directors

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

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.

External directors are entitled to remuneration subject to the provisions and limitations set forth in the regulations promulgated under the Companies Law.

For additional information, see "—Compensation of Officers and Directors."

Internal Auditor

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

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

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

Approval of Related Party Transactions Under Israeli Law

Fiduciary Duties of Directors and Executive Officers

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

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

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

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

The duty of loyalty includes a duty to:

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

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

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

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

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

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

Generally, a person who has a personal interest in a matter which is considered at a meeting of the board of directors or the audit 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. 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, but shareholder approval is also required for such transaction.

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

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

- at least a majority of the shares held by all shareholders who do not have a personal interest in the transaction and who are present and voting at the meeting approves the transaction, excluding abstentions; or
- the shares voted against the transaction by shareholders who have no personal interest in the transaction and who are present and voting at the meeting do not exceed 2% of the voting rights in the company.

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

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

Pursuant to regulations promulgated under the Companies Law, certain transactions with a controlling shareholder or his or her relative, or with directors, that would otherwise require approval of a company's shareholders may be exempt from shareholder approval upon certain determinations of the audit committee and board of directors. Under these regulations, a shareholder holding at least 1% of the issued share capital of the company may require, within 14 days of the publication of such determinations, that despite such determinations by the audit committee and the board of directors, such transaction will require shareholder approval under the same majority requirements that would otherwise apply to such transactions.

Fortissimo Capital, which owns 26.3% of our ordinary shares, is currently a controlling shareholder for these purposes, although this status may change in the future.

Shareholder Duties

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

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

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

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

Exculpation, Insurance and Indemnification of Directors and Officers

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

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

- financial liability imposed on him or her in favor of another person pursuant to a judgment, including a settlement or arbitrator's award approved by a court. However, if an undertaking to indemnify an office holder with respect to such liability is provided in advance, then such an undertaking must be limited to events which, in the opinion of the board of directors, can be foreseen based on the company's activities when the undertaking to indemnify is given, and to an amount or according to criteria determined by the board of directors as reasonable under the circumstances, and such undertaking shall detail the abovementioned foreseen events and amount or criteria;

- reasonable litigation expenses, including attorneys' fees, incurred by the office holder (1) as a result of an investigation or proceeding instituted against him or her by an authority authorized to conduct such investigation or proceeding, provided that (i) no indictment was filed against such office holder as a result of such investigation or proceeding, and (ii) no financial liability was imposed upon him or her as a substitute for the criminal proceeding as a result of such investigation or proceeding or, if such financial liability was imposed, it was imposed with respect to an offense that does not require proof of criminal intent; and (2) in connection with a monetary sanction; and

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

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

- a breach of the duty of loyalty to the company, provided that the office holder acted in good faith and had a reasonable basis to believe that the act would not harm the company;

- a breach of duty of care to the company or to a third party, to the extent such a breach arises out of the negligent conduct of the office holder; and

- a financial liability imposed on the office holder in favor of a third party.

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

- a breach of the duty of loyalty, except for indemnification and insurance for a breach of the duty of loyalty to the company to the extent that the office holder acted in good faith and had a reasonable basis to believe that the act would not harm the company;

- a breach of duty of care committed intentionally or recklessly, excluding a breach arising out of the negligent conduct of the office holder;

- an act or omission committed with intent to derive illegal personal benefit; or

- a fine or forfeit levied against the office holder.

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

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

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

D. Employees

As of December 31, 2016, we had 390 employees and subcontractors with 249 located in Israel, 59 in the United States, 41 in Germany and 41 in Hong Kong. The following table shows the breakdown of our workforce of employees and subcontractors by category of activity as of the dates indicated:

	As of December 31,		
Area of Activity	**2014**	**2015**	**2016**
Service	49	64	69
Sales and marketing	46	76	87
Manufacturing and operations	66	68	68
Research and development	60	90	115
General and administrative	30	45	51
Total	251	343	390

With respect to our Israeli employees, Israeli labor laws govern the length of the workday and workweek, minimum wages for employees, procedures for hiring and dismissing employees, determination of severance pay, annual leave, sick days, advance notice of termination of employment, payments to the National Insurance Institute, equal opportunity and anti-discrimination laws and other conditions of employment. While none of our employees is party to any collective bargaining agreements, certain provisions of the collective bargaining agreements between the Histadrut (General Federation of Labor in Israel) and the Coordination Bureau of Economic Organizations (including the Industrialists' Associations) are applicable to our employees in Israel by order of the Israeli Ministry of the Economy and Industry. These provisions primarily concern pension fund benefits for all employees, insurance for work-related accidents, recuperation pay and travel expenses. We generally provide our employees with benefits and working conditions beyond the required minimums.

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

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 ordinary shares as of February 28, 2017:

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

The beneficial ownership of our ordinary shares is determined in accordance with the rules of the SEC and generally includes any ordinary shares over which a person exercises sole or shared voting or investment power, or the right to receive the economic benefit of ownership. For purposes of the table below, we deem ordinary shares issuable pursuant to options that are currently exercisable or exercisable within 60 days of February 28, 2017 to be outstanding and to be beneficially owned by the person holding the options for the purposes of computing the percentage ownership of that person, but we do not treat them as outstanding for the purpose of computing the percentage ownership of any other person. Except where otherwise indicated, we believe, based on information furnished to us by such owners, that the beneficial owners of the ordinary shares listed below have sole investment and voting power with respect to such shares. The number of record holders in the United States is not representative of the number of beneficial holders nor is it representative of where such beneficial holders are resident since many of these ordinary shares were held by brokers or other nominees.

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

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

The percentages set forth below are based on 33,492,963 ordinary shares outstanding as of February 28, 2017.

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

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

Name	Number of Shares Beneficially Held	Percent
5% or Greater Shareholders		
Fortissimo Capital Fund II (Israel), L.P.[(1)]	8,802,481	26.3%
Directors and Executive Officers		
Yuval Cohen[(2)]	8,822,221	26.3%
Ofer Ben-Zur	182,541	0.5%
Eli Blatt[(3)]	8,816,299	26.3%
Lauri Hanover	*	*
Marc Lesnick[(3)]	8,816,299	26.3%
Alon Lumbroso	*	*
Jerry Mandel	*	*
Dov Ofer	*	*
Gabi Seligsohn[(4)]	494,601	1.5%
Nuriel Amir	-	-
Guy Avidan	*	*
Ofer Sandelson	*	*
Gilad Yron	-	-
Guy Zimmerman	*	*
All Directors and Executive Officers as a Group (14 persons)[(5)]	9,691,854	28.4%

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

(1) Based on information provided to us by Fortissimo Capital Fund II (Israel), L.P. ("Fortissimo Fund II"), Fortissimo Capital Fund II (GP), L.P. ("Fortissimo II GP") and Fortissimo Capital 2 Management (GP) Ltd. ("Fortissimo Management"). Fortissimo II GP is a Cayman Island limited partnership, which serves as the general partner of Fortissimo Fund II, an Israeli limited partnership: The general partner of Fortissimo II GP is Fortissimo Management, a Cayman Islands corporation. Messrs. Eli Blatt, Yuval Cohen and Marc Lesnick are members of the investment committee of Fortissimo Management and share voting and dispositive power with respect to such shares. The principal address of Fortissimo Management is 14 Hamelacha Street, Park Afek, Rosh Ha'Ayin 48091, Israel.

(2) Consists of 8,802,481 ordinary shares held by Fortissimo Capital and options to purchase 19,740 ordinary shares exercisable within 60 days of February 28, 2017.
(3) Consists of 8,802,481 ordinary shares held by Fortissimo Capital and options to purchase 13,818 ordinary shares exercisable within 60 days of February 28, 2017.
(4) Consists of 36,357 ordinary shares and options to purchase 458,244 ordinary shares exercisable within 60 days of February 28, 2017.
(5) Consists of 9,021,379 ordinary shares and options to purchase 670,475 ordinary shares exercisable within 60 days of February 28, 2017.

Recent Significant Changes in the Percentage Ownership of Major Shareholders

In January 2017, Fortissimo Capital sold 6,235,000 of our ordinary shares in a secondary public offering, which decreased its holdings in our Company from 48.5% to 26.3% (after taking into account the increase in outstanding shares resulting from our concurrent follow-on offering). In February 2017, we were informed by FMR LLC that they had sold all of their shares of the Company previously reported to have been held. Other than the foregoing, there have been no recent significant changes in the percentage ownership of major shareholders.

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, 2016, 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.

Investors' Rights Agreement

We are party to an amended and restated investors' rights agreement, dated March 18, 2015, or the Investors' Rights Agreement, with certain of our shareholders.

Demand Registration Rights

At any time, Fortissimo Capital may request that we file a registration statement. Upon receipt of such registration request, we are obligated to use our reasonable commercial efforts to file the registration statement as soon as possible. We have the right not to effect such filing during the period that is within 90 days after we have filed another such registration statement or completed certain other registered offerings or if we intend to file a registration statement for our own account within 90 days. We are not obligated to file more than two registration statements on Form F-1 pursuant to these demand provisions. Any other holder of registrable securities has the right to include its registrable securities in an underwritten registration pursuant to a demand registration.

Piggyback Registration Rights

If we propose to offer any of our ordinary shares in a public offering, the holders of registrable securities are entitled to at least 15 days' notice prior to the filing of the relevant registration statement or prospectus and may include all or a portion of their shares in the offering subject to becoming party to a customary underwriting agreement.

Shelf Registration Rights

If we become eligible to register any of our shares on Form F-3, Fortissimo Capital may request that we file a shelf registration statement for an offering to be made on a delayed or continuous basis pursuant to Rule 415 under the Securities Act registering the resale from time to time by Fortissimo Capital of registrable shares. In such event, we are required to give written notice of such request to all holders of registrable securities, who may elect to join in such request. Subsequently, upon notice from Fortissimo Capital or from the holders of a majority of the outstanding registrable securities, we are required to effect up to two underwritten takedowns from such shelf registration statement within any 12-month period. We are not required to effect any underwritten offering with 90 days of another underwritten offering.

Other Provisions

We have the right not to effect any filing or offering if, in the good faith judgment of our board of directors, it would be seriously detrimental to us or our stockholders for such filing or offering to be effected. We may exercise this right twice in any 12-month period for an aggregate of up to 90 days during such period.

We will pay all registration expenses (other than underwriting discounts and selling commissions) and the reasonable fees and expenses of a single counsel for the selling shareholders, related to any demand, piggyback or shelf registration.

The rights of any shareholder who is a party to the Investors' Rights Agreement to request registration or inclusion of registrable securities in any registration pursuant hereunder shall terminate when such shareholder holds less than 3% of our outstanding shares and such shareholder's registrable securities could be sold without volume restrictions, manner of sale restrictions or notice requirements pursuant to Rule 144 under the Securities Act.

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

Employment Agreements

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

Options

Since our inception we have granted options to purchase our ordinary shares to our officers and certain of our directors. Such option agreements may contain acceleration provisions upon certain merger, acquisition, or change of control transactions. We describe our option plans under ITEM 6.B. Compensation. If the relationship between us and an executive officer or a director is terminated, except for cause (as defined in the option plans), all options that are vested will generally remain exercisable for ninety days after such termination.

The following table provides information regarding the options to purchase our ordinary shares held by each of our directors and officers who beneficially owns greater than one percent of our ordinary shares:

Name/Title	Number of Shares Underlying Options	Exercise Price	Expiration Date
Yuval Cohen, Chairman of the Board of Directors	29,610	$ 9.97	March 6, 2025
Eli Blatt, Director	20,727	$ 9.97	March 6, 2025
Marc Lesnick, Director	20,727	$ 9.97	March 6, 2025
Gabi Seligsohn, Chief Executive Officer and Director	650,992	$ 2.17	April 27, 2024
	120,000	$ 12.97	September 28, 2025
	120,000	$ 9.49	September 28, 2026

Indemnification Agreements

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

C. Interests of Experts and Counsel

Not applicable.

ITEM 8. Financial Information.

A. Statements and Other Financial Information

We have appended our financial statements at the end of this annual report, starting at page F-2, as part of this annual report.

Legal Proceedings

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

Dividend Distribution Policy

We have never declared or paid any cash dividends on our ordinary shares. We do not anticipate paying any dividends in the foreseeable future. We currently intend 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. See “ITEM 3.D—Risk Factors— Risks Related to Our Ordinary Shares—We have never paid cash dividends on our share capital, and we do not anticipate paying any cash dividends in the foreseeable future” and “ITEM 10.B—Articles of Association—Dividend and Liquidation Rights” for an explanation concerning the payment of dividends under Israeli law**.**

B. Significant Changes

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

ITEM 9. The Offer and Listing.

A. Listing details

Our ordinary shares have been quoted on the NASDAQ Global Select Market under the symbol "KRNT" since April 2, 2015. Prior to that date, there was no public trading market for our ordinary shares. Our IPO was priced at $10.00 per share on April 2, 2015. The following table sets forth for the periods indicated the high and low sales prices per ordinary share as reported on NASDAQ:

	Low	High
	(in U.S. dollars)	
Annual:		
2016	$ 8.10	$ 14.70
2015 (beginning April 2, 2015)	9.91	17.50
Quarterly:		
First Quarter 2017 (through March 20, 2017)	12.05	18.50
Fourth Quarter 2016	9.00	14.70
Third Quarter 2016	8.90	11.70
Second Quarter 2016	8.10	11.19
First Quarter 2016	8.91	12.00
Fourth Quarter 2015	9.91	13.80
Third Quarter 2015	11.42	15.85
Second Quarter 2015	11.76	17.50
Most Recent Six Months (and Most Recent Partial Month):		
March 2017 (through March 20, 2017)	14.55	16.95
February 2017	16.25	18.50
January 2017	12.05	18.40
December 2016	11.25	14.70
November 2016	9.00	12.30
October 2016	9.35	10.60
September 2016	8.90	11.37

B. Plan of Distribution

Not applicable.

C. Markets

See "—Listing Details" above.

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital

Not applicable.

B. Articles of Association

Registration Number and Purposes of the Company

Our registration number with the Israeli Registrar of Companies is 513195420. Our purpose as set forth in our articles is to engage in any lawful activity.

Voting Rights

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

Transfer of Shares

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

Election of Directors

Our ordinary shares do not have cumulative voting rights for the election of directors. As a result, the holders of a majority of the voting power represented at a shareholders meeting have the power to elect all of our directors, subject to the special approval requirements for external directors described under “ITEM 6.C Board Practices— External Directors.”

Under our articles, our board of directors must consist of not less than five but no more than nine directors, including two external directors as required by the Companies Law. Pursuant to our articles, each of our directors, other than the external directors, for whom special election requirements apply under the Companies Law, will be appointed by a simple majority vote of holders of our voting shares, participating and voting at an annual general meeting of our shareholders. In addition, our directors, other than the external directors, are divided into three classes that are each elected at the third annual general meeting of our shareholders, in a staggered fashion (such that one class is elected each annual general meeting), and serve on our board of directors unless they are removed by a vote of 65% of the total voting power of our shareholders at a general meeting of our shareholders or upon the occurrence of certain events, in accordance with the Companies Law and our articles. In addition, our articles allow our board of directors to fill vacancies on the board of directors or to appoint new directors up to the maximum number of directors permitted under our articles. Such directors serve for a term of office equal to the remaining period of the term of office of the directors(s) whose office(s) have been vacated or in the case of new directors, for a term of office according to the class to which such director was assigned upon appointment. External directors are elected for an initial term of three years, may be elected for additional terms of three years each under certain circumstances, and may be removed from office pursuant to the terms of the Companies Law. See “ITEM 6.C Board Practices— 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 do not require shareholder approval of a dividend distribution and provide that dividend distributions may be determined by our board of directors.

Pursuant to the Companies Law, the distribution amount is limited to the greater of retained earnings or earnings generated over the previous two years, according to our then last reviewed or audited financial statements, provided that the end of the period to which the financial statements relate is not more than six months prior to the date of the distribution. If we do not meet such criteria, we may only distribute dividends with court approval. 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 as special general meetings. Our board of directors may call extraordinary 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;
- appointment or termination of our auditors;

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

The Companies Law and our articles require that notice of any annual general meeting or extraordinary general meeting be provided to shareholders at least 21 days prior to the meeting and if the agenda of the meeting includes, among other matters, the appointment or removal of directors, the approval of transactions with office holders or interested or related parties, approval of the company's general manager to serve as the chairman of its board of directors or an approval of a merger, notice must be provided at least 35 days prior to the meeting.

The Companies Law allows one or more of our shareholders holding at least 1% of the voting power of a company to request the inclusion of an additional agenda item for an upcoming shareholders meeting, assuming that it is appropriate for debate and action at a shareholders meeting. Under recently adopted regulations, such a shareholder request must be submitted within three or, for certain requested agenda items, seven days following our publication of notice of the meeting. If the requested agenda item includes the appointment of director(s), the requesting shareholder must comply with particular procedural and documentary requirements. If our board of directors determines that the requested agenda item is appropriate for consideration by our shareholders, we must publish an updated notice that includes such item within seven days following the deadline for submission of agenda items by our shareholders. The publication of the updated notice of the shareholders meeting does not impact the record date for the meeting. In lieu of this process, we may opt to provide pre-notice of our shareholders meeting at least 21 days prior to publishing official notice of the meeting. In that case, our 1% shareholders are given a 14-day period in which to submit proposed agenda items, after which we must publish notice of the meeting that includes any accepted shareholder proposals.

Under the Companies Law and under our articles, shareholders are not permitted to take action by way of written consent in lieu of a meeting.

Voting Rights

Quorum requirements

Pursuant to our articles, holders of our ordinary shares have one vote for each ordinary share held on all matters submitted to a vote before the shareholders at a general meeting. As a foreign private issuer, the quorum required for our general meetings of shareholders consists of at least two shareholders present in person, by proxy or written ballot who hold or represent between them at least 25% of the total outstanding voting rights. A meeting adjourned for lack of a quorum is generally adjourned to the same day in the following week at the same time and place or to a later time or date if so specified in the notice of the meeting. At the reconvened meeting, any number of shareholders present in person or by proxy shall constitute a quorum, unless a meeting was called pursuant to a request by our shareholders, in which case the quorum required is one or more shareholders, present in person or by proxy and holding the number of shares required to call the meeting as described under "—Shareholder Meetings."

Vote Requirements

Our articles provide that all resolutions of our shareholders require a simple majority vote, unless otherwise required by the Companies Law or by our articles. Under the Companies Law, each of (i) the approval of an extraordinary transaction with a controlling shareholder and (ii) the terms of employment or other engagement of the controlling shareholder of the company or such controlling shareholder's relative (even if such terms are not extraordinary) require the approval described in "ITEM 6.C. Board Practices—Approval of Related Party Transactions under Israeli Law." Additionally, (i) the approval and extension of a compensation policy and certain deviations therefrom require the approvals described above under "ITEM 6.C Board Practices— Compensation Committee — Companies Law Requirements," (ii) the terms of employment or other engagement of the chief executive officer of the company require the approvals described below in this ITEM 10.B under "Disclosure of Personal Interests of an Office Holder and Approval of Certain Transactions" and (iii) the chairman of a company's board of directors also serving as its chief executive officer require the approvals described above under "ITEM 6.C Board Practices—Board of Directors." Under our articles, the alteration of the rights, privileges, preferences or obligations of any class of our shares requires a simple majority of the class so affected (or such other percentage of the relevant class that may be set forth in the governing documents relevant to such class), in addition to the ordinary majority vote of all classes of shares voting together as a single class at a shareholder meeting. Our articles also require that the removal of any director from office (other than our external directors) or the amendment of the provisions of our articles relating to our staggered board requires the vote of 65% of the voting power of our shareholders. Another exception to the simple majority vote requirement is a resolution for the voluntary winding up, or an approval of a scheme of arrangement or reorganization, of the company pursuant to Section 350 of the Companies Law, which requires the approval of holders of 75% of the voting rights represented at the meeting, in person or by proxy and voting on the resolution.

Access to Corporate Records

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

Modification of Class Rights

Under the Companies Law and our articles, the rights attached to any class of share, such as voting, liquidation and dividend rights, may be amended by adoption of a resolution by the holders of a majority of the shares of that class present at a separate class meeting, or otherwise in accordance with the rights attached to such class of shares, as set forth in our articles.

Registration Rights

For a discussion of registration rights that we granted to certain of our existing shareholders prior to our IPO, please see "ITEM 7.B Related Party Transactions— Registration Rights."

Acquisitions under Israeli Law

Full Tender Offer.

A person wishing to acquire shares of an Israeli public company and who would as a result hold over 90% of the target company's issued and outstanding share capital is required by the Companies Law to make a tender offer to all of the company's shareholders for the purchase of all of the issued and outstanding shares of the company. A person wishing to acquire shares of a public Israeli company and who would as a result hold over 90% of the issued and outstanding share capital of a certain class of shares is required to make a tender offer to all of the shareholders who hold shares of the relevant class for the purchase of all of the issued and outstanding shares of that class. If the shareholders who do not accept the offer hold less than 5% of the issued and outstanding share capital of the company or of the applicable class, and more than half of the shareholders who do not have a personal interest in the offer accept the offer, all of the shares that the acquirer offered to purchase will be transferred to the acquirer by operation of law. However, a tender offer will also be accepted if the shareholders who do not accept the offer hold less than 2% of the issued and outstanding share capital of the company or of the applicable class of shares.

Upon a successful completion of such a full tender offer, any shareholder that was an offeree in such tender offer, whether such shareholder accepted the tender offer or not, may, within six months from the date of acceptance of the tender offer, petition an Israeli court to determine whether the tender offer was for less than fair value and that the fair value should be paid as determined by the court. However, under certain conditions, the offeror may include in the terms of the tender offer that an offeree who accepted the offer will not be entitled to petition the Israeli court as described above.

If a tender offer is not accepted in accordance with the requirements set forth above, the acquirer may not acquire shares from shareholders who accepted the tender offer that will increase its holdings to more than 90% of the company's issued and outstanding share capital or of the applicable class.

Special Tender Offer.

The Companies Law provides that an acquisition of shares of an Israeli public company must be made by means of a special tender offer if as a result of the acquisition the purchaser would become a holder of 25% or more of the voting rights in the company. This requirement does not apply if there is already another holder of at least 25% of the voting rights in the company. Similarly, the Companies Law provides that an acquisition of shares in a public company must be made by means of a special tender offer if as a result of the acquisition the purchaser would become a holder of more than 45% of the voting rights in the company, if there is no other shareholder of the company who holds more than 45% of the voting rights in the company, subject to certain exceptions.

A special tender offer must be extended to all shareholders of a company but the offeror is not required to purchase shares representing more than 5% of the voting power attached to the company's outstanding shares, regardless of how many shares are tendered by shareholders. A special tender offer may be consummated only if (i) the offeror acquired shares representing at least 5% of the voting power in the company and (ii) the number of shares tendered by shareholders who accept the offer exceeds the number of shares held by shareholders who object to the offer (excluding the purchaser, controlling shareholders, holders of 25% or more of the voting rights in the company or any person having a personal interest in the acceptance of the tender offer, including their relatives and companies under their control). If a special tender offer is accepted, the purchaser or any person or entity controlling it or under common control with the purchaser or such controlling person or entity may not make a subsequent tender offer for the purchase of shares of the target company and may not enter into a merger with the target company for a period of one year from the date of the offer, unless the purchaser or such person or entity undertook to effect such an offer or merger in the initial special tender offer.

Merger

The Companies Law permits merger transactions if approved by each party's board of directors and, unless certain requirements described under the Companies Law are met, by a majority vote of each party's shareholders. In the case of the target company, approval of the merger further requires a majority vote of each class of its shares.

For purposes of the shareholder vote, unless a court rules otherwise, the merger will not be deemed approved if a majority of the votes of shares represented at the meeting of shareholders that are held by parties other than the other party to the merger, or by any person (or group of persons acting in concert) who holds (or hold, as the case may be) 25% or more of the voting rights or the right to appoint 25% or more of the directors of the other party, vote against the merger. If, however, the merger involves a merger with a company's own controlling shareholder or if the controlling shareholder has a personal interest in the merger, then the merger is instead subject to the same Special Majority approval that governs all extraordinary transactions with controlling shareholders (as described under "ITEM 6.C Board Practices —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 petition of holders of at least 25% of the voting rights of a company. For such petition to be granted, the court must find that the merger is fair and reasonable, taking into account the respective values assigned to each of the parties to the merger and the consideration offered to the shareholders of the target company.

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

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

Anti-takeover Measures under Israeli Law

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

Borrowing Powers

Pursuant to the Companies Law and our articles, our board of directors may exercise all powers and take all actions that are not required under law or under our articles to be exercised or taken by our shareholders, including the power to borrow money for company purposes.

Changes in Capital

Our articles enable us to increase or reduce our share capital. Any such changes are subject to Israeli law and must be approved by a resolution duly passed by our shareholders at a general meeting by voting on such change in the capital. In addition, transactions that have the effect of reducing capital, such as the declaration and payment of dividends in the absence of sufficient retained earnings or profits, require the approval of both our board of directors and an Israeli court.

C. Material Contracts

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

Underwriting Agreement for IPO

We entered into an underwriting agreement, dated March 30, 2015, with Barclays Capital Inc. and Citigroup Global Markets Inc., as representatives of the underwriters for our IPO, with respect to the ordinary shares sold in our IPO. We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, and to contribute to payments the underwriters may be required to make in respect of such liabilities.

Agreements with Amazon

Master Purchase Agreement

On January 10, 2017, we entered into a Master Purchase Agreement, or the Purchase Agreement, with Amazon Corporate LLC, a subsidiary of Amazon.com, Inc., or Amazon. Under the Purchase Agreement, Amazon may purchase and we have committed to supply Avalanche 1000 digital direct-to-garment printers and NeoPigment ink and other consumables at agreed upon prices which are subject to volume. We also agreed to provide maintenance services and extended warranties to Amazon at agreed prices

The Purchase Agreement provides for an "end of life" program. We are required to notify Amazon 12 months in advance if it intends to stop supporting one of the products or services supplied by us and to continue to manufacture the product or provide such service during the applicable period. Subject to certain exceptions, we are required to continue to supply ink in such quantities as Amazon requires for at least 36 months after the earlier of (1) the end of the term of the Purchase Agreement or (2) 18 months following the purchase of the last product sold pursuant to the Purchase Agreement. The Purchase Agreement requires us to make arrangements to ensure continuity of our supply of products if we do not comply with its requirements to supply the products or the services under the agreement or becomes insolvent. The Purchase Agreement also provides for penalties on a sliding scale in the case of late delivery or if our systems are unavailable for certain specific periods. There are no minimum spending commitments under the Purchase Agreement. The term of the Purchase Agreement is five years beginning on May 1, 2016 and extends automatically for additional one year periods unless terminated by Amazon.

Transaction Agreement and Warrant

Concurrently with the Purchase Agreement, we and Amazon entered into a Transaction Agreement, or the Transaction Agreement, pursuant to which we agreed to issue to an affiliate of Amazon a warrant, or the Warrant to acquire up to 2,932,176 of our ordinary shares, or the Warrant Shares, at a purchase price of $13.03 per share which is based on the preceding 30 trading day VWAP prior to the execution of the Transaction Agreement. The Warrant also provides for cashless exercise.

Under the terms of the Warrant, the ordinary shares underlying the Warrant are subject to vesting as a function of payments for purchased products and services of up to $150 million over a five year period with the shares vesting incrementally each time Amazon (which includes its affiliates for purposes of the vesting determination) makes a payment totaling $5 million to us. Warrant Shares vest in increments of 85,521 shares until such time as Amazon has paid an aggregate of $75 million to us and thereafter the remaining Warrant Shares vest in additional increments of 109,956 shares each. Based on payments made by Amazon prior to the date of the Warrant, some of the Warrant Shares have vested at the time of the execution of the Purchase Agreement

The Warrant is exercisable through January 10, 2022. Upon the consummation of a change of control transaction (as defined in the Warrant), subject to certain exceptions, the unvested portion of the Warrant will vest in full and become fully exercisable

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

The Transaction Agreement includes customary representations, warranties and covenants of our company and Amazon. The Transaction Agreement restricts any transfer of the Warrant except to a wholly owned subsidiary of Amazon and contains certain restrictions on Amazon's ability to transfer the Warrant Shares, including to a beneficial owner of more than 5% of our outstanding ordinary shares, subject to customary exceptions. The Transaction Agreement also contains certain customary standstill restrictions with respect to an acquisition of our shares (other than an acquisition of the Warrant Shares), solicitation of proxies and other actions that seek to influence the control of our company. These standstill restrictions remain in effect until such time as the Warrant Shares held by Amazon or that remain unexercised under the Warrant represent less than 2% of our outstanding shares.

Under the Transaction Agreement, Amazon is entitled to certain registration rights. At any time after the one year anniversary of the Transaction Agreement (1) Amazon may request up to two times in any 12-month period that we file a shelf registration statement on Form F-3 or S-3 and we are required to keep the shelf registration effective for four 90-day periods, (2) if we are ineligible to file a registration statement on Form F-3 or Form S-3, Amazon may request up to four times that we file a long form registration statement to facilitate the sale of its shares, and (3) Amazon is entitled to piggyback registration rights on underwritten offerings effected by us. We are subject to customary obligations upon Amazon's request for registration, including cooperation in case of an underwritten offering.

Underwriting Agreement for Secondary and Follow-On Offering

We entered into an underwriting agreement, dated January 25, 2017, with Fortissimo Capital, Mr. Gabi Seligsohn, Barclays Capital Inc. and Citigroup Global Markets Inc., as representatives of the underwriters, with respect to the ordinary shares sold by Fortissimo Capital and Mr. Seligsohn and by us in our secondary and follow-on offering. We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, and to contribute to payments the underwriters may be required to make in respect of such liabilities.

Other Material Contracts

Material Contract	Location in This Annual Report
Amended and Restated Investors' Rights Agreement, dated March 18, 2015, between us and the parties thereto	"ITEM 7.B. Related Party Transaction—Investors' Rights Agreement."
Agreements and arrangements with, and compensation of, directors and executive officers	"ITEM 7.B. Related Party Transactions—Agreements and arrangements with, and compensation of, directors and executive officers."
Kornit Digital Compensation Policy	"ITEM 6.C. Board Practices-Board Committees-Compensation Committee and Compensation Policy."
OEM Supply Agreement, dated December 3, 2015, between us and FujiFilm Dimatix, Inc.	"ITEM 4.B. Business Overview— Manufacturing, Inventory and Suppliers-Inventory and Suppliers."
Amended and Restated Supplier Agreement, dated November 19, 2014, between the Registrant and I.T.S. Industrial Technologic Solutions, Ltd.	"ITEM 4.B. Business Overview— Manufacturing, Inventory and Suppliers-Manufacturing."
Manufacturing Services Agreement, dated as of May 2015, between us and Flextronics (Israel) Ltd.	"ITEM 4.B. Business Overview— Manufacturing, Inventory and Suppliers-Manufacturing."
Office and Parking Space Lease Agreement, dated as of December 17, 2007 between us and Industrial Building Corporation, as amended	"ITEM 4.D. Property, Plants and Equipment."
Agreement, dated as of December 22, 2016, between us and B.G. (Israel) Technologies Ltd.	"ITEM 4.B. Business Overview— Manufacturing, Inventory and Suppliers-Inventory and Suppliers."

D. Exchange Controls

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

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

E. Taxation

Israeli Tax Considerations

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

Capital Gains Taxes Applicable to Non-Israeli Resident Shareholders.

Israeli capital gains tax is imposed on the disposal of capital assets by a non-Israeli resident if such assets are either (i) located in Israel; (ii) shares or rights to shares in an Israeli resident company, or (iii) represent, directly or indirectly, rights to assets located in Israel, unless a specific exemption is available or unless a tax treaty between Israel and the seller's country of residence provides otherwise. Capital gain is generally subject to tax at the corporate tax rate (25.0% in 2016, 24% in 2017 and 23% in 2018 and thereafter), if generated by a company, or at the rate of 25% if generated by an individual, or 30% in the case of sale of shares by a Substantial Shareholder (i.e., a person who holds, directly or indirectly, alone or together with another, 10% or more of any of the company's "means of control" (including, among other things, the right to receive profits of the company, voting rights, the right to receive proceeds upon liquidation and the right to appoint a director)) at the time of sale or at any time during the preceding 12-month period. Individual and corporate shareholders dealing in securities in Israel are taxed at the tax rates applicable to business income (a corporate tax rate for a corporation and a marginal tax rate of up to 48% for an individual in 2016).

Notwithstanding the foregoing, a non-Israeli resident (individual or corporation) who derives capital gains from the sale of shares in an Israeli resident company that were purchased after the company was listed for trading on a recognized stock exchange in Israel or outside of Israel will generally be exempt from Israeli tax so long as the shares were not held through a permanent establishment that the non-resident maintains in Israel. 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 business income.

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

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

Taxation of Non-Israeli Shareholders on Receipt of Dividends.

Non-Israeli residents (whether individuals or corporations) are generally subject to Israeli income tax on the receipt of dividends paid on our ordinary shares at the rate of 25% or 30% (if the recipient is a Substantial Shareholder at the time of receiving the dividend or at any time during the preceding 12 months) or 15% if the dividend is distributed from income attributed to a Benefited Enterprise and 20% with respect to a Preferred Enterprise, subject to certain conditions. Such dividends are generally subject to Israeli withholding tax at a rate of 25% so long as the shares are registered with a nominee company (whether the recipient is a substantial shareholder or not) and 15% if the dividend is distributed from income attributed to a Benefited Enterprise or 20% if the dividend is distributed from income attributed to an Preferred Enterprise, unless a reduced rate is provided under an applicable tax treaty (subject to the receipt 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, generally, the maximum rate of withholding tax for dividends not generated by a Benefited Enterprise or a Preferred Enterprise and paid to a U.S. corporation holding 10% or more of the outstanding voting rights from the start of the tax year preceding the distribution of the dividend through (and including) the distribution of the dividend, is 12.5%, provided that not more than 25% of the gross income for such preceding year consists of certain types of dividends and interest. Notwithstanding the foregoing, a distribution of dividends to non-Israeli residents is subject to withholding tax at source at a rate of 15% if the dividend is distributed from income attributed to a Benefited Enterprise or Preferred Enterprise for such U.S. corporation shareholder, provided that the condition related to our gross income for the previous year (as set forth in the previous sentence) is met. U.S. residents who are subject to Israeli withholding tax on a dividend may be entitled to a credit or deduction for United States federal income tax purposes in the amount of the taxes withheld, subject to detailed rules contained in U.S. tax legislation.

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

Estate and Gift Tax.

Israeli law presently does not impose estate or gift taxes.

Excess Tax.

Beginning on January 1, 2013, an additional tax liability at the rate of 2% was added to the applicable tax rate on the annual taxable income of individuals (whether any such individual is an Israeli resident or non-Israeli resident) exceeding NIS 810,720 (in 2015) which amount is linked to the annual change in the Israeli consumer price index, including, but not limited to, dividends, interest and capital gain. Pursuant to new legislation enacted recently, as of 2017, such tax rate was increased to 3% on annual income exceeding NIS 640,000 (which amount is linked to the annual change in the Israeli consumer price index).

U.S. Federal Income Taxation

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

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

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

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

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

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

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

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

Distributions

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

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

Although, as discussed above, dividends that we pay to a U.S. Holder will generally be treated as foreign source income, for periods in which we are a "United States-owned foreign corporation," a portion of dividends paid by us may be treated as U.S. source income solely for purposes of the foreign tax credit. We would be treated as a United States-owned foreign corporation if 50% or more of the total value or total voting power of our stock is owned, directly, indirectly or by attribution, by United States persons. To the extent any portion of our dividends is treated as U.S. source income pursuant to this rule, the ability of a U.S. Holder to claim a foreign tax credit for any Israeli withholding taxes payable in respect of our dividends may be limited. 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 amount of any dividend income paid in NIS will be the U.S. dollar amount calculated by reference to the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars. If the dividend is converted into U.S. dollars on the date of receipt, you should not be required to recognize exchange gain or loss in respect of the dividend income. You may have exchange gain or loss if the dividend is converted into U.S. dollars after the date of receipt. Exchange gain or loss will be treated as U.S.-source ordinary income or loss.

Sale, Exchange or Other Disposition of Ordinary Shares

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

If an Israeli tax is imposed on the sale or other disposition of our ordinary shares, your amount realized will include the gross amount of the proceeds of the sale or other disposition before deduction of the Israeli tax. Because your gain from the sale or other disposition of our ordinary shares will generally be U.S.-source gain, and you may use foreign tax credits to offset only the portion of U.S. federal income tax liability that is attributable to foreign source income, you may be unable to claim a foreign tax credit with respect to the Israeli tax, if any, on gains. You should consult your tax adviser as to whether the Israeli tax on gains may be creditable against your U.S. federal income tax on foreign-source income from other sources.

Passive Foreign Investment Company Considerations

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

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

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

Passive income for this purpose generally includes dividends, interest, royalties, rents, gains from commodities and securities transactions, the excess of gains over losses from the disposition of assets which produce passive income, and includes amounts derived by reason of the temporary investment of funds raised in offerings of our ordinary shares. If a non-U.S. corporation owns at least 25% by value of the stock of another corporation, the non-U.S. corporation is treated for purposes of the PFIC tests as owning its proportionate share of the assets of the other corporation and as receiving directly its proportionate share of the other corporation's income. If we are classified as a PFIC in any year with respect to which a U.S. Holder owns our ordinary shares, our ordinary shares generally will continue to be treated as shares in a PFIC with respect to such U.S. Holder in all succeeding years during which the U.S. Holder owns our ordinary shares, regardless of whether we continue to meet the tests described above (including if we are not classified as a PFIC for the taxable year ending December 31, 2016).

Based on certain estimates of our gross income and gross assets and the nature of our business, we believe that we were not classified as a PFIC for the taxable year ended December 31, 2016, and furthermore do not expect to be classified for the taxable year ending December 31, 2017. Because PFIC status must be determined annually based on tests which are factual in nature, our PFIC status in future years will depend on our income, assets and activities in those years. There can be no assurance that we will not be considered a PFIC for any taxable year and we do not intend to make a determination of our or any of our future subsidiaries' PFIC status in the future. A U.S. Holder may be able to mitigate some of the adverse U.S. federal income tax consequences described below with respect to owning our ordinary shares if we are classified as a PFIC for our taxable year ending December 31, 2016, provided that such U.S. Holder is eligible to make, and successfully makes, either a "mark-to-market" election or a qualified electing fund election described below for the taxable year in which its holding period begins.

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

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

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

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

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

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

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

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

Disposition of Foreign Currency

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

Tax on Net Investment Income

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

Backup Withholding Tax and Information Reporting Requirements

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

Foreign Asset Reporting

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

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

F. Dividends and Paying Agents.

Not applicable.

G. Statement by Experts.

Not applicable.

H. Documents on Display

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

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. As permitted under NASDAQ Stock Market Rule 5250(d)(1)(C), we will post our annual reports filed with the SEC on our website at http://www.kornit.com. We will furnish hard copies of such reports to our shareholders upon request free of charge. The information contained on our website is not part of this or any other report filed with or furnished to the SEC.

I. Subsidiary Information

Not applicable.

ITEM 11. Quantitative and Qualitative Disclosures About Market Risks.

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

Foreign Currency Exchange Risk

Due to our international operations, currency exchange rates impact our financial performance. In 2016, approximately 88% of our revenues were denominated in U.S. dollars and 12% of our revenues were denominated in Euros. Conversely, in 2016, approximately 55% of our purchases of raw materials and components of our systems and ink and other consumables are denominated in either NIS or in NIS prices that are linked to U.S. dollars. Similarly, a majority of our operating costs, which are largely comprised of labor costs, are denominated in NIS, due to our operations in Israel. Accordingly, our results of operations may be materially affected by fluctuations in the value of the U.S. dollar relative to the NIS and the Euro.

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

	Change in Average Exchange Rate	
Period	**U.S. Dollar against the NIS (%)**	**U.S. Dollar against the Euro (%)**
2014	(0.9)	(0.0)
2015	8.6	(16.5)
2016	(1.1)	(0.3)

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 and positive figures represent appreciation of the U.S. dollar compared to the NIS. We estimate that a 10% increase or decrease in the value of the NIS against the U.S. dollar would have decreased or increased our net income by approximately by approximately $3.2 million in 2015 and 0.9 million in 2016. We estimate that a 10% increase or decrease in the value of the Euro against the U.S. dollar would have decreased or increased our net income by approximately $0.7 million in 2015 and 0.3 million in 2016. These estimates of the impact of fluctuations in currency exchange rates on our historic results of operations may be different from the impact of fluctuations in exchange rates on our future results of operations since the mix of currencies comprising our revenues and expenses may change.

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

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

During 2015 and 2016, we entered into forward and option contracts to hedge against the risk of overall changes in future cash flow from payments of payroll and related expenses denominated in NIS.

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

Interest Rate Risk

Our investment strategy is to achieve a return that will allow us to preserve capital and maintain liquidity requirements. We invest primarily in debt securities, corporate debt securities. By policy, we limit the amount of credit exposure to any one issuer. As of December 31, 2015 and December 31, 2016, unrealized losses on our marketable debt securities were primarily due to temporary interest rate fluctuations as a result of higher market interest rates compared to interest rates at the time of purchase. We account for both fixed and variable rate securities at fair value with changes on gains and losses recorded in the OCI until the securities are sold.

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.

A.-D.

Not applicable.

A. Use of Proceeds

Initial Public Offering

The effective date of the registration statement (File No. 333-202291) for our IPO was April 1, 2015. The offering commenced on March 18, 2015 and was closed on April 8, 2015. Barclays Capital Inc. and Citigroup Global Markets Inc. were joint book-running managers and representatives of the underwriters for the offering. Barclays Capital Inc., Citigroup Global Markets Inc., William Blair & Company, L.L.C., Stifel, Nicolaus & Company, Incorporated, Canaccord Genuity Inc. and Needham & Company, LLC were the underwriters for the offering. We registered 7,100,000 ordinary shares in the offering and granted the underwriters a 30-day over-allotment option to purchase up to 1,065,000 additional shares from us to cover over-allotments. The over-allotment was exercised in full by the underwriters.

At the closing of the IPO, we issued and sold a total of 8,165,000 ordinary shares at a price per share of $10.00 with aggregate gross proceeds of $81.7 million. Under the terms of the offering, we incurred aggregate underwriting discounts of approximately $5.7 million and expenses of approximately $2.4 million in connection with the offering, resulting in net proceeds to us of approximately $73.5 million.

From the effective date of the registration statement and until December 31, 2016, we had used $17.1 million of the net proceeds of the IPO for working capital.

We expect to use the balance of the net proceeds for working capital and general corporate purposes. The above may change based on the growth of our business.

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

ITEM 15. Controls and Procedures.

(a) Disclosure Controls and Procedures

Our management evaluated, with the participation of our principal executive officer and principal financial officer, the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), as of December 31, 2016. Based on their evaluation, our principal executive officer and principal financial officer concluded that as of December 31, 2016, our disclosure controls and procedures were effective such that the information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

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

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

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

Our management assessed the effectiveness of internal control over financial reporting as of December 31, 2016 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, 2016.

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

This annual report does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting because the JOBS Act provides an exemption from such requirement, as we qualify as an emerging growth company.

(d) Changes in internal control over financial reporting

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

ITEM 16. [Reserved]

ITEM 16A. Audit Committee Financial Expert.

Our board of directors has determined that each of Lauri Hanover and Jerry Mandel, who serves on the audit committee of our board of directors and who meets the "independent director" definition under the NASDAQ Listing Rules, qualifies as an "audit committee financial expert," as defined under the rules and regulations of the SEC, as well as our external director with "accounting and financial expertise" under the Companies Law.

ITEM 16B. Code of Ethics.

We have adopted a code of ethics and business conduct applicable to our executive officers, directors and all other employees. A copy of the code is delivered to every employee of our company, and is available to investors and others on our website at http://ir.kornit.com/ or by contacting our investor relations department. Under Item 16B of Form 20-F, if a waiver or amendment of the code of ethics and business conduct applies to our principal executive officer, principal financial officer, principal accounting officer, controller or other persons performing similar functions and relates to standards promoting any of the values described in Item 16B(b) of Form 20-F, we will disclose such waiver or amendment (i) on our website within five business days following the date of amendment or waiver in accordance with the requirements of Instruction 4 to such Item 16B or (ii) through the filing of a Form 6-K. No such amendment was adopted, nor waiver provided, by us during the fiscal year ended December 31, 2016.

ITEM 16C. Principal Accountant Fees and Services.

We paid 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, 2015 and 2016:

	2015	2016
Audit Fees	$ 414,000	$ 383,000
Audit-Related Fees	-	-
Tax Fees	69,000	57,000
All Other Fees	65,000	20,000
Total	$ 548,000	$ 460,000

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

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

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

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

Audit Committee's Pre-approval Policies and Procedures

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

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

Not applicable.

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

Not applicable.

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

Not applicable.

ITEM 16G. Corporate Governance.

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

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

- Nomination of directors. With the exception of external directors and directors elected by our board of directors due to vacancy, our directors are elected by an annual meeting of our shareholders to hold office until the next annual meeting following one year from his or her election. The nominations for directors, which are presented to our shareholders by our board of directors, are generally made by the board of directors itself, in accordance with the provisions of our articles of association and the Israeli Companies Law. Nominations need not be made by a nominating committee of our board of directors consisting solely of independent directors or otherwise, as required under the NASDAQ Listing Rules.

- Majority of independent directors. Under the Companies Law, we are only required to appoint at least two external directors, within the meaning of the Companies Law, to our board of directors. Currently, four of our directors (of which two are external directors, within the meaning of the Companies Law) qualify as independent directors under the rules of the U.S. federal securities laws and the NASDAQ Listing Rules.

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-42 appended hereto.

ITEM 19. Exhibits.

Please see the 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.

KORNIT DIGITAL LTD.

By: /s/ Guy Avidan
Name: Guy Avidan
Title: Chief Financial Officer

Date: March 30, 2017

ANNUAL REPORT ON FORM 20-F
INDEX OF EXHIBITS

Exhibit No.	Description
1.1	Amended and Restated Articles of Association of Kornit Digital Ltd.(1)
2.1	Specimen ordinary share certificate of Kornit Digital Ltd.(2)
4.1	Amended and Restated Investors' Rights Agreement, dated March 18, 2015, by and among Kornit Digital Ltd. and certain of the Registrant's shareholders(2)
4.2	Form of Indemnification Agreement(2)
4.4	2004 Share Option Plan(3)
4.5	2012 Share Incentive Plan(3)
4.5	2015 Incentive Compensation Plan(1)
4.6	Kornit Digital Ltd.'s Compensation Policy(4)
4.7	English Summary of the Office and Parking Space Lease Agreement dated as of December 17, 2007, by and between the Registrant and Industrial Building Corporation Ltd. as amended by Addendum, dated 2007, Addendum to Lease Agreement, dated 2007, Addendum to Lease Agreement, dated March 8, 2012, Addendum to Lease Agreement, dated 2012, Addendum to Lease Agreement, dated December 19, 2012, Addendum to Lease Agreement, dated May 20, 2013, Addendum to Lease Agreement, dated January 12, 2014, Addendum to Lease Agreement, dated January 12, 2014, Addendum to Lease Agreement, dated December 27, 2015 and Addendum to Lease Agreement, dated December 28, 2015.(5)
4.8	English Summary of the Lease Agreement, dated March 25, 2010, by and between the Registrant and Benvenisti Engineering Ltd. as amended by Addendum to Lease Agreement, dated November 21, 2011, and Addendum to Lease Agreement, dated September 16, 2014(3)
4.9	OEM Supply Agreement, dated December 3, 2015, among the Registrant and FujiFilm Dimatix, Inc. †(6)
4.10	Sales Representative Agreement, dated April 1, 2014, between the Registrant and Hirsch International Corporation †(3)
4.11	Manufacturing Services Agreement, dated May 2015, by and between the Registrant and Flextronics (Israel) Ltd. †
4.12	English Translation of Hebrew Original of Agreement, dated December 22, 2016 between the Registrant and B.G. (Israel) Technologies Ltd. †
4.13	Master Purchase Agreement, dated January 10, 2017, between the Registrant and Amazon Corporate LLC†
4.14	Transaction Agreement, dated January 10, 2017, between the Registrant and Amazon.com, Inc.
4.15	Warrant to Purchase Ordinary Shares, dated January 10, 2017, issued to Amazon.com NV Investment Holdings LLC
8.1	List of subsidiaries of the Registrant(7)
12.1	Certificate of Chief Executive Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to §302 of the Sarbanes-Oxley Act of 2002
12.2	Certificate of Chief Financial Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to §302 of the Sarbanes-Oxley Act of 2002
13.1	Certificate of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, furnished herewith
15.1	Consent of Kost Forer Gabbay & Kasierer, a member firm of Ernst & Young Global, an independent registered public accounting firm

(1) Previously filed with the SEC on March 18, 2015 as an exhibit to the Registrant's registration statement on Form F-1 (SEC File No. 333-202291) and incorporated by reference herein.
(2) Previously filed with the SEC on March 10, 2015 as an exhibit to the Registrant's registration statement on Form F-1 (SEC File No. 333-202291) and incorporated by reference herein.
(3) Previously filed with the SEC on February 25, 2015 as an exhibit to the Registrant's registration statement on Form F-1 (SEC File No. 333-202291) and incorporated by reference herein.
(4) Previously filed with the SEC on August 10, 2015 as Annex A to Exhibit 99.1 to the Registrant's report of foreign private issuer on Form 6-K and incorporated by reference herein.
(5) Previously filed with the SEC on March 17, 2016 as Exhibit 4.7 to the Registrant's Annual Report on Form 20-F and incorporated by reference herein.
(6) Previously filed with the SEC on April 14, 2016 as Exhibit 4.9 to Amendment No. 1 to the Registrant's Annual Report on Form 20-F and incorporated by reference herein.
(7) Previously filed with the SEC on March 17, 2016 as Exhibit 8.1 to the Registrant's Annual Report on Form 20-F and incorporated by reference herein.

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

KORNIT DIGITAL LTD. AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2016

INDEX

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of

KORNIT DIGITAL LTD.

We have audited the accompanying consolidated balance sheets of Kornit Digital Ltd. (the "Company") and its subsidiaries as of December 31, 2015 and 2016, and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2016. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries at December 31, 2015 and 2016, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2016, in conformity with U.S. generally accepted accounting principles.

Tel-Aviv, Israel
March 30, 2017

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

KORNIT DIGITAL LTD. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands

	December 31,	
	2015	**2016**
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 18,464	$ 22,789
Short-term bank deposits	22,000	-
Available for sale marketable securities	4,527	16,500
Trade receivables, net	22,598	31,638
Other accounts receivable and prepaid expenses	3,314	3,735
Inventories	15,803	24,122
Total current assets	86,706	98,784
Available for sale marketable securities	29,152	21,724
Severance pay fund	1,125	768
Property and equipment, net	4,778	9,247
Intangible assets, net	1,023	3,385
Goodwill	-	5,092
Other assets	568	1,046
Total long-term assets	36,646	41,262
Total assets	$ 123,352	$ 140,046

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

KORNIT DIGITAL LTD. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

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

	December 31,	
	2015	**2016**
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Trade payables	$ 13,230	$ 16,433
Employees and payroll accruals	4,383	5,918
Deferred revenues and advances from customers	1,008	1,679
Other payables and accrued expenses	2,630	6,103
Total current liabilities	21,251	30,133
LONG TERM LIABILITIES:		
Accrued severance pay	1,839	1,269
Payment obligation related to acquisition	-	1,070
Other long-term liabilities	-	386
Total long-term liabilities	1,839	2,725
SHAREHOLDERS' EQUITY:		
Ordinary shares of NIS 0.01 par value – Authorized: 200,000,000 shares at December 31, 2015 and 2016, respectively; Issued and Outstanding: 30,295,949 shares and 30,989,873 shares at December 31, 2015 and 2016, respectively	76	78
Accumulated other comprehensive loss	(283)	(82)
Additional paid in capital	89,071	94,966
Retained earnings	11,398	12,226
Total shareholders' equity	100,262	107,188
Total liabilities and shareholders' equity	$ 123,352	$ 140,046

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

KORNIT DIGITAL LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

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

	Year ended December 31,		
	2014	**2015**	**2016**
Revenues, net	$ 66,364	$ 86,405	$ 108,694
Cost of revenues	37,187	45,820	59,284
Gross profit	29,177	40,585	49,410
Operating expenses:			
Research and development	9,475	11,950	17,383
Selling and marketing	10,616	13,367	18,338
General and administrative	5,266	9,500	12,259
Total operating expenses	25,357	34,817	47,980
Operating income	3,820	5,768	1,430
Finance income (expenses) , net	(15)	(334)	46
Income before taxes on income	3,805	5,434	1,476
Taxes on income	782	709	648
Net income	$ 3,023	$ 4,725	$ 828
Basic net earnings per share	$ 0.34	$ 0.19	$ 0.03
Diluted net earnings per share	$ 0.29	$ 0.18	$ 0.03

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

KORNIT DIGITAL LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

U.S. dollars in thousands

	Year ended December 31,		
	2014	**2015**	**2016**
Net income	$ 3,023	$ 4,725	$ 828
Other comprehensive income (loss):			
Available-for-sale marketable securities:			
Unrealized gains (losses) arising during the period	-	(227)	133
Reclassification adjustments for gain included in net income	-	-	(6)
Net change	-	(227)	127
Cash flow hedges:			
Unrealized gains arising during the period	-	5	97
Reclassification adjustments for loss included in net income	-	(33)	(66)
Net change	-	(28)	31
Foreign currency translation adjustment	(183)	(118)	43
Net change in accumulated comprehensive income (loss)	(183)	(137)	201
Comprehensive income	$ 2,840	$ 4,588	$ 1,029

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

KORNIT DIGITAL LTD. AND ITS SUBSIDIARIES

STATEMENTS OF SHAREHOLDERS' EQUITY

U.S. dollars in thousands, except share data

	Preferred A-1 shares		Ordinary shares		Additional	Accumulated other		Total
	Number of shares outstanding	Amount	Number of shares outstanding	Amount	paid in capital	comprehensive income (loss)	Retained earnings	Shareholders' equity
Balance at December 31, 2013	1,927,140	$ 32	8,953,565	$ 22	$ 11,867	$ 37	$ 3,650	$ 15,608
Exercise of options	-	-	19,659	(*-	6	-	-	6
Share-based compensation	-	-	-	-	897	-	-	897
Other comprehensive income	-	-	-	-	-	(183)	-	(183)
Net income	-	-	-	-	-	-	3,023	3,023
Balance at December 31, 2014	1,927,140	32	8,973,224	22	12,770	(146)	6,673	19,351
Conversion of preferred shares	(1,927,140)	(32)	12,628,741	32	-	-	-	-
Issuance of ordinary shares in initial public offering, net of issuance expenses in an amount of 2,415	-	-	8,165,000	21	73,498	-	-	73,519
Exercise of options	-	-	528,984	1	420	-	-	421
Share-based compensation	-	-	-	-	2,383	-	-	2,383
Other comprehensive loss	-	-	-	-	-	(137)		(137)
Net income	-	-	-	-	-	-	4,725	4,725
Balance at December 31, 2015	-	-	30,295,949	76	89,071	(283)	11,398	100,262
Exercise of options	-	-	693,924	2	958	-	-	960
Share-based compensation	-	-	-	-	2,993	-	-	2,993
Tax benefit related to exercise of stock options	-	-	-	-	71	-	-	71
Fair value of warrants deducted from revenues, net of issuance expenses in the amount of $157	-	-	-	-	1,873	-	-	1,873
Other comprehensive income	-	-	-	-	-	201	-	201
Net income	-	-	-	-	-	-	828	828
Balance at December 31, 2016	-	$ -	30,989,873	$ 78	$ 94,966	$ (82)	$ 12,226	$ 107,188

*) Represents an amount lower than $1.

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

KORNIT DIGITAL LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	December 31,		
	2014	**2015**	**2016**
Cash flows used in operating activities:			
Net income	$ 3,023	$ 4,725	$ 828
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	1,347	1,833	2,973
Fair value of warrants deducted from revenues	-	-	2,030
Share based compensation	897	2,383	2,994
Tax benefit related to exercise of stock options	-	-	(71)
Realized gain on sale of available-for-sale marketable securities	-	-	(6)
Amortization of premium and accretion of discount on available-for-sale marketable securities	-	(113)	454
Accretion of payment obligation	-	-	180
Increase in trade receivables	(4,409)	(13,117)	(9,258)
Decrease (increase) in other receivables and prepaid expenses	102	(1,648)	(411)
Increase in inventories	(555)	(4,610)	(6,061)
Changes in deferred income taxes, net	(132)	(57)	(181)
Decrease (increase) in other long term assets	227	(70)	(217)
Increase (decrease) in trade payables	(1,578)	7,036	2,819
Increase (decrease) in deferred revenues and advances from customers	(130)	(820)	675
Increase in employees and payroll accruals	852	1,435	1,550
Increase (decrease) in other payables and accrued expenses	(323)	223	1,879
Increase in other long term liabilities	-	-	386
Foreign currency translation gain on intercompany balances with foreign subsidiaries	342	590	393
Net cash provided by (used in) operating activities	(337)	(2,210)	956
Cash flows used in investing activities:			
Purchase of property and equipment	(1,911)	(1,861)	(5,462)
Cash paid in connection with acquisition	-	(1,000)	(9,206)
Proceeds from (investment in) bank deposits, net	2,643	(22,000)	22,000
Proceeds from maturity of available-for-sale marketable securities	-	1,500	4,500
Proceeds from sale marketable securities	-	-	2,086
Proceeds from sale of property and equipment	6	8	-
Purchase of marketable securities	-	(35,518)	(11,455)
Net cash provided by (used in) investing activities	738	(58,871)	2,463
Cash flows used in financing activities:			
Proceeds from initial public offering, net (payment of issuance costs)	(661)	74,180	-
Payment of issuance cost related to warrants	-	-	(90)
Exercise of employee share options	6	421	958
Tax benefit related to exercise of stock options			71
Net cash provided by (used in) financing activities	(655)	74,601	939
Foreign currency translation adjustments on cash and cash equivalents	(82)	(49)	(33)
Increase (decrease) in cash and cash equivalents	(254)	13,520	4,325
Cash and cash equivalents at the beginning of the period	5,329	4,993	18,464
Cash and cash equivalents at the end of the period	$ 4,993	$ 18,464	$ 22,789

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

KORNIT DIGITAL LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Year ended December 31,		
	2014	**2015**	**2016**
Supplemental disclosure of cash flow information			
Cash paid during the year for income taxes	$ 1,663	$ 1,368	$ 593
Non-cash investing and financing activities:			
Purchase of property and equipment on credit	$ 113	$ 422	$ 808
Inventory transferred to be used as property and equipment	$ 265	$ 692	$ 1,090
Property and equipment transferred to be used as inventory	$ 112	$ 106	$ -
Issuance expenses on credit	$ 188	$ -	$ 362

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

NOTE 1:- GENERAL

a. Kornit Digital Ltd. (the "Company") was incorporated in 2002 under the laws of the State of Israel. The Company and its subsidiaries develop, design and market digital printing solutions for the global printed textile industry. The solutions are based on their proprietary digital textile printing systems, ink and other consumables, associated software and value added services.

b. The Company established wholly-owned subsidiaries in Israel, the United States, Germany and Hong Kong. The Company's subsidiaries are engaged primarily in sales, and marketing, except for the Israeli subsidiary which is engaged primarily in research and development and manufacturing.

c. The Company depends on four major suppliers to supply certain components for the production of its products. If one of these suppliers fails to deliver or delays the delivery of the necessary components, the Company will be required to seek alternative sources of supply. A change in these suppliers could result in manufacturing delays, which could cause a possible loss of sales and, consequently, could adversely affect the Company's results of operations and financial position.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP").

a. Use of estimates:

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

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

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

b. Financial statements in United States dollars:

A majority of the revenues of the Company and its subsidiaries are denominated in U.S. dollars ("dollar" or "dollars"). The dollar is the primary currency of the economic environment in which the Company and its subsidiaries, other than the Company's German subsidiary, operate. Thus, the functional and reporting currency of the Company and its subsidiaries, other than the Company's German subsidiary, is the dollar. Accordingly, monetary accounts maintained in currencies other than the dollar are re-measured into U.S. dollars in accordance with Accounting Standards Codification ("ASC") No. 830 "Foreign Currency Matters". Changes in currency exchange rates between the Company's functional currency and the currency in which a transaction is denominated are included in the Company's results of operations as finance income (expenses), net in the period in which the currency exchange rates change.

For the Company's subsidiary in Germany whose functional currency is the Euro all amounts on the balance sheets have been translated into the dollar using the exchange rates in effect on the relevant balance sheet dates. All amounts in the statements of income have been translated into the dollar using the exchange rate on the respective dates on which those elements are recognized. The resulting translation adjustments are reported as a component of accumulated other comprehensive income in shareholders' equity.

c. Principles of consolidation:

The consolidated financial statements include the accounts of the Company and its subsidiaries. Intercompany balances and transactions including profits from intercompany have been eliminated upon consolidation.

d. Cash equivalents:

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

e. Short-term deposits:

Short-term bank deposits are deposits with an original maturity of more than three months but less than one year from the date of acquisition.

f. Marketable securities:

The Company accounts for investments in marketable securities in accordance with ASC 320, "Investments - Debt and Equity Securities". Management determines the appropriate classification of its investments in debt securities at the time of purchase and re-evaluates such determinations at each balance sheet date.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The Company classifies marketable securities as available-for-sale. Available-for-sale securities are carried at fair value, with the unrealized gains and losses reported in "accumulated other comprehensive income" in shareholders' equity. Realized gains and losses on sales of marketable securities are included in finance expenses, net and are derived using the specific identification method for determining the cost of securities.

The amortized cost of marketable securities is adjusted for amortization of premium and accretion of discount to maturity, both of which, together with interest, are included in finance expenses, net.

The Company recognizes an impairment charge when a decline in the fair value of its investments in debt securities below the cost basis of such securities is judged to be other-than-temporary. 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. For securities that are deemed other-than-temporarily impaired ("OTTI"), the amount of impairment is recognized in the statement of operations and is limited to the amount related to credit losses, while impairment related to other factors is recognized in accumulated other comprehensive income (loss). The Company did not recognize OTTI on its marketable securities in 2014, 2015 and 2016.

g. Inventories:

Inventories are measured at the lower of cost or market value. The cost of inventories comprises costs of purchase and costs incurred in bringing the inventories to their present location and condition. Inventory write-down is measured as the difference between the cost of the inventory and market based upon assumptions about future demand, and is charged to the cost of sales.

Cost of inventories is determined as follows:

Raw and packing materials - on the basis of weighted average cost.

Finished goods - on the basis of average costs of materials, and other direct manufacturing cost.

Inventory write offs have been provided to cover risks arising from dead and slow moving items, technological obsolescence and excess inventories according to revenue forecasts.

During the years ended December 31, 2014, 2015 and 2016 the Company recorded inventory write off in a total amount of $287, $824 and $2,211, respectively.

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

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

h. Property and equipment:

Property and equipment are measured at cost, including directly attributable costs, less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on a straight-line basis over the useful life of the assets at annual rates as follows:

	%
Office furniture and equipment	7 - 20
Computer and peripheral equipment	33
Machinery and equipment	15
Leasehold improvements	*)

*) Leasehold improvements are amortized on a straight-line basis over the shorter of the lease term (including the extension option held by the Company and intended to be exercised) and the expected life of the improvement.

i. Goodwill and other Intangible assets:

Goodwill reflects the excess of the purchase price of business acquired over the fair value of net assets acquired. Under ASC No. 350, “Intangibles – Goodwill and other” (“ASC No. 350”), goodwill is not amortized but rather is tested for impairment at least annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. In accordance with ASC No. 350, the Company performs an annual impairment test on December 31 of each year.

The Company operates in one operating segment and this segment comprises the only reporting unit. The Company tests goodwill using the two-step process in accordance with ASC No. 350. The first step, identifying a potential impairment, compares the fair value of the reporting unit with its carrying amount. If the carrying amount exceeds its fair value, the second step would need to be performed; otherwise, no further step is required. The second step, measuring the impairment loss, compares the implied fair value of the goodwill with the carrying amount of the goodwill. Any excess of the goodwill carrying amount over the applied fair value is recognized as an impairment loss, and the carrying value of goodwill is written down to fair value. During the year ended December 31, 2016, no impairment of goodwill has been identified.

The intangible assets of the Company are not considered to have an indefinite useful life and are amortized over their useful lives. Customer relationships are amortized over their estimated useful lives in proportion to the economic benefits realized. This accounting policy results in accelerated amortization of such assets as compared to the straight-line method. Acquired technology and non-competition agreements are amortized on a straight-line basis.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

j. Impairment of long lived assets and intangible assets subject to amortization:

Property and equipment and intangible assets subject to amortization are reviewed for impairment in accordance with ASC No. 360, "Accounting for the Impairment or Disposal of Long-Lived Assets," whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of 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, 2014, 2015 and 2016, no impairment losses were recorded.

k. Business combinations:

The Company accounts for business combinations in accordance with ASC No. 805, "Business Combinations" ("ASC No. 805"). ASC No. 805 requires recognition of assets acquired, liabilities assumed, and any non-controlling interest at the acquisition date, measured at their fair values as of that date. Any excess of the fair value of net assets acquired over purchase price and any subsequent changes in estimated contingencies are to be recorded in consolidated statements of income. In addition, changes in valuation allowance related to acquired deferred tax assets and in acquired income tax position are to be recognized in consolidated statements of income.

Acquisition related costs are expensed to the statements of income in the period incurred.

l. Revenue recognition:

The Company generates revenues from the sale of systems, inks and consumable products and from services to its products. The Company generates revenues from sale of its products directly to end-users and indirectly through independent distributors.

Revenues are recognized in accordance with "Revenue Recognition" ("ASC No. 605"), provided that the collection of the resulting receivable is probable, there is persuasive evidence of an arrangement, no significant obligations remain and the price is fixed or determinable.

Revenues from selling these products are recognized upon delivery, provided that all other revenue recognition criteria are met. In respect of sale of systems with installation and training, the Company considers the installation and training to be not essential to the functionality of the systems. Therefore, the Company recognizes the revenues upon delivery in accordance with the agreed-upon delivery terms once all other revenue recognition criteria have been met.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The Company considers all arrangements with payment terms extending beyond the standard payment terms not to be fixed or determinable. If the fee is not fixed or determinable, revenue is recognized as payments become due from the customer, provided that all other revenue recognition criteria have been met.

Revenues from ink and other consumable products when sold separately are generally recognized upon shipment assuming all other revenue recognition criteria have been met.

Although, in general, the Company does not grant rights of return, there are certain instances where such rights are granted. The Company maintains a provision for returns in accordance with ASC No 605, which is estimated, based primarily on historical experience as well as management judgment, and is recorded as reduction of revenue. Such provision amounted to $396 and $346 as of December 31, 2015 and 2016, respectively.

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

Deferred revenue includes amounts received from customers for which revenue has not yet been recognized.

In cases where the Company's customers trade-in old systems as part of sales of new systems, the fair value of the old systems is recorded as inventory, provided that such value can be determined.

Revenues are recorded net of the fair value of the warrants associated with revenues recognized (Refer to note 17). The Company utilizes a Monte Carlo simulation approach to estimate the fair value of the warrants which requires inputs such as common ordinary share, the warrant strike price, estimated ordinary share price volatility and risk-free interest rate, among others. The Company recognized a reduction to revenues of $2,030 during the year ended December 31, 2016.

m. Shipping and Handling:

Shipping and handling fees charged to the Company's customers are recognized as revenue in the period shipped and the related costs for providing these services are recorded as a cost of revenues. Revenues from shipping in the years ended December 31, 2014, 2015 and 2016 were $931, $719 and $768, respectively.

n. Cost of revenues:

Cost of revenues is comprised mainly of cost of systems and ink production, employees' salaries and related costs, allocated overhead expenses, import taxes and royalties.

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

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

o. Warranty costs:

The Company typically provides a one-year warranty on the systems including parts and labor. A provision is recorded for estimated warranty costs at the time revenues are recognized based on historical warranty costs and management's estimates. Factors that affect the Company's warranty liability include the number of systems, historical rates of warranty claims and cost per claim. The Company periodically assesses the adequacy of its recorded warranty liabilities and adjusts the amounts thereof as necessary.

The followings are the changes in the liability for product warranty from January 1, 2015 to December 31, 2016:

Balance at January 1, 2015	$ 684
Provision for warranties issued during the year	1,700
Reduction for payments and costs to satisfy claims	(1,444)
Balance at December 31, 2015	940
Provision for warranties issued during the year	2,984
Reduction for payments and costs to satisfy claims	(1,905)
Balance at December 31, 2016	$ 2,019

p. Research and development expenses:

Research and development expenses are charged to the statement of income, as incurred.

q. Accounting for share-based compensation:

The Company accounts for share based compensation in accordance with, "Compensation - Stock Compensation" ("ASC No. 718") that requires companies to estimate the fair value of equity-based payment awards on the date of grant using an option-pricing model. The value of the 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 statement of income. ASC No. 718 requires forfeitures to be estimated at the time of the grant and revised in subsequent periods if actual forfeitures differ from those estimates.

The Company selected the binomial option pricing model as the most appropriate fair value method for its share-based compensation awards with the following assumptions for the years ended December 31, 2014, 2015 and 2016:

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

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

	Year ended December 31,		
	2014	2015	2016
Suboptimal exercise multiple	2.0-10.0	2.0-2.5	1.0-1.5
Risk free interest rate	0.1%-2.5%	0.2%-2.2%	0.3%-2.2%
Volatility	50%-55%	50%-55%	54%-56%
Dividend yield	0%	0%	0%

The expected volatility is based on volatility of similar companies whose share prices are publicly available over an historical period equivalent to the option's expected term. The computation of the suboptimal exercise multiple based on empirical studies, the early exercise factor of public companies is approximately 100% for employees and 150% for managers. The early exercise factor of grantees in private companies is expected to be higher due to the lack of marketability that leads to longer exercise period of the options.

The interest rate for period within the contractual life of the award is based on the U.S. Treasury Bills yield curve in effect at the time of grant. The Company currently has no plans to distribute dividends and intends to retain future earnings to finance the development of its business.

The Company recognizes compensation expenses for the value of its awards, which have graded vesting based on service conditions, using the straight line method, over the requisite service period of each of the awards, net of estimated forfeitures. Estimated forfeitures are based on actual historical pre-vesting forfeitures.

The following table sets forth the total share based compensation expense included in the consolidated statements of income for the years ended December 31, 2014, 2015 and 2016:

	Year ended December 31,		
	2014	2015	2016
Cost of revenues	$ 96	$ 306	$ 482
Research and development	86	281	217
Sales and marketing	207	537	654
General and administrative	508	1,259	1,641
Total share-based compensation expense	$ 897	$ 2,383	$ 2,994

r. Derivatives and hedging:

The Company accounts for derivatives and hedging based on ASC No. 815, "Derivatives and Hedging" ("ASC No. 815"). ASC No. 815 requires the Company to recognize all derivatives on the balance sheet at fair value. The accounting for changes in the fair value (i.e., gains or losses) of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and further, on the type of hedging relationship.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

According to ASC No. 815, for derivative instruments that are designated and qualify as hedging instruments, the 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. If the derivatives meet the definition of a hedge and are so designated, depending on the nature of the hedge, changes in the fair value of such derivatives will either be offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings, or recognized in accumulated other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value is recognized in earnings.

Starting 2015, the Company entered into forward and option contracts to hedge against the risk of overall changes in future cash flow from payments of payroll and related expenses denominated in New Israeli Shekels ("NIS"). As of December 31, 2015 and 2016, the fair value of the Company's outstanding forward and option contracts amounted to $30 and $3 which is included within other accounts receivable and prepaid expenses and payables and accrued expenses, respectively on the balance sheets.

The Company measured the fair value of these contracts in accordance with ASC No. 820, "Fair Value Measurements and Disclosures" ("ASC No. 820"), and they were classified as level 2 of the fair value hierarchy.

As of December 31, 2015 and December 31, 2016, the notional principal amount of the Hedging Contracts to sell U.S. dollars held by the Company was $ 8,453 and $8,636, respectively.

s. Advertising:

Advertising costs are charged to operations as incurred and were $437, $283 and $526 for the years ended December 31, 2014, 2015 and 2016, respectively.

t. Income taxes:

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

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

ASC No. 740 contains a two-step approach to recognizing and measuring a liability for uncertain tax positions. The first step is to evaluate the tax position taken or expected to be taken in a tax return by determining if the weight of available evidence indicates that it is more likely than not that, on an evaluation of the technical merits, the tax position will be sustained on audit, including resolution of any related appeals or litigation processes. The second step is to measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement. The Company accrues interest and penalties related to unrecognized tax benefits on its taxes on income.

u. Concentrations of credit risks:

Financial instruments that potentially subject the Company and its subsidiaries to concentrations of credit risk consist principally of cash and cash equivalents, bank deposits, marketable securities, foreign exchange contracts and trade receivables.

The majority of the Company's and its subsidiaries' cash and cash equivalents, bank deposits and marketable securities are invested in major banks in Israel and the U.S. Generally, these cash equivalents may be redeemed upon demand and, therefore management believes that it bears a lower risk.

The Company attempts to limit its exposure to interest rate risk by investing in securities with maturities of less than three years; however, the Company may be unable to successfully limit its risk to interest rate fluctuations. At any time, a sharp rise in interest rates could have a material adverse impact on the fair value of its investment portfolio. Conversely, declines in interest rates could have a material favorable impact on the fair value of its investment portfolio. Increases or decreases in interest rates could have a material impact on interest earnings related to new investments during the period.

The trade receivables of the Company and its subsidiaries are mainly derived from sales to customers located in the United States, Europe, the Middle East, Africa and Asia Pacific. The Company performs ongoing credit evaluations of its customers. In certain circumstances, the Company may require from its customers letters of credit, other collateral or additional guarantees. An allowance for doubtful accounts is determined with respect to those amounts that the Company has determined to be doubtful of collection. Allowance for doubtful accounts as of December 31, 2015 and 2016 were $0. Bad debt expenses for the years ended December 31, 2014, 2015 and 2016, were $0, $21 and $216 respectively.

v. Severance pay:

The majority of the Company's employees in Israel have subscribed to Section 14 of Israel's Severance Pay Law, 5723-1963 ("Section 14"). Pursuant to Section 14, the Company's employees, covered by this section, are entitled only to monthly deposits, at a rate of 8.33% of their monthly salary, made on their behalf by the Company. Payments in accordance with Section 14 release the Company from any future the severance liabilities in respect of those employees.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Neither severance pay liability nor severance pay fund under Section 14 for such employees is recorded on the Company's balance sheet.

With regards to employees in Israel that are not subject to Section 14, the Company's liability for severance pay is calculated pursuant to the Severance Pay Law, based on the most recent salary of the relevant employees multiplied by the number of years of employment as of the balance sheet date. These employees are entitled to one month salary for each year of employment or a portion thereof. The Company's liability for these employees is fully provided for via monthly deposits with severance pay funds, insurance policies and an accrual. The value of these deposits is recorded as an asset with other assets on the Company's balance sheet.

The deposited funds include profits accumulated up to the balance sheet date. The deposited funds may be withdrawn only upon the fulfillment of the obligation pursuant to the Severance Pay Law or labor agreements.

Severance pay expenses for the years ended December 31, 2014, 2015 and 2016 were $1,015, $1,354 and $1,590 respectively.

w. Fair value of financial instruments:

The Company applies ASC No 820. Under this standard, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

In determining fair value, the Company uses various valuation approaches. ASC No 820 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The hierarchy is broken down into three levels based on the inputs as follows:

Level 1 - Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.

Level 2 - Valuations based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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

The carrying amount of cash, cash equivalents, short term bank deposits, trade receivables, other accounts receivable, trade payables and other accounts payable and accrued expenses approximates approximate their fair value due to the short-term maturities of such instruments.

The Company measures its marketable securities and foreign currency derivative instruments at fair value. Marketable securities and foreign currency derivative instruments are classified within Level 2 as the valuation inputs are based on quoted prices and market observable data of similar instruments.

The contingent payment related to the SPSI acquisition is classified within Level 3 as it is based on significant inputs not observable in the market.

x. Comprehensive income:

The Company accounts for comprehensive income in accordance with FASB ASC No. 220, “Comprehensive Income.” Comprehensive income generally represents all changes in shareholders’ equity during the period except those resulting from investments by, or distributions to, shareholders. The Company determined that its items of other comprehensive income relate to gains and losses on hedging derivative instruments, unrealized gains and losses on available-for-sale securities and unrealized gain and losses from foreign currency translation adjustments.

y. Basic and diluted net income per share:

Basic net income per share is computed based on the weighted average number of ordinary shares outstanding during each period. Diluted net income per share is computed based on the weighted average number of ordinary shares outstanding during each period, plus dilutive potential ordinary shares considered outstanding during the period, in accordance with ASC No. 260, “Earnings Per Share”.

For the year ended December 31, 2014, all outstanding options have been included at the calculation of the diluted earnings per share since their effect was dilutive. The total number of shares related to the outstanding options excluded from the calculation of diluted net earnings per share due to their anti-dilutive effect was 762,152 and 1,498,503 for the years ended December 31, 2015 and 2016, respectively.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

z. Impact of recently issued accounting standard not yet adopted:

1. In May 2014, the FASB issued an ASU that provides a comprehensive model for recognizing revenue with customers. This update clarifies and replaces all existing revenue recognition guidance within U.S. GAAP and may be adopted retrospectively for all periods presented or adopted using a modified retrospective approach. This update is effective for annual and interim periods beginning after December 15, 2016. In July 2015, FASB deferred the effective date by one year to December 15, 2017 (beginning with the Company's first quarter in 2018) and permitting early adoption of the standard, but not before the original effective date of December 15, 2016. The Company will adopt the new standard in the first quarter of 2018 and expects to apply the modified retrospective approach.

   The Company is in the initial stages of its evaluation of the impact of the new standard on its accounting policies, processes, and system requirements. The Company has assigned internal resources in addition to the engagement of a third party service provider to assist in the evaluation. Implementation efforts, to date, have included training on the new standard and preparing initial gap assessments on the Company's significant revenue streams.

   While the Company continues to assess the potential impacts of the new standard, including the areas described above, it does not know or cannot reasonably estimate quantitative information related to the impact of the new standard on its financial statements at this time.

2. In July 2015, the FASB issued ASU No. 2015-11, Simplifying the Measurement of Inventory (Topic 330), which simplifies its current requirement that an entity measure inventory at lower of cost or market, when market could be replacement cost, net realizable value, or net realizable value less an approximately normal profit margin. Inventory within the scope of ASU 2015-11 should be measured at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. This amendment should be applied prospectively and is effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. Early application is permitted as of the beginning of an interim or annual reporting period. The adoption of ASU 2015-11 is not expected to have a material effect on the Company's consolidated financial statements.

3. In February 2016, FASB issued Accounting Standard Update ("ASU") No. 2016-02, "Leases". The updated standard aims to increase transparency and comparability among organizations by requiring lessees to recognize lease assets and lease liabilities on the balance sheet and requiring disclosure of key information about leasing arrangements. This update is effective for annual periods beginning after December 15, 2018, and interim periods within those annual periods; early adoption is permitted and modified retrospective application is required. The Company is in the process of evaluating this guidance to determine the impact it will have on its consolidated financial statements.

4. In March 2016, the FASB issued ASU No. 2016-09, "Improvements to Employee Share-Based Payment Accounting." This ASU affects entities that issue share-based payment awards to their employees. The ASU is designed to simplify several aspects of accounting for share-based payment award transactions, which include the income tax consequences, classification of awards as either equity or liabilities, classification on the statement of cash flows and forfeiture rate calculations. The Company will adopt this ASU on its effective date of January 1, 2017. The Company's adoption of ASU 2016-09 will not have a material impact on its consolidated financial statements.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

5. The FASB issued ASU 2016-13 "Measurement of Credit Losses on Financial Instruments" requiring an allowance to be recorded for all expected credit losses for financial assets. The allowance for credit losses is based on historical information, current conditions and reasonable and supportable forecasts. The new standard also makes revisions to the other than temporary impairment model for available-for-sale debt securities. Disclosures of credit quality indicators in relation to the amortized cost of financing receivables are further disaggregated by year of origination. The new accounting guidance is effective for interim and annual periods beginning after December 15, 2019 with early adoption permitted for interim and annual periods beginning after December 15, 2018. The amendments will be applied through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. The Company is analyzing the impact of this new standard and, at this time, cannot estimate the impact of adoption on its net income. The Company plans to adopt ASU 2016-13 effective January 1, 2020.

6. In January 2017, the FASB issued ASU No. 2017-04, “Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment.” This ASU eliminates the requirement to measure the implied fair value of goodwill by assigning the fair value of a reporting unit to all assets and liabilities within that unit (the “Step 2 test”) from the goodwill impairment test. Instead, if the carrying amount of a reporting unit exceeds its fair value, an impairment loss is recognized in an amount equal to that excess, limited by the amount of goodwill in that reporting unit. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the qualitative impairment test is necessary. This new standard should be applied on a prospective basis and the nature of and reason for the change in accounting principle should be disclosed upon transition. The amendments in this update should be adopted for annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. Early adoption is permitted on testing dates after January 1, 2017. The Company is currently evaluating the impact of adopting the new guidance on the consolidated financial statements and the timing of adoption.

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

NOTE 3:- ACQUISITION

On July 1, 2016 (the "Closing Date"), the Company, through its wholly owned subsidiary Kornit Digital North America Inc., acquired the digital direct to garment printing assets of SPSI Inc., a North American distributor and service provider for graphic arts, printing and garment decoration solutions. Under the related acquisition agreement, the total consideration of $11,443 is compromised as following:

- $9,206 in cash paid on the Closing Date, of which $741 is held in escrow for twelve to eighteen months following the Closing Date.

- Milestone-based contingent payments in a total of up to $2,700 payable in 2016, 2017 and 2018. The milestone-based contingent payments are subject to the acquired business territory meeting revenues targets in 2016, 2017 and 2018 as described at the asset purchase agreement. These milestone-based contingent payments were measured at fair value at the Closing Date and recorded as a liability on the balance sheet in the amount of $2,237 ($2,470 as of December 31, 2016).

In addition, the Company incurred acquisition-related costs in a total amount of $493, which are included in general and administrative expenses. Acquisition-related costs include legal, accounting, consulting fees and other external costs directly related to the acquisition.

The main reasons for this acquisition is to improve connectivity with customers by expanding leadership position in the digital textile market as well as providing direct access to a large number of traditional screen printing customers.

Purchase price allocation:

Under business combination accounting principles, the total purchase price was allocated to SPSI's net tangible and intangible assets based on their estimated fair values as set forth below. The excess of the purchase price over the net tangible and identifiable intangible assets was recorded as goodwill.

The purchase price allocation for the acquisition has been determined at the follows:

	Fair Value	Amortization period (years)
Tangible Assets		
Inventory	$ 3,472	
Intangible Assets:		
Customer Relationships (*)	$ 2,614	5.0
Non-competition agreement (**)	265	4.0
Goodwill	5,092	Infinite
Total purchase price	$ 11,443	

(*) Customer relationships represent the underlying relationships and agreements with SPSI's installed customer base and are amortized over the useful life of the agreements using accelerated method.
(**) Non-competition agreement is amortized over the useful life of the agreement using straight-line method.

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

NOTE 3:- ACQUISITION (Cont.)

In performing the purchase price allocation, the Company considered, among other factors, analysis of historical financial performance, the best use of the acquired assets and estimates of future performance of SPSI's installed base. In its allocation, the Company conducted the valuation of intangible assets based on a market participant approach to valuation using an income approach and considered the report of an independent third party valuation firm and estimates and assumptions provided by management.

NOTE 4:- FAIR VALUE MEASUREMENTS

The following is a summary of available-for-sale marketable securities:

	December 31, 2016			
	Amortized cost	Gross unrealized gain	Gross unrealized loss	Fair value
Matures within one year:				
Corporate debentures	$ 16,530	$ 2	$ (28)	$ 16,504
Matures after one year through three years:				
Corporate debentures	21,794	5	(79)	21,720
Total	$ 38,324	$ 7	$ (107)	$ 38,224

	December 31, 2015			
	Amortized cost	Gross unrealized gain	Gross unrealized loss	Fair value
Matures within one year:				
Corporate debentures	$ 4,533	$ -	$ (6)	$ 4,527
Matures after one year through three years:				
Corporate debentures	29,373	1	(222)	29,152
Total	$ 33,906	$ 1	$ (228)	$ 33,679

All investments with an unrealized loss as of December 31, 2016 are with continuous unrealized losses for less than 12 months.

The below table sets forth the Company's assets and liabilities that were measured at fair value as of December 31, 2016 and December 31, 2015 by level within the fair value hierarchy.

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

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

NOTE 4:- FAIR VALUE MEASUREMENTS (Cont.)

	December 31, 2016			
	Level 1	Level 2	Level 3	Total
Assets:				
Available-for-sale marketable securities	$ -	$ 38,224	$ -	$ 38,224
Foreign currency derivative contracts	-	3	-	3
Total financial assets	$ -	$ 38,227	$ -	$ 38,227
Liabilities:				
Payment obligation related to acquisition	$ -	$ -	$ 1,070	$ 1,070
Total liabilities	$ -	$ -	$ 1,070	$ 1,070

	December 31, 2015			
	Level 1	Level 2	Level 3	Total
Assets:				
Available-for-sale marketable securities	$ -	$ 33,679	$ -	$ 33,679
Total financial assets	$ -	$ 33,679	$ -	$ 33,679
Liabilities:				
Foreign currency derivative contracts	$ -	$ 30	$ -	$ 30
Total liabilities	$ -	$ 30	$ -	$ 30

The following table set forth the change of fair value measurements that are categorized within Level 3:

Total fair value as of January 1, 2016	$ -
Payment obligation related to acquisition	2,237
Settlement of payment obligation *)	(1,400)
Accretion of payment obligation	233
Total fair value as of December 31, 2016	$ 1,070

*) $1,400 is included within other payables and accrued expenses on the balance sheet as the set milestone was met as of December 31, 2016.

The fair value of the payment obligation related to acquisition was estimated based on several factors of which the most significant is the Company's revenue projections. The Company used a Monte Carlo Simulation of the triangular model with a discount rate of 15%. Payment obligations related to acquisition are revalued to current fair value at each reporting date. Any change in the fair value as a result of time passage is recognized in the financial expenses; any other changes in significant inputs such as the discount rate, the discount period or other factors used in the calculation, is recognized in operating expenses in the consolidated results of operations in the period the estimated fair value changes. Payment obligation related to acquisition will continue to be accounted for and measured at fair value until the contingencies are settled during fiscal years 2016, 2017 and 2018. Accretion of the payment obligation related to acquisition is included in financial expenses, net.

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

NOTE 5:- INVENTORIES

	December 31,	
	2015	2016
Raw materials and components	$ 8,724	$ 12,322
Finished products (*)	7,079	11,800
	$ 15,803	$ 24,122

(*) Includes amounts of $ 145 and $ 705 for the years ended December 31, 2015 and 2016, respectively, with respect to inventory delivered to customers but for which revenue criteria have not yet been met.

NOTE 6:- PROPERTY AND EQUIPMENT, NET

	December 31,	
	2015	2016
Cost:		
Computer and peripheral equipment	$ 1,421	$ 1,935
Office furniture and equipment	842	1,332
Machinery and equipment	5,996	8,962
Leasehold improvements	2,311	4,978
	10,570	17,207
Accumulated depreciation	(5,792)	(7,960)
Property and equipment, net	$ 4,778	$ 9,247

Depreciation expenses for the years ended December 31, 2014, 2015 and 2016 were $1,226, $1,560 and $2,447 respectively.

During the years ended December 31,2014, 2015 and 2016, the Company recorded a reduction of $168, $166 and $297, respectively to the cost and accumulated depreciation of fully depreciated equipment no longer used.

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

NOTE 7:- INTANGIBLE ASSETS, NET

a. Intangible assets are comprised of the following:

	Weighted average amortization period	December 31,	
	Years	2015	2016
Original amount:			
Acquired technology	8.14	$ 1,566	$ 1,566
Customer relationships	5	-	2,614
Non-competition agreement	4	-	265
		$ 1,566	$ 4,445
Accumulated amortization:			
Acquired technology		543	766
Customer relationships		-	261
Non-competition agreement		-	33
		543	1,060
Intangible assets, net		$ 1,023	$ 3,385

Amortization expenses for the years ended December 31, 2014, 2015 and 2016 were $126, $222 and $519, respectively.

Future amortization expenses for the years ending:

December 31,	
2017	$ 689
2018	689
2019	689
2020	656
Thereafter	662
	$ 3,385

NOTE 8:- OTHER PAYABLES AND ACCRUED EXPENSES

	December 31,	
	2015	2016
Government authorities	$ 344	$ 993
Warranty provision	940	1,741
Professional services	248	693
Payment obligation related to acquisition	-	1,400
Accrued expenses	1,098	1,276
	$ 2,630	$ 6,103

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

NOTE 9:- COMMITMENTS AND CONTINGENT LIABILITIES

a. Lease commitments:

The Company leases facilities and vehicles under operating leases that expire on various dates through 2022. Aggregate minimum lease and rental payments under non-cancelable operating leases as of December 31, 2016, are (in the aggregate) and for each succeeding fiscal year below:

December 31,	
2017	$ 2,528
2018	2,165
2019	1,933
2020	1,820
2021 and thereafter	339
	$ 8,785

Total rent expenses for the years ended December 31, 2014, 2015 and 2016 were $1,203, $1,443 and $1,664, respectively.

b. Charges:

As of December 31, 2016, the Company has three lines of credit with Israeli banks for total borrowings of up to $4.1 million, all of which was undrawn as of December 31, 2016. These lines of credit are unsecured and available subject to the Company's maintenance of a 30% ratio of total shareholders' equity to total assets. Interest rates across these credit lines varied from 1.5% to 2.3% as of December 31, 2016. Any borrowings under the credit lines would become repayable if Fortissimo Capital ceases to be the company controlling shareholder (which for this purpose generally requires Fortissimo Capital to continue to hold 25% of the Company outstanding ordinary shares).

As of December 31, 2016, the Company does not have any borrowings under the lines of credit. The Company is in compliance with the financial covenants.

c. Purchase commitments:

The Company estimates that at December 31, 2016, it had $34,182 of purchase commitments for goods and services from vendors.

d. Litigation:

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

NOTE 9:- COMMITMENTS AND CONTINGENT LIABILITIES (Cont.)

e. Royalty Commitments:

Under the Company's agreement for purchasing print heads and other products, which was amended and restated in 2016, the Company is obligated to pay royalties at a rate set forth in the agreement up to an agreed maximum amount of $625 per year.

Royalties expenses for the years ended December 31, 2014, 2015 and 2016 were $590, $625 and $625, respectively.

f. Guarantees:

As of December 31, 2016, the Company provided two bank guarantees of $ 359 in the aggregate for its rented facilities.

NOTE 10:- SHAREHOLDERS' EQUITY

a. Company's shares:

Ordinary shares:

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

Initial Public Offering:

On April 8, 2015, the Company closed its initial public offering ("IPO") whereby 8,165,000 ordinary shares were sold by the Company to the public (inclusive of 1,065,000 ordinary shares pursuant to the full exercise of an overallotment option granted to the underwriters). The aggregate net proceeds received by the Company from the offering were $73,519, net of underwriting discounts and commissions and offering expenses all of which have already been paid by the Company. Upon the closing of the IPO, all of the Company's outstanding preferred shares automatically converted into 12,628,741 ordinary shares.

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

NOTE 10:- SHAREHOLDERS' EQUITY (Cont.)

b. Share option plans:

A summary of the Company's share option activity and related information is as follows:

	Number of shares upon exercise	Weighted average exercise price	Weighted-average remaining contractual term (in years)	Aggregate intrinsic value
Outstanding at beginning of year	2,769,004	$ 4.74	$ 7.19	$ 18,580
Granted	831,200	10.11	9.57	2,103
Exercised	(693,923)	1.38	3.65	7,821
Forfeited	(173,115)	8.03	7.59	-
Outstanding at end of year	2,733,166	$ 7.01	$ 7.78	$ 16,054
Exercisable at end of year	1,009,118	$ 4.16	$ 6.20	$ 8,775
Vested and expected to vest	2,252,262	$ 6.33	$ 7.50	$ 14,750

As of December 31, 2016, $8,875 in unrecognized compensation cost related to share options is expected to be recognized over a weighted average vesting period of 2.76 years.

The weighted average fair value of options granted during the years ended December 31, 2014, 2015 and 2016 was $4.46, $7.11 and $5.64 per share, respectively. The weighted average fair value of options vested during the year ended December 31, 2016 was $4.92. The total intrinsic value of options exercised during the years ended December 31, 2014, 2015 and 2016 was $189, $5,281 and $7,822, respectively.

c. The options outstanding as of December 31, 2016, have been classified by exercise price, as follows:

	Options outstanding at December 31, 2015			Options exercisable at December 31, 2016		
Exercise price	Number outstanding	Weighted average exercise price	Weighted average remaining contractual life	Number outstanding	Weighted average exercise price	Weighted average remaining contractual life
$		$	In years		$	In years
0.36-0.92	202,001	0.60	0.97	202,001	0.60	0.97
1.14-1.60	74,311	1.48	4.97	25,982	1.26	2.79
2.07-2.17	969,514	2.14	7.47	556,620	2.14	7.46
9.38-9.49	145,000	9.47	9.68	7,500	9.49	9.75
9.97-10.10	794,722	10.04	9.13	64,366	9.97	7.57
11.49-11.90	73,005	11.83	9.74	-	-	-
12.97-15.29	474,613	14.02	8.63	152,649	14.02	8.63
	2,733,166			1,009,118		

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

NOTE 10:- SHAREHOLDERS' EQUITY (Cont.)

d. The Company's Board of Directors approved option plans pursuant to which the Company is authorized to issue to employees, directors and officers of the Company and its subsidiaries (the "optionees") options to purchase ordinary shares of NIS 0.01 par value each. Under the plans, options granted before 2014 generally vest in portions as follows: 50% of total options are exercisable two years after the date determined for each optionee, a further 25% three years after the date determined for each optionee and a 25% four years after the date determined for each optionee. Starting 2014, 25% of total options are exercisable one year after the date determined for each optionee and a further 6.25% at the end of each subsequent three month period for 3 years. Options that have vested are exercisable for up to 10 years from the grant date of the options to each employee.

During 2016, the Board of Directors approved an increase in the ordinary shares reserved for issuance to 4,818,862 ordinary shares. As of December 31, 2016, an aggregate of 1,401,875 ordinary shares were available for future grants.

NOTE 11:- EARNINGS PER SHARE

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

	Year ended December 31,		
	2014	**2015**	**2016**
Numerator for basic and diluted net earnings per share:			
Net income	$ 3,023	$ 4,725	$ 828
Weighted average shares outstanding, net of treasury stock:			
Denominator for basic net earnings per share	8,969,588	24,633,369	30,562,255
Effect of dilutive securities:			
Employee share options	1,476,741	1,825,215	1,170,277
Denominator for diluted net earnings per share	10,446,329	26,458,584	31,732,532
Basic net earnings per share	$ 0.34	$ 0.19	$ 0.03
Diluted net earnings per share	$ 0.29	$ 0.18	$ 0.03

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

NOTE 12:- ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

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

	Unrealized Gains (losses) on available for-sale marketable securities	Unrealized Gains (losses) on cash flow hedges	Foreign currency translation adjustment	Total
Year ended December 31, 2016:				
Beginning balance	$ (227)	$ (28)	$ (28)	$ (283)
Other comprehensive income before reclassifications	133	97	43	273
Amounts reclassified from accumulated other comprehensive income (loss)	(6)	(66)	-	(72)
Net current period other comprehensive income	127	31	43	201
Ending Balance	$ (100)	$ 3	$ 15	$ (82)

	Unrealized Gains (losses) on available for-sale marketable securities	Unrealized Gains (losses) on cash flow hedges	Foreign currency translation adjustment	Total
Year ended December 31, 2015:				
Beginning balance	$ -	$ -	$ (146)	$ (146)
Other comprehensive income (loss) before reclassifications	(227)	5	118	(104)
Amounts reclassified from accumulated other comprehensive income (loss)	-	(33)	-	(33)
Net current period other comprehensive income (loss)	(227)	(28)	118	(137)
Ending Balance	$ (227)	$ (28)	$ (28)	$ (283)

NOTE 13:- TAXES ON INCOME

a. Tax rates:

Taxable income of the Israeli companies is subject to the Israeli corporate tax at the rate as follows: 2014 and 2015: 26.5%, 2016: 25%

On January 4, 2016, the Israeli Parliament's Plenum approved by a second and third reading the Bill for Amending the Income Tax Ordinance (No. 216) (Reduction of Corporate Tax Rate) which consists of the reduction of the corporate tax rate from 26.5% to 25%, effective January 1, 2016.

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% (instead of 25%) effective from January 1, 2017 and to 23% effective from January 1, 2018.

NOTE 13:- TAXES ON INCOME (Cont.)

b. Tax benefits under the Law for the Encouragement of Capital Investments, 1959 (the "Law"):

The Company's production facilities in Israel have been granted "Beneficiary Enterprise" status under the Law. The Companies have been granted the "Alternative Benefit Track" under which the main benefits are a tax exemption for undistributed income and a reduced tax rate.

The duration of tax benefits is subject to a limitation of the earlier of 12 years from commencement of production, or 14 years from the approval date. The Israeli Companies began to utilize such tax benefits in 2010.

The entitlement to the above benefits is conditional upon the Company and its subsidiary fulfilling the conditions stipulated by the Law and regulations published. In the event of failure to comply with these conditions, the benefits may be partially or fully canceled and the Company or its subsidiary may be required to refund the amount of the benefits, in whole or in part, plus a consumer price index linkage adjustments and including interest.

Income from sources other than the "Beneficiary Enterprise" are subject to the tax at the regular rate.

In the event of distribution of dividends from the above mentioned tax-exempt income, the amount distributed will be subject to the same reduced corporate tax rate that would have been applied to the Beneficiary Enterprise's income.

In addition tax-exempt income attributed to the Beneficiary Enterprise will subject the Company to taxes upon distribution in any manner including complete liquidation.

The Company does not intend to distribute any amounts of its undistributed tax-exempt income as dividend. The Company and its board of directors intend to reinvest its tax-exempt income and not to distribute such income as a dividend. Accordingly, no deferred income taxes have been provided on income attributable to the Company's Beneficiary Enterprise programs as the undistributed tax exempt income is essentially permanent by reinvestment.

As of December 31, 2016, tax-exempt income of $53,219 is attributable to the Company's and its subsidiary's various Beneficiary Enterprise programs. If such tax exempt income is distributed, it would be taxed at the reduced corporate tax rate applicable to such income, and $13,305 would be incurred as of December 31, 2016.

A January 2011 amendment to the Law sets alternative benefit tracks to those previously in place, as follows: an investment grants track designed for enterprises located in national development zone A and two new tax benefits tracks ("Preferred Enterprise" and "Special Preferred Enterprise"), which provide for application of a unified tax rate to all preferred income of the company, as defined in the Law.

NOTE 13:- TAXES ON INCOME (Cont.)

The 2011 Amendment canceled the availability of the benefits granted in accordance with the provisions of the Law prior to 2011 and, instead, introduced new benefits for income generated by a "Preferred Company" through its Preferred Enterprise (as such term is defined in the Law) effective as of January 1, 2011 and thereafter. A Preferred Company is defined as either (i) a company incorporated in Israel and not fully owned by a governmental entity or (ii) a limited partnership that: (a) was registered under the Partnerships Ordinance; (b) all of its limited partners are companies incorporated in Israel, but not all of them are governmental entities, which, among other things, has Preferred Enterprise status and are controlled and managed from Israel. Pursuant to the 2011 Amendment, a Preferred Company is entitled to a reduced corporate flat tax rate of 15% with respect to its preferred income derived by its Preferred Enterprise in 2011-2012, unless the Preferred Enterprise is located in a certain development zone, in which case the rate will be 10%. Such corporate tax rates were reduced to 12.5% and 7%, respectively, in 2013 and increased to 16% and 9% in 2014 and thereafter. Income derived by a Preferred Company from a "Special Preferred Enterprise" (as such term is defined in the Investment Law) would be entitled, during a benefits period of 10 years, to further reduced tax rates of 8%, or to 5% if the Special Preferred Enterprise is located in a certain development zone.

In December 2016, the Economic Efficiency Law (Legislative Amendments for Applying the Economic Policy for the 2017 and 2018 Budget Years), 2016 which includes Amendment 73 to the Law for the Encouragement of Capital Investments ("the Amendment") was published. According to the Amendment, a preferred enterprise located in development area A will be subject to a tax rate of 7.5% instead of 9% effective from January 1, 2017 and thereafter (the tax rate applicable to preferred enterprises located in other areas remains at 16%).

Dividends paid out of income attributed to a Preferred Enterprise are generally subject to withholding tax at source at the rate of 15% (20% from 2014) or such lower rate as may be provided in an applicable tax treaty. However, if such dividends are paid to an Israeli company, no tax will be withheld.

The 2011 Amendment also provided transitional provisions to address companies already enjoying current benefits. a Beneficiary Enterprise can elect to continue to benefit from the benefits provided to it before the 2011 Amendment came into effect, provided that certain conditions are met, or file a request with the Israeli Tax Authority according to which its income derived as of January 1, 2011 will be subject to the provisions of the Law as amended in 2011. The Company has examined the possible effect, of these provisions of the 2011 Amendment on its financial statements and has decided, not to opt to apply the new benefits under the 2011 Amendment for the Israeli parent company and for its Israeli subsidiary it elected in 2013 to apply the benefit under the 2011 Amendment.

Tax benefits under the Israeli Law for the Encouragement of Industry (Taxation), 1969:

The Israeli companies are an "Industrial Company" as defined by the Israeli Law for the Encouragement of Industry (Taxation), 1969, and, as such, are 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.

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

NOTE 13:- TAXES ON INCOME (Cont.)

c. Income taxes of non-Israeli subsidiaries:

Non-Israeli subsidiaries are taxed according to the tax laws in their respective countries of residence.

Taxes were not provided for undistributed earnings of the Company's foreign subsidiaries. The Company's board of directors has determined that the Company does not currently intend to distribute any amounts of its undistributed earnings as dividend. The Company intends to reinvest these earnings indefinitely in the foreign subsidiaries. Accordingly, no deferred income taxes have been provided. If these earnings were distributed to Israel in the form of dividends or otherwise, the Company would be subject to additional Israeli income taxes (subject to an adjustment for foreign tax credits) and foreign withholding taxes.

The amount of undistributed earnings of foreign subsidiaries that are considered to be reinvested as of December 31, 2016 was $5,321.

d. Final tax assessments:

The Company and its Israeli subsidiary received final tax assessments through 2010. The U.S subsidiary received final tax assessment through 2010 and the German and the Hong Kong Subsidiaries have not received a final tax assessment since inception.

e. Carryforward losses for tax purposes:

Carryforward operating tax losses of the Company's Israeli subsidiary total approximately $24,000 as of December 31, 2016 and may be used indefinitely.

f. Deferred income taxes:

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's and its subsidiaries' deferred tax liabilities and assets are as follows:

	December 31,	
	2015	2016
Carryforward tax losses	$ 1,536	$ 2,015
Temporary differences	2,086	2,131
Deferred tax assets	3,622	4,146
Deferred tax liability	(77)	(102)
Valuation allowance	(3,287)	(3,605)
Deferred tax assets, net	$ 258	$ 439

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

NOTE 13:- TAXES ON INCOME (Cont.)

The net change in the valuation allowance primarily reflects an increase in deferred tax assets on net operating and other temporary differences for which full valuation allowance is recorded.

g. Taxes on income are comprised as follows:

	Year ended December 31,		
	2014	2015	2016
Current taxes	$ 914	$ 766	$ 829
Deferred taxes	(132)	(57)	(181)
	$ 782	$ 709	$ 648
Domestic	$ 201	$ (113)	$ (70)
Foreign	581	822	718
	$ 782	$ 709	$ 648

	Year ended December 31,		
	2014	2015	2016
Domestic taxes:			
Current taxes	$ 201	$ (113)	$ (70)
Foreign taxes:			
Current taxes	713	879	899
Deferred taxes	(132)	(57)	(181)
	581	822	718
Taxes on income	$ 782	$ 709	$ 648

h. Uncertain tax positions:

A reconciliation of the beginning and ending amount of gross unrecognized tax benefits is as follows:

	December 31,	
	2015	2016
Beginning of year	$ 1,187	$ 1,074
Decrease related to prior years' positions	(113)	(70)
Balance at December 31	$ 1,074	$ 1,004

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

NOTE 13:- TAXES ON INCOME (Cont.)

As of December 31, 2016, the entire amount of the unrecognized tax benefits could affect the Company's income tax provision and the effective tax rate.

During the years ended December 31, 2014, 2015 and 2016, an amount of $(79), $26 and $0, respectively, was added to the unrecognized tax benefits derived from interest and exchange rate differences expenses related to prior years' uncertain tax positions. As of December 31, 2015 and 2016, the Company had accrued interest related to uncertain tax positions in the amounts of $96, which is included within income tax accrual on the balance sheets.

Exchange rate differences are recorded within financial income (expenses), net, while interest is recorded within income tax expense.

The Company believes that it has adequately provided for any reasonably foreseeable outcome related to tax audits and settlement. The final tax outcome of its tax audits could be different from that which is reflected in the Company's income tax provisions and accruals. Such differences could have a material effect on the Company's income tax provision and net income in the period in which such determination is made.

i. A reconciliation between the theoretical tax expense, assuming all income is taxed at the statutory tax rate applicable to income of the Company and the actual tax expense as reported in the statement of operations is as follows:

	Year ended December 31,		
	2014	2015	2016
Income before taxes, as reported in the consolidated statements of income	$ 3,805	$ 5,434	$ 1,476
Theoretical tax expense on the above amount at the Israeli statutory tax rate	1,008	1,440	369
Tax adjustment in respect of different tax rate of foreign subsidiaries	44	101	114
Non-deductible expenses and other permanent differences	190	184	140
Deferred taxes on losses and other temporary differences for which valuation allowance was provided, net	218	546	318
Stock compensation relating to stock options per ASC No. 718	238	606	716
Change in tax rate	-	-	240
Beneficiary enterprise benefits (*)	(510)	(1,685)	(1,190)
Foreign exchange differences (**)	(96)	(375)	-
Increase (decrease) in other uncertain tax positions-net	112	(113)	(70)
Other	5	5	11
Actual tax expense	$ 782	$ 709	$ 648
(*) Basic earnings per share amounts of the benefit resulting from the "Beneficiary Enterprise" status	0.06	0.19	0.04
Diluted earnings per share amounts of the benefit resulting from the "Beneficiary Enterprise" status	0.05	0.17	0.04

(**) Until 2016 results for tax purposes were measured under, Measurement of results for tax purposes under the Income Tax (Inflationary Adjustments) Law, 1985, in terms of earnings in NIS. As explained in Note 2b, the financial statements are measured in U.S. dollars. The difference between the annual changes in the NIS/dollar exchange rate causes a difference between taxable income and the income before taxes shown in the financial statements. In accordance with ASC 740-10-25-3(F), the Company has not provided deferred income taxes in respect of the difference between the functional currency and the tax bases of assets and liabilities. Starting 2016 of the Israeli companies the results for tax purposes are measured in U.S dollars.

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

NOTE 13:- TAXES ON INCOME (Cont.)

j. Income before income taxes is comprised as follows:

	Year ended December 31,		
	2014	2015	2016
Domestic	$ 2,212	$ 3,204	$ (507)
Foreign	1,593	2,230	1,983
Income before income taxes	$ 3,805	$ 5,434	$ 1,476

NOTE 14:- GEOGRAPHIC INFORMATION

Summary information about geographic areas:

The Company operates in one reportable segment (see Note 1 for a brief description of the Company's business). Operating segments are defined as components of an enterprise for which separate financial information is evaluated regularly by the chief operating decision maker, who is the chief executive officer, in deciding how to allocate resources and assessing performance. The Company's chief operating decision maker evaluates the Company's financial information and resources and assesses the performance of these resources on a consolidated basis.

The total revenues are attributed to geographic areas based on the location of the end-users.

The following table presents total revenues for the years ended December 31, 2014, 2015 and 2016 and long-lived assets as of December 31, 2015 and 2016:

	Year ended December 31,		
	2014	2015	2016
Revenues from sales to customers located in:			
Americas (mostly U.S)	$ 36,752	$ 48,790	$ 72,011
EMEA	18,004	21,600	24,720
Asia Pacific - other	11,608	16,015	11,963
	$ 66,364	$ 86,405	$ 108,694

	December 31,	
	2015	2016
Long-lived assets, by geographic region:		
Americas (mostly U.S)	$ 314	$ 268
Israel	3,851	8,385
EMEA	275	341
Asia Pacific	338	253
	$ 4,778	$ 9,247

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

NOTE 14:- GEOGRAPHIC INFORMATION (Cont.)

Major customers' data as a percentage of total revenues:

The following table sets forth the customers that represented 10% or more of the Company's total revenues in each of the periods set forth below

	Year ended December 31,		
	2014	2015	2016
Customer A	25%	18%	21%
Customer B	15%	15%	(* -
Customer C	(* -	(* -	16%

*) Less than 10%

NOTE 15:- SELECTED STATEMENTS OF INCOME DATA

a. Financial expenses (income), net:

	Year ended December 31,		
	2014	2015	2016
Financial income:			
Interest on bank deposits and other	$ 8	$ 156	$ 203
Foreign currency translation differences	811	18	196
Interest on marketable securities	-	260	1,052
	819	434	1,451
Financial expenses:			
Bank charges	(166)	(160)	(277)
Foreign currency translation differences	(668)	(495)	(674)
Amortization of premium and accretion of discount on available-for-sale marketable securities	-	(113)	(454)
Total financial expense (income):	$ 15	$ 334	$ (46)

NOTE 16:- BALANCES AND TRANSACTIONS WITH RELATED PARTIES

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

Fortissimo Capital Fund II (GP), L.P ("Fortissimo")

Fortissimo is the controlling shareholder of the Company as of December 31, 2016. Pursuant to a management fee agreement between the Company and Fortissimo, the Company was required to pay Fortissimo an annual fee of $120 plus an amount equal to 5% of the Company's net income, as defined in the management services agreement, up to a maximum of $250 per year. During the years ended December 31, 2014 and 2015 the Company recorded an expense of $160 and $30, respectively, in respect of payments to Fortissimo.

In March 2015 the Company and Fortissimo agreed to terminate the management service agreement upon the consummation of an IPO. Under the agreement the Company agreed to pay Fortissimo a one-time payment of $750.

NOTE 17:- SUBSEQUENT EVENT

On January 10, 2017 the Company had signed a master purchase agreement ("MPA") with Amazon Inc. for a five years period beginning on May 1, 2016. Under the MPA the Company had Granted Amazon with 2,932,176 warrants to purchase ordinary shares of the Company in exercise price of $13.03. The Warrant are subject to vesting as a function of payments for purchased products and services of up to $150,000 over a five years period with the shares vesting incrementally each time Amazon makes a payment totaling $5,000 to the Company.

On January 31, 2017 the Company closed a follow on and secondary offering where by 8,625,000 ordinary shares were sold in the transaction to the public, 2,300,000 were sold by the Company and 6,325,000 were sold by the Selling Shareholders (inclusive of 1,125,000 ordinary shares pursuant to the full exercise of an overallotment option granted to the underwriters). The gross proceeds received by the Company from the offering were $36,053, net of underwriting discounts and commissions, Offering expenses to be paid by the Company are were $951.

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Exhibit 4.11

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

MANUFACTURING SERVICES AGREEMENT

This Manufacturing Services Agreement ("**Agreement**") is entered into on May [__], 2015 (the "**Effective Date**") by and between Kornit Digital Ltd. having its place of business at 12 Ha`Amal St., Afek Park, Rosh-Ha`Ayin 4809246, Israel ("**Kornit**"), and Flextronics (Israel) Ltd., having its place of business at 2 Hamatechet St., Ramat Gavriel Industrial Park Migdal Ha-Emek 23108 Israel P.O.B. 867 Israel ("**Flextronics**"). Kornit and Flextronics are referred to collectively as the "**Parties**", individually as a "**Party**".

WHEREAS, Flextronics is in the business of providing manufacturing services that include the custom manufacture of digital printers;

WHEREAS, Kornit is in the business of developing and/or manufacturing the Products (as defined below); and

WHEREAS, Kornit desires to engage Flextronics to perform certain manufacturing services and possibely certain design services as further set forth in this Agreement and in applicable agreed upon specifications to be attached or incorporated by reference.

NOW THEREFORE, Kornit and Flextronics hereby agree as follows:

1. **Definitions**

1.1 "**Aged Inventory**" will mean either of any Product, partially completed Product, Inventory or Special Inventory, or some or all, for which there has been zero or insignificant consumption over the past [* * *], which includes any particular item that Flextronics has had on hand for more than [* * *].

1.2 "**Approved Vendor List**" will mean the list of vendors approved by Kornit to supply the Components or services listed on the Bill of Materials.

1.3 "**Basis Representative Exchange Rate**" will mean the representative exchange rate of the U.S. Dollar to the NIS last published by the Bank of Israel prior to the Effective Date.

1.4 "**Bill of Materials**" (BOM) will mean a list of Components required for the manufacture, assembly, testing and packaging of each Product based on the most current Specifications. The Parties will mutually agree on each BOM.

1.5 "**Components**" will mean the parts, materials, assemblies and supplies that are used for the manufacture, assembly, testing and packaging of each Product, as stipulated in the respective Bill of Materials; each of Kornit and Flextronics may supply Components as defined herein, if so indicated in the Bill of Materials.

1.6 "**Consigned Tooling and Equipment**" shall have the meaning set forth in Section 3.2 below.

1.7 "**Confidential Information**" shall have the meaning set forth in Section 29.1 below.

1.8 "**Cost**" will mean the agreed cost of Components represented on the BOM current at the time such Components are acquired.

1.9 "**Customer Controlled Materials**" will mean Components provided by Kornit or by vendors with whom Kornit has a commercial relationship.

1.10 "**Customer Controlled Materials Terms**" will mean the terms and conditions that govern the purchase of Customer Controlled Materials.

1.11 "**Damages**" shall have the meaning set forth in Section 22.1 below.

1.12 "**Days**" will mean calendar days, which unless otherwise specified, include Saturdays and Sundays. "**Business Days**" do not include Friday, Saturdays or Israeli recognized holidays.

1.13 "**Deliverables**" will mean the items delivered to Kornit by Flextronics pursuant to the Design SOW, including any New Developments incorporated therein and any pre-production, prototype or trial units of the Product(s).

1.14 "**Delivery Date**" will mean such date which shall be no longer than the Lead Time of the Products or as mutually agreed upon in writing between the Parties.

1.15 "**Design Services**" shall have the meaning set forth in Section 4.1 below.

1.16 "**Design Specifications**" shall have the meaning set forth in Section 4.1 below.

1.17 "**Design Statement of Work (SOW)**" shall have the meaning set forth in Section 4.1 below.

1.18 "**Economic Order Inventory**" will mean Components purchased in quantities above the required amount for Purchase Orders or for Design SOW, as applicable, in order to achieve price targets for such Components.

1.19 "**Engineering Change Order**" (ECO) will mean the document that details a change in the Specifications and/or the Product.

1.20 "**Environmental Regulations**" will mean any applicable hazardous substance content laws and regulations.

1.21 "**Excess Inventory**" will mean either of any Product, partially completed Product, Inventory or Special Inventory, or some or both, owned by Flextronics that is not required for consumption to satisfy the next [* * *]of demand for Products under the then-current Purchase Order(s).

1.22 "**Intellectual Property Rights**" will mean any and all intellectual property rights worldwide arising under statutory law, common law or by contract and whether or not perfected, including without limitation: (i) trade dress, trademark, and service mark rights; (ii) patents, patent applications and patent rights; (iii) rights associated with works or authorship including copyrights, copyright applications, copyright registrations, mask works rights, mask work applications, mask work registrations; (iv) rights relating to trade secrets and confidential information; (v) any rights analogous to those set forth in this section and any other proprietary rights relating to intellectual property; and (vi) divisionals, continuations, renewals, reissues and extension of the foregoing (as and to the extent applicable) now existing, hereafter filed, used or acquired, and whether registered or unregistered.

1.23 "**Inventory**" will mean any Components that are procured by or on-order with Flextronics in accordance with the terms of this Agreement for use in the manufacture of Products, pursuant to a Purchase Order or for the manufacture of the Deliverables pursuant to a Design SOW.

1.24 "**Lead Time**" shall have the meaning set forth in Section 12.1 below.

1.25 "**Minimum Order Inventory**" will mean Components purchased in excess of requirements for Purchase Orders or for Design SOW, as applicable, because of minimum lot sizes required by the vendor.

1.26 "**New Developments**" shall have the meaning set forth in Section 21.5 below.

1.27 "**Obsolete Inventory**" will mean either of any Product, partially completed Product, Inventory or Special Inventory, or some or all that is any of the following: (a) removed from the BOM for a Product by an engineering change; or (b) no longer on an active BOM for any of Kornit's Products.

1.28 "**Overseas Services**" shall have the meaning set forth in Section 3.5 below.

1.29 "**Overseas Site**" shall mean Flextronics affiliate's site in Venray, Netherlands or any other site of a Flextronics affiliate worldwide, as mutually agreed between the Parties.

1.30 "**Product(s)**" will mean digital printers known as "[* * *]" and "[* * *]" or any other product as shall be mutually agreed by the Parties in writing.

1.31 "**Product Specification**" or "**Specifications**" will mean the written specifications provided by Kornit to Flextronics and accepted by Flextronics for the manufacture, assemble and testing of a Product including, without limitation, the current revision number, Approved Vendor List (AVL), Bill of Materials (BOM), manufacturing procedures, schematics, testing procedures, drawings and documentation, attached hereto as **Exhibit D**.

1.32 "**Purchase Order**" will mean purchase order for the Products issued by Kornit and accepted by Flextronics in accordance with the terms of this Agreement. The terms of this Agreement will control over printed terms on any Purchase Order, quotation, acknowledgement, confirmation or invoice.

1.33 "**Representative Exchange Rate**" will mean the representative exchange rate of the U.S. Dollar to the NIS last published by the Bank of Israel prior to the issuance of the respective invoice.

1.34 "**Special Inventory**" will mean any mutually-agreed Minimum Order Inventory, Economic Order Inventory, safety stock and other Inventory acquired by Flextronics in excess of requirements for Purchase Orders to support flexibility or demand requirements.

2. **Personnel**

2.1 Each Party will appoint a program manager as the program liaison with the other Party in connection with the initial coordination and implementation of the design and manufacture of the Products, which will also deal with ongoing support issues thereafter. The Parties agree to conduct periodic technical reviews and business reviews. The technical reviews will include, but will not be limited to, design review, product performance, testing, project schedule and product costs. The business reviews will include, but will not be limited to, quality, delivery, flexibility, service and price. The program managers will coordinate these reviews.

2.2 Flextronics will provide a list of program team members representing the functions listed below. The list will include name, title, phone number and email address. The Program Team List will be attached as **Exhibit A**.

(a) Program Manager

(b) Head of Assembly

(c) Head of Integration

(d) Quality Assurance

2.3 Each of Flextronics' personnel that will be engaged in the performance of services hereunder will have the proper skills, training and professional background to perform such services.

3. **Manufacture of Products**

3.1 During the term of this Agreement, Flextronics will manufacture, assemble and test the Products in accordance with the Specifications and pursuant to the respective Purchase Orders. Flextronics will maintain manufacturing and test records in accordance with reasonable industry standards. Unless specifically agreed otherwise in writing between the Parties, in case of any conflict between the Specifications and this Agreement, this Agreement shall prevail.

3.2 Kornit and Flextronics agree to work on a "full turnkey basis". This means that Flextronics will purchase all Components pursuant to Purchase Orders and provide standard production equipment that is not Product-specific (e.g. production desks, lifting stages, storage equipment etc.), as necessary to fulfill such Purchase Orders. However, Kornit shall supply certain tooling and equipment that are unique to Kornit Products as outlined in **Exhibit B** (the "**Consigned Tooling and Equipment**"). Flextronics shall not be required to pay for such Consigned Tooling and Equipment.

3.3 Any communication with a supplier/vendor/subcontractor in Flextronics's supply chain, whether verbally or in writing, shall be conducted solely via Flextronics.

3.4 Kornit may request Flextronics to maintain a safety stock of Components and/or Products. The terms and fees for such safety stock shall be mutually agreed between the Parties in writing and in accordance with the applicable purchase order.

3.5 Kornit may request at any time that certain type and quantity of Products (whether covered under an open Purchase Order or under a new purchase order issued by Kornit for that purpose) will be assembled and packed outside Israel, at an Overseas Site (the "**Overseas Services**") and Flextronics shall accept such request subject to the provisions of Section 11.2 below. In order to provide the Overseas Services Flextronics will ship all required Components and will send sufficient number of personnel from Flextronics site in Yavne to the Overseas Site. Kornit shall be liable, subject to its prior written consent, for all costs associated with the performance of the Overseas Services, including without limitation, shipping costs of the Components, flight and accommodation costs of Flextronics personnel and storage costs, all in accordance with Flextronics then current quotation for the Overseas Services. Kornit acknowledges that the Overseas Services will be provided by the same personnel that provide the services hereunder at Flextronics site in Yavne therefore during the performance of the Overseas Services there may be delays in the deliveries of the Products in Israel.

4. **Design Services**

4.1 Kornit may engage Flextronics, in its sole discretion, to perform design and development, pre-production manufacturing engineering and prototype and first article manufacturing (the "**Design Services**") with respect to the Products pursuant to mutually agreed upon written designs and specifications (the "**Design Specifications**") and a design statement of work prepared by mutual agreement of the Parties (the "**Design Statement of Work (SOW)**").

4.2 Flextronics will perform the Design Services using careful, efficient, and qualified workers, and in a professional and workmanlike manner in accordance with the Design SOW. The Deliverables will conform in all material respects to the Design Specifications. Flextronics's sole liability and Kornit's sole and exclusive remedy for the breach of such obligations of performance or conformance is set forth in Section 16.1 below. Except as otherwise expressly provided herein, the Deliverables (including any prototype or trial units of the Product) shall be provided on an "as-is" basis. Flextronics makes no warranty whatsoever with respect to commercial products manufactured by third parties based on or incorporating all or any part of the Deliverables.

4.3 In the event the Design Specifications require that the Product be compliant with Environmental Regulations, Kornit agrees that Flextronics is only responsible for ensuring that, for the Components that Flextronics includes in the Deliverables, Flextronics has received from suppliers of such Components a certificate of compliance with such Environmental Regulations. Kornit agrees that Flextronics has no responsibility whatsoever in the event the Components are determined to be not in compliance with such Environmental Regulations. Kornit agrees that Flextronics has no responsibility whatsoever for Customer Controlled Materials that Customer has specified to be included in the Deliverables and/or Product.

4.4 To the extent applicable, Kornit shall pay for or obtain and consign to Flextronics any Product-specific tooling, equipment or software necessary for the design, development, manufacture, assembly and testing of the Deliverables (collectively, the "**Design Tooling**"). The Design Tooling shall be considered, for all purposes of this Agreement, as Consigned Tooling and Equipment and the provisions of Section 9 below shall apply with respect thereto.

5. **Procurement of Components; Inventory Management**

5.1 **Authorization to Procure Components.** Each Purchase Order shall constitute an authorization for Flextronics to procure, without Kornit's prior approval, all Components required for the manufacture of the Products covered by such Purchase Orders, based on the applicable lead times of such Components. In addition, subject to Kornit's prior written approval, Flextronics will be entitled to procure Special Inventory required to support Kornit's Purchase Orders. To the extent Flextronics actually receives from a vendor of Components or services the benefit arising from said vendor’s warranty obligations related to its Components or services and to the extent such benefit is transferrable, Flextronics shall transfer such benefit to Kornit (without any actual liability for such vendor’s warranty obligations).

5.2 **Kornit Approved Vendors; AVL**. Flextronics will procure Components only from Kornit Approved Vendor List and in case Flextronics is listed on the AVL as the approved vendor for a certain Component, then such Component will be supplied by Flextronics. Kornit will provide Flextronics with an AVL for each BOM item of a Product to be manufactured. Once Kornit advises Flextronics of its selected vendors, Flextronics may not change to other vendors without Kornit's advance written approval. In no event shall Flextronics change to a vendor that does not appear on the relevant AVL without Kornit's express prior written consent (in Kornit's sole discretion). Any changes to the AVL by Kornit should be coordinated sufficient time in advance with Flextronics so as to minimize any adverse impact on Flextronics ability to provide the services hereunder in an efficient and competitive manner. Unless otherwise agreed, such change may be effective only with respect to Purchase Orders issued and accepted after such change is introduced and shall not apply to Components ordered prior thereto in accordance with the terms hereof.

5.3 **Customer Controlled Materials**. Kornit may direct Flextronics to purchase Customer Controlled Materials in accordance with the Customer Controlled Materials Terms. Kornit acknowledges that the Customer Controlled Materials Terms may directly impact Flextronics's ability to perform under this Agreement and to provide Kornit with the flexibility Kornit is requiring pursuant to the terms of this Agreement. In the event that Flextronics reasonably believes that Customer Controlled Materials Terms shall create an additional cost that is not covered by this Agreement, then Flextronics shall notify Kornit and the Parties shall mutually agree to either: (i) compensate Flextronics for such additional costs; (ii) amend this Agreement to conform to the Customer Controlled Materials Terms; or (iii) amend the Customer Controlled Materials Terms to conform to this Agreement, in each case at no additional charge to Flextronics. Kornit agrees to provide to Flextronics an extract of all Customer Controlled Materials Terms upon the execution of this Agreement and promptly upon execution of any new agreements with vendors, to the extent such terms relate to Flextronics and may affect its costs and procurement activities. Kornit agrees not to make any modifications or additions to Customer Controlled Materials Terms that shall negatively impact Flextronics's procurement activities.

5.4 **Inventory Management**. Without derogating from the other provisions of this Agreement, Flextronics shall manage its Inventory on a first-in-first-out (FIFO) basis and in a manner that will ensure that Flextronics can fulfill its obligations hereunder.

5.5 **Reports**. Flextronics shall provide to Kornit, within seven (7) Days of Kornit's request, copies of electronic or written reports on current Inventory, in a standard form available at Flextronics's systems.

6. **Quality**

6.1 Kornit's standard Quality Agreement is attached hereto as **Exhibit C** (the "**Quality Agreement**"). The Quality Agreement may only be amended by mutual consent of the Parties. In case of any conflict between the Quality Agreement and this Agreement, this Agreement shall prevail.

6.2 Flextronics agrees that the manufacture, test and quality control of the Products under the terms of this Agreement will be in accordance with the standards specified by the Quality Agreement.

7. **Price; Cost Reduction and Payment Terms**

7.1 The initial fees will be agreed upon between the Parties (the "**Fee List**"). Changes to the Fee List may only be made by mutual agreement of the Parties, such agreement not to be unreasonably withheld or delayed. If a Fee List is not completed or amended as agreed upon, then the initial fees shall be as set forth in the Purchase Orders. For each Design SOW under this Agreement the parties shall mutually agree upon a fee list.

7.2 Each Fee List shall be effective for a period of [* * *]. Notwithstanding the foregoing, Flextronics may request Kornit to increase the applicable fees during the respective [* * *] period in any of the following events: (i) if the Cost of a Customer Controlled Material has been increased for any reason and no alternative Material has been approved by Kornit in order to reduce such Cost; (ii) if the respective Representative Exchange Rate has been decreased by more than [* * *] comparing to the Basis Representative Exchange Rate; (iii) if any taxes, duties, laws, rules, regulations, court orders, administrative rulings or other governmentally-imposed or governmentally-sanctioned requirements (including mandatory wage increases) result in changes to the costs of performance of any services hereunder (a "**Governmental Change**"); provided that such Governmental Change would have also applied if the services hereunder would have performed by Kornit; or (iv) if the production costs of the Product are otherwise increased, for any reason, provided that such increase would have also applied if the services hereunder would have performed by Kornit.

7.3 Flextronics agrees to use reasonable commercial efforts to reduce the cost of manufacturing Products by methods such as, but not limited to: on going negotiations with suppliers during normal course of business, market price reduce, elimination of Components, obtaining alternate sources of Components and improved assembly or test methods. Flextronics will present to Kornit any proposal for cost reduction projects and will implement such projects only with the receipt of written approval of Kornit. To allow Flextronics to share in the benefit of cost reduction opportunities introduced by Flextronics, during the first year following the introduction of such cost reduction, [* * *] percent ([* * *]%) of the amount of Flextronics initiated cost reduction will be applied to reduce the price of the Products. During the second year after the introduction of such cost reduction, [* * *] percent ([* * *]%) of the amount of Flextronics initiated cost reductions will be applied to reduce the price of the Products purchased by Kornit. Thereafter, the [* * *] of such cost reduction will be applied to reduce the price of the Products purchased by Kornit [* * *].

7.4 Kornit shall pay all amounts due in U.S. Dollars within [* * *] of the date of the invoice or receipt of the applicable Products.

7.5 The Parties shall mutually agree whether the fees for Design Services are to be paid for by one of the following methods: (i) upfront at the start of the project, (ii) in agreed installment payments over a defined term, or (ii) some combination of (i) and (ii). The applicable method of payment shall be set out in the Fee List.

7.6 All prices are net of all taxes, duties, and all other charges and any non-recurring expenses (NRE). Flextronics shall be solely responsible for its own taxes based on its revenues or property ownership, including, without limitation, municipality taxes and similar payments. Kornit shall be entitled to withhold from any payment hereunder any taxes that are required to be withheld at source under applicable laws, unless a suitable exemption is presented by Flextronics.

7.7 Kornit is responsible for additional fees and costs due to: (i) any pre-approved expediting and/or de-expediting charges reasonably necessary because of a change in Kornit's requirements; and (ii) any extension of any milestone completion schedule under the Design SOW due to Kornit requested changes.

7.8 To the extent Flextronics agrees to pay any import duties, including without limitation any customs, excise, purchase tax etc., and VAT applicable on the import of Components, Kornit will promptly reimburse Flextronics for such costs. Flextronics will provide to Kornit the respective documentation evidencing and will make commercially reasonable efforts to assist Kornit in eliminating, reducing and recovering such costs under relevant laws and regulations. Flextronics will not claim reimbursement for any such costs that are timely reimbursed to Flextronics. If legally obligated, Flextronics will charge such costs as separately stated amounts on invoices in connection with the sale of Products to Kornit. For the avoidance of doubt, Flextronics is not responsible or liable in any manner for the classification or reclassification of Components or Products for import or export purposes and any risk associated therewith shall reside exclusively with Kornit.

7.9 If Kornit fails to pay amounts due, Flextronics shall provide Kornit with a written notice to that effect, and allow it to cure such breach within a period of [* * *] Business Days from the date of the notice (the "**Cure Period**"). If Kornit does not cure this breach within the Cure Period, Kornit shall pay [* * *] percent ([* * *]%) monthly interest on all late payments as of the first Day of delay and until all outstanding amount is fully paid. Furthermore, if Kornit is (i) late with payments (and such breach is not cured within the Cure Period), or (ii) Kornit fails to timely provide Flextronics with information and/or security as required under this Section and Section 8 below, then Flextronics may with written notice, in its sole discretion, undertake any or any combination of the following: (a) stop all services under this Agreement (including any warranty service Flextronics would otherwise be obligated to render hereunder) until assurances of payment satisfactory to Flextronics are received or payment is received; (b) demand prepayment for Purchase Orders or Design Services; and (c) delay shipments.

8. **Credit Terms/Security Interest**

8.1 Flextronics shall provide Kornit with an initial credit limit, which shall be reviewed (and, if necessary, adjusted) periodically. Kornit shall provide information reasonably requested by Flextronics in support of such credit reviews. In Flextronics's reasonably exercised discretion, Flextronics shall have the right to reduce Kornir's credit limit and/or require Kornit to obtain and maintain a standby letter of credit or escrow account on behalf of Flextronics; in such case, the bank chosen by Kornit shall be reasonably acceptable to Flextronics, the letter of credit or escrow account shall be in force for a minimum period of time of [* * *] and shall be in an amount equal to [* * *]. The draw down procedures under the standby letter of credit or the escrow account shall be mutually agreed by Flextronics and Kornit. Flextronics shall have the right to suspend performance (e.g., cease ordering Components required to fulfill the Purchase Orders and/or cease manufacturing or making Product deliveries and/or providing Design Services) until Kornit either makes a payment to bring its account within the revised credit limit and/or makes other arrangements satisfactory to Flextronics. Kornit agrees to promptly execute any documents reasonably requested by Flextronics to perfect and protect such security interest.

9. **Consigned Tooling and Equipment**

Upon notice to Flextronics, Kornit shall supply the Consigned Tooling and Equipment to Flextronics. Consigned Tooling and Equipment will be delivered to Flextronics in sufficient time and in sufficient quantities, including normal attrition levels, to allow Flextronics to meet the respective Delivery Dates for the Products under all outstanding Purchase Orders and/or the respective milestones under all outstanding Design SOWs. All Consigned Tooling and Equipment will be in good condition and working order. Kornit assumes complete liability for the quality of all Consigned Tooling and Equipment and Flextronics will not be responsible for any defects therein. Flextronics may, upon receipt of the Consigned Tooling and Equipment, perform inspections of the Consigned Tooling and Equipment, in accordance with its standard procedures and may notify Kornit in writing, not later than seven (7) Days from the date of receipt of the Consigned Tooling and Equipment, of any defects found or of any discrepancy in quantities. Notwithstanding anything to the contrary under this Agreement or under applicable law, Flextronics shall not be responsible for any maintenance, repairs or replacements of the Consigned Tooling and Equipment and shall not be responsible for any damage caused to or by the Consigned Tooling and Equipment, other than to physical damage caused to Consigned Tooling and Equipment by Flextronics malicious and/or grossly negligent behavior; It is further clarified and agreed that Flextronics's non-performance hereunder is excused to the extent resulting directly and solely from the Consigned Tooling and Equipment and Flextronics's undertakings under this Agreement are respectively conditioned.

10. **Forecasts**

Kornit will provide Flextronics a rolling forecast covering the period of [* * *] (the "**Forecast**"). The Forecast will specify the number of units of the Products Kornit anticipates purchasing during such [* * *] period. The Forecast will be non-binding and will not be regarded by either Party as a commitment to order, purchase, deliver or meet any volume commitment specified therein. Kornit may adjust the Forecast at its reasonable discretion at any time.

11. **Purchase Orders**

11.1 During the term of this Agreement, Kornit may provide Flextronics with written purchase orders for the Products. As a matter of convenience and subject to the provisions of Section 11.3 below, Kornit may use its standard purchase order form for any orders provided for hereunder.

11.2 Flextronics shall accept purchase orders from Kornit: (i) that comply with the provisions of this Agreement, including without limitation, that the fees reflected in each such purchase order are consistent with the Parties' then-current agreement with respect to the fees and that the delivery date requested thereunder is consistent with the Delivery Date; and (ii) that such purchase order would not extend Flextronics's financial exposure beyond Kornit's then approved credit line. Flextronics shall notify Kornit of rejection of any purchase order (only to the extent that it does not comply with the foregoing conditions) within [* * *] of receipt of such purchase order. To the extent that Flextronics does not provide Kornit any notice of rejection within the above-mentioned time frame, the purchase order shall be deemed accepted.

11.3 The terms and conditions of this Agreement will control over any terms contained in any quotation, purchase order issued by Kornit, written acceptance or acknowledgment by Flextronics, invoice or any other form instrument exchanged by the Parties that is not clearly an amendment to this Agreement signed by both Parties and no additional, contradictory, modified or deleted terms established by such instruments are intended to have any effect on the terms of this Agreement, even if such instrument is accepted by the other Party.

12. **Lead Time**

12.1 Unless otherwise agreed upon in a Purchase Order, Flextronics agrees that the standard manufacturing lead-time for Products (other than Products manufactured at an Overseas Site) is [* * *] following the longest lead time to obtain any Component of the Product. With respect to Products manufactured at an Overseas Site the following lead time shall apply: (i) [* * *] following the arrival of all required Components and personnel to the Overseas Site with respect to the first Purchase Order issued by Kornit for Overseas Services; and (ii) [* * *] following the arrival of all required Components and personnel to the Overseas Site for any subsequent Purchase Order.

12.2 If circumstances arise that prevent Flextronics from timely delivery of the Products on the Delivery Date, Flextronics will notify Kornit, immediately after it becomes aware of such circumstances, of the nature of the problem, the methods taken to overcome the problem and the estimated time of delay.

13. **Reschedule and Cancellation of Purchase Orders**

13.1 Shipment Schedule Changes

(a) For any Purchase Order Kornit may reschedule the quantity of Products and their shipment date as provided in the table below:

# of Days before Delivery Date	**Maximum Reschedule Quantity**	**Maximum Reschedule Period (following the original Delivery Date)**
[* * *]	[* * *]	[* * *]
[* * *]	[* * *]%	[* * *]
[* * *]	[* * *]%	[* * *]

(b) All reschedules to push out delivery dates outside of the table in subsection (a) above require Flextronics's prior written approval, which, in its sole discretion, may or may not be granted. If Flextronics agrees to accept a reschedule of any length of time, and if there are extra costs to meet such reschedule, then Kornit shall be liable for such extra costs.

(c) A notice of reschedule as aforesaid may be given only once for each Product (i.e., Kornit shall be entitled to give only one notice of reschedule for each of the Product in the Purchase Order).

(d) For the avoidance of doubt, any reschedule, whether authorized or not, shall not change the date on which the respective Inventory and/or Special Inventory would otherwise become Excess Inventory, Obsolete Inventory or Aged Inventory.

(e) Any delays in the normal production or interruption in the workflow process caused by Kornit's changes to the Specifications or failure to provide sufficient quantities or a reasonable quality level of Customer Controlled Materials where applicable to sustain the production schedule, shall be considered a reschedule of any affected Purchase Orders for purposes of this Section for the period of such delay.

13.2 Cancellation

(a) Kornit may cancel all or any portion of Product quantity of a Purchase Order, without Flextronics's prior written approval by providing a written notice to Flextronics at least [* * *] prior to the Delivery Date, [* * *], except as set forth in sub-section (b) below. Any other cancellation of a Purchase Order shall be subject to Flextronics' prior written approval, which, in its sole discretion, may or may not be granted.

(b) Unless agreed otherwise in writing between Kornit and Flextronics, upon cancellation of a Purchase Order (or any portion thereof) Kornit shall immediately purchase from Flextronics any affected Products, Inventory and special Inventory and pay Flextronics as follows: (i) the price listed in the then current Fee List for all affected Products (or a pro-rata proportion thereof for any applicable partially completed Product); (ii) [* * *], (iii) [* * *], and (iv) any vendor cancellation charges incurred with respect to the affected Inventory and Special Inventory accepted for cancellation or return by the vendor.

(c) Products that have been ordered by Kornit and that have not been picked up within [* * *] following the agreed upon Delivery Dates shall be considered cancelled and Kornit shall be responsible for such Products in accordance with the provisions of this Section and any risk therein shall thereupon transfer to Kornit, provided that Flextronics shall provide Kornit a notice that the Products were not picked up. Kornit agrees that Flextronics shall have the right to invoice it for all such non-picked up Products in accordance with the price listed in the then current Fee List and agrees to provide Flextronics, within [* * *] following the invoice, the location to which Flextronics shall ship the Products. Flextronics may further elect, by giving Kornit [* * *] prior written notice, to transfer such Products to a separate storage within Flextronics or to warehouse operated by a third party and to have any such transfer considered a delivery and sale to Kornit for all intents and purposes, with title to such Products transferring thereupon from Flextronics to Kornit.

13.3 Quantity Increase

(a) For any Purchase Order Kornit may request an increase in the quantity of Products ordered (the "**Increase Request**"). All Product quantity increases require Flextronics’s approval, which, in its sole discretion, may or may not be granted. Flextronics shall use reasonable commercial efforts to meet any allowed Product quantity increases, which are subject to Components and capacity availability. If Flextronics agrees to such increase in the quantity, and if there are extra costs to meet such increase, then Kornit shall be liable for such extra costs.

(b) Notwithstanding the foregoing, the following shall be considered as authorized Increase Requests (subject to Components availability) and no prior approval from Flextronics shall be required: (i) an increase of up to [* * *] percent ([* * *]%) of the Purchase Order quantities if the Increase Request has been issued by Kornit at least [* * *] prior to the Delivery Date, and (ii) an increase of up to [* * *] percent ([* * *]%) of the Purchase Order quantities if the Increase Request has been issued by Kornit at least [* * *] prior to the Delivery Date.

14. **Kornit's Liability for Inventories**

14.1 By the end of each calendar quarter, Flextronics shall provide to Kornit a report listing for the end of such quarter all Aged Inventory, Excess Inventory and Obsolete Inventory (the "**Quarterly Report**"). Such Quarterly Report shall normally be deemed agreed to by Kornit, unless Kornit provides a reasoned written objection within thirty (30) Days following the issuance of such report by Flextronics. Kornit shall either, at Flextronics's sole discretion: (i) immediately purchase such Inventories and pay Flextronics the price listed at the then current Fee List for any finished Products, the proportionate amount of such price for any partially completed Products and Cost plus [* * *]% for any other Inventories; or (ii) pay Flextronics a monthly carrying cost fee equal to [* * *]% of the Cost of the respective Aged Inventory, Excess Inventory and Obsolete Inventory until such Aged Inventory, Excess Inventory and Obsolete Inventory is used to manufacture Products or is otherwise purchased by Kornit.

14.2 In the event Kornit does not pay in accordance with the payment terms set forth above, then, in addition to any late payment charges that Flextronics is due from Kornit, Flextronics shall be entitled to dispose of such Excess, Obsolete, and Aged Inventory and Special Inventory in a commercially reasonable manner and credit to Kornit any monies received from third parties, provided that a prior written notice of [* * *] was provided to Kornit before such disposal.

15. **Delivery**

15.1 All deliveries hereunder will be made [* * *] Flextronics's applicable manufacturing site (Yavne for Products manufactured in Israel and the respective Overseas Site for Products manufactured outside Israel). Risk of loss and title shall pass to Kornit upon delivery by Flextronics of the Products to [* * *].

15.2 Upon Kornit request, Flextronics will use reasonable commercial efforts (without incurring any liability or risk) to assist Kornit in arranging any desired shipping and insurance coverage (in amounts that Kornit will determine). All costs of shipping, insurance, freight, customs, duties, taxes, insurance premiums and other expenses relating to such transportation and delivery, will be at [* * *] expense.

15.3 The Products shall not be packed and delivered before Flextronics conducted the delivery procedure set forth in the Specifications and received Kornit's approval. The Products shall be packed in accordance with the instructions set forth in the Specifications.

16. **Deliverables and Products Acceptance**

16.1 Deliverables. Unless agreed otherwise by the Parties, upon receipt of a Deliverable from Flextronics in accordance with the Design SOW, Kornit shall have [* * *] to accept or reject the Deliverable. If Kornit does not reject the tendered Deliverables with such time period then the Deliverables shall be deemed accepted. If Kornit determines that the Deliverable fails to satisfy the criteria for acceptance set forth in the Design Statement of Work, then, Konit may choose not to accept such Deliverable and shall provide Flextronics with a notice stating in reasonable detail the manner in which the unaccepted Deliverable failed to meet with such criteria. Upon receipt of such a notice, and if such failure is due to causes within the control of Flextronics, Flextronics shall adjust the unaccepted Deliverable and Kornit shall have an additional [* * *] within which to accept such corrected Deliverable. If such failure is due to causes outside the control of Flextronics, the Parties will agree upon the cause of such failure, the associated adjustment and the related costs. The Parties agree to repeat the procedure set forth in this Section up to [* * *] times. If after [* * *] attempts, the non-conformities and deficiencies are not corrected and Kornit determines that it wants Flextronics to continue to attempt to correct the non-conformities and deficiencies, then either: (i) the Parties will enter into a mutually agreeable change order that will allow Flextronics to be paid on a time and material basis for the ongoing work, or (ii) the affected Design Statement of Work may be terminated by Kornit or Flextronics pursuant to Section 25 below.

16.2 Products. The Products delivered by Flextronics may be inspected and tested by Kornit within [* * *] of receipt at the "ship to" location on the applicable Purchase Order. Notwithstanding any prior inspection conducted at Flextronics' premises or by Flextronics (including the ATP process set forth in the Specifications), or payment made by Kornit, Kornit may reject any portion of any shipment of Products during said period if, according to inspections and tests provided for in the Specifications and conducted by Kornit, the Products do not comply with Flextronics express limited warranty set forth in Section 20 below. Products not rejected during said period will be deemed accepted. Any Products so returned to Flextronics will be repaired or replaced, at Flextronics' option and expense in accordance with the provisions of Section 20 below.

17. **Inspection Rights; Reports**

17.1 Upon request by Kornit, from time to time, and with at least [* * *] notice and during normal business hours, Flextronics will allow Kornit representatives to inspect the manufacturing and quality control, testing operations, compliance procedures and premises relating to the manufacture, assembly and testing of the Products.

17.2 Upon Kornit request Flextronics shall provide Kornit with standard reports and analysis of the yields of each of the quality tests performed to the Products and shall report any defect which was discovered during such tests in the Product or in the production process within a reasonable period from the time Flextronics becomes aware of such defect.

17.3 From time to time, Kornit may request reports as to the progress of the Product production in accordance with the then outstanding Purchase Order. Flextronics shall provide such reports to the extent commercially reasonable and at Kornit's sole expense, subject to its prior approval of such costs, within [* * *] from the date of Kornit's request.

18. **Engineering Change Order (ECO)**

18.1 An Engineering Change Order ("**ECO**") is required when the form, fit or function of the design of the Product and/or Specifications are affected. Kornit may request that Flextronics incorporate engineering changes into the Product or Specifications by providing a written description of the proposed engineering change sufficient to permit Flextronics to evaluate the feasibility and cost of the proposed change.

18.2 Flextronics will provide a written response in the form of an "Engineering Change Analysis" to Kornit if such changes affect the per-unit price and/or delivery of a Product, within [* * *].

18.3 Kornit will respond with a written acceptance or rejection of the Flextronics "Engineering Change Analysis" within [* * *]. Flextronics will not implement the change to the design or Specifications of any Product or materials, equipment, manufacturing and quality assurance procedures, methods and techniques used to produce a Product, without Kornit's prior written approval.

18.4 Flextronics will implement any ECO at the date mutually agreed between the Parties, provided that the Parties have agreed upon the changes to the Specifications, delivery schedule and adjustments to the Fee List and Kornit has agreed to reimburse Flextronics for all implementation costs.

18.5 The cost of Inventory that becomes unusable because of an ECO and any other agreed implementation costs will be the responsibility of Kornit. Such responsibility shall be supported by documentation provided by Flextronics. The settlement between the Parties regarding such costs shall be made on a quarterly basis.

19. **Kornit Property**

Any Consigned Tooling and Equipment supplied by Kornit or procured by Flextronics at Kornit expense (the "**Kornit Property**") will remain the property of Kornit and will (i) be clearly marked or tagged as the Property of Kornit, (ii) be subject to inspection by Kornit at any time upon reasonable prior coordination, (iii) be used only for the performance of Flextronics's services hereunder, (iv) will not be subject to any liens and encumbrances by Flextronics, and (vi) not be modified in any manner by Flextronics without the prior written approval of Kornit. The Kornit Property shall be maintained by Kornit in accordance with Kornit's maintenance procedures including but not limited to periodic calibration. Kornit will retain all rights, title and interest in the Kornit Property and Flextronics agrees to treat the Kornit Property with the same degree of care as Flextronics uses with respect to its own valuable tooling and equipment, but no less care than reasonable care. Notwithstanding anything to the contrary under this Agreement or under applicable law, Flextronics shall not be responsible for any maintenance, repairs or replacements of the Kornit Property. Kornit will bear all risk of loss or damage to Kornit Property while it is in Flextronics' premises and Flextronics shall not be responsible for any damage caused to or by the Kornit Property, other than to physical damage caused to Kornit Property by Flextronics malicious and/or grossly negligent behavior. Upon Kornit's request, Flextronics will deliver all Kornit Property to Kornit, at Kornit expense; Kornit will determine the manner and procedure for returning the Kornit Property, and will pay the corresponding freight costs.

20. **Warranties**

This Section sets forth Flextronics’s sole and exclusive warranty with respect to the Products and Kornit’s sole and exclusive remedies with respect to a breach by Flextronics of such warranty.

20.1 Flextronics represents and warrants to Kornit that all work and service provided by Flextronics pursuant to this Agreement will be provided in a timely, professional and workmanlike manner.

Flextronics also represents and warrants to Kornit that all Products (i) will be manufactured in accordance with the then current Specifications and, in all material respects, with laws and regulations applicable to Flextronics’s manufacture of the Products; and (ii) will be free from defects in workmanship for a period of [* * *] from the date of shipment (the "**Warranty**" and the "**Warranty Period**", respectively). To the extent that the ATP (acceptance test procedures) for the Product will be conducted by Flextronics, Flextronics Warranty shall be extended also to any defects or failures in workmanship in the acceptance test procedures.

20.2 Any Products that do not meet the Warranty will be repaired or replaced at Flextronics' sole option and expense or, in the event that such Product cannot be repaired or replaced using commercially reasonable efforts during the time mentioned below, Flextronics will refund to Kornit the purchase price paid by Kornit for such Product. Flextronics will repair or replace any defected Product covered by the Warranty as soon as reasonably commercially possible but not later than [* * *] of receipt by Flextronics of the returned Product; provided that (i) the Products are returned within the Warranty Period; and (ii) the failure description will accompany the Product and (iii) the root cause for the defect in question is identified, all subject to the timely availability of the Components required for the repair or replacement as the case may be. The foregoing set forth Flextronics's sole obligation and Kornit's sole remedy under the Warranty. Any repaired or replaced Product shall benefit from Flextronics' limited Warranty, provided however that the warranty period shall not be less than [* * *] from the date of replacement or repair.

20.3 Notwithstanding anything else in this Agreement, this express limited Warranty will not apply to, and Flextronics makes no representations or warranties whatsoever with respect to any of: (i) Products that have been abused, damaged, altered or misused or mishandled (including improper storage or installation or improper handling in accordance with static sensitive electronic device handling requirements) by any person or entity after title passes to Kornit; (ii) Consigned Tooling and Equipment; (iii) Components or services provided by vendors on the AVL; (iv) defects resulting from adherence to the Specifications, or any instructions provided by or on behalf of Kornit; (v) the design of the Products; (vi) first articles, prototypes, pre-production units, test units or other similar Products; (vii) defects resulting from tooling, designs or instructions produced or supplied by Kornit, including any defective test equipment or test software provided by Kornit; or (viii) the compliance of Components or Products with any safety or Environmental Regulations or other laws. Kornit shall be liable for costs or expenses incurred by Flextronics arising out of or related to the foregoing exclusions to Flextronics's express limited Warranty.

20.4 Kornit shall return Products covered by this warranty freight prepaid after completing a failure report and obtaining a return material authorization number from Flextronics to be displayed on the shipping container. The Warranty shall not apply if Kornit has removed from Flextronics's possession, for any reason, any tools or equipment that are necessary to repair the Products. Kornit shall bear all of the risk, and all costs and expenses, associated with Products that have been returned to Flextronics for which no defect that is covered under the Warranty has been found.

20.5 Kornit shall provide any and all warranties directly to any of its end users or other third parties, and Kornit shall not pass through to end users or other third parties the warranties made by Flextronics under this Agreement. Furthermore, Kornit shall not make any representations to end users or other third parties on behalf of Flextronics, and Kornit shall expressly indicate that the end users and third parties must look solely to Kornit in connection with any problems, warranty claim or other matters concerning the Product.

20.6 Flextronics further represents and warrants that upon delivery Kornit shall receive free, good and clear title to all Products.

20.7 Flextronics will not, without the express prior written approval of Kornit, make any change to the Specifications, manufacture a Product that is not in strict compliance with its Specifications, or include in any Product any materials that have not been expressly authorized by Kornit.

20.8 All delivered Products will be adequately and correctly contained, packaged, marked and labeled in accordance with Kornit's instructions as set forth in the Specifications.

20.9 For the avoidance of doubt it is hereby clarified that the Warranty applies only to the manufacture of commercial quantities of the Product and shall not apply to any Deliverables manufactured by Flextronics pursuant to any Design SOW.

20.10 FLEXTRONICS MAKES NO OTHER WARRANTIES, EXPRESSED OR IMPLIED, WITH RESPECT TO THE PRODUCTS OR ANY SERVICES PROVIDED UNDER THIS AGREEMENT, AND DISCLAIMS ALL OTHER WARRANTIES INCLUDING THE WARRANTIES OF MERCHANTABILITY, TITLE OR FITNESS FOR A PARTICULAR PURPOSE OR NON-INFRINGEMENT.

21. **Intellectual Property Ownership and Licenses**

21.1 As between the Parties, Kornit is and will remain the sole and exclusive owner of all title to and interest in the Kornit's Intellectual Property Rights, Products, Kornit's Confidential Information, Kornit Property, Specifications, software and all inventions, discoveries, designs, modifications, improvements, know how, derivative works that are made, developed, conceived or reduced to practice by either Kornit or Flextronics, solely, jointly or on their behalf during the term of this Agreement (collectively referred to as "**Inventions**"). For the avoidance of doubt, the term "Inventions" does not include any New Development, the ownership on which shall be in accordance with the provisions of Section 21.5 below. Kornit is and will remain the sole and exclusive owner of all title to and interest in the equipment and software provided by or on behalf of Kornit. Flextronics agrees not to remove or deface any portion of any legend provided on any software or documentation delivered to Flextronics under this Agreement. Flextronics hereby assigns any right it may have in the Invention to Kornit. Flextronics further agrees to do all things reasonably necessary to evidence and perfect Kornit's interest therein, as reasonably requested by Kornit and at Kornit's expense. In addition to the above, Flextronics will provide updated copies of all engineering drawings, specifications, design files, and any other design documents to Kornit on a quarterly basis. Flextronics represents and warrants that it shall not knowingly, directly or indirectly, through its affiliated companies, distributors, resellers or agents of any type or nature, use, implement, or disclose any of Kornit’s Inventions and Intellectual Property Rights to any third party unless Flextronics will obtain the proper license from Kornit.

21.2 Flextronics's Background Property. Flextronics’s "**Background Property**" shall mean and include, without limitation, Flextronics’s know-how, design tools, methodologies, software, algorithms, or other means that may be used to (i) design, manufacture, assemble or test products, or (ii) design production means or the processes by which products are manufactured, assembled, or tested or any improvements or modifications thereto. Flextronics owns or has the right to use all of the Intellectual Property Rights in its Background Property which Background Property is not incorporated into the New Developments or Inventions. Kornit acknowledges and agrees that this Agreement shall not affect the ownership of, nor convey any licenses or rights under any of the Intellectual Property Rights in Flextronics’ Background Property, either expressly, impliedly or otherwise to Kornit or any other third party.

21.3 Third Party Technology; Essential IP. Kornit shall be responsible for obtaining any necessary license or other rights and for paying any royalties or license fees in connection with any third party technology and any Intellectual Property Rights incorporated in the Deliverables or Product, and for providing adequate assurances to Flextronics, upon Flextronics' request that Kornit has secured such rights or paid such royalties or fees.

21.4 Independent Work. This Agreement shall not affect the ownership of, nor convey any licenses to, any innovation, improvement, idea, method, technique or work of authorship, or any Intellectual Property Right therein, which is created during or subsequent to the term of this Agreement by a party outside the performance of the Design Services and outside the other services provided under this Agreement without reference to, or other use of, the Confidential Information of the other party (an "**Independent Work**").

21.5 New Developments. Flextronics agrees that, upon Flextronics's receipt of Kornit's payment for the Design Services hereunder, all designs, plans, reports, drawings, schematics, prototypes, models, inventions, copyrights, and all other information and items made or conceived by Flextronics or by its employees, contract personnel, or agents during the course of this Agreement and incorporated into the Deliverables (the "**New Developments**") and all Intellectual Property Rights in the New Developments, are assigned to Kornit as its sole and exclusive property, subject only to any third party Intellectual Property Rights identified in Section 21.3.

21.6 Subject to the terms and conditions of this Agreement, Kornit grants Flextronics a non-transferable, non-exclusive, royalty-free, revocable license for the term of this Agreement, to use Kornit's Intellectual Property Rights, Specifications and Design Specifications solely for the purpose of manufacturing the Products, manufacturing the Deliverables and otherwise perform its obligations as expressly authorized hereunder. Subject to the terms and conditions of this Agreement, Kornit grants Flextronics a non-transferable, non-exclusive, royalty-free, revocable license to use the software provided by Kornit solely for the purpose of performing its obligations as expressly authorized hereunder. The software and accompanying documentation is licensed, not sold, and Flextronics acknowledges and agrees that any transaction documentation purporting to "sell" or "transfer" the software does not convey ownership of any intellectual property rights in such software or any copies thereof. Other than this license and except as otherwise specifically provided in this Agreement, Flextronics has no rights, expressed or implied, in Kornit's Intellectual Property Rights, Products, Kornit Property, Specifications and Design Specifications.

21.7 Except as otherwise specifically provided in this Agreement, each Party acknowledges and agrees that no licenses or rights under any of the Intellectual Property Rights of the other Party are given or intended to be given to such other Party.

21.8 Flextronics shall not be entitled for the Inventions to any monetary or other compensation over and above that set out expressly in this Agreement.

22. **Indemnification**

22.1 Indemnification by Kornit. Kornit is responsible for the design of the Products. Kornit and Flextronics hereby acknowledge and agree that: (1) the Design Services to be performed hereunder by Flextronics may be incorporated into a product, process or service to be owned or controlled by Kornit, (2) Kornit is responsible for final review, testing, and approval of all features of the Deliverables and the results of the Design Services, and (3) Kornit has provided Flextronics with data, information and/or design specifications regarding the Product and the Design Services which have been used by and relied upon by Flextronics. Accordingly, Kornit will defend, indemnify and hold Flextronics and its affiliates and all officers, directors, employees, agents, successors and assigns, harmless from and against all claims, actions, losses, expenses, damages or other liabilities, (including reasonable attorneys' fees and legal costs) (collectively, the "**Damages**") arising out of or in connection with a third party claim or action, whether the claim is based upon contract, tort or any other legal theory: (a) alleging that any Product or portion of a Product violates the Intellectual Property Rights of any third party; or (b) arising from or related to the distribution, sale or use of any Product or portion of a Product; or (c) relating to any failure of any Product (and Components contained therein) sold by Flextronics hereunder or any Deliverables to comply with any safety standards and/or Environmental Regulations to the extent that such failure has not been caused by Flextronics's breach of its express limited Warranty set forth in Section 20.1 above; or (d) relating to any actual or threatened injury or damage to any person or property caused, or alleged to be caused, by a Product, but only to the extent such injury or damage has not been caused by Flextronics's breach of its express limited Warranty related to Flextronics’s workmanship and manufacture in accordance with the Specifications only as further set forth in Section 20.1 above; or (e) relating to a design defect or to any Consigned Tooling and Equipment.

22.2 Indemnification by Flextronics. Flextronics shall, at all times indemnify, hold harmless, and defend Kornit and its affiliates, its officers, directors, employees, agents, successors and assigns (each, a "**Kornit Indemnitee**"), harmless from and against all Damages arising out of or in connection with a third party claim or action, whether the claim is based upon contract, tort or any other legal theory, alleging that: (i) a process that Flextronics elects to use to manufacture, assemble or test the Products infringes any Intellectual Property Right of any third party; or (ii) that by performing the Design Services Flextronics has knowingly breached the Intellectual Property Rights of any third party, in each case provided however that Flextronics shall not have any obligation to indemnify any Kornit Indemnitees if such claim arises solely due to Flextronics adherence to the Product Specifications or to the Design Specifications (as applicable).

22.3 Conditions. A Party's obligation to indemnify the other under this Section 22 is conditioned upon and subject to: (a) the indemnified Party giving the indemnifying Party reasonably prompt notice in writing of any such charge of infringement, claim or suit and permitting the indemnifying Party through counsel of its choice, to assume the defend of such claim or suit; (b) the indemnified Party providing the indemnifying Party information, assistance and authority, at the indemnifying Party's expense, to enable the indemnifying Party to defend the suit; and (c) the indemnifying Party will not be responsible for any settlement made by the indemnified Party without its prior written consent which shall not be unreasonably withheld or delayed.

23. **Non-Solicitation**

23.1 Each of the Parties hereby agrees that during the term of this Agreement and for a period of [* * *] following termination of this Agreement it will not, except with the other Party's prior written approval, solicit, induce, recruit, hire or encourage any employee or consultant of the counter Party to leave such position, or attempt to do any of the foregoing, either for themselves or for any other person or entity.

23.2 Nothing contained herein shall prohibit and/or prevent Flextronics from the continued conduct of its business, as it is conducted today, and as it may be conducted in future, including, without limited, from the design and/or manufacture and/or sale and/or distribution of printers including digital printers by Flextronics for Flextronics' business and/or on behalf of any third party.

24. **Term**

This Agreement will become effective on the Effective Date and will continue for a period of three (3) years (the "**Initial Term**") unless terminated at an earlier date in accordance with the provisions herein set forth. This Agreement will automatically be renewed for additional twenty four (24) months terms (each a "**Renewal Term**"), unless terminated by either Party upon one hundred and eighty (180) Days written notice to the other Party prior to the end of the Initial Term or any Renewal Term thereafter.

25. **Termination**

25.1 Either Party for cause may immediately terminate this Agreement by providing written notice to the other Party, upon the occurrence of any of the following events:

(a) If the other party ceases to do business, or otherwise terminates its business operations, excluding any situation where all or substantially all of such other party's assets, stock or business to which this Agreement relates are acquired by a third party (whether by sale, acquisition, merger, operation of law or otherwise) unless such third party is a competitor of the Party giving notice of termination; or

(b) If the other becomes insolvent, makes an assignment for the benefit of creditors, files a petition in bankruptcy, permits a petition in bankruptcy to be filed against it, presents a petition or has a petition presented by a creditor for its winding up, or enters into any liquidation or call any meeting of its creditors, or admits in writing that it is unable to pay its debts as they mature, or if a receiver or examiner is appointed for a substantial part of it's assets.

25.2 Either Party shall be entitled to terminate this Agreement by written notice to the other Party, if such Party breaches any material provision of this Agreement and fails to cure such breach within [* * *] of written notice describing the breach.

25.3 Kornit may terminate this Agreement for convenience upon one hundred and eighty (180) Days written notice to Flextronics. Flextronics may terminate this Agreement for convenience upon three hundred sixty five (365) Days written notice to Kornit.

25.4 Kornit may terminate the Design Services for convenience [* * *] upon written notice to Flextronics. Flextronics may terminate the Design Services [* * *] upon written notice to Kornit if Flextronics cannot deliver under the Design SOW due to causes beyond its control. The termination terms, including the compensation that Flextronics shall be entitled to receive in such cases with respect to the Design Services, if any, will be mutually determined in writing between the Parties and in accordance with the applicable purchase order.

26. **Effect of Termination**

Upon expiration of termination of this Agreement for any reason the following provisions shall apply:

26.1 Flextronics will stop all work on outstanding Purchase Orders and incur no further direct costs. Kornit will have the option (solely in case of termination by Kornit for convenience) to request that Flextronics complete work in process pursuant to any Purchase Orders open on the date of termination and, in such case, Flextronics shall complete such work-in-process in accordance with the terms of the respective Purchase Order.

26.2 All outstanding Purchase Orders shall be deemed cancelled and Kornit shall purchase all affected Products and Inventories and shall pay Flextronics such amounts and costs as set forth in Section 13.2(b) above. In addition, Kornit shall be responsible for all Excess, Aged and Obsolete Inventories in accordance with the provisions of Section 14 above. All payments under this Section shall be due in accordance with the payments terms set forth in Section 7.4 above. For the avoidance of doubt it is hereby clarified that expiration or termination of this Agreement for any reason shall not affect the amounts due under this Agreement by either Party that exist as of the date of expiration or termination.

26.3 Each Party will return to the other, freight collect, all materials that contain the other's Confidential Information, including all manufacturing files of Kornit and all copies thereof and all documents or things containing any portion of any Confidential Information, or if the other Party gives written instructions to do so, destroy all such materials and copies thereof and all documents or things containing any portion of any Confidential Information, and provide the other a written certificate of destruction within thirty (30) Days after such destruction.

26.4 Flextronics shall use commercially reasonable efforts to cancel without charge any outstanding purchase order with third party suppliers relating to this Agreement, unless otherwise requested by Kornit.

26.5 Except as otherwise provided in this Agreement, neither Party shall be liable to the other Party hereto for damages, losses, indemnity, compensation or expenses of any kind or character whatsoever on account of the expiration or termination of this Agreement in accordance with the terms hereof, whether such damages, losses, costs or expenses arise from loss of prospective sales, or expenses incurred or investments made in connection with the establishment, development or maintenance of a Party's business, creation of goodwill, markets and customers for the Products or any other reason whatsoever. Notwithstanding anything to the contrary contained herein, expiration or termination of the Agreement shall not affect any claim, demand, liability or right of a Party arising pursuant to this Agreement prior to the expiration or termination hereof.

26.6 The obligations under sections 20, 21, 22, 23, 26, 27, 29, 31, 34, 35, 36 and 37 will survive termination or expiration of the Agreement.

27. **Liability Limitation**

NOTWITHSTANDING ANYTHING TO THE CONTRARY UNDER THIS AGREEMENT AND/OR UNDER APPLICABLE LAW:

27.1 EXCEPT WITH RESPECT TO: (I) THE PARTIES' OBLIGATIONS OF INDEMNIFICATION AS SET FORTH IN SECTION 22 ABOVE OR, (II) A BREACH OF EITHER PARTY'S OBLIGATIONS OF CONFIDENTIALITY HEREUNDER, OR (III) FRAUD OR FRAUDULENT MISREPRESENTATION, NEITHER PARTY WILL BE LIABLE TO THE OTHER PARTY OR ANY THIRD PARTY FOR LOSS OF, OR DAMAGE TO, OR LOSS OF USE OF, FACILITIES OR OTHER PROPERTY, BUSINESS INTERRUPTION, LOSS OF REVENUE, LOSS OF PROFITS, LOSS OF DATA OR TRANSMISSIONS, LOSS OF CUSTOMERS, OR OTHER INCIDENTAL, INDIRECT, SPECIAL, PUNITIVE OR CONSEQUENTIAL DAMAGES OF ANY KIND WHATSOEVER, RESULTING OR ARISING FROM OR RELATING TO THIS AGREEMENT AND WHETHER OR NOT THE OTHER PARTY IS ADVISED OF THE POSSIBILITY OF ANY OF THE FOREGOING.

27.2 EXCEPT WITH RESPECT TO: (I) THE PARTIES' OBLIGATIONS OF INDEMNIFICATION AS SET FORTH IN SECTION 22 ABOVE OR, (II) A BREACH OF EITHER PARTY'S OBLIGATIONS OF CONFIDENTIALITY HEREUNDER, OR (III) FRAUD OR FRAUDULENT MISREPRESENTATION, EITHER PARTY'S CUMULATIVE LIABILITY FOR DAMAGES FOR: (A) ANY CLAIM UNDER THIS AGREEMENT OF ANY KIND WHATSOEVER, REGARDLESS OF LEGAL THEORY, AND WHETHER ARISING IN TORT OR CONTRACT (EACH, A "**CLAIM**"); AND (B) FOR ALL CLAIMS IN THE AGGREGATE FOR A PERIOD OF [* * *], SHALL NOT EXCEED, AT ANY GIVEN TIME, [* * *]. FOR THE AVOIDANCE OF DOUBT, THE CAP SET FORTH IN THE PREVIOUS SENTENCE SHALL NOT APPLY TO LIMIT: (I) FLEXTRONICS’S WARRANTY OBLIGATIONS UNDER SECTION 20 ABOVE; OR (II) KORNIT’S OBLIGATION HEREUNDER FOR PAYMENTS FOR ANY DELIVERABLES, PRODUCTS, MATERIALS OR OTHER CHARGES.

28. **Relationship of Parties**

Flextronics and its subcontractor(s) will be deemed to be independent contractors of Kornit, and this Agreement does not create a general agency, joint venture, partnership, employment relationship, or franchise between Flextronics and Kornit. Each Party assumes full responsibility for the actions and negligence of its employees, agents or other personnel assigned by it to perform work pursuant to this Agreement, regardless of their place of work, and will be solely responsible for payment of salary, including withholding of federal and state income taxes, social security, workers' compensation and the like.

29. **Confidentiality**

29.1 **Definition**. "**Confidential Information**" means: (i) the existence and terms of this Agreement except that the existence of this Agreement may be disclosed for purposes of enforcing the Agreement pursuant to Section 31 below; (ii) all information concerning the fees or costs for Products and Inventory other than Customer Controlled Materials; and (iii) all information, whether written or oral, and in any form (including, without limitation, engineering documents, research and development, manuals, reports, drawings, plans, flowcharts, software (in source or object code), program listings, data file printouts, printed circuit boards, processes, trade secrets, inventions, mask works, ideas, processes, formulas, source and object codes, data, programs, other works of authorship, know-how, improvements, discoveries, developments, designs and techniques, information regarding plans for research and development, component part listings and prices, product information, marketing and selling plans, business plans, new product plans, budgets and unpublished financial statements, licenses, prices and costs, suppliers and customers, and information regarding the skills and compensation of employees or consultants of the) relating to a Party's business or technology which is disclosed by a Party either directly or indirectly to the other party. In particular, but without limitation, the Specifications and the Product components delivered to Flextronics by Kornit will be the Confidential Information of Kornit and the information related to Flextronics's subcontractors, including as listed in Exhibit E hereto, will be the Confidential Information of Flextronics.

29.2 **Non-disclosure and Non-use**. Each Party hereto (the "**Receiving Party**") agrees not to use any Confidential Information of the other Party (the "**Disclosing Party**") for any purpose, other than to enforce its rights and perform its obligations hereunder, or disclose any Confidential Information of the other Party to any third party for any purpose. Each Party hereto shall use at least the same degree of care, but no less than reasonable care, to avoid disclosure or use of the Confidential Information of the other party as such party employs with respect to its own Confidential Information of like importance. Without limitation of the foregoing, each party agrees during the term of this Agreement and thereafter to hold such Confidential Information in strict confidence, not to disclose it to third parties or to use it in any way, commercially or otherwise, except as otherwise expressly authorized by this Agreement, and not to allow any unauthorized person access to such Confidential Information, either before or for a period of three (3) years after termination or expiration of this Agreement, without the prior written consent of the Disclosing Party. Each Party will limit the disclosure of the Confidential Information to employees with a need to know who: (i) have been advised of the confidential nature thereof and (ii) are parties to written agreements no less restrictive than this Section 29.2 as to the non-disclosure and non-use of such Confidential Information.

29.3 **Exceptions**. Notwithstanding anything in this Agreement to the contrary, Confidential Information need not be treated as such if it is or has become:

(a) published or otherwise available to the public other than by a breach of this Agreement;

(b) rightfully received by the Receiving Party from a third party without confidential limitation;

(c) approved in writing for public release by the Disclosing Party;

(d) known to the Receiving Party prior to its first receipt of such Confidential Information from the Disclosing Party, as properly documented by the Receiving Party's files; or

(e) independently developed by the Receiving Party without use of or reference to such Confidential Information, as properly documented by the Receiving Party's files.

29.4 Notwithstanding anything to the contrary herein, Receiving Party is free to make (and this Agreement does not restrict) disclosure of any Confidential Information to the extent legally required under mandatory applicable law in a judicial, legislative or administrative investigation or proceeding or otherwise; provided, however, that, to the extent permitted by law, Receiving Party provides to Disclosing Party prior written notice of the intended disclosure and permits Disclosing Party to intervene therein to protect its interests in the Confidential Information. In addition and notwithstanding anything in this Agreement to the contrary, Receiving Party may make any public disclosure to the extent legally required under the mandatory requirements of The NASDAQ Stock Market, the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, or any other securities legislation (including any applicable stock exchange rules); provided however that, to the extent permitted by applicable law, Receiving Party provides to Disclosing Party prior written notice of the intended disclosure, reasonable time in advance so that the Parties are able to coordinate and cooperate for the purpose thereof.

29.5 **Return of Confidential Information**. Upon the termination or the expiration of this Agreement, each Party shall: (i) return to the other Party or destroy, as requested by the Disclosing Party, the original and all copies of any Confidential Information of the Disclosing Party and any summaries or analyses thereof or studies or notes thereon in the Receiving Party's possession or control; and (ii) at the Disclosing Party's request, have one of the officers of the Receiving Party certify in writing that: (x) it shall not make any further use of such Confidential Information of the Disclosing Party; (y) it shall comply with the terms of this Section 29.4 regarding prohibited use of Confidential Information of the Disclosing Party; and (z) it has fully complied with the provisions of this Section 29.

29.6 **Remedies**. The Parties recognize and acknowledge that Confidential Information may have competitive value and be of a confidential nature and that irreparable damage might result to the Disclosing Party if such Confidential Information were improperly disclosed by a Receiving Party to a third party. Each party agrees that monetary damages would be inadequate to compensate the other for breach of any provision of this Section 29, that any such breach or threatened breach will cause irreparable injury, and that, in addition to any other remedies available at law or in equity, the injured party will be entitled to injunctive relief against the threatened breach or the continuation of any such breach.

29.7 **Survival**. The obligations of confidentiality and limitations of use, disclosure, and access set forth herein shall survive the termination of this Agreement for a period of three (3) years from the date of such termination.

30. **Force Majeure**

Neither Party will be liable or be deemed to be in default of this Agreement for delay in performance or nonperformance of any of obligations hereunder, in whole or in part (other than a payment obligation), if such performance is rendered impracticable by the occurrence of any contingency or condition beyond the control of non-performing Party, including without limitation war, sabotage, embargo, riot or other civil commotion, failure or delay in transportation, act of any government or any court or administrative agency thereof (whether or not such action proves to be invalid), labor dispute or strike (whether or not involving the non-performing Party's employees), accident, acts of God, fire, explosion, flood, earthquake, or other casualty, shortage of labor, fuel, energy, raw materials, supply of components from any source, or machinery or technical failure. If a Party is not able to perform due to such force majeure within ninety (90) Days after such event, the other Party may terminate this Agreement.

31. **Governing Law; Disputes Resolutions**

31.1 The laws of the State of Israel will govern this Agreement, excluding any conflicts of laws principles, except to the extent there may be any conflict between the law of the State of Israel and the Incoterms of the International Chamber of Commerce, 2010 edition, in which case the Incoterms shall be controlling. The Parties hereby consent to the personal and exclusive jurisdiction and venue of the applicable courts of Tel Aviv.

31.2 Notwithstanding the foregoing, except with respect to enforcing claims for injunctive or equitable relief, any dispute, claim or controversy arising out of or relating in any way to this Agreement, any other aspect of the relationship between Flextronics and Kornit or their respective affiliates and subsidiaries, the interpretation, application, enforcement, breach, termination or validity thereof (including, without limitation, any claim of inducement of this Agreement by fraud and a determination of the scope or applicability of this agreement to arbitrate), or its subject matter (collectively, "**Disputes**") shall be determined by binding arbitration before one arbitrator. The arbitration shall be administered under the Israeli Arbitration Law in accordance with Substantive Israeli Law. The arbitrator shall be a retired District Court judge. The identity of the arbitrator shall be mutually agreed upon, and if the Parties are unable to agree upon an arbitrator, the arbitrator shall be determined by the President of the Israeli Bar at the request of any party hereto. The arbitration shall be held in Tel-Aviv, Israel, and it shall be conducted in the Hebrew language. The parties shall maintain the confidential nature of the arbitration proceeding and any award, including the hearing, except as may be necessary to prepare for or conduct the arbitration hearing on the merits, or except as may be necessary in connection with a court application for a preliminary remedy, a judicial challenge to an award or its enforcement, or unless otherwise required by law or judicial decision. Judgment on any award in arbitration may be entered in any court of competent jurisdiction. Notwithstanding the above, each party shall have recourse to any court of competent jurisdiction to enforce claims for injunctive and other equitable relief.

31.3 IN THE EVENT OF ANY DISPUTE BETWEEN THE PARTIES, WHETHER IT RESULTS IN PROCEEDINGS IN ANY COURT IN ANY JURISDICTION OR IN ARBITRATION, THE PARTIES HEREBY KNOWINGLY AND VOLUNTARILY, AND HAVING HAD AN OPPORTUNITY TO CONSULT WITH COUNSEL, WAIVE ALL RIGHTS TO TRIAL BY JURY, AND AGREE THAT ANY AND ALL MATTERS SHALL BE DECIDED BY A JUDGE OR ARBITRATOR WITHOUT A JURY TO THE FULLEST EXTENT PERMISSIBLE UNDER APPLICABLE LAW. To the extent applicable, in the event of any lawsuit between the parties arising out of or related to this Agreement, the parties agree to prepare and to timely file in the applicable court a mutual consent to waive any statutory or other requirements for a trial by jury.

32. **Subcontractors**

Except to the subcontractors listed on **Exhibit E** hereto or as otherwise expressly set forth in this Agreement, Flextronics shall not without the express prior written consent of Kornit engage any third party subcontractor or agent to perform any part of its obligations under this Agreement or for the manufacturing of the whole or part of any Product. To the extent that Flextronics is permitted by Kornit to subcontract Flextronics shall: (i) only subcontract to a subcontractor that first agrees in writing to be bound by confidentiality obligations that are at least as restrictive as those set forth herein with respect to Confidential Information; and (ii) remain liable and responsible for any act or omission of a subcontractor that would constitute a breach of this Agreement if said act or omission were performed by Flextronics.

33. **Assignability**

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors, assigns and legal representatives. Neither party shall have the right to assign or otherwise transfer its rights or obligations under this Agreement except with the prior written consent of the other Party, not to be unreasonably withheld. Notwithstanding the aforementioned, each Party may assign this Agreement to any of its Affiliates; provided that the respective assignee agrees to be bound by all terms and conditions of this Agreement and further provided that such assignee is not a direct competitor of the other Party. "**Affiliates**" shall mean, with respect to any Party, any corporation, partnership, joint venture or other legal entity that a Party to this Agreement controls, is controlled by, or is under common control with, where "control" means the ownership of more than fifty percent (50%) of the voting equity in such entity or otherwise the ability to direct the management of such entity.

34. **Notice**

All notices required or permitted under this Agreement shall be in writing and shall be deemed received (a) when delivered personally; (b) when sent by confirmed facsimile or email; (c) five (5) Days after having been sent by registered or certified mail, return receipt requested, postage prepaid; (d) when acknowledged as received via email; or (e) two (2) Days after deposit with a commercial overnight carrier. All communications shall be sent to the addresses set forth above or to such other address as may be designated by a Party by giving written notice to the other Party pursuant to this Section.

35. **No Waiver**

No waiver of any term or condition of this Agreement will be valid or binding on either Party unless the same will have been mutually assented to in writing by an officer of both Parties. The failure of either Party to enforce at any time any of the provisions of the Agreement, or the failure to require at any time performance by the other Party of any of the provisions of this Agreement, will in no way be construed to be a present or future waiver of such provisions, nor in any way affect the validity of either Party to enforce each and every such provision thereafter.

36. **Severability**

In the event that any provision of this Agreement is found to be entirely or partially invalid, illegal, or unenforceable, the validity, legality, and enforceability of any of the remaining provisions will not in any way be affected or impaired and a valid, legal, and enforceable provision of similar intent and economic impact will be substituted therefore.

37. **Entire Agreement**

This Agreement consists of the terms and conditions stated above, including the Exhibits, is the entire Agreement between the Parties. This Agreement supersedes all proposals, oral or written, all negotiations, conversations, or discussions between or among Parties relating to the subject matter of this Agreement and all past dealing or industry custom. Any term, condition or other provision in any Purchase Order, quotation, confirmation, document, or other oral or written communication that is in any way inconsistent or in conflict with or in addition to Agreement will be void and is hereby expressly rejected by Kornit, unless agreed upon in writing and signed for and on behalf of both Parties. In the event of any conflict between this Agreement and any other exhibit thereto, this Agreement shall control.

38. **Insurance**

38.1 Each Party agrees to maintain appropriate insurance policies to cover such Party's respective risks and liabilities in connection with this Agreement and for its duration. With regards to Products Liability insurance only Kornit shall continue to renew the certificate of insurance for a period of [* * *] following termination of this Agreement.

38.2 Upon request each Party shall furnish certificates of insurance attached as **Exhibit F** within thirty (30) Days from the date such a request has been provided and shall address the certificate of insurance to the party.

38.3 Kornit has the right to avoid from purchasing Burglary coverage as per Exhibit F however Kornit exempts Flextronics and/or its parent company and/or subsidiary and/or affiliated company and/or managers and/or employees from and against any loss or damage that would have been covered (in the absence of a deductible) should Kornit had purchased the burglary coverage to the full sum insured.

38.4 Flextronics shall use reasonable commercial efforts to extend the insurance coverage under its General Third Party and Product Liability Insurance to include also USA and Canada which are currently excluded.

38.5 For the avoidance of doubt it is hereby clarified that the absence of appropriate insurance coverage by either Party shall not derogate from such Party's liabilities under this Agreement.

39. **Use of Flextronics or Kornit Name is Prohibited**

Neither Party may use the other Party's name or identity or any other Confidential Information in any advertising, promotion or other public announcement (other than to the extent legally required under the mandatory requirements of The NASDAQ Stock Market, the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, or any other securities legislation (including any applicable stock exchange rules) without the prior express written consent of the other Party.

40. **Counterparts and Exchange of Signatures**

This Agreement may be executed in counterparts. The Parties agree that electronically transmitted and reproduced signatures (including faxed pages, scanned copies of signatures and email acknowledgements) constitute acceptable exchange of authentic consent to the terms and conditions of this Agreement.

41. **Set-off**

Amounts due in connection with this Agreement by either Party to the other Party may not be set off except with the other Party's prior written consent.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year, first above written.

Kornit Digital Ltd.:

Signed: /s/ Gabi Seligsohn

Print Name: Gabi Seligsohn

Title: CEO

/s/ Guy Avidan
Guy Avidan
CFO

Flextronics (Israel) Ltd.:

Signed: /s/ Ziv Sin-Malia
/s/ Uri Bechor

Print Name: Ziv Sin-Malia
Uri Bechor

Title: Finance Manager
VP, Operation

EXHIBIT A - PROGRAM TEAM LIST

Dept	Title	Name	Phone Number	E-Mail
[* * *]	[* * *]	[* * *]	[* * *]	[* * *]
[* * *]	[* * *]	[* * *]	[* * *]	[* * *]
[* * *]	[* * *]	[* * *]	[* * *]	[* * *]
[* * *]	[* * *]	[* * *]	[* * *]	[* * *]

EXHIBIT B - CONSIGNED TOOLING AND EQUIPMENT

[* * *]

Kornit Digital	**SUPPLIER QUALITY REQUIREMENTS DOCUMENT**		
Page l of 19	**Revision: A**1	**Date: 02/04/15**	**Author: Shimon.H**

KORNIT Engineering Specification

KORNIT'S SUPPLIER QUALITY REQUIREMENTS DOCUMENT **(SQRD)**

Rev	Description	Sheet	Author	Approved	ECO	Date
A	**Released**		**Shimon H.**			**12/09/14**
A1	**Updated (Flextronics)**		**Shimon H.**			**02/04/15**

1 Definitions

Agreement – shall mean that certain Manufacturing Services Agreement between Supplier and KORNIT dated _____, 2015.

Bill of Materials or BOM - as such term is defined in the Agreement.

KORNIT – shall mean Kornit Digital Ltd.

KORNIT Sourced Material - shall mean parts, materials or services that are listed on a BOM that has KORNIT as the source of such materials.

Customer - shall mean KORNIT's end customer for the Product.

Defective Product or Non-Conformance Material - shall mean any Product that fails to comply with the Specifications as set forth in Supplier's limited warranty under the Agreement.

Document - shall mean this Supplier Quality Requirements Document and any items that are incorporated by reference into this document.

Engineering Change Order - as such term is defined in the Agreement

Key Contact List - shall mean Supplier's contacts for business, quality and technical issues, their name, address, e-mail address, phone number and emergency phone number(s).

Materials - shall mean Components (as such term is defined in the Agreement).

Material Suppliers – shall mean suppliers or vendors of Materials**.**

Product - as such term is defined in the Agreement.

Product Quality Addendum- shall mean an optional document, provided to Supplier from KORNIT and agreed in writing by Supplier, that sets forth specific quality requirements for a Product including technical, and/or quality goals, and any exceptions to this Document.

Supplier Quality Document - shall mean an optional document, provided by Supplier to KORNIT and agreed in writing by Supplier that documents Supplier's commitments and methods to meet all quality requirements of this Document and the Product Quality Addendum; KORNIT Approved Waivers / Specification exceptions and the Supplier's Quality and Reliability Commitments.

Specification - shall mean the document or set of documents that are mutually agreed by the parties that describe the product to be produced and all associated requirements for that Product.

Subcontractor - shall mean suppliers that perform manufacturing related services for the Supplier as part of Supplier's production of the Product.

Supplier - shall mean Flextronics (Israel) Ltd.

Acronyms used in this agreement are described in Section 17 of this Document.

2 General

- **Order of Precedence:**
  In the event of any conflict or inconsistency between this Document and the Agreement, the terms in the Agreement shall prevail. For any documents that are incorporated by reference into this Document, in the event of an inconsistency, this Document shall have priority. If this Document contemplates future writings between the parties to establish the specifics of a quality program for a Product or set of products, that later writing shall have precedence over this Document (but not over the Agreement). If any Definitions set forth in Section 1 above are also defined in the Agreement the definition(s) contained in the Agreement shall have priority.

- **Exceptions:**
  Any agreed exceptions to this Document will be set forth in the Product Quality Addendum, Supplier Quality Document or equivalent.

- **Confidentiality:**
  All information requested hereunder and all access to Supplier's or any Subcontractor's or Material Supplier's facilities, plans and processes shall be deemed to be Confidential Information (as such term is defined in the Agreement) of the respective disclosing party, unless agreed otherwise in writing between the parties.

- **Waiver:**
  Any waiver contemplated by this document shall require the respective party's approval.

- **Warranty:**
  Supplier's warranty for the Products shall be only as set forth in the Agreement. Notwithstanding anything to the contrary under this Document, such warranty shall not apply to any Materials or services provided by any Subcontractor or Materials Supplier.

3 Introduction

3.1 ***Overview of Quality Program***

This Document outlines the minimum quality and process requirements for supplying Products to KORNIT. These Products shall be manufactured to meet the mutually agreed Specification. Supplier shall have a quality program that exercises control over its manufacturing process and reasonable commercial control over its Subcontractors and Material Suppliers to comply with the requirements of this Document and the Agreement.

Quality will be measured on a continuous basis and will be reported to KORNIT in accordance with a schedule and in a format that is mutually agreed upon. Business and process controls will be required to prevent incidences of Defective Product from reaching KORNIT or its Customers. All quality related problems will require analysis, cause determination and corrective action as defined herein. Supplier's process controls must be demonstrated. Supplier shall drive continuous improvement to reduce defects over time in accordance with annual goals that will be mutually agreed upon.

3.2 ***Supplier Quality Policy***

The Supplier shall have a quality policy and documented quality program in support of its design and manufacturing operations which meets the minimum requirements of this Document.

3.3 ***Supplier Organization***

As part of the documented quality program, Supplier shall provide a Key Contact List. Supplier shall promptly notify KORNIT of any changes to the Key Contact List.

3.4 ***Business Continuity***

The parties may agree on a business continuity plan which would allow for the safeguarding, storage and recovery of engineering drawings, electronic media, and production tooling in the event of damage or loss. This plan should also contain contingency plans to satisfy KORNIT requirements in the event of significant utility interruptions, labor shortages, equipment failure and field returns.

4 Manufacturing Qualification and Process Control

Supplier's documented quality program shall include Product or process qualification plans for each Product.

4.1 ***Manufacturing Process Qualification***

Unless a waiver is issued, all Product shipments must be produced using the approved Product or process qualification plan.

KORNIT reserves the right to qualify the Supplier's process. For processes qualified by KORNIT, Supplier shall not make any changes without KORNIT's prior written approval, which shall not be unreasonably withheld. The Supplier shall have a defined methodology for integrating new processes and process changes into Supplier's operations. This methodology shall include as a minimum the following:

1. The number and duration of consecutive successful trials required prior to declaring the process qualified
2. The potential effect of the new process or alteration on other required manufacturing operations (including those subcontracted)
3. The expected timetable for updating quality plans, flow charts, maintenance files, operator training plans, etc.
4. Ensuring related tooling is qualified as part of the process
5. The timing of the qualification process

Prior to a Product being purchased by KORNIT and as part of a Specification or other requirements document, KORNIT may provide additional qualification requirements for that Product's qualification. Upon Supplier's written agreement with those additional requirements, those additional requirements must be demonstrated.

4.1.1 Manufacturing Process Qualification Approval

Products produced for KORNIT or its customers must have a documented qualification plan. That plan must be mutually agreed by KORNIT and Supplier prior to qualification testing. Test results shall be provided to both parties promptly and in a format mutually agreed upon. In case of special test requirements, extra charge may be applied.

4.2 ***Manufacturing Process Documentation***

The manufacturing process from receipt of purchased/consigned Materials to shipment of Product shall be documented and be made available to KORNIT upon request.

This shall include, but not be limited to the following:

1. Receipt and inspection of incoming Materials
2. Fabrication and/or assembly operations
3. Process work instructions
4. In-process inspections and tests
5. Final inspections and tests
6. Packaging, handling, storage, and shipment of product
7. In-line fall-out/rework
8. Failure analysis and closed loop corrective action
9. Stop Ship / Stop Build Process

4.3 ***Manufacturing Process Measurements***

Supplier shall establish manufacturing process measurements. Measurement collection and reporting methodology shall be documented. Critical process parameters will be mutually agreed by KORNIT and Supplier. For any purchases using Supplier's published specifications, the agreed upon parameters shall constitute part of the Specification even if they are not included in Supplier's published specification. The method used to detect, flag and contain product exhibiting defects or characteristics that may cause higher than normal failure rate than mutually agreed upon, shall be included in the process metric definitions.

4.4 ***Manufacturing Test Plan***

The Supplier shall develop a Product test/conformance plan to measure conformance with the mutually agreed Specifications. Requirements for on-going Product test in accordance with the test plan will be mutually agreed by the parties. In case Kornit shall request Supplier to prepare the test plan, such service shall be priced separately.

4.5 ***First Article inspection - FAi***

As a minimum, a First Article Inspection (FAI) is required to initially qualify a part/process for KORNIT's approval, unless the PPAP process (below) is used instead. Furthermore, a new FAI may be requested if there is an extended gap of time since last production. The FAI requires that all features and characteristics on the design specification and control plan be inspected and verified prior to production. Actual measured values shall be recorded as opposed to general statements of conformance or other notations simply indicating acceptance.

In addition to an FAI, Suppliers shall, as a minimum, develop a control plan by identifying special product and process characteristics that are key to achieving quality. The Supplier shall also include those special characteristics mutually agreed between KORNIT and Supplier in the drawing, specification, or contract. Any request by KORNIT for additional characteristics shall be at KORNIT's expense.

4.5.1 General Requirements

Elements of an acceptable process for a First Article include:

- Measurement, to the agreed upon specifications
- Identification and inspection of Materials from receipt through processing, final inspection, and shipment
- Thorough and complete final inspection of the " a First Article " with recording of the actual numerical measurements
- Retention of written " a First Article Inspection" reports, test samples or coupons, certifications, and all other inspection records

The acceptance tests shall be conducted in accordance with Supplier's acceptance process and the requirements set forth in the FAI. Supplier may charge KORNIT with additional fee for any requirement not included in the FAI.

KORNIT reserves the right to conduct, and / or review results of Supplier's First Article Inspection on the first quantity of Product built following an approved change. Supplier shall perform failure analysis and take corrective action in accordance with the Agreement for all defects in workmanship found during the first "a First Article" build.

4.6 ***Sub-Tier Procurement Requirements***

Supplier shall manage its Material Suppliers and Sub-contractors (where not specified by KORNIT), by methods that include, but are not limited to the following and in consideration for the agreed upon fees:

- Managing supplier selection
- Managing qualification, and quality management.
- Performing ongoing assessments of supplier capabilities.
- Driving sub-tier supplier continuous process improvement.
- Environmental compliance (See Section 11.2.1)

To the extent Supplier actually receives from a vendor of Materials or services the benefit arising from said vendor's warranty obligations related to its Materials or services and to the extent such benefit is transferrable, Supplier shall transfer such benefit to KORNIT (without any actual liability for such vendor's warranty obligations).

The Supplier shall not procure any Materials or services from sources other than those sources agreed upon during the part/product qualification, unless approved in writing by KORNIT. Unless specifically agreed otherwise in the approval, KORNIT reserves the right to limit or rescind any alternative source approval at any time and Supplier shall promptly adjust future sourcing to the approved source and take commercially reasonable efforts to stop receipt of additional Materials from other sources. If KORNIT agrees, Supplier may use the approved alternative source material until it exhausts any inventory or non-cancelable orders placed with the alternative source. If KORNIT does not agree to continued use such Material shall be considered an Obsolete Inventory (as such term is defined in the Agreement) for all purposes set forth in the Agreement.

4.6.1 Sub-Contractor and Material Supplier Selection

For all Subcontractors and Material Suppliers that are not specified by KORNIT for use in production of the Product, the Supplier shall establish a sub-tier supplier quality management program which includes all elements of this Document. Suppliers' selection process shall include, but is not limited to the following: financial performance, competitiveness, technology offerings, capabilities assessment and SCSR performance. Sub-tier survey results and sub-tier management process assessments should consider the following aspects of sub-tier supplier capabilities: engineering support, supplier selection, AVL control, qualification, supplier audits, supplier quality management system, supplier performance monitoring, quality issue management and SCSR risk management. Supplier shall take reasonable steps to prevent the use of high risk suppliers in the production of Products for KORNIT. A high risk supplier is one that requires material waivers or that has financial performance below a level that is recommended by KORNIT.

4.6.2 Subcontractor and Material Supplier Monitoring

The Supplier will provide evaluation, qualification and on-going assessments of Subcontractor and Material Supplier capabilities, in accordance with procedures and processes customary at Supplier, in order to minimize risk to KORNIT. The type and frequency of quality control indicators received (quality performance, root cause/corrective actions, problem tracking, etc.) will be documented. Subcontractor and Material Supplier management will be included as a critical process to review in Supplier self-audits. Subcontractor and Material Supplier management process documentation will include, as a minimum:

- Quality plan/requirements
- Audit criteria (template)
- Audit schedule and reports

It is hereby clarified that such evaluation, qualification and on-going assessments by Supplier shall not derogate from the respective Subcontractor and Materials Supplier's warranty for the Materials or services performed by it and Supplier shall not be liable, in any event, for any faulty performance or non-performance by any Subcontractor or Materials Supplier.

4.7 ***Supplier Quality Control***

Supplier shall establish and maintain a quality control process. Specific requirements of that process and agreed quality levels and goals shall be established and will be mutually agreed periodically (usually annually). If KORNIT and Supplier fail to reach agreement prior to the commencement of a new period, the quality levels and goals previously in effect will continue to apply until such time as mutual agreement on new levels and goals is reached.

4.8 ***Product identification and Lot Traceability***

The Supplier shall establish and maintain procedures and processes for the identification and lot traceability of agreed upon critical items during all stages of production, as well as for delivery to KORNIT or its Customers. Identification must be traceable through to the finished Product by serial numbers or equivalent methods. Both forward and backward traceability shall be available. If required, KORNIT will provide information to Supplier on what identification items are required on the Product label. The lot traceability shall be provided in accordance with the information available at Supplier's systems. Any request for special lot traceability shall be at KORNIT's expense.

4.9 ***Defective Products***

The Supplier shall establish procedures for the control, identification, segregation, review, evaluation, and disposition of Defective Products. This includes both Products returned from the field, as well as within the Supplier's process. Supplier shall allocate separate holding areas for Defective Products, to prevent use in the manufacture of the Product or return to KORNIT. This procedure will include the following items:

1. Reporting method to management and/or subcontractors
2. Failure Analysis (FA) team, procedures, turn-around time, and facilities
3. Corrective Action implementation
4. Customer feedback loop/customer involvement

4.9.1 Root Cause Analysis and Corrective Action

Supplier's responsibilities for Defective Products will be defined in the Agreement. Supplier shall assure containment of Defective Products to avoid escape to KORNIT or its Customers. Supplier shall allocate separate holding areas for Defective Products, to prevent use in the manufacture of Product. Supplier shall notify KORNIT in writing, or present to KORNIT within a prompt but reasonable time frame not to exceed [* * *], the root cause analysis and corrective action in the process and quality systems to prevent recurrence.

At a minimum, the following items shall be addressed:

1. Defining the root cause of the defect or non-conformance
2. Providing an explanation of how the defective part(s) escaped the supplier's process
3. Providing target dates for the implementation of corrective actions
4. Providing a detailed analysis of the controls implemented to prevent reoccurrence of the defect
5. Supplier must show corrective action will be implemented across all similar processes making similar parts

In case any defect has been found in the Product, KORNIT may require the Supplier to perform 100% inspection of the Product at the Supplier's location (prior to shipment) or at KORNIT's location, and at the Supplier's expense, until a root cause analysis and corrective action report is mutually agreed upon. KORNIT shall not unreasonably delay or withhold approval of such report. KORNIT shall bear all of the risk, and all costs and expenses, associated with Products that have been inspected by Supplier for which no defect that is covered under Supplier's warranty (as set forth in the Agreement) has been found.

5 Process / Product / Engineering Change Controls

5.1 ***Control of Parts***

Supplier shall maintain documentation to identify all "work in process" (WIP) including the referenced Specification for each WIP item. Supplier shall have controls in place to control the possibility of down-level and/or returned parts being mixed with good stock. Unless otherwise agreed to by the parties, the FIFO (First-In, First-Out) inventory control methodology shall be used.

5.2 ***Document Control***

All documents required for the production or testing of the Product such as software/firmware, engineering drawings, specifications, contracts, policies, procedures, manufacturing process flow chart, and work instructions (including test procedures) shall be under revision control and shall be made available to all necessary personnel in the manufacturing environment. Supplier shall have a system for the effective updating/removal of any obsolete documentation from all manufacturing areas and its storage in accordance with a reasonable records retention program.

5.3 ***Supplier Change Notification to KORNIT***

Unless specifically agreed to the contrary, Supplier shall notify and obtain written approval from KORNIT using the ECR (Request for Engineering Change) process, or other mutually agreed to method, prior to any changes to the Product. These changes include:

- Site location change
- Tooling change/addition/removal (encompasses tooling design or method change), including changes to fixtures, gages and test equipment.
- Process flow change (such as alternating a sequence of operations, adding or deleting an operation or inspection), including any chemical, mechanical or process changes which could affect the performance, reliability, safety, serviceability, appearance, dimension, tolerances.
- Design change driven (portions controlled by the supplier)
- Packaging change
- Test/inspection change
- Code / Firmware Change
- Component AVL/BOM/COL change, material source change
- Process (assembly or repair) chemical change

Other requirements for written approval of changes may be set forth in the mutually agreed Specifications or Product supplements to this document. KORNIT reserves the right to reject any change that requires KORNIT's approval.

For all changes that do not require advance KORNIT approval of the change, Supplier shall use reasonable efforts to promptly notify KORNIT of such change(s).

5.3.1 Re-qualification:

Following KORNIT's initial qualification of the Product, any changes to the Product that require KORNIT's approval may require re-qualification of the Product. Re-qualification may be also performed by Supplier.

5.4 ***Supplier Engineering Change (ECO) Process Control Requirements***

Supplier's Engineering Change process must be documented. ECO definition shall include (but not be limited to) any chemical, mechanical or process changes to the product, proposed by KORNIT or Supplier, which would affect the performance, reliability, safety, serviceability, appearance, dimension, tolerances, or composition of BOM or material sources. Supplier is required to build product to the specifications and Bill of Materials (BOMs) released in the ECO document. Any deviation from that BOM requires a documented approval from KORNIT.

5.5 ***Supplier Process Control Requirements***

The Supplier shall have process controls in place to prevent unintentional or accidental process changes from being made.

5.6 ***Engineering and Process Documentation Requirements***

The engineering and process documentation must have a PDM (Product Data Management) type system of engineering change control. The PDM system shall include a BOM for all products / parts, and the Supplier will maintain access for KORNIT to the latest revision of the BOM, regardless of who controls the master document and its content. All parts referenced in the BOM that are managed by Supplier will be identified and will have an engineering drawing, specification or equivalent. All parts referenced in the BOM that are managed by other companies, such as KORNIT specified parts or commercially available items, will also have an engineering drawing, specification or equivalent available through the PDM system.

5.6.1 Tooling Documentation Requirements

All process and tooling documentation (including fixtures and gauges) shall be maintained and referenced to the revision level of their associated parts and assemblies in the BOM.

6 Acceptance of Final Product by KORNIT

6.1.1 Part to Print

All Supplier shipments to KORNIT or its customers shall be on a part-to-print, defect-free basis (in accordance with Supplier's warranty set forth in the Agreement) irrespective of any sampling plans by the Supplier to verify product quality prior to shipment. With the exception of any parts purchased from KORNIT, Supplier shall be responsible for managing quality of the Products in accordance with the provisions of this Document.

6.1.2 Defective Products

Supplier’s responsibilities for Defective Products, and KORNIT’s remedies for Defective Products shall be only as specified in the Agreement.

6.2 On-Site Support

Where defect levels exceed the agreed quality rates, and upon KORNIT’s request, the Supplier shall provide on-site support to perform sorting, failure analysis, and corrective action reporting. This on-site support shall be continuous until the defect level of the Products is determined to be within the committed quality rates for a sustained period as determined by KORNIT. KORNIT shall bear all of the risk, and all costs and expenses, associated with Products for which no defect that is covered under Supplier's warranty (as set forth in the Agreement) has been found.

Where mutually agreed to by KORNIT and Supplier, continuous On-Site Support will be provided by the Supplier at the KORNIT’s or its customers' location(s) to perform sorting, failure analysis, and corrective action reporting. Specific requirements will be mutually agreed to in writing.

6.3 Exception Shipment Approval Process

The Supplier shall not ship any Product that is known to be non-conforming without written approval. In certain cases, KORNIT may approve shipment of suspected non-conforming product if an adequate evaluation plan is approved by KORNIT.

7 Stop Ship / Stop Build Procedures

7.1 ***Quality Problem Notification to KORNIT***

The Supplier shall notify KORNIT of any quality, reliability or safety problems found by Supplier which may affect the Products. KORNIT reserves the right to stop ships or stop build at the Supplier's manufacturing site(s) due to any issues that affect KORNIT production yields or customer quality.

7.2 ***Problem Communication***

A formal process must be established to notify KORNIT of problems.

7.3 ***Problem Resolution***

Stop ships and stop builds shall be treated with maximum urgency, and will not be lifted until root cause is understood and corrective actions are in place. As such, Supplier shall provide immediate technical support in order to find the root cause and provide containment actions. The working notes involved in resolution of problems shall be recorded in the SPL (or other mutually agreed to methodology), along with root cause explanations, corrective actions and material disposition. KORNIT shall bear all of the risk, and all costs and expenses, associated with Products for which no defect that is covered under Supplier's warranty (as set forth in the Agreement) has been found.

7.4 ***Product Disposition***

Supplier shall ensure that no quality compromise will be made when suspected Defective Product is being dispositioned. There shall be no shipment of suspect Products to KORNIT or its customers without KORNIT's approval.

8 Quality Goals, Continuous Improvement and Reporting

8.1 *Quality Goals / Commitments*

The ultimate goal is defect free product from a controlled process. The quality and reliability performance requirements will be documented in a Product Quality Addendum or other methods as determined by KORNIT. Included, as examples, will be expected Shipped Product Quality Level (SPQL) and reliability requirements.

8.2 *Continuous Improvement*

The Supplier shall have a continuous improvement plan to both achieve agreed to quality goals/commitments. KORNIT strives for [* * *] quality improvement in our products year over year. In order to support our product goals, KORNIT suggested best practice for suppliers is a minimum [* * *]% improvement in quality performance year over year unless otherwise stated in the SQD/PQA. For each improvement activity, the following information must be documented: Description of the activity

- The objective of the activity
- Progress checkpoint dates and the target date for completion of the activity
- Projected quality levels at checkpoints and upon completion of activity

Detailed information (i.e. root cause analysis, implementation phase-in dates, effectiveness assessment methodology, etc.) supporting individual actions for continuous improvement shall be included.

8.2.1 Quality Techniques

The Supplier shall use continuous improvement techniques to establish, maintain and improve quality. These techniques will be used in all stages of product life (i.e., design, qualification, ongoing production, and end of life production). The list of techniques will vary depending upon the stage of product life and quality performance.

Some examples of techniques include but are not limited to the following. KORNIT and Supplier will mutually agree upon the techniques needed for a specific application, as required.

1. Fault Tree Analysis
2. Failure Modes and Effects Analysis (FMEA)
3. Capability Analysis

8.3 *Quality Reporting*

8.3.1 Periodic Summary Reporting

KORNIT may require regular quality reporting, usually monthly. The Product Quality Addendum shall include specific reporting requirements and intervals.

8.3.2 Quality Metric Listing

The Supplier will maintain a summary table of all key measurements, definitions, frequency of reporting, goals, and continuous improvement targets.

9 Audits

9.1 *Audits and Inspection by KORNIT*

KORNIT shall have the right, subject to any agreed confidentiality obligations, to audit a Supplier's design, support, or manufacturing site that produces Product for KORNIT. KORNIT can also inspect the Product at any stage during development or production. KORNIT will provide reasonable notification to the Supplier of its intent to audit or to inspect product. Supplier documents relevant to the Product quality will be provided to KORNIT for review upon KORNIT's request.

KORNIT's inspection of Product does not relieve the Supplier's warranty for the Products, as set forth in the Agreement KORNIT reserves the right to reject any Product that is found to be Defective Products subsequent to inspection at source by KORNIT.

9.2 *Subcontractor Audit*

This right to audit and inspect extends to Subcontractors or Material Suppliers, solely to the extent such audit and inspect has been approved in advance and in writing by the respective Subcontractor or Material Supplier, and shall be subject to any limitations in the agreements between the Supplier and its Subcontractors or Material Supplier.

9.3 *Supplier Self Audits*

The Supplier shall document and maintain a program of internal auditing to ensure continuing control and compliance to the procedures utilized to meet the requirements of this Document. Reasonable information regarding the results and corrective actions of self-audits shall be made available to KORNIT upon request.

10 Quality Records

Supplier shall establish and maintain procedures for identification, collection, indexing, filing, storage, maintenance, and disposition of all quality records. As examples, these records may include raw data or control charts, for critical/identified process parameters, and records of all inspection and test activity to provide objective evidence that products have passed acceptance criteria. Records shall be maintained for time periods as agreed to between the Supplier and KORNIT.

A listing of all quality records, with the retention period defined, must be maintained. Product Quality Addendums may contain additional requirements regarding the management of quality records.

11 Standard Compliance Requirements

11.1 *ISO 9000*

Supplier shall be, and shall remain ISO 9001 compliant. Compliance can be either external accreditation or self-declaration.

For external accreditation, a copy of the Supplier's current registration is required. For self-declaration and upon KORNIT's written request, Supplier shall provide KORNIT with a letter of assurance from Supplier's CEO/COO or other officer of Supplier that self-declaration was done with due diligence based upon a previously executed internal audit report, and has had executive management review and approval.

11.2 *KORNIT Standards Requirements*

When referenced as a requirement in the Agreement, or Specification; specific agreed upon KORNIT standards requirements shall be met. These may include, but not be limited to Safety Standards, Country of Origin (COO), Shipping, Packaging, Labeling and Environmental Standard requirements.

11.2.1 *Environmental Requirements*

Supplier represents that: (i) its manufacturing processes and methods meets EU Directive 2011/65/EU about the Restriction of Use of Hazardous Substances ("**RoHS Directive**"); (ii) all Materials are manufactured by manufacturers which have been identified by KORNIT in the BOM / AVL as RoHS Directive approved manufacturers for such Materials, provided that Supplier received the corresponding RoHS Directive certificate from such manufacturers and based upon such RoHS Directive certificate. Except as stated herein, Supplier gives no representations or warranties with respect to environmental requirements.

11.2.2 *Shipping to KORNIT and Authorized Third Parties*

The Supplier shall ship and package all Products per the mutually agreed Specifications and the provisions of the Agreement.

12 Equipment Control

12.1 *Calibration Requirements*

The process for calibrating manufacturing and inspection equipment such as CNC (Computerized Numerical Control) machines, spot welders, ovens, wave solder, verniers, torque tools hardness testers, dielectric strength, DVM's (Digital Voltmeter), ICT (In-Circuit Test), FCT (Functional Card/Component Test) and vibration test equipment, etc. shall be defined and documented by the Supplier. As part of the calibration requirements, Supplier shall maintain records of the equipment calibrated, equipment labeling, calibration processes used, and the frequency of calibration.

12.2 *Supplier's Equipment Maintenance*

Supplier shall document the process used for Supplier's equipment maintenance, including preventive maintenance records, scheduling, identification, and storage and shall perform maintenance in accordance with such plans. KORNIT shall be responsible to maintain its equipment and tooling in accordance with the provisions of the Agreement.

12.3 *New Equipment Capability*

A process for integrating new equipment (other than standard production equipment that is not Product-specific) and technology into the Supplier's operations shall be documented. Where appropriate, and when Supplier is requesting permission from KORNIT to use new equipment or technology in the production of the Product, such request shall include:

- The number and duration of consecutive successful trials required prior to declaring the equipment qualified
- The potential effect of the new equipment or technology on other required manufacturing operations, including those sub-contracted
- How manufacturing operations (including subcontracted manufacturing operations) will be evaluated
- The expected timetable for updating all required quality plans, machine maintenance files, operator training plans, calibration schedules, etc.

Additional requirements for use of new equipment or technology in the production of the Product may be included in the Product Quality Addendum.

12.4 *ESD*

The Supplier shall have ESD controls, materials and procedures in place that are reasonable for the Product(s) being produced against damage due to electrostatic discharge. All personnel that have direct contact with the Product or any portion thereof must be trained in ESD handling techniques and where appropriate, must wear wrist straps and clothing made specifically for avoiding a build-up of electrostatic charge. ANSI/ESD S20.20-2007, while not required to be used, describes the elements of an effective ESD program.

13 Training and Workmanship

Supplier shall provide initial and periodic training to manufacturing, test, and quality assurance personnel of Supplier to ensure a skilled and effective workforce.

13.1 ***General Requirements***

General training, such as computer fundamentals, component identification, component/commodity handling techniques, and electrostatic discharge (ESD) control shall be provided to all manufacturing and test personnel of Supplier. Training that is specific to the Product, or is required of the personnel building that Product, and any related training documents, shall be documented and shall be provided to all personnel manufacturing the Product for KORNIT. Safety training specific to job requirement shall be provided. Periodic refresher training shall be provided.

13.2 ***Training Certification***

The Supplier shall maintain certification and de-certification procedures for all production workers. Only those production workers that are certified to the proper level are to be allowed to participate in the manufacturing and test procedures. All production workers are to be re-certified periodically in accordance with the Supplier's documented training program. The Supplier shall maintain a training requirement matrix that outlines the type of training required for certification at each key position within the design and manufacturing process and the status of all workers in achieving such certification including the date of the last certification.

13.3 ***Workmanship***

Supplier shall work according to its workmanship standards The Specification or the Product Quality Addendum may require additional or more stringent standards, as shall be agreed upon between the parties.

14 IT Toolsets

Where required as part of the Specification or Product Quality Addendum, the following toolsets are used to communicate product, process, and quality data to KORNIT.

1. **SQMS2** The SQMS2 (Supplier Quality Management System) enables collection of product quality information from Suppliers and the KORNIT or Authorized Third Party manufacturing lines, providing two-way communication on quality performance. Suppliers can access the data to track how their components or parts are performing in KORNIT's products and get feedback to help them improve quality.

2. **PCN** (Process Change Notification) is an end-to-end system that records incoming change requests from a supplier, alerts consuming brands, and returns requirements data to the supplier. This greatly reduces miscommunication, contributes to higher quality by providing control over part changes, and improves engineering change turnaround.

3. **QIN** (Quality Information Network) is a database of information used to monitor supplier performance. When either a new or existing supplier is being evaluated, the tool can provide the auditor information on previous or scheduled audits before a visit to the supplier site is planned. If the audit trip is deemed justified, it can be scheduled and the findings documented in QIN. Other engineers in any division worldwide can then access the information, saving both supplier and KORNIT time and money that might otherwise be expended in multiple visits and evaluations of a single supplier.

4. **SPL** (Supplier Problem Log) tracks quality issues by supplier. This management tool provides a comprehensive and structured approach to problem tracking from reporting through resolution. The tool also is a central information repository for commodity quality issues throughout the enterprise.

15 KORNIT's Qualification of Products

KORNIT's qualification of Products for use in KORNIT's Products shall in no way relieve the Supplier of warranty responsibility for any Products that is Defective, as set forth in the Agreement. Any KORNIT test of the Product will not test all fail modes.

16 Related Documents

16.1 *Product Quality Addendum (PQA)*

The "Product Quality Addendum" is an optional document, provided by KORNIT to the Supplier and agreed in writing by the Supplier that sets forth specific quality requirements for a Product including technical, and / or quality goals for the Product and any exceptions to this SQRD Document.

16.2 *Supplier Quality Document (SQD)*

The "Supplier Quality Document" is an optional document, provided by the Supplier to the KORNIT and agreed in writing by the Supplier that documents any or all of the following, as applicable:

- Supplier's commitments and methods to meet all quality requirements of the SQRD Documents and the PQA.
- KORNIT Approved Waivers / Specification exceptions.

17 Acronyms

ANSI American National Standards Institute (added)
AVL Approved Vendor List
BOM Bill of Material
CDA Confidential Disclosure Agreement
CNC Computerized Numerical Control
CPL Components Placement List
COL Change of Location
CSA Canadian Standards Association
DVM Digital Voltmeter
ECAT Electronic Card Assembly and Test
ECO Engineering Change Order
ESD Electro Static Discharge
E2E End to End
FA Failure Analysis
FCT Functional Card/Component Test
FIFO First-In, First-Out Inventory Control
ICT In-Circuit Test
ISO International Organization for Standardization
MAC Media Access Control (Address)
MPQA Master Product Quality Agreement
PCN Process Change Notice
PDM Product Data Management (System)
PQA Product Quality Addendum
QIN Quality Information Network
REA Request for Engineering Action
SCSR Supply Chain Social Responsibility
SPL Supplier Problem Log
SPQL Shipped Product Quality Level (aka IQL)
SQD Supplier Quality Document
S**QMS2** Supplier Quality Management System 2
TQA Technology Qualification Application

EXHIBIT D – PRODUCT SPECIFICATIONS

[* * *]

EXHIBIT E – AUTHORIZED SUBCONTRACTORS

AUTHORIZED SUBCONTRACTORS

[* * *]

[two pages follow]

EXHIBIT F – CERTIFICATE OF INSURANCE

Insurance By Kornit Digital Ltd.

Insurance Certificate

Date: _____

To
Flextronics (Israel) Ltd., having its place of business at 2 Hamatechet St., Ramat Gavriel Industrial Park Migdal Ha-Emek 23108 Israel P.O.B. 867 Israel ("Flextronics")

1. Insurance Certificate In Connection With the Manufacturing Service Agreement (hereinafter, "The Agreement") Executed Between Kornit Digital Ltd. (hereinafter, "Kornit") And Flextronics (Israel) Ltd. (hereinafter, "Flextronics")

We hereby confirm that as of _____ and until _____ (both days inclusive), we have issued in favor of Kornit, the following insurance policies with respect to Kornit's activity in connection with the contract.

Employer's Liability Insurance:
Covering Kornits' legal liability pursuant to the Torts Ordinance (New Version) and the Liability for Defective Products Law towards any employee with a limit of liability of US$[* * *] for any one occurrence and in the aggregate for the period of insurance.

This policy does not exclude liability towards contractors, sub-contractors or their employees in case kornit will be considered as their employer to the extent no other employer's liability insurance policy has been issued by Kornit and/or on behalf of Kornit .

The insured's name in the above policy is extended to include Flextronics in the event that it is determined that kornit is liable as an employer of any such person.

General Third Party and Product Liability Insurance:

General Third Party Liability Insurance Policy:
Covering Kornits' legal liability towards any third party in respect of any property damage and/or bodily injury caused during the period of the insurance for a limit of liability of US[* * *] any one occurrence and in the aggregate for the period of insurance. The insurance is extended to indemnify Flextronics for its legal liability due to a property loss or bodily injury committed by Kornit, subject to a cross-liability clause.

Product Liability Insurance Policy:
Product liability insurance including completed operations coverage with a limit of liability of no less than US$[* * *] per event and in aggregate for the annual insurance term, covering Kornits' legal liability in respect of products; which shall be supplied or installed or otherwise treated or repaired by Kornit or on its behalf (the "Product") pursuant to the Agreement but not before 1.1.2003.

The policy is extended to indemnify Flextronics and all those acting on its behalf, for their liability for personal injury or damage to property which is caused due to the Product, subject to a cross-liability clause, pursuant to which the policy is considered to have been procured separately for each of the insured entities, as if it was issued solely in such name. The policy shall apply retroactively as of the date at which Kornit supplied the Product, even if supplied prior to the execution of the Agreement but not before 1.1.2003.

The policy includes an extended reporting period clause of at least 6 months, pursuant to which, in the event that the insurer does not renew the said policy, the policy shall cover damage which originated during the insurance period, with respect to which notification was sent to us during the notification period.

The policy subject to: territorial limits and jurisdiction worldwide

Property & BI Insurance Policy:
The Policy provides "Extended Fire" insurance covering the materials, products, equipment, inventory, stocks or any other property of all shapes and kind owned or under the responsibility of the Customer up to their full value (burglary is limited for any one occurrence and for the period to the amount of ……. ……(*) This amount is on a first loss basis which is not subject to underinsurance) while being at the custody or control of Flextronics or any one on behalf of Flextronics including but not limited whilst in storage (including at Flextronics premises), against including but not limited any loss or damage caused by "Extended Fire" perils.

(*) The sum insured in respect of Burglary shall be completed in the signed certificate of insurance and shall reflect the actual sum as per Kornit's insurance policy

The policy includes consequential loss insurance in respect of an indemnity period of ……..(*) months due to a loss or damage covered under the insurance detailed above. The policy shall be extended to include cover in respect of any consequential loss occurring due to an event occurring to Kornit's property and/or to property relating to any one on behalf of Kornit or in Kornit's possession, liability, ownership or other interest.

(*) Indemnity period to be stated in the certificate of insurance as per Kornit's policies.

This Policy will include a provision whereby insurer waives right of subrogation against Flextronics and/or any one on behalf of Flextronics and/or towards any one which Flextronics committed to waive it's right of subrogation and/or Flextronics customers for any loss or damage. The waiver of subrogation shall not apply towards a party that caused the damage intentionally or by willful misconduct.

General
The following provisions apply to the above policies:

- We waive our right to subrogation against Flextronics and/or it's parent company and/or subsidiary company and/or managers and/or employees. The waiver of subrogation shall not apply towards those that caused the damage intentionally.
- The policies described above shall not be reduced or cancelled, without 30 days prior written notification thereof, sent to Flextronics via registered mail.
- We are aware that Kornit's alone is liable for payment of the insurance premiums and deductibles.
- Breach of any of the policies' terms and conditions by Kornit in good faith shall not derogate from the insurer’s undertaking to indemnify Flextronics.
- Kornit's insurance policies shall be Bit wording …….. (Complete the edition) or equivalent.

2. This confirmation is subject to the terms, conditions and provisions of the original policies insofar as not expressly altered by the foregoing.

3. The limits of liability that stated in this certificate are combined for all the insureds' activities.

Yours faithfully,

_____

Insurance Co. Ltd

_____

Signatory's name and position

Insurance By Flextronics (Israel) Ltd.
Insurance Certificate

Date: _____

To
Kornit Digital Ltd. having its place of business at 12 Ha`Amal St., Afek Park, Rosh-Ha`Ayin 4809246, Israel (hereinafter, "**Kornit**")

4. Insurance Certificate In Connection With the Manufacturing Service Agreement (hereinafter, "The Agreement"**) Executed Between Kornit (hereinafter,** "Kornit"**) And Flextronics (Israel) Ltd. (hereinafter,** "Flextronics"**)**

We hereby confirm that as of _____ and until _____ (both days inclusive), we have issued in favor of **Flextronics**, the following insurance policies with respect to Flextronics 's activity in connection with the contract.

Employer's Liability Insurance:
Covering Flextronics' legal liability pursuant to the Torts Ordinance (New Version) and the Liability for Defective Products Law towards any employee with a limit of liability of NIS[* * *] for any one occurrence and in the aggregate for the period of insurance.

This policy does not exclude liability towards contractors, sub-contractors or their employees as long as they are considered Flextronics's employees.

The insured's name in the above policy is extended to include Kornit in the event that it is determined that Flextronics is liable as an employer of any such person.

Wording shall not be interferer to Bit ……, (complete the relevant edition) wording or equivalent.

General Third Party and Product Liability Insurance:
Covering Flextronics' legal liability towards any third party in respect of any property damage and/or bodily injury caused during the period of the insurance for a limit of liability of $[* * *] any one occurrence and in the aggregate for the period of insurance. The insurance is extended to indemnify Kornit for it's legal liability due to a property loss or bodily injury committed by Flextronics, subject to a cross-liability clause. Policy includes coverage for Product Liability covering Flextronics' legal liability in respect of products; which shall be supplied or installed or otherwise treated or repaired by Flextronics' or on its behalf (the "Product") pursuant to the Agreement. The policy is extended to indemnify kornit and all those acting on its behalf, for their liability for personal injury or damage to property which is caused due to the Product, subject to a cross-liability clause, pursuant to which the policy is considered to have been procured separately for each of the insured entities, as if it was issued solely in such name.

The Products Liability subject to territorial limits and jurisdiction worldwide.

Wording ……. (please complete the relevant edition)

General
The following provisions apply to the above policies:

- We waive our right to subrogation against Kornit and/or subsidiary company and/or managers and/or employees.
- The policies described above shall not be reduced or cancelled, without 30 days prior written notification thereof, sent to Kornit via registered mail.
- We are aware that Flextronics alone is liable for payment of the insurance premiums and deductibles.
- Innocent Breach of any of the policies' terms and conditions by Flextronics shall not derogate from the insurer's undertaking to indemnify Kornit.

5. This confirmation is subject to the terms, conditions and provisions of the original policies insofar as not expressly altered by the foregoing.

6. The limits of liability that stated in this certificate are combined for all the insureds' activities.

Yours faithfully,

_____

Insurance Co. Ltd

_____

Signatory's name and position

CERTIFICATE OF INSURANCE

This certifies that Insurance Company Ltd insures the property listed below in accordance with the terms and conditions of the below referenced Policy and Endorsements attached thereto. This Certificate of Insurance does not amend, extend, or otherwise alter the terms and conditions of insurance coverage provided by such Policy.

TITLE OF INSURED: Flextronics (Israel) Ltd

Policy No: < >

Policy Effective:
Policy Expires:

Account No:

Certificate Effective:
Certificate Expires:

Description & Location of Property Covered:

Real and Personal Property Insurance including Consequential Loss
All sites of Flextronics in Israel

Coverage in Force: (Subject to limits of liability, deductibles and all conditions in the policy)

Peril: All Risks of Physical Loss or Damage, unless excluded by the Policy

Limit of Liability: USD [* * *]

Additional Detail:

Waiver of Subrogation is granted towards Koranit Digital Technologies Ltd, with the exception of waiver towards who caused damage by intent.

The supplier (our Insured) shall be liable to bear the premium & deductible payments.

The certificate holder will be notified 60 days prior, in respect of cancellation or reduction in coverage.

Certificate Holder: **KORANIT DIGITAL TECHNOLOGIES LTD.**

Certificate No.:

By: _____ **Date:**
Authorised Signature

Exhibit 4.12

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

[Unofficial English Translation of original Hebrew document]

Memorandum of Understanding- Kornit

1. BG will establish a new manufacturing line, which shall function, subject to Section 8, for production of dedicated products for Kornit.

2. BG estimates that the construction period for the manufacturing line referred to will be approximately [* * *]. A down payment as provided in Section 5 below shall be paid in three equal installments as follows: 1. The first installment shall be paid upon signing of this agreement. 2. The second installment shall be paid upon the arrival of [* * *] to BG's premises. 3. The third installment shall be paid upon the completion of the construction of the manufacturing line. It is agreed that if BG fails to complete the construction of the manufacturing line within [* * *] from the date of signing of this agreement, BG shall immediately return to Kornit the full down payment in cash.

3. The manufacturing line shall include, among other things, [* * *].

4. The production capacity potential shall remain [* * *] of products per calendar year.

5. Kornit shall pay a down payment of USD [* * *], which shall be refunded as discount on the product price in the following manner:

   USD $[* * *] per each kg. of product, up to a maximum annual rebate of USD [* * *], which constitutes an order of [* * *] of product per year.

6. Other than due to any material breach of this agreement by BG, as defined below, which was not cured within 30 days from the date a written notice had been given by Kornit regarding such breach, this agreement shall be in force for five years with no exit points.

   "Material Breach" for purposes of section 6 shall mean one of the following two: 1. BG's failure to fulfill its obligations of product delivery. 2. BG's failure to meet the product specifications which were agreed by the parties as detailed in Exhibit ___.

   It is hereby clarified for the avoidance of doubt, that the termination of the agreement by Kornit due to a material breach of BG will be the sole remedy and Kornit will not be entitled to any compensation and /or any relief from BG. In addition, even in the event of termination of the agreement by Kornit in accordance with paragraph 6 above, the unused balance of the advance will not be returned to Kornit.

7. Kornit undertakes to purchase polymers from BG at a minimum quantity of [* * *] per year for 5 years, or [* * *] in a period shorter than 5 years, whichever is sooner, at the price listed in Section 14 hereto, plus VAT as required by law, at the times and quantities listed in the purchase orders delivered by Kornit to BG at least [* * *] in advance. It is hereby clarified that in the event Kornit ceases to buy products and does not meet the purchase minimums other than as a result of BG's material breach, then the unused balance of the down payment, will not be refunded to Kornit in any case.

8. As long as Kornit meets the purchase minimums referred to above in Section 7 above, BG undertakes to maintain its production capacity for Kornit, and not to manufacture products using the [* * *] other than those products manufactured for Kornit.

9. It is agreed, that during the term of the agreement and during an additional year from the expiration of the agreement, and subject to Kornit's compliance with the agreement, BG shall refrain from selling to a third party the following products: [* * *] and [* * *] and/or any other future unique product which is produced by BG for Kornit. The above is binding only upon products whose use is used as a raw material for ink for printing on textiles. Notwithstanding the foregoing, if Kornit does not wish to renew the agreement after the five year term, BG may sell the products mentioned above to any third party including for use for ink for printing on textile. If BG does not want to continue the agreement after 5 years, such obligation shall also apply for the duration of [* * *] from the agreement's termination.

10. After the establishment of the production line, in respect of any rejected runs that did not meet the parameters agreed by the parties as detailed in Exhibit A, Kornit shall be charged [* * *] of their full value at the time, up to a total of [* * *] runs per year. Runs which passed quality control at BG and yet were disqualified by Kornit will be charged [* * *] of their full value.

11. Until the establishment of the production line is complete, BG shall use its best efforts to create quality runs, fulfilling the above parameters. However, the company does not guarantee the amount of bad runs that may be produced. Furthermore, Kornit shall not be entitled to make any claims regarding the amount of bad runs. After the establishment of the production line, Kornit shall not be required to pay for bad runs beyond the quantity mentioned in section 10.

12. Purchase Price denominated in US dollar shall be paid according to the USD-NIS exchange rate of the payment date, provided that such exchange rate shall not be lower than [* * *] per US$1 and polymers' prices shall be fixed at the price of "[* * *]". The consideration calculation to BG shall be calculated according to the highest rate of, and shall not be lower than the base exchange rates as determined on signing date. "USD Base exchange Rate" - the exchange rate as set by the Bank of Israel at the day of signing the agreement.

13. "Base price for [* * *]"- ____. Once a year the Polymers' price shall be fixed at the price of [* * *] according to the [* * *] price on the payments terms.

Annual cash payment in advance before a framework order will receive a discount of [* * *]; or

Quarterly cash payment in advance before a framework order will receive a discount of [* * *];

14. Product Prices:

[* * *]- [* * *] per every kg of product
[* * *]- [* * *]per every kg of product

Notwithstanding the above, during the year 2017, the Product Price shall be USD [* * *] per every kg of product.

15. Any delay and/or failure to deliver as a result of facility malfunction which are not under BG's control, or is due to Force Majeure, were BG used its best effort to cure, shall not be considered a breach of an obligation by BG and shall not confer upon Kornit any right to compensation.

16. All of the invention rights and ownership rights in the intellectual property of the products purchased by Kornit under this agreement, including but not limited to, any formulas of materials of comprising the products and/or production methods of the products and/or BG's work methods, in the development process and specifications of materials (referred to herein as "Intellectual Property Rights"), shall remain the sole and exclusive property of BG.

17. BG shall not transfer any of the unique manufacturing processes or formulas to Kornit.

18. If Kornit requests that BG transfer to it the unique formulas or manufacturing processes, and if BG determines to transfer such formulas and processes, then the transfer shall be made subject to the signing of a Knowledge Transfer Agreement and according to commercial terms which would be acceptable to BG.

19. Notwithstanding Section 18 above, on the date of the down payment, the manufacturing formulas will be placed in trust with Ashtrom Industries Ltd. ("Ashtrom"), so that in the event that BG will become bankrupt and/or cease to exist for whatever reason, representatives of Kornit and Ashtrom Industries Ltd. shall meet in order to mutually locate a third party who will manufacture the products instead of BG on the basis of the mentioned formula, and that its contract and terms will be agreed upon and approved in advance by Ashtrom Industries Ltd. For the avoidance of doubt, Kornit shall continue to pay for products which will be recieved and shall not own the formula.

20. All data related to Kornit/BG and their products, including manufacturing processes and formulas of Kornit/BG relative to their products, the volume of purchases, prices, products purchased, etc., are confidential and Kornit/BG or its representative are prohibited from disclosing them or making any use of them, particularly in connection with competitors of the Kornit. Provisions of this section shall not apply to information that is in the public knowledge and/or information known to Kornit/BG from other sources before it was provided by Kronit/BG to the respective party and/or which came to Kornit/BG's attention by a third party other than through a breach of confidentiality towards Kornit/BG. In the event Kornit/BG are required by law to disclose this agreement or any of its content to any regulatory institution including the United States Securities and Exchange Commission (SEC) or Nasdaq, then each of them shall be allowed to operate in accordance with the requirements of the aforementioned authorities as instructed by their respective legal counsels.

/s/ Ofer Sandelson
Ofer Sandelson
COO

/s/ Sharon Leventer
Sharon Leventer CEO
B.G. (Israel) Technologies Ltd.

22.12.2016

/s/ Guy Avidan
Guy Avidan
CFO

The parameters for Kornit's Polymers:

[* * *]
[* * *] [* * *] [* * *]
[* * *][* * *][* * *][* * *]

Exhibit 4.13

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

MASTER PURCHASE AGREEMENT

This Master Purchase Agreement is between Amazon Corporate LLC ("**Amazon**") and the "**Supplier**" as listed below and its Affiliates. This Agreement sets the terms for Supplier and its Affiliates to sell certain Products and Services to Amazon and other Purchasers, including [* * *]. Initially capitalized terms are defined at the end of the Standard Terms or elsewhere in this Agreement. The effective date of the Agreement is May 1, 2016 ("**Effective Date**").

Supplier:	Kornit Digital Ltd.
Entity Type: *(e.g., New York corporation)*	Israeli company
NDA effective date:	January 19, 2016

Agreed to by both parties:

AMAZON CORPORATE LLC

By: /s/ Young Lee
Name: Young Lee
Title: Director, Business Development
Date Signed: January 10, 2017

SUPPLIER

By: /s/ Gabi Seligsohn
Name: Gabi Seligsohn
Title: CEO
Date Signed: January 10, 2017

By: /s/ Guy Avidan
Name: Guy Avidan
Title: CFO
Date Signed: January 10, 2017

Each party's contacts for routine business and technical correspondence regarding this Agreement are:

	Amazon	**Supplier**
Technical Contact		
Name and title	Aaron Yanelli	Udi HarNof
e-mail	[* * *]	[* * *]
Business Contact		
Name and title	Aaron Yanelli	Gilad Yron
e-mail	[* * *]	[* * *]

Each party's contacts to receive legal notices about this Agreement are:

Amazon		**Supplier**	
With a copy to:		With a copy to:	
By mail: c/o Amazon.com P.O. Box 81226 Seattle, WA 98108-1226 U.S.A. Attn: General Counsel Fax: 206-266-7010	By courier or personal delivery: c/o Amazon.com 410 Terry Avenue North Seattle, WA 98109-5210 U.S.A. Attention: General Counsel By e-mail: [* * *]Attention: General Counsel	By mail: P.O. Box xxx Rosh Haain, Haamal 12 Israel Attn: CFO Fax: +972.3.908.0280 By e-mail: [* * *]	By courier or personal delivery: Guy Avidan Israel Attention: CFO By e-mail: [* * *] Attention: CFO

Each party may update its contacts above by notice to the other. All legal notices given under this Agreement and any routine business and technical correspondence must be written and in English, and the effective notice date will be the date of receipt or in the case of email, the date on which such notice is transmitted.

This "**Agreement**" means and consists of:

- **a.** the foregoing signature and notice pages,
- **b.** the Standard Terms and Conditions attached as Exhibit A ("**Standard Terms**"),
- **c.** the [* * *] attached as Exhibit B,
- **d.** the Information Security Requirements attached as Exhibit C,
- **e.** the Services and Service Level Agreement Schedule attached as Exhibit D,
- **f.** the Product Pricing Schedule attached as Schedule 1,
- **g.** the Specifications attached as Schedule 2,
- **h.** the software list attached as Schedule 3, and
- **i.** consignment part description and prices attached as Schedule 4.

Concurrent with this Agreement, the parties are also agreeing to a warrant agreement, whereby Amazon will receive certain rights to warrants to Supplier.

Remainder of page intentionally left blank

EXHIBIT A

STANDARD TERMS AND CONDITIONS

1. Products; Services.

1.1 Products. Supplier will sell Products and Services to Purchaser during the Term. Except as provided in Section 1.5, below and 4.2 below, Supplier will not stop making or restrict the supply of Products or the performance of Services under this Agreement during the Term.

1.2 Services. Supplier will provide support and other services ("**Services**") to Purchaser as the parties may agree from time-to-time and specified in: (a) a Purchase Order issued by Purchaser to Supplier; or, (b) a Work Order or addendum signed by the parties, in accordance with the terms and conditions of this Agreement. References in this Agreement to a "Purchase Order" will be interpreted to include "Work Orders," unless otherwise specified or inferred by the context. Supplier will provide all equipment, software, materials, spare parts, and supplies required to perform the Services. During the Initial Warranty Period, Warranty related Services will be performed at no additional cost to Purchaser. Supplier will not subcontract any Services or other obligations under this Agreement without the prior written consent of Amazon which consent shall not be unreasonably withheld. The performance of Services or other obligations by an Affiliate of Supplier will not be considered subcontracting. Supplier is responsible for the performance of its Affiliates under this Agreement and for its subcontractor(s)' compliance with the terms of this Agreement. Supplier and its subcontractors will comply with Amazon's Rules (as shall be provided or made available to them prior to or upon gaining access to Amazon's premises) with respect to Supplier's access to or use of Amazon's premises. Supplier will comply with the Service Level Agreement attached as Exhibit D hereto.

1.3 Reservation of Rights; Restrictions. Unless specifically otherwise set forth in this Agreement, Supplier reserves all of its rights, title and interest to all intellectual property including the ideas, concepts, techniques, inventions, technologies, processes, methodologies, patents, and rights in and to the Products and to any software, programs and all images, photographs, animations, video, audio, music and text incorporated into the Products, trademarks, copyrights and trade names relating to and in the Products and their creation and all modifications, improvements or changes therein or thereto (all jointly, "**Supplier Intellectual Property**"). Purchaser acknowledges and agrees that the Software is licensed and not sold to Purchaser. Unless otherwise specifically set forth in this Agreement, Purchaser never acquires title to the Supplier Intellectual Property Rights or Software and all rights not expressly granted herein are reserved to Supplier.

Except as specifically otherwise set forth in this Agreement, Purchaser shall not (i) create derivative works based on the Products and/or the Software; (ii) copy, frame or mirror any part or content of the Ink and/or of the Software installed on the printer Product as firmware; (iii) reverse engineer the Ink and/or the Software, or any composition made using the Ink; (iv) access the Software and/or Ink in order to build a competitive product or service; (vi) change, distort or delete any patent, copyright or other proprietary notice which appear on or in the Product (or in the Software); or (vii) operate or make use of the Products in any way that violates any applicable law or regulation. In the event Purchaser rents, leases, sells or otherwise transfers the Products to a third party in accordance with this Agreement; Purchaser agrees that it will require such third party to be bound by the provisions of this Section 1.3 hereof as a condition of such sale, rental, lease or other transfer.

1.4 Prices. Product and Services prices will be as set forth in Schedule 1 or as otherwise agreed by the parties. [* * *].

1.5 Changes. Supplier will provide Amazon with at least 12 months advance written notice ("**Notice**") of its intent to (a) stop supporting, manufacturing, licensing, or selling a Product or performing a Service (collectively "**EOL**"), or (b) make changes to the Products, including design, location of manufacture, manufacturing process or materials, programming, or other inputs that in connection with form, fit, function, performance, or reliability of the Product would materially impact the ability to use of the Products in the same manner as they were used before such changes, (collectively "**Changes**"). Without limiting the foregoing, Supplier will not ship any changed Product to a Purchaser without first receiving Amazon's written consent. In the event of an EOL or Product Change that is not acceptable to Amazon, Supplier will provide Purchaser(s) with a last time buy opportunity for EOL Products or Products subject to Change(s). Purchasers will have the right to purchase quantities of these Products up to the greater of the quantities (a) purchased by Purchasers in the [* * *] prior to receipt of Notice, or (b) forecasted by Purchasers for the [* * *] after Notice is received. Purchasers will place a Purchase Order for the last time buy at least 30 days prior to the end of the Notice period. The parties agree to mutually develop a plan to mitigate any EOL or Product Change to ensure no adverse business impact on Amazon.

1.6 Ink. Notwithstanding Section 1.5, for at least 36 months after the earlier of (i) the end of the Term or (ii) 18 months after the purchase of the last printer Product under the Agreement (the "**Wind Down Period**"), Supplier agrees to manufacture and sell to Purchaser Ink and all other parts, components, and supplies (including print heads) necessary for continued operation of all previously purchased printer Products in such quantities as the Purchaser requests. The Ink and other parts, components, and supplies will be compatible with the Products without modification or material degradation of Products' performance and may only be modified with Amazon's prior approval. Supplier will be relieved of the above undertakings in this Section 1.6 if, after the first year of the Wind Down Period, all of the following are true: (a) neither Supplier nor any of Supplier's distributors are making the Ink commercially available, (b) during the most recent full Ink Measurement Period, the aggregate amount of Ink purchased under this Agreement was less than [* * *] liters, and (c) upon receiving at least [* * *] prior written notice that Supplier intends to discontinue Ink production, Purchaser fails to commit to purchase at least [* * *] liters of Ink during the current Ink Measurement Period (or a prorated amount of Ink if the Wind Down Period will expire before the end of the current Ink Measurement Period). For the avoidance of doubt, there will be no minimum Ink requirement for as long as the Ink is made commercially available by Supplier or Supplier's distributers. Supplier warrants that it will maintain at all times during the Term and during the Wind Down Period, a reserve stock of Ink ("**Reserve Ink**") in [* * *] at least equal to [* * *]. Notwithstanding the above, the parties will discuss the size of the Reserve Ink after the delivery of any Forecast and may adjust the volume of Reserve Ink by mutual written agreement.

1.7 [* * *]

1.8 [* * *]

(1) [* * *], and

(2) [* * *].

1.9 Consignment Parts. Supplier will store mutually agreed upon Consignment Parts as set forth in Schedule 4 hereto (and as updated as agreed upon, periodically via email confirmed by both parties) at Purchaser agreed upon designated sites, as may be updated by the parties from time to time, solely for use with Purchaser Products until (a) Purchaser purchases such Consignment Parts from Supplier, (b) Purchaser returns the Consignment Parts to Supplier, or (c) the Agreement is terminated for any reason. Purchaser employees with Supplier-provided Level 3 training, designated Purchaser employees, and Supplier will each have access to remove Consignment Parts from the storage area (the "**Consignment Locker**"). Pricing for the Consignment Parts will be as set forth in Schedule 4. Legal title to each Consignment Part transfers to Purchaser at the time either (i) Purchaser designated employees removes it from the Consignment Locker or (ii) Purchaser accepts such Consignment Part by Supplier. Consignment Parts used in the previous quarter will be payable in accordance with the terms of Section 7.2. Purchaser may reject, and return to Supplier at Supplier's expense, defective or damaged Consignment Parts at no cost.

2. [* * *]; Affiliates.

2.1 [* * *].

2.2 Affiliates. If any Amazon Affiliate wants to buy Products or Services directly from Supplier under this Agreement's terms, it may issue a Purchase Order, or enter into a Work Order or addendum under this Agreement, and this Agreement will apply to those purchases as if the Amazon Affiliate was a signatory to the Agreement. Each purchase by an Amazon Affiliate under this Agreement will be an obligation of that Amazon Affiliate only, and Amazon will have no liability for these purchases. The terms and conditions of this Agreement will apply to each Supplier Affiliate as if that Supplier Affiliate was a signatory to this Agreement if: (a) Supplier utilizes the Supplier Affiliate(s) to perform its obligations under this Agreement; or (b) the Supplier Affiliate(s) accept a Purchase Order or Work Order from a Purchaser for Amazon.

3. Ordering.

3.1 Purchase Orders. Purchasers may submit Purchase Orders on paper, by fax or electronically. Supplier will accept and fulfill any Purchase Order for non-printer Products that complies with this Agreement's terms (e.g., on price as set forth in the pricing schedule). A Purchase Order, or executed Work Order or addendum is Supplier's only authorization to ship Product to Purchaser or to perform Services. Supplier will accept and fulfill any Purchase Order for printer Products submitted by Purchaser that is submitted at least [* * *] prior to the Delivery Date (for shipment via sea freight) and is within the Quarterly Forecast (as defined in Section 4.2). The foregoing sentence shall not apply to orders of less than or equal to [* * *] printer Products.

4. Operations.

4.1 Manufacturing Facilities, Supply Chain Management. Supplier will manufacture the Product only at the facilities originally approved by Amazon. Any changes in location of manufacture are subject to the notice requirements in accordance with Section 1.5 and Amazon's approval, which may not be unreasonably withheld. Supplier is solely responsible for managing its supply chain and resources. Purchaser has no liability for any aspect of Supplier's supply chain or operations.

4.2 Capacity Planning and Allocation. Forecasts are for planning purposes only, are non-binding, and are not an order, purchase, or commitment. Amazon will [* * *] to provide Supplier a Forecast each quarter (a "**Quarterly Forecast**") of the estimated printer Products that Purchaser will order in the next [* * *] prior to the beginning of [* * *]. At a minimum, Supplier will allocate enough manufacturing capacity, components, raw materials, and parts for the Product to be able to meet each Quarterly Forecast. To the extent that amount of Products under the Purchase Orders exceed the Quarterly Forecast, Supplier will not be obligated to accept the Purchase Orders referring to amount of Products exceeding the Quarterly Forecast, provided however, [* * *].

4.3 Shipment, Packing, and Delivery. Unless otherwise mutually agreed to by the parties on an individual Purchase Order, Supplier will deliver all Product [* * *] (Incoterms 2010) to the location designated in the Purchase Order. Supplier will ship the Product units only via carriers qualified to generally accepted international standards for shipment of similar goods. Supplier will handle, pack, mark, and ship the Product units in accordance with generally accepted international standards for similar goods, and will use packing and labeling specifications that Purchaser reasonably requires. Supplier will mark the Product units and packaging with the country of origin as required by applicable Law, and provide a certificate of origin and any other documents required for customs clearance or tax purposes. The Delivery Date is a material term of this Agreement, and time is of the essence for all Product unit deliveries and performance of Services. Supplier will not deliver Product units before the Delivery Date without the applicable Purchaser's prior written consent. If Purchaser returns any Product under this Agreement, they will be returned [* * *] (Incoterms 2010), Purchaser's place of business. Supplier will be the exporter and importer of record for ensuring that all returns comply with all export and import regulations. Title and risk of loss or damage for returned Products transfer to Supplier upon delivery to Supplier's designated carrier. Supplier agrees that any duties and taxes that may be recoverable by the Supplier will not be charged or collected from Purchaser.

4.4 [* * *]

4.5 Import/Export. Supplier will be the importer and exporter of record on all cross-border transactions (including Product returns), will not list Purchaser on any import, export, or other customs documentation, and will be directly responsible forensuring that those cross-border transactions comply with all export and import regulations (including export licensing, shippers export declaration, and export invoice). Without limiting the foregoing, any export or import document must, among other matters, separately itemize and state the separate value for each item of hardware, software, set-up, and any non-dutiable service. Supplier will be responsible for all duties (in North America, the US and Europe), export charges, and any other amounts imposed by any governmental agency related to all import and export of items under this Agreement. Supplier will be solely liable for and will defend, indemnify, and hold each Purchaser harmless against any liability or damages arising out of Supplier's breach of this Section 4.5, including any taxes, duties, interest, or penalties.

4.6 Title; Risk of Loss. All rights, title, interests, and all risks of loss and damage to any Product will pass to the applicable Purchaser in accordance with agreed upon Incoterms at the location of delivery specified in the Purchase Order.

4.7 Installation & Acceptance. Supplier will install any Products for which Purchaser pays the installation fee specified in Schedule 1 or for which installation is covered by the Maintenance Services. Amazon may inspect the Products prior to completion of installation as set forth in Section 9.

4.8 Resources for Products. Supplier will assign at least one account management contact and a backup contact to provide support to Amazon or Amazon's designee. Amazon will have the right to approve each account management contact that Supplier intends to appoint to perform under this Section 4.8. Prior to appointing any account management contact, Supplier will identify the account management contact to Amazon and provide Amazon with reasonable information as to the qualifications of the account management contact. Amazon will not unreasonably object to the identity of an offered account manager. To the extent Supplier engages any third party to provide support to Amazon, Supplier will not preclude, or attempt to preclude, contractually or otherwise, that third party from contracting directly with Amazon to provide support for the Products after the Term or if Supplier no longer agrees to provide support for the Products under the terms of this Agreement.

4.9 Maintenance. Upon receipt of a Purchase Order for Maintenance Services, Supplier will provide the Maintenance Services as described in Exhibit D in consideration for the prices set forth therein.

5. Cancellation and Rescheduling.

5.1 Cancellation; Rescheduling. Purchaser may cancel or re-schedule all or any part of a Purchase Order for any Product, without cancellation or other charges, if it cancels such Purchase Orders within [* * *] after Supplier's acceptance of the Purchase Order or reschedules such Purchase Order (i.e. one time delay of shipment by no more than [* * *]) at least [* * *] prior to the Supplier's carrier's receipt of the applicable Products.

5.2 Cancellation for Late Delivery; Epidemic Failure. If delivery of any Product or Service is delayed by more than [* * *] beyond the Delivery Date, Purchaser may cancel the Purchase Order by written notice to Supplier within [* * *] of the original Delivery Date, without liability. If an Epidemic Failure occurs, Purchaser may, within [* * *] of first learning about such Epidemic Failure, cancel or reschedule any Purchase Orders for any similar Product upon written notice to Supplier, without liability.

6. Inspection; Reports.

6.1 Purchaser Inspection. Purchaser may inspect Product units at any Supplier facility (provided however, that inspections in any Supplier's subcontractors' facilities shall be subject to reasonable prior notice unless the nature of the inspection requires an unannounced inspection) or any Purchaser facility to see whether the Products comply with this Agreement. If an Epidemic Failure occurs, Purchaser may require Supplier to bear pre-approved expenses of these inspections until the acceptable quality rate has been regained and met for at least [* * *]. Inspections that are done, or not done, will not affect any of Purchaser's rights under this Agreement.

7. Invoices and Payment.

7.1 Payment Terms. Unless otherwise agreed in a Work Order or addendum, (i) Products (other than Consignment Parts) will be invoiced upon shipment to Amazon, (ii) Warranty Period Extensions will be invoiced upon the receipt of such Purchase Order, (iii) Maintenance Services, if retained, will be invoiced on a pro rata basis [* * *] and (iv) Consignment Parts used [* * *] will be invoiced at the end of [* * *]. Each invoice will be stated only in U.S. dollars or local currency as referred to in the Purchase Order as requested by Amazon, and will contain enough detail to let Purchaser determine its accuracy. Subject to Section 9, Purchaser will pay a correct and undisputed invoice for that Purchase Order (a) for all purchases other than printer Products, net [* * *] after invoice (subject to receipt of the applicable Products) and (b) for printer Product, (I) net [* * *] after completion of Installation of the Products, unless Purchaser informs Supplier of a problem with the Product or (II) if Purchaser does not allow Supplier to begin Installation within [* * *] after delivery of printer Product to a Purchaser facility, then net [* * *] after such delivery. If VAT, GST, or a similar tax is chargeable under applicable Laws, Purchaser will require a valid VAT, GST, or other invoice before making payment and reserves the right to withhold payment until a compliant invoice has been provided. Payments may be made according to Purchaser's then-current payment policies, which may include electronic payment. Payment of an invoice without asserting a dispute is not a waiver of any claim or right. [* * *].

7.2 Financing Products. Amazon may direct Supplier to send invoices for any Purchase Order issued under this Agreement to a "bill to" Affiliate entity and address that is different from the "ship to" entity and address. Those directions will not alter the responsibility of Purchaser to pay all properly payable amounts on any invoice in accordance with the terms of the Purchase Order and this Agreement if the "bill to" entity does not pay those amounts as set forth in this Agreement. Alternatively, Amazon may assign any Purchase Order issued under this Agreement, including title to the Products covered by that Purchase Order, to an Affiliate by providing written notice to Supplier.

8. Warranties and Compliance.

8.1 Upon Delivery. Supplier warrants that, when delivered: (a) all Product units will be new and unused; (b) all Product will be provided with good and marketable title, free and clear of any and all liens and other encumbrances; (c) the Products and Services will not infringe, misappropriate, or otherwise violate any third party Proprietary Right; (d) the Product and Services will conform to all the requirements of applicable Law, including all applicable health, safety, and environmental regulations, of the [* * *], and other jurisdictions agreed to by Supplier and Purchaser; (e) no Product unit will contain any copy protection, automatic shut-down, lockout, "time bomb", or similar mechanisms that could interfere with Amazon's rights under this Agreement or any viruses, "Trojan horses", or other harmful code; (f) all Product units will conform to the Specifications; and (g) except as listed on Schedule 3, no Product or Service will be subject to any license that requires that Product, Service or any Software, such as Software used with any Purchaser Device, be disclosed or distributed in Source Code form, licensed for the making of derivative works, or freely redistributable.

8.2 For Warranty Period. Supplier warrants that for [* * *] from the date of invoice (the "**Initial Warranty Period**") and during any Warranty Period Extensions that all: (a) Products will be free from defects in design, material and workmanship; (b) Products will conform to the Specifications and; (c) Products will conform to Supplier Documentation (to the extent that it does not conflict with the Specifications). Amazon may at its sole option, at any time, purchase a warranty program for additional [* * *] periods (each a "**Warranty Period Extension**"; the Initial Warranty Period and all Warranty Period Extensions are collectively the "**Warranty Period**") for any printer Product unit for the warranty program price set forth in Schedule 1. During the Warranty Period, the Supplier will provide the Warranty Services listed in Exhibit D. During the Initial Warranty Period, Warranty related Services will be performed at no additional cost to Purchaser.

8.3 Compliance. Supplier further warrants that it will comply with the (i) ***Code of Business Conduct and Ethics*** posted at http://phx.corporate-ir.net/phoenix.zhtml?c=97664&p=irol-govConduct, and (ii) Code of Standards and Responsibilities posted at http://www.amazon.com/gp/help/customer/display.html?ie=UTF8&nodeId=200885140, as either may be modified by Amazon from time-to-time. Notwithstanding anything to the contrary in this Agreement, Amazon may: (a) perform, or have its designee perform, unannounced audits at any time during the Term to validate whether Supplier is in compliance with this Section 8.3 and, (b) without derogating from its then outstanding liabilities to pay the Supplier for Products and Services, immediately terminate or suspend performance under this Agreement if Supplier materially breaches this Section 8.3.

8.4 Product/Services Compliance. Without limiting Supplier's other obligations under this Agreement, Supplier will, at its cost and expense, take whatever actions are required, and will reasonably cooperate with Amazon, sufficient to ensure that the Products and Services, as well as their development, manufacture, supply, and use, comply with all applicable Laws of the [* * *], and other jurisdictions agreed to by Supplier and Purchaser. Without limitation, Supplier will be responsible for collecting, directly from each of its suppliers and subcontractors, all test reports, declarations, certifications, and other documentation and materials necessary or useful to ensure environmental compliance of the Product (collectively, "**Environmental Documentation**"). This will include collecting these items for ROHS (EU or China), REACH, halogen free, California Proposition 65, energy efficiency, battery recycling, and all other applicable environmental Laws. Upon Amazon's request, Supplier will send all Environmental Documentation to Amazon's Compliance Team. Supplier will gather any additional information or documentation from suppliers and subcontractors requested by Amazon in connection with Amazon's environmental or other compliance efforts.

8.5 Returns; Customer Confidentiality. Amazon and its Affiliates have no obligation to return to Supplier any Product, or Product component, which may contain any Amazon or Amazon Affiliate's customer confidential information, including hard disk drives, solid state drives, and other memory devices, in order for Supplier to perform its warranty or other obligations under this Agreement. If a NC Product or NC Product component cannot be returned for this reason, Amazon will provide Supplier with a periodic report detailing the NC Product or components, and provided that the non-conformance occurred during the Warranty Period, and that the Supplier was unable to guide Amazon as to how to remove the confidential information, Supplier will reimburse Amazon the Market Value of such Products or components within 30 days after receiving Amazon's warranty failure report along with the NC Product following deletion of confidential information, or without the NC Product if Amazon was unable to remove the confidential information from such NC Product.

8.6 Necessary Rights Warrant. Supplier represents, warrants, and covenants that Supplier has all rights necessary to sell the Products and perform the Services and to allow Purchaser to directly and indirectly use, import, distribute, lease, sell, offer for sale, and otherwise dispose of the Product without restriction or additional charge. Notwithstanding the previous sentence, Purchaser may only sell Ink or other consumable Products to Affiliates and [* * *]. [* * *].

8.7 Maintenance Services. Supplier's obligations to provide the Maintenance Services shall not apply to maintenance, repair or replacement necessitated in whole or in part by: (i) catastrophe, fault or gross negligence of the Purchaser; (ii) improper or unauthorized use such as without limitation, use of improper or non-conforming thinner, solvents, inks or other consumables, (iii) installation, modification or repair other than by Supplier, its authorized technical representatives, or Supplier-trained Purchaser personnel; or (iv) deviation from the maintenance procedures in the express written instructions and documentation provided by Supplier, removal of the Products from the original Site (unless the applicable Product was installed or tested at new Site by Supplier or its authorized technical representatives), power failure or failure to maintain the expressly documented environmental conditions at the installation site.

8.8 Software. Supplier represents, warrants, and covenants that except as approved in writing in Schedule 3 or in advance by Amazon prior to delivery to Purchaser, the Products shall not contain (1) any software, documentation or other items that are licensed from or proprietary to any third party; or (2) any software, documentation or other items that are subject to any open source, public source or freeware terms, including any GNU general public license, limited GNU public license, BSD or similar terms requiring disclosure or distribution of source code, licensing of derivative works or any distribution without charge (collectively, "**Open Source**"). Supplier shall provide any approved Open Source in accordance with the applicable Open Source terms and shall incorporate such Open Source in a manner that does not subject any Amazon rights or intellectual property to such Open Source terms.

8.9 No Additional Warranty. Except as set forth in this Agreement, Supplier makes no other warranties of any kind, express, implied statutory or otherwise with respect to the Products, Software and/or Services, and expressly disclaims any such warranties including without limitation any express, statutory or implied warranties of merchantability, non-infringement, or fitness for a particular purpose.

9. [* * *]**.**

9.1 [* * *].

9.2 [* * *] .

9.3 [* * *].

9.4 [* * *].

9.5 [* * *].

10. Indemnification.

10.1 Indemnity. Supplier will, at its sole expense and at Amazon's written request, defend, hold harmless, and indemnify Purchasers and their respective successors, assigns, directors, officers, employees, agents, customers, affiliates, and distributors (each, an "**Indemnified Party**" or "**Indemnified Parties**"), from all third party claims, demands, and legal proceedings, including all liabilities costs, and expenses in connection with defending such claims, demands and proceedings (including reasonable attorneys' fees incurred and those necessary to successfully establish the right to indemnification) and deriving from any judgment or settlement ("**Claims**") in proportion and to the extent based on a claim that, if true, would establish: (a) Supplier's negligence or willful misconduct; (b) that Supplier or any Product or Service infringes, misappropriates, or otherwise violates any third party's Proprietary Right; (c) that Supplier has breached this Agreement; (d) that a Product or Service has caused a Hazard; (e) Supplier (including its suppliers and subcontractors) failed to comply with applicable Law; (f) any Product's failure to comply with any applicable Law under Section 8.4; or (g) a Claim that is brought by or for a Supplier subcontractor, supplier, employee, or agent in connection with this Agreement, in any event under (a)-(g) to the extent that the underlying Claim is not based on any modification to the Product by anyone other than Supplier (or its subcontractors, suppliers, or agents), any breach of this Agreement by Purchaser, or on the use of the Product in violation of the express instructions and documentation provided by Supplier. Supplier waives any immunity, defense, or protection under any workers' compensation, industrial insurance or similar Laws in connection with any such Claim (including the Washington Industrial Insurance Act, Title 51 RCW). This Section 10.1 is not a waiver of Supplier's right to assert any immunity, defense, or protection directly against any of its own employees or their estates or representatives.

10.2 Process. Amazon will give Supplier reasonable notice of each Claim for which it wants indemnity under Section 10.1. Purchaser will also give Supplier its reasonable cooperation in the defense of each Claim, at Supplier's expense. Supplier will use counsel reasonably satisfactory to Amazon to defend each Claim. Each Indemnified Party may participate in the defense at its own expense. If at any time Amazon reasonably determines that any Claim might adversely affect any Indemnified Party, then without limiting Supplier's indemnification obligations, Amazon may take control of the defense of the Claim, and in such event Amazon and its counsel will proceed diligently and in good faith with that defense while cooperating with Supplier in connection therewith. Supplier may settle any Claim in its sole discretion if the settlement requires only a payment that Supplier must and does pay under this Section 10. Otherwise, Supplier will not settle any Claim without the Indemnified Parties' prior written consent, which may not be unreasonably withheld. Supplier will see that any settlement it makes of any Claim is made confidential, except where applicable Law does not permit that. Supplier's duty to defend is independent of its duty to indemnify.

10.3 Duty to Correct. If an intellectual property infringement Claim is made or Amazon reasonably concludes that such intellectual property infringement claim may be made and in each case, Amazon reasonably believes that this may have a material impact on its use of the Products or its rights under this Agreement, and with respect to a potential claim Amazon shall have requested Supplier to provide its estimation as to the chances of such claim to be filed and accepted, Supplier will also do one of the following, at Supplier's option and Supplier's sole risk and expense for each infringing or allegedly infringing Product or Service: (a) procure Purchaser's right to continue directly and indirectly using, importing, distributing, leasing, selling, offering for sale, and otherwise disposing of it; (b) replace it with a non-infringing version; or, (c) modify it so that it becomes non-infringing. Any replacement or modification must provide equivalent performance and meet Supplier's warranties under this Agreement. If Supplier cannot accomplish (a), (b) or (c), [* * *] of the affected Product and Amazon will return the affected Products to Supplier at Supplier's cost.

10.4 Return of Infringing Products. In addition to rights under Section 10.3, Purchaser may return any Product units in its inventory that are subject to any infringement Claim covered under Section 10.1, at Supplier's sole risk and expense at Purchaser's reasonable discretion. Supplier will refund the then [* * *], and all associated shipping and insurance charges, within 30 days after their return.

10.5 Adverse Claims Notice. If the supply, use, resale, distribution, or other disposition of any Product under this Agreement is (or may reasonably be expected to be) enjoined for any reason, Supplier will give Amazon notice as far in advance as reasonably possible.

11. [* * *]**.**

11.1 [* * *].

11.2 [* * *].

11.3 [* * *].

11.4 Rights to Amazon.

(1) Supplier grants a worldwide, fully-paid, royalty-free, non-exclusive, irrevocable license to (i) Amazon (which license Amazon covenants not to exercise except [* * *], subject to subsection (2)) and (ii) Supplier's vendors and suppliers to Amazon [* * *] upon [* * *] (which license such vendors and suppliers to Amazon covenant not to exercise except on [* * *];

(A) to make and have made, use, import, demonstrate, publicly display, modify, and reproduce, the Products, Supplier Technology, and related copyright, patent, trade secret, mask work, and other Proprietary Rights;

(B) to grant sublicenses to third parties as to any or all of the rights granted to Amazon under this Section 11.4 for the sole purpose of manufacturing Products for use by Purchasers; and

(C) (solely with respect to sales and distribution by Supplier's vendors and suppliers and [* * *] to Amazon and its Affiliates, agents, and subcontractors after [* * *]) to distribute, offer to sell, and sell the Products.

The rights granted in clause (A) above may only be used to provide Products and Services to Amazon and other Purchasers and their respective Affiliates, agents, and subcontractors and to support the operation, maintenance, and use of the Products.

(2) If, following [* * *], (a) Supplier demonstrates to Amazon's reasonable satisfaction that the circumstances giving rise to [* * *] have been cured and that Supplier will fully perform under this Agreement going forward and (b) Supplier reimburses Amazon and Purchasers all of their costs associated with or resulting from [* * *], including without limitation costs (including capital costs, if applicable) to manufacture or obtain alternate products or services or otherwise utilize the Supplier Technology (and any costs to switch back to obtaining Products and services from Supplier), then Supplier may request, on [* * *], that Amazon and its suppliers and vendors stop exercising the license under this Section 11.4. For clause (b) above, Supplier may purchase any capital equipment purchased by Purchaser for the purpose of utilizing the Supplier technology as part of Supplier's reimbursement obligation. Thereafter, Amazon and its vendors and suppliers will covenant not to exercise the license except on [* * *] (however, they may continue to exercise the license as necessary to fulfill any product orders then in process).

11.5 Modifications. Supplier will be the exclusive owner of any modifications or derivative works created by or for Amazon under, or pursuant to the rights granted under, this Section 11 and Supplier grants Amazon and its Affiliates a non-exclusive, worldwide, irrevocable, royalty-free, fully paid-up license to such modifications and derivative works for the entire duration of their protection including any extension and renewal.

12. Work Product. [INTENTIONALLY DELETED – TO BE INCLUDED IN ANY SERVICES WORK ORDER].

12.1 Feedback. If Supplier or any of its Affiliates give Amazon or its Affiliates any feedback, suggestions, recommendations, or other input regarding any Amazon product, technology, or service ("**Feedback**"), then Supplier, on behalf of itself and its Affiliates, will and hereby does grant to Amazon and its Affiliates, in the most extensive way possible under applicable Laws, a worldwide, royalty-free, fully paid-up, non-exclusive, irrevocable, license (with rights to sublicense through multiple tiers of sublicensees) for the entire duration of their protection (including any extension and renewal) to: (a) to adapt, modify, and create derivative works of the Feedback; and, (b) to make, have made, use, copy, offer to sell, sell, perform, display, distribute, import, and otherwise dispose of the Feedback (and adaptations, modifications, and derivative works of the Feedback) and any product, technology, or service that incorporates, is combined or used with, or marketed for use or combination with, any Feedback.

13. Licenses.

13.1 Software License. If Supplier provides any Software to a Purchaser, including any Supplier proprietary or third party software either incorporated into a Product or provided in relation to a Product, then Supplier hereby grants Amazon and its Affiliates: a worldwide, non-exclusive, perpetual, irrevocable, transferable, royalty-free, fully paid-up license to the Proprietary Rights for the entire duration of their protection (including any extension and renewal) in connection with and in order to use the Products in accordance with this Agreement: (a) to install, use, operate, and copy the Software on any number of networked or non-networked hardware at any facility or location; (b) to use and copy any Software documentation as necessary or desirable in connection with the installation, use, and operation of the Software; (c) under any current and future patents owned or licensable by Supplier to the extent necessary: (i) to exercise any license right granted in this Section 13; and (ii) to combine the Software with any hardware and software; and, (e) to sublicense to third parties the foregoing rights, including the right to sublicense to further third parties.

13.2 Acknowledgment. For the purposes of Section 365(n) of Title 11, United States Code, all rights and licenses granted to Amazon under this Agreement will be deemed to be licenses of rights to "intellectual property" as defined under Section 101(56) of Title 11, United States Code.

13.3 Product Software. If Software is delivered under this Agreement or otherwise in connection with the Product or Services, the term "Product" or "Services", as applicable, will be deemed to include Software. Supplier agrees to correct any non-compliance of the Software as soon as possible. For clarity, "non-compliance" of Software means failure of the Software to comply with Supplier's warranties in Section 8 of the Agreement (including by way of example a failure to comply with the applicable portion of the Specifications) or a defect in the Software that causes the hardware portion of a Product become an NC Product.

14. Disaster Recovery Plan and Insurance.

14.1 Disaster Recovery Plan. Supplier will within [* * *] of the date hereof have and follow a written disaster recovery plan (the "**Disaster Recovery Plan**") to ensure the performance of Services and supply of Products to Purchaser if a Force Majeure or other similar disruption occurs. Supplier will submit a proposed Disaster Recovery Plan to Purchaser for review upon its written request.

14.2 Insurance. During the Term and regarding insurance that are "claimed made" for [* * *] afterwards, Supplier will have insurance coverage as described below. Supplier will be solely responsible for all amounts that must be paid or retained for that insurance. Supplier's insurance will include the following coverage:

Coverage Type	Minimum Coverage Limits
PUBLIC (THIRD PARTY) LIABILITY INSURANCE POLICY	$[* * *] per occurrence and general aggregate
Employers' Liability Insurance Policy	$[* * *] per occurrence and general aggregate
Fidelity Bond (or similar policy covering employee dishonesty)	$[* * *] per loss
Electronic Products and Services Errors or Omissions, and Product Liability Insurance	$[* * *] per occurrence and general aggregate

Supplier will purchase the insurance required above from an insurance company that has an excellent ability to meet its ongoing obligations to policyholders, and is not under regulatory supervision or under an order of liquidation by a court of law. The insurance company shall also have a financial size (based on their capital, surplus and conditional reserve funds) of at least $[* * *]. The insurance policies listed above must: (a) not be able to be cancelled or have coverage reduced without [* * *] notice from the Supplier to Amazon; (b) except for Fidelity Bond (or similar policy covering employee dishonesty) and Electronic Products and Services Errors or Omissions, and Product Liability Insurance, provide coverage on an occurrence basis; (c) waive any insurer right of subrogation against Amazon, its Affiliates, and their respective officers, directors, and employees except for malicious damage; (d) except for Fidelity Bond (or similar policy covering employee dishonesty) and Electronic Products and Services Errors or Omissions, and Product Liability Insurance, provide primary coverage, without any right of contribution from any other insurance that Purchasers may have; and (e) the Third Party Liability insurance shall be extended to indemnify Amazon and its Affiliates, and their respective officers, directors and employees for liability imposed on it as a result of acts and/or omissions of Supplier and liability as provided for in this Agreement, subject to a cross-liability clause according to which the insurance is deemed to have been issued separately for each of the individuals of the insured. The Third Party Liability insurance shall be extended to indemnify Amazon and its Affiliates, and their respective officers, directors and employees for liability imposed on it as a result of acts and/or omissions of Supplier and liability as provided for in this Agreement. Supplier will send Amazon certificates of insurance for the above by the Effective Date and at each later policy renewal, via email to: Amazon Risk Management at [* * *]. Nothing in this Section 14.2 or Purchaser's actions under it modifies any of Supplier's obligations under this Agreement.

15. Quality Improvement. Supplier will work with Amazon to continually improve Product quality and reliability based on agreed targets and corrective actions that are designated from time-to-time. If Supplier becomes aware of the reasonable likelihood of a decline in Product quality or reliability, Supplier will immediately notify Amazon of the potential decline and use its best efforts to prevent it.

16. Confidentiality and Public Statements. The parties' disclosures and activities in connection with this Agreement are subject to the NDA. But notwithstanding the NDA, Purchaser may continue to retain and use Confidential Information after the termination of this Agreement or the NDA to the extent necessary to service, support, maintain, and troubleshoot the Product. This Agreement's specific terms are Confidential Information. All subject to information (including a copy of this Agreement) that the Supplier may be required, in the context of a registration statement or periodic report, to file with the Securities and Exchange Commission (the "**SEC**") or otherwise under the US Securities Act of 1933, as amended, and the US Securities Exchange Act of 1934, as amended. Subject to above exclusion, provided however that Supplier shall notify Purchaser in writing of any such filing requirement and shall allow Purchaser a reasonable opportunity (but no more than 5 business days) to review and redact any document that is about to be filed if such document reveals Confidential Information included in this Agreement and provided further that upon Purchaser's request, Supplier shall take reasonable commercial efforts as shall be advised by Suppliers' legal advisors, to request confidential treatment from the SEC in connection with this Agreement, however should such request be rejected by the SEC, the Supplier shall act as shall be further required according to its legal Counsel advice in connection with such disclosure. Supplier will not use Amazon's name or marks, any Amazon Affiliate's names or marks, issue any press release or make any public statement regarding or mentioning, or otherwise disclose, this Agreement, Supplier's business relationship with Amazon or its Affiliates, any Purchaser Device, or Amazon's or any of its Affiliate's product or service roadmaps (or any information on features, functionality, or capability of any Purchaser roadmap), unless Amazon first gives its written approval. Supplier will enforce equivalent confidentiality requirements on all of its suppliers, business partners, and subcontractors that it works with and that accordingly may have knowledge of or access to any Confidential Information.

17. Term and Termination.

17.1 Term. This Agreement will be effective during the "**Term**," which means the 5-year period starting on the Effective Date (the "**Initial Term**") and all Renewal Terms, if any. Following the expiration of the Initial Term, this Agreement will automatically renew for additional [* * *] (each, a "**Renewal Term**") unless Amazon provides notice of termination at [* * *] before the expiration of the Initial Term or then current Renewal Term.

17.2 Termination by Amazon. Amazon may terminate this Agreement for cause by giving written notice to Supplier if Supplier: (a) breaches Section 16; (b) materially breaches any of this Agreement's other provisions, and does not cure that breach within [* * *] of notice from Amazon; (c) becomes insolvent or becomes the subject of any proceeding under any bankruptcy, insolvency, or liquidation Law, which is not resolved favorably to Supplier within [* * *]; (d) becomes subject to property attachment, court injunction or court order which has a material adverse effect on its operations; or (e) undergoes a Change of Control to a direct competitor of Amazon. Amazon also may terminate this Agreement without cause by giving at least [* * *] written notice to Supplier, and as stated in other parts of this Agreement.

17.3 Termination by Supplier. Supplier may terminate this Agreement by giving at least [* * *] written notice if (a) Amazon materially breaches any of this Agreement's provisions and does not cure that breach within [* * *] of notice from Supplier and such breach is of such a nature that Supplier cannot reasonably be made whole through an award of monetary damages; (b) Amazon materially breaches any of this Agreement's provisions and such breach is of such a nature that Supplier can reasonably be made whole through monetary damages and Amazon fails to pay any undisputed amount owed to Supplier in connection with such breach within [* * *] notice from Supplier, (c) Amazon becomes the subject of any proceeding under any bankruptcy, insolvency, or liquidation Law that is not resolved favorably to Amazon within [* * *], (d) if [* * *].

17.4 Effect of Termination. Upon expiration or any termination of this Agreement, Supplier will deliver to Amazon any Amazon Data in Supplier's possession or control in a format and media reasonably acceptable to Amazon and will destroy all Amazon Data in compliance with Exhibit C. If Amazon terminates this Agreement for cause, Purchaser(s) will have no obligation to Supplier other than payment of any balance due for Product units it ordered and that were shipped to Purchaser(s) before termination and accepted. If this Agreement is terminated other than by Amazon for cause, Purchaser(s)' sole liability and Supplier's exclusive remedy is payment for Product units that Purchasers accept under Purchase Orders that are outstanding as of the termination date and are not cancelled in accordance with this Agreement due to that termination. Purchaser will have no obligation to pay Supplier for any raw materials, parts, components, or work-in-process. Supplier will deliver to Purchaser all Product units that Purchaser has paid for. Also, upon termination Purchaser may place a final Purchase Order. For clarity, [* * *]. Notwithstanding anything to the contrary in this Section 17.4, Purchaser will be required to pay for fulfilled and accepted Purchase Orders and Wind Down Period Purchase Orders in accordance with the process in Section 7.1.

17.5 Survival. Sections 1.3 (with the exception of the last sentence of such section), 8, 10, 11 ([* * *]), 12, 13.1, 13.2, 14.2, 16, 17.4, 17.5, and 18 through 20 and the related Schedules and Exhibits will survive the expiration or termination (for any reason) of this Agreement. In addition, (a) Sections 1 through 7 , and 11, will survive for the duration of the Wind Down Period with respect to the purchase of all Products other than printer Products, (b) the terms of this Agreement will survive and apply to any Work Orders or addendum outstanding as of the effective date of termination or expiration, and (c) Section 9 will survive for the applicable Warranty Period for any Product.

18. Exclusion of Certain Damages.

EXCEPT FOR LOSSES, DAMAGES OR LIABILITIES (i) ARISING UNDER SUPPLIER'S INDEMNIFICATION OBLIGATIONS PURSUANT TO THIS AGREEMENT, (ii) TO THE EXTENT ARISING OUT OF ANY BREACH OF THE NDA OR THE CONFIDENTIALITY OBLIGATIONS UNDER THIS AGREEMENT BY SUPPLIER OR ITS PERSONNEL, OR (iii) DUE TO A PARTY'S GROSS NEGLIGENCE OR WILLFUL, FRAUDULENT OR CRIMINAL MISCONDUCT (COLLECTIVELY, "**EXCLUDED LIABILITIES**"), NEITHER PARTY WILL BE LIABLE UNDER ANY CIRCUMSTANCES FOR ANY LOST PROFITS OR INDIRECT, INCIDENTAL, CONSEQUENTIAL OR SPECIAL DAMAGES, EVEN IF IT HAS NOTICE OF THAT THOSE KINDS OF DAMAGES MAY OCCUR.

IN ADDITION, EXCEPT FOR EXCLUDED LIABILITIES, NEITHER PARTY'S AGGREGATE LIABILITY TO THE OTHER (AND THEIR RESPECTIVE AFFILIATES) RELATED TO OR IN CONNECTION WITH THIS AGREEMENT SHALL EXCEED [* * *].

19. Miscellaneous.

19.1 Communications. Supplier will use communication systems that Amazon reasonably requires to implement this Agreement (e.g., to receive and communicate about Forecasts and Purchase Orders, shipments, deliveries, returns, etc.). For the purposes of the Electronic Commerce Act 2000, the parties consent to the use of electronic communications and electronic signatures, for all purposes under this Agreement, subject to the notice requirements in this Agreement.

19.2 Language; Interpretation; Currency. This Agreement is executed in English only. Any translation of this Agreement into another language will be for reference only and without legal effect. The parties have fully negotiated this Agreement, and it will be interpreted according to the plain meaning of its terms without any presumption that it should be construed either for or against either party. Unless otherwise expressly stated, when used in this Agreement "include," "includes," and "including" are not exclusive or limiting; "Section" refers to this Agreement's provisions; each "and" or "or" means "and" and "or"; "days" refers to consecutive calendar days including Saturdays, Sundays and holidays; "dollars" and the symbol "$" refer to United States dollars and the symbol "€" refer to Euros; and "Exhibit" refers to the Exhibits attached to this Agreement. Section headings in this Agreement are for ease of reference only.

19.3 Severability. If any court of competent jurisdiction finds any part of this Agreement to be invalid or unenforceable, then that part will be deemed modified to the extent necessary in order to render it valid and enforceable. If it cannot be so saved, it will be severed, and the remaining parts will remain in full force and effect.

19.4 Governing Law; Venue. This Agreement is governed by the substantive laws of the State of Washington, excluding its conflicts of law provisions. The United Nations Convention on Contracts for the International Sale of Goods will not apply to this Agreement. Any dispute arising under, in connection with, or incident to this Agreement or about its interpretation will be resolved exclusively in the state or federal courts located in King County, Washington. Supplier irrevocably submits to those courts' venue and jurisdiction. Supplier waives all defenses of lack of personal jurisdiction and forum non-conveniens.

19.5 Continuing to Perform. During a dispute or notice or cure period in connection with this Agreement: (a) Supplier will continue to fulfill all its obligations under this Agreement, including all Product and Service delivery obligations, unless directed otherwise by Amazon in writing; and, (b) Purchaser will continue to pay correct and undisputed invoices for amounts payable by it under this Agreement. Supplier's breach of this Section 19.5 will be an incurable, material breach of this Agreement.

19.6 Rights and Remedies Not Exclusive. All rights and remedies under this Agreement are not exclusive. The exercise of a right or remedy will not exclude or waive other rights or remedies under this Agreement, at law, or in equity.

19.7 Injunctive Relief. Parties acknowledge that any material breach of Section 16 would cause irreparable harm for which the non-breaching party has no adequate remedies at law. Accordingly, each party is entitled to specific performance or injunctive relief for any such breach without any requirement for posting any bond or undertaking in connection therewith. In addition, Supplier further acknowledges that any material breach of Section 10, 11, 19.15, or 19.16 by Supplier would cause Purchaser irreparable harm for which Purchaser has no adequate remedies at law. Accordingly, Purchaser is entitled to specific performance or injunctive relief for any such breach without any requirement for posting any bond or undertaking in connection therewith.

19.8 Assignment. Supplier may not assign this Agreement, by contract or operation of law, including by way of a Change of Control transaction, without Amazon's prior written consent. If Amazon does not consent to an Assignment of this Agreement pursuant to a Change of Control transaction, Supplier may terminate the Agreement with [* * *] prior notice.

19.9 Modification; Waiver. This Agreement may not be modified except by a written agreement dated after the Effective Date and signed in a non-electronic form by the party against which it is to be enforced. A waiver of one breach under this Agreement is not a waiver of any other breach. No waiver will be effective unless signed in a non-electronic form by the waiving party.

19.10 Independent Contractors. The parties are independent contractors, and nothing in this Agreement creates an employer-employee relationship, a partnership, joint venture, or other relationship between the parties. Neither party has authority to assume or create obligations of any kind on the other's behalf. Supplier has exclusive control over its personnel and over its labor and employee relations and its policies relating to wages, hours, working conditions and other employment conditions. Supplier has the exclusive right to hire, transfer, suspend, lay-off, recall, promote, discipline, discharge, and adjust grievances with its personnel. Supplier is solely responsible for all salaries and other compensation of its personnel who provide Services and for making all deductions and withholdings from its employees' salaries and other compensation and paying all contributions, taxes, and assessments. Supplier's personnel are not eligible to participate in any employment benefit plans or other benefits available to Amazon employees. Supplier has no authority to bind Amazon to any agreement or obligation. Supplier will be solely responsible for all theft, damage, and misconduct related to its personnel.

19.11 Employment Law. Supplier will fully observe and comply with the provisions of all applicable employment legislation and regulations applicable to its performance under this Agreement, including the possible mandatory minimum wage requirements under applicable employment Laws, any mandatory collective labor law requirements of applicable employment Laws, and any other mandatory provisions of applicable employment Laws (e.g. maximum working time requirements, minimum paid holiday requirements, etc.) or any applicable code of practice (collectively "**Employment Law**"). Supplier will obtain all consents and keep all records which the Supplier is required to obtain and keep in respect of its personnel under Employment Law ("**Employment Documentation**"). Supplier will keep proper wage books and time sheets as required under Employment Law showing the wages paid and the time worked by its personnel in and about the performance of this Agreement. In addition, Supplier will retain copies of all wages slips or other statements of wages paid issued to any employees, and all wages books, time sheets, wage slips, statements of wages, and other Employment Documentation (if any) in relation to Supplier's compliance with Employment Law for at least three years after the Term, unless required to retain for a longer period under Employment Law. Supplier will produce these documents on demand for inspection and copying by Amazon or any person authorized by Amazon.

19.12 Transfer Regulations. The parties believe that the European Communities transfer of undertaking rules (in particular Council Directive 2001/13/EC on the approximation of the Laws of the Member States relating to the safeguarding of employees' rights in the event of transfers of undertakings, businesses, or parts of undertakings or businesses) or the transfer of undertakings provisions of any applicable employment Laws ("**Transfer Regulations**") will not apply to this Agreement either at its commencement, assignment, termination, or expiry. However, in the event that the Transfer Regulations are held to apply to this Agreement, either at its commencement, assignment termination, or expiry, the Supplier will comply in full with its obligations under the Transfer Regulations. The Supplier agrees to indemnify Amazon on demand against all proceedings, actions, costs (including legal costs), charges, claims, expenses, damages, liabilities, losses, and demands incurred by Amazon: (i) in relation to any failure of the Supplier to comply with its obligations under the Transfer Regulations; (ii) in relation to any failure of the Supplier to comply with its obligations under this Section 19.12; and, (iii) in relation to a claim made by persons who are (or are deemed to be) employees of the Supplier at the time of commencement, assignment, termination, or expiry (howsoever arising) of this Agreement (in whole or in part), claim or are held to be employees of Amazon or any other person to whom Amazon may, following the assignment, termination, or expiry of this Agreement, grant a similar contract, where the claim arises by reason of the application of the Transfer Regulations or alleged application of the Transfer Regulations. The Supplier acknowledges that Amazon has relied on the obligations assumed by the Supplier in this Section 19.12 in deciding to enter into this Agreement. Any reference in this Section 19.12 to this Agreement will, where the context permits, include reference to any Work Order.

19.13 Records, Audits, Inspections. Supplier will maintain accurate and up-to-date written records in the normal course of its business, including records about Supplier's performance under this Agreement (including quality programs and test documentation). Supplier will keep those records for at least 5 years from the date of the events being documented. Amazon or its agents (including without limitation, accountants, lawyers, or other specialists) may inspect Supplier's manufacturing facilities and processes for the Products, and access and copy Supplier's records in order to audit and verify Supplier's compliance with this Agreement. The audit will be conducted on prior written notice at the expense of Amazon and will be performed during Supplier's normal business hours. If the audit reveals a breach of this Agreement, then, without limiting Amazon's other rights and remedies, Supplier will promptly reimburse Amazon for the costs associated with the audit. In addition, at Amazon's request, Supplier will certify in writing to Amazon that it is in compliance with this Agreement.

19.14 Taxes. Each party will be responsible, as required under applicable Law, for identifying and paying all taxes and other governmental fees and charges (and any penalties, interest, and other additions thereto) that are imposed on that party upon or with respect to the transactions and payments under this Agreement. Supplier may charge and Amazon will pay applicable federal, national, state, or local sales or use taxes or value added taxes that Supplier is legally obligated to charge ("**Taxes**"), as long as the Taxes are stated on the original invoice that Supplier provides to Amazon and Supplier's invoices state the Taxes separately and meet the appropriate tax requirements of applicable Laws for a valid tax invoice. Amazon may provide Supplier with an exemption certificate acceptable to the relevant taxing authority, in which case, Supplier will not collect the Taxes covered by that certificate. Amazon may deduct or withhold any taxes that Amazon may be legally obligated to withhold from any amounts payable to Supplier under this Agreement, and payment to Supplier as reduced by these deductions or withholdings will constitute full payment and settlement to Supplier of amounts payable under this Agreement. Supplier may provide Amazon with an exemption certificate acceptable to the relevant taxing authority, in which case Amazon will not collect the Taxes covered by that certificate. Throughout the Term, Supplier will provide Amazon with any forms, documents, or certifications as may be required for Amazon to satisfy any information reporting or withholding tax obligations with respect to any payments under this Agreement.

19.15 Amazon Data. Amazon Data is Amazon's Confidential Information. Amazon owns and reserves all right, title, and interested in and to the Amazon Data, including any Intellectual Property Rights in the Amazon Data. Except as expressly set forth in the Agreement, Supplier has no right to use or disclose any Amazon Data, and no right, title, or interest in the Amazon Data is transferred to Supplier. Supplier may collect, use, store and retain only the Amazon Data that is expressly authorized under the applicable Purchase Order, and then may only collect, use, store and retain that Amazon Data solely as necessary for Supplier to provide the Products or perform the Services in accordance with this Agreement and that Purchase Order. Supplier (including its Affiliates and their Personnel) will not otherwise collect, monitor, use or retain any Data related to Amazon or its Affiliates. Supplier will not collect Amazon Data by means other than those authorized in this Agreement and the applicable Purchase Order, or as otherwise agreed in writing through an amendment to this Agreement or the applicable Purchase Order. Supplier will at no time monitor, collect, use or store any personally identifiable information other than on behalf of, and as directed by, Amazon. Without limiting any other rights or remedies that may be available to Amazon, Amazon may terminate this Agreement and any Purchase Orders immediately upon written notice to Supplier if Supplier breaches any of the provisions set forth in this Section 19.15. Within 30 days of Amazon's request, Supplier will deliver to Amazon any Amazon Data in Supplier's possession or control in a format and media reasonably acceptable to Amazon and (if requested by Amazon) will destroy all Amazon Data in compliance with Exhibit C.

19.16 Information Security. Supplier will comply in all respects with the Information Security Requirements, as updated from time to time ("**InfoSec Policy**"), the current version of which is attached to this Agreement as Exhibit C. In addition, Supplier will implement and maintain appropriate security measures in order to restrict access to Amazon Data to solely Supplier personnel that are performing Services for Amazon under the applicable Purchase Order. Supplier will immediately notify Amazon of any security breach relating to the Products or Services that may involve Amazon Data or any other Amazon Confidential Information.

19.17 No Obligation. Purchaser has no obligation to purchase any Product or Services. Nothing in this Agreement restricts Amazon's and its Affiliates' ability to directly and indirectly acquire, license, develop, manufacture, or distribute similar products with the same or similar functions as the Product or to perform services similar to the Services. Without limiting the foregoing, nothing in this Agreement will be construed as creating a requirements contract.

19.18 OFCCP Flow Down. To the extent applicable to Supplier for sales under this Agreement to Amazon or Amazon Affiliates in the U.S.:

> **As applicable, this contractor and subcontractor will abide by the requirements of 41 CFR §§ 60-1.4(a), 60-300.5(a) and 60-741.5(a). These regulations prohibit discrimination against qualified individuals based on their status as protected veterans or individuals with disabilities, and prohibit discrimination against all individuals based on their race, color, religion, sex, or national origin. Moreover, these regulations require that covered prime contractors and subcontractors take affirmative action to employ and advance in employment individuals without regard to race, color, religion, sex, national origin, protected veteran status, or disability.**

19.19 Entire Agreement. This Agreement, the Purchase Orders and Work Orders, together with all associated addendum, exhibits, and schedules, which are incorporated by this reference, and NDA, constitute the complete and final agreement of the parties pertaining to the Products and Services and supersede the parties' related prior agreements, understandings, and discussions. To the extent that there is any conflict between the Standard Terms and an Addendum or other Exhibit, the Addendum or other Exhibit will control (in each case with the understanding that silence as to any given topic in any document does not create a conflict with terms expressly addressing that topic in another document). This Agreement and any Work Orders and addenda to this Agreement may be executed by facsimile and in counterparts, each of which (including signature pages) will be deemed an original, but all of which together will constitute one and the same instrument. The parties may use standard business forms or other communications, but use of these forms is for convenience only and does not alter the provisions of this Agreement. *NEITHER PARTY WILL BE BOUND BY, AND EACH SPECIFICALLY OBJECTS TO, ANY PROVISION THAT IS DIFFERENT FROM OR IN ADDITION TO THIS AGREEMENT (WHETHER PROFFERED VERBALLY OR IN ANY QUOTATION, INVOICE, SHIPPING DOCUMENT, ACCEPTANCE, CONFIRMATION, CORRESPONDENCE, PROPOSAL, OR OTHERWISE), UNLESS THAT PROVISION IS SPECIFICALLY AGREED TO IN A WRITING SIGNED BY BOTH PARTIES.*

20. Definitions. For this Agreement, the following capitalized terms have the meanings listed here:

20.1 "**Affiliate**" means an entity that a party directly or indirectly controls, is controlled by, or is under common control with. As used in this definition, "control" means the possession, directly or indirectly, of the power to direct, the management or policies of a corporation, firm, business trust, joint venture, association, organization, company, partnership, or other business entity, whether through the ownership of voting securities, by contract, or otherwise.

20.2 "**Amazon Data**" means all Data (a) collected, received, stored or maintained by the Supplier in connection with all Purchaser use of the Products or Supplier's performance of its obligations under this Agreement (including Data collected by or associated with any cookies), (b) provided by Amazon to Supplier, or (c) derived from (a) or (b).

20.3 [* * *].

20.4 "**Change of Control**" means: (a) Control of a party is acquired by a single transaction or a series of related transactions by an entity which is not an Affiliate of that party (a "**Non-Affiliated Entity**"); or (b) all or a substantial part of the business or assets of a party are sold or transferred to any Non-Affiliated Entity by way of a single transaction or series of related transactions.

20.5 "**Confidential Information**" has the meaning given it in the NDA.

20.6 "**Control**" means the possession, directly or indirectly, of the power to direct, or cause the direction of, the management or policies of a corporation, firm, business trust, joint venture, association, organization, company, partnership or other business entity, whether through the ownership of voting securities (or other ownership interest), by contract or otherwise.

20.7 "**Data**" means any data, records, files, content or information, in any form or format, including interim, processed, compiled, summarized, or derivative versions of this data, content or information.

20.8 "**Delivery Date**" means the delivery date according to agreed upon Incoterms, for Product or start date for Services stated in a Purchase Order, Work Order or addendum, if the Delivery Date is rescheduled as permitted under Section 5.1 or by other written agreement of the parties, then it means the rescheduled Delivery Date.

20.9 "Documentation" means all documentation relating to the Products, including all user manuals, operating manuals and other instructions, specifications, documents and materials, in any form or media, that describe any component, feature, requirement or other aspect of the Products, including their functionality, testing, operation or use.

20.10 [* * *].

20.11 [* * *].

20.12 [* * *].

20.13 "**Force Majeure**" means an act of God, war, civil insurrection, material damage to, or destruction of Supplier's facility, the effects of which could not been avoided by Supplier's commercially reasonable efforts and could not have been avoided or corrected through the exercise of reasonable diligence.

20.14 "**Forecast**" means each Purchaser forecast, if any, of estimated Product quantities and delivery dates.

20.15 "**Hazard**" means any danger of bodily injury or property damage.

20.16 "**Ink**" means ink that conforms to the Specifications and properly functions in the printer Products purchased by Purchaser without modification of the printer Products or any degradation in their performance.

20.17 [* * *]

20.18 "**Law**" or "**Laws**" means all laws, ordinances, regulations, rules, orders, and other requirements (including requirements for licenses, permits, certifications and approvals) of governmental authorities having jurisdiction.

20.19 "**Maintenance Services**" means those services described in Exhibit D.

20.20 "**Market Value**" means (a) for a printer Product, the applicable purchase price paid by Purchaser [* * *] and (b) for any other Product, the applicable purchase price paid by Purchaser.

20.21 "**NDA**" means the Mutual Nondisclosure Agreement between the parties identified on the signature pages above.

20.22 "**Non-Conforming Product**" or "**NC Product**" means a Product unit that: (a) does not conform to the Specifications; or, (b) does not comply with all of Supplier's warranties in this Agreement as set forth in Section 8.

20.23 "**Pre-Existing Work**" means inventions or developments made by Supplier prior to or separate of an Amazon Owned Work Product that are used in or included in the Amazon Owned Work Product.

20.24 "**Product**" means (i) each product listed on Schedule 1, (ii) any other Supplier product purchased by Purchaser under this Agreement, or printer Products purchased by Amazon or its affiliates prior to the Effective Date, and (iii) parts and consumables for the products in clause (i) and (ii) above, in each case, including any Software, whether imbedded in the Product or provided separately.

20.25 "**Proprietary Rights**" means any and all existing or future trademarks, trade secrets, copyrights, patents, mask works rights, neighboring rights, and any other intellectual property or proprietary rights whether registered or unregistered.

20.26 "**Purchase Order**" means each written order for the Product that Purchaser submits under this Agreement.

20.27 "**Purchaser**" means Amazon, an Amazon Affiliate, or any [* * *] (including its Affiliates) that purchases under this Agreement.

20.28 "**Purchaser Device**" means any Amazon device or equipment or component of the device or equipment.

20.29 "**Rules**" means all Amazon rules, regulations, policies, procedures, and guidelines, including background checks, safety, health, environmental, and hazardous material management rules, rules prohibiting misconduct, use of physical aggression against persons or property, harassment, or theft that are applicable to third parties accessing an Amazon site.

20.30 "**Software**" means any software and firmware contained within or supplied with or for use with the Product (examples of the latter include drivers) or Services, and all future versions and generations of that software and firmware.

20.31 "**Source Code**" means the human-readable language form of the software code that comprises (in object code form) the Software, as the software code was prepared and written by the software engineer(s) who developed the applicable Software, together with any build tools (e.g., compilers, linkers and other related tools), compile/link scripts, logic diagrams, program comments, installation scripts and other documentation and tools necessary for an ordinarily skilled software engineer to understand and be able to address errors in or create ports, updates, or other modifications to the software code, or to recompile the same into fully functioning object code of the applicable Software.

20.32 "**Specifications**" means any Supplier specifications attached as Schedule 2 or Documentation and any other materials agreed by the parties.

20.33 "**Supplier**" means the Supplier and each of its Affiliates that (i) Supplier utilizes to provide Products or Services under this Agreement, or (ii) accept Purchase Orders or Work Orders from a Purchaser for Amazon.

20.34 "**Supplier Intellectual Property**" is defined in Section 1.3.

20.35 "**Supplier Technology**" means all information, including fabrication drawings for all proprietary mechanical parts, formulas, manufacturing processes, bills of material, inventions, works of authorship, Source Code, object code, mask works, test procedures, test specifications, design specifications, schematics, assembly drawings, artwork, and any other information that would be useful to Amazon to modify, manufacture, develop, distribute, support, or maintain the Products, or any of them, which information is now in Supplier's possession or which during the Term comes into Supplier's possession. Without limiting the foregoing, Supplier Technology includes, for all Products to the extent essential for Amazon to modify (for the purpose of ensuring that the Products function correctly), manufacture, develop (for the purpose of ensuring that the Products function correctly), distribute, produce, support or maintain the Products: (a) all tooling details and procedures; (b) names, contact information, and reasonable detail regarding what each vendor does, for all vendors providing parts or services related to the manufacture, assembly, distribution, maintenance, and support of the Products; (c) all CAD and other electronic files related to production of the Products; (d) floor planning, layout, pad design, stack-up, and all relevant process information to manufacture and assemble the Products; (e) mask design files, design specifications to wafer vendor, packaging specifications, and other accompanying data for any proprietary chip production, dicing, testing, encapsulation, and bring-up; (f) all engineering specifications and detail, including all electronic files and formulas, necessary to manufacture all varieties of Ink (including without limitation, all Ink Technology) and all other consumables that Supplier makes available for the Products; and (g) all manuals, processes, and other information (including knowledge bases) necessary to provide support and maintenance for the Products.

20.36 "**Term**" is defined in Section 17.1.

20.37 "**Work Order**" means a written document signed by Supplier and Amazon or an Amazon Affiliate describing the terms and conditions for the performance of the covered Services.

20.38 "**Work Product**" means anything that Supplier is required to deliver to Amazon or an Amazon Affiliate (or to an [* * *] on behalf of Amazon) in connection with the Services or Products provided under this Agreement, including concepts, prototypes, works, inventions, information, drawings, designs, programs, or software (whether developed by Supplier, Supplier Affiliates or Supplier´s subcontractors or any of their personnel, either alone or with others, and whether completed or in-progress).

EXHIBIT B

[* * *]

EXHIBIT C

INFORMATION SECURITY REQUIREMENTS

1. SCOPE; DEFINITIONS

1.1. Security Policy. Supplier will comply in all respects with Amazon's information security requirements set forth in this Exhibit C (the "**Security Policy**"). The Security Policy applies to Supplier's performance under the Agreement and all access, collection, use, storage, transmission, disclosure, destruction or deletion of, and security incidents regarding, Amazon Information. This Security Policy does not limit other obligations of Supplier, including under the Agreement or Laws that apply to Supplier, Supplier's performance under the Agreement, the Amazon Information or the Permitted Purpose. To the extent this Security Policy directly conflicts with the Agreement, Supplier will promptly notify Amazon of the conflict and will comply with the requirement that is more restrictive and more protective of Amazon Information (which may be designated by Amazon). Amazon may change this Security Policy from time to time at its sole discretion upon providing written notice to Supplier.

1.2. Permitted Purpose. Supplier may access, collect, use, store, and transmit only the Amazon Information expressly authorized under the Agreement and solely for the purpose of providing the services under the Agreement, consistent with the licenses (if any) granted under the Agreement (the "**Permitted Purpose**"). Except as expressly authorized under the Agreement, Supplier will not access, collect, use, store or transmit any Amazon Information and will not Aggregate Amazon Information, even if Anonymized. Except with Amazon's prior express written consent, Supplier will not (1) transfer, rent, barter, trade, sell, rent, loan, lease or otherwise distribute or make available to any third party any Amazon Information or (2) Aggregate Amazon Information with any other information or data, even if Anonymized.

1.3. Definitions.

1.3.1. "**Aggregate**" means to combine or store Amazon Information with any data or information of Supplier or any third party.

1.3.2. "**Anonymize**" means to use, collect, store, transmit or transform any data or information (including Amazon Information) in a manner or form that does not identify, permit identification of, and is not otherwise attributable to any user, device identifier, source, product, service, context, brand, or Amazon or its affiliates.

1.3.3. "**Amazon Information**" means, individually and collectively: (a) all Amazon Confidential Information (as defined in the Agreement or in the nondisclosure agreement between the Parties); (b) all other data, records, files, content or information, in any form or format, acquired, accessed, collected, received, stored or maintained by Supplier or its affiliates from or on behalf of Amazon or its affiliates, or otherwise in connection with the Agreement, the services, or the Parties' performance of or exercise of rights under or in connection with the Agreement (including Amazon Data); and (c) derived from (a) or (b), even if Anonymized.

2. AMAZON SECURITY POLICY.

2.1. Basic Security Requirements. Supplier will, consistent with current best industry standards and such other requirements specified by Amazon based on the classification and sensitivity of Amazon Information, maintain physical, administrative and technical safeguards and other security measures (i) to maintain the security and confidentiality of Amazon Information accessed, collected, used, stored or transmitted by Supplier, (ii) to protect that information from known or reasonably anticipated threats or hazards to its security and integrity, accidental loss, alteration, disclosure and all other unlawful forms of processing, and (iii) that do not constitute unfair, deceptive or abusive acts or practices with respect to Amazon Information. Without limitation, Supplier will comply with the following requirements:

2.1.1. Firewall. Supplier will install and maintain a working network firewall to protect data accessible via the Internet and will keep all Amazon Information protected by the firewall at all times. The firewall must provide both ingress and egress filtering, and have a default policy of blocking network traffic.

2.1.2. Updates. Supplier will keep its systems and software up-to-date with the latest upgrades, updates, bug fixes, new versions and other modifications necessary to ensure security of the Amazon Information.

2.1.3. Anti-virus. Supplier will at all times use best of breed anti-virus software and scanning technologies, and regularly updated signature files, to ensure that all operating systems, software and other systems hosting, storing, processing, or that have access to Amazon Information and are known to be susceptible or vulnerable to being infected by or further propagating viruses, spyware and malicious code, are and remain free from such viruses, spyware and malicious code. Supplier will mitigate threats from all viruses, spyware, and other malicious code that are or should reasonably have been detected.

2.1.4. Supplier Policy. Supplier will maintain and enforce an information and network security policy for employees, subcontractors, agents, and suppliers that meets the standards set out in this policy, including methods to detect and log policy violations. Upon request by Amazon, Supplier will provide Amazon with information on violations of Supplier's information and network security policy, even if it does not constitute a Security Incident.

2.1.5. Testing. Supplier will regularly test its security systems and processes to ensure they meet the requirements of this Security Policy.

2.1.6. Access Controls. Supplier will secure Amazon Information, including by complying with the following requirements:

(A) Supplier will assign a unique ID to each person with computer access to Amazon Information.

(B) Supplier will restrict access to Amazon Information to only those people with a "need-to-know" for a Permitted Purpose.

(C) Supplier will regularly review the list of people and services with access to Amazon Information, and remove accounts that no longer require access. This review must be performed at least once every 180 days.

(D) Supplier will not use manufacturer-supplied defaults for system passwords and other security parameters on any operating systems, software or other systems. Supplier will mandate and ensure the use of system-enforced "strong passwords" in accordance with the best practices (described below) on all systems hosting, storing, processing, or that have or control access to, Amazon Information (e.g., internal system-level account passwords) and will require that all passwords and access credentials are kept confidential (e.g., not shared amongst personnel). Passwords must EITHER:

i. [* * *], OR

ii. Meet the following criteria:

a. [* * *];

b. [* * *].

c. do not match previous passwords, the user's login, a dictionary word or common name; and

d. are regularly replaced after no more than [* * *].

(E) Supplier will maintain and enforce "account lockout" by disabling accounts with access to Amazon Information when an account exceeds more than 10 consecutive incorrect password attempts.

(F) Supplier will track all access to Amazon Information by unique ID and will maintain a secure record of that access for at least the trailing 90 days, or such longer period specified by Amazon based on the classification and sensitivity of the Amazon Information.

(G) Except where expressly authorized by Amazon in writing, Supplier will isolate Amazon Information at all times (including in storage, processing or transmission), from Supplier's and any third party information.

(H) If additional physical access controls are specified in an Order based on the classification and sensitivity of Amazon Information, Supplier will implement and use those secure physical access control measures.

(I) Supplier will provide to Amazon, on an annual basis or more frequently upon Amazon's request, (1) log data about all use (both authorized and unauthorized) of Amazon's accounts or credentials provided to Supplier for use on behalf of Amazon (e.g., social medial account credentials), and (2) detailed log data about any impersonation of, or attempt to impersonate, Amazon personnel or Supplier personnel with access to Amazon Information.

(J) Supplier will regularly review access logs for signs of malicious behavior or unauthorized access.

2.1.7. [* * *].

2.1.8. "In Bulk" Access. Except where expressly authorized by Amazon in writing, Supplier will not access, and will not permit access to, Amazon Information "in bulk" whether the Amazon Information is in an Amazon- or Supplier-controlled database or stored in any other method, including storage in file-based archives (e.g., flatfiles), etc. For purposes of this section, "in bulk" access means accessing data by means of database query, report generation or any other mass transfer of data. Specifically, this section prohibits any access to Amazon Information except for access to individual records as needed for the Permitted Purpose. Supplier will preserve detailed log data on attempted or successful "in bulk" access to Amazon Information, and provide reports from these logs as part of its obligations under Section 2.6 (Security Review). In the event that an Order provides Amazon's written authorization for access to Amazon Information "in bulk", Supplier will (1) limit such access to specified employees and specific roles with the "need to know", and (2) use tools that limit access and require explicit authorization and logging of all access.

2.1.9. Supplier Personnel. Amazon may condition access to Amazon Information by Supplier personnel on (i) Amazon's pre-approval of the authorized Supplier personnel and (ii) Supplier personnel's execution and delivery to Amazon of individual nondisclosure agreements, the form of which is specified by Amazon. If Amazon informs Supplier that these restrictions apply to particular Amazon Information, Supplier will (a) immediately restrict access to that Amazon Information and all related information to only those Supplier personnel that satisfy the conditions imposed by Amazon, (b) if required by Amazon, obtain and deliver to Amazon signed individual nondisclosure agreements from Supplier personnel that will have access to the Amazon Information (prior to granting access or providing information to the Supplier personnel), (c) maintain a list of all Supplier personnel who have accessed or received the Amazon Information and promptly provide that list to Amazon upon request, and (d) notify Amazon no later than 24 hours after any specific individual Supplier personnel authorized to access Amazon Information in accordance with this section: (y) no longer needs access to Amazon Information or (z) no longer qualifies as Supplier personnel (e.g., the personnel leaves Supplier's employment).

2.2. Access to Amazon Extranet and Supplier Portals. Amazon may grant Supplier access to Amazon Information via web portals or other non-public websites or extranet services on Amazon's or a third party's website or system (each, an "**Extranet**") for the Permitted Purpose. If Amazon permits Supplier to access any Amazon Information using an Extranet, Supplier must comply with the following requirements:

2.2.1. Permitted Purpose. Supplier and its personnel will access the Extranet and access, collect, use, view, retrieve, download or store Amazon Information from the Extranet solely for the Permitted Purpose.

2.2.2. Accounts. Supplier will ensure that Supplier personnel use only the Extranet account(s) designated for each individual by Amazon and will require Supplier personnel to keep their access credentials confidential. .

2.2.3. Systems. Supplier will access the Extranet only through computing or processing systems or applications running operating systems managed by Supplier and that include: (i) system network firewalls in accordance with Section 2.1 (Firewall); (ii) centralized patch management in compliance with Section 2.1.1 (Updates); (iii) operating system appropriate anti-virus software in accordance with Section 2.1.3 (Supplier Policy); and (iv) for portable devices, full disk encryption in accordance with Section 2.2.5 (Data Transmission).

2.2.4. Restrictions. Except if approved in advance in writing by Amazon, Supplier will not download, mirror or permanently store any Amazon Information from any Extranet on any medium, including any machines, devices or servers,.

2.2.5. Account Termination. Supplier will terminate the account of each of Supplier's personnel and notify Amazon no later than 24 hours after any specific Supplier personnel who has been authorized to access any Extranet (a) no longer needs access to Amazon Information or (b) no longer qualifies as Supplier personnel (e.g., the personnel leaves Supplier's employment).

2.3. Data Transmission. Supplier will comply with Amazon's standards for protecting the confidentiality and integrity of all transmissions of Amazon Information, including the requirements set forth below. Supplier acknowledges and agrees that Amazon's choice of encryption mechanisms may depend on a number of factors such as technical capability, transaction volume, latency requirements, and availability requirements.

2.3.1. Encryption. If Supplier transmits Amazon Information, it must transmit all Amazon Information using an Amazon-approved mechanism for data transmission, which include the following (and may include other methods as specified by Amazon):

(A) Accepted Encryption Algorithms.

i. [* * *]

ii. [* * *]

iii. [* * *].

(B) Accepted Transport encryption methods

i. Common Internet protocols (e.g., AS2, HTTP, XML/HTTP) over TLS 1.2 or greater, with certificate-based authentication

ii. Digitally signed and encrypted PGP (Pretty Good Privacy) or GPG (Gnu Privacy Guard) or S/MIME (Secure MIME) or XML-ENC messages over any transport

iii. IPSec connections, using suites "VPN-B", "Suite-B-GCM-128" or "Suite-B-GCM-256"

iv. SFTP or SSH connections, using 128-bit (or stronger) symmetric encryption and host key verification.

2.3.2. Verification. For all message-based encryption schemes employing digital signatures (including PGP and S/MIME), Supplier will verify the digital signature of the message and reject all messages with invalid signatures.

2.3.3. Confidentiality. For all encryption schemes employing public key cryptography, Supplier will ensure the confidentiality of the private component of the public-private key pair and will promptly notify Amazon if the private key is compromised. Encryption keys must not be shared with Third Party Providers or any other third parties.

2.3.4. Third Party Systems. Without limitation, Supplier will only use the methods approved in Section 2.3 (Encryption) to encrypt files or backups that include any Amazon Information before storing such information in any third party systems, networks or other storage devices (including "cloud" services or public utility file storage services) ("**Third Party System**").

(A) Supplier will give Amazon prior notice and obtain Amazon's prior written approval before it uses any Third Party System that stores or may otherwise have access to Amazon Information, unless a) the data is encrypted in accordance with this Security Policy, and b) the Third Party System will not have access to the decryption key or unencrypted "plain text" versions of the data. Amazon reserves the right to require an Amazon security review (in accordance with Section 2.5 (Security Review)) of the Third Party System before giving approval.

(B) If Supplier uses any Third Party Systems that store or otherwise may access unencrypted Amazon Information, Supplier must perform a security review of the Third Party Systems and their security controls and will provide Amazon periodic reporting about the Third Party System's security controls in the format requested by Amazon (e.g., SASE70 or its successor report), or other recognized industry-standard report approved by Amazon).

2.4. Data Retention and Destruction.

2.4.1. Retention. Supplier will retain Amazon Information only for the purpose of, and as long as is necessary for, the Permitted Purpose.

2.4.2. Return or Deletion. Supplier will promptly (but within no more than 72 hours after Amazon's request) return to Amazon and permanently and securely delete all Amazon Information upon and in accordance with Amazon's notice requiring return and/or deletion. Also, Supplier will permanently and securely delete all live (online or network accessible) instances of the Amazon Information within 90 days after the earlier of completion of the Permitted Purpose or termination or expiration of the Agreement.

2.4.3. Archival Copies. If Supplier is required by Law to retain archival copies of Amazon Information for tax or similar regulatory purposes, this archived Amazon Information must be stored in one of the following ways:

(A) As a "cold" or offline (i.e., not available for immediate or interactive use) backup stored in a physically secure facility; or

(B) Encrypted in accordance with Section 2.2.5 (Data Transmission), where the system hosting or storing the encrypted file(s) does not have access to a copy of the key(s) used for encryption.

2.4.4. Recovery. If Supplier performs a "recovery" (i.e., reverting to a backup) for the purpose of disaster recovery, Supplier will have and maintain a process that ensures that all Amazon Information that is required to be deleted pursuant to the Agreement or this Security Policy will be re-deleted or overwritten from the recovered data in accordance with this Section 2.4 within 24 hours after recovery occurs. If Supplier performs a recovery for any purpose, no Amazon Information may be recovered to any third party system or network without Amazon's prior written approval. Amazon reserves the right to require an Amazon security review (in accordance with Section 2.5 (Security Review)) of the third party system or network before permitting recovery of any Amazon Information to any third party system or network.

2.4.5. Deletion Standards. All Amazon Information deleted by Supplier will be deleted in accordance with the NIST Special Publication 800-88 Revision 1, Guidelines for Media Sanitation December 18, 2014 (available at http://nvlpubs.nist.gov/nistpubs/SpecialPublications/NIST.SP.800-88r1.pdf), or through degaussing of magnetic media in an electromagnetic flux field of 5000+ GER, or by shredding or mechanical disintegration, or such other standards Amazon may require based on the classification and sensitivity of the Amazon Information. With respect to Amazon Information encrypted in compliance with this Security Policy, this deletion may be done by permanently and securely deleting all copies of the keys used for encryption.

2.5. Forensic Destruction. Before disposing in any manner of any hardware, software, or any other media that contains, or has at any time contained, Amazon Information, Supplier will perform a complete forensic destruction of the hardware, software or other media so that none of the Amazon Information can be recovered or retrieved in any form. Supplier will perform forensic destruction in accordance with the standards Amazon may require based on the classification and sensitivity of the Amazon Information. Supplier will not sell, resell, donate, refurbish, or otherwise transfer (including any sale or transfer of any such hardware, software, or other media, any disposition in connection with any liquidation of Supplier's business, or any other disposition) any hardware, software or other media that contains, or has at any time contained, Amazon Information and all data storing devices have not been Forensically Destroyed by Supplier.

2.6. Security Review.

2.6.1. Initial Review. If Amazon requests, Supplier will undergo an initial security review (to be conducted by, and in accordance with standards specified by, Amazon or its authorized representatives), including the completion of a risk assessment questionnaire provided by Amazon. Supplier will cooperate and provide Amazon with all required information within a reasonable time frame but no more than 20 calendar days from the date of Amazon's request.

2.6.2. Amazon reserves the right to periodically request Supplier to complete a new Amazon risk assessment questionnaire.

2.6.3. Certification. Upon Amazon's written request, Supplier will certify in writing to Amazon that it is in compliance with this Agreement.

2.6.4. Other Reviews. Amazon reserves the right to periodically review the security of systems that Supplier uses to process Amazon Information. Supplier will cooperate and provide Amazon with all required information within a reasonable time frame but no more than 20 calendar days from the date of Amazon's request.

2.6.5. Remediation. If any security review identifies any deficiencies, Supplier will, at its sole cost and expense, promptly take all actions necessary to remediate those deficiencies.

2.7. Security Incidents. Supplier will inform Amazon within 8 hours of detecting any actual or suspected unauthorized access, collection, acquisition, use, transmission, disclosure, corruption or loss of Amazon Information, or breach of any environment (i) containing Amazon Information, or (ii) managed by Supplier with controls substantially similar to those protecting Amazon Information (each, a "**Security Incident**"). Supplier will remedy each Security Incident in a timely manner and provide Amazon written details regarding Supplier's internal investigation regarding each Security Incident. Supplier agrees not to notify any regulatory authority, nor any customer, on behalf of Amazon unless Amazon specifically requests in writing that Supplier do so and Amazon reserves the right to review and approve the form and content of any notification before it is provided to any party. Supplier will cooperate and work together with Amazon to formulate and execute a plan to rectify all confirmed Security Incidents.

2.8. General. All choices (no matter how described) by Amazon under this Agreement will be made in its sole discretion. Any list of examples following "including" or "e.g." is illustrative and not exhaustive, unless qualified by terms like "only" or "solely." All references to standards for security requirements under this Security Policy refer to the specified standards and their respective successor versions or equivalent versions, as they may be updated, unless Amazon specifies otherwise. All notices under this Security Policy will be given in accordance with the requirements for notices under the Agreement.

EXHIBIT D

SERVICES AND SERVICE LEVEL AGREEMENT

A. [* * *]

1. [* * *].

2. [* * *]:

   2.1 [* * *];

   2.2 [* * *];

   2.3 [* * *];

   2.4 [* * *];

   2.5 [* * *];

   2.6 [* * *]; and

   2.7 [* * *].

3. **SCHEDULED DOWNTIME**. "Scheduled Downtime" is any amount of time that printer Products are not expected to be available and operable for access and use by Purchaser. Scheduled Downtime shall not exceed [* * *] % of total month hours. Scheduled Downtime includes:

   3.1 automatic self-maintenance or self-cleaning performed by the printer Products;

   3.2 scheduled outages by Supplier as agreed upon between the parties. Supplier shall notify Amazon at least 5 business days in advance of all scheduled outages of the printer Products in whole or in part.

4. [* * *].

5. [* * *].

   5.1 [* * *].

   5.2 [* * *].

   5.3 [* * *].

B. **Maintenance and Warranty Services.**

Supplier shall provide Maintenance and Warranty Services for the Products (collectively, "**Support Services**") in accordance with the provisions of this Exhibit D at the rates specified in Schedule 1.

1. **MAINTENANCE SERVICE RESPONSIBILITIES**. Supplier shall:

   1.1 [* * *];

   1.2 [* * *];

   1.3 [* * *];

   1.4 [* * *];

   1.5 [* * *];

   1.6 [* * *];

   1.7 [* * *];

   1.8 [* * *]; and

   1.9 [* * *].

2. **SERVICE MAINTENANCE**. Supplier shall make continuous efforts to [* * *]:

   2.1 [* * *].

   2.2 [* * *]; and

   2.3 [* * *].

3. **SUPPORT SERVICE LEVEL REQUIREMENTS**. Supplier shall [* * *].

   3.1 [* * *].

   3.2 **Response and Resolution Time Service Levels**. [* * *]

   3.3 **Escalation**. [* * *].

4. **AMAZON FACILITIES**. Services will be provided, upon election by Amazon, at facilities in, but not limited to, the following US regions (and approximate metropolitan areas) (collectively, along with other facilities mutually agreed upon, the "**Amazon Facilities**"):

   - [* * *]

Note: [* * *].

5. **SERVICE CONTACTS**. Supplier hereby designates the following people as Support Contacts:

   [NAME 1]

   [EMAIL ADDRESS]

   [PHONE NUMBER]

   [NAME 2]

   [EMAIL ADDRESS]

   [PHONE NUMBER]

SCHEDULE 1

PRICING

Printers

Purchase Price

Over any [* * *] period starting on May 1, 2016 or its anniversary (each, a "**Printer Measurement Period**"), Purchaser may purchase AV-1000 printers from Supplier for:

Number of Printers Ordered by Purchaser during Applicable Printer Measurement Period	Cost per AV-1000 printer
[* * *]	[* * *]
[* * *]	[* * *]

Rebate Terms

Upon Purchaser's placement of an order which would result in [* * *] printers having been invoiced or ordered for immediate shipment within a Printer Measurement Period, a rebate of $[* * *] (the "**Printer Volume Rebate**") will be applied to the order. If the total amount of the order is less than Printer Volume Rebate, then Supplier will credit any remainder of the Printer Volume Rebate against any Purchaser accounts receivable outstanding at the time of the order. If after such credit is applied any portion of the Printer Volume Rebate remains, Supplier will remit payment of such remainder to Amazon within 30 days of the applicable order.

Shipping

The Purchaser will be charged Supplier's cost of shipping the applicable printer Product units to a Purchaser - with no markup. Shipping costs to Purchaser designated locations in the United States shall not exceed ("**Max Printer Shipping Charge**"):

- Via Sea Freight - $[* * *] per printer Product unit
- Via Air Freight - $[* * *] per printer Product unit

The Max Printer Shipping Charge for shipping to locations outside of the United States will be agreed upon by the parties prior to shipment.

The parties will discuss the Max Printer Shipping Charge at least once a year and may adjust the Max Printer Shipping Charge by mutual written agreement. The Max Printer Shipping Charge may be exceeded only if agreed to by Amazon prior to shipment.

Ink

Purchase Price

Over any [* * *] period starting on May 1, 2016 or its anniversary (each, an "**Ink Measurement Period**"), Purchaser may purchase ink from Supplier for:

Liters of Ink Ordered by Purchaser during Applicable Ink Measurement Period	Cost per liter
[* * *]	[* * *]
[* * *]	[* * *]
[* * *]	[* * *]
[* * *]	[* * *]

Rebate Terms

- [* * *]

Shipping

[* * *]

Parts

Purchase Price

All printer Product parts will be provided during the Warranty Period at no cost to Purchaser.

After the expiration of the Warranty Period, Purchaser will be charged at Supplier's actual cost for such Product part plus a 10% markup. Supplier will provide documentation of its direct costs upon Amazon's request. Supplier will supply Purchaser a price list for Product parts upon Amazon's request.

Rebate Terms

No rebate for parts.

Shipping

During the Warranty Period, Supplier will pay all costs associated with shipping printer Product parts.

After the expiration of the Warranty Period, The Purchaser will be charged Supplier's cost of shipping the applicable Product parts with no markup.

Consumables

Purchase Price

For the 12 months after May 1st, all consumables other than fixation (including, but not limited to, flushing fluid, etc.), will be sold to Purchaser [* * *].

Fixation will be sold to Purchaser at $[* * *] per gallon.

Rebate Terms

No rebate for consumables.

Shipping

Purchaser will be charged for Supplier's cost of shipping with no markup.

Upgrades

Purchase Price

Purchaser, at its sole discretion, may purchase upgrades for Product parts upon general availability of such upgrade and according to the following schedule:

Upgrade Part	Unit Price
Recirculating print heads	[* * *]
Bulk ink delivery system	[* * *]
Quick release pallet	[* * *]

Rebate Terms

[* * *]

Warranty

Price

$[* * *] per printer Product unit per Warranty Period Extension.

Maintenance Services

Price

Maintenance Services will cost $[* * *] per Purchaser designated site per year.

Software products and Training

Software products that are not embedded to the printing system and additional training requested by Amazon beyond that provided as part of the Maintenance Services will be charged [* * *].

Calculation of Purchase Volumes

When calculating purchase volumes under this Agreement (e.g., for the purpose of determining pricing and rebates for printers and Ink), all purchases by all Purchasers will be aggregated and that total purchase volume will be used.

SCHEDULE 2

SPECIFICATIONS

[* * *]

(total of 2 pages)

SCHEDULE 3

OPEN SOURCE SOFTWARE USED BY QPP

Software	Source	Source Link	License Link
.NET Framework	Microsoft	https://www.microsoft.com/net	https://msdn.microsoft.com/en-us/library/ms994405.aspx
Log4net	Apache Logging Services	https://logging.apache.org/log4net	https://logging.apache.org/log4net/ license.html
State machine toolkit	Code Project	http://www.codeproject.com/Articles/11663/A-NET-State-Machine-Toolkit-Part-I	http://www.codeproject.com/info/ cpol10.aspx

SCHEDULE 4

CONSIGNMENT PARTS

[to be agreed upon by the parties in the next monthly business 360 meeting]

Exhibit 4.14

EXECUTION VERSION

TRANSACTION AGREEMENT

Dated as of January 10, 2017

by and between

KORNIT DIGITAL LTD.

and

AMAZON.COM, INC.

TABLE OF CONTENTS

LIST OF SCHEDULES

SCHEDULE 5.1(a): List of Information

LIST OF EXHIBITS

EXHIBIT A: PFIC Annual Information Statement

LIST OF ANNEXES

ANNEX A: Form of Master Purchase Agreement

ANNEX B: Form of Warrant

This **TRANSACTION AGREEMENT**, dated as of January 10, 2017 (this "Agreement"), is by and between Kornit Digital Ltd., an Israeli limited company (the "Company"), and Amazon.com, Inc., a Delaware corporation ("Amazon").

RECITALS:

WHEREAS, subject to the terms and conditions hereof, each of the Company and Amazon has determined it to be advisable and in the best interests of their respective companies and stockholders to enter into certain commercial arrangements as further set forth herein, including by entering into, at the Closing, a Master Purchase Agreement by and between the Company and Amazon Corporate LLC, in the form attached hereto as Annex A (collectively, the "Master Purchase Agreement");

WHEREAS, in connection with the transactions contemplated hereby, and subject to the terms and conditions hereof, the Company desires to issue to Amazon.com NV Investment Holdings LLC, a wholly owned subsidiary of Amazon ("NV Investment Holdings"), and NV Investment Holdings desires to acquire from the Company, at the Closing, a warrant to purchase a specified number of the Company's ordinary shares, NIS 0.01 par value per share (the "Ordinary Shares"); and

WHEREAS, each of the parties wishes to set forth in this Agreement certain terms and conditions regarding, among other things, NV Investment Holdings' ownership of the Warrant and Warrant Shares (as defined below), as applicable (the "Shares");

NOW, THEREFORE, in consideration of the premises, and of the representations, warranties, covenants and agreements set forth herein, and intending to be legally bound, the parties agree as set forth herein.

ARTICLE I

WARRANT ISSUANCE; CLOSING

1.1 Warrant Issuance. On the terms and subject to the conditions set forth in this Agreement, the Company shall issue to NV Investment Holdings, and NV Investment Holdings shall acquire from the Company, at the Closing, a warrant to purchase 2,932,176 Ordinary Shares, subject to adjustment in accordance with its terms, in the form attached hereto as Annex B (the "Warrant"). The issuance of the Warrant by the Company and the acquisition of the Warrant by NV Investment Holdings are referred to herein as the "Warrant Issuance" and the Ordinary Shares issuable upon exercise of the Warrant are referred to herein as the "Warrant Shares".

1.2 Closing.

(a) The closing of the Warrant Issuance (the "Closing") shall take place at the offices of Debevoise & Plimpton LLP, 919 Third Avenue, New York, New York 10022, immediately following the execution and delivery of this Agreement.

(b) At the Closing, the Company shall deliver to Amazon:

(i) the Warrant, as evidenced by a duly and validly executed warrant certificate dated as of the date hereof and bearing appropriate legends as hereinafter provided for; and

(ii) the Master Purchase Agreement, duly executed by the Company.

(c) At the Closing, Amazon shall deliver to the Company:

(i) the Master Purchase Agreement, duly executed by Amazon Corporate LLC.

1.3 Interpretation. When a reference is made in this Agreement to "Recitals," "Articles," "Sections," "Annexes," "Schedules" or "Exhibits" such reference shall be to a Recital, Article or Section of, or Annex, Schedule or Exhibit to, this Agreement unless otherwise indicated. The terms defined in the singular have a comparable meaning when used in the plural, and vice versa. References to "herein," "hereof," "hereunder" and the like refer to this Agreement as a whole and not to any particular section or provision, unless the context requires otherwise. References to parties refer to the parties to this Agreement. The table of contents and headings contained in this Agreement are for reference purposes only and are not part of this Agreement. Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed followed by the words "without limitation." No rule of construction against the draftsperson shall be applied in connection with the interpretation or enforcement of this Agreement, as this Agreement is the product of negotiation between sophisticated parties advised by counsel. Any reference to a wholly owned subsidiary of a person shall mean such subsidiary is directly or indirectly wholly owned by such person. All references to "$" or "dollars" mean the lawful currency of the United States of America, and all references to "NIS" mean the lawful currency of the State of Israel. Except as expressly stated in this Agreement, all references to any statute, rule or regulation are to the statute, rule or regulation as amended, modified, supplemented or replaced from time to time (and, in the case of statutes, include any rules and regulations promulgated under the statute) and to any section of any statute, rule or regulation include any successor to the section. The term "Business Day" means any day, other than a Friday, a Saturday, a Sunday or any other day on which commercial banks in Seattle, Washington or the State of Israel are authorized or required by applicable law to be closed. With respect to the Shares, such term shall include any Ordinary Shares or other securities of the Company received by NV Investment Holdings as a result of any stock split, stock dividend or distribution, other subdivision, reorganization, reclassification or similar capital transaction.

ARTICLE II

REPRESENTATIONS AND WARRANTIES

2.1 Disclosure.

(a) "Material Adverse Effect" means any change, effect, event, development, circumstance or occurrence (each, an "Effect") that, taken individually or when taken together with all other applicable Effects, has been, is or would reasonably be expected to be materially adverse to (i) the business, assets, condition (financial or otherwise), prospects or results of operations of the Company and its subsidiaries, taken as a whole, or (ii) the ability of the Company to complete the transactions contemplated the Transaction Documents or to perform its obligations under the Transaction Documents; provided, however, that in no event shall any of the following Effects, alone or in combination, be deemed to constitute, or be taken into account in determining whether there has been, is or would be, a Material Adverse Effect: (A) any change in general economic, market or political conditions; (B) conditions generally affecting the industry in which the Company operates; (C) any change in generally accepted accounting principles in the United States ("GAAP") or applicable law; (D) any act of war (whether or not declared), armed hostilities, sabotage or terrorism, or any material escalation or worsening of any such events, or any national disaster or any national or international calamity; (E) any failure, in and of itself, to meet internal or published projections, forecasts, targets or revenue or earnings predictions for any period, as well as any change, in and of itself, by the Company in any projections, forecasts, targets or revenue or earnings predictions for any period (provided that the underlying causes of such failures (to the extent not otherwise falling within one of the other exceptions in this proviso) may constitute or be taken into account in determining whether there has been, is, or would be, a Material Adverse Effect); (F) any change in the price or trading volume of the Ordinary Shares (provided that the underlying causes of such change (to the extent not otherwise falling within one of the other exceptions in this proviso) may constitute or be taken into account in determining whether there has been, is or would be, a Material Adverse Effect); or (G) the announcement of this Agreement or the other Transaction Documents, including, to the extent attributable to such announcement, any loss of or adverse change in the relationship, contractual or otherwise, of the Company and its subsidiaries with their respective employees, customers, distributors, licensors, licensees, vendors, lenders, investors, partners or suppliers; provided, further, however, that any Effect referred to in clauses (A) through (D) may be taken into account in determining whether or not there has been, is, or would be, a Material Adverse Effect to the extent such Effect has a disproportionate adverse effect on the Company and its subsidiaries, taken as a whole, as compared to other participants in the industry in which the Company and its subsidiaries operate (in which case any adverse effect(s) to the extent disproportionate may be taken into account in determining whether or not there has been, is or would be a Material Adverse Effect).

(b) "Previously Disclosed" means information set forth or incorporated in the Company's Annual Report on Form 20-F for the fiscal year ended December 31, 2015 or its other reports, statements and forms (including exhibits and other information incorporated therein) filed with or furnished to the Securities and Exchange Commission (the "Commission") under Sections 13(a), 14(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or under the Securities Act of 1933, as amended (the "Securities Act"), in each case on or after December 31, 2015 (the "SEC Reports") (in each case excluding any disclosures set forth in any risk factor section and in any section relating to forward-looking or safe harbor statements), to the extent such SEC Reports are filed or furnished at least five (5) Business Days prior to the execution and delivery of this Agreement.

Each party acknowledges that it is not relying upon any representation or warranty of the other party, express or implied, not set forth in the Transaction Documents. Amazon acknowledges that it has had an opportunity to conduct such review and analysis of the business, assets, condition, operations and prospects of the Company and its subsidiaries, including an opportunity to ask such questions of management and to review such information maintained by the Company and its subsidiaries, in each case as it considers sufficient for the purpose of consummating the transactions contemplated by the Transaction Documents. Amazon further acknowledges that it has had such an opportunity to consult with its own counsel, financial and tax advisers and other professional advisers as it believes is sufficient for purposes of the transactions contemplated by the other Transaction Documents. For purposes of this Agreement, the term "Transaction Documents" refers collectively to this Agreement, the Master Purchase Agreement, the Warrant, and any other agreement entered into by and among the parties and/or their Affiliates on the date hereof in connection with the transactions contemplated hereby or thereby, in each case, as amended, modified or supplemented from time to time in accordance with their respective terms.

2.2 Representations and Warranties of the Company. The Company represents and warrants as of the date of this Agreement to Amazon that:

(a) Organization and Authority. The Company has been and is a limited company duly organized and validly existing under the laws of the State of Israel, the annual fees of the Company payable or due to the Israeli Companies Registrar have been duly paid, and the Company is not an "infringing company" under Section 362A(a) of the Israeli Companies Law, 5759-1999. The Company has the full corporate power and authority to own its properties and conduct its business in all material respects as currently conducted, and, except as would not constitute a Material Adverse Effect, has been and is duly qualified as a foreign corporation for the transaction of business and is in good standing under the laws of each other jurisdiction in which it owns or leases properties, or conducts any business so as to require such qualification.

(b) Capitalization. The authorized capital stock of the Company consists of 200,000,000 Ordinary Shares of which, as of the close of business on November 30, 2016, 30,835,930 shares were issued and outstanding. As of the close of business on November 30, 2016, the Company had (i) options to purchase 2,884,098 Ordinary Shares outstanding under the Company's 2004 Share Option Plan, 2012 Share Incentive Plan and 2015 Incentive Compensation Plan, and 1,130,169 Ordinary Shares reserved for additional grants under the Company's 2015 Incentive Compensation Plan (the "Company Stock Plans"), and (ii) no other restricted shares, restricted share units or other share based awards outstanding under the Company Stock Plans. The outstanding Ordinary Shares have been duly authorized and are validly issued and outstanding, fully paid and nonassessable, and subject to no preemptive rights (and were not issued in violation of any preemptive rights, the Company's articles of association, or any applicable laws). Except as set forth above or pursuant to the Transaction Documents, there are no (A) shares of capital stock or other equity interests or voting securities of the Company authorized, reserved for issuance, issued or outstanding, (B) options, warrants, calls, preemptive rights, subscription or other rights, instruments, agreements, arrangements or commitments of any character, obligating the Company or any of its subsidiaries to issue, transfer or sell or cause to be issued, transferred or sold any shares of capital stock or other equity interest or voting security in the Company or any securities or instruments convertible into or exchangeable for such shares of capital stock or other equity interests or voting securities, or obligating the Company or any of its subsidiaries to grant, extend or enter into any such option, warrant, call, preemptive right, subscription or other right, instrument, agreement, arrangement or commitment, (C) outstanding contractual obligations of the Company or any of its subsidiaries to repurchase, redeem or otherwise acquire any capital stock or other equity interest or voting securities of the Company, or (D) issued or outstanding performance awards, units, rights to receive any capital stock or other equity interest or voting securities of the Company on a deferred basis, or rights to purchase or receive any capital stock or equity interest or voting securities issued or granted by the Company to any current or former director, officer, employee or consultant of the Company. No subsidiary of the Company owns any shares of capital stock or other equity interest or voting securities of the Company. There are no voting trusts or other agreements or understandings to which the Company or any of its subsidiaries is a party with respect to the voting of the capital stock or other equity interest or voting securities of the Company. All options granted and shares reserved or issued under the Company Stock Plans have been granted, reserved and issued in all material respects in full compliance with their respective Company Stock Plan and applicable law.

(c) The Warrant and Warrant Shares. The Warrant has been duly authorized by the Company and constitutes a valid and legally binding obligation of the Company in accordance with its terms, except as the same may be limited by the Bankruptcy Exceptions, and the Warrant Shares have been duly authorized and reserved for issuance upon exercise of the Warrant and, when so issued, will be validly issued, fully paid and non-assessable, and free and clear of any liens or encumbrances, other than liens or encumbrances created by the Transaction Documents, arising as a matter of applicable law or created by or at the direction of Amazon or any of its Affiliates.

(d) Authorization, Enforceability.

(i) The Company has the full power and authority to execute and deliver this Agreement and the other Transaction Documents, as applicable, to consummate the transactions contemplated hereby and thereby, and to carry out its obligations hereunder and thereunder. The execution, delivery and performance by the Company of this Agreement and the other Transaction Documents to which it is a party and the consummation of the transactions contemplated hereby and thereby have been duly authorized by all necessary corporate (or analogous) action on the part of the Company and its stockholders, and no further approval or authorization is required on the part of the Company or its stockholders. This Agreement and the other Transaction Documents, assuming the due authorization, execution and delivery by the other parties hereto and thereto, are valid and binding obligations of the Company, enforceable against the Company and such subsidiary, respectively, in accordance with their respective terms, except as the same may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and general equitable principles, regardless of whether such enforceability is considered in a proceeding at law or in equity ("Bankruptcy Exceptions").

(ii) The execution, delivery and performance by the Company of this Agreement and the other Transaction Documents, as applicable, and the consummation of the transactions contemplated hereby and thereby and compliance by the Company with any of the provisions hereof and thereof, will not (A) violate, conflict with, or result in a breach of any provision of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or result in the termination of, or accelerate the performance required by, or result in a right of termination or acceleration of, or result in the creation of, any lien, security interest, charge or encumbrance upon any of the properties or assets of the Company or any of its subsidiaries under any of the terms, conditions or provisions of (x) its articles of association (or analogous organizational documents), or (y) any note, bond, mortgage, indenture, deed of trust, license, lease, agreement or other instrument or obligation to which the Company or any of its subsidiaries is a party or by which it or any of its subsidiaries may be bound, or to which the Company or any of its subsidiaries or any of the properties or assets of the Company or any of its subsidiaries is subject, (B) subject to compliance with the statutes and regulations referred to in the next paragraph, violate any law, statute, rule or regulation or any judgment, ruling, order, writ, injunction or decree applicable to the Company or any of its subsidiaries or any of their respective properties or assets except, in the case of clauses (A)(y) and (B), for those occurrences that would not constitute a Material Adverse Effect, (C) result in any payment (including severance, unemployment compensation, forgiveness of indebtedness or otherwise) becoming due to any director or any employee of the Company or any of its subsidiaries under any employment, compensation or benefit plan, program, policy, agreement or arrangement that is sponsored, maintained or contributed to by the Company or any of its subsidiaries (each, a "Company Benefit Plan") or otherwise; (D) increase any benefits otherwise payable under any Company Benefit Plan; (E) result in any acceleration of the time of payment or vesting of any such benefits; (F) require the funding or acceleration of funding of any trust or other funding vehicle; or (G) constitute a "change in control," "change of control" or other similar term under any Company Benefit Plan; provided, however, that the foregoing shall not be deemed to include payments or other benefits under a Company Benefit Plan that (a) gives effect to the Company's performance of the Transaction Agreements insofar as that performance impacts the Company's overall results of operations, and (b) are made to any individual whose compensation is based in part on performance related to a specific territory that is impacted by the Company's performance of the Transaction Agreements.

(iii) Other than (A) such notices, filings, exemptions, reviews, authorizations, consents or approvals as have been made or obtained as of the date hereof, and (B) notices, filings, exemptions, reviews, authorizations, consents or approvals as may be required under, and other applicable requirements of (1) the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act") (if the parties may not rely on the "Investment-Only" exemption to the HSR Act), (2) any other Antitrust Laws, to the extent applicable, (3) the Exchange Act, (4) the Securities Act, (5) The NASDAQ Stock Market, LLC and (6) the Israeli Encouragement Of Industrial Research And Development Law, 5744-1984 (as amended, and all rules and regulations promulgated thereunder), no notice to, filing with, exemption or review by, or authorization, consent or approval of, any federal, national, state, local, municipal, international or multinational government or political subdivision thereof, governmental department, commission, board, bureau, agency, taxing or regulatory authority, judicial or administrative body, official, tribunal or other instrumentality of any government, whether federal, state or local, domestic or foreign, including the Israel Lands Authority and quasi-governmental authorities such as the BIRD Foundation, or arbitrator or SRO (each, a "Governmental Entity") is required to be made or obtained by the Company or any of its subsidiaries in connection with the consummation by the Company or any of its subsidiaries of the Warrant Issuance and the other transactions contemplated hereby and by the other Transaction Documents, except for any such notices, filings, exemptions, reviews, authorizations, consents and approvals the failure of which to make or obtain would not constitute a Material Adverse Effect. For purposes of this Agreement, "Antitrust Laws" means the HSR Act, the Sherman Act, as amended, the Clayton Act, as amended, the Federal Trade Commission Act, as amended, and any other federal, state, local, domestic, foreign or supranational laws that are designed to prohibit, restrict or regulate actions having the purpose or effect of monopolization or restraint of trade or that provide for review of foreign investment.

(e) No Material Adverse Effect. Since September 30, 2016, no Material Adverse Effect has occurred.

(f) Reports.

(i) Since December 31, 2012, the Company has complied in all material respects with the filing requirements of Sections 13(a), 14(a) and 15(d) of the Exchange Act, and of the Securities Act.

(ii) The SEC Reports, when they became effective or were filed with the Commission, as the case may be, complied in all material respects with the requirements of the Securities Act, the Exchange Act and the Sarbanes-Oxley Act of 2002, as amended, as applicable, and none of such documents, when they became effective or were filed with the Commission, as the case may be, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading.

(g) Brokers; Fees and Expenses. No broker, investment banker, financial advisor or other person is entitled to any broker's, finder's, financial advisor's or other similar fee or commission, or the reimbursement of expenses, in connection with the transactions contemplated by this Agreement or the other Transaction Documents based upon arrangements made by or on behalf of the Company.

2.3 Representations and Warranties of Amazon. Amazon hereby represents and warrants as of the date of this Agreement to the Company that:

(a) Organization. Amazon has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Delaware, with the corporate power and authority to own its properties and conduct its business in all material respects as currently conducted.

(b) Authorization, Enforceability.

(i) Amazon and each of its subsidiaries that is a party to any other Transaction Document have the corporate or analogous power and authority to execute and deliver this Agreement and the other Transaction Documents to which it is a party, to consummate the transactions contemplated hereby and thereby, and to carry out its obligations hereunder and thereunder. The execution, delivery and performance by Amazon, and by each of its subsidiaries that is a party to any other Transaction Document, as applicable, of this Agreement and the other Transaction Documents to which it is a party and the consummation of the transactions contemplated hereby and thereby have been duly authorized by all necessary corporate or analogous action on its, or such subsidiary's or part, as applicable, and no further approval or authorization is required on its, or such subsidiary's part, as applicable. This Agreement and the other Transaction Documents, assuming the due authorization, execution and delivery by the other parties hereto and thereto, are valid and binding obligations of Amazon, and such subsidiary, as applicable, enforceable against it, and such subsidiary, as applicable, in accordance with their respective terms, except as the same may be limited by Bankruptcy Exceptions. Notwithstanding anything to the contrary contained herein, the exercise of the Warrant may require further board of director (or analogous) approvals or authorizations on the part of Amazon or such subsidiary, as applicable (the "Exercise Approval").

(ii) The execution, delivery and performance by Amazon, or any such subsidiary, as applicable, of this Agreement and the other Transaction Documents to which it, or any such subsidiary is a party and the consummation of the transactions contemplated hereby and thereby and compliance by it, and such subsidiary, as applicable, with any of the provisions hereof and thereof, will not (A) violate, conflict with, or result in a breach of any provision of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or result in the termination of, or accelerate the performance required by, or result in a right of termination or acceleration of, or result in the creation of, any lien, security interest, charge or encumbrance upon any of its properties or assets under any of the terms, conditions or provisions of (x) subject to Exercise Approval, its, or such subsidiary's, as applicable, organizational documents or (y) any note, bond, mortgage, indenture, deed of trust, license, lease, agreement or other instrument or obligation to which it, or such subsidiary, as applicable, is a party or by which it, or such subsidiary, as applicable, may be bound, or to which it, or such subsidiary, as applicable, or any of its, or such subsidiary's, as applicable, properties or assets is subject, or (B) subject to compliance with the statutes and regulations referred to in the next paragraph, violate any statute, rule or regulation or any judgment, ruling, order, writ, injunction or decree applicable to it, or such subsidiary, as applicable, or any of its, or such subsidiary's, as applicable, properties or assets except, in the case of clauses (A)(y) and (B), for those occurrences that, individually or in the aggregate, have not had and would not reasonably be expected to have, a material adverse effect on the ability of Amazon to complete the transactions contemplated by the Transaction Documents or to perform its obligations under the Transaction Documents.

(iii) Other than (A) such notices, filings, exemptions, reviews, authorizations, consents or approvals as have been made or obtained as of the date hereof, and (B) notices, filings, exemptions, reviews, authorizations, consents or approvals as may be required under, and other applicable requirements of (1) the HSR Act (if the parties may not rely on the "Investment-Only" exemption to the HSR Act), (2) any other Antitrust Laws, to the extent applicable, (3) the Exchange Act and (4) the Securities Act, no notice to, filing with, exemption or review by, or authorization, consent or approval of, any Governmental Entity is required to be made or obtained by it or any of its subsidiaries in connection with the consummation by Amazon or any of its subsidiaries of the Warrant Issuance and the other transactions contemplated hereby and by the other Transaction Documents, except for any such notices, filings, exemptions, reviews, authorizations, consent and approvals the failure of which to make or obtain have not had and would not reasonably be expected to have, individually or in the aggregate, a material adverse effect on the ability of Amazon to complete the transactions contemplated by the Transaction Documents or to perform its obligations under the Transaction Documents.

(c) Ownership. Other than pursuant to this Agreement and the other Transaction Documents, Amazon is not the Beneficial Owner of (i) any Ordinary Shares or (ii) any securities or other instruments representing the right to acquire Ordinary Shares.

(d) Brokers; Fees and Expenses. No broker, investment banker, financial advisor or other person is entitled to any broker's, finder's, financial advisor's or other similar fee or commission, or the reimbursement of expenses, in connection with the transactions contemplated by this Agreement or the other Transaction Documents based upon arrangements made by or on behalf of Amazon.

(e) Survival. The representations and warranties in this Agreement shall survive for twelve (12) months following the Closing.

ARTICLE III

COVENANTS

3.1 Efforts.

(a) Subject to the terms and conditions hereof (including the remainder of this Section 3.1) and the other Transaction Documents, each party shall use its commercially reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or desirable under applicable law to carry out the provisions hereof and thereof and give effect to the transactions contemplated hereby and thereby. In furtherance and not in limitation of the foregoing, each of the parties shall (i) subject to the provisions of this Section 3.1, including Section 3.1(d), use its commercially reasonable efforts to obtain as promptly as reasonably practicable and advisable (as determined in good faith by Amazon after consultation with the Company accordance with the first sentence of Section 3.1(d)) all exemptions, authorizations, consents or approvals from, and to make all filings with and to give all notices to, all third parties, including any Governmental Entities, required in connection with the transactions contemplated by this Agreement and the other Transaction Documents, which, for the avoidance of doubt, shall include providing, as promptly as reasonably practicable and advisable, such information to any Governmental Entity as such Governmental Entity may request in connection therewith, and (ii) cooperate fully with the other party in promptly seeking to obtain all such exemptions, authorizations, consents or approvals and to make all such filings and give such notices.

(b) Without limiting the generality of the foregoing, and only to the extent required by applicable law (including, for the avoidance of doubt, any Antitrust Law) including, without limitation, in the event that the "Investment-Only" exemption is not available to Amazon, (i) as promptly as reasonably practicable after written notice from Amazon, and in any event no later than in accordance with established regulatory timeframes, the parties shall file any Notification and Report Forms required under the HSR Act with the Federal Trade Commission and the United States Department of Justice (the date on which all such Notification and Report Forms required under the HSR Act have been initially filed, the "HSR Filing Date") and (ii) as promptly as practicable after written notice from Amazon, file, make or give, as applicable, all other filings, requests or notices required under any other Antitrust Laws, in each case with respect to the issuance of the Warrant Shares (the "Initial Filing Transaction") (the filings, requests and notices described in the foregoing clauses (i) and (ii), collectively, the "Initial Antitrust Filings"). In addition, following the receipt of the Initial Antitrust Clearance, to the extent required by applicable law (including, for the avoidance of doubt, any Antitrust Law) in connection with any further issuance of Warrant Shares (in each case, whether in full or in part), the parties shall file, make or give, as applicable, as promptly as reasonably practicable and advisable (as determined in good faith by Amazon after consultation with the Company in accordance with the first sentence of Section 3.1(d)), any further required filings, requests or notices required under any Antitrust Laws, including the HSR Act (collectively, the "Other Antitrust Filings"). Without limiting the generality of the foregoing, each party shall supply as promptly as reasonably practicable to the appropriate Governmental Entities any information and documentary material that may be required pursuant to the HSR Act or any other Antitrust Laws. For purposes of this Agreement, the term "Initial Antitrust Clearance" as of any time means (x) prior to such time, the expiration or termination of the waiting period under the HSR Act and the receipt of all exemptions, authorizations, consents or approvals, the making of all filings and the giving of all notices, and the expiration of all waiting periods, pursuant to any other Antitrust Laws, in each case to the extent required with respect to the Initial Filing Transaction, and (y) the absence at such time of any applicable law or temporary restraining order, preliminary or permanent injunction or other judgment, order, writ, injunction, legally binding agreement with a Governmental Entity, stipulation, decision or decree issued by any court of competent jurisdiction or other legal restraint or prohibition under any Antitrust Law, in each case that has the effect of preventing the consummation of the Initial Filing Transaction.

(c) Subject to the terms and conditions hereof (including the remainder of this Section 3.1) and the other Transaction Documents, and only to the extent required under the Antitrust Laws, each of the parties shall use its commercially reasonable efforts to avoid or eliminate each and every impediment under any Antitrust Laws that may be asserted by any Governmental Entity, so as to enable the parties to give effect to the transactions contemplated hereby and by the other Transaction Documents in accordance with the terms hereof and thereof; provided, that notwithstanding anything to the contrary contained herein or in any of the other Transaction Documents, nothing in this Section 3.1 shall require, or be construed to require, any party or any of its Affiliates to agree to (and no party or any of its Affiliates shall agree to, without the prior written consent of the other parties): (i) sell, hold separate, divest, discontinue or limit (or any conditions relating to, or changes or restrictions in, the operation of) any assets, businesses or interests of it or its Affiliates (irrespective of whether or not such assets, businesses or interests are related to, are the subject matter of or could be affected by the transactions contemplated by the Transaction Documents); (ii) without limiting clause (i) in any respect, any conditions relating to, or changes or restrictions in, the operations of any such assets, businesses or interests that would reasonably be expected to adversely impact (x) the business of, or the financial, business or strategic benefits of the transactions contemplated hereby or by any of the other Transaction Documents to it or its Affiliates, or (y) any other assets, businesses or interests of it or its Affiliates; or (iii) without limiting clause (i) in any respect, any modification or waiver of the terms and conditions of this Agreement or any of the other Transaction Documents that would reasonably be expected to adversely impact (x) the business of, or financial, business or strategic benefits of the transactions contemplated hereby or by any of the other Transaction Documents to it or its Affiliates, or (y) any other assets, businesses or interests of it or its Affiliates.

(d) Amazon shall have the principal responsibility for devising and implementing the strategy (including with respect to the timing of filings) for obtaining any exemptions, authorizations, consents or approvals required under the HSR Act or any other Antitrust Laws in connection with the transactions contemplated hereby and by the other Transaction Documents; provided, however, that Amazon shall consult in advance with the Company and in good faith take the Company's views into account regarding the overall antitrust strategy. Each of the parties shall promptly notify the other party of, and if in writing furnish the other with copies of (or, in the case of oral communications, advise the other of), any substantive communication that it or any of its Affiliates receives from any Governmental Entity, whether written or oral, relating to the matters that are the subject of this Agreement or any of the other Transaction Documents and, to the extent reasonably practicable, permit the other party to review in advance any proposed substantive written communication by such party to any Governmental Entity and consider in good faith the other party's reasonable comments on any such proposed substantive written communications prior to their submission. No party shall, and each party shall cause its Affiliates not to, participate or agree to participate in any substantive meeting or communication with any Governmental Entity in respect of the subject matter of the Transaction Documents, including on a "no names" or hypothetical basis, unless (to the extent practicable) it or they consult with the other party in advance and, to the extent practicable and permitted by such Governmental Entity, give the other party the opportunity to jointly prepare for, attend and participate in such meeting or communication. The parties shall (and shall cause their Affiliates to) coordinate and cooperate fully with each other in exchanging such information and providing such assistance as the other party may reasonably request in connection with the matters described in this Section 3.1, including (x) furnishing to each other all information reasonably requested to determine the jurisdictions in which a filing or submission under any Antitrust Law is required or advisable, (y) furnishing to each other all information required for any filing or submission under any Antitrust Law and (z) keeping each other reasonably informed with respect to the status of each exemption, authorization, consent, approval, filing and notice under any Antitrust Law, in each case, in connection with the matters that are the subject of this Agreement or any of the other Transaction Documents. The parties shall provide each other with copies of all substantive correspondence, filings or communications between them or any of their Affiliates or representatives, on the one hand, and any Governmental Entity or members of its staff, on the other hand, relating to the matters that are the subject of this Agreement or any of the other Transaction Documents; provided that such material may be redacted as necessary to (1) comply with contractual arrangements, (2) address good faith legal privilege or confidentiality concerns and (3) comply with applicable law.

(e) Subject to the other provisions of this Agreement, including in this Section 3.1, in the event that any arbitral, administrative, judicial or analogous action, claim or proceeding is instituted (or threatened to be instituted) by a Governmental Entity or any other party challenging the transactions contemplated hereby or by any of the other Transaction Documents ("Transaction Litigation"), neither party shall be required to contest and resist any such Transaction Litigation or to seek to have vacated, lifted, reversed or overturned any judgment, ruling, order, writ, injunction or decree, whether temporary, preliminary or permanent, that is in effect and that prohibits, prevents or restricts consummation or implementation of the transactions contemplated hereby or by any of the other Transaction Documents. Each party shall keep the other party reasonably informed with respect to any Transaction Litigation unless doing so would reasonably be likely to jeopardize any privilege of such party regarding any such Transaction Litigation (subject to such party using commercially reasonable efforts to, and cooperating in good faith with the other party in, developing and implementing reasonable alternative arrangements to provide such other party with such information). Subject to the immediately preceding sentence, each party shall promptly advise the other party orally and in writing in connection with, and shall consult with each other with respect to, any Transaction Litigation and shall in good faith give consideration to each other's advice with respect to such Transaction Litigation.

(f) As promptly as practicable following the date hereof, the Company shall adopt such amendments and take such further actions and do or cause to be done all things necessary, proper or advisable under applicable law, to prevent the execution and delivery of the Transaction Documents and the consummation of the transactions contemplated thereby from constituting a "change in control," "change of control" or other similar term under any Company Benefit Plan.

(g) As promptly as practicable after written notice from Amazon that Amazon has or will become an "Interested Party" (as defined in the Israeli Securities Law-1968) of the Company, the parties shall give notice to the Israeli National Technological Innovation Authority (formerly the Office of the Chief Scientist).

(h) Notwithstanding anything herein to the contrary, from and after the earlier of (i) the exercise of the Warrant in full and (ii) the expiration, termination or cancellation of the Warrant without the Warrant having been exercised in full, no party shall have any further obligations under this Section 3.1; provided, that this Section 3.1(h) shall in no way relieve any party with respect to any breach by such party of this Section 3.1 prior to such time.

3.2 Public Announcements.

(a) The parties acknowledge that the Company's initial press release regarding the initial announcement of the transactions contemplated by this Agreement and the other Transaction Documents to customers, suppliers, investors and employees and otherwise (the "Initial Press Release") has been agreed by the parties. After the transmission of the Initial Press Release, except as required by applicable law or by the rules or requirements of any stock exchange on which the securities of a party are listed, no party shall make, or cause to be made, or permit any of its Affiliates to make, any press release or public announcement or other similar communications in respect of the Transaction Documents or the transactions contemplated thereby without prior written consent (not to be unreasonably withheld, conditioned or delayed) of the other party, to the extent such release, announcement or communication relates to the transactions contemplated hereby or by any of the other Transaction Documents. Notwithstanding the foregoing, no party shall be required to receive the consent of the other party to any release, announcement or communication (including any filing required to be made under the Exchange Act or the Securities Act) to the extent such release, announcement or communication includes information (i) with respect to the transactions contemplated hereby or by any of the other Transaction Documents that is consistent with the Initial Press Release; (ii) that is consistent with releases, announcements or other communications previously consented to by the other party in accordance with this Section 3.2(a), (iii) that is required to be disclosed under U.S. GAAP or (iv) that has previously been released by either of the parties hereto in respect of the transactions contemplated hereby or the Transaction Documents without any violation of the terms of this Agreement. For the avoidance of doubt, subject to the foregoing, to the extent any future disclosure (including communications with investors and analysts) relates to the Transaction Documents or the any transaction contemplated thereby and contains any information not originally contained in the Initial Press Release or inconsistent with the Initial Press Release, such disclosure shall be subject to the prior consent of the other party, which shall not be unreasonably withheld.

(b) Without limiting the foregoing, in recognition of the importance to the Company and Amazon of taking appropriate steps to maintain the confidentiality of agreements between the parties from the parties' customers, competitors and suppliers, in the event that the Company is legally required to file or otherwise submit any agreement to which Amazon is a party (each a "Disclosable Agreement") or any excerpt from or summary of any Disclosable Agreement with or to the Commission or any other regulatory body or stock exchange (each, a "Disclosure Agency") the filing or submission of which involves or could result in public disclosure of such Disclosable Agreement or excerpt therefrom or summary thereof, the Company will (1) promptly notify Amazon of such requirement to file or otherwise submit the Disclosable Agreement or any excerpt therefrom or summary thereof and any applicable deadline for making such filing or submission, (2) provide Amazon with a reasonable opportunity to request (i) a redaction of all information in the Disclosable Agreement or excerpt therefrom as requested by Amazon (in addition to any redactions proposed by the Company) prior to filing or submitting such Disclosable Agreement or excerpt therefrom or summary thereof, and (ii) the submission of one or more confidential treatment requests in support of such redactions with such arguments as requested by Amazon, including in response to any comments or requests for information issued by the Commission or the applicable Disclosure Agency, to which, in each case, the Company shall agree absent a reasonable basis for objection (and shall provide Amazon prompt notice of any such objection, the basis therefor and a reasonable opportunity to consider and discuss such objection with the Company), (3) provide Amazon (i) with copies of any comments and all other communications received from the Commission or the applicable Disclosure Agency with respect to the Disclosable Agreement or confidential treatment thereof (including a reasonable summary of any oral communications or other comments received other than in writing) as promptly as reasonably practicable and (ii) with the Company's proposed response to such comments at least three (3) Business Days before such response is submitted to the Commission or the applicable Disclosure Agency, and (4) provide Amazon with a reasonable opportunity to propose revisions within such three (3) Business Day-period to such the Company's proposed response as requested by Amazon, and which revisions the Company shall make absent a reasonable basis for objection (and shall provide Amazon prompt notice of any such objection, the basis therefor and a reasonable opportunity to consider and discuss such objection with the Company), and, as applicable, use its commercially reasonable efforts in responding to any such comments in order to pursue assurance that confidential treatment will be granted. The Company will not file this Agreement, any Disclosable Agreement or any excerpt therefrom or summary or portion thereof with any governmental authority or regulatory body, including the Commission or any Disclosure Agency, or disclose any other Confidential Information in any manner, except to the extent (i) permitted above, or (ii) the Company determines in good faith based on the advice of outside counsel that making such filing or submission without adhering to the requirements set forth above is necessary to comply with Applicable Law. Notwithstanding anything in Section 8.1 of this Agreement to the contrary, the provisions of this Section will survive for so long as the Master Purchase Agreement has not been terminated.

3.3 Expenses. Unless otherwise provided in any Transaction Document, each of the parties shall bear and pay all costs and expenses incurred by it or on its behalf in connection with the transactions contemplated under the Transaction Documents, including fees and expenses of its own financial or other consultants, investment bankers, accountants and counsel.

3.4 Tax Treatment. No later than 90 days after the Warrant Issuance, Amazon shall provide the Company with a valuation of the Warrant for tax purposes, taking into account the vesting schedule and any other relevant economic assumptions or inputs with respect to such Warrant as determined by Amazon. Such valuation shall be binding on Amazon and the Company for all U.S. tax purposes. Amazon and the Company shall treat the Warrant Issuance as a closed, taxable transaction occurring on the date of the Warrant Issuance, rather than as an open transaction, for U.S. tax purposes. Neither Amazon nor the Company shall take any position for tax purposes that is inconsistent with the foregoing, unless required by applicable law.

ARTICLE IV

ADDITIONAL AGREEMENTS

4.1 Acquisition for Investment. Amazon acknowledges that the issuance of the Warrant and the Warrant Shares has not been registered under the Securities Act or under any state securities laws. Amazon (i) acknowledges that it is acquiring the Warrant and the Warrant Shares pursuant to an exemption from registration under the Securities Act solely for investment with no present intention to distribute them to any person in violation of the Securities Act or any other applicable securities laws, (ii) agrees that it shall not (and shall not permit its Affiliates to) sell or otherwise dispose of the Warrant or the Warrant Shares, except in compliance with the registration requirements or exemption provisions of the Securities Act and any applicable securities laws, (iii) acknowledges that it has such knowledge and experience in financial and business matters and in investments of this type that it is capable of evaluating the merits and risks of the Warrant Issuance and of making an informed investment decision, and has conducted a review of the business and affairs of the Company that it considers sufficient and reasonable for purposes of consummating the Warrant Issuance, (iv) acknowledges that it is able to bear the economic risk of the Warrant Issuance and is able to afford a complete loss of such investment and (v) acknowledges that it is an "accredited investor" (as that term is defined by Rule 501 under the Securities Act).

4.2 Legend. Amazon agrees that all certificates or other instruments representing the Warrant and the Warrant Shares shall bear a legend substantially to the following effect:

> "THE SECURITIES REPRESENTED BY THIS INSTRUMENT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE AND MAY NOT BE TRANSFERRED, SOLD OR OTHERWISE DISPOSED OF EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER SUCH ACT AND APPLICABLE STATE SECURITIES LAWS OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER SUCH ACT OR SUCH LAWS. THIS INSTRUMENT IS ISSUED PURSUANT TO AND SUBJECT TO THE RESTRICTIONS ON TRANSFER AND OTHER PROVISIONS OF A TRANSACTION AGREEMENT, DATED AS OF JANUARY 10, 2017, BY AND BETWEEN THE ISSUER OF THESE SECURITIES AND AMAZON.COM, INC., A DELAWARE CORPORATION, A COPY OF WHICH IS ON FILE WITH THE ISSUER. THE SECURITIES REPRESENTED BY THIS INSTRUMENT MAY NOT BE SOLD OR OTHERWISE TRANSFERRED EXCEPT IN COMPLIANCE WITH SAID AGREEMENT. ANY SALE OR OTHER TRANSFER NOT IN COMPLIANCE WITH SAID AGREEMENT WILL BE VOID."

In the event that any Warrant Shares become registered under the Securities Act or the Company is presented with an opinion of counsel reasonably satisfactory, in form and substance, to the Company that the Warrant Shares are eligible to be transferred without restriction in accordance with Rule 144 under the Securities Act, the Company shall issue new certificates or other instruments representing such Warrant Shares which shall not contain such portion of the above legend that is no longer applicable; provided that the holder of such Warrant Shares surrenders to the Company the previously issued certificates or other instruments.

4.3 Anti-takeover Provisions. The Company shall not take any action that would prevent Amazon from exercising any of its rights under this Agreement or any of the other Transaction Documents, or any of the transactions contemplated hereby or thereby, including by causing this Agreement or any of the other Transaction Documents, or any of the transactions contemplated hereby or thereby, to be subject to any requirements imposed by any potentially applicable anti-takeover, control share, fair price, moratorium, interested shareholder or similar law and any potentially applicable provision of the Company's articles of association or bylaws (collectively, the "Anti-takeover Provisions"), and shall take all reasonable steps within its control to exempt (or ensure the continued exemption of) the Transaction Documents and such transactions from any applicable Anti-takeover Provisions, as now or hereafter in effect. The foregoing provision is not intended to prevent Kornit from exercising any right granted pursuant to Article VI hereof.

4.4 Transfer Restrictions.

(a) Other than solely in the case of a Permitted Transfer, NV Investment Holdings shall not Transfer:

(i) the Warrant at any time;

(ii) any Shares to any Person that, prior to the date of such Transfer, has filed a Schedule 13D or Schedule 13G with respect to the Ordinary Shares; provided that this Section 4.4(a)(ii) shall not apply to any open market sale of Ordinary Shares or any bona fide Underwritten Offering; or

(iii) for a period of one year following the date of this Agreement, and other than pursuant to Article VI, any Shares in an open market transaction if the number of Shares being transferred exceeds the amount that would be permitted to be transferred pursuant to Rule 144(e) as such provision applies to "affiliates" unless the average daily trading volume reported during the 30 calendar days immediately prior to the sale exceeds $1 million.

(b) "Permitted Transfers" means, in each case so long as such Transfer is in accordance with Applicable Law (including with respect to U.S. citizenship of air carriers) and the provisions of the Company's articles of association:

(i) a Transfer of the Warrant or Shares to Amazon or a wholly owned subsidiary of Amazon, so long as such Transferee, to the extent it has not already done so, executes a customary joinder to this Agreement, in form and substance reasonably acceptable to the Company, in which such Transferee agrees to be subject to all covenants and agreements of Amazon under this Agreement;

(ii) a Transfer of Shares in connection with an Acquisition Transaction approved by the board of directors of the Company (the "Board") (including if the Board (A) recommends that its stockholders tender in response to a tender or exchange offer that, if consummated, would constitute an Acquisition Transaction, or (B) does not recommend that its stockholders reject any such tender or exchange offer within the ten (10) Business Day period specified in Rule 14e-2(a) under the Exchange Act);

(iii) a Transfer of Shares that constitutes a tender into a tender or exchange offer commenced by the Company or any of its Affiliates;

(iv) a Transfer of Shares if required by, or reasonably necessary in order for, Amazon to obtain Governmental Approval for any acquisition (whether direct or indirect, including by way of merger, share exchange, share purchase, consolidation or any similar transaction); or

(v) a Transfer of Shares to the extent required under Applicable Law.

(c) Any Transfer or attempted Transfer of the Warrant or Ordinary Shares in violation of this Section 4.4 shall, to the fullest extent permitted by law, be null and void ab initio, and the Company shall not, and shall instruct its transfer agent and other third parties not to, record or recognize any such purported transaction on the share register or other books and records of the Company.

(d) Notwithstanding anything in this Agreement, the transfer restrictions pursuant to this Section 4.4 shall automatically terminate upon the date that the Beneficial Ownership of Amazon, in the aggregate, of the Ordinary Shares is less than two percent (2%) of the issued and outstanding Ordinary Shares so long as, as of such date, all of the then-remaining Registrable Securities Beneficially Owned by Amazon may be sold in a single transaction without limitation under Rule 144 under the Securities Act.

4.5 Standstill Provisions.

(a) Amazon agrees that from the date of this Agreement until such time as the number of Warrant Shares held by Amazon or its subsidiaries or remaining unexercised under the Warrant are less than two percent (2%) of the outstanding shares of the Company (such period, the "Standstill Period"), without the prior written approval of the Board, Amazon shall not, directly or indirectly, and shall cause its subsidiaries not to:

(i) acquire, agree to acquire, propose or offer to acquire, by purchase or otherwise, Equity Securities or Derivative Instruments of the Company, other than:

A. Warrant Shares acquired by NV Investment Holdings in accordance with the Transaction Documents;

B. as a result of any stock split, stock dividend or distribution, other subdivision, reorganization, reclassification or similar capital transaction involving Equity Securities of the Company in accordance with this Agreement; or

C. pursuant to and in accordance with Section 4.4(b)(i) and Section 4.4(b)(ii);

(ii) make, or in any way participate or engage in, any "solicitation" of "proxies" (as such terms are used in the proxy rules of the Commission irrespective of whether those rules apply to the Company or not) (whether or not relating to the election or removal of directors) to vote any Voting Securities, or disclose how Amazon intends to vote its Shares on any contested election of directors or any contested proposal relating to an Acquisition Proposal;

(iii) call, or seek to call, a meeting of the stockholders of the Company or initiate any stockholder proposal for action by stockholders of the Company;

(iv) nominate or seek to nominate, directly or indirectly, any person to the Board;

(v) deposit any Voting Securities in a voting trust or similar contract or agreement or subject any Voting Securities to any voting agreement, pooling arrangement or similar arrangement, or grant any proxy with respect to any Voting Securities (in each case, other than to the Company or a Person specified by the Company in a proxy card (paper or electronic) provided to stockholders of the Company by or on behalf of the Company);

(vi) make any public announcement with respect to, enter, agree to enter, propose or offer to enter into any merger, business combination, recapitalization, restructuring, change in control transaction or other similar extraordinary transaction involving the Company or any of its subsidiaries, or purchase of a material portion of the assets, properties or Equity Securities of the Company, other than acquisitions of Equity Securities as follows:

A. Warrant Shares acquired by NV Investment Holdings in accordance with this Agreement;

B. as a result of any stock split, stock dividend or distribution, other subdivision, reorganization, reclassification or similar capital transaction involving Equity Securities of the Company in accordance with the this Agreement; or

C. pursuant to and in accordance with Section 4.4(b)(i) and Section 4.4(b)(ii);

(vii) otherwise act, alone or in concert with others, to seek to control or influence the management or the policies of the Company (for the avoidance of doubt, excluding any such act to the extent in its capacity as a commercial counterparty, customer, supplier, industry participant or the like);

(viii) take any action that would reasonably be expected to require the Company to make a public announcement regarding any of the events described above;

(ix) advise or knowingly assist or knowingly encourage enter into any discussions, negotiations, agreements or arrangements with any other Persons in connection with the foregoing;

(x) form, join or in any way participate in a Group (other than with its subsidiary that is bound by the restrictions of this Section 4.5(a) or a Group that consists solely of Amazon and/or any of its Affiliates), with respect to any Voting Securities or otherwise in connection with any of the foregoing; or

(xi) publicly disclose any intention, plan or proposal with respect to any of the foregoing.

In addition, Amazon shall not, directly or indirectly, and shall not permit any of its subsidiaries, directly or indirectly, to, contest the validity of this Section 4.5 or, subject to Section 4.5(b), seek a waiver, amendment or release of any provisions of this Section 4.5 (including this sentence) (whether by legal action or otherwise).

(b) Notwithstanding anything to the contrary contained herein or in any of the other Transaction Documents, including Section 4.5(a) hereof, Amazon shall not be prohibited or restricted from:

(i) making and submitting to the Company and/or the Board, any Acquisition Proposal on a non-publicly disclosed or announced basis, or any confidential request for the Company and/or the Board to waive, amend or provide a release of any provision of this Section 4.5 (whether or not in connection with such Acquisition Proposal), provided that Amazon shall not submit any request, proposal or offer that would be reasonably likely to obligate the Company to publicly disclose such request, proposal or offer; and

(ii) making and submitting to the Company, the Board, and/or the Company's stockholders, following any Acquisition Proposal received (or entered into) by the Company, the Board or the Company's stockholders by any Person or Group other than Amazon or any of its subsidiaries that is, was or becomes, publicly disclosed or announced (including as a result of being approved by the Board or otherwise the subject of any agreement, contract or understanding with the Company) (the "Original Public Acquisition Proposal"), a Qualifying Public Acquisition Proposal (which such Qualifying Public Acquisition Proposal may, for the avoidance of doubt, include requests for the Company and/or the Board to waive, amend or provide a release of any provision of this Section 4.5), or from taking any other action, whether or not otherwise restricted by Section 4.5(a), in connection with evaluating, making, submitting, negotiating, effectuating or implementing any such Qualifying Public Acquisition Proposal (or any amendment, supplement or modification thereto).

ARTICLE V

GOVERNANCE

5.1 Information Rights.

(a) During the term of this Agreement, the Company shall prepare and provide, or cause to be prepared and provided, to Amazon:

(i) within ten (10) days after the end of each fiscal quarter the number of outstanding shares at the end of such fiscal quarter calculated on a fully diluted basis without regard to exercise or conversion prices of derivative securities;

(ii) within the time periods applicable to the Company under Section 13(a) or 15(d) of the Exchange Act, all interim and annual financial statements required to be contained in a filing with the Commission on Forms 20-F and 6-K; and

(iii) if the Company is at any time not subject to Section 13(a) or 15(d) under the Exchange Act, the information set forth on Schedule 5.1(a).

(b) During the term of this Agreement, the Company shall consider and respond in good faith to reasonable requests for information, to the extent already existing or that can be prepared without excessive cost or management time, regarding the Company and its subsidiaries from Amazon, it being understood that the Company shall have discretion as to (1) whether or not to provide, in whole or in part, any such requested information and (2) whether or not to impose restrictions on Amazon with respect to the types or categories of Representatives to whom such information may be disclosed (including, for example, requiring that any such information be disclosed only to corporate staff of Amazon, and not to employees with operational responsibility), in each case in light of the nature of the request and the facts and circumstances at the time, and which restrictions, if acceptable to Amazon, shall be acknowledged by Amazon in writing prior to the provision of such requested information. Without limiting the generality of the foregoing, the Company and its Subsidiaries shall not be required to provide any such information if (i) the Company determines that such information is competitively sensitive, (ii) the Company determines in good faith that providing such information would adversely affect the Company (taking into account the nature of the request and the facts and circumstances at such time) or (iii) providing such information (A) would reasonably be expected to jeopardize an attorney-client privilege or cause a loss of attorney work product protection, (B) would violate a confidentiality obligation to any person or (C) would violate any Applicable Law; provided, that, with respect to clauses (i)-(iii), the Company uses reasonable efforts, and cooperates in good faith with Amazon, to develop and implement reasonable alternative arrangements to provide Amazon (and its Representatives) with the intended benefits of this Section 5.1. Notwithstanding any of the foregoing, the Company will not be obligated to furnish any information in connection with any actual or potential Acquisition Transaction.

(c) In furtherance and not in limitation of the foregoing, during the term of this Agreement, the Company shall, and shall cause its Subsidiaries to, use commercially reasonable efforts to prepare and provide, or to cause to be prepared and provided, including, if requested and reasonably available, in electronic data format, to Amazon, or to assist Amazon with preparing (at the expense of Amazon), in a reasonably timely fashion upon reasonable prior request by Amazon any (i) financial information or other data relating to the Company and its subsidiaries and (ii) any other relevant information or data, in each case to the extent necessary, as reasonably determined in good faith by Amazon for Amazon to (x) comply with GAAP or to comply with its reporting, filing, accounting or other obligations under Applicable Law or (y) apply the equity method of accounting, in the event Amazon is required to account for its investment in the Company under the equity method of accounting under GAAP; provided, however, that any requests with respect to tax matters shall be addressed by Section 5.2 and not by this Section. The Company shall use commercially reasonable efforts to cause its and its Subsidiaries' representatives to cooperate in good faith with Amazon in connection with the foregoing; provided, however, that notwithstanding anything in this Agreement to the contrary, in no event shall Amazon or its Affiliates disclose (including by reflecting such information on their financial statements) any financial information or other financial data provided to Amazon pursuant to this Section 5.1 prior to the Company's first publicly disclosing such information in its ordinary course of business, other than pursuant to the terms of Section 5.1(d)(i) or Section 5.1(d)(iv) (solely to the extent required by subpoena, order or other compulsory legal process). Amazon shall promptly, upon request by the Company, reimburse the Company for all reasonable out of pocket costs and expenses incurred by the Company or any of its Subsidiaries in connection with any actions taken by the Company or any of its Subsidiaries pursuant to this Section 5.1(c).

(d) In furtherance of and not in limitation of any other similar agreement Amazon or any of its Representatives may have with the Company or its subsidiaries, Amazon hereby agrees that all Confidential Information with respect to the Company shall be kept confidential by it and shall not be disclosed (including by reflecting such information on its financial statements) by it in any manner whatsoever, except as permitted by this Section 5.1(d). Any Confidential Information may be disclosed:

(i) by Amazon (x) to any of its Affiliates or (y) to its or its Affiliate's respective directors, managers, officers, employees and authorized representatives (including attorneys, accountants, consultants, bankers and financial advisors thereof) (each of the Persons described in clauses (x) and (y), collectively, for purposes of this Section 5.1(d) and the definition of Confidential Information, "Representatives" of Amazon), in each case, solely if and to the extent any such Person needs to be provided such Confidential Information to assist Amazon or its Affiliates in evaluating or reviewing its existing investment, or, with respect to the exercise of the Warrant, its prospective investment, in the Company, including in connection with the disposition thereof. Each Representative shall be deemed to be bound by the provisions of this Section 5.1(d) and Amazon shall be responsible for any breach of this Section 5.1(d) (or such other agreement or obligation, as applicable) by any of its Representatives;

(ii) by Amazon or any of its Representatives to the extent the Company consents in writing;

(iii) by Amazon or any of its Representatives to a potential Transferee (so long as such Transfer is permitted hereunder); provided, that such Transferee agrees to be bound by the provisions of this Section 5.1(d) (or a confidentiality agreement having restrictions substantially similar to this Section 5.1(d)) and Amazon shall be responsible for any breach of this Section 5.1(d) (or such confidentiality agreement) by any such Transferee; or

(iv) by Amazon or any of its Representatives to the extent that Amazon or such Representative has been advised by its outside counsel that such disclosure is required to be made by it under Applicable Law or by a Governmental Entity; provided, that prior to making such disclosure, such Person uses commercially reasonable efforts to preserve the confidentiality of the Confidential Information to the extent permitted by Applicable Law, including, to the extent practicable and permitted by Applicable Law, consulting with the Company regarding such disclosure and, if reasonably requested by the Company, assisting the Company, at the Company's expense, in seeking a protective order to prevent the requested disclosure; provided, further, that Amazon or such Representative, as the case may be, uses commercially reasonable efforts to disclose only that portion of the Confidential Information as is requested by the applicable Governmental Entity or as is, based on the advice of its outside counsel, legally required or compelled; and provided, further, that the parties hereto expressly agree that notwithstanding anything in the Confidentiality Agreement or any other confidentiality agreement between or among the Company, Amazon or its Affiliates or Representatives, to the contrary, any Confidential Information that is permitted to be disclosed or used in any manner pursuant to this Agreement can be so disclosed or used.

5.2 Tax Reporting Requirements.

(a) The Company will provide Amazon with any information reasonably requested by Amazon and within the Company's possession with the use of reasonable efforts, to allow Amazon to comply with Applicable Law related to taxes or to avail itself of any provision of Applicable Law related to taxes.

(b) The Company shall take such actions, including making an election to be treated as a corporation or refraining from making an election to be treated as a partnership, as may be required to ensure that at all times the Company is treated as a corporation for United States federal income tax purposes.

(c) The Company shall make due inquiry with a tax advisor selected by it on at least an annual basis regarding whether Amazon's interest in the Company is subject to the reporting requirements of either or both of sections 6038 and 6038B of the U.S. Internal Revenue Code of 1986, as amended ("Code") (and the Company shall duly inform Amazon of the results of such determination), and in the event that the Company or Amazon determines that Amazon's interest in the Company is subject to any such reporting requirements, the Company agrees, upon a written request from Amazon, to provide such information within the Company's possession with the use of reasonable efforts, to Amazon as may be reasonably necessary to fulfill Amazon's obligations thereunder.

(d) Amazon and the Company acknowledge that neither the Company nor any of the entities in which it owns an equity interest (each, a "Lower Tier Entity") is a "passive foreign investment company" (within the meaning of Section 1297 of the Code) (a "PFIC") with respect to the tax year ended December 31, 2015. The Company shall make due inquiry with its Tax Advisor on at least an annual basis regarding its status, as well as each Lower Tier Entity's status, as a PFIC, and if the Company is informed by its Tax Advisor that it or a Lower Tier Entity has become a PFIC, or that there is a significant likelihood of the Company or a Lower Tier Entity being classified as a PFIC, for any taxable year, the Company shall promptly notify Amazon of such status or risk, as the case may be, within sixty (60) days following the end of each taxable year of the Company. In connection with a "Qualified Electing Fund" election made by Amazon pursuant to section 1295 of the Code or a "Protective Statement" filed by Amazon pursuant to Treasury Regulation Section 1.1295-3, as amended (or any successor thereto), the Company and its Tax Advisor shall provide annual financial information to Amazon in the form of Exhibit A attached hereto as soon as reasonably practicable following the end of each taxable year of Amazon (but in no event later than sixty (60) days following the end of each such taxable year), and shall provide Amazon with access to such other Company or Lower Tier Entity information within the Company's possession with the use of reasonable efforts, including quarterly income estimates, as may be reasonably required for purposes of filing U.S. federal income tax returns in connection with such Qualified Electing Fund election or Protective Statement.

(e) Amazon and the Company hereby acknowledge that as of the date hereof, the Company is not a controlled foreign corporation (a "CFC") as defined in Section 957 of the Code. The Company shall seek to determine with its Tax Advisor annually and by no later than April 30 of the year immediately following the year with respect to which the determination is being made whether it is a CFC and, if so, whether Amazon is a "United States shareholder" (as defined in section 951(b) of the Code) of the Company. If, and for so long as, the Company is a CFC and Amazon is a "United States shareholder" of the Company, the Company agrees to provide any information reasonably requested by Amazon and within the Company's possession with the use of reasonable efforts for the purpose of Amazon complying with its U.S. tax filing and information reporting obligations as a "United States shareholder" of the Company.

(f) Amazon and the Company hereby acknowledge that (1) Amazon agrees to cooperate with the Company and to provide reasonable assistance, in each case, to allow the Company to comply with its obligations set forth in Section 5.2(c)–(e) and (2) as long as the Company acts in good faith with respect to its obligations set forth in Section 5.2(c)–(e), Amazon shall have no right to claim for any damages or loss with respect to the Company's obligations set forth in Section 5.2(c)–(e), respectively.

5.3 Survival. Notwithstanding anything in this Agreement, this Article V shall survive termination of this Agreement pursuant to Section 8.1, and will continue until the date that the Beneficial Ownership of Amazon, in the aggregate, of the Ordinary Shares is less than two percent (2%) of the issued and outstanding shares of Ordinary Shares, provided, that Section 5.2 shall survive with respect to the taxable year in which such date occurs.

ARTICLE VI

REGISTRATION

6.1 Demand Registrations.

(a) Subject to the terms and conditions hereof, solely during any period that the Company is then ineligible under Applicable Law to register Registrable Securities on Form F-3 or S-3, as applicable, or if the Company is so eligible but has failed to comply with its obligations under Section 6.3, any Demand Shareholders ("Requesting Shareholders") shall be entitled to make no more than four (4) written requests of the Company (each, a "Demand") for registration under the Securities Act of an amount of Registrable Securities then held by such Requesting Shareholders that equals or is greater than the Registrable Amount (a "Demand Registration" and such registration statement, a "Demand Registration Statement"). Thereupon, the Company shall, subject to the terms of this Agreement, file the registration statement no later than 30 days after receipt of the Demand and shall use its commercially reasonable efforts to effect the registration as promptly as practicable under the Securities Act of:

(i) the Registrable Securities which the Company has been so requested to register by the Requesting Shareholders for disposition in accordance with the intended method of disposition stated in such Demand;

(ii) all other Registrable Securities which the Company has been requested to register pursuant to Section 6.1(b), but subject to Section 6.1(g); and

(iii) all Ordinary Shares which the Company may elect to register in connection with any offering of Registrable Securities pursuant to this Section 6.1, but subject to Section 6.1(g);

all to the extent necessary to permit the disposition (in accordance with the intended methods thereof) of the Registrable Securities and the additional Ordinary Shares, if any, to be so registered.

(b) A Demand shall specify: (i) the aggregate number of Registrable Securities requested to be registered in such Demand Registration, (ii) the intended method of disposition in connection with such Demand Registration, to the extent then known, and (iii) the identity of the Requesting Shareholder(s). Within five (5) days after receipt of a Demand, the Company shall give written notice of such Demand to all other holders of Registrable Securities. The Company shall include in the Demand Registration covered by such Demand all Registrable Securities with respect to which the Company has received a written request for inclusion therein within five (5) days after the Company's notice required by this paragraph has been given or such longer period as the Company may be required to be given pursuant to any other agreement entered into by the Company prior to the date hereof, subject to Section 6.1(g). Each such written request shall comply with the requirements of a Demand as set forth in this Section 6.1(b).

(c) A Demand Registration shall not be deemed to have been effected (i) unless the Demand Registration Statement with respect thereto has become effective and has remained effective for a period of at least ninety (90) days or such shorter period in which all Registrable Securities included in such Demand Registration have actually been sold or otherwise disposed of thereunder (provided, that such period shall be extended for a period of time equal to the period the holders of Registrable Securities refrain from selling any securities included in such registration statement at the request of the Company or the lead managing underwriter(s) pursuant to the provisions of this Agreement) or (ii) if, after it has become effective, such Demand Registration becomes subject, prior to ninety (90) days after effectiveness, to any stop order, injunction or other order or requirement of the Commission or other Governmental Entity, other than by reason of any act or omission by the applicable Selling Shareholders.

(d) Demand Registrations shall be on such appropriate registration form of the Commission as shall be selected by the Company and reasonably acceptable to the Requesting Shareholders.

(e) The Company shall not be obligated to (i) subject to Section 6.1(c), maintain the effectiveness of a registration statement under the Securities Act filed pursuant to a Demand Registration for a period longer than ninety (90) days or (ii) effect any Demand Registration (A) within ninety (90) days of a "firm commitment" Underwritten Offering in which all Demand Shareholders were offered "piggyback" rights pursuant to Section 6.2 (subject to Section 6.2(b)) and at least fifty percent (50%) of the number of Registrable Securities requested by such Demand Shareholders to be included in such Demand Registration were included, (B) within ninety (90) days of the completion of any other Demand Registration (including, for the avoidance of doubt, any Underwritten Offering pursuant to any Shelf Registration Statement), (C) within ninety (90) days of the completion of any other Underwritten Offering by the Company or any shorter period during which the Company has agreed not to effect a registration or public offering of securities (in each case only to the extent that the Company has undertaken contractually to the underwriters of such Underwritten Offering not to effect any registration or public offering of securities), (D) if, in the Company's reasonable judgment, it is not feasible for the Company to proceed with the Demand Registration because of the unavailability of audited or other required financial statements of the Company or any other Person; provided, that the Company shall use its commercially reasonable efforts to obtain such financial statements as promptly as practicable.

(f) The Company shall be entitled to (i) postpone (upon written notice to the Demand Shareholders) the filing or the effectiveness of a registration statement for any Demand Registration, (ii) cause any Demand Registration Statement to be withdrawn and its effectiveness terminated and (iii) suspend the use of the prospectus forming the part of any registration statement, in each case in the event of a Blackout Period until the expiration of the applicable Blackout Period. In the event of a Blackout Period under clause (ii) of the definition thereof, the Company shall deliver to the Demand Shareholders requesting registration a certificate signed by either the chief executive officer or the chief financial officer of the Company certifying that, in the good faith judgment of the Company, the conditions described in clause (ii) of the definition of Blackout Period are met. Such certificate shall contain an approximation of the anticipated delay. Upon notice by the Company to the Demand Shareholders of any such determination, each Demand Shareholder covenants that, subject to Applicable Law, it shall keep the fact of any such notice strictly confidential, and, in the case of a Blackout Period pursuant to clause (ii)(y) of the definition of Blackout Period, promptly halt any offer, sale, trading or other Transfer by it or any of its Affiliates of any Registrable Securities for the duration of the Blackout Period set forth in such notice (or until such Blackout Period shall be earlier terminated in writing by the Company) and promptly halt any use, publication, dissemination or distribution of the Demand Registration Statement, each prospectus included therein, and any amendment or supplement thereto by it and any of its Affiliates for the duration of the Blackout Period set forth in such notice (or until such Blackout Period shall be earlier terminated in writing by the Company) and, if so directed in writing by the Company, will deliver to the Company any copies then in the Demand Shareholder's possession of the prospectus covering such Registrable Securities that was in effect at the time of receipt of such notice.

(g) If, in connection with a Demand Registration that involves an Underwritten Offering, the lead managing underwriter(s) advise(s) the Company that, in its (their) good faith opinion, the inclusion of all of the securities sought to be registered in connection with such Demand Registration would adversely affect the success thereof, then the Company shall include in such registration statement only such securities as the Company is advised by such lead managing underwriter(s) can be sold without such adverse effect as follows and in the following order of priority: (i) first, up to the number of Registrable Securities requested to be included in such Demand Registration by the Demand Shareholders, which, in the opinion of the lead managing underwriter(s), can be sold without adversely affecting the success thereof, pro rata among such Demand Shareholders on the basis of the number of such Registrable Securities requested to be included by such Demand Shareholders; (ii) second, securities the Company proposes to sell; and (iii) third, all other securities of the Company duly requested to be included in such registration statement, pro rata on the basis of the amount of such other securities requested to be included or such other allocation method determined by the Company.

(h) Any time that a Demand Registration involves an Underwritten Offering, the Company shall select the investment banker(s) and manager(s) that will serve as managing underwriters (including which such managing underwriters will serve as lead or co-lead) and underwriters with respect to the offering of such Registrable Securities; provided, that such investment banker(s) and manager(s) shall be an investment bank of international reputation and reasonably acceptable to the Requesting Shareholder(s) holding of a majority in interest of the Registration Securities included in such Underwritten Offering (such acceptance not to be unreasonably withheld, conditioned or delayed).

6.2 Piggyback Registrations.

(a) Other than in connection with the filing of a registration statement or an offering pursuant to Section 6.1 or Section 6.3 of this Agreement, if at any time commencing one year after the date of this Agreement the Company proposes to file (i) a prospectus supplement to an effective Shelf Registration Statement, or (ii) a registration statement other than a Shelf Registration Statement for a delayed or continuous offering pursuant to Rule 415 under the Securities Act, in either case, for the sale of Ordinary Shares for its own account, or for the benefit of the holders of any of its securities other than the holders of Registrable Securities, to an underwriter on a firm commitment basis for reoffering to the public or in a "bought deal" or "registered direct offering" with one or more investment banks (collectively, a "Piggyback Registration"), then as soon as practicable but not less than fifteen (15) days prior to the filing of (a) any preliminary prospectus supplement relating to such Piggyback Registration pursuant to Rule 424(b) under the Securities Act, (b) any prospectus supplement relating to such Piggyback Registration pursuant to Rule 424(b) under the Securities Act (if no preliminary prospectus supplement is used) or (c) such registration statement, as the case may be, the Company shall give notice of such proposed Piggyback Registration to the holders of Registrable Securities and such notice (a "Piggyback Notice") shall offer the holders of Registrable Securities the opportunity to include in such Piggyback Registration such number of Registrable Securities as each such holder of Registrable Securities may request in writing. Each such holder of Registrable Securities shall then have ten (10) days after receiving such Piggyback Notice to request in writing to the Company inclusion of Registrable Securities in the Piggyback Registration, except that such holder of Registrable Securities shall have two (2) Business Days after such holder confirms receipt of the notice to request inclusion of Registrable Securities in the Piggyback Registration in the case of a "bought deal", "registered direct offering" or "overnight transaction" where no preliminary prospectus is used. Upon receipt of any such request for inclusion from a holder of Registrable Securities received within the specified time (a "Piggyback Seller"), the Company shall use commercially reasonable efforts to effect the registration in any registration statement of any of the holders of Registrable Securities requested to be included on the terms set forth in this Agreement. Prior to the commencement of any "road show," any Piggyback Seller shall have the right to withdraw its request for inclusion of its Registrable Securities in any registration by giving written notice to the Company of its request to withdraw and such withdrawal shall be irrevocable and, after making such withdrawal, such Piggyback Seller shall no longer have any right to include Registrable Securities in the Piggyback Registration as to which such withdrawal was made.

(b) If the Company does not qualify as a well-known seasoned issuer (within the meaning of Rule 405 under the Securities Act), (i) commencing one year after the date of this Agreement, the Company shall give each holder of Registrable Securities fifteen (15) days' notice prior to filing a Shelf Registration Statement and, upon the written request of any such holder, received by the Company within ten (10) days of such notice to such holder, the Company shall include in such Shelf Registration Statement a number of Ordinary Shares equal to the aggregate number of Registrable Securities requested to be included without naming any requesting holder of Registrable Securities as a selling shareholder and including only a generic description of the holder of such securities (the "Undesignated Registrable Shares"), (ii) the Company shall not be required to give notice to any holder of Registrable Securities in connection with a filing pursuant to Section 6.1(a) unless such holder provided such notice to the Company pursuant to this Section 6.1(b) and included Undesignated Registrable Shares in the Shelf Registration Statement related to such filing, and (iii) commencing one year after the date of this Agreement, at the written request of a holder of Registrable Securities given to the Company more than seven (7) days before the date specified in writing by the Company as the Company's good faith estimate of a launch of a Piggyback Registration (or such shorter period to which the Company in its sole discretion consents), the Company shall use commercially reasonable efforts to effect the registration of any of the Undesignated Registrable Shares of a holder of Registrable Securities so requested to be included and shall file a post-effective amendment or, if available, a prospectus supplement to a Shelf Registration Statement to include such Undesignated Registrable Shares as any such holder may request, provided that (a) the Company is actively employing its reasonable best efforts to effect such Piggyback Registration; and (b) the Company shall not be required to effect a post-effective amendment more than two (2) times in any twelve (12) month period.

(c) If, in connection with a Piggyback Registration that involves an Underwritten Offering, the lead managing underwriter(s) advise(s) the Company that, in its opinion, the inclusion of all the securities sought to be included in such Piggyback Registration by (w) the Company, (x) other Persons who have sought to have Ordinary Shares registered in such Piggyback Registration pursuant to rights to demand (other than pursuant to so-called "piggyback" or other incidental or participation registration rights) such registration (such Persons being "Other Demanding Sellers"), (y) the Piggyback Sellers and (z) any other proposed sellers of Ordinary Shares (such Persons being "Other Proposed Sellers"), as the case may be, would adversely affect the success thereof, then the Company shall include in the registration statement applicable to such Piggyback Registration only such securities as the Company is so advised by such lead managing underwriter(s) can be sold without such an effect, as follows and in the following order of priority:

(i) if the Piggyback Registration relates to an offering for the Company's own account, then (A) first, such number of Ordinary Shares (or other securities, as applicable) to be sold by the Company as the Company, in its reasonable judgment, shall have determined, (B) second, Registrable Securities of Piggyback Sellers, pro rata on the basis of the number of Registrable Securities proposed to be sold by such Piggyback Sellers, (C) third, Ordinary Shares sought to be registered by Other Demanding Sellers, pro rata on the basis of the number of Ordinary Shares proposed to be sold by such Other Demanding Sellers and (D) fourth, other Ordinary Shares proposed to be sold by any Other Proposed Sellers; or

(ii) if the Piggyback Registration relates to an offering other than for the Company's own account, then (A) first, such number of Ordinary Shares (or other securities, as applicable) sought to be registered by each Other Demanding Seller pro rata in proportion to the number of securities sought to be registered by all such Other Demanding Sellers, (B) second, Registrable Securities of Piggyback Sellers, pro rata on the basis of the number of Registrable Securities proposed to be sold by such Piggyback Sellers, (C) third, Ordinary Shares to be sold by the Company and (D) fourth, other Ordinary Shares proposed to be sold by any Other Proposed Sellers.

(d) For clarity, in connection with any Underwritten Offering under this Section 6.2 for the Company's account, the Company shall not be required to include the Registrable Securities of a Piggyback Seller in the Underwritten Offering unless such Piggyback Seller accepts the terms of the underwriting as agreed upon between the Company and the lead managing underwriter(s), which shall be selected by the Company.

(e) If, at any time after giving written notice of its intention to register any Ordinary Shares (or other securities, as applicable) as set forth in this Section 6.2 and prior to the time the registration statement filed in connection with such Piggyback Registration is declared effective, the Company shall determine for any reason not to register such Ordinary Shares (or other securities, as applicable), the Company may, at its election, give written notice of such determination to the Piggyback Sellers within five (5) Business Days thereof and thereupon shall be relieved of its obligation to register any Registrable Securities in connection with such particular withdrawn or abandoned Piggyback Registration; provided, that, if permitted pursuant to Section 6.1, the Demand Shareholders may continue the registration as a Demand Registration pursuant to the terms of Section 6.1.

6.3 Shelf Registration Statement.

(a) Subject to the terms and conditions hereof, and further subject to the availability of a registration statement on Form F-3 or any successor form thereto ("Form F-3") or Form S-3 or any successor form thereto ("Form S-3") to the Company, any of the Demand Shareholders may by written notice delivered to the Company (the "Shelf Notice") require the Company to file as soon as reasonably practicable, and to use commercially reasonable efforts to cause to be declared effective by the Commission as soon as reasonably practicable after such filing date, a Form F-3 or Form S-3, as applicable, providing for an offering to be made on a continuous basis pursuant to Rule 415 under the Securities Act relating to the offer and sale, from time to time, of an amount of Registrable Securities then held by such Demand Shareholders that equals or is greater than the Registrable Amount (the "Shelf Registration Statement"); provided that no Demand Shareholder may deliver more than two (2) Shelf Notices to the Company in any twelve (12) month period. To the extent the Company is a well-known seasoned issuer (as defined in Rule 405 under the Securities Act), the Company shall file the Shelf Registration Statement in the form of an automatic shelf registration statement (as defined in Rule 405 under the Securities Act) or any successor form thereto. If registering a number of Registrable Securities, the Company shall pay the registration fee for all Registrable Securities to be registered pursuant to an automatic shelf registration statement at the time of filing of the automatic shelf registration statement and shall not elect to pay any portion of the registration fee on a deferred basis. The Company may also amend an existing registration statement on Form F-3 or Form S-3, including by post-effective amendment, in order to fulfill its obligations hereunder.

(b) Within five (5) days after receipt of a Shelf Notice pursuant to Section 6.3(a), the Company will deliver written notice thereof to all other holders of Registrable Securities. Each other holder of Registrable Securities may elect to participate with respect to its Registrable Securities in the Shelf Registration Statement in accordance with the plan and method of distribution set forth, or to be set forth, in such Shelf Registration Statement by delivering to the Company a written request to so participate within five (5) days after the Shelf Notice is received by any such holder of Registrable Securities.

(c) Subject to Section 6.3(d), the Company shall use its commercially reasonable efforts to keep the Shelf Registration Statement continuously effective until the earlier of (i) ninety (90) days after the Shelf Registration Statement has been declared effective, provided that in the event of a Blackout Period, as described below, the period during which the Shelf Registration shall be required to remain effective will be extended by the number of days during which the Blackout Period is in effect; and (ii) the date on which all Registrable Securities covered by the Shelf Registration Statement have been sold thereunder in accordance with the plan and method of distribution disclosed in the prospectus included in the Shelf Registration Statement, or otherwise cease to be Registrable Securities. The Company's obligations pursuant to this Section 6.3(d) shall apply to no more than four ninety (90) day-periods during which Amazon and/or its subsidiaries shall be permitted to make sales pursuant to the Shelf Registration Statement.

(d) Notwithstanding anything to the contrary contained in this Agreement, the Company shall be entitled, from time to time, by providing written notice to the holders of Registrable Securities who elected to participate in the Shelf Registration Statement, to require such holders of Registrable Securities to suspend the use of the prospectus for sales of Registrable Securities under the Shelf Registration Statement during any Blackout Period. In the event of a Blackout Period under clause (ii) of the definition thereof, the Company shall deliver to the Demand Shareholders requesting registration a certificate signed by either the chief executive officer or the chief financial officer of the Company certifying that, in the good faith judgment of the Company, the conditions described in clause (ii) of the definition of Blackout Period are met. Such certificate shall contain an approximation of the anticipated delay. Upon notice by the Company to the Demand Shareholders of any such determination, each Demand Shareholder covenants that it shall, subject to Applicable Law, keep the fact of any such notice strictly confidential, and, in the case of a Blackout Period pursuant to clause (ii)(y) of the definition of Blackout Period, promptly halt any offer, sale, trading or other Transfer by it or any of its Affiliates of any Registrable Securities for the duration of the Blackout Period set forth in such notice (or until such Blackout Period shall be earlier terminated in writing by the Company) and promptly halt any use, publication, dissemination or distribution of the Shelf Registration Statement, each prospectus included therein, and any amendment or supplement thereto by it and any of its Affiliates for the duration of the Blackout Period set forth in such notice (or until such Blackout Period shall be earlier terminated in writing by the Company) and, if so directed in writing by the Company, will deliver to the Company any copies then in the Demand Shareholder's possession of the prospectus covering such Registrable Securities that was in effect at the time of receipt of such notice.

(e) After the expiration of any Blackout Period and without any further request from a holder of Registrable Securities, the Company, to the extent necessary, shall as promptly as reasonably practicable prepare a post-effective amendment or supplement to the Shelf Registration Statement or the prospectus, or any document incorporated therein by reference, or file any other required document so that, as thereafter delivered to purchasers of the Registrable Securities included therein, the prospectus will not include an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(f) At any time that a Shelf Registration Statement is effective, if any Demand Shareholder delivers a notice to the Company (a "Take-Down Notice") stating that it intends to sell all of part of its Registrable Securities included by it on the Shelf Registration Statement (a "Shelf Offering"), then the Company shall amend or supplement the Shelf Registration Statement as may be necessary in order to enable such Registrable Securities to be distributed pursuant to the Shelf Offering (taking into account, solely in connection with a Marketed Underwritten Shelf Offering, the inclusion of Registrable Securities by any other holders pursuant to this Section 6.3). In connection with any Shelf Offering that is an Underwritten Offering and where the plan of distribution set forth in the applicable Take-Down Notice includes a customary "road show" (including an "electronic road show") or other substantial marketing effort by the Company and the underwriters (a "Marketed Underwritten Shelf Offering"):

(i) such proposing Demand Shareholder(s) shall also deliver the Take-Down Notice to all other Demand Shareholders included on the Shelf Registration Statement and permit each such holder to include its Registrable Securities included on the Shelf Registration Statement in the Marketed Underwritten Shelf Offering if such holder notifies the proposing Demand Shareholder(s) and the Company within two (2) Business Days after delivery of the Take-Down Notice to such holder; and

(ii) if the lead managing underwriter(s) advises the Company and the proposing Demand Shareholder(s) that, in its opinion, the inclusion of all of the securities sought to be sold in connection with such Marketed Underwritten Shelf Offering would adversely affect the success thereof, then there shall be included in such Marketed Underwritten Shelf Offering only such securities as the proposing Demand Shareholder(s) is advised by such lead managing underwriter(s) can be sold without such adverse effect, and such number of Registrable Securities shall be allocated in the same manner as described in Section 6.1(g). Except as otherwise expressly specified in this Section 6.3, any Marketed Underwritten Shelf Offering shall be subject to the same requirements, limitations and other provisions of this Article IV as would be applicable to a Demand Registration (*i.e.*, as if such Marketed Underwritten Shelf Offering were a Demand Registration), including Section 6.1(e)(ii) and Section 6.1(g).

(g) Notwithstanding any other provision of this Agreement, if the requesting Demand Shareholder wishes to engage in a block sale (including a block sale off of a Shelf Registration Statement or an effective automatic shelf registration statement, or in connection with the registration of the Registrable Securities under an automatic shelf registration statement for purposes of effectuating a block sale), then notwithstanding the foregoing or any other provisions hereunder, no Demand Shareholder shall be entitled to receive any notice of or have its Registrable Securities included in such block sale.

(h) Any time that a Shelf Offering involves a Marketed Underwritten Offering, the Company shall select the investment banker(s) and manager(s) that will serve as managing underwriters (including which such managing underwriters will serve as lead or co-lead) and underwriters with respect to the offering of such Registrable Securities; provided, that such investment banker(s) and manager(s) shall be an investment bank of international reputation and reasonably acceptable to the Requesting Shareholder(s) holding of a majority in interest of the Registration Securities included in such Marketed Underwritten Offering (such acceptance not to be unreasonably withheld, conditioned or delayed).

6.4 Withdrawal Rights. Any holder of Registrable Securities having notified or directed the Company to include any or all of its Registrable Securities in a registration statement under the Securities Act shall have the right to withdraw any such notice or direction with respect to any or all of the Registrable Securities designated by it for registration by giving written notice to such effect to the Company prior to the effective date of such registration statement. In the event of any such withdrawal, the Company shall not include such Registrable Securities in the applicable registration and such Registrable Securities shall continue to be Registrable Securities for all purposes of this Agreement (subject to the other terms and conditions of this Agreement). No such withdrawal shall affect the obligations of the Company with respect to the Registrable Securities not so withdrawn; provided, however, that in the case of a Demand Registration, if such withdrawal shall reduce the number of Registrable Securities sought to be included in such registration below the Registrable Amount, then the Company shall as promptly as practicable give each Demand Shareholder seeking to register Registrable Securities notice to such effect and, within five (5) days following the mailing of such notice, such Demand Shareholder still seeking registration shall, by written notice to the Company, elect to register additional Registrable Securities to satisfy the Registrable Amount or elect that such registration statement not be filed or, if theretofore filed, be withdrawn. During such five (5) day period, the Company shall not file such registration statement if not theretofore filed or, if such registration statement has been theretofore filed, the Company shall not seek, and shall use commercially reasonable efforts to prevent, the effectiveness thereof. The foregoing shall not derogate from the final sentence of Section 6.2(a).

6.5 Intentionally omitted.

6.6 Holdback Agreements.

(a) Amazon shall enter into customary agreements restricting the sale or distribution of Equity Securities of the Company (including sales pursuant to Rule 144 under the Securities Act) to the extent required by the lead managing underwriter(s) with respect to an applicable Underwritten Offering during the period commencing on the date of the request (which shall be no earlier than fourteen (14) days prior to the expected “pricing” of such Underwritten Offering) and continuing for not more than ninety (90) days after the date of the “final” prospectus (or “final” prospectus supplement if the Underwritten Offering is made pursuant to a Shelf Registration Statement), pursuant to which such Underwritten Offering shall be made. The Company shall not include Registrable Securities of any other Demand Shareholder in such an Underwritten Offering unless such other Demand Shareholder enters into a customary agreement restricting the sale or distribution of Equity Securities of the Company (including sales pursuant to Rule 144 under the Securities Act) if requested by the lead managing underwriter(s).

(b) If any Demand Registration or Shelf Offering involves an Underwritten Offering, the Company will not effect any sale or distribution of Ordinary Shares (or securities convertible into or exchangeable or exercisable for Ordinary Shares) (other than a registration statement on Form F-4 or S-4, as applicable, Form S-8 or any successor forms thereto) for its own account, within sixty (60) days (plus an extension period as may be proposed by the lead managing underwriter(s) for such Underwritten Offering to address FINRA regulations regarding the publication of research, or such shorter periods as the lead managing underwriter(s) may agree with the Company), after the effective date of such registration except as may otherwise be agreed between the Company and the lead managing underwriter(s) of such Underwritten Offering.

6.7 Registration Procedures.

(a) If and whenever the Company is required to use commercially reasonable efforts to effect the registration of any Registrable Securities under the Securities Act as provided in Section 6.1, Section 6.2 or Section 6.3, the Company shall as expeditiously as reasonably practicable:

(i) prepare and file with the Commission a registration statement to effect such registration in accordance with the intended method or methods of distribution of such securities and thereafter use commercially reasonable efforts to cause such registration statement to become and remain effective pursuant to the terms of this Article IV; provided, however, that the Company may discontinue any registration of its securities which are not Registrable Securities at any time prior to the effective date of the registration statement relating thereto; provided, further, that before filing such registration statement or any amendments thereto, the Company will furnish to the Demand Shareholders which are including Registrable Securities in such registration ("Selling Shareholders"), their counsel and the lead managing underwriter(s), if any, copies of all such documents proposed to be filed, which documents will be subject to the review and reasonable comment of such counsel, and other documents reasonably requested by such counsel, including any comment letter from the Commission, and, if requested by such counsel, provide such counsel reasonable opportunity to participate in the preparation of such registration statement and each prospectus included therein and such other opportunities to conduct a reasonable investigation within the meaning of the Securities Act, including reasonable access to the Company's books and records, officers, accountants and other advisors. The Company shall not file any such registration statement or prospectus or any amendments or supplements thereto with respect to a Demand Registration to which the holders of a majority of Registrable Securities held by the Requesting Shareholder(s), their counsel or the lead managing underwriter(s), if any, shall reasonably object, in writing, on a timely basis, unless, in the opinion of the Company, such filing is necessary to comply with Applicable Law;

(ii) except in the case of a Shelf Registration Statement, prepare and file with the Commission such amendments, including post-effective amendments, and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective pursuant to the terms of this Article VI, and comply in all material respects with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement;

(iii) in the case of a Shelf Registration Statement, prepare and file with the Commission such amendments, including post-effective amendments, and supplements to such Shelf Registration Statement and the prospectus used in connection therewith as may be necessary to keep such Shelf Registration Statement effective and to comply in all material respects with the provision of the Securities Act with respect to the disposition of the Registrable Securities subject thereto for a period ending on the earlier of (x) ninety (90) days after the Shelf Registration Statement has been declared effective, provided that in the event of a Blackout Period, as described below, the period during which the Shelf Registration shall be required to remain effective will be extended by the number of days during which the Blackout Period is in effect, (y) the date when all restrictive legends on the Registrable Securities have been removed or (z) the date on which all the Registrable Securities held by the Demand Shareholders cease to be Registrable Securities;

(iv) if requested by the lead managing underwriter(s), if any, or the holders of a majority of the then outstanding Registrable Securities being sold in connection with an Underwritten Offering, promptly include in a prospectus supplement or post-effective amendment such information as the lead managing underwriter(s), if any, and such holders may reasonably request in order to permit the intended method of distribution of such securities and make all required filings of such prospectus supplement or such post-effective amendment as soon as reasonably practicable after the Company has received such request; provided, however, that the Company shall not be required to take any actions under this Section 6.7(a)(iv) that are not, in the opinion of counsel for the Company, in compliance with Applicable Law;

(v) furnish to the Selling Shareholders and each underwriter, if any, of the securities being sold by such Selling Shareholders such number of conformed copies of such registration statement and of each amendment and supplement thereto, such number of copies of the prospectus contained in such registration statement (including each preliminary prospectus and any summary prospectus) and each free writing prospectus (as defined in Rule 405 of the Securities Act) (a "Free Writing Prospectus") utilized in connection therewith and any other prospectus filed under Rule 424 under the Securities Act, in conformity with the requirements of the Securities Act, and such other documents as such Selling Shareholders and underwriter, if any, may reasonably request in order to facilitate the public sale or other disposition of the Registrable Securities owned by such Selling Shareholders;

(vi) use commercially reasonable efforts to register or qualify or cooperate with the Selling Shareholders, the underwriters, if any, and their respective counsel in connection with the registration or qualification (or exemption from such registration or qualification) of such Registrable Securities covered by such registration statement under such other securities laws or "blue sky" laws of such jurisdictions as the Selling Shareholders and any underwriter of the securities being sold by such Selling Shareholders shall reasonably request, and to keep each such registration or qualification (or exemption therefrom) effective during the period such registration statement is required to be kept effective and take any other action which may be necessary or reasonably advisable to enable such Selling Shareholders and underwriters to consummate the disposition in such jurisdictions of the Registrable Securities owned by such Selling Shareholders, except that the Company shall not for any such purpose be required to (A) qualify generally to do business as a foreign corporation in any jurisdiction wherein it would not but for the requirements of this clause (vi) be obligated to be so qualified, (B) subject itself to taxation in any such jurisdiction or (C) file a general consent to service of process in any such jurisdiction;

(vii) use commercially reasonable efforts to cause such Registrable Securities (if such Registrable Securities are Ordinary Shares) to be listed on each securities exchange on which Ordinary Shares are then listed;

(viii) use commercially reasonable efforts to provide and cause to be maintained a transfer agent and registrar for all Registrable Securities covered by such registration statement from and after a date not later than the effective date of such registration statement;

(ix) enter into such agreements (including an underwriting agreement) in form, scope and substance as is customary in underwritten offerings of Ordinary Shares by the Company and use its commercially reasonable efforts to take all such other actions reasonably requested by the holders of a majority of the Registrable Securities being sold in connection therewith (including those reasonably requested by the lead managing underwriter(s), if any) to expedite or facilitate the disposition of such Registrable Securities, and in such connection, whether or not an underwriting agreement is entered into and whether or not the registration is an Underwritten Offering (A) make such representations and warranties to the holders of such Registrable Securities and the underwriters, if any, with respect to the business of the Company and its Subsidiaries, and the registration statement, prospectus and documents, if any, incorporated or deemed to be incorporated by reference therein, in each case, in form, substance and scope as are customarily made by issuers in underwritten offerings, and, if true, confirm the same if and when requested, (B) if any underwriting agreement has been entered into, the same shall contain customary indemnification provisions and procedures with respect to all parties to be indemnified pursuant to Section 6.10, except as otherwise agreed by the holders of a majority of the Registrable Securities being sold and (C) deliver such documents and certificates as reasonably requested by the holders of a majority of the Registrable Securities being sold, their counsel and the lead managing underwriter(s), if any, to evidence the continued validity of the representations and warranties made pursuant to sub-clause (A) above and to evidence compliance with any customary conditions contained in the underwriting agreement or other agreement entered into by the Company. The above shall be done at each closing under such underwriting or similar agreement, or as and to the extent required thereunder;

(x) in connection with an Underwritten Offering, use commercially reasonable efforts to obtain for the underwriter(s) (A) opinions of counsel for the Company, covering the matters customarily covered in opinions requested in underwritten offerings and such other matters as may be reasonably requested by such underwriters and (B) “comfort” letters and updates thereof (or, in the case of any such Person which does not satisfy the conditions for receipt of a “comfort” letter specified in Statement on Auditing Standards No. 72, an “agreed upon procedures” letter) signed by the independent public accountants who have certified the Company’s financial statements included in such registration statement, covering the matters customarily covered in “comfort” letters in connection with underwritten offerings;

(xi) make available for inspection by the Selling Shareholders, any underwriter participating in any disposition pursuant to any registration statement, and any attorney, accountant or other agent or representative retained in connection with such offering by such Selling Shareholders or underwriter (collectively, the "Inspectors"), financial and other records, pertinent corporate documents and properties of the Company (collectively, the "Records"), as shall be reasonably necessary, or as shall otherwise be reasonably requested, to enable them to exercise their due diligence responsibility, and cause the officers, directors and employees of the Company and its Subsidiaries to supply all information in each case reasonably requested by any such representative, underwriter, attorney, agent or accountant in connection with such registration statement; provided, however, that the Company shall not be required to provide any information under this Section 6.7(a)(xi) if (A) the Company believes, after consultation with counsel for the Company, that to do so would cause the Company to forfeit an attorney-client privilege that was applicable to such information or (B) either (1) the Company has requested and been granted from the Commission confidential treatment of such information contained in any filing with the Commission or documents provided supplementally or otherwise or (2) the Company reasonably determines in good faith that such Records are confidential and so notifies the Inspectors in writing; unless prior to furnishing any such information with respect to clause (1) or (2) such Selling Shareholder requesting such information enters into, and causes each of its Inspectors to enter into, a confidentiality agreement on terms and conditions reasonably acceptable to the Company; provided, further, that each Selling Shareholder agrees that it will, upon learning that disclosure of such Records is sought in a court of competent jurisdiction or by another Governmental Entity, give notice to the Company and allow the Company, at its expense, to undertake appropriate action seeking to prevent disclosure of the Records deemed confidential;

(xii) as promptly as practicable notify in writing the Selling Shareholders and the underwriters, if any, of the following events: (A) the filing of the registration statement, any amendment thereto, the prospectus or any prospectus supplement related thereto or post-effective amendment to the registration statement or any Free Writing Prospectus utilized in connection therewith, and, with respect to the registration statement or any post-effective amendment thereto, when the same has become effective; (B) any request by the Commission or any other U.S. or state governmental authority for amendments or supplements to the registration statement or the prospectus or for additional information; (C) the issuance by the Commission of any stop order suspending the effectiveness of the registration statement or the initiation of any proceedings by any Person for that purpose; (D) the receipt by the Company of any notification with respect to the suspension of the qualification of any Registrable Securities for sale under the securities or "blue sky" laws of any jurisdiction or the initiation or threat of any proceeding for such purpose; (E) if at any time the representations and warranties of the Company contained in any mutual agreement (including any underwriting agreement) contemplated by Section 6.7(a)(ix) cease to be true and correct in any material respect; and (F) upon the happening of any event that makes any statement made in such registration statement or related prospectus or any document incorporated or deemed to be incorporated therein by reference untrue in any material respect or that requires the making of any changes in such registration statement, prospectus or documents so that, in the case of the registration statement, it will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading, and that in the case of the prospectus, it will not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, and, at the request of any Selling Shareholder, promptly prepare and furnish to such Selling Shareholder a reasonable number of copies of a supplement to or an amendment of such registration statement or prospectus as may be necessary so that, as thereafter delivered to the purchasers of such Registrable Securities, such prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(xiii) use commercially reasonable efforts to obtain the withdrawal of any order suspending the effectiveness of such registration statement, or the lifting of any suspension of the qualification (or exemption from qualification) of any of the Registrable Securities for sale in any jurisdiction at the earliest reasonable practicable date, except that, subject to the requirements of Section 6.7(a)(vi), the Company shall not for any such purpose be required to (A) qualify generally to do business as a foreign corporation in any jurisdiction wherein it would not but for the requirements of this clause (xiii) be obligated to be so qualified, (B) subject itself to taxation in any such jurisdiction or (C) file a general consent to service of process in any such jurisdiction;

(xiv) cooperate with the Selling Shareholders and the lead managing underwriter(s) to facilitate the timely preparation and delivery of certificates (which shall not bear any restrictive legends unless required under Applicable Law) representing securities sold under any registration statement, and enable such securities to be in such denominations and registered in such names as the lead managing underwriter(s) or such Selling Shareholders may request and keep available and make available to the Company's transfer agent prior to the effectiveness of such registration statement a supply of such certificates;

(xv) cooperate with each seller of Registrable Securities and each underwriter or agent participating in the disposition of such Registrable Securities and their respective counsel in connection with any filings required to be made with FINRA;

(xvi) have appropriate officers of the Company prepare and make presentations at a reasonable number of "road shows" and before analysts and rating agencies, as the case may be, and other information meetings reasonably organized by the underwriters, take other actions to obtain ratings for any Registrable Securities (if they are eligible to be rated) and otherwise use its commercially reasonable efforts to cooperate as reasonably requested by the Selling Shareholders and the underwriters in the offering, marketing or selling of the Registrable Securities; provided, however, that the scheduling of any such "road shows" and other meetings shall not unduly interfere with the normal operations of the business of the Company; and

(xvii) take all other actions reasonably requested by Amazon or the lead managing underwriter(s) to effect the intent of this Agreement.

(b) The Company may require each Selling Shareholder and each underwriter, if any, to furnish the Company in writing such information regarding each Selling Shareholder or underwriter and the distribution of such Registrable Securities as the Company may from time to time reasonably request in writing to complete or amend the information required by such registration statement.

(c) Each Selling Shareholder agrees that upon receipt of any notice from the Company of the happening of any event of the kind described in clauses (B), (C), (D), (E) and (F) of Section 6.7(a)(xii), such Selling Shareholder shall forthwith discontinue such Selling Shareholder's disposition of Registrable Securities pursuant to the applicable registration statement and prospectus relating thereto until such Selling Shareholder's receipt of the copies of the supplemented or amended prospectus contemplated by Section 6.7(a)(xi), or until it is advised in writing by the Company that the use of the applicable prospectus may be resumed, and has received copies of any additional or supplemental filings that are incorporated or deemed to be incorporated by reference in such prospectus; provided, however, that the Company shall extend the time periods under Section 6.1(c) with respect to the length of time that the effectiveness of a registration statement must be maintained by the amount of time the holder is required to discontinue disposition of such securities.

(d) With a view to making available to the holders of Registrable Securities the benefits of Rule 144 under the Securities Act and any other rule or regulation of the Commission that may at any time permit a holder to sell securities of the Company to the public without registration, the Company shall:

(i) use commercially reasonable efforts to make and keep public information available, as those terms are understood and defined in Rule 144 under the Securities Act;

(ii) use commercially reasonable efforts to file with the Commission in a timely manner all reports and other documents required of the Company under the Exchange Act, at any time when the Company is subject to such reporting requirements; and

(iii) furnish to any holder of Registrable Securities, promptly upon request, a written statement by the Company as to its compliance with the reporting requirements of Rule 144 under the Securities Act and of the Exchange Act, a copy of the most recent annual or quarterly report of the Company, and such other reports and documents so filed or furnished by the Company with the Commission as such holder may reasonably request in connection with the sale of Registrable Securities without registration (in each case to the extent not readily publicly available).

6.8 Registration Expenses. All fees and expenses incident to the Company's performance of its obligations under this Article IV, including (a) all registration and filing fees, including all fees and expenses of compliance with securities and "blue sky" laws (including the reasonable and documented fees and disbursements of counsel for the underwriters in connection with "blue sky" qualifications of the Registrable Securities pursuant to Section 6.7(a)(vi)) and all fees and expenses associated with filings required to be made with FINRA (including, if applicable, the fees and expenses of any "qualified independent underwriter" as such term is defined in FINRA Rule 5121, except in the event that Requesting Shareholders select the underwriters) (b) all printing (including expenses of printing certificates for the Registrable Securities in a form eligible for deposit with the Depository Trust Company and of printing prospectuses if the printing of prospectuses is requested by Amazon) and copying expenses, (c) all messenger, telephone and delivery expenses, (d) all fees and expenses of the Company's independent certified public accountants and counsel (including with respect to "comfort" letters and opinions), (e) expenses of the Company incurred in connection with any "road show", other than any expense paid or payable by the underwriters and (f) reasonable and documented fees and disbursements of one counsel, not to exceed $50,000, for all holders of Registrable Securities whose Registrable Securities are included in a registration statement, which counsel shall be selected by, in the case of a Demand Registration, the Requesting Shareholders, in the case of a Shelf Offering, the Demand Shareholder(s) requesting such offering, or in the case of any other registration, the holders of a majority of the Registrable Securities being sold in connection therewith, shall be borne solely by the Company whether or not any registration statement is filed or becomes effective. In connection with the Company's performance of its obligations under this Article VI, the Company will pay its internal expenses (including all salaries and expenses of its officers and employees performing legal or accounting duties and the expense of any annual audit) and the expenses and fees for listing the securities to be registered on the primary securities exchange or over-the-counter market on which similar securities issued by the Company are then listed or traded. Each Selling Shareholder shall pay its portion of all underwriting discounts and commissions and transfer taxes, if any, relating to the sale of such Selling Shareholder's Registrable Securities pursuant to any registration.

6.9 Miscellaneous.

(a) Not less than five (5) Business Days before the expected filing date of each registration statement pursuant to this Agreement, the Company shall notify each holder of Registrable Securities who has timely provided the requisite notice hereunder entitling such holder to register Registrable Securities in such registration statement of the information, documents and instruments from such holder that the Company or any underwriter reasonably requests in connection with such registration statement, including a questionnaire, custody agreement, power of attorney, lock-up letter and underwriting agreement (the "Requested Information"). If the Company has not received, on or before the second Business Day before the expected filing date, the Requested Information from such holder, the Company may file the registration statement without including Registrable Securities of such holder. The failure to so include in any registration statement the Registrable Securities of a holder of Registrable Securities (with regard to that registration statement) shall not result in any liability on the part of the Company to such holder.

(b) The Company shall not grant to any Person any demand, piggyback or shelf registration rights the terms of which are senior to or conflict with the rights granted to Amazon hereunder without the prior written consent of Amazon. If Amazon provides such consent, Amazon and the Company shall amend this Agreement to grant Amazon any such senior demand, piggyback or self registration rights.

(c) The rights and obligations of the parties set forth in this Agreement are subject to the agreements and understandings of the parties hereto and Fortissimo Capital Fund (II) Israel L.P. as set forth in that certain Waiver and Agreement of even date herewith (the "Waiver and Agreement")

6.10 Registration Indemnification.

(a) The Company agrees, without limitation as to time, to indemnify and hold harmless, to the fullest extent permitted by law, each Selling Shareholder and its Affiliates and their respective officers, directors, members, stockholders, employees, managers and partners and each Person who controls (within the meaning of Section 15 of the Securities Act and Section 20 of the Exchange Act) such Selling Shareholder or such other indemnified Person and the officers, directors, members, stockholders, employees, managers and partners of each such controlling Person, each underwriter, if any, and each Person who controls (within the meaning of Section 15 of the Securities Act and Section 20 of the Exchange Act) such underwriter, from and against all losses, claims, damages, liabilities, costs, expenses (including reasonable expenses of investigation and reasonable attorneys' fees and expenses), judgments, fines, penalties, charges and amounts paid in settlement (collectively, the "Losses"), as incurred, arising out of, caused by, resulting from or relating to any untrue statement (or alleged untrue statement) of a material fact contained in any registration statement, prospectus or preliminary prospectus or Free Writing Prospectus or any amendment or supplement thereto or any omission (or alleged omission) of a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading and (without limitation of the preceding portions of this Section 6.10(a)) will reimburse each such Selling Shareholder, each of its Affiliates, and each of their respective officers, directors, members, stockholders, employees, managers and partners and each such Person who controls each such Selling Shareholder and the officers, directors, members, stockholders, employees, managers, partners, accountants, attorneys and agents of each such controlling Person, each such underwriter and each such Person who controls any such underwriter, for any legal and any other expenses reasonably incurred in connection with investigating and defending or settling any such claim, Loss, damage, liability or action, except insofar as the same are caused by any information furnished in writing to the Company by any Selling Shareholder expressly for use therein.

(b) In connection with any registration statement in which a Selling Shareholder is participating, without limitation as to time, each such Selling Shareholder shall, severally and not jointly, indemnify the Company, its directors, officers and employees, and each Person who controls (within the meaning of Section 15 of the Securities Act and Section 20 of the Exchange Act) the Company, from and against all Losses, as incurred, arising out of, caused by, resulting from or relating to any untrue statement (or alleged untrue statement) of material fact contained in the registration statement, prospectus or preliminary prospectus or Free Writing Prospectus or any amendment or supplement thereto or any omission (or alleged omission) of a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and (without limitation of the preceding portions of this Section 6.10(b)) will reimburse the Company, its directors, officers and employees and each Person who controls the Company (within the meaning of Section 15 of the Securities Act and Section 20 of the Exchange Act) for any legal and any other expenses reasonably incurred in connection with investigating and defending or settling any such claim, Loss, damage, liability or action, in each case solely to the extent, but only to the extent, that such untrue statement or omission is made in such registration statement, prospectus or preliminary prospectus or Free Writing Prospectus or any amendment or supplement thereto in reliance upon and in conformity with written information furnished to the Company by such Selling Shareholder for inclusion in such registration statement, prospectus or preliminary prospectus or Free Writing Prospectus or any amendment or supplement thereto. Notwithstanding the foregoing, no Selling Shareholder shall be liable under this Section 6.10(b) for amounts in excess of the gross proceeds (after deducting any underwriting discount or commission) received by such holder in the offering giving rise to such liability.

(c) Any Person entitled to indemnification hereunder shall give prompt written notice to the indemnifying party of any claim with respect to which it seeks indemnification; provided, however, the failure to give such notice shall not release the indemnifying party from its obligation, except to the extent that the indemnifying party has been actually and materially prejudiced by such failure to provide such notice on a timely basis.

(d) In any case in which any such action is brought against any indemnified party, and it notifies an indemnifying party of the commencement thereof, the indemnifying party will be entitled to participate therein, and, to the extent that it may wish, to assume the defense thereof, with counsel reasonably satisfactory to such indemnified party, and after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof and acknowledging the obligations of the indemnifying party with respect to such proceeding, the indemnifying party will not (so long as it shall continue to have the right to defend, contest, litigate and settle the matter in question in accordance with this paragraph) be liable to such indemnified party hereunder for any legal or other expense subsequently incurred by such indemnified party in connection with the defense thereof other than reasonable costs of investigation, supervision and monitoring (unless (i) such indemnified party reasonably objects to such assumption on the grounds that (A) there may be defenses available to it which are different from or in addition to the defenses available to such indemnifying party or (B) such action involves, or is reasonably likely to have an effect beyond, the scope of matters that are subject to indemnification pursuant to this Section 6.10, or (ii) the indemnifying party shall have failed within a reasonable period of time to assume such defense and the indemnified party is or would reasonably be expected to be materially prejudiced by such delay, in either event the indemnified party shall be promptly reimbursed by the indemnifying party for the expenses incurred in connection with retaining one separate legal counsel (for the avoidance of doubt, for all indemnified parties in connection therewith)). For the avoidance of doubt, notwithstanding any such assumption by an indemnifying party, the indemnified party shall have the right to employ separate counsel in any such matter and participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such indemnified party except as provided in the previous sentence. An indemnifying party shall not be liable for any settlement of an action or claim effected without its consent. No matter shall be settled by an indemnifying party without the consent of the indemnified party (which consent shall not be unreasonably withheld, conditioned or delayed), unless such settlement (x) includes as an unconditional term thereof the giving by the claimant or plaintiff to such indemnified party of a release from all liability in respect to such claim or litigation, (y) does not include any statement as to or any admission of fault, culpability or a failure to act by or on behalf of any indemnified party and (z) is settled solely for cash for which the indemnified party would be entitled to indemnification hereunder.

(e) The indemnification provided for under this Agreement shall survive the Transfer of the Registrable Securities and the termination of this Agreement.

(f) If recovery is not available under the foregoing indemnification provisions for any reason or reasons other than as specified therein, any Person who would otherwise be entitled to indemnification by the terms thereof shall nevertheless be entitled to contribution with respect to any Losses with respect to which such Person would be entitled to such indemnification but for such reason or reasons, in such proportion as is appropriate to reflect the relative fault of the indemnifying party, on the one hand, and such indemnified party, on the other hand, in connection with the actions, statements or omissions that resulted in such Losses as well as any other relevant equitable considerations. The relative fault of the indemnifying party and of the indemnified party shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission to state a material fact relates to information supplied by the indemnifying party or by the indemnified party, the Persons' relative knowledge and access to information concerning the matter with respect to which the claim was asserted, the opportunity to correct and prevent any statement or omission, and other equitable considerations appropriate under the circumstances. It is hereby agreed that it would not necessarily be equitable if the amount of such contribution were determined by pro rata or per capita allocation. No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not found guilty of such fraudulent misrepresentation. Notwithstanding the foregoing, no Selling Shareholder shall be required to make a contribution in excess of the amount received by such Selling Shareholder from its sale of Registrable Securities in connection with the offering that gave rise to the contribution obligation.

6.11 Free Writing Prospectuses. Amazon shall not use any "free writing prospectus" (as defined in Rule 405 under the Securities Act) in connection with the sale of Registrable Securities pursuant to this Article VI without the prior written consent of the Company (which consent shall not be unreasonably withheld, conditioned or delayed). Notwithstanding the foregoing, Amazon may use any free writing prospectus prepared and distributed by the Company.

6.12 Survival. Notwithstanding anything in this Agreement, this Article VI shall survive termination of this Agreement pursuant to Section 8.1, and will continue until the date that the Beneficial Ownership of Amazon, in the aggregate, of the Ordinary Shares is less than two percent (2%) of the issued and outstanding shares of Ordinary Shares, so long as, as of such date, all of the then-remaining Registrable Securities Beneficially Owned by Amazon may be sold in a single transaction without limitation under Rule 144 under the Securities Act.

ARTICLE VII

DEFINITIONS

7.1 Defined Terms. Capitalized terms when used in this Agreement have the following meanings:

"Acquisition Proposal" means any proposal, offer, inquiry, indication of interest or expression of intent (whether binding or non-binding, and whether communicated to the Company, the Board or publicly announced to the Company's stockholders or otherwise) by any Person or Group relating to an Acquisition Transaction.

"Acquisition Transaction" means (a) any transaction or series of related transactions as a result of which any Person or Group (excluding Amazon or any of its Affiliates) becomes the beneficial owner, directly or indirectly, of 35% or more of the outstanding Equity Securities (measured by either voting power or economic interests) of the Company, (b) any transaction or series of related transactions in which the stockholders of the Company immediately prior to such transaction or series of related transactions (the "Pre-Transaction Stockholders") cease to beneficially own, directly or indirectly, at least 65% of the outstanding Equity Securities (measured by either voting power or economic interests) of the Company; provided that this clause (b) shall not apply if (i) such transaction or series of related transactions is an acquisition by the Company effected, in whole or in part, through the issuance of Equity Securities of the Company, (ii) such acquisition does not result in a Person or Group beneficially owning, directly or indirectly, a greater percentage of the outstanding Equity Securities (measured by either voting power or economic interests) of the Company than Amazon, and (iii) the Pre-Transaction Stockholders continue to beneficially own, directly or indirectly, at least 60% of the outstanding Equity Securities (measured by voting power and economic interests) of the Company, (c) any merger, consolidation, statutory share exchange, reorganization, recapitalization or similar extraordinary transaction (which may include a reclassification) involving the Company, as a result of which at least 35% ownership of the Company is transferred to another Person or Group (excluding Amazon or any of its Affiliates), (d) individuals who constitute the Continuing Directors, taken together, ceasing for any reason to constitute at least a majority of the Board, or (e) any sale or lease or exchange, transfer, license or disposition of a business, deposits or assets that constitute 35% or more of the consolidated assets, business, revenues, net income, assets or deposits of the Company.

"Affiliate" means, with respect to any person, any other person (for all purposes hereunder, including any entities or individuals) that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such first person. It is expressly agreed that, for purposes of this definition, none of the Company or any of its subsidiaries is an Affiliate of Amazon or any of its subsidiaries (and vice versa).

"Agreement" has the meaning set forth in the preamble.

"Amazon" has the meaning set forth in the preamble.

"Applicable Law" means, with respect to any Person, any federal, national, state, local, municipal, international, multinational or SRO statute, law, ordinance, secondary and subordinate legislation, directives, rule (including rules of common law), regulation, ordinance, treaty, Order, permit, authorization or other requirement applicable to such Person, its assets, properties, operations or business.

"Anti-takeover Provisions" has the meaning set forth in Section 4.3.

"Antitrust Laws" has the meaning set forth in Section 2.2(d)(iii).

"Bankruptcy Exceptions" has the meaning set forth in Section 2.2(d)(i).

"Beneficial Owner", "Beneficially Own" or "Beneficial Ownership" has the meaning assigned to such term in Rule 13d-3 under the Exchange Act, and a Person's beneficial ownership of securities shall be calculated in accordance with the provisions of such Rule (in each case, irrespective of whether or not such Rule is actually applicable in such circumstance); provided that, except as otherwise specified herein, such calculations shall be made inclusive of all Shares subject to issuance pursuant to the Warrant.

"Blackout Period" means (i) any regular quarterly period during which directors and executive officers of the Company are not permitted to trade under the insider trading policy of the Company then in effect and (ii) in the event that the Company determines in good faith that a registration of securities would (x) reasonably be expected to materially adversely affect or materially interfere with any bona fide material financing of the Company or any material transaction under consideration by the Company or (y) would require disclosure of information that has not been, and is not otherwise required to be, disclosed to the public, the premature disclosure of which would adversely affect the Company in any material respect, a period of the shorter of the ending of the condition creating a Blackout Period and up to ninety (90) days; provided, that a Blackout Period described in this clause (ii) may not occur more than once in any period of six (6) consecutive months.

"Board" has the meaning set forth in Section 4.4(b)(ii).

"Business Day" has the meaning set forth in Section 1.3.

"CFC" has the meaning set forth in Section 5.2(e).

"Closing" has the meaning set forth in Section 1.2(a).

"Code" has the meaning set forth in Section 5.2(c).

"Commission" has the meaning set forth in Section 2.1(b).

"Company" has the meaning set forth in the preamble.

"Company Benefit Plan" has the meaning set forth in Section 2.2(d)(ii).

"Company Stock Plans" has the meaning set forth in Section 2.2(b).

"Confidential Information" means all information (irrespective of the form of communication, and irrespective of whether obtained prior to or after the date hereof) obtained by or on behalf of Amazon or its Representatives from the Company, its Affiliates or their respective representatives, through the Beneficial Ownership of Equity Securities or through the rights granted pursuant hereto, other than information which (i) was or becomes generally available to the public other than as a result of a breach of this Agreement by Amazon, its Affiliates or their respective Representatives, (ii) was or becomes available to Amazon, its Affiliates or their respective Representatives on a non-confidential basis from a source other than the Company, its Affiliates or their respective representatives, provided, that the source thereof is not known by Amazon or such of its Affiliates or their respective Representatives to be bound by an obligation of confidentiality, or (iii) is independently developed by Amazon, its Affiliates or their respective Representatives without the use of any such information that would otherwise be Confidential Information hereunder. Subject to clauses (i)-(iii) above, Confidential Information also includes (a) all non-public information previously provided by the Company, its Affiliates or their respective Representatives under the provisions of the Confidentiality Agreement, including all information, documents and reports referred to thereunder, (b) subject to any disclosures permitted by Section 3.2, all non-public understandings, agreements and other arrangements between and among the Company and Amazon, and (c) all other non-public information received from, or otherwise relating to, the Company or its Subsidiaries.

"Confidentiality Agreement" means the Mutual Nondisclosure Agreement, dated as of February 12, 2016, by and between Amazon and the Company.

"Continuing Directors" means the directors of the Company on the date hereof and each other director if, in each case, such other director's nomination for election to the Board is recommended by more than 50% of the Continuing Directors or more than 50% of the members of the Nominating and Governance Committee of the Board that are Continuing Directors.

"control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. "Controlled" and "controlling" shall be construed accordingly.

"conversion" has the meaning set forth in the definition of Equity Securities.

"convertible securities" has the meaning set forth in the definition of Equity Securities.

"Demand" has the meaning set forth in Section 6.1(a).

"Demand Registration" has the meaning set forth in Section 6.1(a).

"Demand Registration Statement" has the meaning set forth in Section 6.1(a).

"Demand Shareholder" means NV Investment Holdings or any Permitted Transferee, in either case that holds Registrable Securities.

"Derivative Instruments" means any and all derivative securities (as defined under Rule 16a-1 under the Exchange Act) that increase in value as the value of any Equity Securities of the Company increases, including a long convertible security, a long call option and a short put option position, in each case, regardless of whether (x) such interest conveys any voting rights in such security, (y) such interest is required to be, or is capable of being, settled through delivery of such security or (z) other transactions hedge the economic effect of such interest.

"Disclosable Agreement" has the meaning set forth in Section 3.2(b).

"Disclosure Agency" has the meaning set forth in Section 3.2(b).

"Effect" has the meaning set forth in Section 2.1(a).

"Equity Securities" means any and all (i) shares, interests, participations or other equivalents (however designated) of capital stock or other voting securities of a corporation, any and all equivalent or analogous ownership (or profit) or voting interests in a Person (other than a corporation), (ii) securities convertible into or exchangeable for shares, interests, participations or other equivalents (however designated) of capital stock or voting securities of (or other ownership or profit or voting interests in) such Person, and (iii) any and all warrants, rights or options to purchase any of the foregoing, whether voting or nonvoting, and, in each case, whether or not such shares, interests, participations, equivalents, securities, warrants, options, rights or other interests are authorized or otherwise existing on any date of determination (clauses (ii) and (iii), collectively "convertible securities" and any conversion, exchange or exercise of any convertible securities, a "conversion").

"Exchange Act" has the meaning set forth in Section 2.1(b).

"Exercise Approval" has the meaning set forth in Section 2.3(b)(i).

"FINRA" means the Financial Industry Regulatory Authority, Inc.

"Form F-3" has the meaning set forth in Section 6.3(a).

"Fortissimo" has the meaning set forth in Section 6.9(c).

"Form S-3" has the meaning set forth in Section 6.3(a).

"Free Writing Prospectus" has the meaning set forth in Section 6.7(a)(v).

"GAAP" has the meaning set forth in in Section 2.1(a).

"Governmental Approval" means any authorization, consent, approval, waiver, exception, variance, order, exemption, publication, filing, declaration, concession, grant, franchise, agreement, permission, permit, or license of, from or with any Governmental Entity, the giving of notice to or registration with any Governmental Entity or any other action in respect of any Governmental Entity.

"Governmental Entity" has the meaning set forth in Section 2.2(d)(iii).

"Group" has the meaning assigned to such term in Section 13(d)(3) of the Exchange Act.

"HSR Act" has the meaning set forth in Section 2.2(d)(iii).

"HSR Filing Date" has the meaning set forth in Section 3.1(b).

"Initial Antitrust Clearance" has the meaning set forth in Section 3.1(b).

"Initial Antitrust Filings" has the meaning set forth in Section 3.1(b).

"Initial Filing Transaction" has the meaning set forth in Section 3.1(b).

"Initial Press Release" has the meaning set forth in Section 3.2(a).

"Inspectors" has the meaning set forth in Section 6.7(a)(xi).

"Investors' Rights Agreement" has the meaning set forth in Section 6.9(c).

"Losses" has the meaning set forth in Section 6.10(a).

"Lower Tier Entity" has the meaning set forth in Section 5.2(d).

"Marketed Underwritten Shelf Offering" has the meaning set forth in Section 6.3(f).

"Master Purchase Agreement" has the meaning set forth in the recitals.

"Material Adverse Effect" has the meaning set forth in Section 2.1(a).

"NIS" means the Israeli New Shekel, the lawful currency of the State of Israel.

"NV Investment Holdings" has the meaning set forth in the recitals.

"Order" means any judgment, decision, decree, order, settlement, injunction, writ, stipulation, determination or award issued by any Governmental Entity.

"Ordinary Shares" has the meaning set forth in the recitals.

"Original Public Acquisition Proposal" has the meaning set forth in Section 4.5(b)(ii).

"Other Antitrust Filings" has the meaning set forth in Section 3.1(b).

"Other Demanding Sellers" has the meaning set forth in Section 6.2(c).

"Other Proposed Sellers" has the meaning set forth in Section 6.2(c).

"Permitted Transferee" means Amazon or any wholly owned subsidiary of Amazon.

"Permitted Transfers" has the meaning set forth in Section 4.4(b).

"Person" means an individual, company, corporation, partnership, limited liability company, trust, body corporate (wherever located) or other entity, organization or unincorporated association, including any Governmental Entity.

"Lower Tier Entity" has the meaning set forth in Section 5.2(d).

"PFIC" has the meaning set forth in Section 6.2(a).

"Piggyback Registration" has the meaning set forth in Section 6.2(a).

"Piggyback Seller" has the meaning set forth in Section 6.2(a).

"Previously Disclosed" has the meaning set forth in Section 2.1(b).

"Qualifying Public Acquisition Proposal" means as it relates to any Original Public Acquisition Proposal under Section 4.5(b), any proposal, offer, inquiry or indication of interest (whether binding or non-binding, and whether communicated to the Company, the Board or publicly announced to the Company's stockholders or otherwise) by Amazon relating to an alternative Acquisition Proposal which Amazon determines in good faith constitutes greater value than such Original Public Acquisition Proposal.

"Records" has the meaning set forth in Section 6.7(a)(xi).

"Registrable Amount" means an amount of Registrable Securities having an aggregate value of at least $8 million (based on the anticipated offering price (as reasonably determined in good faith by the Company)), without regard to any underwriting discount or commission, or such lesser amount of Registrable Securities as would result in the disposition of all of the Registrable Securities Beneficially Owned by the applicable Requesting Shareholder(s); provided, that such lesser amount shall have an aggregate value of at least $3 million (based on the anticipated offering price (as reasonably determined in good faith by the Company)), without regard to any underwriting discount or commission.

"Registrable Securities" means any and all (i) Shares, (ii) other stock or securities that Amazon or its subsidiaries may be entitled to receive, or will have received, pursuant to its ownership of the Shares, in lieu of or in addition to Ordinary Shares, and (iii) Equity Securities issued or issuable directly or indirectly with respect to the securities referred to in the foregoing clause (i) or (ii) by way of conversion or exchange thereof or share dividend or share split or in connection with a combination of shares, recapitalization, reclassification, merger, amalgamation, arrangement, consolidation or other reorganization. As to any particular securities constituting Registrable Securities, such securities shall cease to be Registrable Securities when they have been (x) effectively registered or qualified for sale by prospectus filed under the Securities Act and disposed of in accordance with the Registration Statement covering therein, or (y) sold to the public through a broker, dealer or market maker pursuant to Rule 144 or other exemption from registration under the Securities Act. For purposes of this Agreement, a Person shall be deemed to be a holder of Registrable Securities whenever such Person has the right to acquire directly or indirectly such Registrable Securities (upon conversion or exercise in connection with a transfer of securities or otherwise, but disregarding any restrictions or limitations upon the exercise of such right), whether or not such acquisition has actually been effected.

"Representatives" has the meaning set forth in Section 5.1(d)(i).

"Requested Information" has the meaning set forth in Section 6.9(a).

"Requesting Shareholders" has the meaning set forth in Section 6.1(a).

"SEC Reports" has the meaning set forth in Section 2.1(b).

"Securities Act" has the meaning set forth in Section 2.1(b).

"Selling Shareholders" has the meaning set forth in Section 6.7(a)(i).

"Shares" has the meaning set forth in the recitals.

"Shelf Notice" has the meaning set forth in Section 6.3(a).

"Shelf Offering" has the meaning set forth in Section 6.3(f).

"Shelf Registration Statement" has the meaning set forth in Section 6.3(a).

"SRO" means any (i) "self-regulatory organization" as defined in Section 3(a)(26) of the Exchange Act, (ii) other United States or foreign securities exchange, futures exchange, commodities exchange or contract market or (iii) other securities exchange.

"Standstill Period" has the meaning set forth in Section 4.5(a).

"subsidiary" means, with respect to such person, any foreign or domestic entity, whether incorporated or unincorporated, of which (i) such person or any other subsidiary of such person is a general partner, (ii) at least a majority of the voting power to elect a majority of the directors or others performing similar functions with respect to such other entity is directly or indirectly owned or controlled by such person or by any one or more of such person's subsidiaries, or (iii) at least fifty percent (50%) of the equity interests or which are is directly or indirectly owned or controlled by such person or by any one or more of such person's subsidiaries.

"Take-Down Notice" has the meaning set forth in Section 6.3(f).

"Tax Advisor" means a 'Big Four' accounting firm that is selected by the Company.

"Transaction Documents" has the meaning set forth in Section 2.1(b).

"Transaction Litigation" has the meaning set forth in Section 3.1(e).

"Transfer" means (i) any direct or indirect offer, sale, lease, assignment, encumbrance, pledge, grant of a security interest, hypothecation, disposition or other transfer (by operation of law or otherwise), either voluntary or involuntary, or entry into any contract, option or other arrangement or understanding with respect to any offer, sale, lease, assignment, encumbrance, pledge, hypothecation, disposition or other transfer (by operation of law or otherwise), of any capital stock or interest in any capital stock or (ii) in respect of any capital stock or interest in any capital stock, the entry into any swap or any other agreement, transaction or series of transactions that hedges or transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of such capital stock or interest in capital stock, whether any such swap, agreement, transaction or series of transaction is to be settled by delivery of securities, in cash or otherwise. "Transferor" means a Person that Transfers or proposes to Transfer; and "Transferee" means a Person to whom a Transfer is made or is proposed to be made.

"Underwritten Offering" means a sale of securities of the Company to an underwriter or underwriters for reoffering to the public.

"Undesignated Registrable Shares" has the meaning set forth in Section 6.2(b).

"Voting Securities" means Ordinary Shares of the Company and any other securities of the Company entitled to vote generally in the election of directors of the Company.

"Waiver and Agreement" has the meaning set forth in Section 6.9.

"Warrant" has the meaning set forth in Section 1.1.

"Warrant Issuance" has the meaning set forth in Section 1.1.

"Warrant Shares" has the meaning set forth in Section 1.1.

ARTICLE VIII

MISCELLANEOUS

8.1 Termination of This Agreement; Other Triggers.

(a) This Agreement may be terminated at any time:

(i) with the prior written consent of each of Amazon and the Company; or

(ii) if the Initial Antitrust Clearance shall not have been obtained on or prior to the date that is six months after the latest date of the Initial Antitrust Filings, by Amazon, provided that Amazon may not exercise the termination right pursuant to this Section 8.1(a)(ii) if a breach by Amazon of any obligation, representation or warranty under this Agreement has been the cause of, or resulted in, the failure of the Initial Antitrust Clearance to have been obtained on or prior to the date that is six months after the latest date of the Initial Antitrust Filings.

(b) In the event of termination of this Agreement as provided in this Section 5.1, this Agreement (other than Section 1.3 (*Interpretation*), Section 3.2 (*Public Announcements*), Section 3.3 (*Expenses*), Section 4.1 (*Acquisition for Investment*) (to the extent any Warrant Shares have been issued prior to termination), Section 4.2 (*Legend*) (to the extent any Warrant Shares have been issued prior to termination), Article V (*Governance*), Article VI (*Registration*) and this Article VIII, each of which shall survive any termination of this Agreement) shall forthwith become void and there shall be no liability on the part of any party, except that nothing herein shall relieve any party from liability for any breach of this Agreement prior to such termination.

(c) Without affecting in any manner any prior exercise of the Warrant, in the event of termination of this Agreement as provided in this Section 8.1, the unvested portion of the Warrant shall be canceled and terminated and shall forthwith become void and the Company shall have no subsequent obligation to issue, and the Warrantholder (as defined in the Warrant) shall have no subsequent right to acquire, any Warrant Shares pursuant to such canceled portion of the Warrant. For the avoidance of doubt, the Warrant shall remain in full force and effect with respect to the vested portion thereof, and nothing in this Section 8.1 shall affect the ability of the NV Investment Holdings to exercise such vested portion of the Warrant following termination of this Agreement.

8.2 Amendment. No amendment of any provision of this Agreement shall be effective unless made in writing and signed by a duly authorized officer of each party.

8.3 Waiver of Conditions. The conditions to any party's obligation to consummate any transaction contemplated herein are for the sole benefit of such party and may be waived by such party in whole or in part to the extent permitted by applicable law. No waiver shall be effective unless it is in writing signed by a duly authorized officer of the waiving party that makes express reference to the provision or provisions subject to such waiver.

8.4 Counterparts and Facsimile. This Agreement may be executed in any number of separate counterparts, each such counterpart being deemed to be an original instrument, and all such counterparts shall together constitute the same agreement. Executed signature pages to this Agreement may be delivered by facsimile or transmitted electronically by "pdf" file and such facsimiles or pdf files shall be deemed as sufficient as if actual signature pages had been delivered.

8.5 Governing Law; Submission to Jurisdiction; WAIVER OF JURY TRIAL. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of New York, without regard to any choice or conflict of law provision or rule (whether of the State of New York or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of New York. In addition, each of the parties (a) expressly submits to the personal jurisdiction and venue of the state and federal courts located in New York County, New York, in the event any dispute (whether in contract, tort or otherwise) arises out of this Agreement or the transactions contemplated hereby, (b) expressly waives any claim of lack of personal jurisdiction or improper venue and any claims that such courts are an inconvenient forum, and (c) agrees that it shall not bring any claim, action or proceeding relating to this Agreement or the transactions contemplated hereby in any court other than the state or federal courts of New York County, New York. Each party hereby irrevocably consents to the service of process of any of the aforementioned courts in any such suit, action or proceeding by the mailing of copies thereof by registered or certified mail or by overnight courier service, postage prepaid, to its address set forth in Section 8.6, such service to become effective 10 days after such mailing. EACH PARTY HEREBY WAIVES TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY CLAIM, ACTION OR PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY. EACH PARTY (i) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (ii) ACKNOWLEDGES THAT IT HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT, BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 8.5.

8.6 Notices. Any notice, request, instruction or other document to be given hereunder by any party to the other shall be in writing and shall be deemed to have been duly given (a) if sent by registered or certified mail in the United States return receipt requested, upon receipt, (b) if sent by nationally recognized overnight air courier, one Business Day after mailing, (c) if sent by email or facsimile transmission, with a copy mailed on the same day in the manner provided in clauses (a) or (b) of this Section 8.6 when transmitted and receipt is confirmed, or (d) if otherwise actually personally delivered, when delivered. All notices hereunder shall be delivered as set forth below, or pursuant to such other instructions as may be designated in writing by the party to receive such notice.

If to the Company, to:

Name: Kornit Digital Ltd.
Address: 12 Ha`Amal Street, Afek Park, Rosh-Ha`Ayin 4809246, Israel
Fax: +972 3 908 0280
Email: Guy.Avidan@kornit.com
Attn: Guy Avidan

with a copy to (which copy alone shall not constitute notice):

Name: Meitar Liquornik Geva Leshem Tal
Address: 16 Abba Hillel Silver Road, Ramat Gan 5250608, Israel
Fax: + 972 3 610 3688
Email: Avivav@meitar.com
Attn: Aviv Advidan-Shalit

and

Name: White & Case LLP
Address: 1155 Avenue of the Americas, New York, NY 10036
Fax: +1 212 354 8113
Email: cdiamond@whitecase.com
Attn: Colin Diamond

if to Amazon, to:

Name: Amazon.com, Inc.
Address: 410 Terry Avenue North Seattle, WA 98109-5210
Fax: (206) 266-7010
Email:
Attn: General Counsel

with a copy to (which copy alone shall not constitute notice):

Name: Debevoise & Plimpton LLP
Address: 919 Third Avenue New York, NY 10022
Fax: (212) 521-7698
Email: wdregner@debevoise.com
Attn: William D. Regner

8.7 Entire Agreement, Etc. This Agreement (including the Schedules, Exhibits and Annexes hereto) and the other Transaction Documents, and the Confidentiality Agreement constitute the entire agreement, and supersede all other prior agreements, understandings, representations and warranties, both written and oral, between the parties, with respect to the subject matter hereof. Subject to Section 6.9(c), no party shall take, or cause to be taken, including by entering into agreements or other arrangements with provisions or obligations that conflict, or purport to conflict, with the terms of the Transaction Documents or any of the transactions contemplated thereby, any action with either an intent or effect of impairing any such other person's rights under any of the Transaction Documents.

8.8 Assignment. Neither this Agreement nor any right, remedy, obligation nor liability arising hereunder or by reason hereof shall be assignable by any party without the prior written consent of the other party, and any attempt to assign any right, remedy, obligation or liability hereunder without such consent shall be void, except that Amazon may transfer or assign, in whole or from time to time in part, to one or more of its direct or indirect wholly owned subsidiaries, its rights and/or obligations under this Agreement, but any such transfer or assignment shall not relieve Amazon of its obligations hereunder. Subject to the preceding sentence, this Agreement shall be binding upon, inure to the benefit of and be enforceable by the parties and their respective successors and assigns.

8.9 Severability. If any provision of this Agreement or a Transaction Document, or the application thereof to any person or circumstance, is determined by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions hereof, or the application of such provision to persons or circumstances other than those as to which it has been held invalid or unenforceable, shall remain in full force and effect and shall in no way be affected, impaired or invalidated thereby, so long as the economic or legal substance of the transactions contemplated hereby or thereby is not affected in any manner materially adverse to any party. Upon such determination, the parties shall negotiate in good faith in an effort to agree upon a suitable and equitable substitute provision to effect the original intent of the parties.

8.10 No Third Party Beneficiaries. Nothing contained in this Agreement, expressed or implied, is intended to confer upon any person other than the parties (and any wholly owned subsidiary of Amazon to which an assignment is made in accordance with this Agreement) any benefits, rights, or remedies.

8.11 Specific Performance. The parties agree that failure of any party to perform its agreements and covenants hereunder, including a party's failure to take all actions as are necessary on such party's part in accordance with the terms and conditions of this Agreement to consummate the transactions contemplated hereby, will cause irreparable injury to the other party, for which monetary damages, even if available, will not be an adequate remedy. It is agreed that the parties shall be entitled to equitable relief including injunctive relief and specific performance of the terms hereof, without the requirement of posting a bond or other security, and each party hereby consents to the issuance of injunctive relief by any court of competent jurisdiction to compel performance of a party's obligations and to the granting by any court of the remedy of specific performance of such party's obligations hereunder, this being in addition to any other remedies to which the parties are entitled at law or equity.

* * *

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by the duly authorized officers of the parties as of the date first herein above written.

KORNIT DIGITAL LTD.

By: /s/ Gabi Seligsohn /s/ Guy Avidan
Name: Gabi Seligsohn Guy Avidan
Title: CEO/CFO

AMAZON.COM, INC.

By: /s/ David Shearer
Name: David Shearer
Title: Vice President

Schedule 5.1(a)

1. Basic Financial Information and Reporting.

A. The Company shall maintain true books and records of account in which full and correct entries will be made of all its business transactions pursuant to a system of accounting established and administered in accordance with United States generally accepted accounting principles consistently applied (except as noted therein), and shall set aside on its books all such proper accruals and reserves as shall be required under GAAP consistently applied. The Company shall maintain, in all material respects, effective internal control over financial reporting based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

B. As soon as practicable after the end of each fiscal year of the Company, and in any event within ninety (90) days thereafter, the Company shall furnish Amazon with a balance sheet of the Company, as at the end of such fiscal year, a statement of income, a statement of stockholders' equity, and a statement of cash flows of the Company and accompanying notes to the financial statements, for such year, all audited and prepared in accordance with GAAP consistently applied (except as noted therein) and setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail. Such financial statements shall be accompanied by an audit report and opinion thereon by independent public accountants of national standing selected by the Board.

C. The Company shall furnish Amazon as soon as practicable after the end of the first, second and third quarterly accounting periods in each fiscal year of the Company, and in any event within forty-five (45) days thereafter, a balance sheet of the Company as of the end of each such quarterly period, and a statement of income and a statement of cash flows of the Company for such period and for the current fiscal year to date, prepared in accordance with GAAP consistently applied (except as noted therein or as disclosed to the recipients thereof), with the exception that no notes need be attached to such statements and year-end audit adjustments may not have been made. In order to facilitate Amazon's compliance with its public reporting requirements, the Company shall deliver the financial statements described in the first sentence of Schedule 1.1(a)(1)(C) above to Amazon, together with a certification that, to the Company's knowledge, (i) such interim financial statements are fairly stated, in all material respects, in accordance with GAAP for the periods presented, applied on the same basis as the Company's audited financial statements as of and for the most recent fiscal year end, and reflect all adjustments necessary for a fair presentation of the interim financial statements, subject to the exceptions noted on an exhibit to such certification and (ii) that the Company has made available to Amazon the information required by Section 5.1 of this Agreement. In addition, to facilitate Amazon's compliance with its public reporting requirements, the Company shall engage a nationally recognized accounting firm (the "Auditor") to perform quarterly review procedures that result in the issuance of an independent accountant's review report on the Company's quarterly and year-to-date balance sheet and statement of operations for the periods ending March 31, June 30 and September 30; which reports shall be delivered within 45 days after the end of the quarter for with the report pertains. In order to facilitate Amazon's compliance with its public reporting requirements, the Company's chief financial officer and chief accounting officer shall participate in one or more teleconferences with representatives of Amazon each quarter to review the financial statements previously delivered and discuss significant transactions reflected for the period of the financial statements.

D. The Company shall furnish each Amazon at least sixty (60) days prior to the beginning of each fiscal year (and as soon as available, any subsequent written revisions thereto) a comprehensive operating budget forecasting the Company's revenues, expenses, net income/loss and cash position on a month-to-month basis for the upcoming fiscal year (a "Budget"). Each Budget shall be prepared in accordance with United States generally accepted accounting principles consistently applied (except as noted thereon).

E. All financial information and budgets required under clauses (B), (C), and (E) above shall consist of consolidated financial statements (consolidating the Company and its subsidiaries) unless GAAP provides otherwise.

F. As soon as reasonably practicable, and in any event within 15 days after the issuance of the report, the Company shall furnish to Amazon any 409A valuation reports that it prepares or causes to be prepared.

2. Inspection Rights. Amazon shall have the right to visit and inspect any of the properties of the Company or any of its subsidiaries, and to discuss the affairs, finances and accounts of the Company or any of its subsidiaries with its officers, and to review such information as is reasonably requested all at such reasonable business times and as often as may be reasonably requested.

3. Other Materials. As soon as practicable (or otherwise as provided herein), the Company shall furnish Amazon with copies of the following documents:

A. Material documents filed with governmental agencies, including, without limitation, the Internal Revenue Service and the SEC, or any other documents or information requested by Amazon or necessary to support Amazon's tax, accounting and SEC reports and filings, including providing by February 15th of each year such information as is necessary to support Amazon's tax reporting obligations.

B. Notices regarding any default on any material loan or lease to which the Company is a party.

C. In addition, the Company shall furnish Amazon advance notice of (i) any dividend or other distribution to be paid by the Company to holders of the Ordinary Shares or (ii) any non-functional currency investments or loans.

EXHIBIT A

[Must be signed by an authorized representative of the Company]

PFIC ANNUAL INFORMATION STATEMENT

PFIC Annual Information Statement pursuant to U.S. Treasury Regulation § 1.1295-1(g).

KORNIT DIGITAL LTD., an Israeli limited company (the "Company") hereby represents that:

1. This PFIC Annual Information Statement applies to the Company's taxable year beginning on _____and ending on _____.

2. The pro rata shares of the Company's ordinary earnings and net capital gain attributable to the U.S. Shareholder for the taxable year specified in paragraph (1) are:

   Ordinary Earnings: U.S.$ _____

   Net Capital Gains: U.S.$ _____

3. The amount of cash and the fair market value of other property distributed or deemed distributed by the Company to the U.S. Shareholder during the taxable year specified in paragraph (1) are as follows:

   Cash: U.S.$ _____

   Fair Market Value of Property: U.S.$ _____

4. The Company will permit the U.S. Shareholder to inspect and copy the Company's permanent books of account, records, and such other documents as may be maintained by the Company that are necessary to establish that the Company's ordinary earnings and net capital gain are computed in accordance with U.S. Federal income tax principles, and to verify these amounts and the U.S. Shareholder's pro rata shares thereof.

By: _____

Title:

Date:

ANNEX A

Form of Master Purchase Agreement

ANNEX B

Form of Warrant

Exhibit 4.15

EXECUTION VERSION

WARRANT TO PURCHASE ORDINARY SHARES

THE SECURITIES REPRESENTED BY THIS INSTRUMENT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE AND MAY NOT BE TRANSFERRED, SOLD OR OTHERWISE DISPOSED OF EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER SUCH ACT AND APPLICABLE STATE SECURITIES LAWS OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER SUCH ACT OR SUCH LAWS.

THIS INSTRUMENT IS ISSUED PURSUANT TO AND SUBJECT TO THE RESTRICTIONS ON TRANSFER AND OTHER PROVISIONS OF A TRANSACTION AGREEMENT, DATED AS OF JANUARY 10, 2017, BY AND BETWEEN THE ISSUER OF THESE SECURITIES AND AMAZON.COM, INC., A DELAWARE CORPORATION, A COPY OF WHICH IS ON FILE WITH THE ISSUER. THE SECURITIES REPRESENTED BY THIS INSTRUMENT MAY NOT BE SOLD OR OTHERWISE TRANSFERRED EXCEPT IN COMPLIANCE WITH SAID AGREEMENT. ANY SALE OR OTHER TRANSFER NOT IN COMPLIANCE WITH SAID AGREEMENT WILL BE VOID.

WARRANT
to purchase
2,932,176
Ordinary Shares of
Kornit Digital Ltd.
an Israeli Limited Company

Issue Date: January 10, 2017

1. Definitions. Unless the context otherwise requires, when used herein the following terms shall have the meanings indicated.

"Affiliate" has the meaning ascribed to it in the Transaction Agreement.

"Amazon" means Amazon.com, Inc., a Delaware corporation.

"Antitrust Law" has the meaning ascribed to it in the Transaction Agreement.

"Appraisal Procedure" means a procedure whereby two independent, nationally recognized appraisers, one chosen by the Company and one by the Warrantholder, shall mutually agree upon the determinations then the subject of appraisal. Each party shall deliver a notice to the other appointing its appraiser within 15 days after the Appraisal Procedure is invoked. If within 30 days after appointment of the two appraisers they are unable to agree upon the amount in question, a third independent, nationally recognized appraiser shall be chosen within 10 days thereafter by the mutual consent of such first two appraisers or, if such two first appraisers fail to agree upon the appointment of a third appraiser, such appointment shall be made by the American Arbitration Association, or any organization successor thereto, from a panel of arbitrators having experience in appraisal of the subject matter to be appraised. In such event, the decision of the third appraiser so appointed and chosen shall be given within 30 days after the selection of such third appraiser. If three appraisers shall be appointed and the determination of one appraiser is disparate from the middle determination by more than twice the amount by which the other determination is disparate from the middle determination, then the determination of such appraiser shall be excluded, the remaining two determinations shall be averaged and such average shall be binding and conclusive upon the Company and the Warrantholder; otherwise, the average of all three determinations shall be binding upon the Company and the Warrantholder. The costs of conducting any Appraisal Procedure shall be borne 50% by the Company and 50% by the Warrantholder.

"Assumed Payment Amount" has the meaning ascribed to it in Section 12(iii).

"Board of Directors" means the board of directors of the Company.

"Business Combination" means a merger, consolidation, statutory share exchange, reorganization, recapitalization or similar extraordinary transaction (which may include a reclassification) involving the Company.

"Business Day" has the meaning ascribed to it in the Transaction Agreement.

"Cash Exercise" has the meaning set forth in Section 3.

"Cashless Exercise" has the meaning set forth in Section 3.

"Cashless Exercise Ratio" with respect to any exercise of this Warrant means a fraction (i) the numerator of which is the excess of (x) the VWAP for the Ordinary Shares for the 30 trading days immediately preceding such exercise date over (y) the Exercise Price, and (ii) the denominator of which is the VWAP for the Ordinary Shares for the 30 trading days immediately preceding such exercise date.

"Change of Control Transaction" means (a) any transaction or series of related transactions as a result of which any Person or group of persons within the meaning of Section 13(d)(3) of the Exchange Act (excluding the Warrantholder or any of its Affiliates) becomes the beneficial owner, directly or indirectly, of more than 50% of the outstanding Equity Interests (measured by either voting power or economic interests) of the Company, (b) any transaction or series of related transactions in which the stockholders of the Company immediately prior to such transaction or series of related transactions (the "Pre-Transaction Stockholders") cease to beneficially own, directly or indirectly, at least 65% of the outstanding Equity Interests (measured by either voting power or economic interests) of the Company; provided that this clause (b) shall not apply if (i) such transaction or series of related transactions is an acquisition by the Company effected, in whole or in part, through the issuance of Equity Interests of the Company, (ii) such acquisition does not result in a Person or group of persons within the meaning of Section 13(d)(3) of the Exchange Act beneficially owning, directly or indirectly, a greater percentage of the outstanding Equity Interests (measured by either voting power or economic interests) of the Company than the Warrantholder, and (iii) the Pre-Transaction Stockholders continue to beneficially own, directly or indirectly, at least 60% of the outstanding Equity Interests (measured by voting power and economic interests) of the Company, (c) any Business Combination as a result of which a majority of the ownership of the Company is transferred to another Person or group of persons within the meaning of Section 13(d)(3) of the Exchange Act (excluding the Warrantholder or any of its Affiliates), or (d) any sale or lease or exchange, transfer, license or disposition of a business, deposits or assets that constitute a majority of the consolidated assets, business, revenues, net income, assets or deposits of the Company.

"Company" means Kornit Digital Ltd., an Israeli limited company.

"Distribution" has the meaning set forth in Section 12(ii).

"Election Mechanic" has the meaning set forth in Section 12(iv).

"Equity Interests" means any and all (a) shares, interests, participations or other equivalents (however designated) of capital stock or other voting securities of a corporation, any and all equivalent or analogous ownership (or profit) or voting interests in a Person (other than a corporation), (b) securities convertible into or exchangeable for shares, interests, participations or other equivalents (however designated) of capital stock or voting securities of (or other ownership or profit or voting interests in) such Person, and (c) any and all warrants, rights or options to purchase any of the foregoing, whether voting or nonvoting, and, in each case, whether or not such shares, interests, participations, equivalents, securities, warrants, options, rights or other interests are authorized or otherwise existing on any date of determination.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, or any successor statute, and the rules and regulations promulgated thereunder.

"Exercise Period" has the meaning set forth in Section 3.

"Exercise Price" means $13.04.

"Expiration Time" has the meaning set forth in Section 3.

"Fair Market Value" means, with respect to any security or other property, the fair market value of such security or other property as determined by the Board of Directors, acting in good faith and evidenced by a written notice delivered promptly to the Warrantholder (which written notice shall include certified resolutions of the Board of Directors in respect thereof). If the Warrantholder objects in writing to the Board of Director's calculation of fair market value within 10 Business Days of receipt of written notice thereof and the Warrantholder and the Company are unable to agree on fair market value during the 10-day period following the delivery of the Warrantholder objection, the Appraisal Procedure may be invoked by either the Company or the Warrantholder to determine Fair Market Value by delivering written notification thereof not later than the 30th day after delivery of the Warrantholder objection. For the avoidance of doubt, the Fair Market Value of cash shall be the amount of such cash.

"GKH" has the meaning set forth in Section 7(ii).

"Governmental Entities" has the meaning ascribed to it in the Transaction Agreement.

"HSR Act" has the meaning ascribed to it in the Transaction Agreement.

"ITA" has the meaning set forth in Section 7(ii).

"Market Price" means, with respect to the Ordinary Shares or any other security, on any given day, the last sale price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, of the Ordinary Shares or of such security, as applicable, on The NASDAQ Global Select Market on such day. If the Ordinary Shares or such security, as applicable, are not listed on The NASDAQ Global Select Market as of any date of determination, the Market Price of the Ordinary Shares or such security, as applicable, on such date of determination means the closing sale price on such date as reported in the composite transactions for the principal U.S. national or regional securities exchange on which the Ordinary Shares or such security, as applicable, are so listed or quoted, or, if no closing sale price is reported, the last reported sale price on such date on the principal U.S. national or regional securities exchange on which the Ordinary Shares or such security, as applicable, are so listed or quoted, or if the Ordinary Shares or such security, as applicable, are not so listed or quoted on a U.S. national or regional securities exchange, the last quoted bid price on such date for the Ordinary Shares or such security, as applicable, in the over-the-counter market as reported by Pink Sheets LLC or similar organization, or, if that bid price is not available, the Market Price of the Ordinary Shares or such security, as applicable, on that date shall mean the Fair Market Value per share as of such date of the Ordinary Shares or such security. For the purposes of determining the Market Price of the Ordinary Shares or any such security, as applicable, on the "trading day" preceding, on or following the occurrence of an event, (a) that trading day shall be deemed to commence immediately after the regular scheduled closing time of trading on the applicable exchange, market or organization, or, if trading is closed at an earlier time, such earlier time and (b) that trading day shall end at the next regular scheduled closing time, or if trading is closed at an earlier time, such earlier time (for the avoidance of doubt, and as an example, if the Market Price is to be determined as of the last trading day preceding a specified event and the closing time of trading on a particular day is 4:00 p.m. and the specified event occurs at 5:00 p.m. on that day, the Market Price would be determined by reference to such 4:00 p.m. closing price).

"Master Purchase Agreement" means the Master Purchase Agreement, effective as of May 1, 2016, as it may be amended from time to time, by and between the Company and Amazon Corporate LLC, including all annexes, schedules and exhibits thereto.

"NV Investment Holdings" means Amazon.com NV Investment Holdings LLC, a Nevada limited liability company.

"Ordinary Shares" means the Company's ordinary shares, par value NIS 0.01 per share.

"Person" has the meaning given to it in Section 3(a)(9) of the Exchange Act and as used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act.

"Repurchases" means any transaction or series of related transactions to purchase Equity Interests of the Company or any of its subsidiaries by the Company or any subsidiary thereof for a purchase price greater than Fair Market Value pursuant to any tender offer or exchange offer (whether or not subject to Section 13(e) or 14(e) of the Exchange Act or Regulation 14E promulgated thereunder), whether for cash, Equity Interests of the Company, other securities of the Company, evidences of indebtedness of the Company or any other Person or any other property (including Equity Interests, other securities or evidences of indebtedness of a subsidiary), or any combination thereof, effected while this Warrant is outstanding; provided that "Repurchases" shall not include any purchases of Equity Interests of the Company or any subsidiary by the Company or any subsidiary thereof pursuant to and in compliance with the requirements of Rule 10b-18 under the Exchange Act.

"Securities Act" means the Securities Act of 1933, as amended, or any successor statute, and the rules and regulations promulgated thereunder.

"Subject Adjustment" has the meaning set forth in Section 12(vi).

"Subject Record Date" has the meaning set forth in Section 12(vi).

"subsidiary" has the meaning ascribed to it in the Transaction Agreement.

"Tax Request" has the meaning set forth in Section 7(ii).

"Transaction Agreement" means the Transaction Agreement, dated as of January 10, 2017, as it may be amended from time to time, by and between the Company and Amazon, including all annexes, schedules and exhibits thereto.

"Transaction Documents" has the meaning ascribed to it in the Transaction Agreement.

"Vesting Event" means (a) with respect to increments of 85,521 Warrant Shares, each time at which Amazon and its Affiliates have collectively made gross payments totaling $5 million to the Company in connection with invoices in respect of orders placed after May 1, 2016 under the Master Purchase Agreement (whether or not such agreement has been executed at the time of any such order), until such time as Amazon and any of its Affiliates have collectively paid $75 million to the Company in connection with the Master Purchase Agreement, (b) with respect to additional increments of 109,956 Warrant Shares, each time, after payment of the initial $75 million described in clause (a) above, at which Amazon and its Affiliates have collectively made gross payments totaling $5 million to the Company in connection with invoices in respect of orders placed after May 1, 2016 under the Master Purchase Agreement (whether or not such agreement has been executed at the time of any such order). For the avoidance of doubt, Vesting Events shall stop occurring once the total number of Warrant Shares authorized under Section 2 have vested pursuant to Vesting Events and if a given Vesting Event would cause the number of shares vested to increase over this threshold then only the number of shares up to and including the total number of Warrant Shares authorized under Section 2 shall vest during the final such Vesting Event.

"VWAP" means the volume weighted average price per share of the Ordinary Shares on The NASDAQ Global Select Market (as reported by Bloomberg L.P. (or its successor) or, if not available, by another authoritative source mutually agreed by the Company and Amazon) in respect of the period from the scheduled open of trading until the scheduled close of trading of the primary trading session on such trading day.

"Warrant" means this Warrant, issued pursuant to the Transaction Agreement.

"Warrant Shares" has the meaning set forth in Section 2.

"Warrantholder" has the meaning set forth in Section 2.

2. Number of Warrant Shares; Exercise Price. This certifies that, for value received, NV Investment Holdings or its permitted assigns (the "Warrantholder") is entitled, upon the terms hereinafter set forth, to acquire from the Company, in whole or in part, up to an aggregate of 2,932,176 fully paid and nonassessable Ordinary Shares (the "Warrant Shares"), at a purchase price per Ordinary Share equal to the Exercise Price. The Warrant Shares and Exercise Price are subject to adjustment as provided herein, and all references to "Ordinary Shares," "Warrant Shares" and "Exercise Price" herein shall be deemed to include any such adjustment or series of adjustments.

3. Exercise of Warrant; Term; Other Agreements; Cancelation.

(i) Promptly following the occurrence of a Vesting Event, the Company shall deliver to the Warrantholder a Notice of Vesting Event in the form attached as Annex A hereto; provided that neither the delivery, nor the failure of the Company to deliver, such Notice of Vesting Event shall affect or impair the Warrantholder's rights or the Company's obligations hereunder.

(ii) Subject to Section 2, Section 12(iv) and Section 13, the right to purchase Warrant Shares represented by this Warrant is exercisable, in whole or in part by the Warrantholder, at any time or from time to time from and after the applicable Vesting Event, but in no event later than 5:00 p.m., New York City time, on January 10, 2022 (such time, the "Expiration Time" and such period from and after the applicable Vesting Event through the Expiration Time, the "Exercise Period"), by (A) the surrender of this Warrant and the Notice of Exercise attached as Annex B hereto, duly completed and executed on behalf of the Warrantholder, at the principal executive office of the Company located at 12 Ha`Amal Street, Afek Park, Rosh-Ha`Ayin 4809246, Israel, Attn: Guy Avidan (or such other office or agency of the Company in the United States as it may designate by notice in writing to the Warrantholder), and (B) payment of the Exercise Price for the Warrant Shares thereby purchased by, at the sole election of the Warrantholder, either: (i) tendering in cash, by certified or cashier's check payable to the order of the Company, or by wire transfer of immediately available funds to an account designated by the Company (such manner of exercise, a "Cash Exercise") or (ii) without payment of cash, by reducing the number of Warrant Shares obtainable upon the exercise of this Warrant (either in full or in part, as applicable) and payment of the Exercise Price in cash so as to yield a number of Warrant Shares obtainable upon the exercise of this Warrant (either in full or in part, as applicable) equal to the product of (x) the number of Warrant Shares issuable upon the exercise of this Warrant (either in full or in part, as applicable) (if payment of the Exercise Price were being made in cash) and (y) the Cashless Exercise Ratio (such manner of exercise, a "Cashless Exercise").

(iii) Notwithstanding the foregoing, if at any time during the Exercise Period the Warrantholder has not exercised this Warrant in full as a result of there being insufficient Warrant Shares available for issuance or the lack of any required corporate approval, the Expiration Time shall be extended until such date as the Warrantholder is able to exercise this Warrant in respect of all vested Warrant Shares.

(iv) If the Warrantholder does not exercise this Warrant in its entirety, the Warrantholder shall be entitled to receive from the Company, upon request, a new warrant of like tenor in substantially identical form for the purchase of that number of Warrant Shares equal to the difference between the number of Warrant Shares subject to this Warrant and the number of Warrant Shares as to which this Warrant is so exercised.

(v) Notwithstanding any of the foregoing, the Warrantholder shall not exercise this Warrant or any new warrant as described in Section 3(iv) unless the total Exercise Price for the Warrant Shares thereby purchased is greater than or equal to $500,000 (measured, in the case of a Cashless Exercise, irrespective of the number of Warrant Shares acquired by the Warrantholder as a result of such exercise); provided that the foregoing restriction shall not apply in the event that the total Exercise Price for all Warrant Shares available for purchase by the Warrantholder under this Warrant or any new warrant as described in Section 3(iv) is less than $500,000.

(vi) This Warrant, including with respect to its cancelation, is subject to the terms and conditions of the Transaction Agreement. Without affecting in any manner any prior exercise of this Warrant (or any Warrant Shares previously issued hereunder), if (a) the Transaction Agreement is terminated in accordance with Section 5.1 thereof or (b) the Warrantholder delivers to the Company a written, irrevocable commitment not to exercise this Warrant, the Company shall have no obligation to issue, and the Warrantholder shall have no right to acquire, the unvested portion of any Warrant Shares under this Warrant.

4. Issuance of Warrant Shares; Authorization; Listing. Certificates for Equity Interests issued upon exercise of this Warrant shall be issued on the third Business Day following the date of exercise of this Warrant in accordance with its terms in the name of the Warrantholder and shall be delivered to the Warrantholder. The Company hereby represents and warrants that any Equity Interests issued upon the exercise of this Warrant in accordance with the provisions of Section 3 will be validly issued, fully paid and nonassessable and free of any liens or encumbrances (other than liens or encumbrances created by the Transaction Documents, arising as a matter of applicable law or created by or at the direction of the Warrantholder or any of its Affiliates). The Equity Interests so issued shall be deemed for all purposes to have been issued to the Warrantholder as of the close of business on the date on which this Warrant and payment of the Exercise Price are delivered to the Company in accordance with the terms of this Warrant, notwithstanding that the stock transfer books of the Company may then be closed or certificates representing such Equity Interests may not be actually delivered on such date. The Company shall at all times reserve and keep available, out of its authorized but unissued Equity Interests, solely for the purpose of providing for the exercise of this Warrant, the aggregate Equity Interests issuable upon exercise of this Warrant in full (disregarding whether or not this Warrant is exercisable by its terms at any such time). The Company shall, at its sole expense, procure, subject to issuance or notice of issuance, the listing of any Equity Interests issuable upon exercise of this Warrant on the principal stock exchange on which such Equity Interests are then listed or traded, promptly after such Equity Interests are eligible for listing thereon.

5. No Fractional Shares or Scrip. No fractional Warrant Shares or other Equity Interests or scrip representing fractional Warrant Shares or other Equity Interests shall be issued upon any exercise of this Warrant. In lieu of any fractional share to which a Warrantholder would otherwise be entitled, the Warrantholder shall be entitled to receive a cash payment equal to the Market Price of the Ordinary Shares or such other Equity Interests on the last trading day preceding the date of exercise less the Exercise Price for such fractional share.

6. No Rights as Stockholders; Transfer Books. Without limiting in any respect the provisions of the Transaction Agreement and except as otherwise provided by the terms of this Warrant, this Warrant does not entitle the Warrantholder to (i) receive dividends or other distributions, (ii) consent to any action of the stockholders of the Company, (iii) receive notice of or vote at any meeting of the stockholders, (iv) receive notice of any other proceedings of the Company, or (v) exercise any other rights whatsoever, in any such case, as a stockholder of the Company prior to the date of exercise hereof.

7. Charges, Taxes and Expenses.

(i) Issuance of this Warrant and issuance of certificates for Equity Interests to the Warrantholder upon the exercise of this Warrant shall be made without charge to the Warrantholder for any issue or transfer tax (other than taxes in respect of any transfer occurring contemporaneously therewith) or other incidental expense (other than with respect to any income tax or capital gains tax payable by the Warrantholder or required by law to be withheld by the Company as set forth below) in respect of the issuance of such certificates, all of which taxes and expenses shall be paid by the Company.

(ii) The Company will withhold all tax payments duly required under Israeli law upon the issuance or vesting of this Warrant or the issuance of certificates for Equity Interests to the Warrantholder upon the exercise of this Warrant and pay such tax to the Israeli Tax Authority (the "ITA") for the account of the Warrantholder; provided that the Company will not withhold any tax if, prior to the issuance or vesting of this Warrant or the issuance of certificates for Equity Interests, the Warrantholder provides the Company with either (a) (1) a valid and executed declaration, in the form attached hereto as Exhibit A, regarding its non-Israeli residence; and (2) a confirmation that the tax opinion provided by Gross, Kleinhendler, Hodak, Halevy, Greenberg & Co. ("GKH") in connection with this Warrant is accurate in all material respects as of the time of the issuance, vesting or exercise of the Warrant; or (b) an exemption certificate from the ITA allowing the Company to completely avoid such withholding, in a form reasonably satisfactory to the Company's advisors. If the Warrantholder does not provide the exemption certificate described in clause (b) above, then the Warrantholder will indemnify and hold harmless the Company and, if applicable, its directors and officers, from and against, and pay and reimburse the Company for, any liability (including any penalties, the Israeli consumer price index or interest to be accrued thereon, or any reasonable attorney fees and related expenses) arising as a result of the failure of the Company to withhold Israeli tax upon the issuance or vesting of this Warrant or the issuance of certificates for Equity Interests to the Warrantholder upon the exercise of this Warrant, to the extent such tax is requested by the ITA (the "Tax Request"). The Company shall: (I) provide written notice to the Warrantholder as soon as practicable of any actual or threatened Tax Request; (II) allow the Warrantholder to assume sole control of the defense of any such Tax Request, provided, however, that counsel for the Warrantholder who shall conduct such defense shall be approved by the Company (which approval shall not be unreasonably withheld, conditioned or delayed); provided further, that if such counsel is GKH, approval of the Company will not be required; (III) provide the Warrantholder with such information and cooperation as it may reasonably require in connection with such Tax Request; and (IV) to the extent that at least five (5) business days prior to the payment date pursuant to the Tax Request the Warrantholder provides the Company with a certificate confirming filing of an appeal with the ITA or the respective court, as the case may be, not make any admission of liability or commit the Warrantholder to the payment of any sums in settlement or otherwise in connection with such Tax Audit. Failure by the Company to comply with clauses (I)–(IV) of the preceding sentence will not release the Warrantholder from any of its obligations under this Section 7(ii), except to the extent the Warrantholder is materially prejudiced by such failure.

(iii) In the event that the Warrantholder chooses to assume sole control of the defense of any such Tax Audit pursuant to clause (ii)(II) above then: (a) the Warrantholder shall so notify the Company in writing within 10 days after receipt of written notice from the Company of the Tax Request in accordance with clause (ii)(I) above that the Warrantholder will take upon itself the defense against the Tax Request pursuant to this Section 7(ii), (b) the Warrantholder will conduct such defense at its own expense and will pay any payments resulting from such defense; (c) the Warrantholder shall duly file an appeal with the ITA or respective court as the case may be; (d) the Warrantholder will conduct such defense actively and shall keep the Company reasonably informed of the process and the appeal status; and (e) will not be allowed to affect any settlements that may have any effect on the Company unless previously consented to in writing by the Company, which consent shall not be unreasonably withheld.

(iv) For the avoidance of doubt, if the Warrantholder assumes the defense of a Tax Audit, any payment due as a result of a settlement with the ITA, final assessment issued by the ITA or a final court's decision, will be timely paid by the Warrantholder under the Company's Israeli tax deduction file.

(v) This indemnity shall remain in force for a period of 5 years from the later of: (a) the last vesting date or exercise date of this Warrant; (b) or if the Warrantholder assumes defense of a Tax Request, until the later of: a settlement with the ITA is reached or a final assessment is issued by the ITA or a final non appealable decisions of a court of competent jurisdiction is provided and the Warrantholder has paid in full the payments due according to such settlement, final assessment or court decision and then for additional six months therefrom; and shall thereafter terminate immediately with no further action required. This indemnity undertaking shall be assignable to any successor of the Company.

(vi) Indemnification under this section shall be paid in cash within seven days of request by the Company in writing which request shall set forth the amounts paid by the Company in connection with such indemnification is requested.

8. Transfer/Assignment.

(i) This Warrant may be transferred only to Amazon or to a wholly owned subsidiary of Amazon. The Warrant Shares may be transferred only in accordance with the terms of the Transaction Agreement. Subject to compliance with the first two sentences of this Section 8, the legend as set forth on the cover page of this Warrant and the terms of the Transaction Agreement, this Warrant and all rights hereunder are transferable, in whole or in part, upon the books of the Company by the registered holder hereof in person or by duly authorized attorney, and a new Warrant shall be made and delivered by the Company, of the same tenor and date as this Warrant but registered in the name of one or more transferees, upon surrender of this Warrant, duly endorsed, to the office or agency of the Company described in Section 3. If the transferring holder does not transfer the entirety of its rights to purchase all Warrant Shares hereunder, such holder shall be entitled to receive from the Company a new Warrant in substantially identical form for the purchase of that number of Warrant Shares as to which the right to purchase was not transferred. All expenses (other than stock transfer taxes) and other charges payable in connection with the preparation, execution and delivery of the new Warrants pursuant to this Section 8 shall be paid by the Company, other than the costs and expenses of counsel or any other advisor to the Warrantholder and its transferee.

(ii) If and for so long as required by the Transaction Agreement, this Warrant Certificate shall contain a legend as set forth in Section 4.2 of the Transaction Agreement.

9. Exchange and Registry of Warrant. This Warrant is exchangeable, subject to applicable securities laws, upon the surrender hereof by the Warrantholder to the Company, for a new warrant or warrants of like tenor and representing the right to purchase the same aggregate number of Warrant Shares. The Company shall maintain a registry showing the name and address of the Warrantholder as the registered holder of this Warrant. This Warrant may be surrendered for exchange or exercise, in accordance with its terms, at the office of the Company, and the Company shall be entitled to rely in all respects, prior to written notice to the contrary, upon such registry.

10. Loss, Theft, Destruction or Mutilation of Warrant. Upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant, and in the case of any such loss, theft or destruction, upon receipt of a bond, indemnity or security reasonably satisfactory to the Company, or, in the case of any such mutilation, upon surrender and cancellation of this Warrant, the Company shall make and deliver, in lieu of such lost, stolen, destroyed or mutilated Warrant, a new Warrant of like tenor and representing the right to purchase the same aggregate number of Warrant Shares as provided for in such lost, stolen, destroyed or mutilated Warrant.

11. Fridays, Saturdays, Sundays, Holidays, etc. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall not be a Business Day, then such action may be taken or such right may be exercised on the next succeeding day that is a Business Day.

12. Adjustments and Other Rights. The Exercise Price and Warrant Shares issuable upon exercise of this Warrant shall be subject to adjustment from time to time as follows; provided that if more than one subsection of this Section 12 is applicable to a single event, the subsection shall be applied that produces the largest adjustment and no single event shall cause an adjustment under more than one subsection of this Section 12 so as to result in duplication.

(i) Stock Splits, Subdivisions, Reclassifications or Combinations. If the Company shall at any time or from time to time (a) declare, order, pay or make a dividend or make a distribution on its Ordinary Shares in additional Ordinary Shares, (b) split, subdivide or reclassify the outstanding Ordinary Shares into a greater number of shares or (c) combine or reclassify the outstanding Ordinary Shares into a smaller number of shares, the number of Warrant Shares issuable upon exercise of this Warrant at the time of the record date for such dividend or distribution or the effective date of such split, subdivision, combination or reclassification shall be proportionately adjusted so that the Warrantholder immediately after such record date or effective date, as the case may be, shall be entitled to purchase the number of Ordinary Shares which such holder would have owned or been entitled to receive in respect of the Ordinary Shares subject to this Warrant after such date had this Warrant been exercised in full immediately prior to such record date or effective date, as the case may be (disregarding whether or not this Warrant had been exercisable by its terms at such time). In the event of such adjustment, the Exercise Price in effect at the time of the record date for such dividend or distribution or the effective date of such split, subdivision, combination or reclassification shall be immediately adjusted to the number obtained by dividing (x) the product of (1) the number of Warrant Shares issuable upon the exercise of this Warrant in full before the adjustment determined pursuant to the immediately preceding sentence (disregarding whether or not this Warrant was exercisable by its terms at such time) and (2) the Exercise Price in effect immediately prior to the record or effective date, as the case may be, for the dividend, distribution, split, subdivision, combination or reclassification giving rise to such adjustment by (y) the new number of Warrant Shares issuable upon exercise of the Warrant in full determined pursuant to the immediately preceding sentence (disregarding whether or not this Warrant is exercisable by its terms at such time).

(ii) Distributions. If the Company, at any time while this Warrant is outstanding, declares or makes any dividend or distributes to Warrantholders of Ordinary Shares (and not to the Warrantholder) evidences of its indebtedness or assets (including cash and cash dividends) or rights or warrants to subscribe for or purchase any security (including, without limitation, any distribution of cash, stock or other securities, property or options by way of a dividend, spin off, reclassification, corporate rearrangement, scheme of arrangement or other similar transaction) (a "Distribution"), then the Warrantholder will be entitled to participate in such Distribution to the same extent that the Warrantholder would have participated therein if the Warrantholder had held the number of Ordinary Shares acquirable upon exercise of the Warrant solely to the extent exercisable immediately before the date as of which a record is taken for such Distribution, or, if no such record is taken, the date as of which the record holders of Ordinary Shares are to be determined for the participation in such Distribution.

(iii) Repurchases. If the Company shall at any time or from time to time effect Repurchases, then the Exercise Price shall be reduced to the price determined by multiplying the Exercise Price in effect immediately prior to the first purchase of Equity Interests comprising such Repurchases by a fraction of which the numerator shall be (A) the product of (1) the number of Ordinary Shares outstanding immediately prior to the first purchase of Equity Interests comprising such Repurchases and (2) the Market Price per Ordinary Share on the trading day immediately preceding the first public announcement by the Company of the intent to effect such Repurchases, minus (B) the Assumed Payment Amount, and of which the denominator shall be the product of (X) the number of Ordinary Shares outstanding immediately prior to the first purchase of Equity Interests comprising such Repurchases minus the number of Ordinary Shares so repurchased and (Y) the Market Price per Ordinary Share on the trading day immediately preceding the first public announcement by the Company of the intent to effect such Repurchases. In such event, the number of Warrant Shares issuable upon the exercise of this Warrant shall be increased to the number obtained by multiplying such number of Warrant Shares by the quotient of (A) the Exercise Price in effect immediately prior to the first purchase of Equity Interests comprising such Repurchases divided by (B) the new Exercise Price determined in accordance with the immediately preceding sentence. For the avoidance of doubt, no increase to the Exercise Price or decrease in the number of Warrant Shares issuable upon exercise of this Warrant shall be made pursuant to this Section 12(iii). For purposes of the foregoing, the "Assumed Payment Amount" with respect to any Repurchases shall mean the aggregate Market Price (in the case of securities) and/or Fair Market Value (in the case of cash and/or any other property), as applicable, as of such Repurchases, of the aggregate consideration paid to effect such Repurchases.

(iv) Change of Control Transactions. In case of any Change of Control Transaction or reclassification of Ordinary Shares (other than a reclassification of Ordinary Shares subject to adjustment pursuant to Section 12(i)), notwithstanding anything to the contrary contained herein, (a) the Company shall notify the Warrantholder in writing of such Change of Control Transaction or reclassification as promptly as practicable (but in no event later than 10 Business Days prior to the effectiveness thereof), (b) the Warrant Shares shall immediately vest fully and become non-forfeitable and, subject to clause (c) below, become immediately exercisable upon consummation of such Change of Control Transaction or reclassification and (c) solely in the event of a Change of Control Transaction that is a Business Combination or a reclassification, the Warrantholder's right to receive Warrant Shares upon exercise of this Warrant shall be converted, effective upon the occurrence of such Business Combination or reclassification, into the right to exercise this Warrant to acquire the number of shares of stock or other securities or property (including cash) that the Ordinary Shares issuable (at the time of such Business Combination or reclassification) upon exercise of this Warrant immediately prior to such Business Combination or reclassification would have been entitled to receive upon consummation of such Business Combination or reclassification. In determining the kind and amount of stock, securities or the property receivable upon exercise of this Warrant upon and following adjustment pursuant to this paragraph, if the holders of Ordinary Shares have the right to elect the kind or amount of consideration receivable upon consummation of such Business Combination (an "Election Mechanic"), then the Warrantholder shall have the right to make the same election upon exercise of this Warrant with respect to the number of shares of stock or other securities or property which the Warrantholder shall receive upon exercise of this Warrant. The Company, or the Person or Persons formed by the applicable Business Combination or reclassification, or that acquire(s) the applicable Ordinary Shares, as the case may be, shall make lawful provisions to establish such rights and to provide for such adjustments that, for events from and after such Business Combination or reclassification, shall be as nearly equivalent as possible to the rights and adjustments provided for herein, and the Company shall not be a party to or permit any such Business Combination or reclassification to occur unless such provisions are made as a part of the terms thereof.

(v) Rounding of Calculations; Minimum Adjustments. All calculations under this Section 12 shall be made to the nearest one-tenth (1/10th) of a cent or to the nearest one-hundredth (1/100th) of a share, as the case may be. Any provision of this Section 12 to the contrary notwithstanding, no adjustment in the Exercise Price or the number of Warrant Shares into which this Warrant is exercisable shall be made if the amount of such adjustment would be less than $0.01 or one-tenth (1/10th) of an Ordinary Share, but any such amount shall be carried forward and an adjustment with respect thereto shall be made at the time of and together with any subsequent adjustment which, together with such amount and any other amount or amounts so carried forward, shall aggregate $0.01 or 1/10th of an Ordinary Share, or more.

(vi) Timing of Issuance of Additional Securities Upon Certain Adjustments. In any case in which (a) the provisions of this Section 12 shall require that an adjustment (the "Subject Adjustment") shall become effective immediately after a record date (the "Subject Record Date") for an event and (b) the Warrantholder exercises this Warrant after the Subject Record Date and before the consummation of such event, the Company may defer until the consummation of such event (i) issuing to such Warrantholder the incrementally additional Ordinary Shares or other property issuable upon such exercise by reason of the Subject Adjustment and (ii) paying to such Warrantholder any amount of cash in lieu of a fractional Ordinary Share; provided, however, that the Company upon request shall promptly deliver to such Warrantholder a due bill or other appropriate instrument evidencing such Warrantholder's right to receive such additional shares (or other property, as applicable), and such cash, upon the consummation of such event.

(vii) Statement Regarding Adjustments. Whenever the Exercise Price or the Warrant Shares into which this Warrant is exercisable shall be adjusted as provided in Section 12, the Company shall forthwith prepare a statement showing in reasonable detail the facts requiring such adjustment and the Exercise Price that shall be in effect and the Warrant Shares into which this Warrant shall be exercisable after such adjustment, and cause a copy of such statement to be delivered to the Warrantholder as promptly as practicable.

(viii) Notice of Adjustment Event. In the event that the Company shall propose to take any action of the type described in this Section 12 (but only if the action of the type described in this Section 12 would result in an adjustment in the Exercise Price or the Warrant Shares into which this Warrant is exercisable or a change in the type of securities or property to be delivered upon exercise of this Warrant), the Company shall provide written notice to the Warrantholder, which notice shall specify the record date, if any, with respect to any such action and the approximate date on which such action is to take place. Such notice shall also set forth the facts with respect thereto as shall be reasonably necessary to indicate the effect on the Exercise Price and the number, kind or class of shares or other securities or property which shall be deliverable upon exercise of this Warrant. In the case of any action which would require the fixing of a record date, such notice shall be given at least 10 days prior to the date so fixed. In case of all other action, such notice shall be given at least 10 days prior to the taking of such proposed action unless the Company reasonably determines in good faith that, given the nature of such action, the provision of such notice at least 10 days in advance is not reasonably practicable from a timing perspective, in which case such notice shall be given as far in advance prior to the taking of such proposed action as is reasonably practicable from a timing perspective.

(ix) Adjustment Rules. Any adjustments pursuant to this Section 12 shall be made successively whenever an event referred to herein shall occur. If an adjustment in Exercise Price made hereunder would reduce the Exercise Price to an amount below par value of the Ordinary Shares, then such adjustment in Exercise Price made hereunder shall reduce the Exercise Price to the par value of the Ordinary Shares.

(x) No Impairment. The Company shall not, by amendment of its certificate of incorporation, bylaws or any other organizational document, or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Company, but shall at all times in good faith assist in the carrying out of all the provisions of this Warrant. In furtherance and not in limitation of the foregoing, the Company shall not take or permit to be taken any action which would entitle the Warrantholder to an adjustment under this Section 12 if the total number of Ordinary Shares issuable after such action upon exercise of this Warrant in full (disregarding whether or not this Warrant is exercisable by its terms at such time), together with all Ordinary Shares then outstanding and all Ordinary Shares then issuable upon the exercise in full of any and all outstanding Equity Interests (disregarding whether or not any such Equity Interests are exercisable by their terms at such time) would exceed the total number of Ordinary Shares then authorized by its certificate of incorporation.

(xi) Proceedings Prior to Any Action Requiring Adjustment. As a condition precedent to the taking of any action which would require an adjustment pursuant to this Section 12, the Company shall take any and all action which may be necessary, including obtaining regulatory or other governmental, NASDAQ or other applicable securities exchange, corporate or stockholder approvals or exemptions, in order that the Company may thereafter validly and legally issue as fully paid and nonassessable all Ordinary Shares, or all other securities or other property, that the Warrantholder is entitled to receive upon exercise of this Warrant pursuant to this Section 12.

13. Mandatory Exercise Upon Change of Control. Notwithstanding anything to the contrary contained herein, in the event of the consummation prior to the Expiration Time of a Business Combination where all outstanding Ordinary Shares are exchanged solely for cash consideration, the Company shall have the right to cause the Warrantholder to exercise this Warrant; provided that the Company must give written notice to the Warrantholder at least 10 Business Days prior to the date of consummation of such qualifying Business Combination, which notice shall specify the expected date on which such qualifying Business Combination is to take place and set forth the facts with respect thereto as shall be reasonably necessary to indicate the amount of cash deliverable upon exercise of this Warrant and to each outstanding Ordinary Share; provided, further that the Company may only cause this Warrant to be exercised concurrently with the consummation of such qualifying Business Combination and the Warrantholder shall be entitled to receive the cash consideration as determined pursuant to Section 12(v). If the Warrantholder is required to exercise this Warrant pursuant to this Section 13, the Warrantholder shall notify the Company within five Business Days after receiving the Company's written notice described above in this Section 13 whether it is electing to exercise this Warrant through a Cash Exercise or a Cashless Exercise. If the Warrantholder (i) does not provide such notice within five Business Days after receiving the Company's written notice described above in this Section 13, or (ii) elects a Cash Exercise but does not pay the applicable Exercise Price for the Warrant Shares thereby purchased to the Company upon the consummation of such qualifying Business Combination then, in either such case, the Company shall effect the exercise of this Warrant through a Cashless Exercise.

14. Governing Law and Jurisdiction. **This Warrant shall be governed by, and construed and enforced in accordance with, the laws of the State of New York, without regard to any choice or conflict of law provision or rule (whether of the State of New York or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of New York. In addition, each of the parties (a) expressly submits to the personal jurisdiction and venue of the state and federal courts located in New York County, New York, in the event any dispute (whether in contract, tort or otherwise) arises out of this Warrant or the transactions contemplated hereby, (b) expressly waives any claim of lack of personal jurisdiction or improper venue and any claims that such courts are an inconvenient forum, and (c) agrees that it shall not bring any claim, action or proceeding relating to this Warrant or the transactions contemplated hereby in any court other than the state or federal courts of New York County, New York. Each party hereby irrevocably consents to the service of process of any of the aforementioned courts in any such suit, action or proceeding by the mailing of copies thereof by registered or certified mail or by overnight courier service, postage prepaid, to its address set forth in Section 17, such service to become effective 10 days after such mailing.**

15. Binding Effect. This Warrant shall be binding upon any successors or assigns of the Company.

16. Amendments. This Warrant may be amended and the observance of any term of this Warrant may be waived only with the written consent of the Company and the Warrantholder.

17. Notices. Any notice, request, instruction or other document to be given hereunder by any party to the other shall be in writing and shall be deemed to have been duly given (a) if sent by registered or certified mail in the United States return receipt requested, upon receipt, (b) if sent by nationally recognized overnight air courier, one Business Day after mailing, (c) if sent by email or facsimile transmission, with a copy mailed on the same day in the manner provided in clauses (a) or (b) of this Section 17 when transmitted and receipt is confirmed, or (d) if otherwise personally delivered, when delivered. All notices hereunder shall be delivered as set forth below, or pursuant to such other instructions as may be designated in writing by the party to receive such notice.

If to the Company, to:

Name: Kornit Digital Ltd.
Address: 12 Ha`Amal Street, Afek Park, Rosh-Ha`Ayin 4809246, Israel
Fax: +972 3 908 0280
Email: Guy.Avidan@kornit.com
Attn: Guy Avidan

with a copy to (which copy alone shall not constitute notice):

Name: Meitar Liquornik Geva Leshem Tal
Address: 16 Abba Hillel Silver Road, Ramat Gan 5250608, Israel

Fax: + 972 3 610 3688
Email: Avivav@meitar.com
Attn: Aviv Advidan-Shalit

and

Name: White & Case LLP
Address: 1155 Avenue of the Americas, New York, NY 10036
Fax: +1 212 354 8113
Email: cdiamond@whitecase.com
Attn: Colin Diamond

If to the Warrantholder, to:

Amazon.com NV Investment Holdings LLC
410 Terry Avenue North
Seattle, WA 98109-5210
Attn: General Counsel
Fax: (206) 266-7010

with a copy to (which copy alone shall not constitute notice):

Debevoise & Plimpton LLP
919 Third Avenue
New York, NY 10022
Attn: William D. Regner
Fax: (212) 521-7698
Email: wdregner@debevoise.com

18. Entire Agreement. This Warrant and the form attached hereto, the Transaction Agreement, the other Transaction Documents (as defined in the Transaction Agreement) and the Confidentiality Agreement (as defined in the Transaction Agreement) constitute the entire agreement, and supersede all other prior agreements, understandings, representations and warranties, both written and oral, between the parties, with respect to the subject matter hereof.

19. Specific Performance. The parties agree that failure of any party to perform its agreements and covenants hereunder, including a party's failure to take all actions as are necessary on such party's part in accordance with the terms and conditions of this Warrant to consummate the transactions contemplated hereby, will cause irreparable injury to the other party, for which monetary damages, even if available, will not be an adequate remedy. It is agreed that the parties shall be entitled to equitable relief including injunctive relief and specific performance of the terms hereof, without the requirement of posting a bond or other security, and each party hereby consents to the issuance of injunctive relief by any court of competent jurisdiction to compel performance of a party's obligations and to the granting by any court of the remedy of specific performance of such party's obligations hereunder, this being in addition to any other remedies to which the parties are entitled at law or equity.

[*Remainder of page intentionally left blank*]

IN WITNESS WHEREOF, the Company has caused this Warrant to be duly executed by a duly authorized officer.

Dated: January 10, 2017

KORNIT DIGITAL LTD.

By: /s/ Gabi Seligsohn /s/ Guy Avidan
Name: Gabi Seligsohn / Guy Avidan
Title: CEO / CFO

Acknowledged and Agreed

AMAZON.COM NV INVESTMENT HOLDINGS LLC

By: /s/ David Shearer
Name: David Shearer
Title: Vice President

Annex A

[Form of Notice of Vesting Event]

Date:

TO: Amazon.com, Inc.

RE: Notice of Vesting Event

Reference is made to that certain Warrant to Purchase Ordinary Shares, dated as of January 10, 2017 (the "Warrant"), issued to Amazon.com NV Investment Holdings LLC representing a warrant to purchase 2,932,176 ordinary shares of Kornit Digital Ltd. (the "Company"). Capitalized terms used herein without definition are used as defined in the Warrant.

The undersigned hereby delivers notice to you that a Vesting Event has occurred under the terms of the Warrant.

A. Vesting Event. The following Vesting Event has occurred on or around _____, 201__:

_____ Amazon and its Affiliates have collectively made payments totaling $5 million to the Company in connection with the Master Purchase Agreement.

B. Vested Warrant Shares. After giving effect to the Vesting Event referenced in Paragraph A above, the aggregate number of Warrant Shares issuable upon exercise of the Warrant that have vested under the terms of the Warrant is:
_____

C. Exercised Warrant Shares. The aggregate number of Warrant Shares issuable upon exercise of the Warrant that have been exercised as of the date hereof is:
_____

D. Unexercised Warrant Shares. After giving effect to the Vesting Event referenced in Paragraph A above, the aggregate number of Warrant Shares issuable upon exercise of the Warrant that have vested but remain unexercised under the Warrant is:
_____

KORNIT DIGITAL LTD.

By:

Name:

Title:

Annex B

[Form of Notice of Exercise]

Date:

TO: Kornit Digital Ltd.

RE: Election to Purchase Ordinary Shares

The undersigned, pursuant to the provisions set forth in the attached Warrant, hereby agrees to subscribe for and purchase the number of Ordinary Shares set forth below covered by such Warrant. The undersigned, in accordance with Section 3 of the Warrant, hereby agrees to pay the aggregate Exercise Price for such Ordinary Shares. A new warrant evidencing the remaining Ordinary Shares covered by such Warrant, but not yet subscribed for and purchased, if any, should be issued in the name of the Warrantholder.

Number of Ordinary Shares with respect to which the Warrant is being exercised (including shares to be withheld as payment of the Exercise Price pursuant to Section 3(i), if any):

Method of Payment of Exercise Price (note if cashless exercise pursuant to Section 3(ii)(B)(ii) of the Warrant or cash exercise pursuant to Section 3(ii)(B)(i) of the Warrant):

Aggregate Exercise Price: _____

Holder:

By:

Name:

Title:

Exhibit A

Form of Non-Israeli Resident Declaration

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, Gabi Seligsohn, certify that:

1. I have reviewed this annual report on Form 20-F of Kornit Digital Ltd.;

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

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

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

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

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

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

   (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

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

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

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

Date: March 30, 2017

By /s/ Gabi Seligsohn

Gabi Seligsohn
Chief Executive Officer
(Principal Executive Officer)

Exhibit 12.2

CERTIFICATION PURSUANT TO
EXCHANGE ACT RULE 13A-14(A)/15D-14(A)
AS ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Guy Avidan, certify that:

1. I have reviewed this annual report on Form 20-F of Kornit Digital Ltd.;

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

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

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

   (e) 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;

   (f) 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;

   (g) 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

   (h) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

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

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

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

Date: March 30, 2017

By /s/ Guy Avidan
Guy Avidan
Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)

Exhibit 13.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER PURSUANT TO RULE 13a-14(b)/RULE 15d-14(b) UNDER THE EXCHANGE ACT AND 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Kornit Digital Ltd. (the "**Company**") on Form 20-F for the fiscal year ended December 31, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "**Report**"), we, Gabi Seligsohn, as Chief Executive Officer of the Company, and Guy Avidan, as Chief Financial Officer of the Company, each certify in such respective capacity, pursuant to Rule 13a-14(b)/Rule 15d-14(b) under the Securities Exchange Act of 1934, as amended and 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 30, 2017

By /s/ Gabi Seligsohn
Gabi Seligsohn
Chief Executive Officer
(Principal Executive Officer)

Date: March 30, 2017

By /s/ Guy Avidan
Guy Avidan
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements (Form S-8 No. 333-203970 and 333-214015) and Registration Statement (Form F-3 No. 333-215404) of our report dated March 30, 2017, with respect to the consolidated financial statements of Kornit Digital Ltd. and its subsidiaries included in this Annual Report (Form 20-F) for the year ended December 31, 2016.

Tel Aviv, Israel
March 30, 2017

/s/ Kost Forer Gabbay & Kasierer
KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global