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MELLANOX TECHNOLOGIES, LTD.

FORM 10-Q
(Quarterly Report)

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q

(Mark One)

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

For the quarterly period ended: March 31, 2017

OR

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

For the transition period from to

Commission File Number 001-33299

MELLANOX TECHNOLOGIES, LTD.
(Exact name of registrant as specified in its charter)

Israel	**98-0233400**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

Beit Mellanox, Yokneam, Israel 20692
(Address of principal executive offices, including zip code)

+972-4-909-7200
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

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

Large accelerated filer ☒	Accelerated filer ☐	Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐
			Emerging growth company ☐

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

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2). Yes ☐ No ☒

The total number of shares outstanding of the registrant's Ordinary Shares, nominal value NIS 0.0175 per share, as of April 28, 2017 , was 49,693,548 .

MELLANOX TECHNOLOGIES, LTD.

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PART I. FINANCIAL INFORMATION

ITEM 1 — *FINANCIAL STATEMENTS*

MELLANOX TECHNOLOGIES, LTD.

CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	March 31, 2017	December 31, 2016
	(In thousands, except par value)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 58,357	$ 56,780
Short-term investments	266,833	271,661
Accounts receivable, net	126,236	141,768
Inventories	75,347	65,523
Other current assets	23,007	17,346
Total current assets	549,780	553,078
Property and equipment, net	123,913	118,585
Severance assets	16,857	15,870
Intangible assets, net	267,375	278,031
Goodwill	471,228	471,228
Deferred taxes and other long-term assets	49,902	36,713
Total assets	$ 1,479,055	$ 1,473,505
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 63,452	$ 59,533
Accrued liabilities	107,142	105,042
Deferred revenue	23,363	24,364
Current portion of term debt	14,225	23,628
Total current liabilities	208,182	212,567
Accrued severance	20,955	19,874
Deferred revenue	15,485	15,968
Term debt	208,673	218,786
Other long-term liabilities	31,517	30,580
Total liabilities	484,812	497,775
Commitments and Contingencies - (see Note 8)		
Shareholders' equity:		
Ordinary shares: NIS 0.0175 par value, 200,000 shares authorized, 49,690 and 49,076 shares issued and outstanding at March 31, 2017 and December 31, 2016, respectively	212	209
Additional paid-in capital	801,835	774,605
Accumulated other comprehensive income (loss)	3,385	(928)
Retained earnings	188,811	201,844
Total shareholders' equity	994,243	975,730
Total liabilities and shareholders' equity	$ 1,479,055	$ 1,473,505

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

MELLANOX TECHNOLOGIES, LTD.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	Three Months Ended March 31,	
	2017	2016
	(In thousands, except per share data)	
Total revenues	$ 188,651	$ 196,810
Cost of revenues	64,450	70,481
Gross profit	124,201	126,329
Operating expenses:		
Research and development	88,491	71,034
Sales and marketing	35,757	31,228
General and administrative	12,519	27,938
Total operating expenses	136,767	130,200
Loss from operations	(12,566)	(3,871)
Interest expense	(1,993)	(998)
Other income, net	683	61
Interest and other, net	(1,310)	(937)
Loss before taxes on income	(13,876)	(4,808)
Provision for (benefit from) taxes on income	(1,632)	2,360
Net loss	$ (12,244)	$ (7,168)
Net loss per share — basic	$ (0.25)	$ (0.15)
Net loss per share — diluted	$ (0.25)	$ (0.15)
Shares used in computing net loss per share:		
Basic	49,337	47,358
Diluted	49,337	47,358

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

MELLANOX TECHNOLOGIES, LTD.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

	Three Months Ended March 31,	
	2017	2016
	(In thousands)	
Net loss	$ (12,244)	$ (7,168)
Other comprehensive income, net of tax:		
Change in unrealized gains/losses on available-for-sale securities, net of tax	69	600
Change in unrealized gains/losses on derivative contracts, net of tax	4,244	3,492
Other comprehensive income, net of tax	4,313	4,092
Total comprehensive loss, net of tax	$ (7,931)	$ (3,076)

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

MELLANOX TECHNOLOGIES, LTD.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Three Months Ended March 31,	
	2017	2016
	(In thousands)	
Cash flows from operating activities:		
Net loss	$ (12,244)	$ (7,168)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	25,181	20,614
Deferred income taxes	(942)	1,265
Share-based compensation	14,768	18,266
(Gain) loss on investments, net	(858)	112
Changes in assets and liabilities, net of effect of acquisitions:		
Accounts receivable	15,532	(4,677)
Inventories	(10,457)	4,361
Prepaid expenses and other assets	(3,693)	2,305
Accounts payable	4,931	3,340
Accrued liabilities and other liabilities	2,783	10,177
Net cash provided by operating activities	35,001	48,595
Cash flows from investing activities:		
Purchase of severance-related insurance policies	(315)	(226)
Purchase of short-term investments	(50,302)	(64,908)
Proceeds from sales of short-term investments	54,242	199,932
Proceeds from maturities of short-term investments	1,815	77,715
Purchase of property and equipment	(15,911)	(8,283)
Purchase of intangible assets	(1,115)	—
Purchase of investments in private companies	(11,000)	(107)
Acquisition, net of cash acquired of $87.5 million	—	(681,189)
Net cash used in investing activities	(22,586)	(477,066)
Cash flows from financing activities:		
Proceeds from term debt	—	280,000
Principal payments on term debt	(20,000)	—
Term debt issuance costs	—	(5,521)
Payments on capital lease and intangible asset financings	(2,514)	(274)
Proceeds from issuances of ordinary shares through employee equity incentive plans	11,676	8,979
Net cash provided by (used in) financing activities	(10,838)	283,184
Net increase (decrease) in cash and cash equivalents	1,577	(145,287)
Cash and cash equivalents at beginning of period	56,780	263,199
Cash and cash equivalents at end of period	$ 58,357	$ 117,912
Supplemental disclosure of non-cash investing and financing activities		
Intangible assets financed with debt	$ 3,220	$ —
Unpaid property and equipment	$ 1,510	$ 581
Transfer from inventory to property and equipment	$ 633	$ 975

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

NOTE 1—THE COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Company

Mellanox Technologies, Ltd., an Israeli corporation (the "Company" or "Mellanox"), was incorporated and commenced operations in March 1999. Mellanox is a supplier of high-performance interconnect products for computing, storage and communications applications.

Principles of presentation

The unaudited condensed consolidated financial statements include the Company's accounts as well as those of its wholly owned subsidiaries after the elimination of all intercompany balances and transactions.

The unaudited condensed consolidated financial statements included in this quarterly report on Form 10-Q have been prepared by the Company without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”). The year-end balance sheet data were derived from audited consolidated financial statements, but do not include all disclosures required by accounting principles generally accepted in the United States ("GAAP"). Certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. However, the Company believes that the disclosures contained in this quarterly report comply with the requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended, for a quarterly report on Form 10-Q and are adequate to make the information presented not misleading. The unaudited condensed consolidated financial statements included herein reflect all adjustments (consisting of normal recurring adjustments) which are, in the opinion of management, necessary for a fair statement of the financial position, results of operations and cash flows for the interim periods presented. These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2016 , filed with the SEC on February 17, 2017. The results of operations for the three months ended March 31, 2017 are not necessarily indicative of the results to be anticipated for the entire year ending December 31, 2017 or thereafter.

Risks and uncertainties

The Company is subject to all of the risks inherent in a company which operates in the dynamic and competitive semiconductor industry. Significant changes in any of the following areas could have a material adverse impact on the Company's financial position and results of operations: unpredictable volume or timing of customer orders; ordered product mix; the sales outlook and purchasing patterns of the Company's customers based on consumer demands and general economic conditions; loss of one or more of the Company's customers; decreases in the average selling prices of products or increases in the average cost of finished goods; the availability, pricing and timeliness of delivery of components used in the Company's products; reliance on a limited number of subcontractors to manufacture, assemble, package and production test the Company's products; the Company's ability to successfully develop, introduce and sell new or enhanced products in a timely manner; product obsolescence and the Company's ability to manage product transitions; the timing of announcements or introductions of new products by the Company's competitors; and the Company's ability to successfully integrate acquired businesses.

Use of estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the dates of the financial statements and the reported amounts of net revenue and expenses in the reporting periods. The Company regularly evaluates estimates and assumptions related to revenue recognition, allowances for doubtful accounts, allowances for price adjustments, investment valuation, warranty reserves, inventory reserves, share-based compensation expense, long-term asset valuations, useful lives of property, equipment, and intangibles, accounting for business combinations, goodwill and purchased intangible asset valuation, investments in privately-held companies, accounting and fair value of financial instruments and derivatives, deferred income tax asset valuation, uncertain tax positions, and litigation and other loss contingencies. These estimates and assumptions are based on current facts, historical experience and various other factors that the Company believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the recording of revenue, costs and expenses that are not readily apparent from other sources. The actual results that the Company experiences may differ materially and adversely from the Company's original estimates. To the extent there are material differences between the estimates and actual results, the Company's future results of operations will be affected.

Significant accounting policies

In March 2016, the FASB issued ASU No. 2016-09, *Compensation-Stock Compensation (Topic 718); Improvements to Employee Share-Based Payment Accounting* . The Company adopted ASU No. 2016-09 during the quarter ended March 31, 2017. The standard requires, among other things, excess tax benefits to be recognized in the statement of operations as an income tax benefit as opposed to additional paid in capital. This change was adopted prospectively and did not have a material effect on the Company's condensed consolidated financial statements. The standard also requires, among other things, excess tax benefits to be included in operating activities in the statement of cash flows as opposed to in financing activities. This change was adopted retrospectively and did not have a material effect on the Company's condensed consolidated financial statements.

The standard further requires excess tax benefits to be recognized when they arise, instead of when they actually reduce taxes payable under the prior guidance. This change was adopted using a modified retrospective method through a cumulative effect adjustment to retained earnings as of the beginning of the period of adoption. The impact of the adoption was to increase deferred tax assets by $4.6 million , which in turn was offset by an increase in the valuation allowance in the same amount, resulting in no change in net deferred tax assets and retained earnings as of January 1, 2017.

The standard also establishes an alternative practical expedient for estimating the effects of forfeitures of an award by recognizing such effects in compensation cost when the forfeitures occur. Adoption of the alternative practical expedient was applied using a modified retrospective method through a cumulative effect adjustment to retained earnings as of the beginning of the period of adoption. The impact of the adoption was to reduce retained earnings and to increase additional paid-in capital by $0.8 million as of January 1, 2017.

Other than the adoption of ASU No. 2016-09 as discussed above, there have been no changes in the Company's significant accounting policies that were disclosed in its Annual Report on Form 10-K for the fiscal year ended December 31, 2016, filed with the SEC on February 17, 2017.

Concentration of credit risk

The following table summarizes the revenues from customers (including original equipment manufacturers) in excess of 10% of the total revenues:

	Three Months Ended March 31,	
	2017	**2016**
Hewlett Packard Enterprise	13%	20%
Dell	13%	*

* Less than 10%

The following table summarizes accounts receivable balances in excess of 10% of total accounts receivable:

	March 31, 2017	**December 31, 2016**
Hewlett Packard Enterprise	12%	23%
Ingram Micro	11%	*

* Less than 10%

Product warranty

The following table provides changes in the product warranty accrual for the three months ended March 31, 2017 and 2016 :

	Three Months Ended March 31,	
	2017	2016
	(In thousands)	
Balance, beginning of the period	$ 1,474	$ 1,641
Assumed warranty liability from acquisition	—	290
New warranties issued during the period	436	369
Reversal of warranty reserves	(356)	(134)
Settlements during the period	(343)	(348)
Balance, end of the period	1,211	1,818
Less: long-term portion of product warranty liability	(162)	(386)
Current portion, end of the period	$ 1,049	$ 1,432

Net loss per share

The following table sets forth the computation of basic and diluted net loss per share for the three months ended March 31, 2017 and 2016 :

	Three Months Ended March 31,	
	2017	2016
	(In thousands, except per share data)	
Net loss	$ (12,244)	$ (7,168)
Basic and diluted shares:		
Weighted average ordinary shares outstanding	49,337	47,358
Effect of dilutive shares	—	—
Shares used to compute diluted net loss per share	49,337	47,358
Net loss per share — basic	$ (0.25)	$ (0.15)
Net loss per share — diluted	$ (0.25)	$ (0.15)

The Company excluded 4.6 million and 5.9 million outstanding share options and restricted share units ("RSUs") from the computation of diluted net loss per share for the three months ended March 31, 2017 and 2016 , respectively, because including them would have had an anti-dilutive effect.

Recent accounting pronouncements

In October 2016, the Financial Accounting Standards Board, ("FASB") issued ASU No. 2016-16, *Income Taxes - Intra-Entity Transfers of Assets Other Than Inventory* , which requires entities to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. The standard is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted as of the beginning of a fiscal year. The new standard should be adopted on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. The Company is currently in the process of evaluating the impact of this new pronouncement on its condensed consolidated financial statements and related disclosures.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments* . The standard clarifies how companies present and classify certain cash receipts and cash payments in the statement of cash flows. The standard becomes effective for the Company beginning January 1, 2018. The

Company is currently evaluating the impact that the standard will have on its condensed consolidated financial statements and related disclosures.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.* The standard introduces an approach based on expected losses to estimate credit losses on certain types of financial instruments. It also modifies the impairment model for available-for-sale debt securities and provides for a simplified accounting model for purchased financial assets with credit deterioration since their origination. Assumptions, models, and methods used in estimating an allowance for loan and lease losses are required disclosures under the standard. A cumulative-effect adjustment to retained earnings is recorded in the period of adoption and a prospective transition approach is applied for certain assets. The standard becomes effective for the Company beginning January 1, 2020. Early application is permitted beginning January 1, 2019. The Company is currently evaluating the effect that the standard will have on its condensed consolidated financial statements and related disclosures.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* . The standard requires lessees to recognize almost all leases on the balance sheet as a right-of-use asset and a lease liability and requires leases to be classified as either an operating or a finance type lease. The standard excludes leases of intangible assets or inventory. Early adoption of the standard is allowed. The standard becomes effective for the Company beginning January 1, 2019. The Company is currently evaluating the effect that the standard will have on its condensed consolidated financial statements and related disclosures.

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments-Overall (Subtopic 825-10)* . The standard requires entities to carry all investments in equity securities, with certain exceptions, at fair value with adjustment recorded through net income ("FVTNI"). The standard eliminates the requirement of recognizing unrealized gains or losses in other comprehensive income for trading or available-for-sale marketable equity securities. The standard requires the total fair value change attributable to instrument-specific credit risk, excluding derivative liability instruments, to be reflected in other comprehensive income. The standard requires an evaluation for the need of a valuation allowance for deferred tax assets related to debt securities classified as available-for-sale in combination with the Company's other deferred tax assets. The standard becomes effective for the Company beginning January 1, 2018 and early adoption is allowed. The Company is currently evaluating the effect that the standard will have on its condensed consolidated financial statements and related disclosures.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* . The standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and may be applied retrospectively to each prior period presented, or applied using a modified retrospective method with the cumulative effect recognized in the beginning retained earnings during the period of initial application. Subsequently, the FASB has issued several additional ASUs related to ASU No. 2014-09, collectively they are referred to as the “new revenue standards”, which become effective for the Company beginning January 1, 2018. The Company expects to adopt the new revenue standards using the modified retrospective method. Under the current guidance, the Company recognizes distributor revenue based on the sell-through method. Upon the adoption of the new revenue standards, the Company will recognize distributor revenue based on the sell-in method, net of the estimated allowances for price adjustments. The Company is still in the process of evaluating the other effects that the new revenue standards will have on its condensed consolidated financial statements and related disclosures.

NOTE 2—BALANCE SHEET COMPONENTS:

	March 31, 2017	December 31, 2016
	(In thousands)	
Accounts receivable, net:		
Accounts receivable, gross	$ 126,868	$ 142,400
Less: allowance for doubtful accounts	(632)	(632)
	$ 126,236	$ 141,768
Inventories:		
Raw materials	$ 7,227	$ 8,243
Work-in-process	28,579	26,118
Finished goods	39,541	31,162
	$ 75,347	$ 65,523
Other current assets:		
Prepaid expenses	$ 10,424	$ 9,053
Derivative contracts receivable	3,398	257
VAT receivable	6,013	6,093
Other	3,172	1,943
	$ 23,007	$ 17,346
Property and equipment, net:		
Computer, equipment, and software	$ 227,100	$ 214,719
Furniture and fixtures	5,270	5,210
Leasehold improvements	49,619	46,693
	281,989	266,622
Less: Accumulated depreciation and amortization	(158,076)	(148,037)
	$ 123,913	$ 118,585
Deferred taxes and other long-term assets:		
Equity investments in private companies	$ 19,720	$ 12,720
Deferred taxes	23,355	22,413
Other assets	6,827	1,580
	$ 49,902	$ 36,713
Accrued liabilities:		
Payroll and related expenses	$ 63,580	$ 62,969
Accrued expenses	36,079	33,125
Derivative contracts payable	6	1,006
Product warranty liability	1,049	1,263
Other	6,428	6,679
	$ 107,142	$ 105,042
Other long-term liabilities:		
Income tax payable	$ 24,553	$ 24,184
Deferred rent	2,437	2,504
Other	4,527	3,892
	$ 31,517	$ 30,580

NOTE 3—BUSINESS COMBINATION:

On February 23, 2016 , the Company completed its acquisition of EZchip . Under the terms of the Agreement of Merger dated as of September 30, 2015 (as amended on November 17, 2015), by and among the Company, Mondial Europe Sub Ltd. and EZchip (the "Merger Agreement") the total consideration was $782.2 million including $1.0 million attributable to assumed RSUs. The net cash purchase price of $693.7 million consisted of a $781.2 million cash payment for all outstanding common shares of EZchip at the price of $25.50 per share and net of $87.5 million cash acquired. The Company also assumed 891,822 EZchip RSUs and converted them to 499,894 equivalent Company RSU awards. The fair value of the converted RSUs was determined based on the per share value of the underlying Mellanox ordinary shares of $ 46.40 per share as of the acquisition date. The 499,894 RSUs had a total aggregate value of $23.2 million , of which $1.0 million was recorded as a component of the purchase price for service rendered prior to the acquisition date and $22.2 million will be recognized as share-based compensation expense over the remaining required service period of up to 2.25 years from the acquisition date.

In connection with the acquisition, the Company entered into a $280.0 million variable interest rate Term Debt maturing February 21, 2019 . For additional information on the Term Debt, see Note 13 in the notes to the unaudited condensed consolidated financial statements.

The Company accounted for the transaction using the acquisition method, which requires, among other things, that the assets acquired and liabilities assumed in a business combination be recognized at their respective estimated fair values as of the acquisition date. The following summarizes consideration paid for EZchip at the acquisition date:

		(in thousands)
Consideration:		
Cash payment for all outstanding common shares of EZchip at $25.50 per share	$	781,237
Fair value of awards attributable to pre-acquisition services		972
Total consideration:		782,209
Less: cash acquired		87,545
Fair value of total consideration transferred, net of cash acquired	$	694,664

The following summarizes the Company's allocation of the total purchase price, net of cash acquired for the EZchip acquisition after consultation with third party valuation specialists:

		(in thousands)
Short-term investments	$	108,862
Other current assets		34,114
Other long-term assets		9,638
Intangible assets		288,246
Goodwill		270,485
Total assets		711,345
Current liabilities		(10,253)
Long-term liabilities		(6,428)
Total liabilities		(16,681)
Total preliminary purchase price allocation	$	694,664

Acquisition-related expenses for the EZchip acquisition for the three months ended March 31, 2017 were $0.3 million and primarily consisted of employee-related expenses. Acquisition-related expenses for the EZchip acquisition for the period ending March 31, 2016 were $6.7 million and primarily consisted of investment banking, consulting and other professional fees.

Identifiable finite-lived intangible assets

	Fair value	Weighted Average Useful Life
	(in thousands)	(in years)
Purchased intangible assets:		
Trade names	$ 5,600	3
Customer relationships	56,400	9
Backlog	11,300	1
Developed technology	181,246	4 - 6
In process research and development [1]	33,700	-
Total purchased intangible assets	$ 288,246	

[1] In-process research and development ("IPR&D") will not be amortized until the underlying products reach technological feasibility. Upon completion, each IPR&D project will be amortized over its useful life.

Trade name represents the fair values of brand and name recognition associated with the marketing of EZchip's products and services. The Company used the income approach and utilized a discount rate of 10.0% to determine the fair value of trade name assets.

Customer relationships represent the fair value of future projected revenues that will be derived from the sale of products to existing customers of EZchip. The Company used the comparative method ("with/without") of the income approach to determine the fair value of this intangible asset and utilized a discount rate of 10.0% .

Backlog represents the fair value of sales order backlog as of the valuation date. The Company used the income approach to determine the fair value of this intangible asset and utilized a discount rate of 8.0% .

Developed technology represents completed technology that has passed technological feasibility and/or is currently offered for sale to customers. The Company used the income approach to value the developed technology. Under the income approach, the expected future cash flows from each technology are estimated and discounted to their net present values at an appropriate risk-adjusted rate of return. Significant factors considered in the calculation of the rate of return are the weighted average cost of capital and the return on assets. The Company applied a discount rate of 9.0% to value the developed technology assets taking into consideration market rates of return on debt and equity capital and the risk associated with achieving forecasted revenues related to these assets.

The IPR&D intangible asset represents the value assigned to an acquired research and development project that, as of the acquisition date, had not established technological feasibility. The fair value of IPR&D was determined using a discount rate of 12.0% . This intangible asset will be capitalized on the balance sheet and evaluated periodically for impairment until the project is completed, at which time it will be transferred to developed technology and become subject to amortization over its useful life. IPR&D consists of one project related to the development of two network processors. The project is expected to be completed over the next several years. The estimated remaining costs to complete the IPR&D project was $ 22.3 million as of the acquisition date, which will be charged to operating expense in the condensed consolidated statements of operations as incurred. During the three months ended September 30, 2016, one component of the IPR&D project reached technological feasibility and $4.2 million was transferred to developed technology and will be amortized over three years.

Goodwill

Goodwill arising from the acquisition represents the value of the skilled assembled workforce and projected growth in overall revenues. The EZchip acquisition is a step in the Company's strategy to become a leading broad-line supplier of intelligent interconnect solutions for data centers. The addition of EZchip's products and expertise in network processing is expected to enhance the Company's leadership position, and ability to deliver complete end-to-end, intelligent 10, 25, 40, 50, and 100Gb/s interconnect and processing solutions for advanced data center and edge platforms. The combined company will have diverse and robust solutions to enable customers to meet the growing demands of data-intensive applications used in high-performance computing, Web 2.0, cloud, secure data center, enterprise, telecom, database, financial services, and storage environments. These significant factors were the basis for the recognition of goodwill. Goodwill is not expected to be

deductible for tax purposes. Goodwill will not be amortized but instead will be tested for impairment annually or more frequently if certain indicators are present.

NOTE 4—FAIR VALUE MEASUREMENTS:

Fair value hierarchy:

The Company measures its cash equivalents and marketable securities at fair value. The Company’s cash equivalents are classified within Level 1. Cash equivalents are valued primarily using quoted market prices utilizing market observable inputs. The Company's investments in debt securities and certificates of deposits are classified within Level 2 as the market inputs to value these instruments consist of market yields, reported trades and broker/dealer quotes. In addition, foreign currency contracts are classified within Level 2 as the valuation inputs are based on quoted prices and market observable data of similar instruments. The Level 3 valuation inputs include the Company's best estimate of what market participants would use in pricing the asset or liability at the measurement date. The inputs are unobservable in the market and significant to the instrument's valuation. As of March 31, 2017 and December 31, 2016 , the Company did not have any assets or liabilities valued based on Level 3 valuations.

Financial Liabilities Measured at Fair Value on a Nonrecurring Basis:

As of March 31, 2017 , the remaining principal of $226.0 million on the Company's $280.0 million Term Debt is classified as a Level 2 fair value measurement in the fair value hierarchy. The Company calculated a fair value amount of $225.9 million at March 31, 2017 based on a discounted cash flow model using observable market inputs and taking into consideration variables such as interest rate changes, comparable instruments, and long-term credit ratings.

Financial Assets and Liabilities Measured at Fair Value on a Recurring Basis:

The following table represents the fair value hierarchy of the Company's financial assets and liabilities measured at fair value on a recurring basis as of March 31, 2017 :

	Level 1	Level 2	Total
		(in thousands)	
Money market funds	$ 4,098	$ —	$ 4,098
Certificates of deposit	—	79,147	79,147
U.S. Government and agency securities	—	44,636	44,636
Commercial paper	—	30,316	30,316
Corporate bonds	—	89,082	89,082
Municipal bonds	—	8,635	8,635
Foreign government bonds	—	15,017	15,017
	4,098	266,833	270,931
Derivative contracts		3,398	3,398
Total financial assets	$ 4,098	$ 270,231	$ 274,329
Derivative contracts	—	6	6
Total financial liabilities	$ —	$ 6	$ 6

The following table represents the fair value hierarchy of the Company's financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2016 :

	Level 1	Level 2	Total
		(in thousands)	
Money market funds	$ 1,833	$ —	$ 1,833
Certificates of deposit	—	78,643	78,643
U.S. Government and agency securities	—	56,347	56,347
Commercial paper	—	29,483	29,483
Corporate bonds	—	94,162	94,162
Municipal bonds	—	7,706	7,706
Foreign government bonds	—	5,320	5,320
	1,833	271,661	273,494
Derivative contracts	—	257	257
Total financial assets	$ 1,833	$ 271,918	$ 273,751
Derivative contracts	—	1,006	1,006
Total financial liabilities	$ —	$ 1,006	$ 1,006

There were no transfers between Level 1 and Level 2 securities during the three months ended March 31, 2017 and the year ended December 31, 2016 .

NOTE 5—INVESTMENTS:

Cash, cash equivalents and short-term investments:

The short-term investments are classified as available-for-sale securities. The cash, cash equivalents and short-term investments at March 31, 2017 and December 31, 2016 were as follows:

	March 31, 2017			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
	(in thousands)			
Cash	$ 54,259	$ —	$ —	$ 54,259
Money market funds	4,098	—	—	4,098
Certificates of deposit	79,147	—	—	79,147
U.S. Government and agency securities	44,741	1	(106)	44,636
Commercial paper	30,318	7	(9)	30,316
Corporate bonds	89,131	51	(100)	89,082
Municipal bonds	8,642	1	(8)	8,635
Foreign government bonds	15,021	5	(9)	15,017
Total	325,357	65	(232)	325,190
Less amounts classified as cash and cash equivalents	(58,357)	—	—	(58,357)
Short-term investments	$ 267,000	$ 65	$ (232)	$ 266,833

	December 31, 2016			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
	(in thousands)			
Cash	$ 54,947	$ —	$ —	$ 54,947
Money market funds	1,833	—	—	1,833
Certificates of deposit	78,643	—	—	78,643
U.S. Government and agency securities	56,431	2	(86)	56,347
Commercial paper	29,486	—	(3)	29,483
Corporate bonds	94,292	37	(167)	94,162
Municipal bonds	7,718	—	(12)	7,706
Foreign government bonds	5,327	—	(7)	5,320
Total	328,677	39	(275)	328,441
Less amounts classified as cash and cash equivalents	(56,780)	—	—	(56,780)
Short-term investments	$ 271,897	$ 39	$ (275)	$ 271,661

Interest income and gains (losses) on short-term investments, net were $0.9 million and $(0.1) million for the three months ended March 31, 2017 and 2016 , respectively. At March 31, 2017 , gross unrealized losses on investments that were in a gross unrealized loss position for greater than 12 months were immaterial. These investments were not deemed to be other-than-temporarily impaired and the gross unrealized losses were recorded in other comprehensive income (loss) ("OCI").

The contractual maturities of short-term investments at March 31, 2017 and December 31, 2016 were as follows:

	March 31, 2017		December 31, 2016	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
	(in thousands)			
Due in less than one year	$ 155,609	$ 155,499	$ 157,270	$ 157,163
Due in one to three years	111,391	111,334	114,627	114,498
	$ 267,000	$ 266,833	$ 271,897	$ 271,661

Equity investments in privately-held companies:

As of March 31, 2017 and December 31, 2016 , the Company held a total of $19.7 million and $12.7 million , respectively, in equity investments in privately-held companies.

NOTE 6—GOODWILL AND INTANGIBLE ASSETS:

The following table represents changes in the carrying amount of goodwill:

	(in thousands)
Carrying amount of goodwill at December 31, 2016	$ 471,228
Acquisitions	—
Adjustments	—
Balance as of March 31, 2017	$ 471,228

The carrying amounts of intangible assets as of March 31, 2017 were as follows:

	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
		(in thousands)	
Licensed technology	$ 28,916	$ (8,732)	$ 20,184
Developed technology	250,043	(86,178)	163,865
Customer relationships	69,776	(19,494)	50,282
Trade names	5,600	(2,056)	3,544
Total finite-lived amortizable intangible assets	354,335	(116,460)	237,875
In-process research and development	29,500	—	29,500
Total intangible assets	$ 383,835	$ (116,460)	$ 267,375

The carrying amounts of intangible assets as of December 31, 2016 were as follows:

	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
		(in thousands)	
Licensed technology	$ 24,583	$ (6,559)	$ 18,024
Developed technology	250,043	(75,591)	174,452
Customer relationships	69,776	(17,731)	52,045
Backlog	11,300	(11,300)	—
Trade names	5,600	(1,590)	4,010
Total finite-lived amortizable intangible assets	361,302	(112,771)	248,531
In-process research and development	29,500	—	29,500
Total intangible assets	$ 390,802	$ (112,771)	$ 278,031

Amortization expense of intangible assets totaled approximately $15.0 million and $11.7 million for the three months ended March 31, 2017 and 2016 , respectively.

The estimated future amortization expense from amortizable intangible assets is as follows:

	(in thousands)
2017 (remaining nine months)	$ 45,466
2018	54,826
2019	47,194
2020	36,145
2021	30,618
Thereafter	23,626
Total	$ 237,875

NOTE 7—DERIVATIVES AND HEDGING ACTIVITIES:

Fair Value of Derivative Contracts

The fair value of derivatives contracts in the unaudited condensed consolidated balance sheets at March 31, 2017 and December 31, 2016 were as follows:

	Other current assets	Accrued liabilities	Other current assets	Accrued liabilities
	March 31, 2017		December 31, 2016	
	(in thousands)			
Derivatives designated as hedging instruments				
Currency forward and option contracts	$ 3,398	$ 3	$ 257	$ 999
Derivatives not designated as hedging instruments				
Currency forward and option contracts	$ —	$ 3	$ —	$ 7
Total derivatives	$ 3,398	$ 6	$ 257	$ 1,006

The gross notional amounts of derivative contracts were New Israeli Shekels (“NIS”) denominated. The notional amounts of outstanding derivative contracts in U.S. dollars at March 31, 2017 and December 31, 2016 were as follows:

	March 31, 2017	December 31, 2016
	(in thousands)	
Derivatives designated as hedging instruments		
Currency forward and option contracts	$ 86,729	$ 105,730
Derivatives not designated as hedging instruments		
Currency forward and option contracts	$ 44,879	$ 34,330

Effect of Derivatives Designated as Hedging Instruments on Accumulated Other Comprehensive Income

The following table represents the unrealized gains (losses) of derivatives designated as hedging instruments, net of tax effects, that were recorded in accumulated other comprehensive income as of March 31, 2017 and December 31, 2016 and their effect on OCI for the three months ended March 31, 2017 :

	(in thousands)
December 31, 2016	$ (692)
Amount of gain recognized in OCI (effective portion)	5,680
Amount of gain reclassified from OCI to income (effective portion)	(1,436)
March 31, 2017	$ 3,552

Effect of Derivative Contracts on the Unaudited Condensed Consolidated Statement of Operations

The effect of derivative contracts on the unaudited condensed consolidated statements of operations for the three months ended March 31, 2017 and 2016 was as follows:

	Derivatives designated as hedging instruments		Derivatives not designated as hedging instruments	
	Three Months Ended March 31,		Three Months Ended March 31,	
	2017	2016	2017	2016
	(in thousands)			
Operating income	$ 1,436	$ 138	$ —	$ —
Other income	$ —	$ —	$ 2,066	$ 272

NOTE 8—COMMITMENTS AND CONTINGENCIES:

Commitments

Leases

At March 31, 2017 , future minimum payments under non-cancelable operating leases are as follows:

	(in thousands)
2017 (remaining nine months)	$ 17,050
2018	18,569
2019	13,553
2020	11,466
2021	8,093
Thereafter	10,388
Total minimum lease payments	$ 79,119

Purchase commitments

At March 31, 2017 , the Company had the following non-cancelable purchase commitments:

	(in thousands)
2017 (remaining nine months)	$ 116,229
2018	3,400
2019	610
2020	154
2021	51
Thereafter	—
	$ 120,444

Other Commitments

Operating lease

On May 3, 2016, the Company entered into a lease agreement for additional office space expected to be built in Yokneam, Israel. The lease term expires 10 years after lease inception with no options to extend the lease term. The Company's occupancy of the additional office space and its obligation under the lease agreement is contingent on the lessor's attainment of stated milestones in the lease agreement. As such, the Company cannot make a reliable estimate as to the timing of cash payments under the lease. At March 31, 2017 , the estimated total future lease obligation is approximately $29.3 million . Over a twelve month period an estimated rental expense is approximately $2.9 million , and if recognized, would increase the Company's operating expenses in its condensed consolidated statement of operations.

Royalty-bearing grants

We are obliged to pay royalties to the Israeli National Authority for Technological Innovation, previously known as the Office of the Chief Scientist of Israel's Ministry of Economy and Industry (the "OCS"), for research and development efforts partially funded through grants from the OCS and under approved plans in accordance with the Israeli Law for Encouragement of Research and Development in the Industry, 1984 (the "R&D Law"). Royalties are payable to the Israeli government at the rate of 4.5% of the revenues of the Company's products incorporating OCS-funded know-hows, and up to the amount of the grants received. The Company's obligation to pay these royalties is contingent on actual sales of the products, at which time a liability is recorded. In the absence of such sales, we cannot make a reliable estimate as to the timing of cash settlement of the royalties. At March 31, 2017 , the Company estimated a total future royalty obligation of approximately $35.8 million , and if recognized, would increase the Company's cost of revenues in its condensed consolidated statement of operations.

Unrecognized tax benefits

Due to the inherent uncertainty with respect to the timing of future cash outflows associated with the Company's unrecognized tax benefits, it is unable to reliably estimate the timing of cash settlement with respective taxing authorities. As of March 31, 2017 , the Company's unrecognized tax benefits totaled $42.0 million , out of which an amount of $25.1 million would reduce the Company's income tax expense and effective tax rate, if recognized.

Contingencies

Legal proceedings

The Company is involved in a variety of claims, suits, investigations and proceedings that arise from time to time in the ordinary course of its business, including actions with respect to contracts, intellectual property, taxation, employment, benefits, securities, personal injuries and other matters. The results of these proceedings in the ordinary course of business are not expected to have a material adverse effect on the Company’s condensed consolidated financial position or results of operations.

The Company records a liability when it believes that it is both probable that a liability will be incurred, and the amount of loss can be reasonably estimated. The Company evaluates, at least quarterly, developments in its legal matters that could affect the amount of liability that has been previously accrued and makes adjustments as appropriate. Significant judgment is required to determine both probability and the estimated amount of a loss or potential loss. The Company may be unable to reasonably estimate the reasonably possible loss or range of loss for a particular legal contingency for various reasons,

including, among others: (i) if the damages sought are indeterminate; (ii) if proceedings are in the early stages; (iii) if there is uncertainty as to the outcome of pending proceedings (including motions and appeals); (iv) if there is uncertainty as to the likelihood of settlement and the outcome of any negotiations with respect thereto; (v) if there are significant factual issues to be determined or resolved; (vi) if the proceedings involve a large number of parties; (vii) if relevant law is unsettled or novel or untested legal theories are presented; or (viii) if the proceedings are taking place in jurisdictions where the laws are complex or unclear. In such instances, there is considerable uncertainty regarding the ultimate resolution of such matters, including a possible eventual loss, if any.

NOTE 9—SHARE INCENTIVE PLANS

Stock Option Plans

On April 25, 2017, the Company's shareholders approved the Mellanox Technologies, Ltd. Second Amended and Restated Global Share Incentive Plan (2006) (the “Second Restated Plan”) during the 2017 annual shareholder meeting. Please see Note 14, "Subsequent Events" for further detail.

Assumed EZchip restricted stock units

In connection with the acquisition of EZchip, the Company assumed 891,822 unvested EZchip RSUs and converted them into 499,894 Mellanox RSUs using an exchange ratio of 0.56 . The aggregate value of the 499,894 Mellanox RSUs was $23.2 million of which $1.0 million related to service prior to the acquisition date and was included in the EZchip purchase price consideration. The remaining fair value of $22.2 million represents post-acquisition share-based compensation expense that will be recognized over the requisite service period of approximately 2.25 years from the date of acquisition. The assumed RSUs retained all applicable terms and vesting periods.

Share option activity

Share option activity under the Company's equity incentive plans in the three months ended March 31, 2017 is set forth below:

	Options Outstanding	
	Number of Shares	Weighted Average Exercise Price
Outstanding at December 31, 2016	1,634,485	$ 32.79
Options exercised	(105,010)	$ 14.54
Options canceled	(6,960)	$ 59.28
Outstanding at March 31, 2017	1,522,515	$ 33.93

The total pretax intrinsic value of options exercised in the three months ended March 31, 2017 and 2016 was $3.6 million and $3.4 million , respectively. This intrinsic value represents the difference between the fair market value of the Company's ordinary shares on the date of exercise and the exercise price of each option. Based on the closing price of the Company's ordinary shares of $50.95 on March 31, 2017 , the total pretax intrinsic value of options outstanding at March 31, 2017 was $37.5 million . The total pretax intrinsic value of options outstanding at December 31, 2016 was $29.0 million .

There were 1,517,015 and 1,624,756 options exercisable at March 31, 2017 and December 31, 2016 , respectively. The total pretax intrinsic value of exercisable options at March 31, 2017 , was $37.4 million . The total pretax intrinsic value of exercisable options at December 31, 2016 was $28.9 million .

Restricted share unit activity

RSU activity under the Company's equity incentive plans in the three months ended March 31, 2017 is set forth below:

	Restricted Share Units Outstanding		
	Number of Shares		Weighted Average Grant Date Fair Value
Non-vested restricted share units at December 31, 2016	3,324,519	$	46.67
Restricted share units granted	101,760	$	44.83
Restricted share units vested	(239,568)	$	44.55
Restricted share units canceled	(93,776)	$	47.07
Non-vested restricted share units at March 31, 2017	3,092,935	$	46.76

The weighted average fair value of RSUs granted in the three months ended March 31, 2017 and 2016 was $44.83 and $49.93 , respectively.

The total intrinsic value of all outstanding RSUs as of March 31, 2017 and December 31, 2016 was $157.6 million and $136.0 million , respectively.

Employee Stock Purchase Plan activity

There were 269,698 and 218,943 shares purchased under the ESPP for the three months ended March 31, 2017 and 2016 at an average price per share of $37.63 and $33.30 , respectively.

Shares reserved for future issuance

The Company had the following ordinary shares reserved for future issuance under its equity incentive plans as of March 31, 2017 :

	Number of Shares
Share options outstanding	1,522,515
Restricted share units outstanding	3,092,935
Shares authorized for future issuance	525,692
ESPP shares available for future issuance	3,724,647
Total shares reserved for future issuance as of March 31, 2017	8,865,789

Share-based compensation

The Company accounts for share-based compensation expense based on the estimated fair value of the share equity awards as of the grant dates.

The following weighted average assumptions were used to value ESPP shares issued pursuant to the Company's share incentive plans for the three months ended March 31, 2017 and 2016 :

	Three Months Ended March 31,	
	2017	2016
Dividend yield	—%	—%
Expected volatility	25.3%	37.6%
Risk free interest rate	0.91%	0.46%
Expected life, years	0.5	0.5

The following table summarizes the distribution of total share-based compensation expense in the unaudited condensed consolidated statements of operations:

	Three Months Ended March 31,	
	2017	2016
	(in thousands)	
Cost of goods sold	$ 482	$ 475
Research and development	8,690	9,152
Sales and marketing	3,338	3,648
General and administrative	2,258	4,991
Total share-based compensation expense	$ 14,768	$ 18,266

Share-based compensation expense for the three months ended March 31, 2016 included cash payments of $4.8 million for the settlement of accelerated RSUs for individuals terminated on the closing date of the EZchip acquisition.

At March 31, 2017 , there was $119.8 million of total unrecognized share-based compensation costs related to non-vested share-based compensation arrangements. The costs are expected to be recognized over a weighted average period of approximately 2.68 years.

NOTE 10—ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS):

The following table summarizes the changes in accumulated balances of other comprehensive income (loss) for the three months ended March 31, 2017 and 2016 :

	Unrealized Gains (Losses) on Available-for-Sale Securities	Unrealized Gains (Losses) on Derivatives Designated as Hedging Instruments	Total
		(in thousands)	
Balance at December 31, 2016	$ (236)	$ (692)	$ (928)
Other comprehensive income/(loss) before reclassifications, net of taxes	73	5,680	5,753
Realized (gains)/losses reclassified from accumulated other comprehensive income	(4)	(1,436)	(1,440)
Net current-period other comprehensive income/(loss), net of taxes	69	4,244	4,313
Balance at March 31, 2017	$ (167)	$ 3,552	$ 3,385
Balance at December 31, 2015	$ (578)	$ (1,091)	$ (1,669)
Other comprehensive income/(loss) before reclassifications, net of taxes	40	3,630	3,670
Realized (gains)/losses reclassified from accumulated other comprehensive income	560	(138)	422
Net current-period other comprehensive income/(loss), net of taxes	600	3,492	4,092
Balance at March 31, 2016	$ 22	$ 2,401	$ 2,423

The following table provides details about reclassifications out of accumulated other comprehensive income (loss) for the three months ended March 31, 2017 and 2016:

	Realized (Gains)/Losses Reclassified from Accumulated Other Comprehensive Income		Affected Line Item in the Statement of Operations
	Three Months Ended March 31,		
	2017	2016	
	(in thousands)		
Realized (gains)/losses on derivatives designated as hedging instruments	$ (1,436)	$ (138)	Cost of revenues and Operating expenses:
	(84)	(12)	Cost of revenues
	(115)	33	General and administrative
	(145)	(21)	Sales and marketing
	(1,092)	(138)	Research and development
Realized (gains)/losses on available-for-sale securities	(4)	560	Other income, net
Total reclassifications for the period	$ (1,440)	$ 422	Total

NOTE 11—INCOME TAXES:

As of March 31, 2017 and December 31, 2016 , the Company had gross unrecognized tax benefits of $42.0 million and $41.5 million , respectively. It is the Company’s policy to classify accrued interest and penalties as part of the unrecognized tax benefits and record the expense in the provision for income taxes. The amount of accrued interest and penalties related to unrecognized tax benefits totaled $ 2.0 million at March 31, 2017 and $1.8 million at December 31, 2016 .

On January 5, 2016, the Israeli Government legislated a reduction in corporate income tax rates from 26.5% to 25.0% , effective in 2016. Deferred tax assets and liabilities at December 31, 2015 were measured using the 26.5% tax rate. As a result of the reduction noted above, deferred tax assets and liabilities as of January 1, 2016 were remeasured using the 25.0% tax rate. The change in the corporate income tax rate from 26.5% to 25.0% resulted in a reduction of approximately $ 1.3 million to the Company's deferred tax assets and a corresponding increase in the Company's income tax expense during the first quarter of 2016. On December 29, 2016, the Israeli Government legislated a reduction in corporate income tax rates from 25.0% to 24.0% in 2017 and to 23.0% in 2018 and thereafter. This change in the corporate income tax rates from 25.0% to 24.0% and 23.0% resulted in a reduction of approximately $1.4 million to the Company's deferred tax assets as of December 31, 2016, and a corresponding increase in the Company's income tax expense during the fourth quarter of 2016.

On January 12, 2017, the Company received a ruling from the Israeli Tax Authorities ("ITA"), which approved a succession of mergers in a tax-exempted manner, subject to certain limitations ("the Tax-Exempted Merger"), in which EZchip Technologies Ltd., fully owned by EZchip Semiconductor Ltd., merged into EZchip Semiconductor Ltd., which in turn merged into the Company. The Tax-Exempted Merger resulted in a net increase of approximately $0.9 million in deferred tax assets and a corresponding increase in benefit from taxes on income during the first quarter of 2017.

As of March 31, 2017 , the 2013 through 2016 tax years are open and may be subject to potential examinations in the United States. The Company has net operating losses in the United States from prior tax periods beginning in 2002 which may be subject to examination upon utilization in future tax periods. As of March 31, 2017 , the 2011 through 2016 tax years are open and may be subject to potential examinations in Denmark and Israel. As of March 31, 2017 , the income tax returns of the Company and one of its subsidiaries in Israel are under examination by the ITA for certain years from 2011 to 2014 .

The Company's operations in Israel were granted "Approved Enterprise" status by the Investment Center in the Israeli Ministry of Economy and "Beneficiary Enterprise" status from the Israeli Income Tax Authority, which makes the Company eligible for tax benefits under the Israeli Law for Encouragement of Capital Investments, 1959. Under the terms of the Beneficiary Enterprise program, income that is attributable to the Company's operations in Yokneam, Israel, is exempt from income tax commencing fiscal year 2011 through 2021 . Income that is attributable to the Company's operations in Tel Aviv, Israel is subject to a reduced income tax rate (generally between 10% and the current corporate tax rate, depending on the percentage of foreign investment in the Company) commencing fiscal year 2013 through 2021 .

The Company’s effective tax rate is highly dependent upon the geographic distribution of its worldwide earnings or losses, tax regulations and tax holiday benefits in Israel, and the effectiveness of the Company’s tax planning strategies. The Company’s effective tax rates were 11.8% and (49.1)% for the three months ended March 31, 2017 and 2016 , respectively. The difference between the Company’s effective tax rate and the 35% federal statutory rate for the three months ended March 31, 2017 resulted primarily from the tax holiday in Israel and foreign earnings taxed at rates lower than the federal statutory rates, partially offset by the accrual of unrecognized tax benefits, interest and penalties associated with unrecognized tax positions, non-tax-deductible expenses such as share-based compensation and losses generated from subsidiaries without tax benefit.

The application of income tax law is inherently complex. Laws and regulations in this area are voluminous and are often ambiguous, and the Company is required to make many subjective assumptions and judgments regarding its income tax exposures. In addition, interpretations of and guidance surrounding income tax laws and regulations are subject to change over time. Any changes in the Company’s subjective assumptions and judgments could materially affect amounts recognized in its condensed consolidated balance sheets and statements of operations.

The Company has maintained a valuation allowance against deferred tax assets of certain subsidiaries. The Company assesses its ability to recover its deferred tax assets on an ongoing basis. Significant management judgment is required in determining any valuation allowance recorded against deferred tax assets. In evaluating the ability to recover deferred tax assets, the Company considers available positive and negative evidence including its recent cumulative losses, its ability to carry-back losses against prior taxable income and its projected financial results. The Company also considers, commensurate with its objective verifiability, the forecast of future taxable income including the reversal of temporary differences and the implementation of feasible and prudent tax planning strategies. A valuation allowance may be recorded in the event it is deemed to be more-likely-than-not that the deferred tax asset cannot be realized. Previously established valuation allowances may also be released in the event it is deemed to be more-likely-than-not that the deferred tax asset can be realized. Any release of valuation allowance will be recorded as a tax benefit which will positively impact the Company’s operating results. Management has determined on the basis of the quarterly assessment performed at March 31, 2017 , that these deferred tax assets are not more-likely-than-not to be realized.

NOTE 12—OTHER INCOME, NET:

Other income, net is summarized in the following table:

	Three Months Ended March 31,	
	2017	2016
	(in thousands)	
Interest income and gains (losses) on short-term investments, net	$ 878	$ 115
Foreign exchange loss, net	(162)	(9)
Other	(33)	(45)
Other income, net	$ 683	$ 61

NOTE 13—TERM DEBT:

In connection with the Company's acquisition of EZchip, on February 22, 2016 , the Company and its wholly owned subsidiary, Mellanox Technologies, Inc., entered into a $280.0 million variable interest rate Term Debt note maturing February 21, 2019 . Debt issuance costs of $5.5 million on the Term Debt are being amortized to interest expense at the effective interest rate over the contractual term of the Term Debt. The Term Debt provides for additional term loan borrowings under certain conditions.

The following table presents the Term Debt at March 31, 2017 :

	(in thousands)
Term Debt, principal amount	$ 226,000
Less unamortized debt issuance costs	3,102
Term Debt, principal net of unamortized debt issuance costs	$ 222,898
Effective interest rate	3.4%

Principal on the Term Debt is paid in quarterly installments. Principal payments were scheduled at a rate of (i) 2.50% of the original principal amount beginning on June 30, 2016 and ending on March 31, 2017 , (ii) 3.75% of the original principal amount beginning on June 30, 2017 and ending on March 31, 2018 and (iii) 6.25% of the original principal amount beginning on June 30, 2018 and ending on December 31, 2018 , with the balance due on February 21, 2019 . During the three months ended March 31, 2017 the Company made a prepayment of $20.0 million on the principal, which were applied to future payment requirements. The Company is also required to make mandatory prepayments of loans under the Term Debt, subject to specified exceptions, with the proceeds of asset sales, debt issuances and specified other events.

At March 31, 2017 , future scheduled principal payments on the Company's Term Debt is summarized as follows:

	(in thousands)
2017 remainder of year	$ 5,500
2018	63,000
2019	157,500
	$ 226,000

The Term Debt bears interest through maturity at a variable rate based upon, at the Company's option, either (a) the LIBOR rate for Eurocurrency borrowing or (b) an Alternate Base Rate ("ABR"), which is the highest of (i) the administrative agent's prime rate, (ii) one-half of 1.00% in excess of the overnight U.S. Federal Funds rate, and (iii) 1.00% in excess of the one-month LIBOR), plus in each case, an applicable margin. The applicable margin for Eurocurrency loans ranges, based on the applicable total net leverage ratio, from 1.25% to 2.00% per annum and the applicable margin for ABR loans ranges, based on the applicable total net leverage ratio, from 0.25% to 1.00% per annum.

The Company's obligations under the Term Debt are guaranteed by all of its significant domestic and foreign subsidiaries, subject to certain agreed upon exceptions. The obligations under the Term Debt are also, subject to certain agreed upon exceptions, secured by a lien on substantially all of the Company's and certain of its subsidiaries tangible and intangible property, including 100% of the Company's and certain of its subsidiaries' equity interests in shares of its domestic and certain foreign subsidiaries.

The Term Debt contains a number of covenants and restrictions that among other things, and subject to certain agreed upon exceptions, require the Company and its subsidiaries to satisfy certain financial covenants and restricts the ability of the Company and its subsidiaries to incur liens, incur additional indebtedness, make loans and investments, engage in mergers and acquisitions, engage in asset sales, declare dividends or redeem or repurchase capital stock, prepay, redeem or purchase subordinated debt and amend or otherwise alter debt agreements, in each case, subject to certain agreed upon exceptions. A failure to comply with these covenants could permit the lenders under the Term Debt to declare all amounts borrowed under the Term Debt, together with accrued interest and fees, to be immediately due and payable. At March 31, 2017 , the Company was in compliance with the covenants for the Term Debt.

NOTE 14—SUBSEQUENT EVENTS:

On April 9, 2017, the Company entered into a lease agreement for office space expected to be built in Tel-Aviv, Israel. The Company plans to relocate its Tel-Aviv offices to these premises, once construction is complete and the lease in its current office space expires on or about the end of 2021. The lease term expires 10 years after lease inception. The Company has an option to extend the lease term up to 10 years after the end of the original lease term. The estimated total future lease obligation is approximately $53.9 million . Over a twelve-month period, an estimated rental expense is approximately $5.4 million , and if recognized, would increase the Company's operating expenses in its condensed consolidated statement of operations.

On April 25 2017, the Company's shareholders approved the Mellanox Technologies, Ltd. Second Amended and Restated Global Share Incentive Plan (2006) (the “Second Restated Plan”), which constitutes a second amendment and restatement of the Mellanox Technologies, Ltd. Global Share Incentive Plan (2006) and its appendices (the “2006 Plan”), as amended and restated by the Mellanox Technologies, Ltd. Amended and Restated Global Share Incentive Plan (2006) as of March 14, 2016 (the “First Restated Plan”). The Second Restated Plan became effective on February 14, 2017. The Second Restated Plan increases the ordinary shares reserved for issuance under the First Restated Plan by 1,640,000 shares to 2,390,000 shares plus any shares subject to issued and outstanding awards under the other equity incentive plans that existed prior to the First Restated Plan that expire, are cancelled or otherwise terminate after the effective date of the First Restated Plan. The Second Restated Plan also extends the term of the First Restated Plan to February 14, 2027. In addition, the Second Restated Plan implements additional amendments to reflect compensation and governance best practices.

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

The following discussion and analysis of our financial condition as of March 31, 2017 and results of operations for the three months ended March 31, 2017 and 2016 should be read together with our financial statements and related notes included elsewhere in this report. This discussion and analysis contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), that involve risks, uncertainties and assumptions. Words such as “believe,” “may,” “will,” “estimate,” “continue,” “anticipate,” “intend,” “expect,” “predict,” “potential” and similar expressions, as they relate to us, our business and our management, are intended to identify forward-looking statements, but are not the exclusive means of identifying forward-looking statements in this report. The identification of certain statements as “forward-looking” is not intended to mean that other statements not specifically identified are not forward-looking. All statements other than statements about historical facts are statements that could be deemed forward-looking statements, including, but not limited to, statements that relate to our future revenues, product development and introductions, customer demand, our dependence on key customers for a substantial portion of our revenue, performance of our subcontractors, growth rates, market adoption of our products, competitive factors, gross margins, levels of research, development and other related costs, expenditures, protection of our proprietary rights and patents, tax expenses and benefits, cash flows, management’s plans and objectives for current and future operations, and worldwide economic conditions.

Our actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors, including but not limited to those set forth under the section entitled “Risk Factors” in Part II, Item 1A of this report and in the section entitled “Risk Factors” in Part 1, Item 1A of our Annual Report on Form 10-K for fiscal year ended December 31, 2016 . We urge you not to place undue reliance on these forward-looking statements, which speak only as of the date of this report. All forward-looking statements included in this report are based on information available to us on the date of this report, and we assume no obligation to update any forward-looking statements contained in this report. Quarterly financial results may not be indicative of the financial results of future periods.

Unless the context requires otherwise, references in this report to the “Company,” “we,” “us” and “our” refer to Mellanox Technologies, Ltd. and its wholly owned subsidiaries.

Overview

General

We are a fabless semiconductor company that designs, manufactures (through subcontractors) and sells high-performance interconnect products and solutions primarily based on the Ethernet and InfiniBand standards. Our products facilitate efficient data transmission between servers, storage systems, communications infrastructure equipment and other embedded systems. We operate our business globally and offer products to customers at various levels of integration. The products we offer include integrated circuits ("ICs"), adapter cards, switch systems, cables, modules, software, services and accessories. Together these products form a total end-to-end integrated networking solution focused on computing, storage and communication applications used in multiple markets, including High Performance Computing ("HPC"), cloud, Web 2.0, machine learning, storage, financial services, and enterprise data centers. These solutions increase performance, application efficiency and improve return on investment. Through the successful development and implementation of multiple generations of our products, we have established significant expertise and competitive advantages.

As a leader in developing multiple generations of high-speed interconnect solutions, we have established strong relationships with our customers. Our products are incorporated in servers and associated networking solutions produced by the largest server vendors. We supply our products to leading storage and communications infrastructure equipment vendors. Additionally, our products are used in embedded solutions.

We are one of the pioneers of InfiniBand, an industry-standard architecture for high-performance interconnects. We believe InfiniBand interconnect solutions deliver industry-leading performance, efficiency and scalability for clustered computing and storage systems that incorporate our products. In addition to supporting InfiniBand, our products also support industry-standard Ethernet transmission protocols providing unique product differentiation and connectivity flexibility. Our products serve as building blocks for creating reliable and scalable InfiniBand and Ethernet solutions with leading performance. We are a leading supplier of 25/50/100Gb/s Ethernet adapters, switches, and cables, and the only supplier of end-to-end 25, 40, 50 and 100Gb/s Ethernet products today. This provides us with the opportunity to gain share in the Ethernet market as users upgrade from 1Gb/s or 10Gb/s directly to 25/40/50 or 100Gb/s.

EZchip Acquisition

On February 23, 2016 , we completed our acquisition of EZchip , a public company formed under the laws of the State of Israel, at which time EZchip became our wholly owned subsidiary. Under the terms of the Merger Agreement the net cash purchase price of $693.7 million consisted of a $781.2 million cash payment for all outstanding common shares of EZchip at the price of $25.50 per share, net of $87.5 million cash received. We also assumed 891,822 EZchip RSUs and converted them to 499,894 equivalent Mellanox RSU awards. The fair value of the converted RSUs was determined based on the per share value of the underlying Mellanox ordinary shares of $46.40 per share as of the acquisition date. The 499,894 RSUs had a total aggregate value of $23.2 million , of which $1.0 million was recorded as a component of the purchase price for service rendered prior to the acquisition date and $22.2 million will be recognized as share-based compensation expense over the remaining required service period of up to 2.25 years from the acquisition date.

In connection with the acquisition, we entered into a $280.0 million variable interest rate Term Debt maturing February 21, 2019 . At March 31, 2017 , the principal and carrying value of the Term Debt was $226.0 million and $222.9 million , respectively.

We accounted for the transaction using the acquisition method, which requires, among other things, that the assets acquired and liabilities assumed in a business combination be recognized at their respective estimated fair values as of the acquisition date.

Acquisition-related expenses for the EZchip acquisition for the three months ended March 31, 2017 and 2016 were $ 0.3 million and $6.7 million , respectively, and consisted primarily of investment banking, consulting, employee-related and other professional fees.

Amortization of Intangible Assets from Acquisitions

Intangible assets from acquisitions subject to amortization are comprised of trade names, customer relationships, backlog, and developed technology. In connection with the EZchip acquisition, we recognized $254.5 million of finite-lived intangible assets subject to amortization over their useful lives of 1 to 9 years. Amortization of intangible assets, including acquired intangible assets, was $15.0 million and $11.7 million for the three months ended March 31, 2017 and 2016 , respectively. The increase was primarily due to a full quarter of amortization of the acquired intangible assets for the three months ended March 31, 2017 , as opposed to approximately half a quarter of amortization for the three months ended March 31, 2016 . For additional information about intangible assets from acquisitions, see Note 6 in the notes to the unaudited condensed consolidated financial statements.

Litigation Settlement

On March 7, 2016, we entered into a settlement and patent license agreement that resolved all litigation matters between Avago, IPtronics, Inc., IPtronics A/S (now Mellanox Technologies Denmark Aps) and Mellanox. Under the settlement, we agreed with Avago not to sue each other for a period of 5 years. The settlement was deemed not contributory to our operations or products sold. As a result, we recorded a settlement expense in our operating expenses in the amount of $5.1 million in our first quarter ended March 31, 2016.

Our Business

Revenues. We derive revenues from sales of our ICs, boards, switch systems, cables, modules, software, accessories and other product groups. Revenues for the three months ended March 31, 2017 were $188.7 million compared to $196.8 million for the three months ended March 31, 2016 , representing a decrease of $8.1 million , or approximately 4% . Our revenues for the three months ended March 31, 2017 are not necessarily indicative of our future results. In order to increase our annual revenues, we must continue to achieve design wins over other InfiniBand and Ethernet providers and providers of competing interconnect technologies. We consider a design win to occur when an original equipment manufacturer ("OEM"), or contract manufacturer notifies us that it has selected our products to be incorporated into a product or system under development. Because the life cycles for our customers' products can last for several years if these products have successful commercial introductions, we expect to continue to generate revenues over an extended period of time for each successful design win.

Our products have broad adoption with multiple end customers across HPC, Web 2.0, cloud, enterprise data center, financial services and storage markets. These markets are mainly served by leading server, storage and communications infrastructure OEMs. Therefore, we have derived a substantial portion of our revenues from a relatively small number of OEM customers. Sales to our top ten customers represented 54% and 64% of our total revenues for the three months ended March 31, 2017 and 2016 , respectively. Sales to customers representing 10% or more of revenues accounted for 26% and 20% of our total revenues for the three months ended March 31, 2017 and 2016 , respectively. The loss of one or more of our principal customers, the reduction or deferral of purchases, or changes in the mix of our products ordered by any one of these customers could cause our revenues to decline materially if we are unable to increase our revenues from other customers. Our customers, including our most significant customers, are not obligated by long-term contracts to purchase our products and may cancel orders with limited potential penalties. If any of our large customers reduces or cancels its purchases from us for any reason, it could have an adverse effect on our revenues and results of operations.

Cost of revenues and gross profit. The cost of revenues consists primarily of the cost of silicon wafers purchased from our foundry supplier, costs associated with the assembly, packaging and production testing of our ICs, outside processing costs associated with the manufacture of our products, royalties due to third parties, warranty costs, excess and obsolete inventory costs, depreciation and amortization, and costs of personnel associated with production management, quality assurance and services. In addition, after we purchase wafers from our foundries, we also face yield risk related to manufacturing these wafers into semiconductor devices. Manufacturing yield is the percentage of acceptable product resulting from the manufacturing process, as identified when the product is tested as a finished IC. If our manufacturing yields decrease, our cost per unit increases, which could have a significant adverse impact on our cost of revenues. We do not have long-term pricing agreements with foundry suppliers and contract manufacturers. Accordingly, our costs are subject to price fluctuations based on the overall cyclical demand for semiconductors.

We purchase our inventory pursuant to standard purchase orders. We estimate that lead times for delivery of our finished semiconductors from our foundry supplier and assembly, packaging and production testing subcontractor are approximately three to four months, lead times for delivery from our adapter card manufacturing subcontractor are approximately eight to ten weeks, lead times for delivery from our cable and transceiver manufacturing subcontractor are approximately ten to twelve weeks, and lead times for delivery from our switch systems manufacturing subcontractors are approximately twelve weeks. We build inventory based on forecasts of customer orders rather than the actual orders themselves.

We expect our cost of revenues as a percentage of sales to increase in the future as a result of a reduction in the average sale price of our products and a lower percentage of revenue deriving from sales of ICs and boards, which generally yield higher gross margins than sales of switches and cables. This trend will depend on overall customer demand for our products, our product mix, competitive product offerings and related pricing and our ability to reduce manufacturing costs.

Operational expenses

Research and development expenses. Our research and development expenses consist primarily of salaries, share-based compensation and associated costs for employees engaged in research and development, depreciation, amortization of intangibles, allocable facilities related and administrative expenses and tape-out costs. Tape-out costs are expenses related to the manufacture of new ICs, including charges for mask sets, prototype wafers, mask set revisions and testing incurred before

releasing new ICs into production. We anticipate research and development expenses will increase in future periods based on an increase in personnel to support our product development activities and the introduction of new products.

Sales and Marketing Expenses. Sales and marketing expenses consist primarily of salaries, incentive compensation, share-based compensation and associated costs for employees engaged in sales, marketing and customer support, advertising, trade shows and promotions, travel, amortization of intangibles, and allocable facilities related and administrative expenses. We expect these expenses will increase in absolute dollars in future periods based on an increase in sales and marketing personnel and increased marketing activities.

General and Administrative Expenses. General and administrative expenses consist primarily of salaries, share-based compensation and associated costs for employees engaged in finance, legal, human resources and administrative activities, professional service expenses for accounting, corporate legal fees and allocable facilities related and administrative expenses. We expect these expenses will increase in absolute dollars in future periods based on an increase in personnel and professional services required to support our business activities.

Taxes on Income

Our operations in Israel have been granted "Approved Enterprise" status by the Investment Center of the Israeli Ministry of Economy and Industry and "Beneficiary Enterprise" status by the Israeli Income Tax Authority, which makes us eligible for tax benefits under the Israeli Law for Encouragement of Capital Investments, 1959. Under the terms of the Beneficiary Enterprise program, income that is attributable to our operations in Yokneam, Israel is exempt from income tax commencing fiscal year 2011 through 2021 . Income that is attributable to our operations in Tel Aviv, Israel is subject to a reduced income tax rate (generally between 10% and the current corporate tax rate, depending on the percentage of foreign investment in the Company) commencing fiscal year 2013 through 2021 .

On January 5, 2016, the Israeli Government legislated a reduction in corporate income tax rates from 26.5% to 25.0% , effective in 2016. On December 29, 2016, the Israeli Government legislated a reduction in corporate income tax rates from 25.0% to 24.0% in 2017 and to 23.0% in 2018 and thereafter.

To prepare our unaudited condensed consolidated financial statements, we estimate our income taxes in each of the jurisdictions in which we operate. This process involves estimating our actual tax exposure together with assessing temporary differences resulting from the differing treatment of certain items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included within our condensed consolidated balance sheet.

Critical Accounting Policies and Estimates

Our unaudited condensed consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States. The preparation of these unaudited condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosures. We evaluate our estimates and assumptions on an ongoing basis. Our estimates are based on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Our actual results could differ from these estimates.

We believe that the assumptions and estimates associated with revenue recognition, allowances for doubtful accounts, investment valuation, warranty reserves, inventory reserves, long-term asset valuations, useful lives of property, equipment, and intangibles, accounting for business combinations, goodwill and purchased intangible asset valuation, investments in privately-held companies, accounting and fair value of financial instruments and derivatives, deferred income tax asset valuation, uncertain tax positions, and litigation and other loss contingencies have the greatest potential impact on our unaudited condensed consolidated financial statements. Therefore, we consider these to be our critical accounting policies and estimates. For further information on all of our significant accounting policies, please see Note 1, "The Company and Summary of Significant Accounting Policies," in the accompanying notes to our unaudited condensed consolidated financial statements.

See our Annual Report on Form 10-K for the year ended December 31, 2016 , filed with the SEC on February 17, 2017, for a discussion of additional critical accounting policies and estimates. There have been no changes in our critical accounting policies as compared to what was disclosed in the Form 10-K for the year ended December 31, 2016 .

Results of Operations

The following table sets forth our condensed consolidated statements of operations as a percentage of revenues for the periods indicated:

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
Total revenues	100 %	100 %
Cost of revenues	34	36
Gross profit	66	64
Operating expenses:		
Research and development	47	36
Sales and marketing	19	16
General and administrative	7	14
Total operating expenses	73	66
Loss from operations	(7)	(2)
Interest expense	(1)	(1)
Other income, net	—	1
Interest and other, net	(1)	—
Loss before taxes on income	(8)	(2)
Provision for (benefit from) taxes on income	(1)	2
Net loss	(7) %	(4) %

Comparison of the Three Months Ended March 31, 2017 to the Three Months Ended March 31, 2016

The following tables represent our total revenues for the three months ended March 31, 2017 and 2016 by product type and interconnect protocol:

	Three Months Ended March 31,			
	2017	% of Revenues	2016	% of Revenues
	(In thousands)			
ICs	$ 42,422	22.5%	$ 28,531	14.5%
Boards	64,292	34.1%	92,932	47.2%
Switch systems	47,146	25.0%	43,823	22.3%
Cables, accessories and other	34,791	18.4%	31,524	16.0%
Total Revenue	$ 188,651	100.0%	$ 196,810	100.0%

	Three Months Ended March 31,			
	2017	% of Revenues	2016	% of Revenues
	(In thousands)			
InfiniBand:				
EDR	$ 39,623	21.0%	$ 21,003	10.7%
FDR	49,829	26.4%	80,342	40.8%
QDR/DDR/SDR	7,533	4.0%	11,828	6.0%
Total	96,985	51.4%	113,173	57.5%
Ethernet	80,477	42.7%	68,625	34.9%
Other	11,189	5.9%	15,012	7.6%
Total revenue	$ 188,651	100.0%	$ 196,810	100.0%

Revenues. Revenues were $188.7 million for the three months ended March 31, 2017 , compared to $196.8 million for the three months ended March 31, 2016 , representing a decrease of $8.1 million , or approximately 4% . Ethernet revenue increased by $11.9 million primarily due to the adoption of our 25/50/100 gigabit solutions. Our InfiniBand customers continued transitioning from FDR products to the EDR product generation. Year-over-year FDR product sales decreased by $30.5 million ,

while EDR product sales increased by $18.6 million . Revenues for the three months ended March 31, 2017 decreased due to delays in the general availability of next generation x86 CPUs and technology transitions occurring across several end users and OEM customers. The 2017 revenues are not necessarily indicative of future results.

Gross Profit and Margin. Gross profit was $124.2 million for the three months ended March 31, 2017 , compared to $126.3 million for the three months ended March 31, 2016 , representing a decrease of $2.1 million , or approximately 1.7% . Gross margin increased to 65.8% in the three months ended March 31, 2017 from approximately 64.2% in the three months ended March 31, 2016 . The increase in gross margin was primarily due to the decrease in inventory step-up amortization costs of $2.9 million related to the EZchip acquisition. Gross margin for 2017 is not necessarily indicative of future results.

Research and Development.

The following table presents details of our research and development expenses for the periods indicated:

	Three Months Ended March 31,			
	2017	% of Revenues	2016	% of Revenues
	(In thousands)			
Salaries and benefits	$ 45,981	24.4%	$ 36,978	18.8%
Share-based compensation	8,690	4.6%	9,152	4.7%
Development and tape-out costs	13,064	6.9%	8,866	4.5%
Other	20,756	11.0%	16,038	8.1%
Total Research and development	$ 88,491	46.9%	$ 71,034	36.1%

Research and development expenses were $88.5 million for the three months ended March 31, 2017 , compared to $71.0 million for the three months ended March 31, 2016 , representing an increase of $17.5 million , or approximately 25% . The increase in salaries and benefits expenses was primarily attributable to headcount additions, including those associated with the EZchip acquisition and merit increases. The increase in development and tape-out costs reflects continued investments in new products. The increase in other expenses was primarily due to higher depreciation expense, amortization costs related to acquired intangible assets, and facilities costs. We expect that research and development expenses will increase in absolute dollars in future periods as we continue to devote more resources to develop new products, meet the changing requirements of our customers, expand into new markets and technologies and hire additional personnel.

Please refer to " *Share-based Compensation Expense* " below for a discussion of its impact on research and development expenses.

Sales and Marketing.

The following table presents details of our sales and marketing expenses for the periods indicated:

	Three Months Ended March 31,			
	2017	% of Revenues	2016	% of Revenues
	(In thousands)			
Salaries and benefits	$ 21,015	11.1%	$ 17,293	8.8%
Share-based compensation	3,338	1.8%	3,648	1.9%
Trade shows and promotions	5,511	2.9%	5,675	2.9%
Other	5,893	3.2%	4,612	2.3%
Total Sales and marketing	$ 35,757	19.0%	$ 31,228	15.9%

Sales and marketing expenses were $35.8 million for the three months ended March 31, 2017 , compared to $31.2 million for the three months ended March 31, 2016 , representing an increase of $4.5 million , or approximately 15% . The increase in salaries and benefits expenses was primarily related to headcount additions, including those associated with the EZchip acquisition, and merit increases. The increase in other expenses primarily reflects higher depreciation expense and amortization costs related to acquired intangible assets associated with the EZchip acquisition.

Please refer to " *Share-based Compensation Expense* " below for a discussion of its impact on sales and marketing expenses.

General and Administrative.

The following table presents details of our general and administrative expenses for the periods indicated:

	Three Months Ended March 31,			
	2017	% of Revenues	2016	% of Revenues
	(In thousands)			
Salaries and benefits	$ 5,296	2.8%	$ 5,299	2.7%
Share-based compensation	2,258	1.2%	4,991	2.5%
Professional services	3,311	1.8%	15,757	8.0%
Other	1,654	0.8%	1,891	1.0%
Total General and administrative	$ 12,519	6.6%	$ 27,938	14.2%

General and administrative expenses were $12.5 million for the three months ended March 31, 2017 , compared to $27.9 million for the three months ended March 31, 2016 , representing a decrease of $15.4 million , or approximately 55% . The decrease in share-based compensation was primarily related to $2.7 million of cash payments made during the three months ended March 31, 2016 related to accelerated RSUs that were paid to individuals who were terminated on the closing date of the EZchip acquisition. The decrease in professional services expenses was primarily due to the fact that during the three months ended March 31, 2016 we incurred $6.3 million of investment banking, consulting and other professional fees related to the EZchip acquisition, and $5.1 million of litigation settlement costs.

Please refer to " *Share-based Compensation Expense* " below for a discussion of its impact on general and administrative expenses.

Share-based Compensation Expense.

The following table presents details of our share-based compensation expense that is included in each functional line item in our condensed consolidated statements of income:

	Three Months Ended March 31,	
	2017	2016
	(in thousands)	
Cost of goods sold	$ 482	$ 475
Research and development	8,690	9,152
Sales and marketing	3,338	3,648
General and administrative	2,258	4,991
	$ 14,768	$ 18,266

Share-based compensation expenses were $14.8 million for the three months ended March 31, 2017 , compared to $18.3 million for the three months ended March 31, 2016 , representing a decrease of $3.5 million , or approximately 19% . The decrease was primarily related to $4.8 million of cash payments made during the three months ended March 31, 2016 related to accelerated RSUs that were paid to individuals who were terminated on the closing date of the EZchip acquisition, partially offset by an increase in the share-based compensation expense related to RSUs assumed and granted to employees in conjunction with the acquisition of EZchip, due to a full quarter of vesting for the three months ended March 31, 2017 , as opposed to approximately half a quarter of vesting for the three months ended March 31, 2016 .

At March 31, 2017 , there was $119.8 million of total unrecognized share-based compensation costs related to non-vested share-based compensation arrangements. The weighted-average period over which the unearned share-based compensation is expected to be recognized is approximately 2.68 years. If there are any modifications or cancellations of the underlying unvested awards, we may be required to accelerate, increase or cancel any remaining unearned share-based compensation expense. Future share-based compensation expense and unearned share-based compensation will increase to the extent that we grant additional equity awards to employees or assume unvested equity awards in connection with acquisitions.

Interest and other, net in the three months ended March 31, 2017 was a loss of $1.3 million as compared to a loss of $0.9 million for the three months ended March 31, 2016 . The change was primarily attributable to the increase in interest expense of $1.0 million associated with the Term Debt due to a full quarter of interest for the three months ended March 31, 2017 , as opposed to approximately half a quarter of interest for the three months ended March 31, 2016 . The increase in interest expense

was partially offset by an increase of $0.6 million in other income, net, primarily due to the fact that during the three months ended March 31, 2016 we incurred $0.6 million of losses on sales of marketable securities.

Provision for (benefit from) Taxes on Income. Our benefit from taxes on income was $1.6 million for the three months ended March 31, 2017 as compared to a provision for taxes on income of $2.4 million for the three months ended March 31, 2016 .

Our effective tax rate was 11.8% and (49.1)% for three months ended March 31, 2017 and 2016 , respectively. For the three months ended March 31, 2017 , the difference between the 11.8% effective tax rate and the 35% federal statutory rate resulted primarily from the tax holiday in Israel and foreign earnings taxed at rates lower than the federal statutory rates, partially offset by the accrual of unrecognized tax positions, interest and penalties associated with unrecognized tax positions, non-tax-deductible expenses such as share-based compensation expense, and losses generated from subsidiaries without tax benefits.

We assess our ability to recover our deferred tax assets on an ongoing basis. Significant management judgment is required in determining any valuation allowance recorded against deferred tax assets. In evaluating the ability to recover deferred tax assets, we consider available positive and negative evidence including our recent cumulative losses, our ability to carry-back losses against prior taxable income and our projected financial results. We also consider, commensurate with objective verifiability, the forecast of future taxable income including the reversal of temporary differences and the implementation of feasible and prudent tax planning strategies. A valuation allowance may be recorded in the event it is deemed to be more-likely-than-not that the deferred tax asset cannot be realized. Previously established valuation allowances may also be released in the event it is deemed to be more-likely-than-not that the deferred tax asset can be realized. Any release of valuation allowance will be recorded as a tax benefit which will positively impact our operating results.

Liquidity and Capital Resources

Historically, we have financed our operations through a combination of sales of equity securities and cash generated by operations. As of March 31, 2017 , our principal sources of liquidity consisted of cash and cash equivalents of $58.4 million and short-term investments of $266.8 million . In our first quarter ended March 31, 2016, we completed the acquisition of EZchip and acquired its cash of approximately $87.5 million and short term investments of $108.9 million . We financed the acquisition and related transaction expenses with cash on hand and with $280.0 million from a variable-interest rate three-year Term Debt. During the three months ended March 31, 2017 , we made a prepayment of $20.0 million on the principal. At March 31, 2017 , the total amount of future payments related to the Term Debt was estimated at $236.3 million . After taking into consideration expected increases in operating expenses and increases in capital expenditures to support our infrastructure and growth, we expect our current cash and cash equivalents, short-term investments, and cash flows from operating and financing activities will be sufficient to fund our operations and both our short-term and long-term liquidity requirements arising from the Term Debt.

We are an Israeli company and as of March 31, 2017 , our subsidiaries outside of Israel held approximately $14.8 million in cash, cash equivalents and short-term investments.

Our cash, cash equivalents, short-term investments and working capital balances at March 31, 2017 and December 31, 2016 were as follows:

	March 31, 2017	December 31, 2016
	(in thousands)	
Cash and cash equivalents	$ 58,357	$ 56,780
Short-term investments	266,833	271,661
Total	$ 325,190	$ 328,441
Working capital	$ 341,598	$ 340,511

Our ratio of current assets to current liabilities was 2.6 :1 at March 31, 2017 and 2016 .

Operating Activities

Net cash provided by our operating activities amounted to $35.0 million in the three months ended March 31, 2017 . Net cash provided by our operating activities was attributable to net non-cash items of $38.1 million and changes in assets and liabilities of $9.1 million , partially offset by a net loss of $12.2 million . Non-cash expenses consisted primarily of $25.2 million of depreciation and amortization, $14.8 million of share-based compensation, and $(0.9) million related to the changes in deferred income taxes. The $9.1 million cash inflow from changes in assets and liabilities is attributed to a decrease in accounts receivable of $15.5 million , primarily due to lower revenues, an increase in accounts payable of $4.9 million due to the timing of

invoice receipts and payments, and an increase of $2.8 million in accrued liabilities and other liabilities. These were partially offset by an increase in inventory of $10.5 million and an increase in prepaid expenses and other assets of $3.7 million .

Net cash provided by our operating activities amounted to $48.6 million in the three months ended March 31, 2016 . Net cash provided by our operating activities was attributable to net non-cash items of $40.3 million and changes in assets and liabilities of $15.5 million , partially offset by a net loss of $7.2 million . Non-cash expenses consisted primarily of $20.6 million of depreciation and amortization, $18.3 million of share-based compensation, and $1.3 million of deferred income taxes. The $15.5 million cash inflow from changes in assets and liabilities, excluding the changes to the assets and liabilities as a result of the EZchip acquisition, is attributed to a $10.2 million increase in accrued liabilities and other payables, primarily related to withholding tax liabilities, a decrease in inventory of $4.4 million, an increase in accounts payable of $3.3 million, and a decrease in prepaid expenses and other assets of $2.3 million. These increases were partially offset by an increase in accounts receivable of $4.7 million, primarily due to the timing of sales.

Investing Activities

Net cash used in investing activities was $22.6 million in the three months ended March 31, 2017 . Cash used in investing activities was primarily attributable to $15.9 million for purchases of property and equipment, $11.0 million for purchases of investments in private companies, and $1.1 million for purchases of intangible assets. These uses were partially offset by net proceeds from sales, maturities and purchases of short-term investments of $5.8 million .

Net cash used by investing activities was $477.1 million in the three months ended March 31, 2016 . Cash used in investing activities was primarily attributable to $681.2 million net cash used to acquire EZchip and $8.3 million for purchases of property and equipment. These uses were partially offset by net sales and maturities of short-term investments of $212.7 million.

Financing Activities

Net cash used in financing activities was $10.8 million in the three months ended March 31, 2017 . Cash used in financing activities was primarily due to $20.0 million of principal payments on the Term Debt, and $2.5 million of payments on intangible asset obligations. These were partially offset by $11.7 million of proceeds from issuances of ordinary shares through our employee equity incentive plans.

Our financing activities generated $283.2 million in the three months ended March 31, 2016 . Cash provided by financing activities was primarily due to $280.0 million proceeds from the Term Debt and $9.0 million from share option exercises and purchases pursuant to our employee share purchase plan. These were offset by $5.5 million of debt issuance costs and $0.3 million of principal payments on capital lease obligations.

Contractual Obligations

The following table summarizes our contractual obligations at March 31, 2017 and the effect those obligations are expected to have on our liquidity and cash flows in future periods:

	Contractual Obligations:			
	Total	Non-cancelable operating lease commitments	Purchase commitments	Term Debt including interest
	(in thousands)			
2017 (remainder of the year)	$ 143,269	$ 17,050	$ 116,229	$ 9,990
2018	90,207	18,569	3,400	68,238
2019	172,264	13,553	610	158,101
2020	11,620	11,466	154	—
2021	8,144	8,093	51	—
Thereafter	10,388	10,388	—	—
Total	$ 435,892	$ 79,119	$ 120,444	$ 236,329

Purchase commitments. Purchase commitments are defined as agreements that are enforceable and legally binding and that specify all significant terms including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. Purchase orders for inventory are based on our current manufacturing needs and are generally fulfilled by our subcontractors within a period of eight to twelve weeks. We do not have significant agreements for the purchase of raw materials or other goods specifying minimum quantities or set prices that exceed our expected requirements.

Term Debt including interest. Term Debt commitment represents principal and interest payable. For additional information about the Term Debt, see Note 13 "Term Debt" in the notes to the unaudited condensed consolidated financial statements **.**

Other Commitments

We also have contingent commitments primarily related to a facility lease agreement based on the achievement of certain agreed-upon milestones, and royalty payment contingencies based on revenue we may generate from the sales of certain products, the know-how of which was funded by Israeli government grants. For additional information about other commitments, see Note 8 "Commitments and Contingencies" in the notes to the unaudited condensed consolidated financial statements **.**

Recent Accounting Pronouncements

See Note 1, "The Company and Summary of Significant Accounting Policies—Recent accounting pronouncements" in the notes to the unaudited condensed consolidated financial statements for a full description of recent accounting standards, including the respective dates of adoption and effects on our condensed consolidated financial position, results of operations and cash flows.

Off-Balance Sheet Arrangements

As of March 31, 2017 , we did not have any off-balance sheet arrangements.

ITEM 3— *QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK*

Interest rate fluctuation risk

Investments. Our investments consist of cash and cash equivalents, time deposits, money market funds and interest bearing investments in government debt securities, commercial paper, municipal bonds and corporate bonds with an average maturity of 11 months . The primary objective of our investment activities is to preserve principal and ensure liquidity while maximizing income without significantly increasing risk. By policy, we limit the amount of our credit exposure through diversification and restricting our investments to highly rated securities. At the time of purchase, we do not invest more than 4% of the total investment portfolio in individual securities, except U.S. Treasury or agency securities. Highly rated long-term securities are defined as having a minimum Moody's, Standard & Poor's or Fitch rating of A2 or A, respectively. Highly rated short-term securities are defined as having a minimum Moody's, Standard & Poor's or Fitch rating of P-1, A-1 or F-1, respectively. We have not experienced any significant losses on our cash equivalents or short-term investments. We do not enter into investments for trading or speculative purposes. Our investments are exposed to market risk due to a fluctuation in interest rates, which may affect our interest income and the fair market value of our investments. An immediate 1% change in interest rates would have a $1.7 million effect on the fair market value of our portfolio.

Term Debt. At March 31, 2017 , we had $226.0 million in principal of variable-interest rate Term Debt outstanding. A hypothetical 1.0% increase in the applicable interest rate would increase the interest expense on our outstanding debt by $2.3 million for the following 12 months.

Foreign currency exchange risk

We derive all of our revenues in U.S. dollars. The U.S. dollar is our functional and reporting currency in all of our foreign locations. However, a significant portion of our liabilities, as well as our operating expenses, consisting principally of salaries and related personnel costs and facilities expenses, are denominated in NIS. This foreign currency exposure gives rise to market risk associated with exchange rate movements of the U.S. dollar against the NIS. Furthermore, we anticipate that a material portion of our expenses will continue to be denominated in NIS. To the extent the U.S. dollar weakens against the NIS, we will experience a negative impact on our net income.

To protect against foreign exchange risks associated with forecasted future cash flows and existing assets and liabilities, we have established a balance sheet and anticipated transaction risk management program. Currency derivative instruments and natural hedges are generally utilized in this hedging program. We do not enter into derivative instruments for trading or speculative purposes. We account for our derivative instruments as either assets or liabilities and carry them at fair value. The accounting for changes in the fair value of a derivative depends on the intended use of the derivative and the resulting designation.

Our hedging program reduces, but does not eliminate the impact of currency exchange rate movements (see Part II, Item 1A, "Risk Factors"). If we were to experience an immediate strengthening of NIS against USD of 10%, the impact on assets and liabilities denominated in NIS, after taking into account hedges and offsetting positions, would result in a loss before taxes of approximately $0.3 million at March 31, 2017 . There would also be an impact on future operating expenses denominated in currencies other than the U.S. dollar. For the month ending March 31, 2017 , approximately $21.1 million of our monthly expenses were denominated in NIS. As of March 31, 2017 , we had derivative contracts designated as cash flow hedges in the notional amount of approximately 315.0 million NIS, or approximately $86.7 million based upon the exchange rate on that day. The derivative contracts cover a significant portion of the cash flows related to future NIS denominated operating expenses expected to occur over the next twelve months. In addition, as of March 31, 2017 , we had derivative contracts hedging against NIS denominated assets and liabilities in the notional amount of approximately 163.0 million NIS, or approximately $44.9 million based upon the exchange rate on that day.

Our derivatives expose us to credit risk to the extent that the counterparties may be unable to meet the terms of the agreement. We seek to mitigate such risk by limiting our counterparties to major financial institutions and by spreading the risk across a number of major financial institutions. However, failure of one or more of these financial institutions is possible and could result in incurred losses.

Inflation related risk

We believe that the rate of inflation in Israel has not had a material impact on our business to date. Our cost in Israel in U.S. dollar terms will increase if inflation in Israel exceeds the devaluation of the NIS against the U.S. dollar or if the timing of such devaluation lags behind inflation in Israel.

ITEM 4— *CONTROLS AND PROCEDURES*

Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to provide reasonable assurance that 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 the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our CEO (principal executive officer) and CFO (principal financial officer), as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As required by SEC Rule 13a-15(b), we carried out an evaluation, under the supervision and with the participation of our management, including our CEO and CFO, of the effectiveness of our disclosure controls and procedures as of March 31, 2017 . Based on this evaluation, our CEO and CFO concluded that our disclosure controls and procedures were effective as of March 31, 2017 to provide the reasonable assurance described above.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the quarter ended March 31, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1— *LEGAL PROCEEDINGS*

See Note 8, "Commitments and Contingencies—Legal Proceedings" in the notes to the unaudited condensed consolidated financial statements, included in Part I, Item 1 of this report, for a full description of legal proceedings and related contingencies and their effects on our condensed consolidated financial position, results of operations and cash flows.

We may, from time to time, become a party to various other legal proceedings arising in the ordinary course of business. We may also be indirectly affected by administrative or court proceedings or actions in which we are not involved, but which have general applicability to the semiconductor industry.

ITEM 1A— *RISK FACTORS*

Investing in our ordinary shares involves a high degree of risk. You should carefully consider the following risk factors, in addition to the other information set forth in this report, before purchasing our ordinary shares. Each of these risk factors could harm our business, financial condition and results of operations, as well as decrease the value of an investment in our ordinary shares.

Risks Related to Our Business

The semiconductor industry may be adversely impacted by worldwide economic uncertainties which may cause our revenues and profitability to decline .

We operate primarily in the semiconductor industry, which is cyclical and subject to rapid change and evolving industry standards. From time to time, the semiconductor industry has experienced significant downturns characterized by decreases in product demand and excess customer inventories. Economic volatility can cause extreme difficulties for our customers and vendors to accurately forecast and plan future business activities. This unpredictability could cause our customers to reduce spending on our products and services, which would delay and lengthen sales cycles. Furthermore, during challenging economic times our customers and vendors may face issues gaining timely access to sufficient credit, which could affect their ability to make timely payments to us. As a result, we may experience growth patterns that are different than the end demand for products, particularly during periods of high volatility.

We cannot predict the timing, strength or duration of any economic slowdown or recovery or the impact of such events on our customers, our vendors or us. The combination of our lengthy sales cycle coupled with challenging macroeconomic conditions could have a compound impact on our business. The impact of market volatility is not limited to revenue but may also affect our product gross margins and other financial metrics. Any downturn in the semiconductor industry may be severe and prolonged, and any failure of the industry to fully recover from downturns could seriously impact our revenue and harm our business, financial condition and results of operations.

Leverage incurred in connection with our acquisition of EZchip in February 2016 could adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in the economy or our industry, expose us to interest rate risk to the extent the interest rate on our variable rate debt increases and prevent us from meeting our obligations under the terms of the Term Debt.

As a result of the acquisition of EZchip and the related Term Debt, we have become more leveraged than we have been historically. As of March 31, 2017, we had $226.0 million outstanding under the Term Debt. Our indebtedness could have more important consequences, including:

- increasing our vulnerability to adverse general economic and industry conditions;
- requiring us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures, research and development efforts, the execution of our business strategy, acquisitions and other general corporate purposes;
- limiting our flexibility in planning for, or reacting to, changes in the economy and the semiconductor industry;
- placing us at a competitive disadvantage compared to our competitors with less indebtedness;
- exposing us to interest rate risk to the extent of our variable rate indebtedness; and
- making it more difficult to borrow additional funds in the future to fund growth, acquisitions, working capital, capital expenditures and other purposes.

The Term Debt requires payment of principal and accrued interest during the three years after the closing of the acquisition of EZchip. In addition, if we were to experience a change of control, this would trigger an event of default under the Term Debt, which would permit the lenders to immediately declare the loans due and payable in whole or in part. In either such event, we may not have sufficient available cash to repay such debt at the time it becomes due, or be able to refinance such debt on acceptable terms or at all. Any of the foregoing could materially and adversely affect our business, financial condition and results of operations.

Our Term Debt imposes certain restrictions on our business.

The Term Debt contains a number of covenants imposing certain restrictions on our business. These restrictions may affect our ability to operate our business and to take advantage of potential business opportunities as they arise. The restrictions placed on us include limitations on our ability to:

- incur additional indebtedness and issue preferred or redeemable shares;
- incur or create liens;
- consolidate, merge or transfer all or substantially all of our assets;
- make investments, acquisitions, loans or advances or guarantee indebtedness;
- engage in sale and lease back transactions;
- pay dividends or make other distributions;
- redeem or repurchase shares or make other restricted payments; and
- engage in transactions with affiliates.

The foregoing restrictions could limit our ability to plan for, or react to, changes in market conditions or our capital needs. We do not know whether we will be granted waivers under, or amendments to, the Term Debt if for any reason we are unable to meet these requirements, or whether we will be able to refinance our indebtedness on terms acceptable to us, or at all.

The breach of any of these covenants or restrictions could result in a default under the Term Debt. In addition, the Term Debt contains cross-default provisions that could result in an acceleration of amounts outstanding under the Term Debt if certain events of default occur under any of our material debt instruments. If we are unable to repay these amounts, lenders having secured obligations, including the lenders under the Term Debt, could proceed against the collateral securing that debt. Any of the foregoing would have a material adverse effect on our business, financial condition, and results of operations.

Servicing the debt incurred under the Term Debt will require a significant amount of cash, and we may not have sufficient cash flow from our business to pay our debt.

Our ability to make scheduled payments of the principal of, to pay interest on, and to refinance our debt, depends on our future performance, which is subject to economic, financial, competitive, and other factors beyond our control. Our business may not continue to generate cash flow from operations in the future sufficient to satisfy our obligations under the Term Debt and any future indebtedness we may incur and to make necessary capital expenditures. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as reducing or delaying investments or capital expenditures, selling assets, refinancing or obtaining additional equity capital on terms that may be onerous or highly dilutive. Our ability to refinance our outstanding indebtedness or future indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, when needed, which could result in a default on our indebtedness.

We may pursue acquisitions of other companies or new or complementary products, technologies and businesses, which could harm our operating results, may disrupt our business and could result in unanticipated accounting charges.

Our growth depends upon market growth, our ability to enhance our existing products, and our ability to introduce new products on a timely basis. We intend to continue to address the need to develop new products and enhance existing products through acquisitions of other companies, product lines, technologies, and personnel.

Acquisitions create additional material risk factors for our business that could cause our results to differ materially and adversely from our expected or projected results. Such risk factors include:

- difficulties in integrating the operations, systems, technologies, products, and personnel of the acquired companies, particularly companies with large and widespread operations and/or complex products;

- the diversion of management's attention from normal daily operations of the business and the challenges of managing larger and more widespread operations resulting from acquisitions;
- possible disruption to the continued expansion of our product lines;
- potential changes in our customer base and changes to the total available market for our products;
- reduced demand for our products;
- potential difficulties in completing projects associated with in-process research and development intangibles;
- the use of a substantial portion of our cash resources and incurrence of significant amounts of debt;
- significantly increase our interest expense, leverage and debt service requirements as a result of incurring debt;
- the impact of any such acquisition on our financial results;
- internal controls may become more complex and may require significantly more resources to ensure they remain effective;
- negative customer reaction to any such acquisition; and
- assuming the liabilities of the acquired company.

Acquisitions present a number of other potential risks and challenges that could disrupt our business operations. For example, we may not be able to successfully negotiate or finance the acquisition on favorable terms. If an acquired company also has inventory that we assume, we will be required to write up the carrying value of that inventory to its fair value. When that inventory is sold, the gross margins for those products are reduced and our gross margins for that period are negatively affected. Furthermore, the purchase price of any acquired businesses may exceed the current fair values of the net tangible assets of such acquired businesses. As a result, we would be required to record material amounts of goodwill, acquired in-process research and development and other intangible assets, which could result in significant impairment and acquired in-process research and development charges and amortization expense in future periods. These charges, in addition to the results of operations of such acquired businesses and potential restructuring costs associated with an acquisition, could have a material adverse effect on our business, financial condition and results of operations. We cannot forecast the number, timing or size of future acquisitions, or the effect that any such acquisitions might have on our operating or financial results. Furthermore, potential acquisitions, whether or not consummated, will divert our management's attention and may require considerable cash outlays at the expense of our existing operations. In addition, to complete future acquisitions, we may issue equity securities, incur debt, assume contingent liabilities or have amortization expenses and write-downs of acquired assets, which could adversely affect our profitability.

We have made and may in the future pursue investments in other companies, which could harm our operating results.

We have made, and could make in the future, investments in technology companies, including privately-held companies in the development stage. Many of these private equity investments are inherently risky because these businesses may never develop, and we may incur losses related to these investments. In addition, we have written down the carrying value of these investments in the past and may be required to write down the carrying value of these investments in the future to reflect other-than-temporary declines in their value, which could have a material adverse effect on our business, financial position and results of operations.

The adoption of InfiniBand is largely dependent on third-party vendors and end users and InfiniBand may not be adopted at prior rates or to the extent that we anticipate.

While the usage of InfiniBand has increased since its first specifications were completed in October 2000, continued adoption of InfiniBand is dependent on continued collaboration and cooperation among IT vendors. In addition, the end users that purchase IT products and services from vendors must find InfiniBand to be a compelling solution to their IT system requirements. We cannot control third-party participation in the development of InfiniBand as an industry standard technology. We rely on server, storage, communications infrastructure equipment and embedded systems vendors to incorporate and deploy InfiniBand ICs in their systems. InfiniBand may fail to effectively compete with other technologies, which may be adopted by vendors and their customers in place of InfiniBand. The adoption of InfiniBand is also affected by the general replacement cycle of IT equipment by end users, which is dependent on factors unrelated to InfiniBand. These factors may reduce the rate at which InfiniBand is incorporated by our current server vendor customers and impede its adoption in the storage, communications infrastructure and embedded systems markets, which in turn would harm our ability to sell our InfiniBand products.

We have limited visibility into customer and end-user demand for our products and generally have short inventory cycles, which introduce uncertainty into our revenue and production forecasts and business planning and could negatively impact our financial results.

Our sales are made on the basis of purchase orders rather than long-term purchase commitments. In addition, our customers may defer purchase orders. We place orders with the manufacturers of our products according to our estimates of customer demand. This process requires us to make multiple demand forecast assumptions with respect to both our customers' and end users' demands. It is more difficult for us to accurately forecast end-user demand because we do not sell our products directly to end users. In addition, the majority of our adapter card, switch system and cable businesses are conducted on a short order fulfillment basis, introducing more uncertainty into our forecasts. Because of the lead time associated with fabrication of our semiconductors, forecasts of demand for our products must be made in advance of customer orders. In addition, we base business decisions regarding our growth on our forecasts for customer demand. As we grow, anticipating customer demand may become increasingly difficult. If we overestimate customer demand, we may purchase products from our manufacturers that we may not be able to sell and may over-burden our operations. Conversely, if we underestimate customer demand or if sufficient manufacturing capacity were unavailable, we would forego revenue opportunities and could lose market share or damage our customer relationships.

In addition, the majority of our revenues are derived from customer orders received and fulfilled in the same quarterly period. If we overestimate customer demand, we could miss our quarterly revenue targets, which could have a material adverse effect on our financial results.

We depend on a small number of customers for a significant portion of our sales, and the loss of any one of these customers will adversely affect our revenues.

A small number of customers account for a significant portion of our revenues. For the three months ended March 31, 2017 , sales to Hewlett Packard Enterprise and Dell each accounted for 13% of our total revenues, while sales to our top ten customers accounted for 54% of our revenues. For the year ended December 31, 2016, sales to Hewlett Packard Enterprise accounted for 16% of our total revenues, while sales to our top ten customers accounted for 55% of our revenues. Because the majority of servers, storage, communications infrastructure equipment and embedded systems are sold by a relatively small number of vendors, we expect that we will continue to depend on a small number of customers to account for a significant percentage of our revenues for the foreseeable future. Our customers, including our most significant customers, are not obligated by long-term contracts to purchase our products and may cancel orders with limited potential penalties. If any of our large customers reduces or cancels its purchases from us for any reason, it could have an adverse effect on our revenues and results of operations.

We face intense competition and may not be able to compete effectively, which could reduce our market share, net revenues and profit margin.

The markets in which we operate are extremely competitive and are characterized by rapid technological change, continuously evolving customer requirements and fluctuating average selling prices. We may not be able to compete successfully against current or potential competitors. With respect to InfiniBand products, we compete with Intel Corporation (“Intel”), which has greater resources, multiple product offerings and a leading position in many segments of the semiconductor market. For Ethernet technology, the leading IC vendors include Intel and Broadcom Limited. The leading IC vendors that provide Ethernet and Fibre Channel products to the market include Marvell Technology Group, Broadcom Limited and Cavium. The leading Ethernet switch system vendors include Cisco Systems, Inc., Brocade Communications Systems, Inc., Juniper Networks, Inc. and Arista Networks, Inc. In HPC, EDC, Web 2.0, cloud and financial services markets, products based on the InfiniBand standard primarily compete with the industry-standard Ethernet and Fibre Channel interconnect technologies as well as proprietary interconnect technologies, such as Intel’s Omni-Path. In embedded markets, we typically compete with interconnect technologies that are developed in-house by system OEM vendors and created for specific applications.

Some of our customers are also IC and switch suppliers and already have in-house expertise and internal development capabilities similar to ours. Licensing our technology and supporting such customers entails the transfer of intellectual property rights that may enable such customers to develop their own products and solutions to replace those we are currently providing to them. Consequently, these customers may become competitors to us. Further, each new design by a customer presents a competitive situation. In the past, we have lost design wins to divisions within our customers and this may occur again in the future. We cannot predict whether these customers will continue to compete with us, whether they will continue to be our customers or whether they will continue to buy products from us at the same volumes. Competition could increase pressure on us to lower our prices and could negatively affect our profit margins.

Many of our current and potential competitors have longer operating histories, significantly greater resources, greater economies of scale, stronger name recognition and larger customer bases than we have. This may allow them to respond more

quickly to new or emerging technologies or changes in customer requirements. In addition, these competitors may have greater credibility with our existing and potential customers. If we do not compete successfully, our market share, revenues and profit margin may decline, and, as a result, our business may be adversely affected.

There has been a trend toward industry consolidation in our markets for several years, as companies attempt to improve the leverage of growing research and development costs, strengthen or hold their market positions in an evolving industry or are unable to continue operations. Companies that are strategic alliance partners in some areas of our business may acquire or form alliances with our competitors, thereby reducing their business with us. We believe that industry consolidation may result in stronger competitors that are better able to compete as sole-source vendors for customers. This could lead to more variability in our operating results and could have a material adverse effect on our business, financial condition and results of operations.

Winning business is subject to lengthy, competitive selection processes that often require us to incur significant expense, from which we may ultimately generate no revenues

Our business is dependent on us winning competitive bid selection processes, known as “design wins,” to develop semiconductors for use in our customers' products. These selection processes are typically lengthy and can require us to incur significant design and development expenditures and to dedicate scarce engineering resources in pursuit of a single customer opportunity. We may not win the competitive selection process and may never generate any revenue despite incurring such expenditures.

Furthermore, winning a product design does not guarantee sales to a customer. We may experience delays in generating revenue as a result of the lengthy development cycle typically required, or we may not realize as much revenue as anticipated. In addition, a delay or cancellation of a customer's plans could materially and adversely affect our financial results, as we may have incurred significant expense in the design process and generated little or no revenue. Customers could choose at any time to stop using our products or may fail to successfully market and sell their products, which could reduce the demand for our products and cause us to hold excess inventory, thereby materially adversely affecting our business, financial condition and results of operations.

The timing of design wins is unpredictable and implementing production for a major design win, or multiple design wins occurring at or around the same time, may strain our resources and those of our contract manufacturers. In such instances, we may be forced to dedicate significant additional resources and incur additional, unanticipated costs and expenses, which may have a material adverse effect on our results of operations.

Finally, some customers will not purchase any products from us, other than limited numbers of evaluation units, until they qualify the products and/or the manufacturing line for the products. The qualification process can take significant time and resources and we may not always be able to satisfy the qualification requirements of these customers. Delays in qualification or failure to qualify our products may cause a customer to discontinue use of our products and result in a significant loss of revenue

If we fail to develop new products or enhance our existing products to react to rapid technological change and market demands in a timely and cost-effective manner, our business will suffer.

We must develop new products or enhance our existing products with improved technologies to meet rapidly evolving customer requirements. We are currently engaged in the development process for our next generation of products in order to meet the demands of our customers who continually require higher performance and functionality at lower costs. The development process for these advancements is lengthy and will require us to accurately anticipate technological innovations and market trends. Developing and enhancing these products can be time-consuming, costly and complex. Our ability to fund product development and enhancements partially depends on our ability to generate revenues from our existing products.

We may be unable to successfully develop additional next generation products, new products or product enhancements. There is a risk that these developments or enhancements will be late, have technical problems, fail to meet customer or market specifications or otherwise be uncompetitive with other products using alternative technologies that offer comparable performance and functionality. Our next generation products or any new products or product enhancements may not be accepted in new or existing markets. Our business, financial condition and results of operations may be adversely affected if we fail to develop and introduce new products or product enhancements in a timely manner or on a cost-effective basis.

We rely on a limited number of subcontractors to manufacture, assemble, package and production test our products, and the failure of any of these third-party subcontractors to deliver products or otherwise perform as requested could damage our relationships with our customers, decrease our sales and limit our growth.

While we design and market our products and conduct test development in-house, we do not manufacture, assemble, package and production test the vast majority of our products, and we must rely on third-party subcontractors to perform these

services. We use Taiwan Semiconductor Manufacturing Company for our CMOS process ICs and STMicroelectronics N.V. for our BiCMOS process ICs. We use ASE and Amkor Technology Korea Inc. to assemble, package and production test our IC products. We use Flextronics International Ltd. and Universal Scientific Industrial Co., Ltd., to manufacture our standard and custom adapter card products and switch systems. In addition, we also use Comtel Electronics to manufacture some of our switch systems. We use several sub-contractors to manufacture our cables. If these subcontractors do not provide us with high-quality products, services and production and production test capacity in a timely manner, or if one or more of these subcontractors terminates its relationship with us, we may be unable to obtain satisfactory replacements to fulfill customer orders on a timely basis, our relationships with our customers could suffer, our sales could decrease and our growth could be limited. In particular, there are significant challenges associated with moving our IC production from our existing manufacturer to another manufacturer with whom we do not have a pre-existing relationship.

In addition, the consolidation of foundry subcontractors, as well as the increasing capital intensity and complexity associated with fabrication in smaller process geometries has limited the diversity of our suppliers and increased our risk of a "single point of failure." Specifically, as we move to smaller geometries, we have become increasingly reliant on IC manufacturers. The lack of diversity of suppliers could also drive increased prices and adversely affect our results of operations, including our product gross margins.

We currently do not have long-term supply contracts with any of our third-party subcontractors. Therefore, they are not obligated to perform services or supply products to us for any specific period, in any specific quantities or at any specific price, except as may be provided in a particular purchase order. None of our third-party subcontractors has provided contractual assurances to us that adequate capacity will be available to us to meet future demand for our products. Our subcontractors may allocate capacity to the production of other companies' products while reducing deliveries to us on short notice. Other customers that are larger and better financed than we are or that have long-term agreements with these subcontractors may cause these subcontractors to reallocate capacity to those customers, thereby decreasing the capacity available to us.

Other significant risks associated with relying on these third-party subcontractors include:

- reduced control over product cost, delivery schedules and product quality;
- potential price increases;
- inability to achieve sufficient production, increase production or test capacity and achieve acceptable yields on a timely basis;
- increased exposure to potential misappropriation of our intellectual property;
- shortages of materials used to manufacture products;
- capacity shortages;
- labor shortages or labor strikes;
- political instability in the regions where these subcontractors are located; and
- natural disasters impacting these subcontractors.

If we fail to carefully manage the use of "open source" software in our products, we may be required to license key portions of our products on a royalty-free basis or expose key parts of source code.

Some portion of our software may be derived from "open source" software that is generally made available to the public by its authors and/or other third parties. Such open source software is often made available to us under licenses, such as the GNU General Public License, which impose certain obligations on us in the event we were to create and distribute derivative works of the open source software. These obligations may require us to make source code for the derivative works available to the public and/or license such derivative works under a particular type of license, rather than the forms of licenses customarily used to protect our intellectual property. In the event that we inadvertently use open source software without the correct license form or a copyright holder of any open source software were to successfully establish in court that we had not complied with the terms of a license for a particular work, we could be required to release the source code of that work to the public and/or stop distribution of that work.

The average selling prices of our products have decreased in the past and may do so in the future, which could harm our financial results.

The products we develop and sell are subject to declines in average selling prices. We have had to reduce our prices in the past and we may be required to reduce prices in the future. Reductions in our average selling prices to one customer could

impact our average selling prices to other customers. If we are unable to reduce our associated manufacturing costs this reduction in average selling prices would cause our gross margin to decline. Our financial results will suffer if we are unable to offset any reductions in our average selling prices by increasing our sales volumes, reducing our costs or developing new or enhanced products with higher selling prices or gross margins.

We expect gross margin to vary over time, and our recent level of product gross margin may not be sustainable.

Our product gross margins vary from quarter to quarter, and our recent level of gross margins may not be sustainable and may be adversely affected in the future by numerous factors, including product mix shifts, product transitions, increased price competition in one or more of the markets in which we compete, increases in material or labor costs, excess product component or obsolescence charges from our contract manufacturers, warranty related issues, or the introduction of new products or entry into new markets with different pricing and cost structures.

Fluctuations in our revenues and operating results on a quarterly and annual basis could cause the market price of our ordinary shares to decline.

Our quarterly and annual revenues and operating results are difficult to predict and have fluctuated in the past, and may fluctuate in the future, from quarter to quarter and year to year. It is possible that our operating results in some quarters and years will be below market expectations. This would likely cause the market price of our ordinary shares to decline. Our quarterly and annual operating results are affected by a number of factors, many of which are outside of our control, including:

- unpredictable volume and timing of customer orders, which are not fixed by contract but vary on a purchase order basis;
- the loss of one or more of our customers, or a significant reduction or postponement of orders from our customers;
- our customers' sales outlooks, purchasing patterns and inventory levels based on end-user demands and general economic conditions;
- seasonal buying trends;
- the timing of new product announcements or introductions by us or by our competitors;
- our ability to successfully develop, introduce and sell new or enhanced products in a timely manner;
- changes in the relative sales mix of our products;
- decreases in the overall average selling prices of our products;
- changes in the cost of our finished goods; and
- the availability, pricing and timeliness of delivery of other components used in our customers' products.

We base our planned operating expenses in part on our expectations of future revenues, and a significant portion of our expenses is relatively fixed in the short-term. We have limited visibility into customer demand from which to predict future sales of our products. As a result, it is difficult for us to forecast our future revenues and budget our operating expenses accordingly. Our operating results would be adversely affected to the extent customer orders are cancelled or rescheduled. If revenues for a particular quarter are lower than we expect, we likely would not be able to proportionately reduce our operating expenses.

We rely on our ecosystem partners to enhance and drive demand for our product offerings. Our inability to continue to develop or maintain such relationships in the future or our partners' inability to timely deliver technology or product offerings to the market may harm our revenues and ability to remain competitive.

We have developed relationships with third parties, which we refer to as ecosystem partners. Such partners provide their technology products, operating systems, tool support, reference designs and other elements necessary for the sale of our products into our markets. In addition, introduction of new products into the market by these partners may increase demand for our products. If we are unable to continue to develop or maintain these relationships, or if our ecosystem partners delay or fail to timely deliver their technology or products or other elements to the market, our revenues may be adversely impacted and we might not be able to enhance our customers' ability to commercialize their products in a timely manner and our ability to remain competitive may be harmed.

We rely primarily upon trade secret, patent, trademark and copyright laws and contractual restrictions to protect our proprietary rights, and, if these rights are not sufficiently protected, our ability to compete and generate revenues could suffer.

We seek to protect our proprietary manufacturing specifications, documentation and other written materials primarily under trade secret, patent, trademark and copyright laws. We also typically require employees and consultants with access to our proprietary information to execute confidentiality agreements. The steps taken by us to protect our proprietary information may not be adequate to prevent misappropriation of our technology. In addition, our proprietary rights may not be adequately protected because:

- people may not be deterred from misappropriating our technologies despite the existence of laws or contracts prohibiting it;

- policing unauthorized use of our intellectual property may be difficult, expensive and time-consuming, and we may be unable to determine the extent of any unauthorized use; and

- the laws of other countries in which we market our products, such as some countries in the Asia/Pacific region, may offer little or no protection for our proprietary technologies.

Reverse engineering, unauthorized copying or other misappropriation of our proprietary technologies could enable third parties to benefit from our technologies without paying us for doing so. Any inability to adequately protect our proprietary rights could harm our ability to compete, generate revenues and grow our business.

We may not obtain sufficient patent protection on the technology embodied in our products, which could harm our competitive position and increase our expenses.

Our success and ability to compete in the future may depend to a significant degree upon obtaining sufficient patent protection for our proprietary technology. Patents that we currently own do not cover all of the products that we presently sell as we have patent applications pending with respect to certain products, while we have not been able to obtain, or choose not to seek, patent protection for other products. Our patent applications may not result in issued patents, and even if they result in issued patents, the patents may not have claims of the scope we seek. Furthermore, any issued patents may be challenged, invalidated or declared unenforceable. Whether or not these patents are issued, the applications may become publicly available and the proprietary information disclosed in the applications will become available to others. The lives of acquired patents may also be of a shorter term depending upon their acquisition dates and the issue dates. The term of any issued patent in the United States and Israel is typically 20 years from its filing date, and if our applications are pending for a long-time period, we may have a correspondingly shorter term for any patent that may be issued. Our present and future patents may provide only limited protection for our technology and may not be sufficient to provide competitive advantages to us. For example, competitors could be successful in challenging any issued patents or, alternatively, could develop similar or more advantageous technologies on their own or design around our patents. Also, patent protection in certain foreign countries may not be available or may be limited in scope and any patents obtained may not be as readily enforceable as in the United States and Israel, making it difficult for us to effectively protect our intellectual property from misuse or infringement by other companies in these countries. Our inability to obtain and enforce our intellectual property rights in some countries may harm our business, financial condition and results of operations. In addition, given the costs of obtaining patent protection, we may choose not to protect certain innovations that later on turn out to be important. In such cases, our lack of intellectual property rights may have a material adverse impact on our business, financial condition and results of operations.

Intellectual property litigation, which is common in our industry, could be costly, harm our reputation, limit our ability to sell our products and divert the attention of management and technical personnel.

The semiconductor industry is characterized by frequent litigation regarding patent and other intellectual property rights. From time to time, we receive notices from competitors and other third parties that claim we have infringed upon, misappropriated or misused other parties' proprietary rights. We may also be required to indemnify some customers and strategic partners under our agreements if a third party alleges or if a court finds that our products or activities have infringed upon, misappropriated or misused another party's proprietary rights. We have received requests from certain customers and strategic partners to include increasingly broad indemnification provisions in our agreements with them. Additionally, our products may contain technology provided to us by other parties such as contractors, suppliers or customers. We may have little or no ability to determine in advance whether such technology infringes upon the intellectual property rights of a third party. Our contractors, suppliers and licensors may not be required to indemnify us in the event that a claim of infringement is asserted against us, or they may be required to indemnify us only up to a maximum amount, above which we would be responsible for any further costs or damages.

Questions of infringement in the markets we serve involve highly technical and subjective analyses. We are involved in intellectual property litigation today and litigation may be necessary in the future to enforce any patents we may receive and other intellectual property rights, to protect our trade secrets, to determine the validity and scope of the proprietary rights of others or to defend against claims of infringement or invalidity, and we may not prevail in any such future litigation. Litigation, whether or not determined in our favor or settled, could be costly, could harm our reputation and could divert the efforts and attention of our management and technical personnel from normal business operations. In addition, adverse determinations in litigation could result in the loss of our proprietary rights, subject us to significant liabilities, and require us to seek licenses from third parties or prevent us from licensing our technology or selling our products, any of which could seriously harm our business.

In the normal course of business, we enter into agreements with terms and conditions that require us to indemnify the other party against third-party claims alleging that one of our products infringes or misappropriates intellectual property rights, as well as against certain claims relating to property damage, personal injury or acts or omissions relating to supplied products or technologies, or acts or omissions made by us or our agents or representatives. In addition, we are obligated pursuant to indemnification undertakings with our officers and directors to indemnify them to the fullest extent permitted by law and to indemnify venture capital funds that were affiliated with or represented by such officers or directors. If we receive demands for indemnification under these agreements and terms and conditions, they will likely be very expensive to settle or defend, and we may incur substantial legal fees in connection with any indemnity demands. Our indemnification obligations under these agreements and terms and conditions may be unlimited in duration and amount, and could have an adverse effect on our business, financial condition and results of operations.

We depend on key and highly skilled personnel to operate our business, and if we are unable to retain our current personnel and hire additional personnel, our ability to develop and successfully market our products could be harmed.

Our business is particularly dependent on the interdisciplinary expertise of our personnel, and we believe our future success will depend in large part upon our ability to attract and retain highly skilled managerial, engineering, finance and sales and marketing personnel. The loss of any key employees or the inability to attract or retain qualified personnel could delay the development and introduction of, and harm our ability to sell our products and harm the market's perception of us. Competition for qualified engineers in the markets in which we operate is intense and accordingly, we may not be able to retain or hire all of the engineers required to meet our ongoing and future business needs. If we are unable to attract and retain the highly skilled professionals we need, we may have to forego projects for lack of resources or be unable to staff projects optimally. We believe that our future success is highly dependent on the contributions of our president and CEO and other senior executives. We do not have long-term employment contracts with our president and CEO, CFO or any other key personnel, and their knowledge of our business and industry would be extremely difficult to replace.

In an effort to retain key employees, we may modify our compensation policies by, for example, increasing cash compensation to certain employees and/or modifying existing share options. These modifications of our compensation policies and the requirement to expense the fair value of share options and restricted share units ("RSUs") awarded to employees and officers may increase our operating expenses and result in the dilution of our holders of our ordinary shares. We cannot be certain that these and any other changes in our compensation policies will or would improve our ability to attract, retain and motivate employees. Our inability to attract and retain additional key employees and the increase in share-based compensation expense could each have an adverse effect on our business, financial condition and results of operations.

We may not be able to manage our future growth effectively, and we may need to incur significant expenditures to address the additional operational and control requirements of our growth.

We are experiencing a period of company growth and expansion. This expansion has placed, and any future expansion will continue to place, a significant strain on our management, personnel, systems and financial resources. We plan to hire additional employees to support an increase in research and development and strengthen our sales and marketing and general and administrative efforts. To successfully manage our growth, we believe we must effectively:

- manage and enhance our relationships with customers, distributors, suppliers, end users and other third parties;
- implement additional, and enhance existing, administrative, financial and operations systems, procedures and controls;
- address capacity shortages;
- expand and upgrade our technological capabilities;
- manage the challenges of having U.S., Israeli and other foreign operations; and
- hire, train, integrate and manage additional qualified engineers for research and development activities as well as additional personnel to strengthen our sales and marketing, financial and IT functions.

Managing our growth may require substantial managerial and financial resources and may increase our operating costs even though these efforts may not be successful. If we are unable to manage our growth effectively, we may not be able to take advantage of market opportunities, develop new products, satisfy customer requirements, execute our business plan or respond to competitive pressures, in which case our business, financial conditions and results of operations may be adversely affected.

We are subject to risks associated with our distributors' product inventories and product sell-through.

We sell many of our products to customers through distributors who maintain their own inventory of our products for sale to dealers and end customers. We allow limited price adjustments on sales to distributors. Price adjustments may be effected by way of credits for future product or by cash payments to the distributor, either in arrears or in advance, using estimates based on historical transactions. We recognize revenues for sales to distributors upon sell through by the distributors, net of estimated allowances for price adjustments. We have extended these programs to certain distributors in the United States, Asia and Europe and may extend them on a selective basis to some of our other distributors in these geographies. The reserves recognized for these programs are based on significant judgments and estimates, using historical experience rates, inventory levels in distribution, current trends and other factors, and there could be significant differences between actual amounts and our estimates.

If our distributors are unable to sell an adequate amount of their inventory of our products in a given quarter to dealers and end customers or if they decide to decrease their inventories for any reason, such as adverse global economic conditions or a downturn in technology spending, our sales to these distributors and our revenues may decline. We also face the risk that our distributors may purchase, or for other reasons accumulate, inventory levels of our products in any particular quarter in excess of future anticipated sales to end customers. If such sales do not occur in the time frame anticipated by these distributors for any reason, these distributors may substantially decrease the amount of product they order from us in subsequent periods until their inventory levels realign with end-customer demand, which would harm our business and could adversely affect our revenues in such subsequent periods. Our reserve estimates associated with products stocked by our distributors are based largely on reports that our distributors provide to us on a weekly or monthly basis. To date, we believe this resale and channel inventory data have been generally accurate. To the extent that these data are inaccurate or not received in a timely manner, we may not be able to make reserve estimates for future periods accurately or at all.

We do not always have a direct relationship with the end customers of our products sold through distributors. As a result, our products may be used in applications for which they were not necessarily designed or tested, and they may not perform as anticipated in such applications. In such event, failure of even a small number of parts could result in significant liabilities to us, damage our reputation and harm our business and results of operations.

Certain of our customers and suppliers require us to comply with their codes of conduct, which may include certain restrictions that may substantially increase our cost of doing business as well as have an adverse effect on our operating efficiencies, operating results and financial condition.

Certain of our customers and suppliers require us to agree to comply with the Electronic Industry Code of Conduct (“EICC”) or their own codes of conduct, which may include detailed provisions on labor, human rights, health and safety, environment, corporate ethics and management systems. Certain of these provisions are not requirements under the laws of the countries in which we operate and may be burdensome to comply with on a regular basis. Moreover, new provisions may be added or material changes may be made to any these codes of conduct, and we may have to promptly implement such new provisions or changes, which may substantially further increase the cost of our business, be burdensome to implement and adversely affect our operational efficiencies and operating results. If we violate any such codes of conduct, we may lose further business with the customer or supplier and, in addition, we may be subject to fines from the customer or supplier. While we believe that we are currently in compliance with our customers and suppliers’ codes of conduct, there can be no assurance that, from time to time, if any one of our customers and suppliers audits our compliance with such code of conduct, we would be found to be in full compliance. A loss of business from these customers or suppliers could have a material adverse effect on our business, financial condition and results of operations.

We may experience defects in our products, unforeseen delays, higher than expected expenses or lower than expected manufacturing yields of our products, which could result in increased customer warranty claims, delays of our product shipments and prevent us from recognizing the benefits of new technologies we develop.

Our products may contain defects and errors. Product defects and errors could result in additional development costs, diversion of technical resources, delayed product shipments, increased warranty-related returns, including wide-scale product recalls, warranty expenses and product liability claims against us which may not be fully covered by insurance. Our products are complex and our quality control tests and procedures may fail to detect any such defects or errors. Delivery of products with defects or reliability, quality or compatibility problems may damage our reputation and our ability to retain existing

customers and attract new customers. As a result, defects in our products could have an adverse effect on our business, financial condition and results of operations.

In addition, our production of existing and development of new products can involve multiple iterations and unforeseen manufacturing difficulties, resulting in reduced manufacturing yields, delays and increased expenses. The evolving nature of our products requires us to modify our manufacturing specifications, which may result in delays in manufacturing output and product deliveries. We rely on a limited number of third parties to manufacture our products. Our ability to offer new products depends on our manufacturers' ability to implement our revised product specifications, which is costly, time-consuming and complex.

We have significant intangible assets and goodwill. Consequently, the future impairment of our intangible assets and goodwill, if any, may significantly impact our profitability.

Our intangible assets and goodwill are significant. As of March 31, 2017 , we had recorded $738.6 million of intangible assets, net and goodwill primarily related to our past acquisitions. Intangible assets and goodwill are subject to an impairment analysis whenever events or changes in circumstances indicate the carrying amount of the asset may not be recoverable. Additionally, goodwill and indefinite-lived assets are subject to an impairment test at least annually. The impairment of any goodwill and other intangible assets may have a negative impact on our condensed consolidated results of operations.

Unanticipated changes in our tax provisions or adverse outcomes resulting from examination of our income tax returns could adversely affect our results of operations.

We are subject to income taxes in Israel, the United States and various foreign jurisdictions. Our effective income tax rate could be adversely affected by changes in tax laws or interpretations of those tax laws, by changes in the mix of earnings in countries with differing statutory tax rates, or by changes in the valuation of our deferred tax assets and liabilities. Our effective income tax rates are also affected by intercompany transactions for sales, services, funding and other items. Given the increased global scope of our operations, and the complexity of global tax and transfer pricing rules and regulations, it has become increasingly difficult to estimate earnings within each tax jurisdiction. If actual earnings within a tax jurisdiction differ materially from our estimates or new information is discovered in the course of our tax return preparation process, we may not achieve our expected effective tax rate. Additionally, our effective tax rate may be affected by the tax effects of acquisitions, restructuring activities, newly enacted tax legislation, share-based compensation and uncertain tax positions. Finally, we are subject to the examination of our income tax returns by the Internal Revenue Service and other tax authorities which may result in the assessment of additional income taxes. We regularly assess the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our provision for income taxes. However, unanticipated outcomes from these examinations could have a material adverse effect on our business, financial condition and results of operations.

Changes to financial accounting standards may affect our results of operations and cause us to change our business practices.

We prepare our financial statements to conform to generally accepted accounting principles ("GAAP") in the United States. These accounting principles are subject to interpretation by the Financial Accounting Standards Board ("FASB"), the American Institute of Certified Public Accountants ("AICPA"), the SEC and various bodies formed to interpret and create appropriate accounting policies. A change in those policies can have a significant effect on our reported results and may affect our reporting of transactions completed before a change is announced. Changes to those rules or the questioning of current practices may adversely affect our reported financial results or the way we conduct our business.

We may be subject to disruptions or failures in information technology systems and network infrastructures, including theft, misuse of our electronic data or cyber-attacks that could have a material adverse effect on us.

We rely on the efficient and uninterrupted operation of complex information technology systems and network infrastructures to operate our business. We also hold large amounts of data in various data center facilities upon which our business depends. A disruption, infiltration or failure of our information technology systems or any of our data centers as a result of software or hardware malfunctions, system implementations or upgrades, computer viruses, third-party security breaches, attempts by others that try to gain unauthorized access through the Internet to our information technology systems, employee error, theft or misuse, malfeasance, power disruptions, natural disasters or accidents could cause breaches of data security, loss of intellectual property and critical data and the release and misappropriation of sensitive competitive information and partner, customer and employee personal data. These attempts may be the result of industrial or other espionage, or actions by hackers seeking to harm us, our products, or our end users. Any of these events could harm our competitive position, result in a loss of customer confidence, cause us to incur significant costs to remedy any damages and ultimately materially adversely affect our business, financial condition and results of operations.

While we have implemented a number of protective measures, including firewalls, antivirus, patches, log monitors, routine back-ups, system audits, routine password modifications and disaster recovery procedures, such measures may not be adequate or implemented properly to prevent or fully address the adverse effect of such events, and in some cases we may be unaware of an incident or its magnitude and effects.

In addition, our third-party subcontractors, including our foundries, test and assembly houses and distributors, have access to certain portions of our sensitive data. In the event that these subcontractors do not properly safeguard our data that they hold, security breaches and loss of our data could result. Any such loss of data by our third-party service providers, or theft, unauthorized use or publication of our trade secrets and other confidential business information as a result of such cyber threats, could adversely affect our competitive position and reduce marketplace acceptance of our products; the value of our investment in research and development and marketing could be reduced; and third parties may assert against us or our customers claims related to resulting losses of confidential or proprietary information or end-user data, or system reliability. Any such event could have a material adverse effect on our business, financial condition and results of operations.

Our business is subject to the risks of earthquakes, fires, floods and other natural catastrophic events.

Our U.S. corporate offices are located in the San Francisco Bay Area, a region known for seismic activity. A significant natural disaster, such as an earthquake, fire or flood or tsunami, could have a material adverse impact on our business, financial condition and results of operations. To the extent that such disruptions result in delays or cancellations of customer orders, or the deployment of our products, our business, financial condition and results of operations would be adversely affected.

We must comply with a variety of existing and future laws and regulations that could impose substantial costs on us and may adversely affect our business.

We are subject to various state, federal and international laws and regulations governing the environment, including restricting the presence of certain substances in electronic products and making producers of those products financially responsible for the collection, treatment, recycling and disposal of those products. In addition, we are also subject to various industry requirements restricting the presence of certain substances in electronic products. Although our management systems are designed to maintain compliance, we cannot assure you that we have been or will be at all times in complete compliance with such laws and regulations. If we violate or fail to comply with any of them, a range of consequences could result, including fines, import/export restrictions, sales limitations, criminal and civil liabilities or other sanctions.

We and our customers are also subject to various import and export laws and regulations. Government export regulations apply to the encryption or other features contained in some of our products. If we fail to continue to receive licenses or otherwise comply with these regulations, we may be unable to manufacture the affected products or ship these products to certain customers, or we may incur penalties or fines.

We are also subject to regulations concerning the supply of certain minerals coming from the conflict zones in and around the Democratic Republic of Congo (“DRC”). The Dodd-Frank Wall Street Reform and Consumer Protection Act includes disclosure requirements regarding the use of certain minerals mined from the DRC and adjoining countries and procedures regarding a manufacturer's efforts to identify sourcing of such conflict minerals. The implementation of these requirements could affect the sourcing and availability of minerals used in the manufacture of semiconductor devices.

As a result, this could limit the pool of suppliers who can provide us confirmation that the components and parts we source are considered DRC "conflict free," and we may not be able to confirm that we have obtained products or supplies that can be confirmed as DRC "conflict free" in sufficient quantities for our operations. Also, because our supply chain is complex, we may face reputational challenges with our customers, shareholders and other stakeholders if we are unable to sufficiently verify the origins for the minerals used in our products.

The costs of complying with these laws could adversely affect our current or future business. In addition, future regulations may become more stringent or costly and our compliance costs and potential liabilities could increase, which may harm our current or future business.

If we fail to maintain an effective system of internal controls, we may not be able to report accurately our financial results or prevent material fraud. As a result, current and potential shareholders could lose confidence in our financial reporting, which could harm our business and the trading price of our ordinary shares.

Effective internal controls are necessary for us to provide reliable financial reports and effectively prevent material fraud. We have in the past discovered, and may in the future discover, areas of our internal controls that need improvement. Section 404 of the Sarbanes-Oxley Act of 2002 requires our management to report on, and our independent registered public accounting firm to attest to, the effectiveness of our internal control structure and procedures for financial reporting. We have an ongoing program to perform the system and process evaluation and testing necessary to comply with these requirements. We

have incurred, and expect to continue to incur significant expenses and to devote significant management resources to Section 404 compliance. Furthermore, as we grow our business or acquire businesses, our internal controls may become more complex and we may require significantly more resources to ensure they remain effective. Failure to implement required new or improved controls, or difficulties encountered in their implementation, either in our existing business or in businesses that we may acquire could harm our operating results or cause us to fail to meet our reporting obligations. In the event that our CEO, CFO or independent registered public accounting firm determine that our internal controls over financial reporting are not effective as defined under Section 404, investor perceptions of our company may be adversely affected and may cause a decline in the market price of our ordinary shares.

Risks Related to Operations in Israel and Other Foreign Countries

Regional instability in Israel may adversely affect business conditions and may disrupt our operations and negatively affect our revenues and profitability.

We have engineering facilities, corporate and sales support operations located in Israel. A significant number of our employees and a material amount of assets are located in 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 Arab neighbors, as well as incidents of civil unrest. These conflicts negatively affected business conditions in Israel. In addition, Israel and companies doing business with Israel have, in the past, been the subject of an economic boycott. In addition, there has been recent civil unrest in certain areas in the Middle East, including Egypt, Jordan, Iraq, Syria and Libya. Any future armed conflicts or political instability in the region may negatively affect business conditions and adversely affect our results of operations. Parties with whom we do business have sometimes declined to travel to Israel during periods of heightened unrest or tension, forcing us to make alternative arrangements when necessary. In addition, the political and security situation in Israel may result in parties with whom we have agreements involving performance in Israel claiming that they are not obligated to perform their commitments under those agreements pursuant to force majeure provisions in the agreements.

The security and political conditions may have an impact on our business in the future. Hostilities involving Israel or the interruption or curtailment of trade between Israel and its present trading partners could adversely affect our operations and could make it more difficult for us to raise capital. Our Israeli operations are within range of Hezbollah or Hamas missiles and we or our immediate surroundings may sustain damages in a missile attack, which could adversely affect our operations.

In addition, our business insurance does not cover losses that may occur as a result of events associated with the security situation in the Middle East. Although the Israeli government currently covers 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. Any losses or damages incurred by us as a result of such events could have a material adverse effect on our business, financial condition and results of operations.

Our operations may be negatively affected by the obligations of our personnel to perform military service.

Generally, all non-exempt male adult citizens and permanent residents of Israel under the age of 45 (or older, for citizens with certain occupations), including some of our employees, are obligated to perform military reserve duty for Israel annually, and are subject to being called to active duty at any time under emergency circumstances. In the event of severe unrest or other conflict, individuals could be required to serve in the military for extended periods of time. In response to increases in terrorist activity, there have been periods of significant call-ups of military reservists, and some of our employees, including those in key positions, have been called upon in connection with armed conflicts. It is possible that there will be additional call-ups in the future. Our operations could be disrupted by the absence for a significant period of one or more of our officers, directors or key employees due to military service. Any such disruption could adversely affect our operations.

Our operations may be affected by labor unrest in Israel.

In the past, there have been several general strikes and work stoppages in Israel affecting all banks, airports and ports. These strikes had an adverse effect on the Israeli economy and on business, including our ability to deliver products to our customers and to receive raw materials from our suppliers in a timely manner. From time to time, the Israeli trade unions threaten strikes or work stoppages, which, if carried out, may have a material adverse effect on the Israeli economy and our business.

We are susceptible to additional risks from our international operations.

We derived 61% and 56% of our revenues in the three months ended March 31, 2017 and 2016 , respectively, from sales outside of the United States. As a result, we face additional risks from doing business internationally, including:

- reduced protection of intellectual property rights in some countries;

- difficulties in staffing and managing foreign operations;
- longer sales and payment cycles;
- greater difficulties in collecting accounts receivable;
- adverse economic conditions;
- seasonal reductions in business activity;
- potentially adverse tax consequences;
- laws and business practices favoring local competition;
- costs and difficulties of customizing products for foreign countries;
- compliance with a wide variety of complex foreign laws and treaties;
- compliance with the United States' Foreign Corrupt Practices Act and similar anti-bribery laws in other jurisdictions;
- compliance with export control and regulations;
- licenses, tariffs, other trade barriers, transit restrictions and other regulatory or contractual limitations on our ability to sell or develop our products in certain foreign markets;
- restrictive governmental actions, such as restrictions on the transfer or repatriation of funds and foreign investments;
- foreign currency exchange risks;
- fluctuations in freight rates and transportation disruptions;
- political and economic instability;
- variance and unexpected changes in local laws and regulations;
- natural disasters and public health emergencies; and
- trade and travel restrictions.

A significant legal risk associated with conducting business internationally is compliance with various and differing anti-corruption and anti-bribery laws and regulations of the countries in which we do business, including the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act and similar laws in China. In addition, the anti-corruption laws in various countries are constantly evolving and may, in some cases, conflict with each other. Our Code of Ethics and Business Conduct and other policies prohibit us and our employees from offering or giving anything of value to a government official for the purpose of obtaining or retaining business and from engaging in unethical business practices, including kick-backs to or from purely private parties. However, there can be no assurance that all of our employees or agents will refrain from acting in violation of such laws and our related anti-corruption policies and procedures. Any violations of these anti-corruption or trade control laws, or even allegations of such violations, can lead to an investigation, which could disrupt our operations, involve significant management distraction, and lead to significant costs and expenses, including legal fees. If we, or our employees or agents acting on our behalf, are found to have engaged in practices that violate these laws and regulations, we could suffer severe fines and penalties, profit disgorgement, injunctions on future conduct, securities litigation, and other consequences that may have a material adverse effect on our business, financial condition and results of operations. In addition, our reputation, sales activities or stock price could be adversely affected if we become the subject of any negative publicity related to actual or potential violations of anti-corruption, anti-bribery, or trade control laws and regulations.

Our principal research and development facilities are located in Israel, and our directors, executive officers and other key employees are located primarily in Israel and the United States. In addition, we engage sales representatives in various countries throughout the world to market and sell our products in those countries and surrounding regions. If we encounter any of the above risks in our international operations, we could experience slower than expected revenue growth and our business could be harmed.

It may be difficult to enforce a U.S. judgment against us, our officers and directors or to assert U.S. securities law claims in Israel.

We are incorporated in Israel. Two of our executive officers and four of our directors, one of whom is also an executive officer, are non-residents of the United States and are located in Israel, and a significant amount of our assets and the assets of

these persons are located outside the United States. Therefore, it may be difficult to enforce a judgment obtained in the United States against us or any of the above persons in Israel.

In addition, it may be difficult for a shareholder to enforce civil liabilities under U.S. securities law claims in original actions instituted in Israel. Israeli courts may refuse to hear a claim based on a violation of U.S. securities laws because Israel is not the most appropriate forum to bring such a claim. If U.S. law is found to be applicable, the content of applicable U.S. law must be proved in an Israeli court as a fact, which can be a time-consuming and costly process. Certain matters of procedure will also be governed by Israeli law.

Provisions of Israeli law may delay, prevent or make difficult an acquisition of our company, which could prevent a change of control and therefore depress the price of our shares.

The Israeli Companies Law, 1999 (the "Companies Law") generally requires that a merger be approved by the board of directors and by the general meeting of the shareholders. Upon the request of any creditor of a merging company, a court may delay or prevent the merger if it concludes that there is a reasonable concern that, as a result of the merger, the surviving company will be unable to satisfy its obligations. In addition, a merger may generally not be completed unless at least (i) 50 days have passed since the filing of the merger proposal with the Israeli Registrar of Companies and (ii) 30 days have passed since the merger was approved by the shareholders of each of the merging companies.

Also, in certain circumstances, an acquisition of shares in a public company must be made by means of a tender offer if, as a result of the acquisition, the purchaser would hold 25% or more of the voting rights in the company (unless there is already a 25% or greater shareholder of the company) or more than 45% of the voting rights in the company (unless there is already a shareholder that holds more than 45% of the voting rights in the company). If, as a result of an acquisition, the acquirer would hold more than 90% of a company's shares or voting rights, the acquisition must be made by means of a tender offer for all of the shares.

In addition, the Companies Law allows us to create and issue shares having rights different from those attached to our ordinary shares, including rights that may delay or prevent a takeover or otherwise prevent our shareholders from realizing a potential premium over the market value of their ordinary shares. The authorization of a new class of shares would require an amendment to our articles of association, which requires the prior approval of the holders of a majority of our shares at a general meeting.

These provisions could delay, prevent or impede an acquisition of us, even if such an acquisition would be considered beneficial by some of our shareholders.

Exchange rate fluctuations between the U.S. dollar and the NIS may negatively affect our earnings.

We derive all of our revenues in U.S. dollars. The U.S. dollar is our functional and reporting currency in all of our foreign locations. However, a significant portion of our liabilities, as well as our operating expenses, consisting principally of salaries and related personnel costs and facilities expenses, are denominated in NIS. This foreign currency exposure gives rise to market risk associated with exchange rate movements of the U.S. dollar against the NIS. To the extent that the value of the NIS increases against the U.S. dollar, our expenses on a U.S. dollar cost basis will increase. We cannot predict any future trends in the rate of appreciation of the NIS against the U.S. dollar. If the U.S. dollar cost of our salaries and related personnel costs and facilities expenses in Israel increases, our dollar-measured results of operations will be adversely affected. Our operations also could be adversely affected if we are unable to hedge against currency fluctuations in the future. Further, because all of our international revenues are denominated in U.S. dollars, a strengthening of the dollar versus other currencies could make our products less competitive in foreign markets and the collection of our receivables more difficult. To help manage this risk we have been engaged in foreign currency hedging activities, comprised of currency derivative instruments and natural hedges.

Our cost in Israel in U.S. dollar terms will also increase if inflation in Israel exceeds the devaluation of the NIS against the U.S. dollar or if the timing of such devaluation lags behind inflation in Israel.

The results of the United Kingdom's referendum on withdrawal from the European Union may have a negative effect on global economic conditions, financial markets and our business.

The United Kingdom ("U.K.") held a referendum on June 23, 2016 in which a majority of voters approved an exit from the European Union ("Brexit"). Following the recent U.K. Supreme Court ruling, the Parliament voted on February 1, 2017 in favor of starting the Brexit process. On March 29, 2017, the U.K. Prime Minister began the process for the U.K. to exit the European Union. Negotiations are expected to commence to determine the future terms of the U.K.'s relationship with the European Union, including, among other things, the terms of trade between the U.K. and the European Union. The effects of Brexit will depend on any agreements the U.K. reaches to retain access to European Union markets either during a transitional period or more permanently. The referendum has also given rise to calls for the governments of other European Union member

states to consider withdrawal. These developments, or the perception that any of them could occur, may have a material adverse effect on global economic conditions and the stability of global financial markets, and may significantly reduce global market liquidity and restrict the ability of key market participants to operate in certain financial markets. Any of these factors could depress economic activity and restrict our access to capital, which could have a material adverse effect on our business, financial condition and results of operations and reduce the price of our ordinary shares.

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.

Some of our operations in Israel have been granted "Approved Enterprise" and "Beneficiary Enterprise" status by the Investment Center in the Israeli Ministry of Economy and Industry and the Israeli Income Tax Authority, which makes us eligible for tax benefits under the Israeli Law for Encouragement of Capital Investments, 1959 ("The Law"). The availability of these tax benefits is subject to certain requirements, including, among other things, making specified investments in fixed assets and equipment, financing a percentage of those investments with our capital contributions, complying with our marketing program which was submitted to the Investment Center, filing of certain reports with the Investment Center, limiting manufacturing outside of Israel and complying with Israeli intellectual property laws. If we do not meet these requirements in the future, these tax benefits may be cancelled and we could be required to refund any tax benefits that we have already received plus interest and penalties thereon. The tax benefits that our current "Approved Enterprise" and "Beneficiary Enterprise" program receives may not be continued in the future at their current levels or at all. If these tax benefits were reduced or eliminated, the amount of taxes that we pay would likely increase, which could adversely affect our results of operations. Additionally, if we increase our activities outside of Israel, for example, by acquisitions, our increased activities may not be eligible for inclusion in Israeli tax benefit programs.

If we elect to distribute dividends out of exempt income derived from "Approved/Beneficiary Enterprise" income, we will be subject to tax on the gross amount distributed. The tax rate will be the rate which would have been applicable had we not been granted the beneficial status. This rate is generally between 10% and the corporate tax rate in Israel, depending on the percentage of our shares held by foreign shareholders. The dividend recipient is subject to withholding tax at the source at the reduced rate applicable to dividends from Approved Enterprises, which is 15% if the dividend is distributed during the tax exemption period (subject to the applicable double tax treaty) or within 12 years after the period. This 12-year limitation does not apply to foreign investment companies. The Law has defined certain actions that are deemed as dividend distributions and would trigger the recapture of tax benefits.

The Israeli government grants that we received require us to meet several conditions and restrict our ability to manufacture and engineer products and transfer know-how outside of Israel and require us to satisfy specified conditions.

We have received grants from the government of Israel through the Israeli National Authority for Technological Innovation, previously known as the Office of the Chief Scientist of Israel's Ministry of Economy and Industry (the "OCS"), for the financing of a portion of our research and development expenditures in Israel. When know-how is developed using or in connection with OCS grants, we can be subject to restrictions on the transfer of the know-how outside of Israel. Transfer of know-how outside of Israel requires pre-approval by the OCS which may at its sole discretion grant such approval and impose certain conditions, and is subject to the payment of a transfer fee calculated according to the formula provided in the R&D Law which takes into account, inter alia, the consideration for such know-how paid to us in the transaction in which the technology is transferred. In general, transfer fees are no less than the funding received plus interest less the royalties already paid for the transferred know-how and are not higher than six times the amount of the grants received by the company. In addition, any decrease of the percentage of manufacturing performed in Israel, as originally declared in the application to the OCS, requires us to obtain the approval of the OCS and may result in increased amounts to be paid to the OCS. These restrictions may impair our ability to enter into agreements for those products or technologies without the approval of the OCS. We cannot be certain that any approval of the OCS will be obtained on terms that are acceptable to us, or at all. Furthermore, in the event that we undertake a transaction involving the transfer to a non-Israeli entity of technology developed with OCS funding pursuant to a merger or similar transaction, the consideration available to our shareholders may be reduced by the amounts we are required to pay to the OCS. Any approval, if given, will generally be subject to additional financial obligations. If we fail to comply with the conditions imposed by the OCS, we may be required to refund any payments previously received, together with interest and penalties as well as tax benefits. Also, failure to meet the restrictions concerning transfer of know-how outside of Israel may trigger criminal liability.

Your rights and responsibilities as a shareholder will be governed by Israeli law and differ in some respects from the rights and responsibilities of shareholders under U.S. law.

We are incorporated under Israeli law. The rights and responsibilities of holders of our ordinary shares are governed by our amended and restated articles of association and by Israeli law. These rights and responsibilities differ in some respects from the rights and responsibilities of shareholders in typical U.S. corporations. In particular, a shareholder of an Israeli

company has a duty to act in good faith toward the company and other shareholders and to refrain from abusing his, her or its power in the company, including, among other things, in voting at the general meeting of shareholders on certain matters.

Risks Related to Our Ordinary Shares

The price of our ordinary shares may continue to be volatile, and the value of an investment in our ordinary shares may decline.

Factors that could cause volatility in the market price of our ordinary shares include, but are not limited to:

- quarterly variations in our results of operations or those of our competitors;
- announcements by us, our competitors, our customers or rumors from sources other than our company related to acquisitions, new products, significant contracts, commercial relationships, capital commitments or changes in the competitive landscape;
- our ability to develop and market new and enhanced products on a timely basis;
- disruption to our operations;
- geopolitical instability;
- the emergence of new sales channels in which we are unable to compete effectively;
- any major change in our board of directors or management;
- changes in financial estimates, including our ability to meet our future revenue and operating profit or loss projections;
- changes in governmental regulations or in the status of our regulatory approvals;
- general economic conditions and slow or negative growth of related markets;
- anticompetitive practices of our competitors;
- commencement of, or our involvement in, litigation;
- whether our operating results meet our guidance or the expectations of investors or securities analysts;
- continuing international conflicts and acts of terrorism; and
- changes in accounting rules.

We may need to raise additional capital, which might not be available or which, if available, may be on terms that are not favorable to us.

We may need to raise additional funds, and we cannot be certain that we will be able to obtain additional financing on favorable terms, if at all. If we issue equity securities to raise additional funds, the ownership percentage of our shareholders would be diluted, and the new equity securities may have rights, preferences or privileges senior to those of existing holders of our ordinary shares. If we borrow money, we may incur significant interest charges, which could harm our profitability. Holders of debt may also have certain rights, preferences or privileges senior to those of existing holders of our ordinary shares. If we cannot raise needed funds on acceptable terms, we may not be able to develop or enhance our products, take advantage of future opportunities or respond to competitive pressures or unanticipated requirements, which could harm our business, financial condition and results of operations.

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

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

The ownership of our ordinary shares may continue to be concentrated, and your interests may conflict with the interests of our significant shareholders.

As of April 21, 2017, based on information filed with the SEC or reported to us, Oracle Corporation beneficially owned an aggregate of approximately 7.6% of our outstanding ordinary shares and FMR, LLC owned approximately 5.3% of our outstanding ordinary shares. These shareholders, taken together with our executive officers and directors and their affiliates, beneficially owned an aggregate of approximately 18.2% of our outstanding ordinary shares. Accordingly, these shareholders, should they act as a group, would have significant influence over the outcome of corporate actions requiring shareholder approval, including the election of directors, any merger, consolidation or sale of all or substantially all of our assets or any other significant corporate transaction. These shareholders could delay or prevent a change of control of our company, even if such a change of control would benefit our other shareholders. The significant concentration of share ownership may adversely affect the trading price of our ordinary shares due to investors' perception that conflicts of interest may exist or arise.

If securities or industry analysts do not publish research or reports about our business, if they adversely change their recommendations regarding our ordinary shares or if our operating results do not meet their expectations, the market price of our ordinary shares could decline.

The trading market for our ordinary shares could be influenced by the research and reports that industry or securities analysts publish about us or our business. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, we could lose visibility in the financial markets, which in turn could cause the price of our ordinary shares or trading volume in our ordinary shares to decline. Moreover, if one or more of the analysts who cover our company downgrades our ordinary shares or if our operating results do not meet their expectations, the market price of our ordinary shares could decline.

Provisions of our articles of association could delay or prevent an acquisition of our company, even if the acquisition would be beneficial to our shareholders, and could make it more difficult for shareholders to change management.

Provisions of our amended and restated articles of association may discourage, delay or prevent a merger, acquisition or other change in control that shareholders may consider favorable, including transactions in which shareholders might otherwise receive a premium for their shares. In addition, these provisions may frustrate or prevent any attempt by our shareholders to replace or remove our current management by making it more difficult to replace or remove our board of directors. These provisions include:

- no cumulative voting;
- a requirement for any merger involving the Company shall require the approval of the shareholders of at least a majority of the voting power of the Company;
- a requirement for the approval of at least 75% of the voting power represented at the general meeting of the shareholders for the removal of any director (not including external directors) from office, and election of any director instead of the director so removed; and
- an advance notice requirement for shareholder proposals and nominations.

Furthermore, Israeli tax law treats some acquisitions, particularly share-for-share swaps between an Israeli company and a foreign company, less favorably than U.S. tax law. Under certain circumstances and subject to receiving a ruling from the ITA, Israeli tax law generally provides that a shareholder who exchanges our shares for shares that are listed for trading on an Exchange in a foreign corporation is treated as if the shareholder has sold the shares. In such a case, the shareholder will generally be subject to Israeli taxation on any capital gains from the sale of shares (after two years, with respect to one half of the shares, and after four years, with respect to the balance of the shares, in each case unless the shareholder sells such shares at an earlier date), unless a relevant tax treaty between Israel and the country of the shareholder's residence exempts the shareholder from Israeli tax. For a further discussion of Israeli laws relating to mergers and acquisitions, please see " *Risk Factors-Provisions of Israeli law may delay, prevent or make difficult an acquisition of our company, which could prevent a change of control and therefore depress the price of our shares* ." These provisions in our amended and restated articles of association and other provisions of Israeli law could limit the price that investors are willing to pay in the future for our ordinary shares.

We have never paid cash dividends on our share capital, and, while the Board regularly reviews our cash position and uses for cash, we do not anticipate paying any cash dividends 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 your sole source of gain for the foreseeable future.

We may incur increased costs as a result of changes in laws and regulations relating to corporate governance matters.

Changes in the laws and regulations affecting public companies, including Israeli laws, rules adopted by the SEC, the NASDAQ Stock Market, the Financial Accounting Standards Board and the Public Company Accounting Oversight Board, may result in increased costs to us as we respond to their requirements. These laws and regulations could make it more difficult or more costly for us to obtain certain types of insurance, including director and officer liability insurance, and we may be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. The impact of these requirements could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, our board committees or as executive officers. We cannot predict or estimate the amount or timing of additional costs we may incur to respond to these requirements.

ITEM 2 — UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Not applicable.

ITEM 3 — DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4 — MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5 — OTHER INFORMATION

None.

ITEM 6 — EXHIBITS

3.1	(1)	Amended and Restated Articles of Association of Mellanox Technologies, Ltd. (as amended on May 9, 2016)
3.2	†	Mellanox Technologies, Ltd. Second Amended and Restated Global Share Incentive Plan (2006)
10.1	†	Lease Agreement, dated April 9, 2017, by and between the Company, as tenant, and Rubinstein Buildings Ltd., as landlord (as translated from Hebrew)
31.1		Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2		Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1		Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2		Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS		XBRL Instance Document
101.SCH		XBRL Taxonomy Extension Schema Document
101.CAL		XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB		XBRL Taxonomy Extension Label Linkbase Document
101.PRE		XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF		XBRL Taxonomy Extension Definition Linkbase Document

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(1) Incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q (SEC File No. 001-33299) filed on July 29, 2016.

† Filed herewith.

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

Date: May 5, 2017	Mellanox Technologies, Ltd.
	/s/ Jacob Shulman
	Jacob Shulman
	Chief Financial Officer
	(Duly Authorized Officer and Principal Financial Officer)

Exhibit 3.2

MELLANOX TECHNOLOGIES, LTD.
SECOND AMENDED AND RESTATED GLOBAL SHARE INCENTIVE PLAN (2006)

1. NAME AND PURPOSE.

1.1 This plan shall be known as the Mellanox Technologies, Ltd. Second Amended and Restated Global Share Incentive Plan (2006) (the " **Plan** ").

The Board of Directors adopted the Mellanox Technologies, Ltd. Global Share Incentive Plan (2006) (the " **2006 Plan** ") on October 26, 2006, and the 2006 Plan was approved by the Company's shareholders on December 5, 2006. The 2006 Plan was amended and restated by the Board as of March 14, 2016 (the " **First Restated Plan** "), and the First Restated Plan was approved by the Company's shareholders on May 9, 2016. The First Restated Plan is hereby amended and restated effective as of February 14, 2017 (the " **Effective Date** "), subject to the approval by the Company's shareholders within twelve months of the date it is approved by the Board of Directors.

1.2 The purposes of the Plan are to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentive to Service Providers of the Company and its affiliates and subsidiaries, if any, and to promote the Company's business by providing such individuals with opportunities to receive Awards pursuant to the Plan and to strengthen the sense of common interest between such individuals and the Company's shareholders.

1.3 Awards granted under the Plan to Service Providers in various jurisdictions may be subject to specific terms and conditions for such grants may be set forth in one or more separate appendix to the Plan, as may be approved by the Board of Directors of the Company from time to time.

2. DEFINITIONS.

" **Administrator** " shall mean the Board of Directors or a Committee.

" **Appendix** " shall mean any appendix to the Plan adopted by the Board of Directors containing country-specific or other special terms relating to Awards including grants of restricted shares and other equity-based Awards.

" **Award** " shall mean a grant of Options, other equity-based awards granted in accordance with the provisions of an Appendix, including a Performance-Based Award, or other allotment of Shares hereunder. All Awards shall be confirmed by an Award Agreement, and subject to the terms and conditions of such Award Agreement.

" **Award Agreement** " shall mean a written instrument setting forth the terms applicable to a particular Award.

" **Board of Directors** " shall mean the board of directors of the Company.

" **Cause** " shall have the meaning ascribed to such term or a similar term as set forth in the Participant's employment agreement or the agreement governing the provision of services by a non-employee Service Provider, or, in the absence of such a definition: (i) conviction (or plea of *nolo contendere*) of any felony or crime involving moral turpitude or affecting the Company; (ii) repeated and unreasonable refusal to carry out a reasonable and lawful directive of the Company or of Participant's supervisor which involves the business of the Company or its affiliates and was capable of being lawfully performed; (iii) fraud or embezzlement of funds of the Company or its affiliates; (iv) any breach by a director of his / her fiduciary duties or duties of care towards the Company; and (v) any disclosure of confidential information of the Company or breach of any obligation not to compete with the Company or not to violate a restrictive covenant.

" **Change in Control** " shall mean and includes each of the following:

(a) A transaction or series of transactions (other than an offering of Shares to the general public through a registration statement filed under the laws of any applicable jurisdiction) whereby any person or
related group of persons (other than the Company, any of its subsidiaries, an employee benefit plan maintained by the Company or any of its subsidiaries or a person that, prior to such transaction, directly or indirectly controls, is controlled by, or is under common control with, the Company) directly or indirectly acquires beneficial ownership of securities of the Company possessing more than 50% of the total combined voting power of the Company's securities outstanding immediately after such acquisition; or

(b) During any period of two consecutive years, individuals who, at the beginning of such period, constitute the Board of Directors together with any new director(s) (other than a director designated by a person who shall have entered into an agreement with the Company to effect a transaction described in Subsections (a) or (c) hereof) whose election by the Board of Directors or nomination for election by the Company's shareholders was approved by a vote of at least two-thirds of the directors

then still in office who either were directors at the beginning of the two-year period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof; or

(c) The consummation by the Company (whether directly involving the Company or indirectly involving the Company through one or more intermediaries) of (x) a merger, consolidation, reorganization, or business combination or (y) a sale or other disposition of all or substantially all of the Company's assets in any single transaction or series of related transactions or (z) the acquisition of assets or shares of another entity, in each case other than a transaction:

(i) Which results in the Company's voting securities outstanding immediately before the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of the Company or the person that, as a result of the transaction, controls, directly or indirectly, the Company or owns, directly or indirectly, all or substantially all of the Company's assets or otherwise succeeds to the business of the Company (the Company or such person, the " **Successor Entity** ")) directly or indirectly, at least a majority of the combined voting power of the Successor Entity's outstanding voting securities immediately after the transaction, and

(ii) After which no person or group beneficially owns voting securities representing 50% or more of the combined voting power of the Successor Entity; provided, however, that no person or group shall be treated for purposes of this Subsection (c)(ii) as beneficially owning 50% or more of combined voting power of the Successor Entity solely as a result of the voting power held in the Company prior to the consummation of the transaction; or

(d) The Company's shareholders approve a liquidation or dissolution of the Company.

Notwithstanding the foregoing, if a Change in Control constitutes a payment event with respect to any Award (or any portion of an Award) that provides for the deferral of compensation that is subject to Section 409A, to the extent required to avoid the imposition of additional taxes under Section 409A, the transaction or event described in subsection (a), (b), (c) or (d) with respect to such Award (or portion thereof) shall only constitute a Change in Control for purposes of the payment timing of such Award if such transaction also constitutes a "change in control event," as defined in Treasury Regulation Section 1.409A-3(i)(5).

The Administrator shall have full and final authority, which shall be exercised in its discretion, to determine conclusively whether a Change in Control of the Company has occurred pursuant to the above definition, and the date of the occurrence of such Change in Control and any incidental matters relating thereto; provided that any exercise of authority in conjunction with a determination of whether a Change in Control is a "change in control event" as defined in Treasury Regulation Section 1.409A-3(i)(5) shall be consistent with such regulation.

" **Code** " shall mean the U.S. Internal Revenue Code of 1986, as amended. Any reference to any section of the Code shall also be a reference to any successor provision and any Treasury Regulation promulgated thereunder.

" **Committee** " shall mean the compensation committee or other committee as may be appointed and maintained by the Board of Directors, in its discretion, to administer the Plan, to the extent permissible under applicable law, as amended from time to time.

" **Company** " shall mean Mellanox Technologies, Ltd., an Israeli company, and its successors and assigns.

" **Companies Law** " shall mean the Israeli Companies Law 5759-1999, as amended from time to time.

" **Consultant** " shall mean any individual who (either directly or through his or her employer) is an advisor or consultant to the Company or any affiliate thereof.

" **Corporate Charter** " shall mean the Articles of Association of the Company, and any subsequent amendments or replacements thereto.

" **Covered Employee** " means an employee, including an officer, of the Company or any subsidiary thereof who is, or could be, a "covered employee" within the meaning of Section 162(m) of the Code.

" **Disability** " shall have the meaning ascribed to such term or a similar term in the Participant's employment agreement (where applicable), or in the absence of such a definition, the inability of the Participant, in the opinion of a qualified physician acceptable to the Company, to perform the major duties of the Participant's position with the Company because of the sickness or injury of the Participant for a consecutive period of 180 days.

" **Effective Date** " shall have the meaning ascribed to it in Section 1.1 hereof.

" **Equity Restructuring** " shall mean a non-reciprocal transaction between the Company and its shareholders, such as a share dividend, share split, spin-off, rights offering or recapitalization through a large, nonrecurring cash dividend, that affects the Shares (or other securities of the Company) or the share price of Shares (or other securities) and causes a change in the per share value of the Shares underlying outstanding Awards.

" **Exchange Act** " shall mean the U.S. Securities Exchange Act of 1934, as amended. Any references to any section of the Exchange Act shall also be a reference to any successor provision.

“ **Non-Employee Director** ” shall mean a member of the Board of Directors who is not an employee of the Company or any of its affiliates.

“ **Options** ” shall mean options to purchase Shares awarded under the Plan.

“ **Participant** ” shall mean a recipient of an Award hereunder who executes an Award Agreement.

“ **Performance-Based Award** ” means an Award granted to selected Covered Employees pursuant to this Plan, including pursuant to the provisions of an Appendix, but which is subject to the terms and conditions set forth in Section 10 hereof.

“ **Performance Criteria** ” means the criteria that the Committee selects for purposes of establishing the Performance Goal or Performance Goals for a Participant for a Performance Period. The Performance Criteria that will be used to establish Performance Goals are limited to the following: net earnings (either before or after interest, taxes, depreciation and amortization), economic value-added, sales or revenue, net income (either before or after taxes), operating earnings, cash flow (including, but not limited to, operating cash flow and free cash flow), cash flow return on capital, return on net assets, return on shareholders’ equity, return on assets, return on capital, shareholder returns, return on sales, gross or net profit margin, productivity, expense, margins, operating efficiency, customer satisfaction, working capital, earnings per Share, price per Share, and market share, any of which may be measured either in absolute terms or as compared to any incremental increase or as compared to results of a peer group. The Committee shall define in an objective fashion the manner of calculating the Performance Criteria it selects to use for such Performance Period for such Participant.

“ **Performance Goals** ” means, for a Performance Period, the goals established in writing by the Committee for the Performance Period based upon the Performance Criteria. Depending on the Performance Criteria used to establish such Performance Goals, the Performance Goals may be expressed in terms of overall Company performance or the performance of a division, a business or functional unit, or an individual. The Committee, in its sole discretion, may provide that one or more objectively determinable adjustments shall be made to one or more of the Performance Goals. Such adjustments may include, but are not limited to, one or more of the
following: (i) items related to a change in applicable accounting standards; (ii) items relating to financing activities; (iii) expenses for restructuring or productivity initiatives; (iv) other non-operating items; (v) items related to acquisitions; (vi) items attributable to the business operations of any entity acquired by the Company during the Performance Period; (vii) items related to the sale or disposition of a business or segment of a business; (viii) items related to discontinued operations that do not qualify as a segment of a business under applicable accounting standards; (ix) items attributable to any share dividend, share split, combination or exchange of shares occurring during the Performance Period; (x) any other items of significant income or expense which are determined to be appropriate adjustments; (xi) items relating to unusual or extraordinary corporate transactions, events or developments, (xii) items related to amortization of acquired intangible assets; (xiii) items that are outside the scope of the Company’s core, on-going business activities; (xiv) items related to acquired in-process research and development; (xv) items relating to changes in tax laws; (xvi) items relating to major licensing or partnership arrangements; (xvii) items relating to asset impairment charges; (xviii) items relating to gains or losses for litigation, arbitration and contractual settlements; (xix) items attributable to expenses incurred in connection with a reduction in force or early retirement initiative; (xx) items relating to non-cash income or expense or (xxi) items relating to any other unusual or nonrecurring events or changes in applicable law, applicable accounting standards or business conditions. For all Awards intended to qualify as Performance-Based Compensation, such determinations shall be made within the time prescribed by, and otherwise in compliance with, Section 162(m) of the Code.

“ **Performance Period** ” means the one or more periods of time, which may be of varying and overlapping durations, as the Committee may select, over which the attainment of one or more Performance Goals will be measured for the purpose of determining a Participant’s right to, and the payment of, a Performance-Based Award.

“ **Prior Plans** ” shall mean the Company 1999 United States Equity Incentive Plan, the Company 1999 Israeli Share Option Plan, the Company 2003 Israeli Share Option Plan, the Voltaire Ltd. 2007 Incentive Compensation Plan, the Voltaire Ltd. Section 102 Stock Option/Stock Purchase Plan, the Voltaire, Ltd. 2001 Section 102 Stock Option/Stock Purchase Plan, the Voltaire Ltd. 2001 Stock Option Plan, the Kotura, Inc. Second Amended and Restated 2003 Stock Plan, the IPtronics, Inc. 2013 Restricted Stock Unit Plan, the EZchip Semiconductor Ltd. 2003 Amended and Restated Equity Incentive Plan, the EZchip Semiconductor Ltd. 2007 U.S. Equity Incentive Plan and the Amended and Restated EZchip Semiconductor Ltd. 2009 Equity Incentive Plan, and the Company Global Share Incentive Assumption Plan (2010).

“ **Qualified Performance-Based Compensation** ” means any compensation that is intended to qualify as “qualified performance-based compensation” as described in Section 162(m)(4)(C) of the Code.

“ **Service Provider** ” shall mean an employee, member of the Board of Directors, office holder or Consultant of the Company or any affiliate thereof.

“ **Shares** ” shall mean Ordinary Shares, nominal value NIS 0.01 per share, of the Company.

3. ADMINISTRATION OF THE PLAN

3.1 The Plan shall be administered by the Administrator. If the Administrator is a Committee, such Committee shall consist of such number of members of the Board of Directors of the Company (not less than two in number), as may be determined from time to time by the Board of Directors. The Board of Directors shall appoint such members of the Committee, may from time to time remove members from, or add members to, the Committee, and shall fill vacancies in the Committee however caused.

3.2 In order to comply with the requirements of Section 162(m) of the Code, Rule 16b-3 promulgated under the Exchange Act or to the extent required by any other applicable rule or regulation, the Plan shall be administered jointly by the Board of Directors and a Committee consisting solely of two or more members of the Board of Directors each of whom is an "outside director," within the meaning of Section 162(m) of the Code, a member of the Board of Directors who qualifies as a "Non-Employee Director" as defined in Rule 16b-3(b)(3) under the Exchange Act or any successor rule and an "independent director" under The NASDAQ Stock Market ("NASDAQ") rules (or other principal securities market on which Shares are traded). Without limiting the application of this Section 3.2, to the extent necessary to comply with the requirements of Section 162(m) of the Code and Rule 16b-3 promulgated under the Exchange Act, Awards shall be granted by a Committee consisting of members who satisfy the requirements specified in the foregoing sentence and shall be ratified by the Board of Directors. Notwithstanding the foregoing, but subject to Section 4.1 hereof, the full Board of Directors, acting by a majority of its members in office, shall conduct the general administration of the Plan with respect to all Awards granted to a member of the Board of Directors who is not an employee of the Company or any affiliate thereof, and for purposes of such Awards the term "Committee" as used in this Plan shall be deemed to refer to the Board of Directors. In its sole discretion, the Board of Directors may at any time and from time to time exercise any and all rights and duties of the Committee under the Plan except with respect to matters which under Rule 16b-3 under the Exchange Act or Section 162(m) of the Code, or any regulations or rules issued thereunder, are required to be determined in the sole discretion of the Committee.

3.3 The Committee, if appointed, shall select one of its members as its Chairman and shall hold its meetings at such times and places as it shall determine. Actions at a meeting of the Committee at which a majority of its members are present or acts approved in writing by all members of the Committee, shall be the valid acts of the Committee. The Committee shall appoint a Secretary, who shall keep records of its meetings and shall make such rules and regulations for the conduct of its business and the implementation of the Plan, as it shall deem advisable, subject to the directives of the Board of Directors and in accordance with applicable law.

3.4 Subject to the general terms and conditions of the Plan, and in particular Section 3.5 below, the Administrator shall have full authority in its discretion, from time to time and at any time, to determine (i) eligible Participants, (ii) the number of Options or Shares to be covered by each Award, (iii) the time or times at which the Award shall be granted, (iv) the vesting schedule and other terms and conditions applying to Awards, including accelerations or waivers of restrictions, (v) the form(s) of Award Agreements, and (vi) any other matter which is necessary or desirable for, or incidental to, the administration of the Plan. The Board of Directors may, in its sole discretion, delegate some or all of the powers listed above to the Committee, to the extent permitted by the Companies Law, its Corporate Charter or other applicable law, rules or regulations to which the Company is subject.

3.5 In the event that the Administrator is a Committee, the Committee shall not be entitled to grant Options to the Participants (unless permitted to do so by the Companies Law). However, in the event that the Committee is authorized to do so by the Board of Directors, it may issue Shares underlying Options which have been granted by the Board of Directors and duly exercised pursuant to the provisions hereof, in accordance with Sections 112(a)(5) and 288 of the Companies Law.

3.6 No member of the Board of Directors or of the Committee shall be liable for any action or determination made in good faith with respect to the Plan or any Award granted hereunder. Subject to the Company's decision and to all approvals legally required, each member of the Board of Directors or the Committee shall be indemnified and held harmless by the Company against any cost or expense (including counsel fees) reasonably incurred by him, or any liability (including any sum paid in settlement of a claim with the approval of the Company) arising out of any act or omission to act in connection with the Plan unless arising out of such member's own willful misconduct or bad faith, to the fullest extent permitted by applicable law. Such indemnification shall be in addition to any rights of indemnification the member may have as a director or otherwise under the Company's Corporate Charter, any agreement, any vote of shareholders or disinterested directors, any insurance policy or otherwise.

3.7 The interpretation and construction by the Administrator of any provision of the Plan or of any Option hereunder shall be final and conclusive. In the event that the Board of Directors appoints a Committee, the interpretation and construction by the Committee of any provision of the Plan or of any Option hereunder shall upon ratification by the Board of Directors, be final and conclusive unless otherwise determined by the Board of Directors. To avoid doubt, subject to Section 3.2 hereof, the Board of Directors may at any time exercise any powers of the Administrator, notwithstanding the fact that a Committee has been appointed.

3.8 The Administrator shall have the authority to adopt, alter and repeal such administrative rules, guidelines and practices governing the Plan and perform all acts, including the delegation of its responsibilities

(to the extent permitted by applicable law and applicable stock exchange rules), as it shall, from time to time, deem advisable; to construe and interpret the terms and provisions of the Plan and any Award issued under the Plan (and any agreements relating thereto); and to otherwise supervise the administration of the Plan. The Administrator may correct any defect, supply any omission or reconcile any inconsistency in the Plan or in any agreement relating thereto in the manner and to the extent it shall deem necessary to effectuate the purpose and intent of the Plan. Notwithstanding the foregoing, no action of the Administrator under this Section 3.8 shall reduce the rights of any Participant without the Participant's consent.

3.9 Without limiting the generality of the foregoing, the Administrator may adopt special Appendices and/or guidelines and provisions for persons who are residing in or employed in, or subject to, the taxes of, any domestic or foreign jurisdictions, to comply with applicable laws, regulations, or accounting, listing or other rules with respect to such domestic or foreign jurisdictions.

4. ELIGIBLE PARTICIPANTS.

4.1 No Award may be granted pursuant to the Plan to any person serving as a member of the Committee or to any other member of the Board of Directors at the time of the grant, unless such grant is approved in the manner prescribed for the approval of compensation of directors under Section 273 of the Companies Law. To avoid doubt, such Awards require approval of the audit committee of the Board of Directors, the Board of Directors and the shareholders of the Company.

4.2 Subject to the limitation set forth in Section 4.1 above and any restriction imposed by applicable law, Awards may be granted to any Service Provider of the Company, whether or not the Service Provider is a member of the Board of Directors or a member of the board of directors of an affiliate of the Company. The grant of an Award to a Participant hereunder shall neither entitle such Participant to receive an additional Award or participate in other incentive plans of the Company, nor disqualify such Participant from receiving and additional Award or participating in other incentive plans of the Company.

5. RESERVED SHARES.

5.1 Subject to Section 12.1 hereof, as of the Effective Date, the aggregate number of Shares which may be issued or transferred pursuant to Awards under the Plan shall be the sum of (i) 2,390,000 Shares and (ii) any Shares which as of the effective date of the First Restated Plan are subject to awards outstanding under the Prior Plans that expire, are cancelled or otherwise terminate unexercised, or Shares that otherwise would have reverted to the share reserve of the Prior Plans following the effective date of the First Restated Plan. Anything to the contrary herein notwithstanding, the maximum aggregate number of Shares that may be issued or transferred pursuant to Awards under the Plan during the term of the Plan shall not exceed 8,440,000 Shares, subject to Section 12.1 hereof. Subject to Section 14.2 hereof, the Company shall determine the number of Shares reserved hereunder from time to time, and such number may be increased or decreased by the Company from time to time.

5.2 Any Shares subject to an Award that shall for any reason terminate, expire or otherwise lapse shall again be available for grant as Awards under the Plan. Notwithstanding anything to the contrary contained herein, the following Shares shall not be added to the Shares authorized for grant under Section 5.1 and shall not be available for future grants of Awards: (i) Shares tendered by a Participant or withheld by the Company in payment of the exercise price of an Option; (ii) Shares tendered by the Participant or withheld by the Company to satisfy any tax withholding obligation with respect to an Award; and (iii) Shares purchased on the open market with the cash proceeds from the exercise of Options. Any Shares repurchased by the Company at the same price paid by the Participant so that such Shares are returned to the Company shall again be available for Awards. To the extent permitted by applicable law or any exchange rule, Shares issued in assumption of, or in substitution for, any outstanding awards of any entity acquired in any form of combination by the Company or any affiliate shall not be counted against Shares available for grant pursuant to this Plan. Any Shares that remain unissued and are not subject to Awards at the termination of the Plan shall cease to be reserved for purposes of the Plan. Until termination of the Plan the Company shall at all times reserve a sufficient number of Shares to meet the requirements of the Plan.

5.3 Notwithstanding any provision in the Plan to the contrary, and subject to Section 12.1 hereof, the maximum number of Shares with respect to one or more Awards that may be granted to any one Participant during any calendar year (measured from the date of any grant) shall be four million (4,000,000) Shares. Notwithstanding any provision to the contrary in the Plan, the grant date fair value of Awards granted to a Non-Employee Director during any calendar year shall not exceed five hundred thousand dollars ($500,000) (the "Director Limit").

5.4 Notwithstanding any provision in the Plan to the contrary, and subject to Section 12.1 hereof, Awards granted under the Plan shall vest no earlier than the first anniversary of the date the Award is granted and no Award Agreement shall reduce or eliminate such minimum vesting requirement; provided, however, that, notwithstanding the foregoing, (i) Awards that result in the issuance of an aggregate of up to 5% of the Shares available pursuant to Section 5.1 may be granted to any one or more Participants without respect to such minimum vesting provisions and (ii) the Administrator may provide that such vesting provisions may lapse or be waived in connection with or following a Participant's death, Disability, termination of status as a Service Provider or the consummation of a Change in Control. For purposes of Awards to Non-Employee Directors, a vesting period will be deemed

to be one year if it runs from the date of one annual meeting of the Company's shareholders to the next annual meeting of the Company's shareholders, so long as the period between meetings is not less than 50 weeks.

5.5 Notwithstanding any provision in the Plan to the contrary, except in connection with a spin-off or other similar event or as otherwise permitted under Section 12.1, dividends which are paid in respect of any Shares underlying an Award prior to the vesting of such Award shall only be paid out to the Participant to the extent that the vesting conditions are subsequently satisfied and the Award vests.

6. AWARD AGREEMENT.

6.1 The Board of Directors, and to the extent contemplated under Section 3.2 hereof, a Committee and the Board of Directors, in their discretion may award to Participants Awards available under the Plan. The terms of the Award will be set forth in the Award Agreement. The date of grant of each Award shall be the date specified by the Board of Directors, and the Committee, as applicable, at the time such award is made, or in the absence of such specification, the date of approval of the award by the Board of Directors, and the Committee, as applicable.

6.2 The Award Agreement shall state, *inter alia* , the number of Options or Shares covered thereby, the type of Option or other Award, any special terms applying to such Award (if any), including the terms of any country-specific or other Appendix, as determined by the Board of Directors, and the Committee, as applicable.

7. OPTION PRICES.

7.1 The exercise price for each Share to be issued upon exercise of an Option shall be such price as is determined by the Board of Directors in its discretion, provided that the price per Share is not less than Fair Market Value (as defined in the applicable Appendix), and subject to any further restrictions set forth in an applicable Appendix.

8. EXERCISE OF OPTION.

8.1 Options shall be exercisable pursuant to the terms under which they were awarded and subject to the terms and conditions of the Plan and any applicable Appendix, as specified in the Award Agreement.

8.2 An Option, or any part thereof, shall be exercisable by the Participant's signing and returning to the Company at its principal office (and to the Trustee, where applicable), a "Notice of Exercise" in such form and substance as may be prescribed by the Administrator from time to time, together with full payment for the Shares underlying such Option.

8.3 Each payment for Shares under an Option shall be in respect of a whole number of Shares, shall be effected in (i) cash, (ii) by check payable to the order of the Company, (iii) Shares held for such period of time as may be required by the Administrator in order to avoid adverse accounting consequences and having a fair market value on the date of delivery equal to the aggregate exercise price of the Option or exercised portion
thereof, or (iv) such other method of payment acceptable to the Company as determined by the Administrator, and shall be accompanied by a notice stating the number of Shares being paid for thereby.

8.4 Until the Shares are issued (as evidenced by the appropriate entry in the share register of the Company or of a duly authorized transfer agent of the Company) a Participant shall have no right to vote or right to receive dividends or any other rights as a shareholder shall exist with respect to such Shares, notwithstanding the exercise of the Option. The Company shall issue (or cause to be issued) such Shares promptly after the Option is exercised. No adjustment shall be made for a dividend or other right the record date for which is prior to the date the Shares are issued, except as provided in Section 12.1 of the Plan.

8.5 To the extent permitted by law, if the Shares are traded on a national securities exchange, NASDAQ or quoted on a national quotation system or otherwise publicly traded or quoted, payment for the Shares underlying an Option may be made all or in part by the delivery (on a form prescribed by the Company) of an irrevocable direction to a securities broker approved by the Company to sell Shares and to deliver all or part of the sales proceeds to the Company in payment of the exercise price (or the relevant portion thereof, as applicable) and any withholding taxes, or on such other terms and conditions as may be acceptable to the Administrator. No Shares shall be issued until payment therefor, as provided herein, has been made or provided for.

9. PROHIBITION ON REPRICING.

Subject to Section 12, the Administrator shall not, without the approval of the shareholders of the Company, (a) authorize the amendment of any outstanding Option to reduce its price per Share, or (b) cancel any Option in exchange for cash or another Award when the Option price per Share exceeds the fair market value of the underlying Shares. Furthermore, for purposes of this Section 9, except in connection with a corporate transaction involving the Company (including, without limitation, any share dividend, share split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination or exchange of shares), the terms of outstanding Options may not be amended to reduce the exercise price per Share or cancel outstanding Options in exchange for cash, other Awards or Options with an exercise price per Share that is less than the exercise price per Share of the original Options without the approval of the shareholders of the Company.

10. PERFORMANCE BASED AWARDS.

10.1 Purpose . The purpose of this Section 10 is to provide the Committee the ability to grant Awards that are intended to constitute Qualified Performance-Based Compensation. If the Committee, in its discretion, decides to grant a Performance-Based Award to a Covered Employee, the provisions of this Section 10 shall control over any contrary provision contained in this Plan or an Appendix; *provided* , *however* , that the Committee may in its discretion grant Awards to Covered Employees that are based on Performance Criteria or Performance Goals but that do not satisfy the requirements of this Section 10.

10.2 Applicability . This Section 10 shall apply only to those Covered Employees selected by the Committee to receive Performance-Based Awards. The designation of a Covered Employee as a Participant for a Performance Period shall not in any manner entitle the Participant to receive an Award for the period. Moreover, designation of a Covered Employee as a Participant for a particular Performance Period shall not require designation of such Covered Employee as a Participant in any subsequent Performance Period and designation of one Covered Employee as a Participant shall not require designation of any other Covered Employees as a Participant in such period or in any other period.

10.3 Procedures with Respect to Performance-Based Awards . To the extent necessary to comply with the Qualified Performance-Based Compensation requirements of Section 162(m)(4)(C) of the Code, with respect to any Award granted under this Plan, including under an Appendix, which may be granted to one or more Covered Employees, no later than ninety (90) days following the commencement of any fiscal year in question or any other designated fiscal period or period of service (or such other time as may be required or permitted by Section 162(m) of the Code), the Committee shall, in writing, (a) designate one or more Covered Employees, (b) select the Performance Criteria applicable to the Performance Period, (c) establish the Performance Goals, and amounts of such Awards, as applicable, which may be earned for such Performance Period, and (d) specify the relationship between Performance Criteria and the Performance Goals and the amounts of such Awards, as applicable, to be earned by each Covered Employee for such Performance Period. Following the completion of each Performance Period, the Committee shall certify in writing whether the applicable Performance Goals have been achieved for such Performance Period. In determining the amount earned by a Covered Employee, the Committee shall have the right to reduce or eliminate (but not to increase) the amount payable at a given level of performance to take into account additional factors that the Committee may deem relevant to the assessment of individual or corporate performance for the Performance Period.

10.4 Payment of Performance-Based Awards . Unless otherwise provided in the applicable Award Agreement, a Participant must be employed by the Company or a subsidiary of the Company on the day a Performance-Based Award for such Performance Period is paid to the Participant. Furthermore, a Participant shall be eligible to receive payment pursuant to a Performance-Based Award for a Performance Period only if the Performance Goals for such period are achieved. In determining the amount earned under a Performance-Based Award, the Committee may reduce or eliminate the amount of the Performance-Based Award earned for the Performance Period, if in its sole and absolute discretion, such reduction or elimination is appropriate.

10.5 Additional Limitations . Notwithstanding any other provision of the Plan, any Award which is granted to a Covered Employee and is intended to constitute Qualified Performance-Based Compensation shall be subject to any additional limitations set forth in Section 162(m) of the Code (including any amendment to Section 162(m) of the Code) or any regulations or rulings issued thereunder that are requirements for qualification as qualified performance-based compensation as described in Section 162(m)(4)(C) of the Code, and the Plan shall be deemed amended to the extent necessary to conform to such requirements.

11. TERMINATION OF RELATIONSHIP AS SERVICE PROVIDER.

11.1 Effect of Termination; Exercise After Termination . Unless otherwise determined by the Administrator, if a Participant ceases to be a Service Provider, such Participant may exercise any outstanding Options within such period of time as is specified in the Award Agreement or the Plan to the extent that the Options are vested on the date of termination (but in no event later than the expiration of the term of the Option as set forth in the Award Agreement). If, on the date of termination, any Options or other Awards are unvested, the Shares covered by the unvested portion of the Option or other Award shall revert to the Plan. If, after termination, the Participant does not exercise the vested Options within the time specified in the Award Agreement or the Plan, the Option shall terminate, and the Shares covered by such Option shall revert to the Plan. In the absence of a provision specifying otherwise in the relevant Award Agreement, then:

(a) in the event that the Participant ceases to be a Service Provider for any reason other than termination for Cause as a result of the Participant’s death or Disability, the vested Options shall remain exercisable for a period of three (3) months from the effective date of termination of the Participant’s status as a Service Provider;

(b) in the event that the Participant ceases to be a Service Provider for Cause, any outstanding unexercised Option (whether vested or unvested) will immediately expire and terminate, and the Participant shall not have any rights in connection with such Options.

(c) in the event that the Participant ceases to be a Service Provider as a result of the Participant’s Disability, the Option shall remain exercisable for twelve (12) months following the Participant’s date of termination for Disability.

(d) in the event that the Participant dies while a Service Provider, the Option shall remain exercisable by the Participant's estate or by a person who acquires the right to exercise the Option by bequest or inheritance for twelve (12) months following the Participant's date of death.

11.2 Date of Termination . For purposes of the Plan and any Option or Option Agreement, the date of termination (whether for Cause or otherwise) shall be the effective date of termination of the Participant's employment or engagement as a Service Provider.

11.3 Leave of Absence . Unless the Administrator provides otherwise, vesting of Options granted hereunder shall be suspended during any unpaid leave of absence. A Service Provider shall not cease to be
considered as such in the case of any (a) leave of absence approved by the Company, or (b) transfers between locations of the Company or between the Company, and its parent, subsidiary, affiliate, or any successor thereof; or (c) changes in status (employee to member of the Board of Directors, employee to Consultant, etc.), provided that such change does not affect the specific terms applying to the Service Provider's Award.

12. CHANGE IN CAPITAL STRUCTURE.

Upon the occurrence of any of the following described events, a Participant's rights to purchase Shares under the Plan shall be adjusted as hereinafter provided:

12.1 Adjustments .

(a) In the event of any dividend or other distribution, reorganization, merger, consolidation, combination, repurchase, or exchange of Shares or other securities of the Company, or other change in the corporate structure of the Company affecting the Shares (other than an Equity Restructuring) occurs such that an adjustment is determined by the Administrator (in its sole and absolute discretion) to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, then the Administrator shall, in such manner as it may deem equitable, adjust: (a) the aggregate number and kind of shares that may be issued under the Plan (including, but not limited to, adjustments of the limitations in Section 5; (b) the terms and conditions of any outstanding Awards (including, without limitation, any applicable performance targets or criteria with respect thereto); and (c) the grant or exercise price per share for any outstanding Awards under the Plan.

(b) In the event of any transaction or event described in Section 12.1(a) hereof or any unusual or nonrecurring transactions or events affecting the Company, any affiliate of the Company, or the financial statements of the Company or any affiliate, or of changes in applicable laws, regulations or accounting principles, the Administrator, in its sole and absolute discretion, and on such terms and conditions as it deems appropriate, either by the terms of the Award or by action taken prior to the occurrence of such transaction or event and either automatically or upon the Participant's request, is hereby authorized to take any one or more of the following actions whenever the Administrator determines that such action is appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan or with respect to any Award under the Plan, to facilitate such transactions or events or to give effect to such changes in laws, regulations or principles:

(i) To provide for either (A) termination of any such Award in exchange for an amount of cash, if any, equal to the amount that would have been attained upon the exercise of such Award or realization of the Participant's rights (and, for the avoidance of doubt, if as of the date of the occurrence of the transaction or event described in this Section 12.1(b), the Administrator determines in good faith that no amount would have been attained upon the exercise of such Award or realization of the Participant's rights, then such Award may be terminated by the Company without payment) or (B) the replacement of such Award with other rights or property selected by the Administrator in its sole discretion;

(ii) To provide that such Award be assumed by the successor or survivor corporation, or a parent or subsidiary thereof, or shall be substituted for by similar options, rights or awards covering the stock of the successor or survivor corporation, or a parent or subsidiary thereof, with appropriate adjustments as to the number and kind of shares and prices;

(iii) To make adjustments in the number and type of Shares (or other securities or property) subject to outstanding Awards, and/or in the terms and conditions of (including the grant or exercise price), and the criteria included in, outstanding options, rights and awards and options, rights and awards which may be granted in the future;

(iv) To provide that such Award shall be exercisable or payable or fully vested with respect to all shares covered thereby, notwithstanding anything to the contrary in the Plan or the applicable Award Agreement; and

(v) To provide that the Award cannot vest, be exercised or become payable after such event.

(c) In connection with the occurrence of any Equity Restructuring, and notwithstanding anything to the contrary in Sections 12.1(a) or 12.1(b) hereof:

(i) The number and type of securities subject to each outstanding Award and the exercise price or grant price thereof, if applicable, will be proportionately adjusted. The adjustments provided under this Section 11.1(c) shall be nondiscretionary and shall be final and binding on the affected Participant and the Company.

(ii) The Administrator shall make such proportionate adjustment, if any, as the Administrator in its discretion may deem appropriate to reflect such Equity Restructuring with respect to the aggregate number and type of securities that may be issued under the Plan (including, but not limited to, adjustment of the limitations in Section 5).

12.2 Change in Control .

(a) Anything to the contrary in Section 12.1 hereof notwithstanding, in the event of a Change in Control, the unexercised or restricted portion of each outstanding Award shall be assumed or an equivalent Award or right substituted, by the successor corporation or an affiliate of the successor corporation, as shall be determined by such entity, subject to the terms hereof. In the event that the successor corporation or a parent or subsidiary of the successor corporation does not provide for such an assumption or substitution of Awards (in circumstances in which the Company is not the successor entity), all Awards shall become exercisable in full and all forfeiture restrictions on such Awards shall lapse, provided that unless otherwise determined by the Administrator, the exercise of all Options that otherwise would not have been exercisable and the lapsing of all forfeiture restrictions that would not have otherwise lapsed in the absence of a Change in Control, shall be contingent upon the actual consummation of the Change in Control. Upon, or in anticipation of, a Change in Control, the Administrator may cause any and all Awards outstanding hereunder to terminate at a specific time in the future, including but not limited to the date of such Change in Control, and shall give each Participant the right to exercise such Awards during a period of time as the Committee, in its sole and absolute discretion, shall determine.

(b) For the purposes of this Section 12.2, an Award shall be considered assumed if, following a Change in Control, the option confers the right to purchase or receive, for each Share subject to the Award immediately prior to the Change in Control, the consideration (whether shares, cash, or other securities or property) received in the merger or sale of assets by holders of Shares of the Company for each Share held on the effective date of the Change in Control (and if holders were offered a choice of consideration, the type of consideration determined by the Administrator, at its sole discretion); provided, however, that if the consideration received in the Change in Control is not solely ordinary shares (or the equivalent) of the successor corporation or its direct or indirect parent, the Administrator may, with the consent of the successor corporation, provide for the per share consideration to be received upon the exercise of the Option or upon the lapsing of the forfeiture restrictions to be solely ordinary shares (or the equivalent) of the successor corporation or its direct or indirect parent equal in fair market value to the per share consideration received by holders of Shares in the Change in Control, as determined by the Administrator.

(c) In the event that the Board of Directors determines in good faith that, in the context of a Change in Control, certain Options have no monetary value and thus do not entitle the holders of such Options to any consideration under the terms of the Change in Control, the Board of Directors may determine that such Options shall terminate effective as of the effective date of the Change in Control.

(d) It is the intention that the Administrator's authority to make determinations, adjustments and clarifications in connection with the treatment of Awards shall be interpreted as widely as possible, to allow the Administrator maximal power and flexibility to interpret and implement the provisions of the Plan in the event of Change in Control.

13. NON-TRANSFERABILITY OF OPTIONS, OTHER AWARDS AND SHARES.

13.1 Except as may be permitted under an applicable Appendix, no Option or other Award may be transferred other than by will or by the laws of descent and distribution, and during the Participant's lifetime an Option may be exercised only by such Participant.

13.2 Except as may be permitted under an applicable Appendix, Shares for which full payment has not been made, may not be assigned, transferred, pledged or mortgaged, other than by will or laws of descent and distribution. For avoidance of doubt, the foregoing shall not be deemed to restrict the transfer of an Participant's rights in respect of Options or Shares purchasable pursuant to the exercise thereof upon the death of such Participant to such Participant's estate or other successors by operation of law or will, whose rights therein shall be governed by Section 11.1(d) hereof, and as may otherwise be determined by the Administrator.

14. TERM AND AMENDMENT OF THE PLAN.

14.1 The Plan shall become effective as of the Effective Date. The Plan shall expire on the date which is ten (10) years from the date of its adoption by the Board of Directors (except as to Options or other Awards outstanding on that date).

14.2 Notwithstanding any other provision of the Plan, the Board of Directors (or a duly authorized Committee thereof) may at any time, and from time to time, amend, in whole or in part, any or all of the provisions of the Plan (including any amendment deemed necessary to ensure that the Company may comply with any regulatory requirement), or suspend or terminate it entirely, retroactively or otherwise; provided, however, that (a) to the extent necessary and desirable to comply with any applicable law, regulation, or stock exchange rule, or as contemplated in any Appendix, the Company shall obtain shareholder approval of any Plan amendment in such a manner and to such a degree as required, and (b) shareholder approval is required for any amendment to the Plan that (i) increases the number of Shares available under the Plan (other than any adjustment as provided by Section 12.1

hereof), (ii) constitutes a prohibited action under Section 9 or (iii) permits the Administrator to extend the exercise period for an Option beyond ten years from the date of grant; and provided further, however, that, except (x) to correct obvious drafting errors or as otherwise required by law or (y) as specifically provided herein, the rights of a Participant with respect to Awards granted prior to such amendment, suspension or termination, may not be reduced without the consent of such Participant. The Administrator may amend the terms of any Award theretofore granted, prospectively or retroactively, but except (x) to correct obvious drafting errors or as otherwise required by law or applicable accounting rules, or (y) as specifically provided herein, no such amendment or other action by the Administrator shall reduce the rights of any Participant without the Participant's consent.

15. TERM OF OPTION.

Anything herein to the contrary notwithstanding, but without derogating from the provisions of Section 11 hereof, if any Option, or any part thereof, has not been exercised and the Shares covered thereby not paid for within seven (7) years after the date on which the Option was granted, as set forth in the Award Agreement (or any other period set forth in the instrument granting such Option pursuant to Section 6 hereof), such Option, or such part thereof, and the right to acquire such Shares shall terminate, all interests and rights of the Participant in and to the same shall expire, and, in the event that in connection therewith any Shares are held in trust as aforesaid, such trust shall expire.

16. CONTINUANCE OF ENGAGEMENT; ENTITLEMENT TO AWARDS.

16.1 Neither the Plan nor any offer of Shares or Awards to a Participant shall impose any obligation on the Company or a related company thereof, to continue the employment or engagement of any Participant as a Service Provider, and nothing in the Plan or in any Award granted pursuant thereto shall confer upon any Participant any right to continue to serve as a Service Provider of the Company or a related company thereof or restrict the right of the Company or a related company thereof to terminate such employment or engagement at any time.

16.2 Neither the Plan nor any offer of Shares or Awards to a Participant shall impose any obligation on the Company or a related company thereof, to make any future offer of Shares or Awards to any Participant, and nothing in the Plan or in any Award granted pursuant thereto shall confer upon any Participant any right or entitlement to receive any future offer of shares or Awards under the Plan, or any successor plan, by virtue of being a Service Provider to the Company or a related company thereof.

17. GOVERNING LAW.

The Plan and all instruments issued thereunder or in connection therewith, shall be governed by, and interpreted in accordance with, the laws of the State of Israel.

18. APPLICATION OF FUNDS.

The proceeds received by the Company from the sale of Shares pursuant to Options granted under the Plan will be used for general corporate purposes of the Company or any related company thereof.

19. TAXES.

19.1 Any tax consequences arising from the grant, vesting or exercise of any Award, from the payment for Shares covered thereby, or from any other event or act (of the Company, and/or its affiliates, or the Participant), hereunder shall be borne solely by the Participant. The Company and/or its affiliates shall withhold taxes according to the requirements under the applicable laws, rules, and regulations, including withholding taxes at source. Furthermore, the Participant shall agree to indemnify the Company and/or its affiliates and hold them harmless against and from any and all liability for any such tax or interest or penalty thereon, including without limitation, liabilities relating to the necessity to withhold, or to have withheld, any such tax from any payment made to the Participant. The Company or any of its affiliates may make such provisions and take such steps as it may deem necessary or appropriate for the withholding of all taxes required by law to be withheld with respect to Awards granted under the Plan and the exercise thereof, including, but not limited, to (i) deducting the amount so required to be withheld from any other amount (or Shares issuable) then or thereafter to be provided to the Participant, including by deducting any such amount from a Participant's salary or other amounts payable to the Participant, to the maximum extent permitted under law and/or (ii) requiring the Participant to pay to the Company or any of its affiliates the amount so required to be withheld as a condition of the issuance, delivery, distribution or release of any Shares and/or (iii) by causing the exercise and sale of any Awards or Shares held by on behalf of the Participant to cover such liability, up to the amount required to satisfy minimum statutory withholding requirements. In addition, the Participant will be required to pay any amount due in excess of the tax withheld and transferred to the tax authorities, pursuant to applicable tax laws, regulations and rules.

19.2 The receipt of an Award and/or the acquisition of Shares issued upon the exercise of the Options may result in tax consequences. The description of tax consequences set forth in the Plan or any Appendix hereto does not purport to be complete, up to date or to take into account any special circumstances relating to a Participant.

19.3 THE PARTICIPANT IS ADVISED TO CONSULT WITH A TAX ADVISOR WITH RESPECT TO THE TAX CONSEQUENCES OF RECEIVING OR EXERCISING ANY AWARD IN LIGHT OF HIS OR HER PARTICULAR CIRCUMSTANCES.

20. CONDITIONS UPON ISSUANCE OF SHARES.

Shares shall not be issued pursuant to an Award unless the issuance and delivery of such Shares shall comply with applicable laws and shall be further subject to the approval of counsel for the Company with respect to such compliance. The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

21. MISCELLANEOUS.

Whenever applicable in the Plan, the singular and the plural, and the masculine, feminine and neuter shall be freely interchangeable, as the context requires. The Section headings or titles shall not in any way control the construction of the language herein, such headings or titles having been inserted solely for the purpose of simplified reference. Words such as "herein", "hereof", "hereto", "hereinafter", "hereby", and "hereinabove" when used in the Plan refer to the Plan as a whole, including any applicable Appendices, unless otherwise required by context.

* * *

APPENDIX - ISRAELI TAXPAYERS

MELLANOX TECHNOLOGIES, LTD. SECOND AMENDED AND RESTATED GLOBAL SHARE INCENTIVE PLAN (2006)

1. SPECIAL PROVISIONS FOR ISRAELI TAX PAYERS

1.1 This Appendix (the " **Appendi** x") to the Second Amended and Restated Mellanox Technologies, Ltd. Share Incentive Plan (2006) (the " **Plan** ") is effective as of the date the Plan, as amended and restated, becomes effective (the " **Effective Date** ").

1.2 The provisions specified hereunder apply only to persons who are deemed to be residents of the State of Israel for tax purposes, or are otherwise subject to taxation in Israel with respect to Awards.

1.3 This Appendix applies with respect to Awards granted under the Plan. The purpose of this Appendix is to establish certain rules and limitations applicable to Awards that may be granted or issued under the Plan from time to time, in compliance with the securities and other applicable laws currently in force in the State of Israel. Except as otherwise provided by this Appendix, all grants made pursuant to this Appendix shall be governed by the terms of the Plan. This Appendix is applicable only to grants made after the Effective Date. This Appendix complies with, and is subject to the ITO and Section 102.

1.4 The Plan and this Appendix shall be read together. In any case of contradiction, whether explicit or implied, between the provisions of this Appendix and the Plan, the provisions of this Appendix shall govern.

2. DEFINITIONS

Capitalized terms not otherwise defined herein shall have the meaning assigned to them in the Plan. The following additional definitions will apply to grants made pursuant to this Appendix:

" **3(i) Option** " means an Option or Restricted Share Unit which is subject to taxation pursuant to Section 3(i) of the ITO which has been granted to any person who is not an Eligible 102 Participant.

" **102 Capital Gains Track** " means the tax alternative set forth in Section 102(b)(2) of the ITO pursuant to which income resulting from the sale of Shares derived from Options or Restricted Share Units is taxed as a capital gain.

" **102 Capital Gains Track Grant** " means a 102 Trustee Grant qualifying for the special tax treatment under the 102 Capital Gains Track.

" **102 Ordinary Income Track** " means the tax alternative set forth in Section 102(b)(1) of the ITO pursuant to which income resulting from the sale of Shares derived from Options or Restricted Share Units is taxed as ordinary income.

" **102 Ordinary Income Track Grant** " means a 102 Trustee Grant qualifying for the ordinary income tax treatment under the 102 Ordinary Income Track.

" **102 Trustee Grant** " means an Award made pursuant to Section 102(b) of the ITO and held in trust by a Trustee for the benefit of the Participant, and includes both 102 Capital Gains Track Grants and 102 Ordinary Income Track Grants.

" **Award** " means an Option, a Restricted Share Unit award or other award or allotment of Shares under the Plan and this Appendix.

" **Affiliate** " means any "employing company" within the meaning of Section 102(a) of the ITO.

" **Controlling Shareholder** " as defined under Section 32(9) of the Ordinance, means an employee who prior to the grant or as a result of the exercise of any Option or grant or vesting of any Restricted Share Unit or Shares, holds or would hold, directly or indirectly, in his name or with a relative (as defined in the Ordinance) (i) 10% of the outstanding shares of the Company, (ii) 10% of the voting power of the Company, (iii) the right to hold or purchase 10% of the outstanding equity or voting power, (iv) the right to obtain 10% of the "profit" of the Company (as defined in the Ordinance), or (v) the right to appoint a director of the Company.

" **Election** " means the Company's choice of the type (as between capital gains track or ordinary income track) of 102 Trustee Grants it will make under the Plan, as filed with the ITA.

" **Eligible 102 Participant** " means a person who is employed by the Company or its Affiliates, including an individual who is serving as a director or an office holder, who is not a Controlling Shareholder.

" **Fair Market Value** " shall mean with respect to 102 Capital Gains Track Grants only, for the sole purpose of determining tax liability pursuant to Section 102(b)(3) of the ITO, if at the date of grant the Company's shares are listed on any established stock exchange or a national market system or if the Company's shares will be registered for trading within ninety (90) days following the date of grant, the fair market value of the Shares at the date of grant shall be determined in accordance with the average value of the Company's shares on the thirty (30) trading days preceding the date of grant or on the thirty (30) trading days following the date of registration for trading, as the case may be.

" **ITA** " means the Israeli Tax Authorities.

" **ITO** " means the Israeli Income Tax Ordinance (New Version) 1961 and the rules, regulations, orders or procedures promulgated thereunder and any amendments thereto, including specifically the Rules, all as may be amended from time to time.

" **Non-Trustee Grant** " means an Award granted to an Eligible 102 Participant pursuant to Section 102(c) of the ITO and not held in trust by a Trustee.

" **Required Holding Period** " means the requisite period prescribed by the ITO and the Rules, or such other period as may be required by the ITA, with respect to 102 Trustee Grants, during which Options, Restricted Share Units or Shares granted by the Company must be held by the Trustee for the benefit of the person to whom it was granted.

" **Restricted Share Unit** " means an Award granted pursuant to Section 3 hereof.

" **Rules** " means the Income Tax Rules (Tax benefits in Stock Issuance to Employees) 5763-2003.

" **Section 102** " shall mean the provisions of Section 102 of the ITO, as amended from time to time, including by the Law Amending the Income Tax Ordinance (Number 132), 2002, effective as of January 1, 2003 and by the Law Amending the Income Tax Ordinance (Number 147), 2005.

"Shares" means Ordinary Shares, nominal value NIS 0.01 per share, of the Company, including restricted or unrestricted Shares issued upon exercise of Options or the vesting of Restricted Share Units granted pursuant to the Plan and this Appendix.

" **Trustee** " means a person or entity designated by the Board of Directors to serve as a trustee and approved by the ITA in accordance with the provisions of Section 102(a) of the ITO.

3. SPECIAL TERMS FOR RESTRICTED SHARE UNITS

3.1 *Grant of Restricted Share Units* . The Administrator is authorized to make Awards of Restricted Share Units to any Participant selected by the Administrator in such amounts and subject to such terms and conditions as determined by the Administrator. At the time of grant, the Administrator shall specify the date or dates on which the Restricted Share Units shall become fully vested and nonforfeitable, and may specify such conditions to vesting as it deems appropriate. At the time of grant, the Administrator shall specify the maturity date applicable to each grant of Restricted Share Units which shall be no earlier than the vesting date or dates of the Award and may be determined at the election of the grantee. On the maturity date, the Company shall transfer to either: (a) in the case of an Award that is not a 102 Trustee Grant, the Participant of record as issued to the Participant in the books of the Company (or, if applicable, its transfer agent or stock plan administrator), or (b) in the case of a 102 Trustee Grant, the Trustee (for the benefit of such Participant), pursuant to the provisions of Section 5 below, one unrestricted, fully transferable Share for each Restricted Share Unit scheduled to be paid out on such date and not previously forfeited.

3.2 *Forfeiture* . Except as otherwise determined by the Administrator at the time of the grant of the Award or thereafter, upon termination of employment or status of Service Provider, any Restricted Share Units
that have not fully vested shall be forfeited; *provided* , *however* , that the Administrator may provide for the accelerated vesting of Restricted Share Units, in its sole discretion.

4. TYPES OF AWARDS AND SECTION 102 ELECTION

4.1 Awards made pursuant to Section 102, whether as grants of Options or Restricted Share Units or as issuances of Shares under the Plan shall be made pursuant to either (a) Section 102(b)(2) of the ITO as 102 Capital Gains Track Grants or (b) Section 102(b)(1) of the ITO as 102 Ordinary Income Track Grants. The Company's Election regarding the type of 102 Trustee Grant it chooses to make shall be filed with the ITA. Once the Company has filed such Election, it may change the type of 102 Trustee Grant that it chooses to make only after the passage of at least 12 months from the end of the calendar year in which the first grant was made in accordance with the previous Election, in accordance with Section 102. For the avoidance of doubt, such Election shall not prevent the Company from granting Non-Trustee Grants to Eligible 102 Participants at any time.

4.2 Eligible 102 Participants may receive only 102 Trustee Grants or Non-Trustee Grants under this Appendix. Participants who are not Eligible 102 Participants may be granted only 3(i) Options under this Appendix.

4.3 No 102 Trustee Grants may be made effective pursuant to this Appendix until 30 days after the requisite filings required by the ITO and the Rules have been made with the ITA.

4.4 The Award Agreement evidencing the Award made pursuant to the Plan and this Appendix shall indicate whether the Award is a 102 Trustee Grant, a Non-Trustee Grant or a 3(i) Grant; and, if the grant is a 102 Trustee Grant, whether it is a 102 Capital Gains Track Grant or a 102 Ordinary Income Track Grant.

5. TERMS AND CONDITIONS OF 102 TRUSTEE OPTIONS AND RESTRICTED SHARE UNITS

5.1 Each 102 Trustee Grant will be deemed granted on the date stated in a written notice by the Company, provided that on or before such date (i) the Company has provided such notice to the Trustee and (ii) the Participant has signed all documents required pursuant to this Section 5.

5.2 Each 102 Trustee Grant granted to an Eligible 102 Participant and each certificate for a Share acquired pursuant to the exercise of a Option, vesting of a Restricted Share Unit or issued directly as Share shall be issued to and registered in the name of a Trustee and shall be held in trust for the benefit of the Participant for the Required Holding Period. After termination of the Required Holding Period, the Trustee may release such Option, Restricted Share Unit and any such Shares, provided that (i) the Trustee has received an acknowledgment from the Israeli Income Tax Authority that the Eligible 102 Participant has paid any applicable tax due pursuant to the ITO or (ii) the Trustee and/or the Company or its Affiliate withholds any applicable tax due pursuant to the ITO. The Trustee shall not release any 102 Trustee Options, Restricted Share Units or shares issued upon exercise of such Option or vesting of such Restricted Share Unit prior to the full payment of the Eligible 102 Participant's tax liabilities.

5.3 Each 102 Trustee Grant (whether a 102 Capital Gains Track Grant or a 102 Ordinary Income Track Grant, as applicable) shall be subject to the relevant terms of Section 102 and the ITO, which shall be deemed an integral part of the 102 Trustee Option and shall prevail over any term contained in the Plan, this Appendix or any agreement that is not consistent therewith. Any provision of the ITO and any approvals by the Income Tax Commissioner not expressly specified in this Plan, Appendix or Award Agreement which are necessary to receive or maintain any tax benefit pursuant to the Section 102 shall be binding on the Eligible 102 Participant. The Trustee and the Eligible 102 Participant granted a 102 Trustee Grant shall comply with the ITO, and the terms and conditions of the Trust Agreement entered into between the Company and the Trustee. For avoidance of doubt, it is reiterated that compliance with the ITO specifically includes compliance with the Rules. Further, the Eligible 102 Participant agrees to execute any and all documents which the Company or the Trustee may reasonably determine to be necessary in order to comply with the provision of any applicable law, and, particularly, Section 102.

5.4 During the Required Holding Period, the Eligible 102 Participant shall not require the Trustee to release or sell the Options, Restricted Share Units or Shares and other shares received subsequently following
any realization of rights derived from Shares, Options or Restricted Share Units (including share dividends) to the Eligible 102 Participant or to a third party, unless permitted to do so by applicable law. Notwithstanding the foregoing, the Trustee may, pursuant to a written request and subject to applicable law, release and transfer such Shares to a designated third party, provided that both of the following conditions have been fulfilled prior to such transfer: (i) all taxes required to be paid upon the release and transfer of the shares have been withheld for Transfer to the tax authorities and (ii) the Trustee has received written confirmation from the Company that all requirements for such release and transfer have been fulfilled according to the terms of the Company's corporate documents, the Plan, any applicable agreement and any applicable law. To avoid doubt, such sale or release during the Required Holding Period will result in different tax ramifications to the Eligible 102 Participant under Section 102 of the ITO and the Rules and/or any other regulations or orders or procedures promulgated thereunder, which shall apply to and shall be borne solely by such Eligible 102 Participant.

5.5 In the event a share dividend is declared on Shares which derive from Awards granted as 102 Trustee Grants, such dividend shall also be subject to the provisions of this Section 5 and the Required Holding Period for such dividend shares shall be measured from the commencement of the Required Holding Period for the Options, Restricted Share Units or Shares with respect to which the dividend was declared. In the event of a cash dividend on Shares, the Trustee shall transfer the dividend proceeds to the Eligible 102 Participant after deduction of taxes and mandatory payments in compliance with applicable withholding requirements.

5.6 If an Option or Restricted Share Unit granted as a 102 Trustee Grant is exercised or vests during the Required Holding Period, the Shares issued upon such exercise or vesting shall be issued in the name of the Trustee for the benefit of the Eligible 102 Participant. If such an Option or Restricted Share Unit is exercised or vests after the Required Holding Period ends, the Shares issued upon such exercise or vesting shall, at the election of the Eligible 102 Participant, either (i) be issued in the name of the Trustee, or (ii) be transferred to the Eligible 102 Participant directly, provided that the Participant first complies with all applicable provisions of the Plan.

5.7 For as long as Shares are registered in the name of the Trustee for the benefit of a Participant, the Trustee shall provide to the Participant prompt written notice of all shareholder meetings or other communications to shareholders of the Company received by the Trustee, and if so requested in writing by the Participant, the Trustee shall execute a proxy in a form acceptable to the Company to enable the Participant to vote such Shares.

6. ASSIGNABILITY

As long as Options, Restricted Share Units or Shares are held by the Trustee on behalf of the Eligible 102 Participant, all rights of the Eligible 102 Participant over the shares are personal, cannot be transferred, assigned, pledged or mortgaged, other than by will or laws of descent and distribution.

7. TAX CONSEQUENCES

7.1 Any tax consequences arising from the grant, sale, vesting or exercise of any Award, from the payment for Shares covered thereby, or from any other event or act (of the Company, and/or its affiliates and/or the Trustee or the Participant), hereunder shall be borne solely by the Participant. The Company and/or its affiliates and/or the Trustee shall withhold taxes according to the requirements under the applicable laws, rules, and regulations, including withholding taxes at source. Furthermore, the Participant shall agree to indemnify the Company and/or its affiliates and/or the Trustee and hold them harmless against and from any and all liability for any such tax or interest or penalty thereon, including without limitation, liabilities relating to the necessity to withhold, or to have withheld, any such tax from any payment made to the Participant. The Company an/or any of its affiliates and/or the Trustee may make such provisions and take such steps as it may deem necessary or appropriate for the withholding of all taxes required by law to be withheld with respect to Awards granted under the Plan and the exercise thereof, including, but not limited, to (i) deducting the amount so required to be withheld from any other amount (or Shares issuable) then or thereafter to be provided to the Participant, including by deducting any such amount from a Participant's salary or other amounts payable to the Participant, to the maximum extent permitted under law and/or (ii) requiring the Participant to pay to the Company or any of
its affiliates the amount so required to be withheld as a condition of the issuance, delivery, distribution or release of any Shares and/or (iii) by causing the exercise and sale of any Options or Shares held by on behalf of the Participant to cover such liability, up to the amount required to satisfy minimum statutory withholding requirements. In addition, the Participant will be required to pay any amount due in excess of the tax withheld and transferred to the tax authorities, pursuant to applicable tax laws, regulations and rules.

7.2 With respect to Non-Trustee Grants, if the Participant ceases to be employed by the Company or any Affiliate, the Eligible 102 Participant shall extend to the Company and/or its Affiliate a security or guarantee for the payment of tax due at the time of sale of Shares to the satisfaction of the Company, all in accordance with the provisions of Section 102 of the ITO and the Rules.

8. GOVERNING LAW AND JURISDICTION

Notwithstanding any other provision of the Plan, with respect to Participants subject to this Appendix, the Plan and all instruments issued thereunder or in connection therewith shall be governed by, and interpreted in accordance with, the laws of the State of Israel applicable to contracts made and to be performed therein.

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APPENDIX-U.S. TAXPAYERS

MELLANOX TECHNOLOGIES, LTD.
SECOND AMENDED AND RESTATED GLOBAL SHARE INCENTIVE PLAN (2006)

1. Special Provisions for Persons who are U.S. Taxpayers .

1.1 This Appendix (the " **Appendix** ") to the Mellanox Technologies, Ltd. Second Amended and Restated Global Share Incentive Plan (2006) (the " **Plan** ") is effective as of the date that the Plan becomes effective (the " **Effective Date** ").

1.2 The provisions specified hereunder apply only to persons who are subject to U.S. federal income tax (any such person, a " **U.S. Taxpayer** ").

1.3 This Appendix applies with respect to Awards granted under the Plan. The purpose of this Appendix is to establish certain rules and limitations applicable to Awards that may be granted or issued under the Plan from time to time, in compliance with applicable tax, securities and other applicable laws currently in force. Except as otherwise provided by this Appendix, all

grants made pursuant to this Appendix shall be governed by the terms of the Plan (including, without limitation, its provisions regarding adjustments). This Appendix is applicable only to grants made after the Effective Date.

1.4 The Plan and this Appendix shall be read together. In any case of an irreconcilable contradiction (as determined by the Administrator) between the provisions of this Appendix and the Plan, the provisions of the Plan shall govern unless expressly stated otherwise in this Appendix.

1.5 To the extent required by applicable law, the Plan and this Appendix shall be submitted to the Company's shareholders for approval within twelve (12) months after the Effective Date.

2. Definitions .

Capitalized terms not otherwise defined herein shall have the meaning assigned to them in the Plan. The following additional definitions will apply to grants made pursuant to this Appendix:

" **Award** " means an Option, a Restricted Share award, a Restricted Share Unit award or other equity-based awards granted to a Participant pursuant to this Appendix and the Plan, or other allotment of Shares under the Plan and this Appendix.

" **Disability** " means, with respect to Incentive Stock Options, a "permanent and total disability" within the meaning of Section 22(e)(3) of the Code.

" **Fair Market Value** " means, for purposes of this Appendix, unless otherwise required by any applicable provision of the Code or any regulations issued thereunder, as of any date and except as provided below, (a) if the Shares are listed on any established stock exchange or a national market system, the closing sales price for such Shares (or the closing bid, if no sales were reported) as quoted on such exchange or system for such date, or if no bids or sales were reported for such date, then the closing sales price (or the closing bid, if no sales were reported) on the trading date immediately prior to such date during which a bid or sale occurred, in each case, as reported in *The Wall Street Journal* or such other source as the Administrator deems reliable; (b) if the Shares are regularly quoted by a recognized securities dealer but selling prices are not reported, the mean of the closing bid and asked prices for the Shares on such date, or if no closing bid and asked prices were reported for such date, the date immediately prior to such date during which closing bid and asked prices were quoted for the Shares, in each case, as reported in *The Wall Street Journal* or such other source as the Administrator deems reliable; or (c) in the absence of an established market for the Shares, the Fair Market Value shall be determined in good faith by the Administrator. Notwithstanding any provision herein to the contrary, with respect to Non-Qualified Stock Options, the "Fair Market Value" of the Shares shall be determined in a manner that satisfies the applicable requirements of Code Section 409A, and with respect to Incentive Stock Options, such Fair Market Value shall be determined in a manner that satisfies the applicable requirements of Code Section 422, and subject to Code Section 422(c)(7).

" **Family Member** " means any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, any person sharing the employee's household (other than a tenant or employee), a trust in which these persons have more than 50% of the beneficial interest, a foundation in which these persons (or the employee) control the management of assets, and any other entity in which these persons (or the employee) own more than 50% of the voting interests or in Section A(1)(a)(5) of the general instructions of Form S-8, as applicable.

" **Incentive Stock Option** " means any Option awarded to an eligible Participant under the Plan and this Appendix intended to be and designated in the Award Agreement as an "incentive stock option" within the meaning of Section 422 of the Code.

" **Non-Qualified Stock Option** " means any Option awarded under this Plan that is not an Incentive Stock Option.

" **Parent** " means any parent corporation of the Company within the meaning of Section 424(e) of the Code.

" **Restricted Shares** " means Shares awarded to a Participant pursuant to Section 6 hereof that is subject to certain restrictions and may be subject to risk of forfeiture.

" **Restricted Share Unit** " means an Award granted pursuant to Section 7 hereof.

" **Securities Act** " means the U.S. Securities Act of 1933, as amended, and all rules and regulations promulgated thereunder. Any reference to any section of the Securities Act shall also be a reference to any successor provision.

" **Subsidiary** " means any subsidiary corporation of the Company within the meaning of Section 424(f) of the Code.

" **Ten Percent Shareholder** " means a person owning shares possessing more than 10% of the total combined voting power of all classes of shares of the Company, its Subsidiaries or its Parent.

3. Shares Reserved under Appendix for Incentive Stock Options .

The maximum aggregate number of Shares that may be issued pursuant to Incentive Stock Options is 8,440,000 Shares, and such reserve of Shares for grants of Incentive Stock Options shall not be increased without the approval of the shareholders of the Company as required pursuant to Section 421 *et seq* . of the Code. The number of Shares stated in this Section 3 shall be subject

to adjustment as provided in Section 12.1 of the Plan. To the extent that an Incentive Stock Option terminates, expires, or lapses for any reason, any Shares subject to the Award shall again be available for the grant of an Incentive Stock Option pursuant to the Plan and this Appendix. Notwithstanding the foregoing, any Shares tendered or withheld to satisfy the grant or exercise price or tax withholding obligation pursuant to any Incentive Stock shall not again be available for the grant of an Incentive Stock Option pursuant to the Plan and this Appendix. In addition, Shares purchased on the open market with cash proceeds from the exercise of Incentive Stock Options shall not be available for the grant of an Incentive Stock Option pursuant to the Plan and this Appendix. To the extent permitted by applicable law or any exchange rule, Shares issued in assumption of, or in substitution for, any outstanding awards of any entity acquired in any form of combination by the Company or any affiliate shall not be counted against Shares available for grant as Incentive Stock Options pursuant to the Plan and this Appendix. Notwithstanding the provisions of this Section 3 hereof, no Shares may again be optioned, granted or awarded if such action would cause an Incentive Stock Option to fail to qualify as an incentive stock option under Section 422 of the Code.

4. Grants of Options .

4.1 *Generally* . The Administrator shall have full authority to grant Options to Service Providers pursuant to the terms of this Appendix and the Plan. All Options shall be granted by, confirmed by, and subject to the terms of, an Award Agreement to be executed by the Company and the Participant. In particular, the Administrator shall have the authority to determine whether an Option is an Incentive Stock Option or a Non-Qualified Stock Option.

4.2 *Eligibility* . All Service Providers are eligible to be granted Non-Qualified Stock Options under this Appendix, and only employees of the Company, a Subsidiary or a Parent are eligible to be granted Incentive Stock Options under this Appendix, if so employed on the grant date of such Incentive Stock Option, although it is anticipated that grants hereunder will be granted solely or primarily to U.S. Taxpayers. Eligibility for the grant of an Option and actual participation in this Appendix and the Plan shall be determined by the Administrator in its sole discretion. Notwithstanding anything in this Section 4.2 to the contrary, Consultants who are not natural persons that provide bona fide services to the Company, a Subsidiary or a Parent, and Consultants who provide services in connection with the offer or sale of securities in a capital raising transaction shall not be eligible to be granted Options under this Appendix.

5. Special Terms for Incentive Stock Options .

5.1 *Disqualification* . To the extent that any Option does not qualify as an Incentive Stock Option (whether because of its provisions or the time or manner of its exercise or otherwise), such Option or the portion thereof that does not qualify shall constitute a separate Non-Qualified Stock Option.

5.2 *Exercise Price* . The exercise price per Share subject to an Incentive Stock Option shall be determined by the Administrator at the time of grant of such Incentive Stock Option; provided that the per share exercise price of an Option shall not be less than 100% of the Fair Market Value of the Share at the time of grant of such Incentive Stock Option; and provided, further, that if an Incentive Stock Option is granted to a Ten Percent Shareholder, the exercise price per Share shall be no less than 110% of the Fair Market Value of the Share at the time of the grant of such Incentive Stock Option.

5.3 *Option Term* . The term of each Incentive Stock Option shall be fixed by the Administrator; provided, however, that no Incentive Stock Option shall be exercisable more than seven (7) years after the date such Incentive Stock Option is granted; and further provided that the term of an Incentive Stock Option granted to a Ten Percent Shareholder shall not exceed five years.

5.4 *Incentive Stock Option Limitations* . To the extent that the aggregate Fair Market Value (determined as of the time of grant) of Shares with respect to which Incentive Stock Options are exercisable for the first time by an employee during any calendar year under this Plan and/or any other stock option plan of the Company, any Subsidiary or any Parent exceeds $100,000, such Incentive Stock Options shall be treated as Non-Qualified Stock Options. In addition, if an employee does not remain employed by the Company, any Subsidiary or any Parent at all times from the time an Incentive Stock Option is granted until three months prior to the date of exercise thereof (or such other period as required by Section 422 of the Code), such Incentive Stock Option shall be treated as a Non-Qualified Stock Option. Should any provision of this Appendix not be necessary in order for the Options to qualify as Incentive Stock Options, or should any additional provisions be required, the Administrator may amend this Appendix accordingly, without the necessity of obtaining the approval of the shareholders of the Company, unless required by applicable law.

5.5 *Effect of Termination* . Notwithstanding anything to the contrary in the Plan or this Appendix, and in the absence of a provision specifying otherwise in the relevant Award Agreement, then with respect to Incentive Stock Options, the following provisions must be met on order for the Award to qualify as an Incentive Stock Option under the Code:

(a) in the event that the Participant ceases to be an employee of the Company or any Subsidiary or Parent for any reason other than the Participant's death or Disability, the vested Options must be exercised within three (3) months from the effective date of termination of the Participant's employment with the Company, any Subsidiary or Parent;

(b) in the event that the Participant's employment with the Company, a Subsidiary or Parent terminates as a result of the Participant's death or Disability, the Option must be exercised within twelve (12) months following the Participant's date of termination for death or Disability.

To avoid doubt, the provisions of Section 11 of the Plan shall remain in full force and effect and apply to Awards granted as Incentive Stock Options. The restrictions set forth above represent special additional limitations that apply to qualify as Incentive Stock Options under the provisions of the Code. To avoid doubt, a Participant may
choose to exercise Options in accordance with the terms of Section 11 of the Plan and the relevant Award Agreement, and not in compliance with the provisions of the Code relating to "incentive stock options". In that case such Option will not qualify as an Incentive Stock Option and will be treated as a Non-Qualified Stock Option.

5.6 *Notice of Disposition* . The Participant shall give the Company prompt notice of any disposition of Shares acquired by exercise of an Incentive Stock Option within (i) two years from the date of grant of such Incentive Stock Option or (ii) one year after the transfer of such Shares to the Participant.

5.7 *Right to Exercise* . During a Participant's lifetime, an Incentive Stock Option may be exercised only by the Participant.

6. Special Terms for Restricted Stock .

6.1 *Grant of Restricted Stock* . The Administrator is authorized to make Awards of Restricted Stock to any Participant selected by the Administrator in such amounts and subject to such terms and conditions as determined by the Administrator. All Awards of Restricted Stock shall be evidenced by an Award Agreement.

6.2 *Issuance and Restrictions* . Restricted Stock shall be subject to such restrictions on transferability and other restrictions as the Administrator may impose (including, without limitation, limitations on the right to vote Restricted Stock or the right to receive dividends on the Restricted Stock). These restrictions may lapse separately or in combination at such times, pursuant to such circumstances, in such installments, or otherwise, as the Administrator determines at the time of the grant of the Award or thereafter.

6.3 *Forfeiture* . Except as otherwise determined by the Administrator at the time of the grant of the Award or thereafter, upon termination of employment or status of Service Provider during the applicable restriction period, Restricted Stock that is at that time subject to restrictions shall be forfeited; *provided* , *however* , that the Administrator may (a) provide in any Restricted Stock Award Agreement that restrictions or forfeiture conditions relating to Restricted Stock will be waived in whole or in part in the event of terminations resulting from specified causes, and (b) in other cases waive in whole or in part restrictions or forfeiture conditions relating to Restricted Stock.

6.4 *Certificates for Restricted Stock* . Restricted Stock granted pursuant to the Plan may be evidenced in such manner as the Administrator shall determine. If certificates representing shares of Restricted Stock are registered in the name of the Participant, certificates must bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Restricted Stock, and the Company may, at its discretion, retain physical possession of the certificate until such time as all applicable restrictions lapse.

6.5 *Taxes* . In accordance with the terms of the Code, a Participant shall be responsible for payment of all taxes incurred in connection with the grant of Restricted Stock. Accordingly, upon the vesting of Restricted Stock, a Participant shall make provision for the payment of all required withholding to the Company in accordance with Section 19.1 of the Plan.

7. Restricted Share Units .

The Administrator is authorized to make Awards of Restricted Share Units to any Participant selected by the Administrator in such amounts and subject to such terms and conditions as determined by the Administrator. At the time of grant, the Administrator shall specify the date or dates on which the Restricted Share Units shall become fully vested and nonforfeitable, and may specify such conditions to vesting as it deems appropriate. At the time of grant, the Administrator shall specify the maturity date applicable to each grant of Restricted Share Units which shall be no earlier than the vesting date or dates of the Award and may be determined at the election of the grantee. On the maturity date, the Company shall transfer to the Participant or record as issued to the Participant in the books of the Company (or, if applicable, its transfer agent or stock plan administrator) one unrestricted, fully transferable Share for each Restricted Share Unit scheduled to be paid out on such date and not previously forfeited.

8. Amendment of Appendix and Individual Awards .

8.1 This Appendix may be amended or terminated in accordance with the terms governing the amendment or termination of the Plan; provided, however, that without the approval of the shareholders of the Company entitled to vote in accordance with applicable law, no amendment may be made that would: (i) increase the aggregate number of Shares that may be issued under this Appendix; (ii) change the classification of individuals eligible to receive Incentive Stock Options under this Appendix; (iii) decrease the minimum exercise price of any Option below the amounts specified herein; (iv) extend the term of the Plan under Section 14.1 of the Plan or the maximum Option period under Section 5.3 of this Appendix; or (v) require shareholder approval in order for

the Appendix to continue to comply with Section 422 of the Code to the extent applicable to Incentive Stock Options or require shareholder approval to the extent necessary and desirable to comply with applicable law, regulations or under the rules of any exchange or system on which the Company's securities are listed or traded at the request of the Company.

8.2 The Administrator may, to the extent permitted by the Plan and this Appendix, amend the terms of any Award theretofore granted, prospectively or retroactively, but, subject to the Plan or as otherwise specifically provided herein, no such amendment or other action by the Administrator shall materially impair the previously accrued rights of any holder of such Award without the holder's consent.

8.3 Notwithstanding any other provisions of the Plan or this Appendix to the contrary, (a) the Administrator may amend the Plan, this Appendix or any Award without the consent of the holder thereof if the Administrator determines that such amendment is required or advisable for the Company, the Plan, this Appendix or any Award to satisfy, comply with or meet the requirements of any law, regulation, rule or accounting standard, and (b) neither the Company nor the Administrator shall take any action pursuant to Section 8 or Section 10 of this Appendix or Section 14.2 of the Plan, or otherwise, that would cause an Award that is otherwise exempt under Code Section 409A to become subject to Code Section 409A, or that would cause an Award that is subject to Code Section 409A to fail to satisfy the requirements of Code Section 409A.

9. Limits on Transfer .

No Award shall be assigned, transferred or otherwise disposed of by a Participant otherwise than by will or by the laws of descent and distribution, and all Awards shall be exercisable, during the Participant's lifetime, only by the Participant. Notwithstanding the foregoing, the Administrator may determine, in its sole discretion, at the time of grant or thereafter that an Award (other than an Incentive Stock Option) granted under this Appendix that is otherwise not transferable pursuant to this Section 9 is transferable to a Family Member in whole or in part and in such circumstances, and under such conditions, as specified by the Administrator. An Award that is transferred to a Family Member pursuant to the preceding sentence (i) may not be subsequently transferred otherwise than by will or by the laws of descent and distribution and (ii) remains subject to the terms of the Plan, the Appendix and the applicable Award Agreement. Any Shares acquired upon the exercise of an Award by a permissible transferee of an Award or a permissible transferee pursuant to a transfer after the exercise of, or issuance of Shares under, an Award shall be subject to the terms of the Plan, the Appendix and the applicable Award Agreement.

10. Deferred Compensation .

To the extent that the Administrator determines that any Award granted under the Plan and this Appendix is subject to Section 409A of the Code, the Award Agreement evidencing such Award shall incorporate the terms and conditions required by Section 409A of the Code. To the extent applicable, the Plan, this Appendix and the Award Agreements shall be interpreted in accordance with Section 409A of the Code and Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the Effective Date. Notwithstanding any provision of the Plan or this Appendix to the contrary, in the event that following the Effective Date the Administrator determines that any Award may be subject to Section 409A of the Code and related Department of Treasury guidance (including such Department of Treasury guidance as may be issued after the Effective Date), the Administrator may adopt such amendments to the Plan or the Appendix and the applicable Award Agreement or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any
other actions, that the Administrator determines are necessary or appropriate to (a) exempt the Award from Section 409A of the Code and/or preserve the intended tax treatment of the benefits provided with respect to the Award, or (b) comply with the requirements of Section 409A of the Code and related Department of Treasury guidance. The Administrator may permit deferrals of compensation pursuant to the terms of a Participant's Award Agreement, a separate plan, or an Appendix that (in each case) meets the requirements of Code Section 409A.

* * *

EXHIBIT 10.1

Lease Agreement

Entered into and executed in Yokneam on the 9 th day of April, 2017

Between:

Rubinstein Buildings Ltd., Company No. 511341794

37 Menachem Begin Ave., Tel Aviv

(hereinafter: the " **Lessor** ")

Of the first part

and:

Mellanox Technologies TLV Company No. 512471962

13 Zrachin St, Ra'anana

By the parties authorized to sign on its behalf

Mr. Ronnen Lovinger

(hereinafter: the " **Lessee** ")

Of the second part

Whereas The Lessor is entitled to be registered as the full owner of the Land (as defined below) located on 4-6 Yitzchak Sadeh Street, Tel Aviv; and

Whereas The Lessor has established on the Land a Project that includes, *inter alia* , two buildings - the eastern building and the western building - each of which contains 33 floors, including a commercial floor (on the ground floor), office floors, parking spaces, underground levels, technical floors and storage spaces, and whereas use will be made of all of the above in accordance with the purposes and designations permitted under the city building plan (hereinafter: the " **Project** "); and

Whereas Within the Project, the Building (as defined in the addendum to this Agreement) as well as the Leasehold as defined in this Agreement below will be established; and

Whereas The Lessee would like to lease the Leasehold from the Lessor with an unprotected lease pursuant to the terms and based on the arrangements set forth in this Agreement;

Therefore, it is stipulated, declared and agreed between the parties as follows:

1. **Preamble**

The preamble to this Agreement, its appendix and Addendum (as defined below) constitute integral parts hereof.

2. Appendices

2.1. The Agreement includes the following appendices:

2.1.1. Appendix A - Blueprint of the Leasehold.

2.1.2. Appendix B - Management Agreement.

2.1.3. Appendix C - Insurance Appendix.

2.1.4. Appendix D - Wording of the Bank Guarantee.

2.1.5. Appendix E – Outer frame Specifications.

2.1.6. Appendix F - Guidelines for the Performance of Adjustment Work to the Leasehold.

3. **Definitions**

3.1. In this Agreement, the following terms will have the meanings provided beside them:

The " **Agreement** " or " **This Agreement** " -	This Lease Agreement and all of its appendices and changes made from time to time.
The " **Land** " -	Plots 45-46 in block 7077.
The "Building" -	The western building of the Project in which the Leasehold is located.
The "Leasehold" -	As set forth in Section 5 below.
The "Blueprint	The blueprint of the Leasehold attached as **Appendix A** to this Agreement.
The "Management Agreement" -	The Management Agreement attached as **Appendix B** to this Agreement.
The "Management Company" -	As defined in the Management Agreement attached as **Appendix B.**
The " **Index** " -	"The Consumer Price Index - General" published by the Central Bureau of Statistics and Financial Research, and including the same index even if it is published by any official body or entity that shall replace it, regardless of whether it is based on the same data.
The " **Base Index** " -	The index of the month of May 2016 (5/2016) which was published on June 15, 2016.
The " **New Index** " -	The last index known before the actual clearance of any payment.
"Index-Linked" -	With respect to any amount in this Agreement - if it is clarified, on the actual payment date of any amount under this Agreement, that the New Index is higher than the Base Index, the amount will be increased by the increase rate of the New Index compared to the Base Index. If, on the actual payment date, the New Index is equal to or lower than the Base Index, the aforesaid amount will remain unchanged.

4. **The Lease**

The Lessor leases to the Lessee and the Lessee leases from the Lessor the Leasehold for the Lease Term as defined in Section 8 below, for the consideration and under the terms in this Agreement.

5. **Description of the Leasehold**

5.1. The Leasehold and the area of the Leasehold are as set forth below: (hereinafter: the " **Leasehold** " and the " **Area of the Leasehold** ," respectively).

5.2. Area comprising 15 floors, located on floors 4-18 (four through eighteen, inclusive) of the Building, including the balcony attached to floor 4 with an area of about 359 sq.m (hereinafter: the " **Balcony** "), and that is delineated with a green line on the Blueprint attached as **Appendix A** to this Agreement.

5.3. Additionally, the Leasehold includes:

5.3.1. A parking space (one) that is reserved and marked in the Project's parking lot;

5.3.2. 100 reserved and unmarked parking subscriptions in the parking lot of the "Rubinstein Building";

5.3.3. 249 reserved and unmarked parking subscriptions in the Project, of which the Lessor can transfer up to 100 reserved and unmarked parking spaces to the parking lot adjacent to the Project.

5.4 The parking rights in the parking spaces mentioned in Sections 5.3.2 and 5.3.3 above will be available to the employees of the Lessee alone, such that the Lessee will transfer to the Lessor a list which includes the names of the 349 employees entitled to parking, and only the employees noted on the list will be allowed entry to these parking spaces (hereinafter: the "Parking Subscriptions by Name"). Notwithstanding the foregoing, the Lessee may, at any time (whether before transferring possession or thereafter, and for the entire duration of the Lease Period, the first Additional Lease Period and the Second Additional Lease Period, as applicable), convert the Parking Subscriptions by Name (in whole or in part) into parking spaces that are reserved, and unmarked, that are not listed by name, and are designated for all of the employees of the Mellanox group in Israel, such, that the Lessee will provide the Lessor with a list of all of the employees of the Mellanox group in Israel, and the Lessor will allow all Mellanox employees appearing on the list to enter said parking spaces, until the use of the number of parking spaces converted from Parking Subscriptions by Name into parking spaces designated for all Mellanox employees (hereinafter: the "Parking Spaces Designated for All Mellanox Employees"). Without derogating from the foregoing, the Lessee will be able, at any time, to convert the Parking Spaces Designated for All Mellanox Employees (in whole or in part) back into Parking Subscriptions by Name, and vice versa.

In addition, the Leasehold includes 465 sq.m of storage space in the underground floor (marked on the Illustration attached).

5.5 The gross Area of the Leasehold is about 18,760 sq.m (some 1,245 gross sq.m on each floor. The precise Area of the Leasehold will be measured and calculated in accordance with the terms of Sections 5.8 through 5.11 below.

5.6 Canceled

5.7 An option is hereby given to the Lessee to notify the Lessor by December 31, 2018, that it would like to reduce the Area of the Leasehold and return to the Lessor area from the Leasehold (hereinafter: the " **Returned Area** "). The Returned Area will be no more than seven complete floors from the upper floors of the Leasehold, and only the floors for which the floor above is not leased to the Lessee (including a floor that the Lessee requested to cease to lease in accordance with this section) such that even after the waiver of the floor/s, the

sequence between the floors included in the Leasehold will be maintained. Together with each floor from the Returned Area, 20 Parking Subscriptions by Name, or Parking Spaces Designated for All Mellanox Employees.

5.8 Additionally, in addition to the option granted to the Lessee in Section 5.7 above, an option is hereby given to the Lessee to notify the Lessor by January 1, 2024 and until the end of the Lease Term or option (as applicable), that it would like to reduce the Area of the Leasehold and return Additional Area of the Leasehold to the Lessor (hereinafter: the " **Additional Returned Area** "). The Additional Returned Area will be no more than three complete floors from the upper floors of the Leasehold, and only the floors for which the floor above is not leased to the Lessee (including floors that the Lessee requested to cease to lease in accordance with this section) such that even after the waiver of the floor/s, the sequence between the floors included in the Leasehold will be maintained. Together with each floor from the Returned Area, 20 Parking Subscriptions by Name, or Parking Spaces Designated for All Mellanox Employees.

Measurement of the Area: before the transfer of the Leasehold, a measurement will be performed of the Area of the Leasehold without the Returned Area, if the Lessee choose to exercise its right under Section 5.8 of the Agreement the measurement will be performed by an assessor whose identity is agreed upon by the parties on the relevant date. In the event that the parties do not reach an agreement regarding the identity of the assessor up to one week before the Date of the Transfer of Possession, the measurement will be performed by an assessor selected by the Chairman of the Bureau of Licensed Assessors in Israel. The parties will bear the wages of the assessor in equal parts.

5.9 Canceled

5.10 The Area of the Leasehold will be calculated as the area of the space within the outer contour line of the floor on which it is located (including the area of the pillars, interior walls, exterior walls, areas of the elevator shafts, floor-based elevator lobbies, floor-based hallways, floor-based restrooms, stairwells, safe rooms and shafts), but excluding the lobby area on the ground floor - in addition to 5% for shared areas outside of the floor. The area of the storage space in the Leasehold will be calculated when including the exterior walls in addition to 10% for the area of shared passageways outside of the storage spaces.

5.11 For the avoidance of doubt, only the precise area measured (and not an assessment set forth above) will serve as the basis for the calculation of the lease fees and the management fees and for any other calculation that is derived from the Area of the Leasehold.

5 **<u>Delivery of the Leasehold</u>**

6.1 The Lessor will transfer possession of the Leasehold to the Lessee in order to execute the adjustment construction no later than July 1, 2020 (hereinafter: the " **Transfer of Possession Date** " or the " **Delivery Date** ").

6.2 The Lessee will appear in the Leasehold on the Delivery Date, accept possession of the Leasehold and will comply with all of the obligations that it is required to fulfill on the Delivery Date. In the event that the Lessee does not appear to accept possession on the Delivery Date, the same will not exempt him from any obligations that he has undertaken in this Agreement. For the avoidance of doubt, it is hereby clarified that in the event that the Transfer of Possession Date is postponed for the reasons set forth in Section 6.4 of this Agreement, the Lessor will not be considered as having violated this Agreement.

6.3 The Lessor will transfer possession of the Leasehold to the Lessee after the Leasehold is completed in the outer frame level, as set forth in **Appendix E** in this Agreement. The Lessee is aware that on the Transfer of Possession Date therefore for the execution of the adjustment construction of the Leasehold to its needs (hereinafter: the " **Adjustment Works** "), it is possible that the Lessor will not have a Form 4 for the Leasehold. The Lessor will complete, by the completion date of the Adjustment Works, all of the tasks for which he is responsible and that are listed in the specifications and required for the issue of a Form 4. Additionally, the Lessor will make efforts to receive a Form 4 for the Leasehold by the commencement date of the lease term subject to the Lessee completing the execution of the Adjustment Works required as a condition for the receipt of a Form 4 and received approvals of the Standards Institute as a condition for the receipt of a Form 4 - by the end of seven months from the Delivery Date. Additionally, the same is contingent on there being no impediment that is dependent on the Lessee for the receipt of the Form 4.

6.4 If as a result of factors outside of the Lessor's control and that the Lessor could not foresee, or their timing, and that have an impact on the construction of the Leasehold (hereinafter: the " **Inhibiting Factor** "), a delay occurs in the construction of the Leasehold or the option of the Lessor to deliver to the Lessee possession of the Leasehold (hereinafter: the " **Delay** "), the commencement date of the lease term will be postponed for the duration of the period in which the Delay continues, in addition to a period of time of no more than 30 additional days required for an effective and complete return to the work process. The Lessor will not be considered, in such a case, as violating its obligations under this Agreement, provided that it has acted with due prudence to shorten the length of the Delay. The Inhibiting Factors for the purpose of this Agreement are: force majeure, a state of war, riots, hostilities, full or partial mobilization, strikes or general lockouts in the construction industry, general shortage of materials, general shortage of professionals, orders that prevent or prohibit construction (excluding orders that are issued at the fault of the Lessor), delays originating with the electric company, the local water company, the government or local authorities, provided that they are not created as a result of an action or omission of the Lessor and a party on its behalf (hereinafter: " **Non-Breaching Delays** ").

6.5 Regarding delays in the Delivery Date or the date of receipt of a Form 4 that is not a Non-Breaching Delay (as defined in Section 6.4 above), the parties agree that the following provisions shall apply:

6.5.1 The Lessor will notify the Lessee in writing, at least three months in advance, of a delay in the Delivery Date or a delay in the date of receipt of the Form 4.

6.5.2 A delay of three months in the Delivery Date or the date of receipt of a Form 4 or both will not be considered a delay and will not entitle the Lessee to any remedy under the provisions of this Agreement.

6.5.3 In the case of a delay in the Delivery Date to a date later than October 1, 2020, but earlier than July 1, 2021, the Lessor will pay the Lessee for each month of delay (or part thereof) compensation in an amount equal to the difference between the lease fees that the Lessee is required to pay for the Leasehold that it is currently leasing on Habarzel Street in Ramat Hachayal (hereinafter: the " **Leasehold in Ramat Hachayal** ") and between the Lease Fees as defined in this Agreement. In the event that the extension of the lease term of the Leasehold in Ramat Hachayal is contingent on the Lessee leases the Leasehold in Ramat Hachayal for a period of time that ends after the delayed delivery date, the Lessor will pay the aforesaid compensation for the period of time after the delayed delivery date as well. For the avoidance of doubt, the Lessee will not be entitled to compensation for a delay in the date of receipt of a Form 4, if it received compensation for a delay in the Delivery Date under the circumstances described in this subsection 6.5.3.

6.5.4 Without derogating from any remedy and/or relief to which the Lessee is entitled in accordance with the terms of this Agreement and/or under any law, in the case of a delay in the transfer of possession to a date after July 1, 2021, the Lessee may notify the Lessor of the termination of the Lease Agreement within seven days from the date of written notice to the Lessor. Under these circumstances, this Agreement will be null and void on the same date and the Lessor waives any claim and/or demand and/or suit in connection with the termination of the Agreement under the circumstances set forth in this subsection.

6 **Purpose of the Lease**

7.1 The Lessee leases the Leasehold in order to operate offices therein and for the accompanying uses under any law (hereinafter: the " **Purpose of the Lease** "), and for this purpose alone. The Lessee will not use the Leasehold or any part thereof for any other purpose other than the Purpose of the Lease.

7.2 The Lessee is aware that the Building may contain, *inter alia* , various businesses, some on the commercial floor (the ground floor), and undertakes that it will not have any claim in connection with the lease of areas in the Project, yet the same

will not derogate from the Lessee's right to make claims regarding disturbances, if any.

7 **Term of the Lease**

8.1 The Lessor hereby leases to the Lessee and the Lessee hereby leases from the Lessor, for a lease term of 10 (ten) years as of the end of 12 months from the end of the Transfer of Possession Date or as of the end of 12 months from the delayed transfer of possession date (as stated in Section 6 above) and therefore the expected lease term will begin on July 1, 2021 and continue until June 30, 2031 (hereinafter: the " **Commencement Date of the Lease Term** " and the " **Lease Term** ," respectively). The Commencement Date of the Lease Term will not change as a result of delays in the transfer of possession that arise from any action or omission of the Lessee.

8.2 Upon the conclusion of the Lease Term, the Lease Term will be extended by an additional term of 60 months commencing immediately after the end of the Lease Term (hereinafter: the " **First Additional Lease Term** "). Upon the conclusion of the first Lease Term, the Lease Term will be extended by an additional term of 60 months commencing immediately after the end of the First Additional Lease Term (hereinafter: the " **Second Additional Lease Term** "). The Lease Term or the First Additional Lease Term will not be extended to the First Additional Lease Term or the Second Additional Lease Term (respectively) if the Lessee providers prior written notice to the Lessor no later than 180 days before the end of the Lease Term or the end of the First Additional Lease Term regarding the intent not to extent the Lease Term for the First Additional Lease Term or the Second Additional Lease Term.

8.3 In the event that the Lease Term/s is/are extended under the terms of this Agreement, the provisions of this Agreement will also apply to the First Additional Lease Term or the Second Additional Lease Term, *mutatis mutandis.*

8.4 The Lessee will not be entitled to terminate the lease under this Agreement before the end of the Lease Term other than for a breach of the Agreement by the Lessor. Any cessation of use of the Leasehold or vacating the Leasehold on the part of the Lessee before the end of the Lease Term, excluding for a breach of the Agreement by the Lessor or finding an alternative lessee (as set forth in Section 17.4 below), will not release the Lessee from its obligations under this Agreement, including the Lessee's obligations to pay the Lessor all of the payments that it owes under this Agreement.

8 Lease Fees and Manner of Payment

9.1 The monthly lease fees will include the lease fees for the Leasehold, the lease fees for the areas of the Balconies and the storage rooms and the parking fees set forth in Sections 9.5 through 9.8 below (all jointly hereinafter: the " **Lease Fees** "). The Lease Fees will be linked to the Base Index and subject to lawful VAT as set forth below.

9.2 The Lease Fees for the Lease Term as defined above will be paid once per quarter in advance by the 15th of each calendar quarter (15.1, 15.4, 15.7 and 15.10) in each relevant calendar year. The Lessor will provide the Lessee with a payment demand by no later than fifteen (15) days before the first day for each calendar quarter and an invoice by the 5th of the calendar month in which the quarterly payment is made. The payment demand will include a calculation for the purpose of linkage differentials.

9.3 For the avoidance of doubt, it is clarified that for the period of the execution of the Adjustment Construction that begins on the Delivery Date, or the delayed delivery date as stated in Section 6 above, and ending on the Commencement Date of the Lease Term as defined above, the Lessee will be exempt from payment of the Lease Fees and/or any other payment (including, but not limited to, the Management Fee) for the Leasehold.

9.4 The Lessee will pay the Lease Fees by bank transfer to the bank account of which the Lessor will notify the Lessee. As long as the Lessor does not instruct otherwise, the Lease Fees will be paid to the bank account mentioned in Section 18 below. The Lessee will transfer to the Lessor a copy of the payment deposit as stated immediately upon the Lessor's demand. The date of the execution of the payments will be no later than the dates set forth in Section 9.2 above.

9.5 The monthly Lease Fees for the Leasehold for the Lease Term will be in the amount of NIS 52 (fifty two new shekels) for each 1 square meter of the Area of the Leasehold (hereinafter: the " **Lease Fees for the Leasehold** ").

9.6 The monthly Lease Fees for the areas of the Balcony and the storage spaces are NIS 25 (twenty five new shekels) for each 1 square meter (hereinafter: the " **Lease Fees for the Balcony and Storage Areas** ").

9.7 The price for a subscription for a reserved parking space and storage area is NIS 1,200 (one thousand and two hundred new shekels) per month during the entire Lease Term. The price includes management and property tax payments. The Lessor may require the Lessee to register with the municipality as a holder of the parking spaces and bear the property tax charges for the same area. In the event that the Lessee is registered as a holder as stated, the price for the aforesaid parking spaces will be reduced by the property tax amount that the Lessee is charged for the same areas.

9.8 The price for a Parking Subscription by Name is NIS 800 (eight hundred new shekels) monthly, for the duration of the Lease Period. The price includes municipal taxes and management fees. The price for a Parking Space Designated for All Mellanox Employees is NIS 1,100 (one thousand and one hundred new shekels) per month during the entire Lease Term. The price includes management and property tax payments.

9.9 The Lease Fees in the First Additional Lease Term and the Second Additional Lease Term will be in accordance with the market price customary in the aforesaid periods, and will be agreed by the parties in advance and in writing by no later

than 120 days before the end of the Lease Term and by no later than 120 days before the end of the First Additional Lease Term, as applicable (hereinafter: the " **Effective Date** "). In the event that the parties do not reach an agreement regarding the amount of the monthly Lease Fees during the First Additional Lease Term or the Second Additional Lease Term (as applicable) within 14 days from the Effective Date, the following shall apply:

9.9.1 The parties will, within the 14 aforesaid days, appoint an agreed upon assessor whose decision will bind the parties as set forth below.

9.9.2 In the event that the parties do not reach an agreement regarding the identity of the assessor, each of the parties may contact the Chairman of the Real Estate Appraisers Association in Israel and request that he appoint an assessor in order to determine the monthly Lease Fees.

9.9.3 No later than 90 days before the end of the Lease Term or the end of the First Lease Term, a certified real estate assessor will be appointed in accordance with the determination of the chairman of the Real Estate Appraisers Association, who will survey and determine within 30 days at the latest the Lease Fees that should be paid for the Leasehold, considering the state of the Leasehold when the appraisal is performed. The appraisal expenses will be borne by the parties in equal parts.

9.10 For the avoidance of doubt, it is clarified that the Lease Fees during the First Additional Lease Term and the Second Additional Lease Term (including for the Balcony and storage areas) will be paid based on the Area of the Leasehold as stated in Section 5 of this Agreement.

9.11 The Lease Fees in the First Additional Lease Term and the Second Additional Lease Term will be linked to the Base Index as determined on the date of signing the addendum to the Lease Agreement, which will define the Lease Fees for the First Additional Lease Term and the Second Additional Lease Term (as applicable) and be subject to VAT by law.

9 **Taxes and Other Payments**

10.1 Without derogating from the provisions of Section 9.3 above, in addition to the Lease Fees, the Lessee will pay, as of the Commencement Date of the Lease Term and for the entire Lease Term, the following payments:

10.1.1 Any taxes, fees, property tax, charges, compulsory payments and expenses, whether government or municipal, that are paid and will be paid in the future for the Leasehold or for the business that is operated therein or both (hereinafter: the " **Taxes** "). The Lessee will notify the Tel Aviv Municipality in advance of the lease of the Leasehold within 14 days from the Transfer of Possession Date of

the Leasehold thereto. The Lessee will transfer a copy of the notice to the Lessor.

10.1.2 Any fees and payments that relate to the consumption of water and sewage at the Leasehold. The Lessee will sign, near the Commencement Date of the Lease Term, the suitable contracts in connection with the supply of the water with the entities related to the same and will pay all of the amounts and deposits required.

10.1.3 Value added tax (in its rate by law) applicable to the Lease Fees and any other payment that the Lessee is required to pay under this Agreement. The VAT will be paid together with any payment for which it is paid.

10.1.4 Any payments that the Lessee is required to make in accordance with the Management Agreement attached as **Appendix B** to this Agreement, and applicable as of the Effective Date in the Management Agreement, if a date is determined.

10.1.5 Additional charges under any law and additional charges listed in the addendum.

10.1.6 Compulsory payments that are imposed in the future and that will apply under law or naturally to a holder of the Leasehold (as opposed to the owner) or a business owner, as applicable. The Lessor or the owners will pay any tax or charge that is imposed in the future and that will apply under the law or naturally to a lessor or owner.

10.2 The Lessee will not contact the local authority requesting an exemption from property tax for an asset unsuitable for use or an empty property and will not use an exemption as stated unless provided in another manner.

10.3 The Lessee will present to the Lessor from time to time and at the request of the Lessor or the Management Company (or both) the copies of any receipts and confirmations testifying that all of the payments applicable thereto under this Agreement have indeed been paid.

10.4 In the event that a party pays, for any reason, any payment that under the provisions of this Agreement applies to the other party, the paying party will repay the debtor party any such amount, immediately upon its first request.

10 **Changes to the Leasehold after the Commencement of the Lease**

11.1 The Lessee undertakes to perform all of the Adjustment Construction in the Leasehold in accordance with the provisions of **Appendix F** to this Agreement. Before the commencement of the execution of the Adjustment Construction, the Lessee will receive the prior written consent from the Lessor for the plans for the Adjustment Construction that it is seeking to execute (hereinafter: the “ **Approved**

Adjustment Construction "). Any change that the Lessee seeks to make in the Approved Adjustment Construction will require the Lessor's prior written consent, and the Lessor will not refuse to grant the same other than for reasonable and professional grounds only, and will provide the aforesaid consent within 14 days from receipt of the request.

11.2 After the Lessee performs the Approved Adjustment Construction and after the Lessor receives a Form 4, the Lessee will not perform additional Adjustment Construction without the consent of the Lessor in advance and in writing to the same work. The Lessor will not refuse to provide approval as stated other than for reasonable and professional grounds alone.

11.3 The Lessee will not make any interior or exterior change to the Leasehold, will not add any addition thereto, demolish any part of the Leasehold or installation from its fixtures and will not permit any repair, change, addition, renovation and demolition in the Leasehold without the consent of the Lessor in advance and in writing. The Lessor will be entitled to prevent the execution of any action that conflicts with this section and to demolish any change, addition, renovation and repair that is done contrary to the terms of this section, all at the expense of the Lessee. In addition, in the cases listed in this section, the Lessee will bear all of the expenses required in order to return the Leasehold to its status quo ante.

11.4 In any case in which the Lessor approves the performance of changes, repairs, improvements and additions for the Lessee as stated above, the obligation to pay for the same actions will be borne by the Lessee.

11.5 Any work and action performed by the Lessee or on its behalf will be performed in coordination with the Lessor and Management Company and will not cause unreasonable nuisance to the other lessees and Lessor. The Lessee will be responsible for any damage of any type or kind that is caused in the Leasehold, to the other lessors and any person for the performance of the aforesaid work.

11.6 Any repairs, changes, additions, improvements and renovations that are done by the Lessee in the Lease Term that are permanently connected to the Leasehold, whether with or without the Lessor's consent, will be the property of the Lessor and transferred upon the conclusion of the Lease Term to the Lessor's possession and ownership. The Lessee will not be entitled to dismantle or remove them from the Leasehold when vacating the Leasehold and will not be entitled to any consideration for them. Despite the above, the same will not be considered to be additional compensation by the Lessor.

11.7 The Lessee may place at the top of the Building, on one of its facades, a sign with the words: "Mellanox Building" or any other wording in a similar spirit at the discretion of the Lessee. The precise size and location of the sign will be agreed upon by the parties. The Lessor will not permit the placement of additional signage in the upper part of the Building. The Lessee will bear the costs of preparing the sign, its placement, maintenance and the receipt of a permit or license for its placement. Additionally, it will bear the signage fee required for the same. The

Lessee will be exclusively responsible for any damage cased to a person or property due to the sign, its installation, maintenance and all related matters. At the end of the Lease Term, the Lessor may remove the sign. The right to place a sign will apply if the Leasehold is in the scope of eight or more floors.

11 **Licenses and Permits**

12.1 The Lessee will obtain all of the licenses and permits required on behalf of the competent authorities in order to manage the business at the Leasehold. The Lessee will renew the licenses and permits required such that during the entire Lease Term, the activity in the Leasehold will be managed in accordance with the terms of the license and permits. Failure to receive a license and permit or non-renewal of a license and permit will not serve as any justification for the non-fulfillment of the obligations of the Lessee under this Agreement.

12.2 In the event that any authority demands from the Lessee the performance of changes in the Leasehold or the installation of various fixtures therein (or both) as a condition for the receipt of a business license, it will be required to receive the consent of the Lessor in advance and in writing to the changes and installations above. In the event that as a result of the demands of the authorities as stated, the need arises to perform changes in the central systems of the Project and the Lessor agrees to make the same changes, the Lessor or the Management Company will make the changes at the expense of the Lessee and the Lessee will repay the Lessor the expenses immediately upon its demand. The Lessor may refuse to execute the changes or installations as stated for reasonable grounds related to safety or the structure of the Project (or both) and for any other reasonable and substantive grounds.

12.3 The Lessee will comply with all of the laws, regulations, and bylaws applicable and that will apply during the Lease Term to the Leasehold, use thereof, the business and the actions and activity performed therein. In the event that the Lessee violates this obligation, it will compensate the Lessor for any damage and expense caused to the Lessor following the breach.

12 **Maintenance of the Leasehold and Use Thereof**

13.1 The Lessee will maintain the completeness of the Leasehold and its systems and will maintain them at all times in working, good and proper order for use in accordance with the Purpose of the Lease. The Lessee will repair at its expense, as instructed by the Lessor, any damage that is caused thereby or by a party on its behalf or its visitors.

13.2 In the event that the Lessee does not keep the Leasehold as stated in Section 13.1 above or does not repair that which requires repair in the Leasehold within 60 days from the Lessor’s notice, the Lessor may perform any repair and any action in order to repair the damage, at the expense of the Lessee. The Lessor or a party on its behalf may enter the Leasehold in order to exercise the Lessor’s right as stated after providing reasonable notice to the Lessee. Any damage that is repaired

by the Lessor will be paid by the Lessor, and the Lessee will reimburse the Lessor for the expenses of the repair within 30 days from the Lessor's request.

13.3 The Lessor will repair defects in the Leasehold or its systems (for the avoidance of doubt, this excludes attachments and property in the Leasehold, excluding attachments provided on the Date of the Transfer of Possession), provided that the defects prevent reasonable use of the Leasehold. The obligation to perform repairs will not apply to defects that arise from the work and changes performed by a party other than the Lessor (i.e. any Adjustment Construction performed by the Lessee in the Leasehold and its systems that it installed in the Leasehold), to defects arising from materials and products acquired by the Lessee directly and defects arising from lack of proper maintenance or negligent maintenance of the Leasehold on the part of the Lessee or on its behalf.

13 **Liability and Indemnification**

14.1 The Lessee is liable under law vis-a-vis the Lessor and any third party for any loss and damage of any type and kind that is caused to the Leasehold, the Project, to any person and property (including visitors in the Leasehold, Project, employees of the Lessee and any other person that is located within the Area of the Leasehold or the Project) following the management of the business of the Lessee in the Leasehold, the possession of the Leasehold, the use of the Leasehold and any other action of the Lessee in the Leasehold and the Building.

14.2 The Lessee will compensate and indemnify the Lessor and the Management Company for any damage and expenses that it may be required to pay or that it will be required to pay for any damage for which the Lessee is responsible under this Agreement and under law, including all of the expenses incurred thereby due to a claim that is filed against or due to the need to defend itself against a claim as stated. The Lessor will notify the Lessee in writing of a claim and demand that it receives and that the Lessee has undertaken to indemnify the Lessor, within five days from the receipt by the Lessor. The Lessor will allow the Lessee to defend itself against any claim or demand as stated, at the request of the Lessee, provided that all of the expenses and payments involved in the same proceedings will be borne by the Lessee. The Lessee will indemnify the Lessor or the Management Company solely for the same amounts that are ordered against them under a final and un-appealable judgment.

14.3 The Lessor is liable under law vis-a-vis the Lessee and any third party for any loss and damage of any type and kind that is caused to the Leasehold, the Project, to any person and property (including visitors in the Leasehold, Project, employees of the Lessor and any other person that is located within the Area of the Leasehold or the Project) following an action or omission of the Lessor or the Management Company.

14.4 The Lessor will compensate and indemnify the Lessee for any damage and expenses that it may be required to pay or that it will be required to pay for any damage for which the Lessor or Management Company is responsible under this

Agreement and under law, including all of the expenses incurred thereby due to a claim that is filed against or due to the need to defend itself against a claim as stated. The Lessee will notify the Lessor in writing of a claim and demand that it receives and that the Lessor has undertaken to indemnify the Lessee, within five days from the receipt by the Lessee. The Lessee will allow the Lessor to defend itself against any claim or demand as stated, at the request of the Lessor, provided that all of the expenses and payments involved in the same proceedings will be borne by the Lessor. The Lessor will indemnify the Lessee or the Management Company solely for the same amounts that are ordered against them under a final and un-appealable judgment.

14 **Insurance**

The Lessee undertakes to act in accordance with the provisions of the insurance appendix (**Appendix C** to this Agreement) and provide the approvals required thereunder, as a condition for the delivery of possession of the Leasehold as stated in this Agreement.

15 **Non-Application of Tenant Protection Laws**

16.1 The parties hereby emphasize that the construction of the Leasehold has been completed after 1968 and that they have agreed that the protections of the various tenant protection laws will not apply to the lease under this Agreement.

16.2 The Lessee confirms that other than the Lease Fees, it has not paid and will not pay the Lessor, directly or indirectly, any key moneys or other consideration or benefit in consideration for its consent to lease the Leasehold in accordance with this Agreement, and it is not a protected tenant under the Tenant Protection Law (Combined Version), 5732-1972 or under any other law.

16.3 Without derogating from the generality of the above in this section, when vacating the Leasehold, the Lessee will not be entitled to any payment from the Lessor, the Management Company and any other person for its investment in the Leasehold, including the adjustment of the Leasehold, during the Lease Term. No investment made by the Lessee in the adjustment of the Leasehold and its improvement will grant it any right to the Leasehold or grant it any right or claim vis-a-vis the Lessor or the Management Company (or both) and the Lessee hereby waives any claim or demand in connection with any investments in the Leasehold.

16 **Transfer of Rights on behalf of the Lessee**

17.1 Without derogating from the provisions of Sections 17.3 and 17.4 below, the Lessee will not transfer the lease in the Leasehold to another, will not transfer, delivery or lease the Leasehold to another, will not permit another to use the Leasehold, will not share possession of the Leasehold with another, use thereof, benefit therefrom, and will not share another in the business held in the Leasehold and will not grant another any right in the Leasehold - all for consideration or otherwise. The terms of this section regarding the Leasehold will also apply to

any part thereof. Notwithstanding the above, it may transfer its rights and obligations under this Agreement to a subsidiary, parent company, sister company or the Lessee without the consent of the Lessor or the Management Company, provided that the Lessee remains a guarantor for the obligations of the company to which it transfers its rights and obligations.

17.2 The Lessee will not pledge and will not lien its rights under this Agreement, in whole or in part.

17.3 Notwithstanding the above, the Lessee may, at any time during the term of this Agreement, transfer all of its rights in the Leasehold or any part thereof (but not part that is not a complete floor or floors) to an alternative lessee whose identity has been approved in advance and in writing by the Lessor (the Lessor undertakes that it will not object other than for reasonable grounds), provided that the alternative lessee engages with the Lessor in a lease agreement and management agreement that are acceptable at the time with the Lessor in accordance with the conditions agreed upon between the Lessor and the alternative lessee.

17.4 Without derogating from the terms in Section 17.3 above, it is hereby agreed that the Lessee may at any time lease the Leasehold or parts thereof with a sub-lease to a third party (without the same derogating from any of the obligations of the Lessee vis-a-vis the Lessor and vis-a-vis the Management Company under this Agreement or under the Management Agreement). A sub-lease as stated is contingent on the following:

the Lessee will provide the Lessor with notice 30 days in advance of its intention to lease the Leasehold or any part thereof to a sub-lessee. In the notice, the Lessee will provide the name of the lessee, its business, the purpose of the sub-lease and the area that will be leased with sub-lease.

17 **Assignment of Rights and Pledge**

18.1 The Lessor may assign its rights under this Agreement, in whole or in part, pledge and lien them in favor of others as it sees fit and for any purpose, without requiring permission of the Lessee, provided that the Lessee's rights under this Agreement are not harmed.

18.2 The Lessee is aware that the Lessor intends to undertake vis-a-vis a bank in Israel (hereinafter: the " **Bank** ") to pledge to the bank all of the receipts that are owed to the Lessor from the Lessee (hereinafter: the " **Pledge of the Lease Fees** ").

18.3 The Lessor hereby provides the Lessee with irrevocable instructions to pay the Lease Fees to the credit of the bank account whose details are provided on the relevant date (hereinafter: the " **Irrevocable Instructions** "). The Lessee will act in accordance with the Irrevocable Instructions unless notice is received from the Lessor and the Bank (together) to pay the Lease Fees to the Lessor or any party that it instructs.

18.4 The Lessor will not sell areas in the Building as long as 10 (ten) years have not passed from the Transfer of Possession Date in the Leasehold to the Lessee. Notwithstanding the above, the Lessor may sell the Building in its entirety at any time, all provided that the Lessee is not harmed in any manner from the sale of the areas in the Building.

18 **Management of the Project**

19.1 The Lessee is aware of the paramount importance attributed by the Lessor to the manner of managing the Leasehold, its operation and maintenance, in order to maintain the level and quality of the Project, and that the Project will be managed through the Management Company.

19.2 Upon signing this Agreement, the Lessee will sign the Management Agreement attached as **Appendix B** to this Agreement.

19.3 The gross Area of the Leasehold for the purpose of Management Fees is the Area of the Leasehold as defined in Section 5 above, less half of the area of the storage space and less the entire area of the Balcony.

19.4 A breach of any of the obligations of the Lessee vis-a-vis the Management Company and under Sections 4.11 through 4.15 and 5 of the Management Agreement that is not remedied within 30 days from the warning of the Management Company or Lessor (or both) of the same will be considered to be a material breach of this Agreement and all of the remedies granted to the Lessor under this Agreement or under the law in the case of delay in payment of the Lease Fees or breach of another undertaking of the Lessee vis-a-vis the Lessor will be valid only in the case of a breach of any of the aforesaid sections in the Management Agreement.

For the avoidance of doubt and for emphasis, it is hereby agreed and clarified that the Lessor may terminate this Agreement and end the lease if the Lessee does not meet its obligations in the aforesaid sections in the Management Company agreement.

19 Without derogating from the above, the Management Company will have an independent and direct right to claim against the Lessee in the case in which it breaches any of its obligations against it. Additionally, it will be entitled to the remedies set forth in the Management Agreement, without derogating from the above.

20 **Vacating the Leased Property**

21.1 Without derogating from the provisions of Section 11.6 above, upon the end of the Lease Term under this Agreement or prior thereto, if this Agreement is lawfully terminated for any reason, the Lessee will vacate the Leasehold and return possession thereof to the Lessor. On the date of vacating the Leasehold and returning it to the Lessor. The Leasehold will be free and clear of any person and item, in good condition, in working order and an orderly state, as received by the Lessee upon the commencement of the Lease Term and subject to wear and tear

arising from reasonable and careful use and in accordance with the provisions of this Agreement. In the event that the Leasehold is delivered when it is not finished and without internal divisions, any works performed by the Lessee in the Leasehold that are connected permanently to the Leasehold will remain in the Leasehold after the Lessee vacates.

21.2 The Lessee will not be entitled to any payment or reimbursement for its investment in the Leasehold upon its vacating.

21.3 In the event that the Lessee does not comply with any of its obligations to vacate the Leasehold as stated in Sections 11.6 and 21.1 above and any other section in this Agreement and the Management Agreement, then without derogating from the Lessor's right to exercise its rights in any manner that it sees fit, and without derogating from any other right available to the Lessor under any law and under this Agreement, the Lessee will pay the Lessor for each day of delay in the transfer of the Leasehold liquidated damages assessed in advance in the amount equal to twice (2x) the Lease Fees in addition to VAT that will be paid by the Lessee to the Lessor for a day of lease in the last month that precedes the date designated for vacating the Leasehold (hereinafter: the " **Liquidated Damage** "). The Liquidated Damages amount was determined after a careful and thoughtful assessment and is reasonable in relation to the damage that may be foreseen in advance when forming this Agreement that would be caused to the Lessor following failure to vacate the Leasehold on the date as stated. In addition to the Liquidated Damages, the Lessee will pay the Management Fees for the Leasehold for the entire term of arrears in vacating the Leasehold. Additionally, the Lessee will pay, during the period of arrears, any payment that is required under the provisions of Section 10 above.

21.4 In the case that when vacating the Leasehold and returning it to the Lessor, the Leasehold is not in the condition described in Sections11.5, 11.6 and 21.1 above, and any other section in this Agreement and the Management Agreement, the Lessee will be required to return to the Lessor, immediately upon its first request, all of the expenses incurred by the Lessor in order to bring the Leasehold to the state that is required from the Lessee, and all of the expenses involved in the same.

21.5 Vacating the Leasehold and returning it to the Lessor will be done in the presence of the Lessor and Lessee. On the vacating date, a protocol will be kept that reflects the state of the Leasehold. In any event of vacating that is not in the presence of the Lessee, the Lessor will prepare the protocol alone and its contents will bind the Lessee.

21 **Breaches and Remedies**

22.1 A breach of any of the terms of this Agreement will grant the upholding party (the party that is not in breach) with all of the remedies and reliefs granted thereto under the Contracts Law (Remedies for Breach of Contract), 5731-1970 in addition to any remedies and reliefs granted thereto under the provisions of this Agreement.

22.2 Without derogating from the generality of the above, the Lessor may terminate this Agreement and remove the Lessee from the Leasehold with notice of 30 days, which will be provided in addition to the following dates:

22.2.1 The Lessee has not paid the Lessor or the Management Company (or both) on any payment date applicable thereto under this Agreement and under the Management Agreement (as applicable), and within 14 days from the date on which it receives a written warning of the same.

22.2.2 The Lessee has violated any of the provisions of Sections 7, 8.4,10, 11, 13,14.4,, 17, 21 and 23 of this Agreement, and does not remedy the breach within 14 days from the Lessor's warning, and in the case of a repeated breach, within seven days from the Lessor's warning.

22.2.3 The Lessee has breached any other condition of this Agreement and has not remedied the breach within 14 days from being requested in writing to do so.

22.2.4 The Lessee has resolved to voluntarily liquidate.

22.2.5 A motion to liquidate has been filed against the Lessee, for the appointment of a receiver, or a receiver or liquidator has been appointed, whether temporary or permanent, and the grounds for the appointment as stated is insolvency of the Lessee and a request or appointment as stated is not terminated within 90 days.

22.3 In the event that the Lessee does not vacate the Leasehold as stated in this Agreement, without derogating from any right of the Lessor in accordance with this Agreement and under law, the Lessor may, whether on its own or through a receiver appointed at its request, receive possession of the Leasehold, gather the Lessee's belongings, remove them from the Leasehold and receive possession of the Leasehold. The expenses for the appointment of the receiver and its wages will be borne by the Lessee alone. The Lessee may receive the property, however, the Lessor will be entitled to delay them until the clearance of the Lessee's debts towards it, including debts under the provisions of this section. The expenses for the storage of the property will be borne by the Lessee, and for the avoidance of doubt, the Lessor will not be responsible for the state of the property that it delays. At the end of 60 days from the removal of the property from the Leasehold, the Lessor may sell it and make use of the consideration from the sale to cover the losses incurred. The balance, if any, will be transferred to the Lessee.

22.4 In any event of failure to vacate the Leasehold on the date of the Lease Term or prior thereto (if the Lease Agreement is lawfully terminated), the Lessor will be entitled, without derogating from its right to any remedy available thereto under the provisions of this Agreement and any law, immediately discontinue the supply to the Lessee and Leasehold of electricity, water, air conditioning, and any other services, in whole or in part, at its discretion, and the Lessee will not have any

claim or demand in connection with the same. In order to execute the provisions of this Agreement, the Lessor may provide suitable instructions to the Management Company and the Lessee hereby provides an irrevocable instruction to the Management Company to act in accordance with the instructions of the Lessor under the aforesaid circumstances.

22 **Securities**

23.1 As a security for the fulfillment of all of the obligations of the Lessee under this Agreement and under the Management Agreement and as a condition for the validity of the Agreement, the Lessee will provide the Lessor, within 30 days from the signing of this Agreement, an autonomous and unconditional bank guarantee in the form attached as Appendix D, in an amount equal to the Lease Fees (provided without management fees and parking spaces) for nine floors during three months of lease in addition to lawful VAT, in a total amount of NIS 2,043,522 (in words: two million and forty three thousand and five hundred and twenty two new shekels) that is valid for a period of 365 days (hereinafter: the " **Bank Guarantee** "). The Bank Guarantee will be extended each year for a period of 365 additional days, and in the last year of the lease - for a period of up to 60 days after the end of the Lease Term. The amount of the Bank Guarantee will be linked to the Consumer Price Index. The basis for the calculation of the indexation will be the Base Index. It is clarified that if the Area of the Leasehold is decreased in accordance with the provisions of Sections 5.7 and 5.8 above, the Bank Guarantee will be replaced by a bank guarantee of three months of lease in accordance with the actual Area of the Leasehold, within 30 days from the notice of the Lessee as stated in Sections 5.7 through 5.8 above.

23.2 In the event that the Lessor lawfully exercises the Bank Guarantee or part thereof, the Lessee will provide the Lessor immediately with a new or additional guarantee such that the balance of the Bank Guarantee will not be less than the amount of the Bank Guarantee described in Section 23.1 above. The Lessor will provide the Lessee within notice seven days in advance and in writing before exercising the Guarantee or any part thereof.

23.3 The Bank Guarantee will be issued in favor of the Lessor.

23.4 In any event in which this Agreement grants the Lessee a right to extend the Lease Term and the Lessee makes use of the aforesaid right, the Lessee will extend the validity of the Bank Guarantee each year and up to 60 days after the end of the Additional Lease Term. The Lessor may exercise the Bank Guarantee as long as the Lessee has violated the obligations under this Agreement or the Management Agreement (or both), and does not remedy the breach within 30 days from the date of the request. At the end of 60 days from the end of the Lease Term and after the Lessee complies with all of its obligations under this Agreement and under the Management Agreement, the Bank Guarantee will be returned to the Lessee, unless it is used in accordance with the provisions of this Agreement. The return of the Guarantee will take place subject to the presentation of confirmation

of the lack of debts to the Tel Aviv Municipality and the municipal water corporation.

23.5 As an additional security, Mellanox Technologies, Ltd., company no. 512471962, shall sign as a guarantor on this Agreement for the fulfilment of the Lessee's financial undertakings in this Agreement and in the Management Agreement.

23 **Delays in Payments**

24.1 Without derogating from any other right or remedy available to the Lessor under law and under this Agreement, any arrear in payments owed from the Lessee to the Lessor under this Agreement and any arrear in the payments owed to the Management Company under the Management Agreement will require the Lessee to pay arrears interest on the amount in arrears in the rate of the arrears interest practiced by Bank Hapoalim Ltd. for overdrafts in debit accounts, as of the day on which the Lessee was required to pay the aforesaid amount and until the actual payment date.

24.2 In the case of a payment in arrears as stated, the order of imputation of the payments will be as follows: first, the amount on account of the interest, and then on account of the linkage differentials, and finally on account of the principal.

24.3 Any expense of the Lessor in the collection of any amount as stated will be charged to the Lessee, and the Lessee will be required to repay it, including legal expenses and attorney fees.

24.4 Any amount that the Lessee is charged under this Agreement to third parties that the Lessee has not paid after 30 days from the effective date for its payment will be considered to be a debt of the Lessee to the Lessor that is payable within 21 days from the Lessor's written demand in addition to any other remedy available to the Lessor under this Agreement and under any law.

24 **General**

25.1 The Lessor may, at any time, without requiring any consent on behalf of the Lessee, perform any change or addition (or both) to the Building (hereinafter in this section and in Section 25.2 below: the " **Changes** "), at its sole discretion, both before the commencement of the Lease Term or thereafter, provided that there is no change made to the Leasehold (including the Area of the Leasehold) and the Lessee's reasonable use of the Leasehold is not impaired. The Changes may include, *inter alia* , the addition or reduction of spaces, additional construction, cancellation of part of the construction, the addition of floors, areas or divisions to the Building, the conversion or open public spaces into areas exclusively used by various users, the change of openings, passageways, and the like. For the execution of the Changes, the Lessor will be entitled to use part of the shared property that it requires, connect thereto and to the technical systems therein, the plumbing, sanitation and electrical systems therein, submit requests to change a city building plan, submit requests for a construction permit, cause a change to a registration order of the shared building and generally perform any action required in order

to execute the changes and include them (in whole or in part) in the shared building order.

25.2 The Lessee will not disturb or object to Changes for any reason, including due to interruptions that are caused thereto during the execution of the Changes, provided that the Changes do not affect the Lessee's reasonable use of the Leasehold. The Lessor will carry out the Changes such that the disturbance that will be caused to the Lessee will be as minimal as possible under the circumstances and will not harm the completeness of the Leasehold and the reasonable use thereof and will not block access routes thereto. The Lessor may perform the Changes in stages, in the manner and form that it sees fit.

25.3 No delay, waiting, inaction or failure to take measures on behalf of any of the parties or the Management Company (or the three of them) in any event of breach of contract of one of the parties will be considered to be a waiver on their part of any of their rights under the Agreement and under any law or consent to the aforesaid breach.

25.4 This Agreement supersedes all prior agreements between the parties, whether agreed verbally or in writing. No change to this Agreement will have force unless made in writing and signed by the parties to this Agreement.

25.5 This Agreement also includes provisions in favor of a third party (the Management Company) and establishes rights of a third party vis-a-vis the Lessor.

25.6 The Lessee will not offset amounts that it is required to pay to the Lessor or the Management Company (or both) against amounts that it is entitled to receive from the Lessor or Management Company (or both). The Lessee waives the right to offset despite the provisions of any law.

25.7 The sections titles have been written for the sake of convenience alone and no reference or tool will be used in the interpretation of this Agreement.

25.8 The exclusive jurisdiction to hear an action in connection with this Agreement, its execution and all matters arising herefrom will be granted to the competent courts of Tel Aviv Jaffa and to them alone.

25.9 The addresses of the parties for the purpose of this Agreement are as set forth in the preamble. After the commencement of the Lease Term, the address of the Lessee for the purpose of the Agreement will be in the Leasehold. Any notice that is sent by one party to the other will be considered to be delivered, if delivered by courier - on the date of delivery, and if sent by registered mail - within five business days from the date on which it was sent by registered mail.

In witness whereof the parties have signed:

/s/ Gil Rubinstein	/s/ Ronnen Lovinger
The Lessor	**The Lessee**
Rubinstein Buildings Ltd.	Mellanox Technologies TLV Ltd.

Mellanox Technologies, Ltd. Guarantee

I, Mellanox Technologies, Ltd., company no. 512763285, hereby guarantees towards the Lessor the payment of any sum that Mellanox Technologies TLV Ltd., company no. 512471962 (hereinafter: the " **Lessee** ") is required to pay the Lessor or the Management Company (as these are defined in the Agreement, above), or to both of them, under the above Lease Agreement (hereinafter: the " **Lease Agreement** "), or the Management Agreement (as defined in the Lease Agreement), or both of these, that were signed by the Lessee on April 3, 2017.

Our guarantee shall apply similarly to any change, extension, addition or appendix (whether in relation to the Lease Agreement or in relation to the Management Agreement) that will be agreed upon between the Lessee and the Lessor, or between the Lessee and the Management Company.

/s/ Ronnen Lovinger	April 3 2017
Mellanox Technologies, Ltd.	**Date**

EXHIBIT 31.1

Certification of Chief Executive Officer

Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Eyal Waldman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Mellanox Technologies, 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 registrant as of, and for, the periods presented in this report;

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

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

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

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

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

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

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

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

Date: May 5, 2017

By: /s/ EYAL WALDMAN

Name: Eyal Waldman

Title: *President and Chief Executive Officer*

EXHIBIT 31.2

Certification of Chief Financial Officer

Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Jacob Shulman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Mellanox Technologies, 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 registrant as of, and for, the periods presented in this report;

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

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

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

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

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

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

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

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

Date: May 5, 2017

By: /s/ JACOB SHULMAN

Name: Jacob Shulman

Title: *Chief Financial Officer*

EXHIBIT 32.1

Certification of Chief Executive Officer
Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

I, Eyal Waldman, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(i) the Quarterly Report of Mellanox Technologies, Ltd. on Form 10-Q for the quarter ended March 31, 2017 , fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company for the periods covered by the Quarterly Report.

In Witness Whereof, the undersigned has set his hand hereto as May 5, 2017 .

By:		/s/ EYAL WALDMAN
	Name:	Eyal Waldman
	Title:	*President and Chief Executive Officer*

Dated: May 5, 2017

This certification accompanies the Form 10-Q to which it relates to, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by references into any filings of Mellanox Technologies, Ltd. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.

EXHIBIT 32.2

Certification of Chief Financial Officer
Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

I, Jacob Shulman, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(i) the Quarterly Report of Mellanox Technologies, Ltd. on Form 10-Q for the quarter ended March 31, 2017 , fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company for the periods covered by the Quarterly Report.

In Witness Whereof, the undersigned has set his hand hereto as May 5, 2017 .

By:		/s/ JACOB SHULMAN
	Name:	Jacob Shulman
	Title:	*Chief Financial Officer*

Dated: May 5, 2017

This certification accompanies the Form 10-Q to which it relates to, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by references into any filings of Mellanox Technologies, Ltd. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.