

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 20-F

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

For the fiscal year ended December 31, 2018

Commission File No.: 001-37600

NANO DIMENSION LTD.

(Exact name of registrant as specified in its charter)

Translation of registrant's name into English: Not applicable

State of Israel

(Jurisdiction of incorporation or organization)

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(Address of principal executive offices)

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(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

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

Title of each class:

**American Depositary Shares each representing 5
Ordinary Shares, par value NIS 0.10 per share(1)
Ordinary Shares, par value NIS 0.10 per share(2)**

Name of each exchange on which registered or to be registered:

Nasdaq Capital Market

(1) Evidenced by American Depositary Receipts.

(2) Not for trading, but only in connection with the listing of the American Depositary Shares.

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

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

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

97,098,693 Ordinary Shares, par value NIS 0.10 per share, as of December 31, 2018.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15 (d) of the Exchange Act of 1934. Yes ☐ No ☒

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months. Yes ☒ No ☐

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

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☒

Emerging growth company ☒

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

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

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

U.S. GAAP ☐

International Financial Reporting Standards as issued by the International Accounting Standards Board ☒

Other ☐

If “Other” has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. ☐ Item 1 ☐ Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company. Yes ☐ No ☒

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INTRODUCTION

We are a leading additive electronics provider. We believe our flagship proprietary DragonFly Pro system is the first and only precision system that produces professional multilayer circuit-boards (PCB), RF antennas, sensors, conductive geometries, and molded connected devices for rapid prototyping through custom additive manufacturing. We have been actively developing our additive manufacturing technology since 2014, and since that time we have listed our securities on the Tel Aviv Stock Exchange and Nasdaq, and have spent approximately \$60 million to build our additive electronics company. With our unique additive manufacturing technology for 3D printed electronics, we are targeting the growing market for smart electronic devices that rely on printed circuit boards, connected devices, RF components and antennas, sensors, and smart products, including IoT.

We were incorporated under the laws of the State of Israel in December 1960. Our Ordinary Shares, or Ordinary Shares, are listed on the Tel Aviv Stock Exchange, or TASE, under the symbol “NNDM.” On March 7, 2016, our American Depositary Shares, or ADSs, each representing five of our Ordinary Shares, commenced trading on the Nasdaq Capital Market under the symbol “NNDM.”

Unless otherwise indicated, all references to the “Company,” “we,” “our” and “Nano Dimension” refer to Nano Dimension Ltd. and its subsidiaries, Nano Dimension Technologies Ltd., and Nano Dimension IP Ltd., Israeli corporations, Nano Dimension USA Inc., or Nano USA, a Delaware corporation, and Nano Dimension (HK) Limited, a Hong Kong corporation.

References to “U.S. dollars” and “\$” are to currency of the United States of America, and references to “NIS” are to New Israeli Shekels. References to “Ordinary Shares” are to our Ordinary Shares, par value of NIS 0.1 per share. We report financial information under International Financial Reporting Standards, or IFRS, as issued by the International Accounting Standards Board, or IASB, and none of the financial statements were prepared in accordance with generally accepted accounting principles in the United States.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

These forward-looking statements may include, but are not limited to, statements relating to our objectives, plans and strategies, statements that contain projections of results of operations or of financial condition, expected capital needs and expenses, statements relating to the research, development, completion and use of our products, and all statements (other than statements of historical facts) that address activities, events or developments that we intend, expect, project, believe or anticipate will or may occur in the future.

Forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties. We have based these forward-looking statements on assumptions and assessments made by our management in light of their experience and their perception of historical trends, current conditions, expected future developments and other factors they believe to be appropriate.

Important factors that could cause actual results, developments and business decisions to differ materially from those anticipated in these forward-looking statements include, among other things:

- the overall global economic environment;
- the impact of competition and new technologies;
- general market, political and economic conditions in the countries in which we operate;
- projected capital expenditures and liquidity;
- changes in our strategy;
- litigation; and
- those factors referred to in “Item 3. Key Information – D. Risk Factors,” “Item 4. Information on the Company,” and “Item 5. Operating and Financial Review and Prospects”, as well as in this annual report on Form 20-F generally.

Readers are urged to carefully review and consider the various disclosures made throughout this annual report on Form 20-F which are designed to advise interested parties of the risks and factors that may affect our business, financial condition, results of operations and prospects.

You should not put undue reliance on any forward-looking statements. Any forward-looking statements in this annual report on Form 20-F are made as of the date hereof, and we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

In addition, the section of this annual report on Form 20-F entitled “Item 4. Information on the Company” contains information obtained from independent industry sources and other sources that we have not independently verified.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. Selected Financial Data

The selected consolidated financial data for the fiscal years set forth in the table below have been derived from our consolidated financial statements and notes thereto. We derived the selected data under the captions “Consolidated Statement of Profit or Loss and Other Comprehensive Income Data” for the years ended December 31, 2018, 2017 and 2016, and “Consolidated Statement of Financial Position Data” as of December 31, 2018, 2017 and 2016 from the audited consolidated financial statements included elsewhere in this Annual Report. We derived the selected data under the captions “Consolidated Statement of Profit or Loss and Other Comprehensive Income Data” for the years ended December 31, 2015 and 2014 and “Consolidated Statement of Financial Position Data” as of December 31, 2015 and 2014 from audited financial statements that are not included in this Annual Report on Form 20-F. The selected financial data should be read in conjunction with our consolidated financial statements, and are qualified entirely by reference to such consolidated financial statements. Other financial and operating data contains unaudited information that is not derived from our financial statements. Effective January 1, 2018, we changed our functional and presentation currency from NIS to U.S. dollars. The change in functional currency is accounted for prospectively from that date.

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

	Year Ended December 31,				
	2014(*)	2015(*)(**)	2016(*)(**)	2017(*)(**)	2018
Consolidated Statements of Profit or Loss and Other Comprehensive Income Data:					
Revenues	-	-	46	829	5,100
Cost of revenues	-	-	19	409	3,594
Cost of revenues- amortization of intangible	-	-	174	743	772
Gross profit (loss)	-	-	(147)	(323)	734
Research and development expenses, net	933	2,855	4,043	10,819	8,623
General and administrative expenses	381	2,413	3,818	3,363	3,002
Sales and marketing expenses	-	493	1,006	2,183	4,259
Operating loss	1,314	5,761	9,014	16,688	15,150
Listing expenses	2,616	-	-	-	-
Finance expenses (income), net	33	(356)	(38)	815	338
Total Comprehensive loss	3,963	5,405	8,976	17,503	15,488
Basic and diluted loss per Ordinary Share (in USD)	0.31	0.20	0.22	0.31	0.17
Weighted average of number of Ordinary Shares used in the calculation of the basic and diluted loss per Ordinary Share	12,754	26,819	40,760	56,540	91,799

(*) Presented according to the change in our functional and presentation currency from NIS to U.S. dollars, effective January 1, 2018. The change in functional currency is accounted for prospectively from that date. Accordingly, comparative profit or loss figures have been translated into U.S. dollars using average exchange rates for the reporting periods.

(**) Reclassified - In the fourth quarter of 2017, we decided to present our sales and marketing expenses separate from other operating expenses. Thus, for comparison we have reclassified the expenses in the previous years.

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

	As of December 31,				
	2014(*)	2015(*)	2016(*)	2017(*)	2018
Consolidated Statement of Financial Position Data:					
Cash	207	8,665	12,379	6,103	3,753
Total assets	622	13,208	22,226	21,496	20,303
Total non-current liabilities	95	254	955	1,135	1,139
Accumulated loss	4,240	9,644	18,619	36,122	51,610
Total equity	222	12,405	19,303	18,166	15,572
Number of shares outstanding	19,070,931	34,321,056	50,142,804	62,511,208	97,098,693

(*) Presented according to the change in our functional and presentation currency from NIS to U.S. dollars, effective January 1, 2018. The change in functional currency is accounted for prospectively from that date. Accordingly, comparative profit or loss figures have been translated into U.S. dollars using average exchange rates for the reporting periods.

Other financial and operating data:

	Year Ended December 31, 2018
EBITDA	(12,669)
Adjusted EBITDA	(12,267)

EBITDA is a non-IFRS measure and is defined as earnings before financial expense (income), income tax, depreciation and amortization, disposal of property plant and equipment, and other income (expenses), net. We believe that EBITDA, as described above, should be considered in evaluating the company's operations. EBITDA facilitates operating performance comparisons from period to period and company to company by backing out potential differences caused by variations in capital structures (affecting financial expenses (income), net), and the age and depreciation charges and amortization of fixed and intangible assets, respectively (affecting relative depreciation and amortization expense, respectively) and EBITDA is useful to an investor in evaluating our operating performance because they are widely used by investors, securities analysts and other interested parties to measure a company's operating performance without regard to one-time costs associated with non-recurring events and without regard to non-cash items.

Adjusted EBITDA is a non-IFRS measure and is defined as earnings before financial expense (income), income tax, depreciation and amortization, disposal of property plant and equipment, other income (expenses), net and share based payments. We believe that Adjusted EBITDA, as described above, should be considered in evaluating the company's operations. Adjusted EBITDA facilitates operating performance comparisons from period to period and company to company by backing out potential differences caused by variations in capital structures (affecting financial expenses (income), net), and the age and depreciation charges and amortization of fixed and intangible assets, respectively (affecting relative depreciation and amortization expense, respectively) and Adjusted EBITDA is useful to an investor in evaluating our operating performance because they are widely used by investors, securities analysts and other interested parties to measure a company's operating performance without regard to non-cash items, such as expenses related to share based payments.

The following is a reconciliation of net loss to EBITDA and adjusted EBITDA:

	Year Ended December 31, 2018
Net loss	(15,488)
Financing expense, net	338
Depreciation, amortization and disposal of property plant and equipment	2,481
EBITDA	(12,669)
Share based payments	402
Adjusted EBITDA	(12,267)

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

You should carefully consider the risks described below, together with all of the other information in this annual report on Form 20-F. The risks described below are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially and adversely affect our business operations. If any of these risks actually occurs, our business and financial condition could suffer and the price of our ADSs could decline.

Risks Related to Our Financial Condition and Capital Requirements

We are a development-stage company and have a limited operating history on which to assess the prospects for our business, have incurred significant losses since the date of inception of Nano Dimension Technologies Ltd., and anticipate that we will continue to incur significant losses until we are able to successfully commercialize our products.

From March 7, 2014, until August 25, 2014, we were a “shell corporation” and did not have any business activity, excluding administrative management. On August 25, 2014, we closed a merger transaction, or the Merger, with Nano Dimension Technologies Ltd., or the Subsidiary, whereby we acquired 100% of the share capital of the Subsidiary. Since the date of the Merger, we have been operating as a development-stage company and have a limited operating history on which to assess the prospects for our business, have incurred significant losses, and anticipate that we will continue to incur significant losses for the foreseeable future.

Since the date of inception of the Subsidiary, and as of December 31, 2018, we have incurred net losses of approximately \$52 million.

Since the date of the Merger, we have devoted substantially all of our financial resources to develop our products. To date, we have generated limited revenues from the sale and lease of our products. Since the Merger, we have financed our operations primarily through the issuance of equity securities. The amount of our future net losses and our ability to finance our operations will depend, in part, on completing the development of our products, the rate of our future expenditures, our ability to generate significant revenues from the sales of our products and our ability to obtain funding through the issuance of our securities, strategic collaborations or grants. We expect to continue to incur significant losses until we are able to generate significant revenues from the sales of our products. We anticipate that our expenses will increase substantially if and as we:

- continue the development of our products;
- establish a sales, marketing, and distribution infrastructure to successfully commercialize our products;
- seek to identify, assess, acquire, license, and/or develop other products and subsequent generations of our current products;
- seek to maintain, protect, and expand our intellectual property portfolio;
- seek to attract and retain skilled personnel; and
- create additional infrastructure to support our operations as a public company and our product development and planned future commercialization efforts.

We have generated limited revenues from the sale of our current products and may never be profitable.

We have begun commercializing our products in the fourth quarter of 2017 and have generated limited revenues since the date of the Merger. Our ability to generate significant revenues and achieve profitability depends on our ability to successfully complete the development of, and to commercialize, our products. Our ability to generate future revenue from product sales depends heavily on our success in many areas, including but not limited to:

- completing development of our products;
- establishing and maintaining supply and manufacturing relationships with third parties that can provide adequate (in amount and quality) products to support market demand for our products;
- launching and commercializing products, either directly or with a collaborator or distributor;
- addressing any competing technological and market developments;
- identifying, assessing, acquiring and/or developing new products;
- negotiating favorable terms in any collaboration, licensing or other arrangements into which we may enter;
- maintaining, protecting and expanding our portfolio of intellectual property rights, including patents, trade secrets and know-how; and
- attracting, hiring and retaining qualified personnel.

We expect that we will need to raise substantial additional funding before we can expect to become profitable from sales of our products. This additional financing may not be available on acceptable terms, or at all. Failure to obtain this necessary capital when needed may force us to delay, limit or terminate our product development efforts or other operations.

We expect that we will require additional capital to successfully commercialize our products. In addition, our operating plans may change as a result of many factors that may currently be unknown to us, and we may need to seek additional funds sooner than planned. Our future funding requirements will depend on many factors, including but not limited to:

- the scope, rate of progress, results and cost of product development, and other related activities;
- the cost of manufacturing and establishing commercial supplies, of our products;
- the cost and timing of establishing sales, marketing, and distribution capabilities; and
- the terms and timing of any collaborative, licensing, and other arrangements that we may establish.

Any additional fundraising efforts may divert our management from their day-to-day activities, which may adversely affect our ability to develop and successfully commercialize our products. In addition, we cannot guarantee that future financing will be available in sufficient amounts or on terms acceptable to us, if at all. Moreover, the terms of any financing may adversely affect the holdings or the rights of our stockholders and the issuance of additional securities, whether equity or debt, by us, or the possibility of such issuance, may cause the market price of our Ordinary Shares or ADSs to decline. The incurrence of indebtedness could result in increased fixed payment obligations, and we may be required to agree to certain restrictive covenants, such as limitations on our ability to incur additional debt, limitations on our ability to acquire, sell or license intellectual property rights and other operating restrictions that could adversely impact our ability to conduct our business. We could also be required to seek funds through arrangements with collaborative partners or otherwise at an earlier stage than otherwise would be desirable, and we may be required to relinquish rights to some of our technologies or products or otherwise agree to terms unfavorable to us, any of which may have a material adverse effect on our business, operating results and prospects. Even if we believe that we have sufficient funds for our current or future operating plans, we may seek additional capital if market conditions are favorable or if we have specific strategic considerations.

If we are unable to obtain funding on a timely basis, we may be required to significantly curtail, delay or discontinue one or more of our research or development programs or the commercialization of any products or be unable to expand our operations or otherwise capitalize on our business opportunities, as desired, which could materially affect our business, financial condition and results of operations.

Raising additional capital would cause dilution to our existing shareholders, and may affect the rights of existing shareholders.

We may seek additional capital through a combination of private and public equity offerings, debt financings and collaborations and strategic and licensing arrangements. To the extent that we raise additional capital through the issuance of equity or convertible debt securities, your ownership interest will be diluted, and the terms may include liquidation or other preferences that adversely affect your rights as a holder of our ADSs.

Risks Related to Our Business and Industry

Our future success depends in part on our ability to retain our executive officers and to attract, retain and motivate other qualified personnel.

We are highly dependent on Amit Dror, our Chief Executive Officer, and Jaim Nulman, our Chief Technology Officer. The loss of their services without a proper replacement may adversely impact the achievement of our objectives. Messrs. Dror and Nulman may leave our employment at any time subject to contractual notice periods, as applicable. Recruiting and retaining other qualified employees, consultants, and advisors for our business, including scientific and technical personnel, will also be critical to our success. There is currently a shortage of skilled personnel in our industry, which is likely to continue. As a result, competition for skilled personnel is intense and the turnover rate can be high. We may not be able to attract and retain personnel on acceptable terms given the competition in the industry in which we operate. The inability to recruit and retain qualified personnel, or the loss of the services of our executive officers, without proper replacement, may impede the progress of our development and commercialization objectives. There is no assurance that any equity or other incentives that we grant to our employees will be adequate to attract, retain and motivate employees in the future. Moreover, certain of our competitors or other technology businesses may seek to hire our employees.

We depend entirely on the commercial success of our DragonFly Pro system and ink products, and we may not be able to successfully scale up their commercialization.

We have invested the majority of our efforts and financial resources in the research and development of our products. As a result, our business is entirely dependent on our ability to successfully commercialize our DragonFly Pro system and ink products. In the fourth quarter of 2017 we initiated commercial sales of our DragonFly Pro system. We cannot assure you that our commercialization efforts will lead to meaningful sales of our products.

We may not be able to introduce products acceptable to customers and we may not be able to improve the technology used in our current systems in response to changing technology and end-user needs.

The markets in which we operate are subject to rapid and substantial innovation and technological change, mainly driven by technological advances and end-user requirements and preferences, as well as the emergence of new standards and practices. Our ability to compete in the 3D printing and PCB markets will depend, in large part, on our future success in enhancing our existing products and developing new 3D printing systems that will address the increasingly sophisticated and varied needs of prospective end-users, and respond to technological advances and industry standards and practices on a cost-effective and timely basis or otherwise gain market acceptance.

It is likely that new systems and technologies that we develop will eventually supplant our existing systems or that our competitors will create systems that will replace our systems. As a result, any of our products may be rendered obsolete or uneconomical by our or others' technological advances.

We may not be able to successfully manage our planned growth and expansion.

We expect to continue to make investments in our DragonFly Pro system and our related ink products. We expect that our annual operating expenses will continue to increase as we invest in sales and marketing, research and development, manufacturing and production infrastructure, and develop customer service and support resources for future customers. Our failure to expand operational and financial systems timely or efficiently could result in operating inefficiencies, which could increase our costs and expenses more than we had planned and prevent us from successfully executing our business plan. We may not be able to offset the costs of operation expansion by leveraging the economies of scale from our growth in negotiations with our suppliers and contract manufacturers. Additionally, if we increase our operating expenses in anticipation of the growth of our business and this growth does not meet our expectations, our financial results will be negatively impacted.

If our business grows, we will have to manage additional product design projects, materials procurement processes, and sales efforts and marketing for an increasing number of products, as well as expand the number and scope of our relationships with suppliers, distributors and end customers. If we fail to manage these additional responsibilities and relationships successfully, we may incur significant costs, which may negatively impact our operating results. Additionally, in our efforts to be first to market with new products with innovative functionality and features, we may devote significant research and development resources to products and product features for which a market does not develop quickly, or at all. If we are not able to predict market trends accurately, we may not benefit from such research and development activities, and our results of operations may suffer.

As our future development and commercialization plans and strategies develop, we expect to need additional managerial, operational, sales, marketing, financial and legal personnel. Our management may need to divert a disproportionate amount of its attention away from our day-to-day activities and devote a substantial amount of time to managing these growth activities. We may not be able to effectively manage the expansion of our operations, which may result in weaknesses in our infrastructure, operational mistakes, loss of business opportunities, failure to deliver and timely deliver our products to customers, loss of employees and reduced productivity among remaining employees. Our expected growth could require significant capital expenditures and may divert financial resources from other projects, such as the development of additional new products. If our management is unable to effectively manage our growth, our expenses may increase more than expected, our ability to generate and/or grow revenue could be reduced, and we may not be able to implement our business strategy.

Our operating results and financial condition may fluctuate.

Even if we are successful in introducing our products to the market, the operating results and financial condition of our company may fluctuate from quarter to quarter and year to year and are likely to continue to vary due to a number of factors, many of which will not be within our control. If our operating results do not meet the guidance that we provide to the market place or the expectations of securities analysts or investors, the market price of our Ordinary Shares will likely decline. Fluctuations in our operating results and financial condition may be due to a number of factors, including those listed below and those identified throughout this “Risk Factors” section:

- the degree of market acceptance of our products and services;
- the mix of products and services that we sell during any period;
- long sales cycles;
- changes in the amount that that we spend to develop, acquire or license new products, consumables, technologies or businesses;
- changes in the amounts that we spend to promote our products and services;

- changes in the cost of satisfying our warranty obligations and servicing our installed base of systems;
- delays between our expenditures to develop and market new or enhanced systems and consumables and the generation of sales from those products;
- development of new competitive products and services by others;
- difficulty in predicting sales patterns and reorder rates that may result from a multi-tier distribution strategy associated with new product categories;
- litigation or threats of litigation, including intellectual property claims by third parties;
- changes in accounting rules and tax laws;
- the geographic distribution of our sales;
- our responses to price competition;
- general economic and industry conditions that affect end-user demand and end-user levels of product design and manufacturing;
- changes in interest rates that affect returns on our cash balances and short-term investments;
- changes in dollar-shekel exchange rates that affect the value of our net assets, future revenues and expenditures from and/or relating to our activities carried out in those currencies; and
- the level of research and development activities by our company.

Due to all of the foregoing factors, and the other risks discussed in this annual report on Form 20-F, you should not rely on quarter-to-quarter comparisons of our operating results as an indicator of our future performance.

The markets in which we participate are competitive. Our failure to compete successfully could cause any future revenues and the demand for our products not to materialize or to decline over time.

We aim to compete for customers with a wide variety of manufacturers that create PCBs and RF Antennas. Our principal current competition consists of companies that produce prototype PCBs by traditional reductive manufacturing means, which include etching, pressing and drilling. Many of these companies have extensive track records and relationships within the electronics industry. While we are not aware of any other company that currently offers an in-house 3D printer that is capable of printing multilayer PCBs, there are a large number of companies engaged in additive manufacturing and 3D printing solutions.

Many of our current and potential competitors have longer operating histories and more extensive name recognition than we have and may also have greater financial, marketing, manufacturing, distribution and other resources than we have. Current and future competitors may be able to respond more quickly to new or emerging technologies and changes in end-user demands and to devote greater resources to the development, promotion and sale of their products than we can. Our current and potential competitors may develop and market new technologies that render our existing or future products obsolete, unmarketable or less competitive (whether from a price perspective or otherwise). We cannot assure you that we will be able to maintain a competitive position or to compete successfully against current and future sources of competition.

Defects in products could give rise to product returns or product liability, warranty or other claims that could result in material expenses, diversion of management time and attention, and damage to our reputation.

Even if we are successful in introducing our products to the market, our products may contain undetected defects or errors that, despite testing, are not discovered until after a product has been used. This could result in delayed market acceptance of those products, claims from distributors, end-users or others, increased end-user service and support costs and warranty claims, damage to our reputation and business, or significant costs to correct the defect or error. We may from time to time become subject to warranty or product liability claims that could lead to significant expenses as we need to compensate affected end-users for costs incurred related to product quality issues.

This risk of product liability claims may also be greater due to the use of certain hazardous chemicals used in the manufacture of certain of our products. In addition, we may be subject to claims that our 3D printers have been, or may be, used to create parts that are not in compliance with legal requirements.

Any claim brought against us, regardless of its merit, could result in material expense, diversion of management time and attention, and damage to our reputation, and could cause us to fail to retain or attract customers. Currently, we maintain minimal product liability insurance. Our product liability insurance is subject to significant deductibles and there is no guarantee that such insurance will be available or adequate to protect against all such claims. Costs or payments made in connection with warranty and product liability claims and product recalls or other claims could materially affect our financial condition and results of operations.

If our relationships with suppliers for our products and services, especially with single source suppliers of components of our products, were to terminate or our manufacturing arrangements were to be disrupted, our business could be interrupted.

We purchase component parts and raw materials that are used in our DragonFly Pro system and ink products from third-party suppliers, some of whom may compete with us. While there are several potential suppliers of most of these component parts and raw materials that we use, we currently choose to use only one or a limited number of suppliers for several of these components and materials. Our reliance on a single or limited number of vendors involves a number of risks, including:

- potential shortages of some key components;
- product performance shortfalls, if traceable to particular product components, since the supplier of the faulty component cannot readily be replaced;
- discontinuation of a product on which we rely;
- potential insolvency of these vendors; and
- reduced control over delivery schedules, manufacturing capabilities, quality and costs.

In addition, we require any new supplier to become “qualified” pursuant to our internal procedures. The qualification process involves evaluations of varying durations, which may cause production delays if we were required to qualify a new supplier unexpectedly. We generally assemble our systems and parts based on our internal forecasts and the availability of raw materials, assemblies, components and finished goods that are supplied to us by third parties, which are subject to various lead times. If certain suppliers were to decide to discontinue production of an assembly, component or raw material that we use, the unanticipated change in the availability of supplies, or unanticipated supply limitations, could cause delays in, or loss of, sales, increased production or related costs and consequently reduced margins, and damage to our reputation. If we were unable to find a suitable supplier for a particular component, material or compound, we could be required to modify our existing products or the end-parts that we offer to accommodate substitute components, material or compounds.

Discontinuation of operations at our manufacturing sites could prevent us from timely filling customer orders and could lead to unforeseen costs for us.

We plan to assemble and test the systems that we sell, and produce consumables for our systems, at single facilities in various locations that are specifically dedicated to separate categories of systems and consumables. Because of our reliance on all of these production facilities, a disruption at any of those facilities could materially damage our ability to supply 3D printers, other systems or consumable materials to the marketplace in a timely manner. Depending on the cause of the disruption, we could also incur significant costs to remedy the disruption and resume product shipments. Such disruptions may be caused by, among other factors, earthquakes, fire, flood and other natural disasters. Accordingly, any such disruption could result in a material adverse effect on our revenue, results of operations and earnings, and could also potentially damage our reputation.

Our planned international operations will expose us to additional market and operational risks, and failure to manage these risks may adversely affect our business and operating results.

We expect to derive a substantial percentage of our sales from international markets. Accordingly, we will face significant operational risks from doing business internationally, including:

- fluctuations in foreign currency exchange rates;
- potentially longer sales and payment cycles;
- potentially greater difficulties in collecting accounts receivable;
- potentially adverse tax consequences;
- reduced protection of intellectual property rights in certain countries, particularly in Asia and South America;
- difficulties in staffing and managing foreign operations;
- 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, treaties and regulations;
- tariffs, trade barriers and other regulatory or contractual limitations on our ability to sell or develop our products in certain foreign markets; and
- being subject to the laws, regulations and the court systems of many jurisdictions.

Our failure to manage the market and operational risks associated with our international operations effectively could limit the future growth of our business and adversely affect our operating results.

Significant disruptions of our information technology systems or breaches of our data security could adversely affect our business.

A significant invasion, interruption, destruction or breakdown of our information technology systems and/or infrastructure by persons with authorized or unauthorized access could negatively impact our business and operations. We could also experience business interruption, information theft and/or reputational damage from cyber-attacks, which may compromise our systems and lead to data leakage either internally or at our third party providers. Our systems have been, and are expected to continue to be, the target of malware and other cyber-attacks. Although we have invested in measures to reduce these risks, we cannot assure you that these measures will be successful in preventing compromise and/or disruption of our information technology systems and related data.

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

We generally enter into non-competition agreements with our employees. These agreements prohibit our employees from competing directly with us or working for our competitors or clients for a limited period after they cease working for us. We may be unable to enforce these agreements under the laws of the jurisdictions in which our employees work and it may be difficult for us to restrict our competitors from benefiting from the expertise that our former employees or consultants developed while working for us. For example, Israeli courts have required employers seeking to enforce non-compete undertakings of a former employee to demonstrate that the competitive activities of the former employee will harm one of a limited number of material interests of the employer that have been recognized by the courts, such as the secrecy of a company's confidential commercial information or the protection of its intellectual property. If we cannot demonstrate that such interests will be harmed, we may be unable to prevent our competitors from benefiting from the expertise of our former employees or consultants and our ability to remain competitive may be diminished.

We are subject to environmental laws due to the import and export of our products, which could subject us to compliance costs and/or potential liability in the event of non-compliance.

The export of our products internationally from our production facilities subjects us to environmental laws and regulations concerning the import and export of chemicals and hazardous substances such as the U.S. Toxic Substances Control Act, or TSCA, and the Registration, Evaluation, Authorization and Restriction of Chemical Substances, or REACH. These laws and regulations require the testing and registration of some chemicals that we ship along with, or that form a part of, our systems and other products. If we fail to comply with these or similar laws and regulations, we may be required to make significant expenditures to reformulate the chemicals that we use in our products and materials or incur costs to register such chemicals to gain and/or regain compliance. Additionally, we could be subject to significant fines or other civil and criminal penalties should we not achieve such compliance.

Risks Related to Our Intellectual Property

If we are unable to obtain and maintain effective patent rights for our products, we may not be able to compete effectively in our markets. If we are unable to protect the confidentiality of our trade secrets or know-how, such proprietary information may be used by others to compete against us.

Since October 2014, we have sought patent protection for certain of our products, systems, designs and applications. Our success depends in large part on our ability to obtain, maintain, monitor and enforce patent and other intellectual property protection in the United States and in other countries with respect to our proprietary technology and new products.

We have sought to protect our proprietary position by filing patent applications in the United States and in other countries where our major production and sales takes place, with respect to our novel technologies and products, which are important to our business. Patent prosecution is uncertain, expensive and time consuming, and we may not be able to file and prosecute all necessary or desirable patent applications at a reasonable cost or in a timely manner. It is also possible that we will fail to identify Patentable aspects of our research and development output before it is too late to obtain patent protection.

We have a growing portfolio of twenty six (26) provisional and non-provisional pending patent applications, with a robust pipeline. These are filed with the U.S. Patent and Trademark Office, or USPTO, the World Intellectual Property Organization, or WIPO, and various patent offices around the world, such as China, Japan, Europe, and South Korea. The Patent applications were filed through the Paris Convention Treaty, or PCT, and four for which we have issued U.S. patents, with three more applications that were indicated as allowed but have not issued yet. We cannot offer any assurances about which, if any, pending patent applications will issue, the scope of protection of any such patent or whether any issued patents will be found invalid and/or unenforceable or will be threatened by third parties. Any successful opposition to these patents or any other patents owned by or licensed to us after patent issuance could deprive us of rights necessary for the successful commercialization of any new products that we may develop.

We have three patents and their continuations and foreign counterparts licensed exclusively from the Hebrew University covering some of our underlying core technology. To the extent the licensed patents are found to be invalid or unenforceable, we may be limited in our ability to compete and market our products. The terms of our license with Hebrew University leave full control of any and all enforcement of the licensed patents with Hebrew University. If Hebrew University elects to not enforce any or all of the licensed patents it could significantly undercut the value of any of our products, which would materially adversely affect our future revenue, financial condition and results of operations. Moreover, fluctuating currency rates may create inconsistencies in the royalty payments we have under the license.

Further, there is no assurance that all potentially relevant prior art relating to our patent applications has been found, which can invalidate a patent or prevent a patent from issuing from a pending patent application. Even if patents do successfully issue, and even if such patents cover our products, third parties may challenge their validity, enforceability, or scope, which may result in such patents being narrowed, found unenforceable or invalidated. Furthermore, even if they are unchallenged, our patent applications and any future patents may not adequately protect our intellectual property, provide exclusivity for our new products, or prevent others from designing around our claims. Any of these outcomes could impair our ability to prevent competition from third parties, which may have an adverse impact on our business.

If we cannot obtain and maintain effective patent rights for our products, we may not be able to compete effectively, and our business and results of operations would potentially be harmed.

If we are unable to maintain effective proprietary rights for our products, we may not be able to compete effectively in our markets.

In addition to the protection afforded by any patents currently owned and that may be granted, historically, we have relied on trade secret protection and confidentiality agreements to protect proprietary know-how that is not patentable or that we elect not to patent, processes and helpful devices (jigs) that are not easily known, knowable or easily ascertainable, and for which patent infringement is difficult to monitor and enforce and any other elements of our product development processes, that involve proprietary know-how, as well as information or technology that is not covered by patents. However, trade secrets can be difficult to protect. We seek to protect our proprietary technology and processes, in part, by entering into confidentiality agreements with our employees, consultants, scientific advisors, and contractors. We also seek to preserve the integrity and confidentiality of our data, trade secrets and intellectual property by maintaining physical security of our premises and physical and electronic security of our information technology systems, as well as implementing various operating procedures designed to maintain that integrity. Agreements or security measures may be breached, and we may not have adequate remedies for any breach. In addition, our trade secrets and intellectual property may otherwise become known or be independently discovered by competitors.

We cannot provide any assurances that our trade secrets and other confidential proprietary information will not be disclosed in violation of our confidentiality agreements or that competitors will not otherwise gain access to our trade secrets or independently develop substantially equivalent information and techniques. Also, misappropriation or unauthorized and unavoidable disclosure of our trade secrets and intellectual property could impair our competitive position and may have a material adverse effect on our business. Additionally, if the steps taken to maintain our trade secrets and intellectual property are deemed inadequate, we may have insufficient recourse against third parties for misappropriating any trade secret.

Intellectual property rights of third parties could adversely affect our ability to successfully commercialize our products, and we might be required to litigate or obtain licenses from third parties in order to develop or market our product candidates. Such litigation or licenses could be costly or not available on commercially reasonable terms.

It is inherently difficult to conclusively assess our freedom to operate without infringing on third party rights. Our competitive position may be adversely affected if existing patents or patents resulting from Patent applications issued to third parties or other third party intellectual property rights are held to cover our products or elements thereof, or our manufacturing or uses relevant to our development plans. In such cases, we may not be in a position to develop or commercialize products or our product candidates unless we successfully pursue litigation to nullify or invalidate the third party intellectual property right concerned, or enter into a license agreement with the intellectual property right holder, if available on commercially reasonable terms. There may also be pending patent applications that if they result in issued patents, could be alleged to be infringed by our new products. If such an infringement claim should be brought and be successful, we may be required to pay substantial damages, be forced to abandon our new products or seek a license from any patent holders. No assurances can be given that a license will be available on commercially reasonable terms, if at all.

It is also possible that we have failed to identify relevant third party patents or applications. For example, U.S. patent applications filed before November 29, 2000 and certain U.S. patent applications filed after that date that will not be filed outside the United States remain confidential until patents issue. Patent applications in the United States and elsewhere are published approximately 18 months after the earliest filing for which priority is claimed, with such earliest filing date being commonly referred to as the priority date. Therefore, patent applications covering our new products or platform technology could have been filed by others without our knowledge. Additionally, pending patent applications which have been published can, subject to certain limitations, be later amended in a manner that could cover our platform technologies, our new products or the use of our new products. Third party intellectual property right holders may also actively bring infringement claims against us. We cannot guarantee that we will be able to successfully settle or otherwise resolve such infringement claims. If we are unable to successfully settle future claims on terms acceptable to us, we may be required to engage in or continue costly, unpredictable and time-consuming litigation and may be prevented from or experience substantial delays in pursuing the development of and/or marketing our new products. If we fail in any such dispute, in addition to being forced to pay damages, we may be temporarily or permanently prohibited from commercializing our new products that are held to be infringing. We might, if possible, also be forced to redesign our new products so that we no longer infringe the third party intellectual property rights. Any of these events, even if we were ultimately to prevail, could require us to divert substantial financial and management resources that we would otherwise be able to devote to our business.

Third-party claims of intellectual property infringement may prevent or delay our development and commercialization efforts.

Our commercial success depends in part on our avoiding infringement of the patents and proprietary rights of third parties. Numerous U.S. and foreign issued patents and pending patent applications, which are owned by third parties, exist in the fields in which we are developing new products. As our industries expand and more patents are issued, the risk increases that our products may be subject to claims of infringement of the patent rights of third parties.

Third parties may assert that we are employing their proprietary technology without authorization. There may be third-party patents or patent applications with claims to materials, designs or methods of manufacture related to the use or manufacture of our products. There may be currently pending patent applications that may later result in issued patents that our products may infringe. In addition, third parties may obtain patents in the future and claim that use of our technologies infringes upon these patents.

If any third-party patents were held by a court of competent jurisdiction to cover aspects of our formulations, processes for designs, or methods of use, the holders of any such patents may be able to block our ability to develop and commercialize the applicable product candidate unless we obtain a license or until such patent expires or is finally determined to be invalid or unenforceable. In either case, such a license may not be available on commercially reasonable terms or at all.

Parties making claims against us may obtain injunctive or other equitable relief, which could effectively block our ability to further develop and commercialize one or more of our products. Defense of these claims, regardless of their merit, would involve substantial litigation expense and would be a substantial diversion of employee resources from our business. In the event of a successful claim of infringement against us, we may have to pay substantial damages, including treble damages and attorneys' fees for willful infringement, pay royalties, redesign our infringing products or obtain one or more licenses from third parties, which may be impossible or require substantial time and monetary expenditure.

Patent policy and rule changes could increase the uncertainties and costs surrounding the prosecution of our patent applications and the enforcement or defense of any issued patents.

Changes in either the patent laws or interpretation of the patent laws in the United States and other countries may diminish the value of any patents that may issue from our patent applications, or narrow the scope of our patent protection. The laws of foreign countries may not protect our rights to the same extent as the laws of the United States. Publications of discoveries in the scientific literature often lag behind the actual discoveries, and patent applications in the United States and other jurisdictions are typically not published until 18 months after filing, or in some cases not at all. We therefore cannot be certain that we were the first to file the invention claimed in our owned and licensed patent or pending applications, or that we or our licensor were the first to file for patent protection of such inventions. Assuming all other requirements for patentability are met, in the United States prior to March 15, 2013, the first to make the claimed invention without undue delay in filing, is entitled to the patent, while outside the United States, the first to file a patent application is entitled to the patent. After March 15, 2013, under the Leahy-Smith America Invents Act, or the Leahy-Smith Act, enacted on September 16, 2011, the United States has moved to a first to file system. The Leahy-Smith Act also includes a number of significant changes that affect the way patent applications will be prosecuted and may also affect patent litigation. In general, the Leahy-Smith Act and its implementation could increase the uncertainties and costs surrounding the prosecution of our patent applications and the enforcement or defense of any issued patents, all of which could have a material adverse effect on our business and financial condition.

We may be involved in lawsuits to protect or enforce our intellectual property, which could be expensive, time consuming, and unsuccessful.

Competitors may infringe our intellectual property. If we were to initiate legal proceedings against a third party to enforce a patent covering one of our new products, the defendant could counterclaim that the patent covering our product candidate is invalid and/or unenforceable. In patent litigation in the United States, defendant counterclaims alleging invalidity and/or unenforceability are commonplace. Grounds for a validity challenge could be an alleged failure to meet any of several statutory requirements, including lack of novelty, obviousness, or non-enablement. Grounds for an unenforceability assertion could be an allegation that someone connected with prosecution of the patent withheld relevant information from the USPTO, or made a misleading statement, during prosecution. Under the Leahy-Smith Act, the validity of U.S. patents may also be challenged in post-grant proceedings before the USPTO. The outcome following legal assertions of invalidity and unenforceability is unpredictable.

Derivation proceedings initiated by third parties or brought by us may be necessary to determine the priority of inventions and/or their scope with respect to our patent or patent applications or those of our licensors. An unfavorable outcome could require us to cease using the related technology or to attempt to license rights to it from the prevailing party. Our business could be harmed if the prevailing party does not offer us a license on commercially reasonable terms. Our defense of litigation or interference proceedings may fail and, even if successful, may result in substantial costs and distract our management and other employees. In addition, the uncertainties associated with litigation could have a material adverse effect on our ability to raise the funds necessary to continue our clinical trials, continue our research programs, license necessary technology from third parties, or enter into development partnerships that would help us bring our new products to market.

Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during this type of litigation. There could also be public announcements of the results of hearings, motions, or other interim proceedings or developments. If securities analysts or investors perceive these results to be negative, it could have a material adverse effect on the price of our Ordinary Shares.

We have been subject, and may in the future be subject to further claims that our employees, consultants, or independent contractors have wrongfully or unavoidably used or disclosed confidential information of third parties or that our employees have wrongfully used or disclosed alleged trade secrets of their former employers.

In the past, we have been subject to litigation disputes involving the ownership of our intellectual property. In 2015 a claim was filed in the District Court in Tel-Aviv Jaffa alleging that certain of our officers and employees misappropriated commercial secrets and technology while employed at a previous employer. While this claim was settled without material effects to our business, we continue to employ individuals who were previously employed at our competitors or potential competitors. We try to ensure that our employees, consultants, and independent contractors do not use the proprietary information or know-how of others in their work for us, but we may nevertheless be subject to claims that we or our employees, consultants, or independent contractors have inadvertently or otherwise used or disclosed intellectual property, including trade secrets or other proprietary information, of any of our employees' former employers or other third parties. Litigation may result and be necessary to defend against these claims. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel, which could adversely impact our business. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to management and other employees.

We may be subject to claims challenging the inventorship of our intellectual property.

We may be subject to claims that former employees, collaborators or other third parties have an interest in, or right to compensation, with respect to our current patent and patent applications, future patents or other intellectual property as an inventor or co-inventor. For example, we may have inventorship disputes arise from conflicting obligations of consultants or others who are involved in developing our products. Litigation may be necessary to defend against these and other claims challenging inventorship or claiming the right to compensation. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights, such as exclusive ownership of, or right to use, valuable intellectual property. Such an outcome could have a material adverse effect on our business. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to management and other employees.

We may not be able to protect our intellectual property rights throughout the world.

Filing, prosecuting, and defending patents on products, as well as monitoring their infringement in all countries throughout the world would be prohibitively expensive, and our intellectual property rights in some countries can be less extensive than those in the United States. In addition, the laws of some foreign countries do not protect intellectual property rights to the same extent as federal and state laws in the United States.

Competitors may use our technologies in jurisdictions where we have not obtained patent protection to develop their own products and may also export otherwise infringing products to territories where we have patent protection, but enforcement is not as strong as that in the United States. These products may compete with our products. Future patents or other intellectual property rights may not be effective or sufficient to prevent them from competing.

Many companies have encountered significant problems in protecting and defending intellectual property rights in foreign jurisdictions. The legal systems of certain countries, particularly certain developing countries, do not favor the enforcement of patents, trade secrets, and other intellectual property protection, which could make it difficult for us to stop the marketing of competing products in violation of our proprietary rights generally. Proceedings to enforce our patent rights in foreign jurisdictions, whether or not successful, could result in substantial costs and divert our efforts and attention from other aspects of our business, could put our future patents at risk of being invalidated or interpreted narrowly and our patent applications at risk of not issuing and could provoke third parties to assert claims against us. We may not prevail in any lawsuits that we initiate and the damages or other remedies awarded, if any, may not be commercially meaningful. Accordingly, our efforts to monitor and enforce our intellectual property rights around the world may be inadequate to obtain a significant commercial advantage from the intellectual property that we develop or license.

Risks Related to the Ownership of Our ADSs or Ordinary Shares

Sales of a substantial number of our ADSs or Ordinary Shares in the public market by our existing shareholders could cause our share price to fall.

Sales of a substantial number of our ADSs or Ordinary Shares in the public market, or the perception that these sales might occur, could depress the market price of our ADSs or Ordinary Shares and could impair our ability to raise capital through the sale of additional equity securities. We are unable to predict the effect that sales may have on the prevailing market price of our ADSs or Ordinary Shares.

Our principal shareholders, officers and directors beneficially own over 20% of our outstanding Ordinary Shares. They will therefore be able to exert significant control over matters submitted to our shareholders for approval.

As of March 13, 2019, our principal shareholders, officers and directors beneficially own approximately 20.8% of our Ordinary Shares. This significant concentration of share ownership may adversely affect the trading price for our Ordinary Shares because investors often perceive disadvantages in owning shares in companies with controlling shareholders. As a result, these shareholders, if they acted together, could significantly influence or even unilaterally approve matters requiring approval by our shareholders, including the election of directors and the approval of mergers or other business combination transactions. The interests of these shareholders may not always coincide with our interests or the interests of other shareholders.

The JOBS Act will allow us to postpone the date by which we must comply with some of the laws and regulations intended to protect investors and to reduce the amount of information we provide in our reports filed with the SEC, which could undermine investor confidence in our company and adversely affect the market price of our ADSs or Ordinary Shares.

For so long as we remain an “emerging growth company” as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act, we intend to take advantage of certain exemptions from various requirements that are applicable to public companies that are not “emerging growth companies” including:

- the provisions of the Sarbanes-Oxley Act requiring that our independent registered public accounting firm provide an attestation report on the effectiveness of our internal control over financial reporting;
- Section 107 of the JOBS Act, which provides that an “emerging growth company” can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act of 1933, as amended, or the Securities Act, for complying with new or revised accounting standards. This means that an “emerging growth company” can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We may elect to delay such adoption of new or revised accounting standards. As a result of this adoption, our financial statements may not be comparable to companies that comply with the public company effective date; and
- any rules that may be adopted by the Public Company Accounting Oversight Board requiring mandatory audit firm rotation or a supplement to the auditor’s report on the financial statements.

We intend to take advantage of these exemptions until we are no longer an “emerging growth company.” We will remain an emerging growth company until the earlier of (1) the last day of the fiscal year (a) following the fifth anniversary of the date of our first sale of common equity securities pursuant to an effective registration statement under the Securities Act, (b) in which we have total annual gross revenue of at least \$1.07 billion, or (c) in which we are deemed to be a large accelerated filer, which means the market value of our Ordinary Shares that is held by non-affiliates exceeds \$700 million as of the prior June 30, and (2) the date on which we have issued more than \$1.0 billion in non-convertible debt during the prior three-year period.

We cannot predict if investors will find our ADSs or Ordinary Shares less attractive because we may rely on these exemptions. If some investors find our ADSs or Ordinary Shares less attractive as a result, there may be a less active trading market for our ADSs or Ordinary Shares, and our market prices may be more volatile and may decline.

As a “foreign private issuer” we are permitted, and intend, to follow certain home country corporate governance practices instead of otherwise applicable SEC and Nasdaq requirements, which may result in less protection than is accorded to investors under rules applicable to domestic U.S. issuers.

Our status as a foreign private issuer also exempts us from compliance with certain SEC laws and regulations and certain regulations of the Nasdaq Stock Market, including the proxy rules, the short-swing profits recapture rules, and certain governance requirements such as independent director oversight of the nomination of directors and executive compensation. In addition, we will not be required under the Exchange Act of 1934, as amended, or the Exchange Act, to file current reports and financial statements with the SEC as frequently or as promptly as U.S. domestic companies whose securities are registered under the Exchange Act and we will generally be exempt from filing quarterly reports with the SEC. Also, although a recent amendment to the Israeli Companies Law, or the Companies Law, will require us to disclose the annual compensation of our five most highly compensated senior officers on an individual basis (rather than on an aggregate basis, as was permitted under the Companies Law for Israeli public companies listed overseas, such as in the United States, prior to such amendment), this disclosure will not be as extensive as that required of a U.S. domestic issuer. For example, it currently appears as if the disclosure required under Israeli law would be limited to compensation paid in the immediately preceding year without any requirement to disclose option exercises and vested stock options, pension benefits or potential payments upon termination or a change of control. Furthermore, as a foreign private issuer, we are also not subject to the requirements of Regulation FD (Fair Disclosure) promulgated under the Exchange Act.

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

We may be a “passive foreign investment company”, or PFIC, for U.S. federal income tax purposes in the current taxable year or may become one in any subsequent taxable year. There generally would be negative tax consequences for U.S. taxpayers that are holders of our ADSs or Ordinary Shares if we are or were to become a PFIC.

Based on the projected composition of our income and valuation of our assets, we do not expect to be a PFIC for 2018, and we do not expect to become a PFIC in the future, although there can be no assurance in this regard. The determination of whether we are a PFIC is made on an annual basis and will depend on the composition of our income and assets from time to time. We will be treated as a PFIC for U.S. federal income tax purposes in any taxable year in which either (1) at least 75% of our gross income is “passive income” or (2) on average at least 50% of our assets by value produce passive income or are held for the production of passive income. Passive income for this purpose generally includes, among other things, certain dividends, interest, royalties, rents and gains from commodities and securities transactions and from the sale or exchange of property that gives rise to passive income. Passive income also includes amounts derived by reason of the temporary investment of funds, including those raised in a public offering. In determining whether a non-U.S. corporation is a PFIC, a proportionate share of the income and assets of each corporation in which it owns, directly or indirectly, at least a 25% interest (by value) is taken into account. The tests for determining PFIC status are applied annually, and it is difficult to make accurate projections of future income and assets which are relevant to this determination. In addition, our PFIC status may depend in part on the market value of our ADSs or Ordinary Shares. Accordingly, there can be no assurance that we currently are not or will not become a PFIC in the future. If we are a PFIC in any taxable year during which a U.S. taxpayer holds our ADSs or Ordinary Shares, such U.S. taxpayer would be subject to certain adverse U.S. federal income tax rules. In particular, if the U.S. taxpayer did not make an election to treat us as a “qualified electing fund,” or QEF, or make a “mark-to-market” election, then “excess distributions” to the U.S. taxpayer, and any gain realized on the sale or other disposition of our ADSs or Ordinary Shares by the U.S. taxpayer: (1) would be allocated ratably over the U.S. taxpayer’s holding period for the ADSs or Ordinary Shares; (2) the amount allocated to the current taxable year and any period prior to the first day of the first taxable year in which we were a PFIC would be taxed as ordinary income; and (3) the amount allocated to each of the other taxable years would be subject to tax at the highest rate of tax in effect for the applicable class of taxpayer for that year, and an interest charge for the deemed deferral benefit would be imposed with respect to the resulting tax attributable to each such other taxable year. In addition, if the U.S. Internal Revenue Service, or the IRS, determines that we are a PFIC for a year with respect to which we have determined that we were not a PFIC, it may be too late for a U.S. taxpayer to make a timely QEF or mark-to-market election. U.S. taxpayers that have held our ADSs or Ordinary Shares during a period when we were a PFIC will be subject to the foregoing rules, even if we cease to be a PFIC in subsequent years, subject to exceptions for U.S. taxpayer who made a timely QEF or mark-to-market election. A U.S. taxpayer can make a QEF election by completing the relevant portions of and filing IRS Form 8621 in accordance with the instructions thereto. We do not intend to notify U.S. taxpayers that hold our ADSs or Ordinary Shares if we believe we will be treated as a PFIC for any taxable year in order to enable U.S. taxpayers to consider whether to make a QEF election. In addition, we do not intend to furnish such U.S. taxpayers annually with information needed in order to complete IRS Form 8621 and to make and maintain a valid QEF election for any year in which we or any of our subsidiaries are a PFIC. U.S. taxpayers that hold our ADSs or Ordinary Shares are strongly urged to consult their tax advisors about the PFIC rules, including tax return filing requirements and the eligibility, manner, and consequences to them of making a QEF or mark-to-market election with respect to our ADSs or Ordinary Shares in the event that we are a PFIC. See “Item 10.E. Taxation — U.S. Federal Income Tax Considerations — Passive Foreign Investment Companies” for additional information.

We may be subject to securities litigation, which is expensive and could divert management attention.

In the past, companies that have experienced volatility in the market price of their stock have been subject to securities class action litigation. We may be the target of this type of litigation in the future. Litigation of this type could result in substantial costs and diversion of management's attention and resources, which could seriously hurt our business. Any adverse determination in litigation could also subject us to significant liabilities.

If securities or industry analysts do not publish or cease publishing research or reports about us, our business or our market, or if they adversely change their recommendations or publish negative reports regarding our business or our shares, our share price and trading volume could decline.

The trading market for our ADSs or Ordinary Shares will be influenced by the research and reports that industry or securities analysts may publish about us, our business, our market or our competitors. We do not have any control over these analysts and we cannot provide any assurance that analysts will cover us or provide favorable coverage. If any of the analysts who may cover us adversely change their recommendation regarding our shares, or provide more favorable relative recommendations about our competitors, our share price would likely decline. If any analyst who may cover us were to cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our share price or trading volume to decline.

ADSs holders may not be entitled to a jury trial with respect to claims arising under the deposit agreement, which could augur less favorable results to the plaintiff(s) in any such action.

The deposit agreement governing the ADSs representing our Ordinary Shares provides that holders and beneficial owners of ADSs irrevocably waive the right to a trial by jury in any legal proceeding arising out of or relating to the deposit agreement or the ADSs, including claims under federal securities laws, against us or the depositary to the fullest extent permitted by applicable law. If this jury trial waiver provision is prohibited by applicable law, an action could nevertheless proceed under the terms of the deposit agreement with a jury trial. To our knowledge, the enforceability of a jury trial waiver under the federal securities laws has not been finally adjudicated by a federal court. However, we believe that a jury trial waiver provision is generally enforceable under the laws of the State of New York, which govern the deposit agreement, by a court of the State of New York or a federal court, which have non-exclusive jurisdiction over matters arising under the deposit agreement, applying such law. In determining whether to enforce a jury trial waiver provision, New York courts and federal courts will consider whether the visibility of the jury trial waiver provision within the agreement is sufficiently prominent such that a party has knowingly waived any right to trial by jury. We believe that this is the case with respect to the deposit agreement and the ADSs. In addition, New York courts will not enforce a jury trial waiver provision in order to bar a viable setoff or counterclaim sounding in fraud or one which is based upon a creditor's negligence in failing to liquidate collateral upon a guarantor's demand, or in the case of an intentional tort claim (as opposed to a contract dispute), none of which we believe are applicable in the case of the deposit agreement or the ADSs. No condition, stipulation or provision of the deposit agreement or ADSs serves as a waiver by any holder or beneficial owner of ADSs or by us or the depositary of compliance with any provision of the federal securities laws. If you or any other holder or beneficial owner of ADSs brings a claim against us or the depositary in connection with matters arising under the deposit agreement or the ADSs, you or such other holder or beneficial owner may not be entitled to a jury trial with respect to such claims, which may have the effect of limiting and discouraging lawsuits against us and / or the depositary. If a lawsuit is brought against us and / or the depositary under the deposit agreement, it may be heard only by a judge or justice of the applicable trial court, which would be conducted according to different civil procedures and may augur different results than a trial by jury would have had, including results that could be less favorable to the plaintiff(s) in any such action, depending on, among other things, the nature of the claims, the judge or justice hearing such claims, and the venue of the hearing.

Risks Related to Israeli Law and Our Operations in Israel

Our operations are subject to currency and interest rate fluctuations.

We incur expenses in U.S. dollars and NIS, but our functional currency is the U.S. dollar and our financial statements are denominated in U.S. dollars. The U.S. dollar is the currency that represents the principal economic environment in which we operate. As a result, we are affected by foreign currency exchange fluctuations through both translation risk and transaction risk. As a result, we are exposed to the risk that the U.S. dollar may appreciate relative to the NIS, or, if the U.S. dollar instead devalues relative to the NIS, that the inflation rate in Israel may exceed such rate of devaluation of the NIS, or that the timing of such devaluation may lag behind inflation in Israel. In any such event, the NIS cost of our operations in Israel would increase and our dollar-denominated results of operations would be adversely affected.

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

Israeli corporate law regulates mergers, requires tender offers for acquisitions of shares above specified thresholds, requires special approvals for transactions involving directors, officers or significant shareholders and regulates other matters that may be relevant to such types of transactions. For example, a merger may not be consummated unless at least 50 days have passed from the date on which a merger proposal is filed by each merging company with the Israel Registrar of Companies and at least 30 days have passed from the date on which the shareholders of both merging companies have approved the merger. In addition, a majority of each class of securities of the target company must approve a merger. Moreover, a tender offer for all of a company's issued and outstanding shares can only be completed if the acquirer receives positive responses from the holders of at least 95% of the issued share capital. Completion of the tender offer also requires approval of a majority of the offerees that do not have a personal interest in the tender offer, unless, following consummation of the tender offer, the acquirer would hold at least 98% of the company's outstanding shares. Furthermore, the shareholders, including those who indicated their acceptance of the tender offer, may, at any time within six months following the completion of the tender offer, claim that the consideration for the acquisition of the shares does not reflect their fair market value, and petition an Israeli court to alter the consideration for the acquisition accordingly, unless the acquirer stipulated in its tender offer that a shareholder that accepts the offer may not seek such appraisal rights, and the acquirer or the company published all required information with respect to the tender offer prior to the tender offer's response date.

Israeli tax considerations also may make potential transactions unappealing to us or to our shareholders whose country of residence does not have a tax treaty with Israel exempting such shareholders from Israeli tax. See "Item 10.E. Taxation — Israeli Tax Considerations and Government Programs" for additional information.

Our amended and restated articles of association also contain provisions that could delay or prevent changes in control or changes in our management without the consent of our board of directors. These provisions include the following:

- no cumulative voting in the election of directors, which limits the ability of minority shareholders to elect director candidates; and
- the exclusive right of our board of directors to elect a director to fill a vacancy created by the expansion of the board of directors or the resignation, death or removal of a director, which prevents shareholders from being able to fill vacancies on our board of directors.

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

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

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

Our executive offices are located in Israel. In addition, most of our officers and directors are residents of Israel. Accordingly, political, economic and military conditions in Israel may directly affect our business. Since the establishment of the State of Israel in 1948, a number of armed conflicts have taken place between Israel and its neighboring Arab countries, the Hamas (an Islamist militia and political group that has historically controlled the Gaza strip) and the Hezbollah (an Islamist militia and political group based in Lebanon). Any hostilities involving Israel or the interruption or curtailment of trade between Israel and its trading partners could adversely affect our operations and results of operations. Ongoing and revived hostilities or other Israeli political or economic factors, such as, an interruption of operations at the Tel Aviv airport, could prevent or delay shipments of our components or products. If continued or resumed, these hostilities may negatively affect business conditions in Israel in general and our business in particular. In the event that hostilities disrupt the ongoing operation of our facilities or the airports and seaports on which we depend to import and export our supplies and product candidates, our operations may be materially adversely affected.

In addition, instability in the region may lead to deterioration in the political and trade relationships that exist between the State of Israel and certain other countries. Any armed conflicts, terrorist activities or political instability in the region could adversely affect business conditions, could harm our results of operations and could make it more difficult for us to raise capital. Parties with whom we do business may sometimes decline to travel to Israel during periods of heightened unrest or tension, forcing us to make alternative arrangements when necessary in order to meet our business partners face to face. Several countries, principally in the Middle East, still restrict doing business with Israel and Israeli companies, and additional countries may impose restrictions on doing business with Israel and Israeli companies if hostilities in Israel or political instability in the region continues or increases. Similarly, Israeli companies are limited in conducting business with entities from several countries. For instance, in 2008, the Israeli legislature passed a law forbidding any investments in entities that transact business with Iran. 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 such agreements.

Our commercial insurance does not cover losses that may occur as a result of an event associated with the security situation in the Middle East. Although the Israeli government has in the past covered the reinstatement value of certain damages that were caused by terrorist attacks or acts of war, we cannot assure you that this government coverage will be maintained or, if maintained, will be sufficient to compensate us fully for damages incurred. Any losses or damages incurred by us could have a material adverse effect on our business. Any armed conflicts or political instability in the region would likely negatively affect business conditions generally and could harm our results of operations.

Further, in the past, the State of Israel and Israeli companies have been subjected to economic boycotts. Several countries still restrict business with the State of Israel and with Israeli companies. These restrictive laws and policies may have an adverse impact on our operating results, financial conditions or the expansion of our business.

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

The rights and responsibilities of the holders of our ADSs or Ordinary Shares are governed by our amended and restated articles of association and by Israeli law. These rights and responsibilities differ in some material respects from the rights and responsibilities of shareholders in typical U.S.-based corporations. In particular, a shareholder of an Israeli company has certain duties to act in good faith and fairness toward the company and other shareholders and to refrain from abusing its power in the company. See “Item 6.C. Board Practices — Duties of Shareholders” for additional information. There is limited case law available to assist us in understanding the nature of this duty or the implications of these provisions. These provisions may be interpreted to impose additional obligations on holders of our ADSs or Ordinary Shares that are not typically imposed on shareholders of U.S. corporations.

We received Israeli government grants for certain of our research and development activities. The terms of those grants may require us to pay royalties and to satisfy specified conditions in order to manufacture products and transfer technologies outside of Israel. We may be required to pay penalties in addition to repayment of the grants.

Our research and development efforts have been financed in part through royalty-bearing grants in an aggregate amount of approximately \$1,693,000 that we received from Israel's Innovation Authority (formerly known as the Office of the Chief Scientist), or the IIA, as of December 31, 2018. With respect to the royalty-bearing grants we are committed to pay royalties at a rate of 3% to 5% on sales proceeds from our products that were developed under IIA programs up to the total amount of grants received, linked to the U.S. dollar and bearing interest at an annual rate of London Interbank Offered Rate, or LIBOR applicable to U.S. dollar deposits. Regardless of any royalty payment, we are further required to comply with the requirements of the Israeli Encouragement of Industrial Research and Development Law, 5744-1984, as amended, and related regulations, or the Research Law, with respect to those past grants. When a company develops know-how, technology or products using IIA grants, the terms of these grants and the Research Law restrict the transfer of such know-how, and the transfer of manufacturing or manufacturing rights of such products, technologies or know-how outside of Israel, without the prior approval of the IIA. Therefore, the discretionary approval of an IIA committee would be required for any transfer to third parties inside or outside of Israel of know-how or manufacturing or manufacturing rights related to those aspects of such technologies. We may not receive those approvals. Furthermore, the IIA may impose certain conditions on any arrangement under which it permits us to transfer technology or development out of Israel.

The transfer of IIA-supported technology or know-how outside of Israel may involve the payment of significant amounts, depending upon the value of the transferred technology or know-how, our research and development expenses, the amount of IIA support, the time of completion of the IIA-supported research project and other factors. These restrictions and requirements for payment may impair our ability to sell or otherwise transfer our technology assets outside of Israel or to outsource or transfer development or manufacturing activities with respect to any product or technology outside of Israel. Furthermore, the consideration available to our shareholders in a transaction involving the transfer outside of Israel of technology or know-how developed with IIA funding (such as a merger or similar transaction) may be reduced by any amounts that we are required to pay to the IIA.

Our operations may be disrupted as a result of the obligation of management or key personnel to perform military service.

Our employees and consultants in Israel, including members of our senior management, may be obligated to perform one month, and in some cases longer periods, of military reserve duty until they reach the age of 40 (or older, for citizens who hold certain positions in the Israeli armed forces reserves) and, in the event of a military conflict, may be called to active duty. In response to increases in terrorist activity, there have been periods of significant call-ups of military reservists. It is possible that there will be similar large-scale military reserve duty call-ups in the future. Our operations could be disrupted by the absence of a significant number of our officers, directors, employees and consultants. Such disruption could materially adversely affect our business and operations.

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

Our legal and commercial name is Nano Dimension Ltd. We were incorporated in the State of Israel in December 1960, and are subject to the Companies Law. We were incorporated under the name Polgat Woolen Industries Kiryat Gat Ltd. On December 30, 1981, our name was changed to Polgat Industries Ltd. On January 1, 1995, our name was changed to Polgat Ltd., and on October 28, 2007, our name was changed to ZBI Ltd. In 1977, we became a public company in Israel and our shares were listed for trade on the TASE, and on October 29, 2014, we changed our name to Nano Dimension Ltd. Our Ordinary Shares are currently traded on the TASE under the symbol NNDM. ADSs representing our Ordinary Shares currently trade in the United States on the Nasdaq Capital Market under the symbol "NNDM."

From March 7, 2014, until August 25, 2014, we were a “shell corporation” and did not have any business activity, excluding administrative management. On August 25, 2014, we closed the Merger with the Subsidiary, whereby we acquired 100% of the share capital of the Subsidiary. The Subsidiary was incorporated in the State of Israel in July 2012. The Merger resulted in a change of control whereby the management of the Company was replaced by the management of the Subsidiary. Furthermore, as a result of the Merger, the four shareholders of the Subsidiary received an aggregate amount of approximately 37.4% of the issued Ordinary Shares of the Company, as of the date thereof.

Our registered office and principal place of business is located at 2 Ilan Ramon St., Ness Ziona 7403635, Israel. Our telephone number in Israel is +972 -73-7509142.

Our website address is www.nano-di.com. The information contained on our website or available through our website is not incorporated by reference into and should not be considered a part of this annual report on Form 20-F, and the reference to our website in this annual report on Form 20-F is an inactive textual reference only. Zysman, Aharoni, Gayer and Sullivan & Worcester LLP is our agent in the United States, and its address is 1633 Broadway, New York, NY 10019.

We are an emerging growth company, as defined in Section 2(a) of the Securities Act, as implemented under the JOBS Act. As such, we are eligible to, and intend to, take advantage of certain exemptions from various reporting requirements applicable to other public companies that are not emerging growth companies including but not limited to not being required to comply with the auditor attestation requirements of the SEC rules under Section 404 of the Sarbanes-Oxley Act. We could remain an emerging growth company until the earlier of (1) the last day of the fiscal year (a) following the fifth anniversary of the date of our first sale of common equity securities pursuant to an effective registration statement under the Securities Act, (b) in which we have total annual gross revenue of at least \$1.07 billion, or (c) in which we are deemed to be a large accelerated filer, which means the market value of our Ordinary Shares that is held by non-affiliates exceeds \$700 million as of the prior June 30th, and (2) the date on which we have issued more than \$1.0 billion in non-convertible debt during the prior three-year period.

We are a foreign private issuer as defined by the rules under the Securities Act and the Exchange Act. Our status as a foreign private issuer also exempts us from compliance with certain laws and regulations of the SEC and certain regulations of the Nasdaq Stock Market, including the proxy rules, the short-swing profits recapture rules, and certain governance requirements such as independent director oversight of the nomination of directors and executive compensation. In addition, we will not be required to file annual, quarterly and current reports and financial statements with the SEC as frequently or as promptly as U.S. domestic companies registered under the Exchange Act.

Our capital expenditures for 2018, 2017 and 2016 amounted to \$1,232,000, \$3,691,000 and \$4,555,000, respectively. These expenditures were primarily for purchases of fixed assets, investment in restricted bank deposits and development expenditures capitalized as intangible assets. Our purchases of fixed assets primarily include leasehold improvements, computers, and equipment used for the development of our products, and we financed these expenditures primarily from cash on hand.

B. Business Overview

We are a leading additive electronics provider. We believe our flagship proprietary DragonFly Pro system is the first and only precision system that produces professional multilayer circuit-boards (PCB), RF antennas, sensors, conductive geometries, and molded connected devices for rapid prototyping through custom additive manufacturing. We have been actively developing our additive manufacturing technology since 2014, and since that time we have listed our securities on the TASE and Nasdaq, and have spent approximately \$60 million to build our additive electronics company.

With our unique additive manufacturing technology for 3D printed electronics, we are targeting the growing market for smart electronic devices that rely on printed circuit boards, connected devices, RF components and antennas, sensors, and smart products, including IoT. Additive manufacturing industry analysts predict that 3D printed electronics is likely to be the next high-growth application for product innovation, with its market size forecasted to reach \$2.4 billion by 2025 based on a market study.

Traditionally, electronic circuitry is developed through a back-and-forth process that involves design, trial and error and third-party manufacturer outsourcing. We believe that the traditional process for developing complex and advanced electronics is outdated. Until now, additive manufacturing technology has been unable to offer a solution for the electronics market, mainly because of the difficulty of printing multiple layers of electrically conductive and dielectric materials at a high resolution that is suitable for professional electronics. We are the first to develop an integrated solution for additive manufacturing of electronics. We are disrupting, leading, and defining how electronics are made.

Our DragonFly Pro precision system for additive manufacturing of printed electronics uses our proprietary liquid nano-conductive and dielectric inks that are designed specifically to print multilayer circuitry and 3D electronics. We believe that our DragonFly Pro precision system will obviate the reliance on third-party manufacturers during the development, short run manufacturing and prototyping of smart connected products, such as sensors, conductive geometries, antennas and RF components, professional multilayer PCBs and molded connected devices for rapid prototyping and custom additive manufacturing.

In 2018 we increased our sales and commercialization efforts and sold 30 systems worldwide. As a part of scaling our operations, we opened four Customer Experience Centers, or CECs, spanning across the United States, Hong Kong and Israel. The CECs are designed to accelerate the adoption of additive manufacturing for electronics development and serve as customer and reseller training facilities and sales support centers.

In order to leverage and expedite our go to market strategy, we partner with 20 value added resellers, or VARs, around the world. The VARs provide customers with services such as sales support, demonstrations, technical support and maintenance. The VARs assign dedicated technical support experts that are trained in installing, operating and maintaining the printer and providing technical support and demonstrations for their customers. Our VARs engage actively in sales and tradeshow activities, as well as with customer care and first response system servicing. We have multiple VAR relationships in the United States, the United Kingdom, Ireland, Canada, Germany, France, Italy, Belgium, Australia, Turkey, China, Taiwan, Korea and Czech Republic. As we continue to expand our sales channel presence, we expect to engage with additional top tier VARs operating in the electronics industry, 3D printing industry, ECAD (electronic computer aided design) and MCAD (mechanical computer aided design) software solutions.

Industry Overview

Additive manufacturing of 3D Printed electronics as part of Industry 4.0

Additive manufacturing or 3D printing in general is a process of making a three-dimensional solid object from a digital model. 3D printing is achieved using an additive process, where successive layers of material are laid down in different shapes. 3D printing is also considered distinct from traditional machining techniques, which mostly rely on the removal of material by methods such as cutting or drilling (subtractive processes).

We perceive that additive manufacturing is at a defining inflection point by worldwide commitment to industry 4.0 transformation by companies large and small. To underscore the potential of additive manufacturing, during the past 24 months several fortune 500 and other tier one companies operating across a number of distinct industries have made substantial investments to decisively enter the additive manufacturing market. Examples include leading companies in aerospace and defense, dental/cosmetics and apparel and footwear. With the production world increasingly depending on additive manufacturing, we see exciting new printing technologies in metal and in liquid-polymers.

The industry 4.0 manufacturing revolution includes the electrification of products across multiple industries and refers to the connectivity, the sensors and electronic circuitry which are crucial in every product, from satellites to sneakers, smart cars and IoT devices. This electrification is the horizon of Nano Dimension and that is where we elevate industry 4.0 – by making additive manufacturing complete with the 3D printing of smart products made digitally. We believe that fully 3D printed smart connected products are the next phase of Industry 4.0.

Traditional Printed Circuit Boards (PCB)



A conventional PCB is a board containing a pattern of conducting material, such as copper, which becomes an electrical circuit when electrical components are attached to it. It is the basic platform used to interconnect electronic components and can be found in most electronic products, including computers and computer peripherals, communications equipment, cellular phones, high-end consumer electronics, automotive and aeronautical components and medical and industrial equipment. Conventional PCBs are more product-specific than other electronic components because generally they are unique for a specific electronic device or appliance. Conventional PCBs can be classified as single-sided, double-sided and multilayer boards.

A multilayer electronic circuit contains two or more different conductive layers, while an older single-layer circuit contains only one layer of conductors. In the past, in inexpensive circuits, there were single or dual layer circuits. Advanced circuits, which are required for modern products (such as mobile phones, computer cards and more), contain advanced multilayer circuits with a much larger number of layers. Modern electronics have become more complex and often contain thousands of connections between various components of the same electronic circuit. In order to enable this complexity in a limited area and to prevent electronic short circuits, the connections are divided into a number of layers that are connected within the same multilayer electronic circuit. Our DragonFly Pro system is designed to efficiently print prototype PCBs, circuits and antennas that conform to the requirements of modern complex electronics.

One of the main issues with the traditional process of PCB prototype development is the outsource manufacturing delay. Modern and advanced PCBs are complex and are often comprised of more than ten layers. As a general rule, the time for manufacturing depends on the complexity and number of layers that a PCB contains. Consequently the time it takes to receive an advanced PCB prototype from a third party manufacturer may reach several weeks. While the life cycle of modern products is shortening, the need for rapid prototyping increases. Our DragonFly Pro system offers a solution to the pain of a slow time-to-market turnaround of advanced PCB prototypes, and enables developers of PCBs the freedom to innovate and painlessly employ an efficient trial-and-error process on a day to day basis.

Another issue with the traditional process of PCB prototyping is confidentiality. The usage of outsource services in order to produce a PCB prototype forces the developer to share the PCB design files of a future product months before the product is expected to reach the market. Our DragonFly Pro system is intended to be an in-house solution to this issue.

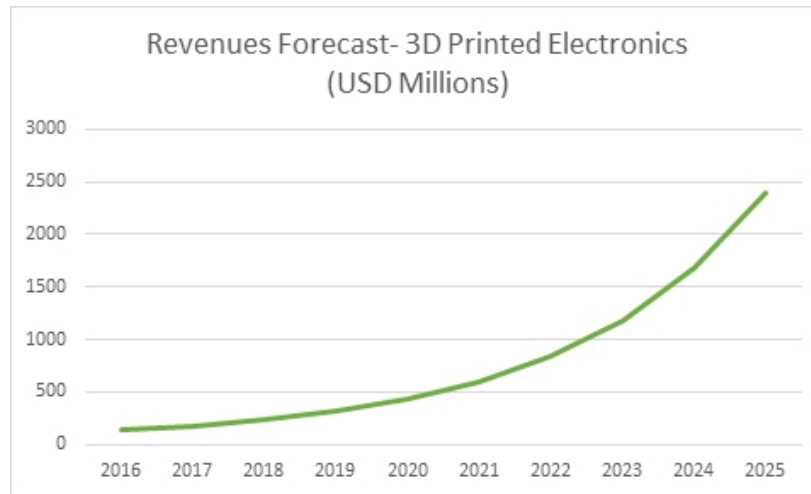
Market Opportunity

The future of the 3D printed electronics market looks promising with opportunities in IoT connected products, communication, computer/peripheral, and defense, automotive industries and in aerospace. We estimate market potential by looking at several market references including the 3D printed electronics market, the total PCB market, and PCB software design market.

Technavio's market research analysts predict that the total PCB market will grow at a CAGR of more than 6% by 2021. Other analysts estimate that the PCB market will reach an estimated \$72.6 billion by 2022.

Within the total PCB market is the more specific market of PCB design software. We believe that many users of design software would benefit from the use of an in-house 3D electronics printer. Future Market Insights forecasts the global PCB design software market to increase at 12.9% CAGR during 2016-2026, and reach \$4.75 billion in revenues by the end of 2026.

Additive manufacturing industry analysts predict that 3D printed electronics is likely to be the next high-growth application for product innovation, with its market size forecasted to reach approximately \$2.4 billion by 2025. Many industry leaders expect the 3D printed electronics industry to expand quickly as manufacturing companies and consumer industries discover new methods and applications for 3D printed electronic technology. The chart below gives an indication of the size of the 3D printed electronics market, and illustrates that it is both large and growing.



Source: DataM Intelligence, 2018

Strategy

By creating our own installed-base of printers that require our own dedicated inks – we are establishing a “Razor and Blades” business model in which our customers buy the printer first and then continue to purchase the dedicated inks and maintenance over time.

We market and sell our products and services worldwide, primarily to companies that develop products with electronic components, including companies in the defense industry, including the U.S. Armed Forces, the automotive sector, consumer electronics, semiconductor, aerospace, and medical industries and to research institutes. Our primary market is the U.S., though we have also experienced growth in Asia Pacific and Europe and expect that trend to increase into 2019.

Our goal is to expedite our growth and to further advance our breakthrough technologies and commercialization efforts. To achieve these objectives, we plan to:

- *Increase sales and marketing.* We are advancing our commercialization efforts and infrastructure, and allocating more resources to activities executed by our U.S. and Hong Kong headquarters, including increasing sales manpower.
- *Increase amount of applications and advanced electronics applicable use cases.* In collaboration with our customers, create applications that can expedite the usage of our products for production grade products and consequently increase our sales. Our main focus is in collaboration with customers in the fields of automotive, aerospace, medical devices and defense.

- *Recruit additional value-added resellers globally.* We intend to increase the number and use of our resellers in order to increase sales and provide technical services to our customers.
- *Form alliances with industry leaders.* We plan to collaborate with companies in the fields of design and manufacturing in order to expedite the adoption of our technology by the market.
- *Increase amount of applications and use cases.* In collaboration with our customers, create applications that can expedite the usage of our products for production grade products and consequently increase our sales. Our main focus is in collaboration with customers in the fields of medical devices, automotive, aerospace and defense.
- *Capitalize on our nano-conductive and dielectric inks, and software technology products.* We plan to exploit our inks as supplemental products to our DragonFly Pro system. We also plan to increase the software options and enable levels of licensing that we could monetize.

Our strategic growth plan includes the following:

- *Current state:* Monetize commercially available products and services for additive electronics design.
- *Horizon 1:* Deliver higher speed production-grade additive electronics systems and more materials and services.
- *Horizon 2:* Deliver hybridized capabilities that combine mechanical functionality within electrified geometries.

Products

Our products currently consist of three main product lines – our DragonFly Pro precision system, proprietary ink products and software.

DragonFly Pro Precision System for additive manufacturing of printed electronics



Our DragonFly Pro can print sensors, conductive geometries, Radio Frequency (RF) devices, antennas, professional multilayer PCBs, and molded connected devices for rapid prototyping and custom additive manufacturing.

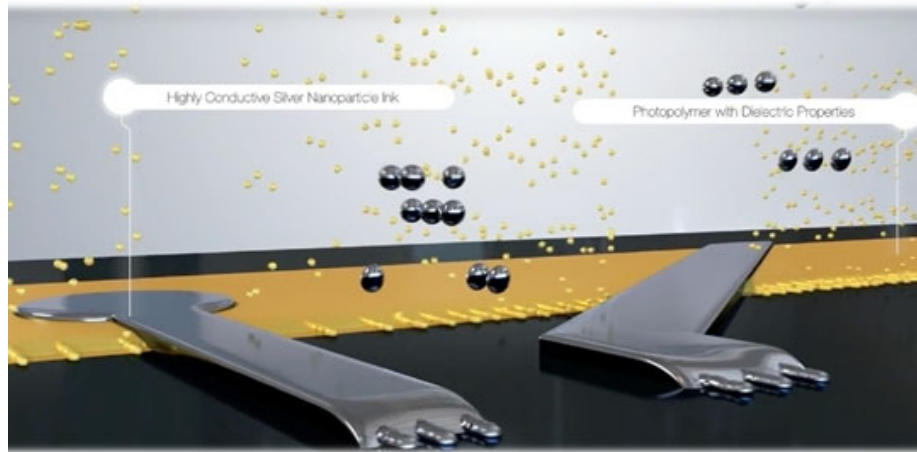


Our DragonFly Pro precision system is the first and only system that we are aware of that is customized specifically to print multilayer PCBs for advanced electronics. The Dragonfly Pro is designed to allow users the ability to print ready-to-use electronics and connected devices in-house, within hours. Possible applications of our products include aerospace, smart cars, Internet of Things (IoT)-connected products, RF components and encapsulated sensors for military and civil applications.

Our DragonFly Pro system is designed to print electronic conductors and dielectric (non-conductive) layers based on a user's specific design plan. Our DragonFly Pro system uses at least two types of ink (i.e. conductive and dielectric) in order to lay down successive layers that literally build ready-to-use electronics. The printer receives digital files as input and converts them into print jobs in order to build the multilayer PCB, sensors, antenna or circuit. No cutting or drilling is required in the process of additive manufacturing of a multilayer PCB with our DragonFly Pro precision system.

Our DragonFly Pro system includes our dedicated and proprietary print-job editing software named 'Switch' and a printing control software named DragonFly, which enable smooth and seamless usage for our customers. Our software is not intended to be a replacement for PCB or computer aided design (CAD) design software, but rather conveniently allow our customers to continue to design their smart parts with their preferred PCB/CAD design software. After the user has concluded the design, the files are simply sent to the DragonFly Pro in Gerber (.gbr) or stereolithographic (.stl) format with a user-friendly interface, similar to the usage of commonplace inkjet and laser printers. Our proprietary software employs traditional methods of 3D printing by virtually converting end products to be printed (such as PCBs) into a large number of thin slices, which are then printed one on top of the other.

Illustration of the inkjet printing process performed by the DragonFly Pro:



Additionally, and depending on the sales channel employed, we will offer different levels of product warranty and after-sales services. We anticipate that channel partners, such as established distributors will typically be key to providing support and warranty services to the wider market. In instances where deeper and more strategic relationships are at stake, we intend to provide dedicated account management, both in terms of support and servicing, which may be fee or subscription-based. We plan to support and train a select number of experienced channel partners with the capabilities to ensure that end customers are satisfied with our products and any after-sales services and support that we may offer in the future.

Our DragonFly Pro system has multiple advantages, including:

- In-house prototypes and low volume production. Our DragonFly Pro system offers its users an efficient, quick, available, accessible and immediate solution for prototype production of smart products such as encapsulated sensors, antennas, multilayer PCBs and free-form geometry 3D Circuits. Currently, electronics companies and others engaged in the development of products based on PCBs are forced to rely on service suppliers that manufacture PCBs through a complex and inefficient process.

Turn-around of multilayer advanced smart parts can often take weeks and involves significant costs. Also, for electronics in development, several cycles of prototyping are often necessary until the specs of the final electronic part are created. This means that a developer of a new electronic product may have to repeat the process of going through a service supplier several times during lab testing – which may increase cost and slow the momentum of product development.

Our DragonFly Pro system obviates the reliance on external service suppliers and provides electronics companies and others the luxury of an office-friendly system in their in-house research laboratory with the ability to print prototypes of PCBs as required for electronic device development – all during a relatively short period of time.

- Information security and professional secrecy. Contracting with external service suppliers (outsourcing) in order to create prototypes of PCBs during early stages of the development process of novel electronic devices may unnecessarily compromise the security of sensitive and confidential information. Currently, however, there is hardly a practical solution. By allowing companies to bring prototype development in-house, our DragonFly Pro system offers a practical solution to this issue.
- Industry first. We believe that we are a pioneer and a leader in our industry. We are not aware of any other company in the global electronics market that currently offers a 3D inkjet printer that prints professional grade smart parts.

Supplementary Products

Conductive Ink

We have developed a uniquely formulated nano-conductive ink for use in our systems. Using advanced nano-technology, we have developed a liquid ink that contains nano-particles of conductive materials such as silver and copper. Nano-particles are particles between 1 and 100 nanometers in size. By employing this technology, we are able to create a liquid ink that maintains its transport properties and electric conductivity. The liquid properties of our nano-conductive ink allow us to take advantage of inkjet printing technology for fast and efficient 3D printing of PCBs.

Our wet-chemistry approach to making silver nano-particles starts with a raw material compound containing silver which may be acquired from a number of chemical suppliers. The patented process, licensed from the Hebrew University, is highly efficient and very clean. We can reliably extract 10 to 100 nano-meter sized particles of pure silver. We are able to control the size, shape and dispersion of the silver nano-particles in accordance with specific printing requirements. We can also formulate inks for a variety of substrates and printing profiles.

In addition, in July 2016, we filed a patent application with the United States Patent and Trademark Office for the development of a new nano-metric conductive ink, which is based on a unique synthesis. The new nano-particle synthesis further minimizes the size of the silver nano-particles particles in our ink products. The new process achieves silver nano-particles as small as 4 nano-meters. We believe that accurate control of nano-particles' size and surface properties will allow for improved performance of our DragonFly Pro system. The innovative ink enables lower melting temperatures and more complete sintering (fusing of particles into solid conductive trace), leading to an even higher level of conductivity. The innovative ink has the potential to accelerate printing speeds and save ink for the 3D printing of electronics.

Dielectric Ink

Our proprietary dielectric ink is a unique ink that contains dielectric and dielectric materials that are not electrically conductive. The use of non-conductive ink is crucial in the production of multilayer circuit boards, as the conducting layers that are placed on top of each other must be separated by dielectric layers. Our internally developed, proprietary dielectric ink is a unique one-part-epoxy material. The dielectric ink can withstand high temperature (e.g., five hundred degrees Fahrenheit and more) without distorting its shape, which is a necessary requirement for professional PCBs and electronics components.

Both our nano-conductive and dielectric ink products have completed development stages and we have begun to manufacture these products in-house. We plan to commercialize these ink products as a supplementary product to our systems. Based on our proprietary technology, our ink products may be adjusted specifically for additional uses.

Software

Our proprietary software, the 'DragonFly' and 'Switch' are used to manage the design file and printing process. The Switch software enables seamless transition into an additive manufacturing workflow.

In July 2016, we completed the development of the initial version of our software package and we have been adding features and improvements to it from time to time. The Switch is included in our DragonFly Pro system. The 'Switch' software enables preparation of production files of printed electronic circuits using the DragonFly Pro system. The software supports customary formats in the electronics industry such as Gerber files, as well as vertical interconnect access (VIA) and DRILL files. The 'Switch' software presents a unique interface that displays Gerber files and an accurate and detailed description of the PCB's structure, which facilitates a highly precise conversion to a 3D file format.

Multilayer 3D files can be prepared from standard file formats, with the software allowing for adjustments in numerous parameters such as layer order and thickness.

When the print-job is ready the user simply loads the design file from Switch straight into the Dragonfly Pro printer and uses the DragonFly software to manage and control the print.

Intellectual Property

We seek patent protection as well as other effective intellectual property rights for our products and technologies in the United States and internationally. Our policy is to pursue, maintain and defend intellectual property rights developed internally and to protect the technology, inventions and improvements that are commercially important to the development of our business.

We have a growing portfolio of four issued U.S. patents and twenty six (26) provisional and non-provisional patent applications with the USPTO, WIPO filed through the PCT, and with the respective patent offices of China, Europe, South Korea and Japan. A provisional patent application is a preliminary application that can be filed less formally than a non-provisional application, and establishes a priority date for the patenting process for the invention disclosed therein.

Our growing patent portfolio can be divided into four main areas:

1. Mechanical: covering printer components and peripherals with three granted U.S. patents (9,227,444, 9,259,933, and 9,878,549), as well as several patent applications, directed to components and systems varying from, print head calibration systems, to stirring containers for inks.
2. Chemical: covering ink compositions and related nanoparticles, both dielectric and conducting. Of these, two applications were indicated as allowable by the U.S. and South Korean Patent offices.
3. Applications: covering 3D printing applications and computer applications. The 3D printing applications are directed to various methods of printing PCBs, flexible printed circuits (FPCs) and high density interconnects (HDIs) circuits with embedded components. Additional filings were directed to composite printing, cooling pads and infrastructures, bridging members between integrated circuits and PCBs and vertically embedded integrated circuit (IC) wells and their interconnectivity.
4. Industrial Design/Design: covering the ornamental aspects of the printer and various printer components, with one granted U.S. patent (D543,612), and another directed to an ink cartridge currently pending.

In addition to patent applications, in September 2014, we entered into an exclusive license agreement with the Research and Development Company of the Hebrew University of Jerusalem, Ltd., or “Yisum”, for two patents that cover the unique method of manufacturing our consumable nano-conductive ink for the 3D printing of electronic circuits. The agreement was amended and restated in April 2015. Pursuant to the license agreement, we will be required to pay Yisum low to mid-single digit percentage royalties on sales of our conductive ink. The exclusive license agreement is in effect for the longer of remaining usable life of the patents and patent applications, or 15 years from the first commercial sale of a product relating to the licensed technology in such country.

Competition

Many companies providing 3D printing services concentrate their efforts on printing prototypes in resin polymers or other plastics. We differentiate ourselves from these companies by focusing on the niche market of in-house PCB printing using a combination of nano-conductive and dielectric inks, and to that extent we consider ourselves a pioneer in our industry. However, it may be possible for more developed 3D printing companies to adapt their products to print PCBs. Accordingly, our competitors may include other companies providing 3D printing services with substantial customer bases and working history. Older, well-established companies providing 3D printing and rapid prototyping services with records of success currently attract customers. There can be no assurance that we can maintain a competitive position against current or future competitors, particularly those with greater financial, marketing, service, technical and other resources. Our failure to maintain a competitive position within the market could have a material adverse effect on our business, financial condition and results of operations.

We also compete with companies that use traditional prototype development of PCBs and customized manufacturing technologies, and expect future competition to arise from the development of new technologies or techniques.

To the best of our knowledge, our 3D inkjet printer is the first and only one of its kind, and as of the date of this annual report on Form 20-F, there are no three-dimensional ink injection printers that print multilayer electronic circuits for the purposes of in-house PCB prototype development. However, there are many companies worldwide that manufacture PCBs.

In the United States and globally, we face many competitors that specialize in contract electronic manufacturing, and specifically the manufacturing of prototype PCBs. We estimate that there are approximately 1,800 companies in the United States that manufacture or provide PCBs on a per-order basis.

Research and Development

As of the date hereof, we have completed the development of our proprietary nano-conductive ink products and have commenced manufacturing in our in-house laboratory.

Also, we have completed the development of the alpha version of our 3D printer, and on April 14, 2015, we introduced the alpha version publicly. In August 2015, we introduced our beta 3D printer to a number of customers, and in the second half of 2016, we initiated our beta plan and delivered printers to customers. In the second half of 2017 we commenced commercial sales.

From time to time we may also explore the application of our technology to additional areas within 3D printing and other industries.

In September 2016, we conducted a successful test for 3D printing of conductive traces onto a treated fabric in collaboration with a leading European functional textiles company. The test was carried out using our unique silver nanoparticle conductive ink and our DragonFly 3D Printer platform. During the test, conductors were printed in several patterns in order to perform functionality tests, including conductivity, elasticity, rubbing, etc. The results demonstrated that the printed silver conductors had high enough elasticity to match the properties of the fabric.

In January 2017, we successfully 3D printed a series of multilayer rigid PCBs, connected through printed flexible conductive connections. This process provides a solution to traditional production limitations in the electronics industry, such as continuous transfer of conductors between circuits, loose contacts, size of connections between the circuits as well as fabrication of multilayer flexible material.

In January 2017, we successfully 3D printed electrical circuits, in which we embedded electrical components, through placement, as an integral part of the printing process. We filed a patent application with the USPTO for this unique development.

In February 2017, we received a budget from MEIMAD committee of the IIA which will be used to finance a project to develop 3D printing of advanced ceramic materials in inkjet technology. The total approved budget for this project is approximately \$372,000, of which the IIA will finance 50%. The terms of the grant provide that we will be required to pay royalties on future sales of any funded technology up to the full grant amount.

For the years ended December 31, 2018, 2017, 2016, 2015 and 2014, we incurred \$8,623,000 \$10,819,000, \$4,043,000, \$2,855,000 and \$933,000, respectively, of research and development expenses. Our research and development expenses for the year ended December 31, 2016 do not include expenses in an amount of approximately \$4,237,000 that were capitalized as an intangible asset.

Grants from Israel's Innovation Authority

Our research and development efforts are financed in part through royalty-bearing grants from the IIA. As of December 31, 2018, we have received the aggregate amount of \$1,693,000 from the IIA for the development of our 3D printer and nano-inks. With respect to such grants we are committed to pay certain royalties up to the total grant amount. Regardless of any royalty payment, we are further required to comply with the requirements of the Research Law, with respect to those past grants. When a company develops know-how, technology or products using IIA grants, the terms of these grants and the Research Law restrict the transfer of such know-how, and the transfer of manufacturing or manufacturing rights of such products, technologies or know-how outside of Israel, without the prior approval of the IIA. We do not believe that these requirements will materially restrict us in any way.

Production and Manufacturing

We purchase the raw materials required for the production of our products, including components of 3D printers and materials to produce our nano-inks products. To date, all of our printers, including our DragonFly Pro, are manufactured in-house. We have entered into a non-exclusive agreement with a global manufacturer that would serve as our primary manufacturer and supplier for our commercial 3D printers when we are required to scale up our production further or expand it to additional global geographies. Pursuant to the agreement, we are not obligated to make any minimum purchases and prices will be agreed upon between us from time to time and based on specific purchase orders. The extent of this and any other engagement with third party manufacturers will be managed to match production volumes.

With respect to our ink products, we intend to keep full control of the value chain, from research and development through self-manufacturing and global sales. In September 2016, we initiated a production facility to support the commercialization and production of our proprietary nano-conductive ink and dielectric ink. In October 2017 we announced the opening of our nano-particle ink production facility to support the commercialization and production of our proprietary nano-conductive ink and dielectric ink for our DragonFly Pro 3D printer. We believe that the size and capacity of this facility, located in the same building as our offices, will be sufficient to support our future commercialization activities. In January 2018 we achieved certification for two international standards- the OHSAS 18001:2007 for occupational health and safety within the workplace and the ISO 14001:2015 Standard – EMS (Environmental Management System).

Sales and Marketing

We began commercializing our first professional grade 3D Printer, the DragonFly Pro 3D printer, during the fourth quarter of 2017. As a part of scaling our operations, we recently opened four CECs, one in Israel, two in the United States and one in Hong Kong. The new CECs are designed to accelerate the adoption of additive manufacturing for electronics development and will also serve as customer and reseller training facilities and sales support centers. In order to leverage and expedite our go to market strategy, we partner with VARs around the world. The VARs provide customers with services such as sales support, demonstrations, technical support and maintenance. The VARs assign dedicated technical support experts that are trained in installing, operating and maintaining the printer and providing technical support and demonstrations for their customers. Our VARs engage actively in sales and tradeshow activities, as well as with customer care and first response system servicing. As of the end of February 2019, we have VAR relationships in the United States, the United Kingdom, Ireland, Canada, Germany, France, Italy, Belgium, Australia, Turkey, Spain, Czech Republic, China, Taiwan and Korea. As we continue with to expand our sales channel presence, we expect to engage with additional top tier VARs.

C. Organizational Structure

We currently have four wholly owned subsidiaries: Nano Dimension Technologies Ltd., which was incorporated in 2012 in the State of Israel, Nano Dimension IP Ltd., which was incorporated in 2018 in the State of Israel, Nano Dimension USA Inc., which was incorporated in 2017 in Delaware, and Nano Dimension (HK) Limited, which was incorporated in 2018 in Hong Kong.

D. Property, Plant and Equipment

Our offices, research and development facility and in-house laboratory are located at our headquarters at 2 Ilan Ramon, Ness Ziona 74036, Israel, where we currently occupy approximately 37,000 square feet. Following a recent expansion, we lease our headquarters under three separate leases. The first lease, which accounts for about 42% of our office space, ends on August 31, 2019, the second lease, which accounts for about 35% of our office space, ends on December 31, 2023, and the third lease, which accounts for about 23% of our office space, ends on August 31, 2021. The total monthly rent payment for the facilities in Israel is currently approximately \$51,000. Since March 2018, we also have offices in Santa Clara, California, where we occupy approximately 1,915 square feet. The total monthly rent payment for the facilities in Santa Clara is currently approximately \$3,400. Since March 2019, we also have offices in Hong Kong Science Park, where we occupy approximately 1,500 square feet. The total monthly rent payment for the facilities in Hong Kong is currently approximately \$7,500.

We consider that our current office space is sufficient to meet our anticipated needs for the foreseeable future and is suitable for the conduct of our business.

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

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

The following discussion and analysis should be read in conjunction with our financial statements and related notes included elsewhere in this annual report on Form 20-F. This discussion and other parts of this annual report on Form 20-F contain forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results and the timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of several factors, including those set forth under "Risk Factors" and elsewhere in this annual report on Form 20-F. We report financial information under IFRS as issued by the IASB and none of the financial statements were prepared in accordance with generally accepted accounting principles in the United States.

Overview

To date, we have generated limited revenues from the sale and lease of our products. In the fourth quarter of 2017 we begun commercializing our products and our ability to generate significant revenues and achieve profitability depends on our ability to successfully complete the development of, and to commercialize, our products. As of December 31, 2018, we had an accumulated deficit of \$51,610,000. Our financing activities are described below under "Liquidity and Capital Resources." We currently estimate that we have the necessary capital in order to establish our commercial infrastructure.

5.A Operating Results

Operating Expenses

Our current operating expenses consist of three components – research and development expenses, sales and marketing expenses, and general and administrative expenses.

In the fourth quarter of 2017 we decided to present our sales and marketing expenses separate from other operating expenses. Thus, for comparison we have reclassified the expenses in the previous years.

Research and Development Expenses, net

Our research and development expenses consist primarily of salaries and related personnel expenses, subcontractor expenses, patent registration fees, rental fees, materials, and other related research and development expenses.

The following table discloses the breakdown of research and development expenses:

	Year ended December 31,		
	2016	2017	2018
<i>(in thousands of U.S dollars)</i>			
Payroll	5,621	7,419	4,890
Subcontractors	307	151	70
Patent registration	34	57	70
Materials	1,593	1,844	1,065
Rental fees and maintenance	387	824	908
Depreciation	178	442	880
Other expenses	379	244	782
Development expenses recognized as Intangible Assets	(4,237)	-	-
Grants	(219)	(162)	(42)
Total	4,043	10,819	8,623

Subcontractor expenses include expenses for development consultants and service providers, which are not employees. The services provided by these consultants and service providers include, but are not limited to, chemistry consulting, software and electronics subcontractors and consulting and chip processing consulting.

Our development expenses are presented net of government grants and net of development expenses that were capitalized as intangible assets.

Sales and Marketing Expenses

Sales and marketing expenses consist primarily of salaries, marketing and advertising services, depreciation, rental fees, and travel.

The following table discloses the breakdown of sales and marketing expenses:

	Year ended December 31,		
	2016	2017	2018
<i>(in thousands of U.S dollars)</i>			
Payroll	748	1,497	2,226
Marketing and advertising	192	383	1,381
Depreciation	-	10	186
Travel abroad	45	234	201
Rental fees and maintenance	21	59	64
Other expenses	-	-	201
Total	1,006	2,183	4,259

General and Administrative Expenses

General and administrative expenses consist primarily of salaries, professional service fees, director fees, office expenses, taxes and fees, and other general and administrative expenses.

The following table discloses the breakdown of general and administrative expenses:

	Year ended December 31,		
	2016	2017	2018
<i>(in thousands)</i>			
Payroll	822	762	996
Professional services	1,610	1,460	1,114
Director pay	742	493	306
Office expense	232	282	311
Fees	45	68	32
Travel abroad	148	86	45
Rental fees and maintenance	-	84	91
Other expenses	219	128	107
Total	3,818	3,363	3,002

Comparison of the year ended December 31, 2018 to the year ended December 31, 2017 to the year ended December 31, 2016

Results of Operations

U.S. dollars in thousands	Year Ended December 31,		
	2016	2017	2018
Consolidated Statements of Operations Data			
Revenues	46	829	5,100
Cost of revenues	19	409	3,594
Cost of revenues- amortization of intangible	174	743	772
Gross profit (loss)	(147)	(323)	734
Research and development expenses, net	4,043	10,819	8,623
Sales and marketing expenses	1,006	2,183	4,259
General and administrative expenses	3,818	3,363	3,002
Operating loss	9,014	16,688	15,150
Finance expense (income), net	(38)	815	338
Total comprehensive loss	8,976	17,503	15,488
Loss attributable to holders of Ordinary Shares	8,976	17,503	15,488

Revenues

Our revenues for the year ended December 31, 2018 amounted to \$5,100,000, representing an increase of \$4,271,000 or 515%, compared to \$829,000 for the year ended December 31, 2017. The increase is due to additional sales of our products during 2018. Our revenues are derived mainly from sales of our printers to customers, and from ink deliveries to those clients.

Our revenues for the year ended December 31, 2017 amounted to \$829,000, representing an increase of \$783,000 or 1,702%, compared to \$46,000 for the year ended December 31, 2016. The increase is due to additional leases and sales of our products during 2017. Our revenues are derived from sales of our printers to certain customers, lease of our printers to beta customers, and from ink deliveries to those clients.

Cost of Revenues

Our cost of revenues for the year ended December 31, 2018 amounted to \$4,366,000, representing an increase of \$3,214,000 or 279%, compared to \$1,152,000, for the year ended December 31, 2017. Cost of revenues consists of \$3,594,000 and an additional \$772,000 in respect of amortization of intangible assets, representing an increase of \$3,185,000 or 779%, compared to \$409,000 and an additional increase of \$29,000, compared to \$743,000 in respect of amortization of intangible assets.

Our cost of revenues for the year ended December 31, 2017 amounted \$1,152,000, representing an increase of \$959,000 or 497%, compared to \$193,000, for the year ended December 31, 2016. Cost of revenues consists of \$409,000 and an additional \$743,000 in respect of amortization of intangible assets, representing an increase of \$390,000 or 2,053%, compared to \$19,000 and an additional increase of \$569,000, compared to \$174,000 in respect of amortization of intangible assets.

Gross Loss

Our gross profit for the year ended December 31, 2018 amounted to \$734,000, compared to a gross loss of \$323,000 for the year ended December 31, 2017.

Our gross loss for the year ended December 31, 2017 amounted to \$323,000, compared to \$147,000 for the year ended December 31, 2016.

Research and Development Expenses, net

Our research and development expenses for the year ended December 31, 2018 amounted to \$8,623,000, representing an decrease of \$2,196,000 or 20%, compared to \$10,819,000 for the year ended December 31, 2017. The decrease resulted primarily from a decrease in payroll and related expenses and materials expenses, in 2018 we shifted more resources to sales and marketing activities rather than research and development activities.

Our research and development expenses for the year ended December 31, 2017 amounted to \$10,819,000, representing an increase of \$6,776,000 or 168%, compared to \$4,043,000 for the year ended December 31, 2016. The increase is mainly a result of the cessation of the capitalization of development cost in the fourth quarter of 2016, as well as increase in payroll and related expenses.

Our research and development expenses for the year ended December 31, 2018 are presented net of government grants in the amount of \$42,000.

Our research and development expenses for the year ended December 31, 2017 are presented net of government grants in the amount of \$162,000.

Our research and development expenses for the year ended December 31, 2016, are presented net of government grants in the amount of \$219,000 and net of development expenses recognized as intangible assets in the amount of \$4,237,000.

Sales and marketing Expenses

Our sales and marketing expenses totaled \$4,259,000 for the year ended December 31, 2018, an increase of \$2,076,000, or 95%, compared to \$2,183,000 for the year ended December 31, 2017. The increase resulted primarily from an increase of \$729,000 in payroll and related expenses, and an increase of \$998,000 in marketing and advertising expenses. During 2018 we decided to invest resources in sales and marketing activities, thus we increased the number of our sales and marketing personnel and also invested more in marketing and advertising.

Our sales and marketing expenses totaled \$2,183,000 for the year ended December 31, 2017, an increase of \$1,177,000, or 117%, compared to \$1,006,000 for the year ended December 31, 2016. The increase resulted primarily from an increase of \$749,000 in salaries and related personnel expenses, reflecting an increase in the number of sales and marketing employees, an increase of \$191,000 in marketing and advertising expenses and an increase of \$190,000 in travel expenses.

General and Administrative Expenses

Our general and administrative expenses totaled \$3,002,000 for the year ended December 31, 2018, a decrease of \$361,000, or 11%, compared to \$3,363,000 for the year ended December 31, 2017. The decrease resulted primarily from a decrease of \$346,000 in professional services expenses and a decrease of \$187,000 in directors' fees.

Our general and administrative expenses totaled \$3,363,000 for the year ended December 31, 2017, a decrease of \$455,000, or 12%, compared to \$3,818,000 for the year ended December 31, 2016. The decrease resulted primarily from a decrease of \$150,000 in professional services expenses for accounting, legal, and other general and administrative activities, and a decrease of \$249,000 in directors' fees.

Operating Loss

As a result of the foregoing, our operating loss for the year ended December 31, 2018 was \$15,150,000, as compared to an operating loss of \$16,688,000 for the year ended December 31, 2017, a decrease of \$1,538,000, or 9%.

As a result of the foregoing, our operating loss for the year ended December 31, 2017 was \$16,688,000, as compared to an operating loss of \$9,014,000 for the year ended December 31, 2016, an increase of \$7,674,000, or 85%.

Finance Expense and Income

Finance expense and income mainly consist of bank fees and other transactional costs, revaluation of liability in respect of government grants, and exchange rate differences.

We recognized net financial expense of \$338,000 for the year ended December 31, 2018, compared to \$815,000 for the year ended December 31, 2017. The decrease is primarily due to a decrease in finance expense related to exchange rate differences.

We recognized net financial expense of \$815,000 for the year ended December 31, 2017, compared to net financial income of \$38,000 for the year ended December 31, 2016. The increase is primarily due to an increase in finance expense related to exchange rate differences.

Total Comprehensive Loss

As a result of the foregoing, our loss for the year ended December 31, 2018 was \$15,488,000, as compared to \$17,503,000 for the year ended December 31, 2017, a decrease of \$2,015,000, or 12%.

As a result of the foregoing, our loss for the year ended December 31, 2017 was \$17,503,000, as compared to \$8,976,000 for the year ended December 31, 2016 an increase of \$8,527,000, or 95%.

Critical Accounting Policies and Estimate

We describe our significant accounting policies more fully in Note 2 to our financial statements for the year ended December 31, 2018, included elsewhere in this annual report on Form 20-F. We believe that the accounting policies below are critical in order to fully understand and evaluate our financial condition and results of operations.

We prepare our financial statements in accordance with IFRS as issued by the IASB. At the time of the preparation of the financial statements, our management is required to use estimates, evaluations, and assumptions which affect the application of the accounting policy and the amounts reported for assets, obligations, income, and expenses. Any estimates and assumptions are continually reviewed. The changes to the accounting estimates are credited during the period in which the change to the estimate is made.

Revenue Recognition

We early adopted IFRS 15, Revenue from Contracts with Customers, which provides new guidance on revenue recognition as from January 1, 2017 on a retrospective basis. Based on the examination of the guidance of the standard, no adjustments have been required to be made to the revenue previously recognized, as in 2016 the Company's main revenues were from leases transactions accounted for under International Accounting Standard, or IAS, 17. Accordingly, comparative figures have not been restated to reflect the impact of the retrospective implementation of the standard. The Company recognizes revenue when the customer obtains control over the promised goods or services. The revenue is measured according to the amount of the consideration to which the Company expects to be entitled in exchange for the goods or services promised to the customer, other than amounts collected for third parties. On the contract's inception date the Company assesses the goods or services promised in the contract with the customer and identifies as a performance obligation any promise to transfer to the customer goods or services (or a bundle of goods or services) that are distinct. The Company identifies goods or services promised to the customer as being distinct when the customer can benefit from the goods or services on their own or in conjunction with other readily available resources and the Company's promise to transfer the goods or services to the customer is separately identifiable from other promises in the contract.

Intangible Assets

In August 2015, we started recognizing intangible assets arising from internal development. The capitalization is the outcome of meeting all the criteria in IAS 38 *Intangible Assets*, which are (i) development costs can be measured reliably, (ii) the product or process is technically and commercially feasible, (iii) future economic benefits are probable, and (iv) we have the intention and sufficient resources to complete development and to use or sell the asset. Development expenses in the period until August 1, 2015 were expensed as incurred. During the fourth quarter of 2016, we started delivering our products to beta customers and as such, we started to amortize the intangible assets arising from capitalization of development expenses. In subsequent periods, capitalized development expenditure is measured at cost less accumulated amortization and accumulated impairment losses. The estimated useful lives of the capitalized development costs is 10 years.

Stock-Based Compensation

Employees and other service providers of the Company may receive benefits by way of share-based compensation settled with company options and warrants exercised for Ordinary Shares. The cost of transactions with employees settled with capital instruments is measured based on the fair value of the capital instruments on the granting date. The fair value is determined using an accepted options pricing model. The model is based on share price, grant date and on assumptions regarding expected volatility, expected lifespan, expected dividend, and a no risk interest rate.

The cost of the transactions settled with capital instruments is recognized in profit or loss together with a corresponding increase in the equity over the period in which the performance and/or service takes place, and ending on the date on which the relevant employees are entitled to the benefits, or the Vesting Period. The aggregate expense recognized for transactions settled with capital instruments at the end of each reporting date and until the Vesting Period reflects the degree to which the Vesting Period has expired and our best estimate regarding the number of warrants that have ultimately vested. The expense or income in profit or loss reflects the change of the aggregate expense recognized as of the end of the reported period.

We selected the Black-Scholes-Merton (Black-Scholes), and the binomial model, as our option pricing models to estimate the fair value of our options awards. The option-pricing model requires a number of assumptions:

Expected dividend yield - The expected dividend yield assumption is based on our historical experience and expectation of no future dividend payouts. We have historically not paid cash dividends and have no foreseeable plans to pay cash dividends in the future.

Volatility - Since the Company's shares started trading on a stock exchange market only in August 2014 (before that date the Company was under a different name and was involved in a different activity), the expected volatility is based on the Company's stock volatility since September 2014.

Risk free interest rate - The risk free interest rate is based on the yield of governmental bonds with equivalent terms.

Estimated term - An option's estimated term is the estimated amount of time the holder will hold the option before the exercise, based on the expiration date of the option and, in some cases, such as for employees, an assumption regarding exercise before the expiration date.

Share price - The share price is determined according to the last known closing price of our Ordinary Shares at the grant date.

5.B Liquidity and Capital Resources

Overview

Since our inception through December 31, 2018, we have funded our operations principally with \$52,952,000 from the issuance of Ordinary Shares and warrants. As of December 31 2018, we had \$3,753,000 in cash.

The table below presents our cash flows:

<i>(in thousands of U.S. dollars)</i>	Year Ended December 31,		
	2016	2017	2018
Operating activities	(5,920)	(15,797)	(13,447)
Investing activities	(4,555)	(3,691)	(1,232)
Financing activities	14,159	13,108	12,480
Net increase (decrease) in cash	3,450	(6,380)	(2,199)

Operating Activities

Net cash used in operating activities of \$13,447,000 during the year ended December 31, 2018 was primarily used for payment of \$7,858,000 in salaries and related personnel expenses. The remaining amount was for other expenses.

Net cash used in operating activities of \$15,797,000 during the year ended December 31, 2017 was primarily used for payment of \$8,499,000 in salaries and related personnel expenses. The remaining amount was for other expenses.

Net cash used in operating activities of \$5,920,000 during the year ended December 31, 2016 was primarily used for payment of \$5,352,000 in salaries and related personnel expenses. The remaining amount was for other expenses.

Investing Activities

Net cash used in investing activities of \$1,232,000 during 2018 primarily used for investments of our cash in fixed assets.

Net cash used in investing activities of \$3,691,000 during 2017 primarily used for investments of our cash in fixed assets.

Net cash used in investing activities of \$4,555,000 during 2016 primarily reflects development expenditure capitalized as intangible assets and investments of our cash in fixed assets.

Financing Activities

Net cash provided by financing activities of \$12,480,000 in the year ended December 31, 2018 consisted mainly from the issuance of Ordinary Shares.

Net cash provided by financing activities of \$13,108,000 in the year ended December 31, 2017 consisted mainly from the issuance of Ordinary Shares.

Net cash provided by financing activities of \$14,159,000 in the year ended December 31, 2016 consisted mainly from the issuance of Ordinary Shares and warrants.

In July 2015, we issued an aggregate of 7,671,089 Ordinary Shares pursuant to a private placement, at a price of \$1.4451 per share. In addition, we issued warrants to purchase up to 3,835,546 Ordinary Shares with an exercise price of \$2.3647 per share. These warrants will expire 24 months from the date of issuance.

In December 2015, we issued, as an extension to the issuance in July 2015, an aggregate of 1,552,877 Ordinary Shares pursuant to a private placement, at a price of \$1.4451 per share. In addition, we issued warrants to purchase up to 776,440 Ordinary Shares with an exercise price of \$2.3647 per share. These warrants will expire 24 months from the date of issuance.

In September 2016, we completed a public offering of 2,125,275 ADSs (representing 10,626,375 Ordinary Shares) at a price of \$6.50 per ADS, and net proceeds to us from the sale of the shares was approximately \$12,328,000.

In May and June 2017, we issued an aggregate of 11,552,809 Ordinary Shares pursuant to a private placement, at a price of \$1.17 per share, and net proceeds to us from the sale of the shares was approximately \$12,420,000.

In February 2018, we completed a public offering of 6,900,000 ADSs (representing 34,500,000 Ordinary Shares) at a price of \$2.00 per ADS, and net proceeds to us from the sale of the shares was approximately \$12,471,000.

In February 2019, we completed a public offering of 16,000,000 Units, each consisting of one ADS (representing 80,000,000 Ordinary Shares), one warrant to purchase one ADS, and one right to purchase 0.75 of an ADS, at a price of \$0.75 per Unit, and net proceeds to us from the sale of the shares was approximately \$10,600,000.

Current Outlook

To date, we have not achieved profitability and have sustained net losses in every fiscal year since our inception, and we have financed our operations primarily through proceeds from issuance of our Ordinary Shares.

Based on the projected cash flows and our cash balance as of December 31, 2018, together with the fundraising on February 2019, our management is of the opinion that without further fund raising it will not have sufficient resources to enable us to continue advancing our activities including the development, manufacturing and marketing of our products for a period of at least 12 months from the date of sign-off date of our financial statements. As a result, there is substantial doubt about our ability to continue as a going concern.

Until we can generate significant recurring revenues and achieve profitability, we will need to seek additional sources of funds through the sale of additional equity securities, debt or other securities. Any required additional capital, whether forecasted or not, may not be available on reasonable terms, or at all. If we are unable to obtain additional financing or are unsuccessful in commercializing our products and securing sufficient funding, we may be required to reduce activities, curtail or even cease operations.

In addition, our operating plans may change as a result of many factors that may currently be unknown to us, and we may need to seek additional funds sooner than planned. Our future capital requirements will depend on many factors, including:

- the progress and costs of our research and development activities;
- the progress in the launch of the commercial DragonFly Pro system;
- the costs of manufacturing our DragonFly Pro system and ink products;
- the costs of filing, prosecuting, enforcing and defending patent claims and other intellectual property rights;
- the potential costs of contracting with third parties to provide marketing and distribution services for us or for building such capacities internally; and
- the magnitude of our general and administrative expenses.

5.E Off-Balance Sheet Arrangements

We currently do not have any off-balance sheet arrangements.

5.E Tabular Disclosure of Contractual Obligations

The following table summarizes our significant contractual obligations at December 31, 2018:

	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
		<i>(in thousands of U.S. dollars)</i>			
Facility	\$ 2,154	688	893	573	-
Motor vehicles	233	116	117	-	-
Suppliers and service providers	3,164	2,564	100	100	400
Liability in respect of government grants (*)	1,445	550	895		

(*) The contractual obligation in respect of government grants presented above is based on our estimation regarding expected revenues, thus there is no certainty that the liability will be settled in 1-3 years as stated above.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

The following table sets forth information regarding our executive officers, key employees and directors as of March 13, 2019:

Name	Age	Position
Avi Reichental	62	Chairman of the Board of Directors
Amit Dror	43	Chief Executive Officer, Director
Yael Sandler	32	Chief Financial Officer
Dr. Jaim Nulman	63	Chief Technology Officer and Executive Vice President, Products
Simon Anthony-Fried	45	President of Nano Dimension USA, Director
Ofir Baharav (3)	50	Director
Irit Ben-Ami (1) (2) (3)	58	Director
Roni Kleinfeld (1) (2) (3)	62	Director
Abraham Nahmias (3)	64	Director
Eli Yoresh (1) (2) (3)	49	Director

(1)Member of our Audit Committee.

(2)Member of our Compensation Committee.

(3)Indicates independent director under Nasdaq Stock Market rules.

Avi Reichental, Chairman of the Board of Directors

Mr. Avi Reichental has served on our board of directors since April 2017, as our co-Chairman since December 2017 and as Chairman since December 2018. Mr. Reichental has served as a general partner at OurCrowd First since August 2016. In 2015, Mr. Reichental founded XponentialWorks, Inc., and has served as its chairman and chief executive officer since that time. Prior to that, and from 2003 to 2015, Mr. Reichental served as the president, chief executive officer and director of 3D Systems Corp. (NYSE:DDD). From 1981 to 2003, Mr. Reichental held senior executive leadership positions with Sealed Air Corp. (NYSE:SEE). Since 2015, Mr. Reichental has served as a director of Harman International Industries Inc. (NYSE: HAR). Mr. Reichental is also founder and chairman of Centaur, ElasticMedia, and Nexa3D. Mr. Reichental is part of Singularity University's core faculty, serves as a Trustee of Cooper-Hewitt Smithsonian's Design Museum and is a member of the XPRIZE Innovation Board. Mr. Reichental served on the board of Harman until its successful sale to Samsung. Mr. Reichental is an active inventor and has co-invented 35 patents. Mr. Reichental is also a Vice Chairman of Techniplas.

Amit Dror, Chief Executive Officer, Director

Mr. Amit Dror has served as our Chief Executive Officer and director since August 2014. Mr. Dror co-founded Eternegy Ltd. in 2010 and served as its Chief Executive Officer and a director from 2010 to 2013. Mr. Dror also co-founded the Milk & Honey Distillery Ltd. in 2012. He developed vast experience in project, account and sales management across a range of roles at ECI Telecom Ltd., Comverse Technology, Inc., Eternegy Ltd. and Milk & Honey Distillery Ltd. Mr. Dror has a background that covers technology management, software, business development, fundraising and complex project execution. Mr. Dror is a Merage Institute Graduate.

Yael Sandler, Chief Financial Officer

Ms. Yael Sandler has served as our Chief Financial Officer since June 2015. From 2014 until 2015, Ms. Sandler served as the Group Controller of RealMatch Ltd. From 2011 through December 2014, Ms. Sandler held various positions at Somekh-Chaikin (KPMG Israel), where she gained valuable experience working with public companies and companies pursuing initial public offerings. Ms. Sandler completed the professional course of the Israeli Navy in 2005 and served as a submarine simulator instructor and commander until 2007. Ms. Sandler is a Certified Public Accountant in Israel. Ms. Sandler earned a B.A. with honors in Accounting and Economics from the Hebrew University of Jerusalem and a M.B.T with honors from the College of Management in Rishon LeZion.

Dr. Jaim Nulman, Chief Technology Officer

Dr. Jaim Nulman has served as our Chief Technology Officer and Executive VP Products since May 2018. Dr. Nulman was a vice president with Applied Materials in Santa Clara, California, where he served for 15 years in a variety of positions at both the product divisions and corporate levels developing and driving commercialization of semiconductor manufacturing technology, applications, and equipment. While at Applied Materials he drove the development of ionized metal physical vapor deposition for enhance step coverage. Dr. Nulman pioneered rapid thermal processing technologies for ultra-thin gate dielectrics in semiconductors. Dr. Nulman is also co-founder and chairman of Yali Pharmaceuticals Group, LLC, a company developing medicines for treatment of pathogen induced inflammation of the body. Dr. Nulman also founded eTe Solutions, LLC a company engaged consulting services for commercialization of high tech technology. He holds several patents in the area of semiconductor processing and equipment. Dr. Nulman is a Senior member of the Institute for Electrical and Electronic Engineers (IEEE). He holds a BSc degree in Electrical Engineering from the Technion – Israel Institute of Technology, M.Sc. and Ph.D. in Electrical Engineering with focus on semiconductor devices and technology from Cornell University, and an Executive M.B.A. from Stanford University. Dr. Nulman also served as instructor for NATO's Advanced Technology summer programs and the University of Berkeley Extension in the area of Rapid Thermal Processing.

Simon Anthony-Fried, President of Nano Dimension USA, Director

Mr. Simon Fried has served as our Chief Business Officer and director since August 2014. In January 2018 Mr. Fried relocated to California, and was appointed as the President of our wholly-owned subsidiary, Nano Dimension USA Inc. Mr. Fried was a co-founder of Diesse Solutions Ltd., a project management, risk and marketing consultancy, and served as its Chief Executive Officer from 2004 to 2014. He has worked as a risk management and corporate governance consultant to the Financial Services Authority in the United Kingdom and as a senior strategy consultant at Monitor Company, a Boston based boutique strategy consulting firm. Mr. Fried has a background that covers marketing and sales strategy, management, business development, financial services regulation, fundraising and c-suite consulting. Mr. Fried has worked extensively on global projects in both the B2B and B2C markets driving significant strategic change to global marketing organizations. He also currently serves as a director of the Milk & Honey Distillery Ltd. Mr. Fried holds a B.Sc. in Experimental Psychology from University College London, an M.Sc. in Judgment and Risk from Oxford University and an M.B.A. from SDA Bocconi in Milan.

Ofir Baharav, Director

Mr. Ofir Baharav has served on our board of directors since November 2015. Mr. Baharav is currently managing Stratus Venture Group. Mr. Baharav is a seasoned global executive with extensive experience in the United States, Israel, Japan, Europe and China. He has held executive and board level management positions in private and public high-tech companies that operate Internet, semiconductors, 3D printing and security businesses. Mr. Baharav was the Vice President, Products of Stratasys from 2014 to 2015, the Founder and Chief Executive Officer of XJet Solar from 2007 to 2014, Executive Vice President, Products of Credence among other roles, (Nasdaq: CMOS) from 2003 to 2007, President of Optonics 2001 to 2003 (sold to Credence), and Founder and President of RelayHealth Corporation (acquired by McKesson (Nasdaq: MCK)) from 1998 to 2001. Mr. Baharav serves on the boards of RealConnex, NRG Innovations and Breezer Cooling. Mr. Baharav holds an M.B.A from Warwick Business School UK.

Irit Ben-Ami, Director

Ms. Irit Ben-Ami has served on our board of directors since November 2012. Ms. Ben-Ami is a member of the Institute of Certified Public Accountants in Israel as well as of the Israel Bar Association. Ms. Ben-Ami founded the law office of Pitaro-Ben Ami in 2007 and was a partner there until 2009. Ms. Ben-Ami currently serves as member of the board of directors of several public companies, including Medivie Therapeutic Ltd. (TASE: MDVI) since 2014, and Together Startup Network Ltd. (TASE: TGTR) since 2016. Ms. Ben-Ami holds a Bachelor's degree (cum laude) in Law (LL.B.) from Sha'arei Mishpat College, a B.A. (with honors) in Economics and Accounting from Haifa University, an M.A. in Health Systems Management (M.H.A.) from Ben Gurion University and an LL.M in law from the Interdisciplinary Center in Herzelia (IDC). Ms. Ben-Ami was engaged in the past in academic aspects of labor law and corporate law as a practitioner at Bar Ilan University, Ben Gurion University and at the Sha'arei Mishpat College.

Roni Kleinfeld, Director

Mr. Roni Kleinfeld has served on our board of directors since November 2012. He has over 25 year experience as a chief executive officer in public and private companies. He was the CEO of Maariv Holdings Ltd. from 1993 to 2002, the CEO of Hed Artzi Records Ltd. from 2002 to 2007, the CEO of Maariv- Modiin Publishing House Ltd. from 2007 to 2010, and the CEO of OMI Ltd. from 2010 to 2011. Mr. Kleinfeld has also served as director of many companies over the past ten years, including: Excite Ltd. from April 2007 to April 2011, Makpel Ltd. from July 2007 to March 2010, Elbit Imaging Ltd. (Nasdaq: EMITF) since May 2010, Elran Ltd. from July 2010 to November 2016, Dancher Ltd. from April 2012 to January 2014, Mendelson Ltd. from 2012 to December 2016, White Smoke Ltd. since June 2012, Edri – El Ltd. since July 2015 and Cofix Group Ltd. since April 2015, and Luzon Group since January 2017. Mr. Kleinfeld has a B.A. in economics from the Hebrew University in Jerusalem.

Abraham Nahmias, Director

Mr. Abraham Nahmias has served on our board of directors since August 2014. Mr. Nahmias has been a managing partner of the Nahmias Grinberg Shachar C.P.A (Isr.) since 1985. He currently serves as a director in the following companies: Threecopper Ltd. (since 2010), Allium Medical Solutions Ltd. (Chairman) (since 2014), Eviation aircraft Ltd. (since 2016), Trueleaf Ltd. (since 2016), Allevetix Ltd. (since 2016), and Cellect Biomed Ltd. (since July 2014). Mr. Nahmias has a B.A. in Economy and Accountancy from the Tel Aviv University and is a certified public accountant in Israel.

Eli Yoresh, Director

Mr. Eli Yoresh has served on our board of directors since April 2014. Mr. Yoresh is a seasoned executive with 20 years of executive and financial management experience, mainly, with companies from the financial, technology and industrial sectors. Since October 2010, Mr. Yoresh has served as a director and Chief Financial Officer at Foresight Autonomous Holdings Ltd. (Nasdaq and TASE: FR SX). Since September 2018, Mr. Yoresh serves as a director at Medigus Ltd. (Nasdaq and TASE: MDGS). Mr. Yoresh served as the Chief Executive Officer of Tomcar Global Holdings Ltd., a global manufacturer of off-road vehicles, from 2005 to 2008. Mr. Yoresh served as the Chairman of both Gefen Biomed investments Ltd. (TASE: GEFEN) from April 2013 to July 2015 and Zmicha Investment House Ltd. (TASE: TZMI-M) from February 2013 to July 2015. Mr. Yoresh holds a B.A. in Business Administration from the College of Management in Israel and an M.A. in Law from Bar-Ilan University in Israel. Mr. Yoresh is a Certified Public Accountant in Israel.

Family Relationships

There are no family relationships between any members of our executive management and our directors.

Arrangements for Election of Directors and Members of Management

With the exception of our director, Abraham Nahmias, who was appointed by Michael Ilan, one of our shareholders, there are no arrangements or understandings with major shareholders, customers, suppliers or others pursuant to which any of our executive management or our directors were selected. See “Item 7.B. Related Party Transactions” for additional information.

B. Compensation

Compensation

The following table presents in the aggregate all compensation we paid to all of our directors and senior management as a group for the year ended December 31, 2018. The table does not include any amounts we paid to reimburse any of such persons for costs incurred in providing us with services during this period.

All amounts reported in the tables below reflect the cost to the Company, in thousands of U.S. dollars, for the year ended December 31, 2018. Amounts paid in NIS are translated into U.S. dollars at the rate of NIS 3.748 = U.S.\$1.00, based on the average representative rate of exchange between the NIS and the U.S. dollar as reported by the Bank of Israel in the year ended December 31, 2018.

	Salary and Related Benefits, including Pension, Retirement and Other Similar Benefits	Share Based Compensation
All directors and senior management as a group, consisting of 11 persons	\$ 903,000	\$ 237,000

In accordance with the Companies Law, the table below reflects the compensation granted to our five most highly compensated officers during or with respect to the year ended December 31, 2018.

Annual Compensation- in thousands of U.S. dollars - Convenience Translation

Executive Officer	Salary and Related Benefits, including Pension, Retirement and Other Similar Benefits	Share Based Compensation	Total
Amit Dror	\$ 183	\$ 39	\$ 222
Simon Anthony-Fried	\$ 239	\$ 36	\$ 275
Yael Sandler	\$ 127	\$ 40	\$ 167
Dr. Jaim Nulman	\$ 149	\$ 16	\$ 165
Avi Reichental	\$ 120	\$ 46	\$ 166

Employment Agreements with Executive Officers

We have entered into written employment agreements with each of our executive officers. All of these agreements contain customary provisions regarding noncompetition, confidentiality of information and assignment of inventions. However, the enforceability of the noncompetition provisions may be limited under applicable law. In addition, we have entered into agreements with each executive officer and director pursuant to which we have agreed to indemnify each of them up to a certain amount and to the extent that these liabilities are not covered by directors and officers insurance. Members of our senior management are eligible for bonuses each year. The bonuses are payable upon meeting objectives and targets that are set by our chief executive officer and approved annually by our board of directors that also set the bonus targets for our chief executive officer.

For a description of the terms of our options and option plans, see “Item 6.E. Share Ownership” below.

Directors’ Service Contracts

Other than with respect to our directors that are also executive officers, we do not have written agreements with any director providing for benefits upon the termination of his employment with our company.

C. Board Practices

Introduction

Our board of directors presently consists of nine members. We believe that Ms. Ben-Ami and Messrs. Baharav, Kleinfeld, Nahmias, and Yoresh are “independent” for purposes of Nasdaq Stock Market rules. Our amended and restated articles of association provides that the number of board of directors’ members shall be set by the general meeting of the shareholders provided that it will consist of not less than three and not more than twelve members. Pursuant to the Companies Law, the management of our business is vested in our board of directors. Our board of directors may exercise all powers and may take all actions that are not specifically granted to our shareholders or to management. Our executive officers are responsible for our day-to-day management and have individual responsibilities established by our board of directors. Our Chief Executive Officer is appointed by, and serves at the discretion of, our board of directors, subject to the employment agreement that we have entered into with him. All other executive officers are appointed by our Chief Executive Officer. Their terms of employment are subject to the approval of the board of directors’ compensation committee and of the board of directors, and if such terms of employment are not consistent with our compensation policy, then such terms require the approval of our shareholders, and are subject to the terms of any applicable employment agreements that we may enter into with them.

Each director, will hold office until the annual general meeting of our shareholders for the year in which his or her term expires, unless he or she is removed by a majority vote of our shareholders at a general meeting of our shareholders or upon the occurrence of certain events, in accordance with the Companies Law and our amended and restated articles of association.

In addition, our amended and restated articles of association allow our board of directors to appoint directors to fill vacancies on our board of directors or in addition to the acting directors (subject to the limitation on the number of directors), until the next annual general meeting or special general meeting in which directors may be appointed or terminated.

Under the Companies Law, nominations for directors may be made by any shareholder holding at least one percent of our outstanding voting power. However, any such shareholder may make such a nomination only if a written notice of such shareholder's intent to make such nomination has been given to our board of directors. Any such notice must include certain information, the consent of the proposed director nominee(s) to serve as our director(s) if elected and a declaration signed by the nominee(s) declaring that there is no limitation under the Companies Law preventing their election and that all of the information that is required to be provided to us in connection with such election under the Companies Law has been provided.

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

The board of directors may elect one director to serve as the chairman of the board of directors to preside at the meetings of the board of directors, and may also remove that director as chairman. Pursuant to the Companies Law, neither the chief executive officer nor any of his or her relatives is permitted to serve as the chairman of the board of directors, and a company may not vest the chairman or any of his or her relatives with the chief executive officer's authorities. In addition, a person who reports, directly or indirectly, to the chief executive officer may not serve as the chairman of the board of directors; the chairman may not be vested with authorities of a person who reports, directly or indirectly, to the chief executive officer; and the chairman may not serve in any other position in the company or a controlled company, but he or she may serve as a director or chairman of a controlled company. However, the Companies Law permits a company's shareholders to determine, for a period not exceeding three years from each such determination, that the chairman or his or her relative may serve as chief executive officer or be vested with the chief executive officer's authorities, and that the chief executive officer or his or her relative may serve as chairman or be vested with the chairman's authorities. Such determination of a company's shareholders requires either: (1) the approval of at least two-thirds of the shares of those shareholders present and voting on the matter (other than controlling shareholders and those having a personal interest in the determination); or (2) that the total number of shares opposing such determination does not exceed 2% of the total voting power in the company. Currently, we have a separate chairman and chief executive officer.

The board of directors may, subject to the provisions of the Companies Law, delegate any or all of its powers to committees of the board, and it may, from time to time, revoke such delegation or alter the composition of any such committees, subject to certain limitations. Unless otherwise expressly provided by the board of directors, the committees shall not be empowered to further delegate such powers. The composition and duties of our audit committee, financial statement examination committee and compensation committee are described below.

The board of directors oversees how management monitors compliance with our risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by us. The board of directors is assisted in its oversight role by an internal auditor. The internal auditor undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to our audit committee.

External Directors

Under the Companies Law, except as provided below, companies incorporated under the laws of the State of Israel that are publicly traded, including Israeli companies with shares listed on the Nasdaq, are required to appoint at least two external directors who meet the qualification requirements set forth in the Companies Law. The definitions of an external director under the Companies Law and independent director under Nasdaq Stock Market rules are similar such that it would generally be expected that our two external directors will also comply with the independence requirement under Nasdaq Stock Market rules.

Pursuant to regulations under the Companies Law, the board of directors of a company such as us is not required to have external directors if: (i) the company does not have a controlling shareholder (as such term is defined in the Companies Law); (ii) a majority of the directors serving on the board of directors are “independent,” as defined under Nasdaq Rule 5605(a)(2); and (iii) the company follows Nasdaq Rule 5605(e)(1), which requires that the nomination of directors be made, or recommended to the board of directors, by a Nominating Committee of the board of directors consisting solely of independent directors, or by a majority of independent directors. The Company meets all these requirements. On November 20, 2017, our board of directors resolved to adopt the corporate governance exemption set forth above, and accordingly we no longer have external directors as members of our board of directors.

Fiduciary Duties of Office Holders

The Companies Law imposes a duty of care and a duty of loyalty on all office holders of a company.

The duty of care requires an office holder to act with the level of skill with which a reasonable office holder in the same position would have acted under the same circumstances. The duty of care of an office holder includes a duty to use reasonable means to obtain:

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

The duty of loyalty of an office holder requires an office holder to act in good faith and for the benefit of the company, and includes a duty to:

- refrain from any conflict of interest between the performance of his duties in the company and his performance of his other duties or personal affairs;
- refrain from any action that constitutes competition with the company’s business;
- refrain from exploiting any business opportunity of the company to receive a personal gain for himself or others; and
- disclose to the company any information or documents relating to the company’s affairs which the office holder has received due to his position as an office holder.

Approval of Related Party Transactions under Israeli Law

General

Under the Companies Law, we may approve an action by an office holder from which the office holder would otherwise have to refrain, as described above, if:

- the office holder acts in good faith and the act or its approval does not cause harm to the company; and
- the office holder disclosed the nature of his or her interest in the transaction (including any significant fact or document) to the company at a reasonable time before the company's approval of such matter.

Disclosure of Personal Interests of an Office Holder

The Companies Law requires that an office holder disclose to the company, promptly, and, in any event, not later than the board meeting at which the transaction is first discussed, any direct or indirect personal interest that he or she may have and all related material information known to him or her relating to any existing or proposed transaction by the company. If the transaction is an extraordinary transaction, the office holder must also disclose any personal interest held by:

- the office holder's relatives; or
- any corporation in which the office holder or his or her relatives holds 5% or more of the shares or voting rights, serves as a director or general manager or has the right to appoint at least one director or the general manager.

Under the Companies Law, an extraordinary transaction is a transaction:

- not in the ordinary course of business;
- not on market terms; or
- that is likely to have a material effect on the company's profitability, assets or liabilities.

The Companies Law does not specify to whom within us nor the manner in which required disclosures are to be made. We require our office holders to make such disclosures to our board of directors.

Under the Companies Law, once an office holder complies with the above disclosure requirement, the board of directors may approve a transaction between the company and an office holder, or a third party in which an office holder has a personal interest, unless the articles of association provide otherwise and provided that the transaction is not detrimental to the company's interest. If the transaction is an extraordinary transaction, first the audit committee and then the board of directors, in that order, must approve the transaction. Under specific circumstances, shareholder approval may also be required. A director who has a personal interest in an extraordinary transaction, which is considered at a meeting of the board of directors or the audit committee, may not be present at this meeting or vote on this matter, unless a majority of the board of directors or the audit committee, as the case may be, has a personal interest. If a majority of the board of directors has a personal interest, then shareholder approval is generally also required.

Under the Companies Law, all arrangements as to compensation of office holders require approval of the compensation committee and board of directors, and compensation of office holders who are directors must be also approved, subject to certain exceptions, by the shareholders, in that order.

Disclosure of Personal Interests of a Controlling Shareholder

Under the Companies Law, the disclosure requirements that apply to an office holder also apply to a controlling shareholder of a public company. Extraordinary transactions with a controlling shareholder or in which a controlling shareholder has a personal interest, including a private placement in which a controlling shareholder has a personal interest, as well as transactions for the provision of services whether directly or indirectly by a controlling shareholder or his or her relative, or a company such controlling shareholder controls, and transactions concerning the terms of engagement of a controlling shareholder or a controlling shareholder's relative, whether as an office holder or an employee, require the approval of the audit committee or the compensation committee, as the case may be, the board of directors and a majority of the shares voted by the shareholders of the company participating and voting on the matter in a shareholders' meeting. In addition, the shareholder approval must fulfill one of the following requirements:

- at least a majority of the shares held by shareholders who have no personal interest in the transaction and are voting at the meeting must be voted in favor of approving the transaction, excluding abstentions; or
- the shares voted by shareholders who have no personal interest in the transaction who vote against the transaction represent no more than 2% of the voting rights in the company.

In addition, any extraordinary transaction with a controlling shareholder or in which a controlling shareholder has a personal interest with a term of more than three years requires the abovementioned approval every three years; however, such transactions not involving the receipt of services or compensation can be approved for a longer term, provided that the audit committee determines that such longer term is reasonable under the circumstances.

The Companies Law requires that every shareholder that participates, in person, by proxy or by voting instrument, in a vote regarding a transaction with a controlling shareholder, must indicate in advance or in the ballot whether or not that shareholder has a personal interest in the vote in question. Failure to so indicate will result in the invalidation of that shareholder's vote.

The term "controlling shareholder" is defined in the Companies Law as a shareholder with the ability to direct the activities of the company, other than by virtue of being an office holder. A shareholder is presumed to be a controlling shareholder if the shareholder holds 50% or more of the voting rights in a company or has the right to appoint the majority of the directors of the company or its general manager.

Duties of Shareholders

Under the Companies Law, a shareholder has a duty to refrain from abusing its power in the company and to act in good faith and in an acceptable manner in exercising its rights and performing its obligations to the company and other shareholders, including, among other things, voting at general meetings of shareholders on the following matters:

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

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

The remedies generally available upon a breach of contract will also apply to a breach of the above mentioned duties, and in the event of oppression of other shareholders, additional remedies are available to the injured shareholder.

In addition, any controlling shareholder, any shareholder that knows that its vote can determine the outcome of a shareholder vote and any shareholder that, under a company's articles of association, has the power to appoint or prevent the appointment of an office holder, or has another power with respect to a company, is under a duty to act with fairness towards the company. The Companies Law does not describe the substance of this duty except to state that the remedies generally available upon a breach of contract will also apply in the event of a breach of the duty to act with fairness, taking the shareholder's position in the company into account.

Committees of the Board of Directors

Our board of directors has established three standing committees, the audit committee, the compensation committee and the Financial Statement Examination Committee.

Audit Committee

Under the Companies Law, we are required to appoint an audit committee. Our audit committee, acting pursuant to a written charter, is comprised of Mr. Roni Kleinfeld, Ms. Irit Ben-Ami, and Mr. Eli Yoresch.

Our audit committee acts as a committee for review of our financial statements as required under the Companies Law, and in such capacity oversees and monitors our accounting; financial reporting processes and controls; audits of the financial statements; compliance with legal and regulatory requirements as they relate to financial statements or accounting matters; the independent registered public accounting firm's qualifications, independence and performance; and provides the board of directors with reports on the foregoing.

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

- (i) determining whether there are deficiencies in the business management practices of our company, and making recommendations to the board of directors to improve such practices;
- (iv) determining whether to approve certain related party transactions (including transactions in which an office holder has a personal interest and whether such transaction is extraordinary or material under Companies Law) (see "Item 7.B. Approval of Related Party Transactions under Israeli law");
- (vii) examining our internal controls and internal auditor's performance, including whether the internal auditor has sufficient resources and tools to dispose of its responsibilities;
- (viii) examining the scope of our auditor's work and compensation and submitting a recommendation with respect thereto to our board of directors or shareholders, depending on which of them is considering the appointment of our auditor; and
- (ix) establishing procedures for the handling of employees' complaints as to the management of our business and the protection to be provided to such employees.

Our audit committee may not conduct any discussions or approve any actions requiring its approval (see "Item 7.B. Approval of Related Party Transactions under Israeli law"), unless at the time of the approval a majority of the committee's members are present.

Nasdaq Stock Market Requirements for Audit Committee

Under the Nasdaq Stock Market rules, we are required to maintain an audit committee consisting of at least three members, all of whom are independent and are financially literate and one of whom has accounting or related financial management expertise.

As noted above, the members of our audit committee include Mr. Roni Kleinfeld, Ms. Irit Ben-Ami, and Mr. Eli Yoresh, each of whom is “independent,” as such term is defined in under Nasdaq Stock Market rules. Mr. Kleinfeld serves as the chairman of our audit committee. All members of our audit committee meet the requirements for financial literacy under the Nasdaq Stock Market rules. Our board of directors has determined that each member of our audit committee is an audit committee financial expert as defined by the SEC rules and has the requisite financial experience as defined by the Nasdaq Stock Market rules.

Financial Statement Examination Committee

Under the Companies Law, the board of directors of a public company in Israel must appoint a financial statement examination committee, which consists of members with accounting and financial expertise or the ability to read and understand financial statements. According to a resolution of our board of directors, the audit committee has been assigned the responsibilities and duties of a financial statements examination committee, as permitted under relevant regulations promulgated under the Companies Law. From time to time as necessary and required to approve our financial statements, the audit committee holds separate meetings, prior to the scheduled meetings of the entire board of directors regarding financial statement approval. The function of a financial statements examination committee is to discuss and provide recommendations to its board of directors (including the report of any deficiency found) with respect to the following issues: (1) estimations and assessments made in connection with the preparation of financial statements; (2) internal controls related to the financial statements; (3) completeness and propriety of the disclosure in the financial statements; (4) the accounting policies adopted and the accounting treatments implemented in material matters of the company; and (5) value evaluations, including the assumptions and assessments on which evaluations are based and the supporting data in the financial statements. Our independent registered public accounting firm and our internal auditor are invited to attend all meetings of the audit committee when it is acting in the role of the financial statements examination committee.

Compensation Committee

Under the Companies Law, the board of directors of any public company must establish a compensation committee. Under the Nasdaq rules, we are required to maintain a Compensation Committee consisting entirely of independent directors (or the determination of such compensation solely by the independent members of our board of directors).

Our compensation committee is acting pursuant to a written charter, and consists of Mr. Roni Kleinfeld, Ms. Irit Ben-Ami and Mr. Eli Yoresh, each of whom is “independent,” as such term is defined under Nasdaq rules. Our compensation committee complies with the provisions of the Companies Law, the regulations promulgated thereunder, and our amended and restated articles of association. Our compensation committee also complies with committee membership and charter requirements prescribed under the Nasdaq Stock Market rules.

Our compensation committee reviews and recommends to our board of directors: (1) the annual base compensation of our executive officers and directors; (2) annual incentive bonus, including the specific goals and amount; (3) equity compensation; (4) employment agreements, severance arrangements, and change in control agreements/provisions; (5) retirement grants and/or retirement bonuses; and (6) any other benefits, compensation, compensation policies or arrangements.

The duties of the compensation committee include the recommendation to the company's board of directors of a policy regarding the terms of engagement of office holders, to which we refer as a compensation policy. That policy must be adopted by the company's board of directors, after considering the recommendations of the compensation committee. The compensation policy is then brought for approval by our shareholders. On July 8, 2015, our shareholders approved our compensation policy.

The compensation policy must serve as the basis for decisions concerning the financial terms of employment or engagement of executive officers and directors, including exculpation, insurance, indemnification or any monetary payment or obligation of payment in respect of employment or engagement. The compensation policy must relate to certain factors, including advancement of the company's objectives, the company's business and its long-term strategy, and creation of appropriate incentives for executives. It must also consider, among other things, the company's risk management, size and the nature of its operations. The compensation policy must furthermore consider the following additional factors:

- the knowledge, skills, expertise and accomplishments of the relevant director or executive;
- the director's or executive's roles and responsibilities and prior compensation agreements with him or her;
- the relationship between the terms offered and the average and median compensation of the other employees of the company, including those employed through manpower companies;
- the impact of disparities in salary upon work relationships in the company;
- the possibility of reducing variable compensation at the discretion of the board of directors; and the possibility of setting a limit on the exercise value of non-cash variable compensation; and
- as to severance compensation, the period of service of the director or executive, the terms of his or her compensation during such service period, the company's performance during that period of service, the person's contribution towards the company's achievement of its goals and the maximization of its profits, and the circumstances under which the person is leaving the company.

The compensation policy must also include the following principles:

- the link between variable compensation and long-term performance and measurable criteria;
- the relationship between variable and fixed compensation, and the ceiling for the value of variable compensation;
- the conditions under which a director or executive would be required to repay compensation paid to him or her if it was later shown that the data upon which such compensation was based was inaccurate and was required to be restated in the company's financial statements;
- the minimum holding or vesting period for variable, equity-based compensation; and
- maximum limits for severance compensation.

The compensation policy must also consider appropriate incentives from a long-term perspective and maximum limits for severance compensation.

The compensation committee is responsible for (1) recommending the compensation policy to a company's board of directors for its approval (and subsequent approval by our shareholders) and (2) duties related to the compensation policy and to the compensation of a company's office holders as well as functions previously fulfilled by a company's audit committee with respect to matters related to approval of the terms of engagement of office holders, including:

- recommending whether a compensation policy should continue in effect, if the then-current policy has a term of greater than three years (approval of either a new compensation policy or the continuation of an existing compensation policy must in any case occur every three years);
- recommending to the board of directors periodic updates to the compensation policy;
- assessing implementation of the compensation policy; and
- determining whether the compensation terms of the chief executive officer of the company need not be brought to approval of the shareholders.

Nasdaq Stock Market Requirements for Compensation Committee

Under Nasdaq rules, we are required to maintain a compensation committee consisting of at least two members, all of whom are independent. In addition, in affirmatively determining the independence of any director who will serve on the compensation committee of a board of directors, the board of directors must consider all factors specifically relevant to determining whether a director has a relationship to the company which is material to that director's ability to be independent from management in connection with the duties of a compensation committee member.

As noted above, the members of our compensation committee include Mr. Roni Kleinfeld, Ms. Irit Ben-Ami and Mr. Eli Yoresh, each of whom is "independent," as such term is defined under Nasdaq rules. Mr. Roni Kleinfeld serves as the chairman of our compensation committee.

Internal Auditor

Under the Companies Law, the board of directors must also appoint an internal auditor nominated by the audit committee. Our internal auditor is Daniel Spira. The role of the internal auditor is to examine whether a company's actions comply with the law and proper business procedure. The internal auditor may not be an interested party or office holder, or a relative of any interested party or office holder, and may not be a member of the company's independent accounting firm or its representative. The Companies Law defines an interested party as a holder of 5% or more of the shares or voting rights of a company, any person or entity that has the right to nominate or appoint at least one director or the general manager of the company or any person who serves as a director or as the general manager of a company. Our internal auditor is not our employee, but the managing partner of a firm which specializes in internal auditing.

Remuneration of Directors

Under the Companies Law, remuneration of directors is subject to the approval of the compensation committee (until recently of the audit committee), thereafter by the board of directors and thereafter by the general meeting of the shareholders. In case the remuneration of the directors is in accordance with regulation applicable to remuneration of the external directors then such remuneration shall be exempt from the approval of the general meeting.

Insurance

Under the Companies Law, a company may obtain insurance for any of its office holders for:

- a breach of his or her duty of care to the company or to another person;
- a breach of his or her duty of loyalty to the company, provided that the office holder acted in good faith and had reasonable cause to assume that his or her act would not prejudice the company's interests; and
- a financial liability imposed upon him or her in favor of another person concerning an act performed by such office holder in his or her capacity as an officer holder.

We currently have directors' and officers' liability insurance, providing total coverage of \$12,500,000 for the benefit of all of our directors and officers, in respect of which we paid a twelve-month premium of approximately \$75,000, which expires on October 3, 2019.

On November 3, and November 7, 2016, respectively, our compensation committee and board of directors approved our purchase of a professional liability insurance policy for our current and future directors and officers, who may be appointed from time to time. As required by the Companies Law, this matter was submitted to a vote, and approved by our shareholders on December 26, 2016. The approved terms allow us to obtain insurance with an annual premium that may not exceed a total of \$100,000, and maximum coverage up to \$30 million.

Indemnification

The Companies Law provides that a company may indemnify an office holder against:

- a financial liability imposed on him or her in favor of another person by any judgment concerning an act performed in his or her capacity as an office holder;
- reasonable litigation expenses, including attorneys' fees, expended by the office holder as a result of an investigation or proceeding instituted against him or her by an authority authorized to conduct such investigation or proceeding, provided that (1) no indictment (as defined in the Companies Law) was filed against such office holder as a result of such investigation or proceeding; and (2) no financial liability as a substitute for the criminal proceeding (as defined in the Companies Law) was imposed upon him or her as a result of such investigation or proceeding, or, if such financial liability was imposed, it was imposed with respect to an offense that does not require proof of criminal intent; and
- reasonable litigation expenses, including attorneys' fees, expended by the office holder or charged to him or her by a court relating to an act performed in his or her capacity as an office holder, in connection with: (1) proceedings that the company institutes, or that another person institutes on the company's behalf, against him or her; (2) a criminal charge of which he or she was acquitted; or (3) a criminal charge for which he or she was convicted for a criminal offense that does not require proof of criminal thought.

Our amended and restated articles of association allow us to indemnify our office holders up to a certain amount. The Companies Law also permits a company to undertake in advance to indemnify an office holder, provided that if such indemnification relates to financial liability imposed on him or her, as described above, then the undertaking should be limited:

- to categories of events that the board of directors determines are likely to occur in light of the operations of the company at the time that the undertaking to indemnify is made; and
- in amount or criterion determined by the board of directors, at the time of the giving of such undertaking to indemnify, to be reasonable under the circumstances.

We have entered into indemnification agreements with all of our directors and with certain members of our senior management. Each such indemnification agreement provides the office holder with indemnification permitted under applicable law and up to a certain amount, and to the extent that these liabilities are not covered by directors and officers insurance.

Exculpation

Under the Companies Law, an Israeli company may not exculpate an office holder from liability for a breach of his or her duty of loyalty, but may exculpate in advance an office holder from his or her liability to the company, in whole or in part, for a breach of his or her duty of care (other than in relation to distributions). Our amended and restated articles of association provide that we may exculpate any office holder from liability to us to the fullest extent permitted by law. Under the indemnification agreements, we exculpate and release our office holders from any and all liability to us related to any breach by them of their duty of care to us to the fullest extent permitted by law.

Limitations

The Companies Law provides that we may not exculpate or indemnify an office holder nor enter into an insurance contract that would provide coverage for any liability incurred as a result of any of the following: (1) a breach by the office holder of his or her duty of loyalty unless (in the case of indemnity or insurance only, but not exculpation) the office holder acted in good faith and had a reasonable basis to believe that the act would not prejudice us; (2) a breach by the office holder of his or her duty of care if the breach was carried out intentionally or recklessly (as opposed to merely negligently); (3) any action taken with the intent to derive an illegal personal benefit; or (4) any fine levied against the office holder.

The foregoing descriptions summarize the material aspects and practices of our board of directors. For additional details, we also refer you to the full text of the Companies Law, as well as of our amended and restated articles of association, which are exhibits to this annual report on Form 20-F and are incorporated herein by reference.

There are no service contracts between us or our subsidiaries, on the one hand, and our directors in their capacity as directors, on the other hand, providing for benefits upon termination of service.

D. Employees.

As of December 31, 2016, we had four senior management, full-time employees, who also served as directors in our Company. In addition, we had 65 full-time employees and 16 part-time employees, all located in Israel.

As of December 31, 2017, we had three senior management, full-time employees, two of whom also served as directors in our Company. In addition, we had 89 full-time employees and two part-time employees. One employee was located in the United States and the rest were located in Israel.

As of December 31, 2018, we have four senior management, full-time employees, two of whom also serve as directors in our Company. In addition, we have 91 full-time employees and eight part-time employees. Four employees are located in Hong Kong, 11 employees are located in the United States and the rest are located in Israel.

None of our employees are represented by labor unions or covered by collective bargaining agreements. We believe that we maintain good relations with all of our employees. However, in Israel, we are subject to certain Israeli labor laws, regulations and national labor court precedent rulings, as well as certain provisions of collective bargaining agreements applicable to us by virtue of extension orders issued in accordance with relevant labor laws by the Israeli Ministry of Economy and which apply such agreement provisions to our employees even though they are not part of a union that has signed a collective bargaining agreement.

E. Share Ownership.

The following table lists as of March 13, 2019, the number of our shares beneficially owned by each of our directors, our executive officers and our directors and executive officers as a group:

	Number of Ordinary Shares Beneficially Owned (1)	Percent of Class (2)
Executive Officers and Directors		
Avi Reichental	543,750(9)	*
Amit Dror	2,899,574(3)	1.6%
Simon Anthony-Fried	2,692,001(4)	1.5%
Yael Sandler	224,167(5)	*
Dr. Jaim Nulman	183,333(6)	*
<u>Additional Directors</u>		
Irit Ben-Ami	120,000(7)	*
Ofir Baharav	250,000(8)	*
Roni Kleinfeld	120,000(7)	*
Abraham Nahmias	120,000(7)	*
Eli Yoresh	355,082(7)	*
All directors and executive officers as a group (10 persons)	7,507,907	4.2%

* Less than 1%.

- (1) Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Ordinary Shares relating to options currently exercisable or exercisable within 60 days of the date of this table are deemed outstanding for computing the percentage of the person holding such securities but are not deemed outstanding for computing the percentage of any other person. Except as indicated by footnote, and subject to community property laws where applicable, the persons named in the table above have sole voting and investment power with respect to all shares shown as beneficially owned by them.
- (2) The percentages shown are based on 178,452,661 Ordinary Shares issued and outstanding as of March 13, 2019 plus Ordinary Shares relating to options currently exercisable or exercisable within 60 days of the date of this table, which are deemed outstanding for computing the percentage of the person holding such securities but are not deemed outstanding for computing the percentage of any other person.
- (3) Includes options to purchase 514,583 Ordinary Shares at an exercise price of NIS 5.50 per share.
- (4) Includes options to purchase 504,167 Ordinary Shares at an exercise price of NIS 5.50 per share.
- (5) Includes options to purchase 120,000 Ordinary Shares at an exercise price of NIS 1.65 per share and options to purchase 104,167 Ordinary Shares at an exercise price of NIS 5.50 per share.
- (6) Includes options to purchase 183,333 Ordinary Shares at an exercise price of NIS 1.01 per share.
- (7) Includes options to purchase 120,000 Ordinary Shares at an exercise price of NIS 5.50 per share.
- (8) Includes options to purchase 250,000 Ordinary Shares at an exercise price of NIS 6.75 per share.
- (9) Includes options to purchase 183,333 Ordinary Shares at an exercise price of NIS 6.50 per share and options to purchase 10,417 Ordinary Shares at an exercise price of NIS 5.50 per share.

Stock Option Plans

2015 Stock Option Plan

We maintain one equity incentive plan – our 2015 Stock Option Plan, or the 2015 Plan. As of March 13, 2019, the number of Ordinary Shares reserved for the exercise of options granted under the plan was 4,872,974. In addition, options to purchase 7,127,026 Ordinary Shares were issued and outstanding. Of such outstanding options, options to purchase 4,123,666 Ordinary Shares were vested as of that date, with a weighted average exercise price of \$1.14 per share.

Our 2015 Plan was adopted by our board of directors in February 2015, and expires on February 2025. Our employees, directors, officer, consultants, advisors, suppliers and any other person or entity whose services are considered valuable to us are eligible to participate in this plan.

Our 2015 Plan is administered by our board of directors, regarding the granting of options and the terms of option grants, including exercise price, method of payment, vesting schedule, acceleration of vesting and the other matters necessary in the administration of these plan. Eligible Israeli employees, officers and directors, would qualify for provisions of Section 102(b)(2) of the Israeli Income Tax Ordinance, or the Tax Ordinance. Pursuant to such Section 102(b)(2), qualifying options and shares issued upon exercise of such options are held in trust and registered in the name of a trustee selected by the board of directors. The trustee may not release these options or shares to the holders thereof for two years from the date of the registration of the options in the name of the trustee. Under Section 102, any tax payable by an employee from the grant or exercise of the options is deferred until the transfer of the options or ordinary shares by the trustee to the employee or upon the sale of the options or ordinary shares, and gains may qualify to be taxed as capital gains at a rate equal to 25%, subject to compliance with specified conditions. Our Israeli non-employee service providers and controlling shareholders may only be granted options under Section 3(9) of the Tax Ordinance, which does not provide for similar tax benefits. The 2015 Plan also permits the grant to Israeli grantees of options that do not qualify under Section 102(b)(2).

Upon termination of employment for any other reason, other than in the event of death, disability, all unvested options will expire and all vested options will generally be exercisable for 6 months following termination, or such other period as determined by the plan administrator, subject to the terms of the 2015 Plan and the governing option agreement.

Upon termination of employment due to death or disability, all the vested options at the time of termination will be exercisable for 12 months, or such other period as determined by the plan administrator, subject to the terms of the 2015 Plan and the governing option agreement.

On March 13, 2019, our board of directors adopted an appendix to the 2015 Plan for U.S. residents. Under this appendix, the 2015 Plan provides for the granting of options to U.S. residents in compliance with the U.S. Internal Revenue Code of 1986, as amended. At our next shareholders meeting, we intend to bring the 2015 Plan together with the appendix to the vote of our shareholders.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

The following table presents as of March 13, 2019 (unless otherwise noted below), the beneficial ownership of our Ordinary Shares by each person who is known by us to be the beneficial owner of 5% or more of our outstanding Ordinary Shares (to whom we refer as our Major Shareholders). The data presented is based on information provided to us by the Major Shareholders or disclosed in public regulatory filings.

Except where otherwise indicated, and except pursuant to community property laws, we believe, based on information furnished by such owners, that the beneficial owners of the shares listed below have sole investment and voting power with respect to, and the sole right to receive the economic benefit of ownership of, such shares. The shareholders listed below do not have any different voting rights from any of our other shareholders. We know of no arrangements that would, at a subsequent date, result in a change of control of our Company.

Name	Number of Ordinary Shares Beneficially Owned(1)	Percent of Class(2)
Iroquois Capital Management L.L.C., Richard Abbe and Kimberly Page (3)	25,665,750	13.2%
Itshak Sharon (Tshuva), Delek Group Ltd. and Phoenix Holdings Ltd. (4)	19,086,563	10.1%
AIGH Capital Management, LLC, AIGH Investment Partners, L.L.C. and Mr. Orin Hirschman (5)	17,480,594	9.6%

- (1) Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Ordinary Shares relating to options currently exercisable or exercisable within 60 days of the date of this table are deemed outstanding for computing the percentage of the person holding such securities but are not deemed outstanding for computing the percentage of any other person.
- (2) The percentages shown are based on 178,452,661 Ordinary Shares issued and outstanding as of March 13, 2019.
- (3) Based on a Schedule 13G filed with the SEC on February 11, 2019, the holder is the beneficial owner of 9,333,000 Ordinary Shares. In addition, in a recent public offering, we issued to the holder rights to purchase and warrants to purchase additional Ordinary Shares. The principal business office of the shareholders is 205 East 42nd Street, 20th Floor, New York, NY 10017.
- (4) Based on information provided to us by Phoenix Holdings Ltd., consists of 9,286,568 Ordinary Shares and 9,799,995 Ordinary Shares issuable upon exercise of outstanding warrants and rights to purchase currently exercisable or exercisable within 60 days of March 13, 2019. The address of Itshak Sharon (Tshuva) and Delek Group Ltd. is 19 Abba Eban blvd, P.O.B. 2054, Herzliya, 4612001, Israel. The address of the Phoenix Holdings Ltd. is Derech Hashalom 53, Givataim, 53454, Israel.
- (5) Based on a Schedule 13G filed with the SEC on February 8, 2019, and which reflects holdings as of February 5, 2019. The address of all of these shareholders is 6006 Berkeley Avenue Baltimore MD 21209. In a recent public offering, we issued to the holder rights to purchase and warrants to purchase additional Ordinary Shares, which rights to purchase and warrants contain a beneficial ownership limitation that prohibits the holder from exercising such securities if doing so would result in the holder beneficially owning more than 9.99 of our Ordinary Shares outstanding.

Changes in Percentage Ownership by Major Shareholders

As reported on the Schedule 13G filed by Iroquois Capital Management L.L.C., Richard Abbe and Kimberly Page, acquired beneficial ownership of 25,665,750 Ordinary Shares, representing 13.2% of our outstanding Ordinary Shares.

As reported on the Schedule 13G filed by Itshak Sharon (Tshuva), Delek Group Ltd. and Phoenix Holdings Ltd., acquired beneficial ownership of 19,086,563 Ordinary Shares, representing 10.1% of our outstanding Ordinary Shares.

As reported on the Schedule 13G filed by AIGH Capital Management, LLC, AIGH Investment Partners, L.L.C. and Mr. Orin Hirschman, acquired beneficial ownership of 17,480,594 Ordinary Shares, representing 9.6% of our outstanding Ordinary Shares.

Record Holders

Based upon a review of the information provided to us by our transfer agent, as of March 13, 2019, there were a total of 4 holders of record of our shares, of which 1 record holder holding 4 shares, or approximately 0.000002% of our outstanding shares had a registered address in the United States, and the remaining 3 holders had registered addresses in Israel. Based upon a review of the information provided to us by The Bank of New York Mellon, the depository of the ADSs, as of March 12, 2019, there were 74 holders of record of the ADSs on record with the Depository Trust Company.

These numbers are not representative of the number of beneficial holders of our shares nor is it representative of where such beneficial holders reside, since many of these shares were held of record by brokers or other nominees.

The Company is not controlled by another corporation, by any foreign government or by any natural or legal persons except as set forth herein, and here are no arrangements known to the Company which would result in a change in control of the Company at a subsequent date. See "Item 7.B. Related Party Transactions – Shareholders Agreement" for information regarding a voting agreement among certain of our shareholders.

B. Related Party Transactions

Employment Agreements

We have entered into written employment agreements with each of our executive officers. All of these agreements contain customary provisions regarding noncompetition, confidentiality of information and assignment of inventions. However, the enforceability of the noncompetition provisions may be limited under applicable law. In addition, we have entered into agreements with each executive officer and director pursuant to which we have agreed to indemnify each of them up to a certain amount and to the extent that these liabilities are not covered by directors and officers insurance.

Options

Since our inception we have granted options to purchase our Ordinary Shares to our officers and certain of our directors. Such option agreements may contain acceleration provisions upon certain merger, acquisition, or change of control transactions. We describe our option plans under “Share Ownership—Stock Option Plans.” If the relationship between us and an executive officer or a director is terminated, except for cause (as defined in the various option plan agreements), options that are vested will generally remain exercisable for 90 days after such termination.

Public Offering of Securities

In February 2018, we entered into an underwriting agreement with National Securities Corporation, as representative of the underwriters named therein, for a firm commitment public offering of ADSs. The price to the public was \$2.00 per ADS and aggregate gross proceeds of the offering were approximately \$13.8 million. Avi Reichental, the Chairman of our board of directors purchased an aggregated amount of approximately \$140,000 of ADSs in the offering from the underwriters at the public offering price. The underwriters received the same underwriting discounts and commissions on the ADSs purchased by Mr. Reichental as they did on the other ADSs sold in the offering.

Professional Services Agreement

In December 2017, Nano USA entered into a professional services agreement with XponentialWorks Inc., or XponentialWorks, a company controlled by our Co-Chairman, Mr. Avi Reichental. Pursuant to the agreement, XponentialWorks will provide Nano USA with a showroom in Venture, CA to be used for reseller recruiting and training activities as well as a key customer acquisition demo room and benchmark production center, and relevant maintenance services. In addition, XponentialWorks will provide additional services as follows: (i) part time services of a senior manager and an application engineer; (ii) integrate Nano USA into its curated marketing events; and (iii) services of senior material scientist and associated tools and facilities for case studies, publication and digital marketing services. In consideration of such services we pay XponentialWorks a monthly fee of \$8,000.

Open Innovation Services Agreement

In December 2017, Nano USA entered into an open innovation services agreement with XponentialWorks, including on behalf of Techniplas Digital and Techniplas Inc. Pursuant to the agreement, XponentialWorks will provide Nano USA with the following: (i) full membership in the Techniplas additive manufacturing innovation center; (ii) include Nano USA in XponentialWorks’ and Techniplas’ websites as a partner; (iii) prepare at least six automotive centric case studies for our marketing and sales use and publication on an annual basis; (iv) provide Nano USA with end-user customer testimonials; and (iii) produce videos that convey XponentialWorks’ strong endorsement of Nano USA’s brand and capabilities. In consideration of such services, we will grant XponentialWorks access to one DragonFly Pro 3D printer with associated materials for the entire term of the agreement.

C. Interests of Experts and Counsel

Not applicable.

ITEM 8. FINANCIAL INFORMATION.

A. Consolidated Statements and Other Financial Information.

See “Item 18. Financial Statements.”

Legal Proceedings

From time to time, we are involved in various routine legal proceedings incidental to the ordinary course of our business. We do not believe that the outcomes of these legal proceedings have had in the recent past, or will have (with respect to any pending proceedings), significant effects on our financial position or profitability.

Dividends

We have never declared or paid any cash dividends on our Ordinary Shares and do not anticipate paying any cash dividends in the foreseeable future. Payment of cash dividends, if any, in the future will be at the discretion of our board of directors and will depend on then-existing conditions, including our financial condition, operating results, contractual restrictions, capital requirements, business prospects and other factors our board of directors may deem relevant.

Payment of dividends may be subject to Israeli withholding taxes. See “Item 10.E. Taxation”, for additional information.

B. Significant Changes

No significant change, other than as otherwise described in this annual report on Form 20-F, has occurred in our operations since the date of our consolidated financial statements included in this annual report on Form 20-F.

ITEM 9. THE OFFER AND LISTING

A. Offer and Listing Details

Our Ordinary Shares have been trading on the TASE under the symbol “NNDM” since 1977. Our ADSs commenced trading on the OTCQB and OTCQX under the symbol “NNDMY” on July 29, 2015, and September 17, 2015, respectively. On March 7, 2016, our ADSs, each of which represents five of our Ordinary Shares, commenced trading on the Nasdaq Capital Market under the symbol “NNDM.”

B. Plan of Distribution

Not applicable.

C. Markets

Our Ordinary Shares are listed on the TASE. Our ADSs are listed on the Nasdaq Capital Market.

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

Our registration number with the Israeli Registrar of Companies is 52-002910-9.

Purposes and Objects of the Company

Our purpose is set forth in Section 8 of our amended and restated articles of association and includes every lawful purpose.

The Powers of the Directors

Our board of directors shall direct our policy and shall supervise the performance of our chief executive officer and his actions. Our board of directors may exercise all powers that are not required under the Companies Law or under our amended and restated articles of association to be exercised or taken by our shareholders.

Rights Attached to Shares

Our Ordinary Shares shall confer upon the holders thereof:

- equal right to attend and to vote at all of our general meetings, whether regular or special, with each Ordinary Share entitling the holder thereof, which attend the meeting and participate at the voting, either in person or by a proxy or by a written ballot, to one vote;
- equal right to participate in distribution of dividends, if any, whether payable in cash or in bonus shares, in distribution of assets or in any other distribution, on a per share pro rata basis; and
- equal right to participate, upon our dissolution, in the distribution of our assets legally available for distribution, on a per share pro rata basis.

Shareholder's rights of inspection of the Company records

Pursuant to the Companies Law, shareholders have the right to inspect our documents that are specified below:

- (1) minutes of the general meetings;
- (2) our shareholders register and the register of substantial shareholders;
- (3) a document in our possession, relating to an act or transaction with interested parties that requires approval by the general meeting;
- (4) Articles of Association and financial reports; and
- (5) any document that we must submit under the Companies Law and under any statute to the Companies Registrar or to the Israeli Securities Authority and that is available for public inspection at the Companies Registrar or the Israeli Securities Authority, as the case may be.

Election of Directors

Pursuant to our amended and restated articles of association, our directors are elected at an annual general meeting or at a special meeting, of our shareholders and serve on the Board of Directors until the next annual general meeting or until they resign or until they cease to act as board members pursuant to the provisions of the our amended and restated articles of association or any applicable law, upon the earlier. In addition, our amended and restated articles of association allow our Board of Directors to appoint directors to fill vacancies and/or as an addition to the Board of Directors (subject to the maximum number of directors) to serve until the next annual general meeting or earlier if required by our amended and restated articles of association or applicable law, upon the earlier.

Annual and Special Meetings

Under the Israeli law, we are required to hold an annual general meeting of our shareholders once every calendar year, at such time and place which shall be determined by our Board of Directors, which must be no later than 15 months after the date of the previous annual general meeting. All meetings other than the annual general meeting of shareholders are referred to as special general meetings. Our Board of Directors may call special meetings whenever it sees fit and upon the written request of: (a) any two of our directors or of one quarter of the members of the Board in office at such time; and/or (b) one or more shareholders holding, in the aggregate, 5% of our outstanding voting power.

Resolutions regarding the following matters must be passed at a general meeting of our shareholders:

- amendments to our amended and restated articles of association;
- the exercise of our Board of Director's powers if our Board of Directors is unable to exercise its powers;
- appointment or termination of our auditors;
- appointment of directors;
- approval of acts and transactions requiring general meeting approval pursuant to the provisions of the Companies Law and any other applicable law;
- increases or reductions of our authorized share capital; and
- a merger (as such term is defined in the Companies Law).

Notices

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

Quorum

The quorum required for our general meetings consists of at least two shareholders present in person, by proxy or written ballot, who hold or represent between them at least 25% of the total outstanding voting rights (instead of 33 1/3% of the issued share capital required under the Nasdaq Listing Rules). If within half an hour of the time appointed for the general meeting a quorum is not present, the general meeting shall stand adjourned the same day of the following week, at the same hour and in the same place, or to such other date, time and place as prescribed in the notice to the shareholders and in such adjourned meeting, if no quorum is present within half an hour of the time arranged, any number of shareholders participating in the meeting, shall constitute a quorum.

If a general meeting was summoned following the request of a shareholder, then a quorum required in an adjourned general meeting, shall consist of at least one or more shareholders, which holds and represents at least 5% of the company's issued and outstanding share capital and at least 1% of the company voting rights, or one or more shareholder, which holds at least 5% of the Company's voting rights.

Adoption of Resolutions

Our amended and restated articles of association provide that all resolutions in our shareholders' meetings require a simple majority of the vote of the shareholders attending the general meeting, unless otherwise required under the Companies Law or our amended and restated articles of association. A shareholder of the Company may vote in a general meeting in person, by proxy or by a written ballot. Our amended and restated articles of association do not provide our shareholders with any cumulative voting rights.

Changing Rights Attached to Shares

Unless otherwise provided by the terms of the shares and subject to any applicable law, in order to change the rights attached to any class of shares, such change must be adopted by the Board of Directors and at a general meeting of the affected class or by a written consent of all the shareholders of the affected class.

The enlargement of an existing class of shares or the issuance of additional shares thereof, shall not be deemed to modify the rights attached to the previously issued shares of such class or of any other class, unless otherwise provided by the terms of the shares.

Limitations on the Right to Own Securities in Our Company

There are no limitations on the right to own our securities.

Provisions Restricting Change in Control of Our Company

There are no specific provisions of our amended and restated articles of association that would have an effect of delaying, deferring or preventing a change in control of the Company or that would operate only with respect to a merger, acquisition or corporate restructuring involving us (or our Subsidiaries). However, as described below, certain provisions of the Companies Law may have such effect.

The Companies Law includes provisions that allow a merger transaction and requires that each company that is a party to the merger have the transaction approved by its Board of Directors and a vote of the majority of its shares. For purposes of the shareholder vote of each party, unless a court rules otherwise, the merger will not be deemed approved if shares representing a majority of the voting power present at the shareholders meeting and which are not held by the other party to the merger (or by any person who holds 25% or more of the voting power or the right to appoint 25% or more of the directors of the other party) vote against the merger. Upon the request of a creditor of either party to the proposed merger, the court may delay or prevent the merger if it concludes that there exists a reasonable concern that as a result of the merger the surviving company will be unable to satisfy the obligations of any of the parties to the merger. In addition, a merger may not be completed unless at least (1) 50 days have passed from the time that the requisite proposals for approval of the merger were filed with the Israeli Registrar of Companies by each merging company and (2) 30 days have passed since the merger was approved by the shareholders of each merging company.

The Companies Law also provides that an acquisition of shares in a public company must be made by means of a "special" tender offer if as a result of the acquisition (1) the purchaser would become a 25% or greater shareholder of the company, unless there is already another 25% or greater shareholder of the company or (2) the purchaser would become a 45% or greater shareholder of the company, unless there is already a 45% or greater shareholder of the company. These requirements do not apply if, in general, the acquisition (1) was made in a private placement that received a shareholders' approval as a private placement intended to make the offeree a 25% or greater shareholder of the company, unless there is already another 25% or greater shareholder of the company or a 45% or greater shareholder of the company, unless there is already a 45% or greater shareholder of the company, (2) was from a 25% or greater shareholder of the company which resulted in the acquirer becoming a 25% or greater shareholder of the company, or (3) was from a 45% or greater shareholder of the company which resulted in the acquirer becoming a 45% or greater shareholder of the company. A "special" tender offer must be extended to all shareholders, but the offeror is not required to purchase more than 5% of the company's outstanding shares, regardless of how many shares are tendered by shareholders. In general, the tender offer may be consummated only if (1) at least 5% of the company's outstanding shares will be acquired by the offeror and (2) the number of shares tendered in the offer exceeds the number of shares whose holders objected to the offer.

If, as a result of an acquisition of shares, the acquirer will hold more than 90% of a company's outstanding shares, the acquisition must be made by means of a tender offer for all of the outstanding shares. In general, if less than 5% of the outstanding shares are not tendered in the tender offer and more than half of the offerees who have no personal interest in the offer tendered their shares, all the shares that the acquirer offered to purchase will be transferred to it. Shareholders may request from the court appraisal rights in connection with a full tender offer for a period of six months following the consummation of the tender offer, but the acquirer is entitled to stipulate that tendering shareholders will forfeit such appraisal rights.

The Companies Law provides that any resolution to change the Articles of Association so that a certain provision may only be changed by a special majority of the shareholders (as shall be defined in such resolution) shall require the same special majority of the shareholders.

As long as our securities are traded on the TASE, we are subject to the provision of Section 46b(2) of the Israeli Securities Law, 5728-1968 according to which any further issuance of our shares will be of the most preferential voting shares; however we may issue preferred shares which grant a preference in the distribution of dividends but do not grant voting rights.

Lastly, Israeli tax law treats some acquisitions, such as stock-for-stock exchanges between an Israeli company and a foreign company, less favorably than U.S. tax laws. For example, Israeli tax law may, under certain circumstances, subject a shareholder who exchanges his Ordinary Shares for shares in another corporation to taxation prior to the sale of the shares received in such stock-for-stock swap.

Changes in Our Capital

The general meeting may, by a simple majority vote of the shareholders attending the general meeting:

- increase our registered share capital by the creation of new shares from the existing class or a new class, as determined by the general meeting;
- cancel any registered share capital which have not been taken or agreed to be taken by any person;
- consolidate and divide all or any of our share capital into shares of larger nominal value than our existing shares;
- subdivide our existing shares or any of them, our share capital or any of it, into shares of smaller nominal value than is fixed;
- reduce our share capital and any fund reserved for capital redemption in any manner, and with and subject to any incident authorized, and consent required, by the Companies Law; and
- reduce shares from our issued and outstanding share capital, in such manner that those shares shall be cancelled and the nominal par value paid for those shares will be registered on our books as capital fund, which shall be deemed as a premium paid on those shares which shall remain in our issued and outstanding share capital.

C. Material Contracts

Except as set forth below, we have not entered into any material contract within the two years prior to the date of this annual report on Form 20-F, other than contracts entered into in the ordinary course of business, or as otherwise described herein in “Item 4.A. History and Development of the Company” above, “Item 4.B. Business Overview” above, or “Item 7.A. Major Shareholders” above.

February 2019 Financing

On January 31, 2019, we entered into an underwriting agreement with A.G.P./Alliance Global Partners, as the underwriters with respect to the public offering of our ADSs, rights to purchase and warrants that were offered under a registration statement (Registration No. 333-228521). As part of the offering we issued a total of 16,000,000 units at a purchase price per unit of \$0.75. Each unit consists of (i) one ADS, (ii) one warrant to purchase one ADS, or Warrant, and (iii) one right to purchase 0.75 of an ADS, or Right to Purchase. The Warrants have an exercise price of \$0.8625 per ADS, and were exercisable immediately following the offering and will expire five years from the date of issuance. The Right to Purchase have an exercise price of \$0.75 per ADS, were exercisable immediately and will expire six months from the date of issuance.

The net proceeds to the Company were approximately \$10.6 million (after deducting underwriters’ fees and other offering-related expenses).

D. Exchange Controls

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

The ownership or voting of our Ordinary Shares by non-residents of Israel, except with respect to citizens of countries that are in a state of war with Israel, is not restricted in any way by our memorandum of association or amended and restated articles of association or by the laws of the State of Israel.

E. Taxation.

Israeli Tax Considerations and Government Programs

The following is a description of the material Israeli income tax consequences of the ownership of our Ordinary Shares. The following also contains a description of material relevant provisions of the current Israeli income tax structure applicable to companies in Israel, with reference to its effect on us. To the extent that the discussion is based on new tax legislation which has not been subject to judicial or administrative interpretation, there can be no assurance that the tax authorities will accept the views expressed in the discussion in question. The discussion is not intended, and should not be taken, as legal or professional tax advice and is not exhaustive of all possible tax considerations.

The following description is not intended to constitute a complete analysis of all tax consequences relating to the ownership or disposition of our Ordinary Shares and ADSs. Shareholders should consult their own tax advisors concerning the tax consequences of their particular situation, as well as any tax consequences that may arise under the laws of any state, local, foreign or other taxing jurisdiction.

General Corporate Tax Structure in Israel

Israeli companies are generally subject to corporate tax. As of January 2016, the corporate tax rate was 25%. As of January 1, 2017, the corporate tax rate was reduced to 24% and as of January 1, 2018, the corporate tax rate will be further reduced to 23%. However, the effective tax rate payable by a company that derives income from a Preferred Enterprise (as discussed below) may be considerably less. Capital gains derived by an Israeli company are generally subject to the prevailing corporate tax rate.

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

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

The Industry Encouragement Law defines an “Industrial Company” as an Israeli resident-company, of which 90% or more of its income in any tax year, other than income from defense loans, is derived from an “Industrial Enterprise” owned by it. An “Industrial Enterprise” is defined as an enterprise whose principal activity in a given tax year is industrial production.

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

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

Eligibility for benefits under the Industry Encouragement Law is not contingent upon approval of any governmental authority.

Tax Benefits and Grants for Research and Development

Under the Israeli research and development Law, or R&D Law, programs which meet specified criteria and are approved by the IIA are eligible for grants of up to 50% of the project’s expenditure, as determined by the research committee, in exchange for the payment of royalties from the revenues generated from the sale of products and related services developed, in whole or in part pursuant to, or as a result of, a research and development program funded by the IIA. The royalties are generally at a range of 3.0% to 5.0% of revenues until the entire IIA grant is repaid, together with an annual interest generally equal to the 12 month LIBOR applicable to dollar deposits that is published on the first business day of each calendar year.

The terms of the R&D Law also require that the manufacture of products developed with government grants be performed in Israel. The transfer of manufacturing activity outside Israel may be subject to the prior approval of the IIA. Under the regulations of the R&D Law, assuming we receive approval from the IIA to manufacture our IIA funded products outside Israel, we may be required to pay increased royalties. The increase in royalties depends upon the manufacturing volume that is performed outside of Israel as follows:

Manufacturing Volume Outside of Israel	Royalties to the Chief Scientist as a Percentage of Grant
Up to 50%	120%
between 50% and 90%	150%
90% and more	300%

If the manufacturing is performed outside of Israel by us, the rate of royalties payable by us on revenues from the sale of products manufactured outside of Israel will increase by 1% over the regular rates. If the manufacturing is performed outside of Israel by a third party, the rate of royalties payable by us on those revenues will be equal to the ratio obtained by dividing the amount of the grants received from the Office of the Chief Scientist and our total investment in the project that was funded by these grants. The transfer of no more than 10% of the manufacturing capacity in the aggregate outside of Israel is exempt under the R&D Law from obtaining the prior approval of the IIA. A company requesting funds from the IIA also has the option of declaring in its IIA grant application an intention to perform part of its manufacturing outside Israel, thus avoiding the need to obtain additional approval. On January 6, 2011, the R&D Law was amended to clarify that the potential increased royalties specified in the table above will apply even in those cases where the IIA approval for transfer of manufacturing outside of Israel is not required, namely when the volume of the transferred manufacturing capacity is less than 10% of total capacity or when the company received an advance approval to manufacture abroad in the framework of its IIA grant application.

The know-how developed within the framework of the Chief Scientist plan may not be transferred to third parties outside Israel without the prior approval of a governmental committee charted under the R&D Law. The approval, however, is not required for the export of any products developed using grants received from the Chief Scientist. The IIA approval to transfer know-how created, in whole or in part, in connection with an IIA-funded project to third party outside Israel where the transferring company remains an operating Israeli entity is subject to payment of a redemption fee to the IIA calculated according to a formula provided under the R&D Law that is based, in general, on the ratio between the aggregate IIA grants to the company's aggregate investments in the project that was funded by these IIA grants, multiplied by the transaction consideration. The transfer of such know-how to a party outside Israel where the transferring company ceases to exist as an Israeli entity is subject to a redemption fee formula that is based, in general, on the ratio between the aggregate IIA grants to the total financial investments in the company, multiplied by the transaction consideration. According to the January 2011 amendment, the redemption fee in case of transfer of know-how to a party outside Israel will be based on the ratio between the aggregate IIA grants received by the company and the company's aggregate R&D expenses, multiplied by the transaction consideration. According to regulations promulgated following the 2011 amendment, the maximum amount payable to the IIA in case of transfer of know how outside Israel shall not exceed 6 times the value of the grants received plus interest, and in the event that the receiver of the grants ceases to be an Israeli corporation such payment shall not exceed 6 times the value of the grants received plus interest, with a possibility to reduce such payment to up to 3 times the value of the grants received plus interest if the R&D activity remains in Israel for a period of three years after payment to the IIA.

Transfer of know-how within Israel is subject to an undertaking of the recipient Israeli entity to comply with the provisions of the R&D Law and related regulations, including the restrictions on the transfer of know-how and the obligation to pay royalties, as further described in the R&D Law and related regulations.

These restrictions may impair our ability to outsource manufacturing, engage in change of control transactions or otherwise transfer our know-how outside Israel and may require us to obtain the approval of the IIA for certain actions and transactions and pay additional royalties to the IIA. In particular, any change of control and any change of ownership of our Ordinary Shares that would make a non-Israeli citizen or resident an “interested party,” as defined in the R&D Law, requires a prior written notice to the IIA in addition to any payment that may be required of us for transfer of manufacturing or know-how outside Israel. If we fail to comply with the R&D Law, we may be subject to criminal charges.

Tax Benefits for Research and Development

Israeli tax law allows, under certain conditions, a tax deduction for expenditures, including capital expenditures, for the year in which they are incurred. Expenditures are deemed related to scientific research and development projects, if:

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

The amount of such deductible expenses is reduced by the sum of any funds received through government grants for the finance of such scientific research and development projects. No deduction under these research and development deduction rules is allowed if such deduction is related to an expense invested in an asset depreciable under the general depreciation rules of the income Tax Ordinance, 1961. Expenditures not so approved are deductible in equal amounts over three years.

From time to time we may apply the Office of the Chief Scientist for approval to allow a tax deduction for all research and development expenses during the year incurred. There can be no assurance that such application will be accepted.

Law for the Encouragement of Capital Investments, 5719-1959

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

Tax Benefits

The Investment Law grants tax benefits for income generated by a “Preferred Company” through its “Preferred Enterprise” (as such terms are defined in the Investment Law) The definition of a Preferred Company includes a company incorporated in Israel that is not fully owned by a governmental entity, and that has, among other things, Preferred Enterprise status and is controlled and managed from Israel. A Preferred Company is entitled to a reduced corporate tax rate of 16% with respect to its income derived by its Preferred Enterprise, unless the Preferred Enterprise is located in a specified development zone, in which case the rate will be 7.5% as of January 1, 2017.

Dividends paid out of income attributed to a Preferred Enterprise are generally subject to withholding tax at source at the rate of 20% or such lower rate as may be provided in an applicable tax treaty. However, if such dividends are paid to an Israeli company, no tax is required to be withheld.

Taxation of our Shareholders

Capital Gains Taxes Applicable to Non-Israeli Resident Shareholders. A non-Israeli resident who derives capital gains from the sale of shares in an Israeli resident company will be exempt from Israeli tax so long as the shares were not held through a permanent establishment that the non-resident maintains in Israel. However, non-Israeli corporations will not be entitled to the foregoing exemption if Israeli residents: (i) have a controlling interest of 25% or more in such non-Israeli corporation or (ii) are the beneficiaries of, or are entitled to, 25% or more of the revenues or profits of such non-Israeli corporation, whether directly or indirectly.

Additionally, a sale of securities by a non-Israeli resident may be exempt from Israeli capital gains tax under the provisions of an applicable tax treaty. For example, under Convention Between the Government of the United States of America and the Government of the State of Israel with respect to Taxes on Income, as amended (the "United States-Israel Tax Treaty"), the sale, exchange or other disposition of shares by a shareholder who is a United States resident (for purposes of the treaty) holding the shares as a capital asset and is entitled to claim the benefits afforded to such a resident by the U.S.-Israel Tax Treaty (a "Treaty U.S. Resident") is generally exempt from Israeli capital gains tax unless: (i) the capital gain arising from such sale, exchange or disposition is attributed to real estate located in Israel; (ii) the capital gain arising from such sale, exchange or disposition is attributed to royalties; (iii) the capital gain arising from the such sale, exchange or disposition is attributed to a permanent establishment in Israel, under certain terms; (iv) such Treaty U.S. Resident holds, directly or indirectly, shares representing 10% or more of the voting capital during any part of the 12-month period preceding the disposition, subject to certain conditions; or (v) such Treaty U.S. Resident is an individual and was present in Israel for 183 days or more during the relevant taxable year.

In some instances where our shareholders may be liable for Israeli tax on the sale of their ordinary shares, the payment of the consideration may be subject to the withholding of Israeli tax at source. Shareholders may be required to demonstrate that they are exempt from tax on their capital gains in order to avoid withholding at source at the time of sale.

Taxation of Non-Israeli Shareholders on Receipt of Dividends. Non-Israeli residents are generally subject to Israeli income tax on the receipt of dividends paid on our Ordinary Shares at the rate of 25%, which tax will be withheld at source, unless relief is provided in a treaty between Israel and the shareholder's country of residence. With respect to a person who is a "substantial shareholder" at the time of receiving the dividend or on any time during the preceding twelve months, the applicable tax rate is 30%. A "substantial shareholder" is generally a person who alone or together with such person's relative or another person who collaborates with such person on a permanent basis, holds, directly or indirectly, at least 10% of any of the "means of control" of the corporation. "Means of control" generally include the right to vote, receive profits, nominate a director or an executive officer, receive assets upon liquidation, or order someone who holds any of the aforesaid rights how to act, regardless of the source of such right. However, a distribution of dividends to non-Israeli residents is subject to withholding tax at source at a rate of 20% if the dividend is distributed from income attributed to a Preferred Enterprise, unless a reduced tax rate is provided under an applicable tax treaty. For example, under the United States-Israel Tax Treaty, the maximum rate of tax withheld at source in Israel on dividends paid to a holder of our Ordinary Shares who is a Treaty U.S. Resident is 25%. However, generally, the maximum rate of withholding tax on dividends, not generated by a Preferred Enterprise, that are paid to a United States corporation holding 10% or more of the outstanding voting capital throughout the tax year in which the dividend is distributed as well as during the previous tax year, is 12.5%, provided that not more than 25% of the gross income for such preceding year consists of certain types of dividends and interest. Notwithstanding the foregoing, dividends distributed from income attributed to an Preferred Enterprise are not entitled to such reduction under the tax treaty but are subject to a withholding tax rate of 15% for a shareholder that is a U.S. corporation, provided that the condition related to our gross income for the previous year (as set forth in the previous sentence) is met. If the dividend is attributable partly to income derived from a Preferred Enterprise, and partly to other sources of income, the withholding rate will be a blended rate reflecting the relative portions of the two types of income. We cannot assure you that we will designate the profits that we may distribute in a way that will reduce shareholders' tax liability.

U.S. Tax Considerations

U.S. Federal Income Tax Considerations

THE FOLLOWING SUMMARY IS INCLUDED HEREIN FOR GENERAL INFORMATION AND IS NOT INTENDED TO BE, AND SHOULD NOT BE CONSIDERED TO BE, LEGAL OR TAX ADVICE. EACH U.S. HOLDER SHOULD CONSULT WITH HIS OR HER OWN TAX ADVISOR AS TO THE PARTICULAR U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND SALE OF ORDINARY SHARES AND AMERICAN DEPOSITORY SHARES, INCLUDING THE EFFECTS OF APPLICABLE STATE, LOCAL, FOREIGN OR OTHER TAX LAWS AND POSSIBLE CHANGES IN THE TAX LAWS.

Subject to the limitations described in the next paragraph, the following discussion summarizes the material U.S. federal income tax consequences to a “U.S. Holder” arising from the purchase, ownership and sale of the Ordinary Shares and ADSs. For this purpose, a “U.S. Holder” is a holder of Ordinary Shares or ADSs that is: (1) an individual citizen or resident of the United States, including an alien individual who is a lawful permanent resident of the United States or meets the substantial presence residency test under U.S. federal income tax laws; (2) a corporation (or entity treated as a corporation for U.S. federal income tax purposes) or a partnership (other than a partnership that is not treated as a U.S. person under any applicable U.S. Treasury regulations) created or organized under the laws of the United States or the District of Columbia or any political subdivision thereof; (3) an estate, the income of which is includable in gross income for U.S. federal income tax purposes regardless of source; (4) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have authority to control all substantial decisions of the trust; or (5) a trust that has a valid election in effect to be treated as a U.S. person to the extent provided in U.S. Treasury regulations.

This summary is for general information purposes only and does not purport to be a comprehensive description of all of the U.S. federal income tax considerations that may be relevant to a decision to purchase our Ordinary Shares or ADSs. This summary generally considers only U.S. Holders that will own our Ordinary Shares or ADSs as capital assets. Except to the limited extent discussed below, this summary does not consider the U.S. federal tax consequences to a person that is not a U.S. Holder, nor does it describe the rules applicable to determine a taxpayer’s status as a U.S. Holder. This summary is based on the provisions of the Internal Revenue Code of 1986, as amended, or the Code, final, temporary and proposed U.S. Treasury regulations promulgated thereunder, administrative and judicial interpretations thereof, and the U.S./Israel Income Tax Treaty, all as in effect as of the date hereof and all of which are subject to change, possibly on a retroactive basis, and all of which are open to differing interpretations. We will not seek a ruling from the IRS with regard to the U.S. federal income tax treatment of an investment in our Ordinary Shares or ADSs by U.S. Holders and, therefore, can provide no assurances that the IRS will agree with the conclusions set forth below.

This discussion does not address all of the aspects of U.S. federal income taxation that may be relevant to a particular U.S. holder based on such holder’s particular circumstances and in particular does not discuss any estate, gift, generation-skipping, transfer, state, local, excise or foreign tax considerations. In addition, this discussion does not address the U.S. federal income tax treatment of a U.S. Holder who is: (1) a bank, life insurance company, regulated investment company, or other financial institution or “financial services entity”; (2) a broker or dealer in securities or foreign currency; (3) a person who acquired our Ordinary Shares or ADSs in connection with employment or other performance of services; (4) a U.S. Holder that is subject to the U.S. alternative minimum tax; (5) a U.S. Holder that holds our Ordinary Shares or ADSs as a hedge or as part of a hedging, straddle, conversion or constructive sale transaction or other risk-reduction transaction for U.S. federal income tax purposes; (6) a tax-exempt entity; (7) real estate investment trusts or grantor trusts; (8) a U.S. Holder that expatriates out of the United States or a former long-term resident of the United States; or (9) a person having a functional currency other than the U.S. dollar. This discussion does not address the U.S. federal income tax treatment of a U.S. Holder that owns, directly or constructively, at any time, Ordinary Shares or ADSs representing 10% or more of our voting power. Additionally, the U.S. federal income tax treatment of persons who hold Ordinary Shares or ADSs through a partnership or other pass-through entity are not considered.

Each prospective investor is advised to consult his or her own tax adviser for the specific tax consequences to that investor of purchasing, holding or disposing of our Ordinary Shares or ADSs, including the effects of applicable state, local, foreign or other tax laws and possible changes in the tax laws.

Taxation of Dividends Paid on Ordinary Shares or ADSs

We do not intend to pay dividends in the foreseeable future. In the event that we do pay dividends, and subject to the discussion under the heading “Passive Foreign Investment Companies” below, a U.S. Holder, other than certain U.S. Holder’s that are U.S. corporations, will be required to include in gross income as ordinary income the amount of any distribution paid on Ordinary Shares or ADSs (including the amount of any Israeli tax withheld on the date of the distribution), to the extent that such distribution does not exceed our current and accumulated earnings and profits, as determined for U.S. federal income tax purposes. The amount of a distribution which exceeds our earnings and profits will be treated first as a non-taxable return of capital, reducing the U.S. Holder’s tax basis for the Ordinary Shares to the extent thereof, and then capital gain. Corporate holders generally will not be allowed a deduction for dividends received. We do not expect to maintain calculations of our earnings and profits under U.S. federal income tax principles and, therefore, U.S. Holder’s should expect that the entire amount of any distribution generally will be reported as dividend income.

On December 22, 2017, President Trump signed into law the Tax Cuts and Jobs Act, or the TCJA. The TCJA provides a 100% deduction for the foreign-source portion of dividends received from “specified 10-percent owned foreign corporations” by U.S. corporate holders, subject to a one-year holding period. No foreign tax credit, including Israeli withholding tax (or deduction for foreign taxes paid with respect to qualifying dividends) would be permitted for foreign taxes paid or accrued with respect to a qualifying dividend. Deduction would be unavailable for “hybrid dividends.” The dividend received deduction enacted under the TCJA may not apply to dividends from a passive foreign investment company, as discussed below.

In general, preferential tax rates for “qualified dividend income” and long-term capital gains are applicable for U.S. Holders that are individuals, estates or trusts. For this purpose, “qualified dividend income” means, inter alia, dividends received from a “qualified foreign corporation.” A “qualified foreign corporation” is a corporation that is entitled to the benefits of a comprehensive tax treaty with the United States which includes an exchange of information program. The IRS has stated that the Israel/U.S. Tax Treaty satisfies this requirement and we believe we are eligible for the benefits of that treaty.

In addition, our dividends will be qualified dividend income if our Ordinary Shares or ADSs are readily tradable on the Nasdaq Capital Market or another established securities market in the United States. Dividends will not qualify for the preferential rate if we are treated, in the year the dividend is paid or in the prior year, as a PFIC, as described below under “Passive Foreign Investment Companies”. A U.S. Holder will not be entitled to the preferential rate: (1) if the U.S. Holder has not held our Ordinary Shares or ADSs for at least 61 days of the 121 day period beginning on the date which is 60 days before the ex-dividend date, or (2) to the extent the U.S. Holder is under an obligation to make related payments on substantially similar property. Any days during which the U.S. Holder has diminished its risk of loss on our Ordinary Shares or ADSs are not counted towards meeting the 61-day holding period. Finally, U.S. Holders who elect to treat the dividend income as “investment income” pursuant to Code section 163(d)(4) will not be eligible for the preferential rate of taxation.

The amount of a distribution with respect to our Ordinary Shares or ADSs will be measured by the amount of the fair market value of any property distributed, and for U.S. federal income tax purposes, the amount of any Israeli taxes withheld therefrom. Cash distributions paid by us in NIS will be included in the income of U.S. Holders at a U.S. dollar amount based upon the spot rate of exchange in effect on the date the dividend is includible in the income of the U.S. Holder, and U.S. Holders will have a tax basis in such NIS for U.S. federal income tax purposes equal to such U.S. dollar value. If the U.S. Holder subsequently converts the NIS into U.S. dollars or otherwise disposes of it, any subsequent gain or loss in respect of such NIS arising from exchange rate fluctuations will be U.S. source ordinary exchange gain or loss.

Distributions paid by us will generally be foreign source income for U.S. foreign tax credit purposes and will generally be considered passive category income for such purposes. Subject to the limitations set forth in the Code, and the TCJA, U.S. Holders may elect to claim a foreign tax credit against their U.S. federal income tax liability for Israeli income tax withheld from distributions received in respect of the Ordinary Shares or ADSs. The rules relating to the determination of the U.S. foreign tax credit are complex, and U.S. Holders should consult with their own tax advisors to determine whether, and to what extent, they are entitled to such credit. U.S. Holders that do not elect to claim a foreign tax credit may instead claim a deduction for Israeli income taxes withheld, provided such U.S. Holders itemize their deductions.

Taxation of the Disposition of Ordinary Shares or ADSs

Except as provided under the PFIC rules described below under “Passive Foreign Investment Companies”, upon the sale, exchange or other disposition of our Ordinary Shares or ADSs, a U.S. Holder will recognize capital gain or loss in an amount equal to the difference between such U.S. Holder’s tax basis for the Ordinary Shares or ADSs in U.S. dollars and the amount realized on the disposition in U.S. dollar (or its U.S. dollar equivalent determined by reference to the spot rate of exchange on the date of disposition, if the amount realized is denominated in a foreign currency). The gain or loss realized on the sale, exchange or other disposition of Ordinary Shares or ADSs will be long-term capital gain or loss if the U.S. Holder has a holding period of more than one year at the time of the disposition.

Gain realized by a U.S. Holder on a sale, exchange or other disposition of Ordinary Shares or ADSs will generally be treated as U.S. source income for U.S. foreign tax credit purposes. A loss realized by a U.S. Holder on the sale, exchange or other disposition of Ordinary Shares or ADSs is generally allocated to U.S. source income. The deductibility of a loss realized on the sale, exchange or other disposition of Ordinary Shares or ADSs is subject to limitations. An additional 3.8% net investment income tax (described below) may apply to gains recognized upon the sale, exchange or other taxable disposition of our Ordinary Shares or ADS by certain U.S. Holders who meet certain income thresholds.

Passive Foreign Investment Companies

Special U.S. federal income tax laws apply to U.S. taxpayers who own shares of a corporation that is a PFIC. We will be treated as a PFIC for U.S. federal income tax purposes for any taxable year that either:

- 75% or more of our gross income (including our pro rata share of gross income for any company, in which we are considered to own 25% or more of the shares by value), in a taxable year is passive; or
- At least 50% of our assets, averaged over the year and generally determined based upon fair market value (including our pro rata share of the assets of any company in which we are considered to own 25% or more of the shares by value) are held for the production of, or produce, passive income.

For this purpose, passive income generally consists of dividends, interest, rents, royalties, annuities and income from certain commodities transactions and from notional principal contracts. Cash is treated as generating passive income.

We believe that we will not be a PFIC for the current taxable year and do not expect to become a PFIC in the foreseeable future. The tests for determining PFIC status are applied annually, and it is difficult to make accurate projections of future income and assets which are relevant to this determination. In addition, our PFIC status may depend in part on the market value of our Ordinary Shares. Accordingly, there can be no assurance that we currently are not or will not become a PFIC.

If we currently are or become a PFIC, each U.S. Holder who has not elected to treat us as a QEF by making a “QEF election”, or who has not elected to mark the shares to market (as discussed below), would, upon receipt of certain distributions by us and upon disposition of our Ordinary Shares or ADSs at a gain: (1) have such distribution or gain allocated ratably over the U.S. Holder’s holding period for the Ordinary Shares or ADSs, as the case may be; (2) the amount allocated to the current taxable year and any period prior to the first day of the first taxable year in which we were a PFIC would be taxed as ordinary income; and (3) the amount allocated to each of the other taxable years would be subject to tax at the highest rate of tax in effect for the applicable class of taxpayer for that year, and an interest charge for the deemed deferral benefit would be imposed with respect to the resulting tax attributable to each such other taxable year. In addition, when shares of a PFIC are acquired by reason of death from a decedent that was a U.S. Holder, the tax basis of such shares would not receive a step-up to fair market value as of the date of the decedent’s death, but instead would be equal to the decedent’s basis if lower, unless all gain were recognized by the decedent. Indirect investments in a PFIC may also be subject to these special U.S. federal income tax rules.

The PFIC rules described above would not apply to a U.S. Holder who makes a QEF election for all taxable years that such U.S. Holder has held the Ordinary Shares or ADSs while we are a PFIC, provided that we comply with specified reporting requirements. Instead, each U.S. Holder who has made such a QEF election is required for each taxable year that we are a PFIC to include in income such U.S. Holder’s pro rata share of our ordinary earnings as ordinary income and such U.S. Holder’s pro rata share of our net capital gains as long-term capital gain, regardless of whether we make any distributions of such earnings or gain. In general, a QEF election is effective only if we make available certain required information. The QEF election is made on a shareholder-by-shareholder basis and generally may be revoked only with the consent of the IRS. We do not intend to notify U.S. Holders if we believe we will be treated as a PFIC for any tax year. In addition, we do not intend to furnish U.S. Holders annually with information needed in order to complete IRS Form 8621 and to make and maintain a valid QEF election for any year in which we or any of our Subsidiaries are a PFIC. U.S. Holders should consult with their own tax advisors regarding eligibility, manner and advisability of making a QEF election if we are treated as a PFIC.

In addition, the PFIC rules described above would not apply if we were a PFIC and a U.S. Holder made a mark-to-market election. A U.S. Holder of our Ordinary Shares or ADSs which are regularly traded on a qualifying exchange, including the Nasdaq Capital Market, can elect to mark the Ordinary Shares or ADSs to market annually, recognizing as ordinary income or loss each year an amount equal to the difference as of the close of the taxable year between the fair market value of the Ordinary Shares or ADSs and the U.S. Holder's adjusted tax basis in the Ordinary Shares or ADSs. Losses are allowed only to the extent of net mark-to-market gain previously included income by the U.S. Holder under the election for prior taxable years.

U.S. Holders who hold our Ordinary Shares or ADSs during a period when we are a PFIC will be subject to the foregoing rules, even if we cease to be a PFIC. U.S. Holders are strongly urged to consult their tax advisors about the PFIC rules, including tax return filing requirements and the eligibility, manner, and consequences to them of making a QEF or mark-to-market election with respect to our Ordinary Shares or ADSs in the event that we are a PFIC.

Tax on Net Investment Income

For taxable years beginning after December 31, 2013, U.S. Holders who are individuals, estates or trusts will generally be required to pay a 3.8% Medicare tax on their net investment income (including dividends on and gains from the sale or other disposition of our Ordinary Shares or ADSs), or in the case of estates and trusts on their net investment income that is not distributed. In each case, the 3.8% Medicare tax applies only to the extent the U.S. Holder's total adjusted income exceeds applicable thresholds.

Tax Consequences for Non-U.S. Holders of Ordinary Shares or ADSs

Except as provided below, an individual, corporation, estate or trust that is not a U.S. Holder referred to below as a non-U.S. Holder, generally will not be subject to U.S. federal income or withholding tax on the payment of dividends on, and the proceeds from the disposition of, our Ordinary Shares or ADSs.

A non-U.S. Holder may be subject to U.S. federal income tax on a dividend paid on our Ordinary Shares or ADSs or gain from the disposition of our Ordinary Shares or ADSs if: (1) such item is effectively connected with the conduct by the non-U.S. Holder of a trade or business in the United States and, if required by an applicable income tax treaty is attributable to a permanent establishment or fixed place of business in the United States; (2) in the case of a disposition of our Ordinary Shares or ADSs, the individual non-U.S. Holder is present in the United States for 183 days or more in the taxable year of the disposition and other specified conditions are met.

In general, non-U.S. Holders will not be subject to backup withholding with respect to the payment of dividends on our Ordinary Shares or ADSs if payment is made through a paying agent, or office of a foreign broker outside the United States. However, if payment is made in the United States or by a U.S. related person, non-U.S. Holders may be subject to backup withholding, unless the non-U.S. Holder provides an applicable IRS Form W-8 (or a substantially similar form) certifying its foreign status, or otherwise establishes an exemption.

The amount of any backup withholding from a payment to a non-U.S. Holder will be allowed as a credit against such holder's U.S. federal income tax liability and may entitle such holder to a refund, provided that the required information is timely furnished to the IRS.

Information Reporting and Withholding

A U.S. Holder may be subject to backup withholding at a rate of 28% with respect to cash dividends and proceeds from a disposition of Ordinary Shares or ADSs. In general, backup withholding will apply only if a U.S. Holder fails to comply with specified identification procedures. Backup withholding will not apply with respect to payments made to designated exempt recipients, such as corporations and tax-exempt organizations. Backup withholding is not an additional tax and may be claimed as a credit against the U.S. federal income tax liability of a U.S. Holder, provided that the required information is timely furnished to the IRS.

Pursuant to recently enacted legislation, a U.S. Holder with interests in “specified foreign financial assets” (including, among other assets, our Ordinary Shares or ADSs, unless such Ordinary Shares or ADSs are held on such U.S. Holder’s behalf through a financial institution) may be required to file an information report with the IRS if the aggregate value of all such assets exceeds \$50,000 on the last day of the taxable year or \$75,000 at any time during the taxable year (or such higher dollar amount as may be prescribed by applicable IRS guidance); and may be required to file a Report of Foreign Bank and Financial Accounts, or FBAR, if the aggregate value of the foreign financial accounts exceeds \$10,000 at any time during the calendar year. You should consult your own tax advisor as to the possible obligation to file such information report.

Tax Cuts and Jobs Act

On December 22, 2017, President Trump signed into law the TCJA. Although this is the most extensive overhaul of the United States tax regime in over thirty years, other than for certain U.S. corporate holder’s, none of the provisions of the TCJA are expected to materially impact U.S. Holder’s with respect to such holder’s ownership of our Ordinary Shares or the ADSs.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We are subject to certain information reporting requirements of the Exchange Act, applicable to foreign private issuers and under those requirements will file reports with the SEC. You may read and copy the annual report on Form 20-F, including the related exhibits and schedules, and any document we file with the SEC without charge at the SEC’s public reference room at 100 F Street, N.E., Room 1580, Washington, DC 20549. You may also obtain copies of the documents at prescribed rates by writing to the Public Reference Section of the SEC at 100 F Street, N.E., Room 1580, Washington, DC 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC also maintains an Internet website that contains reports and other information regarding issuers that file electronically with the SEC. Our filings with the SEC will also be available to the public through the SEC’s website at www.sec.gov.

As a foreign private issuer, we are exempt from the rules under the Exchange Act related to the furnishing and content of proxy statements, and our officers, directors and principal shareholders will be exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we are not required under the Exchange Act to file annual, quarterly and current reports and financial statements with the SEC as frequently or as promptly as U.S. domestic companies whose securities are registered under the Exchange Act. However, we will file with the SEC, within 120 days after the end of each fiscal year, or such applicable time as required by the SEC, an annual report on Form 20-F containing financial statements audited by an independent registered public accounting firm, and may submit to the SEC, on a Form 6-K, unaudited quarterly financial information.

In addition, since our Ordinary Shares are traded on the TASE, we have filed Hebrew language periodic and immediate reports with, and furnish information to, the TASE and the Israel Securities Authority, or the ISA, as required under Chapter Six of the Israel Securities Law, 1968. Copies of our filings with the ISA can be retrieved electronically through the MAGNA distribution site of the ISA (www.magna.isa.gov.il) and the TASE website (www.maya.tase.co.il).

We maintain a corporate website <http://www.nano-di.com>. Information contained on, or that can be accessed through, our website and the other websites referenced above do not constitute a part of this annual report on Form 20-F. We have included these website addresses in this annual report on Form 20-F solely as inactive textual references.

I. Subsidiary Information.

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the ordinary course of our operations, we are exposed to certain market risks, primarily changes in foreign currency exchange rates and interest rates.

Quantitative and Qualitative Disclosure About Market Risk

We are exposed to market risks in the ordinary course of our business. Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our current investment policy is to invest available cash in bank deposits with banks that have a credit rating of at least A-minus. Accordingly, a substantial majority of our cash is held in deposits that bear interest. Given the current low rates of interest we receive, we will not be adversely affected if such rates are reduced. Our market risk exposure is primarily a result of NIS/U.S. dollar exchange rates, which is discussed in detail in the following paragraph.

Foreign Currency Exchange Risk

Our results of operations and cash flow are subject to fluctuations due to changes in NIS/U.S. dollar currency exchange rates. The vast majority of our liquid assets is held in U.S. dollars, and a certain portion of our expenses is denominated in NIS. Changes of 5% and 10% in the U.S. Dollar/NIS exchange rate would increase/decrease our loss for 2018 by 3.3% and 6.6%, respectively. However, these historical figures may not be indicative of future exposure, as we expect that the percentage of our NIS denominated expenses will materially decrease in the near future, therefore reducing our exposure to exchange rate fluctuations. Beginning January 1, 2018, our functional and presentation currency is the U.S. dollar.

We do not hedge our foreign currency exchange risk. In the future, we may enter into formal currency hedging transactions to decrease the risk of financial exposure from fluctuations in the exchange rates of our principal operating currencies. These measures, however, may not adequately protect us from the material adverse effects of such fluctuations.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

A. Debt Securities.

Not applicable.

B. Warrants and rights.

Not applicable.

C. Other Securities.

Not applicable.

D. American Depositary Shares

Fees and Expenses

<i>Persons depositing or withdrawing shares or ADS holders must pay:</i>	<i>For:</i>
\$5.00 (or less) per 100 ADSs (or portion of 100 ADSs).	Issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property. Cancellation of ADSs for the purpose of withdrawal, including if the deposit agreement terminates.
\$.05 (or less) per ADS.	Any cash distribution to ADS holders.
A fee equivalent to the fee that would be payable if securities distributed to you had been shares and the shares had been deposited for issuance of ADSs.	Distribution of securities distributed to holders of deposited securities (including rights) that are distributed by the depositary to ADS holders.
\$.05 (or less) per ADS per calendar year.	Depository services.
Registration or transfer fees.	Transfer and registration of shares on our share register to or from the name of the depositary or its agent when you deposit or withdraw shares.
Expenses of the depositary.	Cable, telex and facsimile transmissions (when expressly provided in the deposit agreement). Converting foreign currency to U.S. dollars.
Taxes and other governmental charges the depositary or the custodian has to pay on any ADSs or shares underlying ADSs, such as stock transfer taxes, stamp duty or withholding taxes.	As necessary.
Any charges incurred by the depositary or its agents for servicing the deposited securities.	As necessary.

The depositary collects its fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may collect its annual fee for depositary services by deduction from cash distributions or by directly billing investors or by charging the book-entry system accounts of participants acting for them. The depositary may collect any of its fees by deduction from any cash distribution payable (or by selling a portion of securities or other property distributable) to ADS holders that are obligated to pay those fees. The depositary may generally refuse to provide fee-attracting services until its fees for those services are paid.

From time to time, the depositary may make payments to us to reimburse us for costs and expenses generally arising out of establishment and maintenance of the ADS program, waive fees and expenses for services provided to us by the depositary or share revenue from the fees collected from ADS holders. In performing its duties under the deposit agreement, the depositary may use brokers, dealers, foreign currency or other service providers that are owned by or affiliated with the depositary and that may earn or share fees, spreads or commissions.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

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

None.

ITEM 15. CONTROLS AND PROCEDURES

(a) Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of December 31, 2018, or the Evaluation Date. Based on such evaluation, those officers have concluded that, as of the Evaluation Date, our disclosure controls and procedures are effective in recording, processing, summarizing and reporting, on a timely basis, information required to be included in periodic filings under the Exchange Act and that such information is accumulated and communicated to management, including our principal executive and financial officers, as appropriate to allow timely decisions regarding required disclosure.

(b) Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Exchange Act. Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based principally on the framework and criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission as of the end of the period covered by this report. Based on that evaluation, our management has concluded that our internal control over financial reporting was effective as of December 31, 2018 at providing 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) Attestation Report of the Registered Public Accounting Firm

This annual report does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting due to an exemption for emerging growth companies provided in the JOBS Act.

(d) Changes in Internal Control over Financial Reporting

During the year ended December 31, 2018, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our board of directors has determined that each member of our audit committee is an audit committee financial expert, as defined under the rules under the Exchange Act, and is independent in accordance with applicable Exchange Act rules and Nasdaq Stock Market rules.

ITEM 16B. CODE OF ETHICS

We have adopted a written code of ethics that applies to our officers and employees, including our principal executive officer, principal financial officer, principal controller and persons performing similar functions as well as our directors. Our Code of Business Conduct and Ethics is posted on our website at www.nano-di.com. Information contained on, or that can be accessed through, our website does not constitute a part of this annual report on Form 20-F and is not incorporated by reference herein. If we make any amendment to the Code of Business Conduct and Ethics or grant any waivers, including any implicit waiver, from a provision of the code, we will disclose the nature of such amendment or waiver on our website to the extent required by the rules and regulations of the SEC including the instructions to Item 16B of Form 20-F. We have not granted any waivers under our Code of Business Conduct and Ethics.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Somekh Chaikin, a member firm of KPMG International, has served as our principal independent registered public accounting firm for each of the two years ended December 31, 2018 and 2017.

The following table provides information regarding fees paid by us to Somekh Chaikin and/or other member firms of KPMG International for all services, including audit services, for the years ended December 31, 2018 and 2017:

	Year Ended December 31,	
	2017	2018
Audit fees (1)	\$ 102,800	\$ 150,000
Audit-related fees	-	-
Tax fees	14,590	35,000
All other fees	-	-
Total	<u>\$ 117,390</u>	<u>\$ 185,000</u>

(1) Includes professional services rendered in connection with the audit of our annual financial statements, review of our interim financial statements, and fees relating to our public offering of ADSs.

Pre-Approval of Auditors' Compensation

Our audit committee has a pre-approval policy for the engagement of our independent registered public accounting firm to perform certain audit and non-audit services. Pursuant to this policy, which is designed to assure that such engagements do not impair the independence of our auditors, the audit committee pre-approves annually a catalog of specific audit and non-audit services in the categories of audit services, audit-related services and tax services that may be performed by our independent registered public accounting firm. If a type of service, that is to be provided by our auditors, has not received such general pre-approval, it will require specific pre-approval by our audit committee. The policy prohibits retention of the independent registered public accounting firm to perform the prohibited non-audit functions defined in applicable SEC rules.

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

Not applicable.

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

Not applicable.

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16G. CORPORATE GOVERNANCE

The Sarbanes-Oxley Act, as well as related rules subsequently implemented by the SEC, require foreign private issuers, such as us, to comply with various corporate governance practices. In addition, we are required to comply with the Nasdaq Stock Market rules. Under those rules, we may elect to follow certain corporate governance practices permitted under the Companies Law in lieu of compliance with corresponding corporate governance requirements otherwise imposed by the Nasdaq Stock Market rules for U.S. domestic issuers.

In accordance with Israeli law and practice and subject to the exemption set forth in Rule 5615 of the Nasdaq Stock Market rules, we have elected to follow the provisions of the Companies Law, rather than the Nasdaq Stock Market rules, with respect to the following requirements:

- *Distribution of periodic reports to shareholders; proxy solicitation.* As opposed to the Nasdaq Stock Market rules, which require listed issuers to make such reports available to shareholders in one of a number of specific manners, Israeli law does not require us to distribute periodic reports directly to shareholders, and the generally accepted business practice in Israel is not to distribute such reports to shareholders but to make such reports available through a public website. In addition to making such reports available on a public website, we currently make our audited financial statements available to our shareholders at our offices and will only mail such reports to shareholders upon request. As a foreign private issuer, we are generally exempt from the SEC's proxy solicitation rules.

- *Quorum.* While the Nasdaq Stock Market rules require that the quorum for purposes of any meeting of the holders of a listed company's common voting stock, as specified in the company's bylaws, be no less than 33 1/3% of the company's outstanding common voting stock, under Israeli law, a company is entitled to determine in its articles of association the number of shareholders and percentage of holdings required for a quorum at a shareholders meeting. Our amended and restated articles of association provide that a quorum of two or more shareholders holding at least 25% of the voting rights in person or by proxy is required for commencement of business at a general meeting. However, the quorum set forth in our amended and restated articles of association with respect to an adjourned meeting consists of any number of shareholders present in person or by proxy.
- *Compensation of officers.* Israeli law and our amended and restated articles of association do not require that the independent members of our board of directors (or a compensation committee composed solely of independent members of our board of directors) determine an executive officer's compensation, as is generally required under the Nasdaq Stock Market rules with respect to the CEO and all other executive officers. Instead, compensation of executive officers is determined and approved by our compensation committee and our board of directors, and in certain circumstances by our shareholders, either in consistency with our office holder compensation policy or, in special circumstances in deviation therefrom, taking into account certain considerations stated in the Companies Law.

Shareholder approval is generally required for officer compensation in the event (i) approval by our board of directors and our compensation committee is not consistent with our office holder compensation policy, or (ii) compensation required to be approved is that of our chief executive officer who is not a director or an executive officer who is also the controlling shareholder of our company (including an affiliate thereof). Such shareholder approval shall require a majority vote of the shares present and voting at a shareholders meeting, provided either (i) such majority includes a majority of the shares held by non-controlling shareholders who do not otherwise have a personal interest in the compensation arrangement that are voted at the meeting, excluding for such purpose any abstentions disinterested majority, or (ii) the total shares held by non-controlling and disinterested shareholders voted against the arrangement does not exceed 2% of the voting rights in our company.

Additionally, approval of the compensation of an executive officer who is also a director requires a simple majority vote of the shares present and voting at a shareholders meeting, if consistent with our office holder compensation policy. Our compensation committee and board of directors may, in special circumstances, approve the compensation of an executive officer (other than a director, a chief executive officer or a controlling shareholder) or approve the compensation policy despite shareholders' objection, based on specified arguments and taking shareholders' objection into account. Our compensation committee may further exempt an engagement with a nominee for the position of chief executive officer, who meets the non-affiliation requirements set forth for an external director, from requiring shareholder approval, if such engagement is consistent with our office holder compensation policy and our compensation committee determines based on specified arguments that presentation of such engagement to shareholder approval is likely to prevent such engagement. To the extent that any such transaction with a controlling shareholder is for a period exceeding three years, approval is required once every three years.

A director or executive officer may not be present when the board of directors of a company discusses or votes upon a transaction in which he or she has a personal interest, except in case of ordinary transactions, unless the chairman of the board of directors determines that he or she should be present to present the transaction that is subject to approval.

- *Shareholder approval.* We will seek shareholder approval for all corporate actions requiring such approval under the requirements of the Companies Law, rather than seeking approval for corporation actions in accordance with Nasdaq Listing Rule 5635. In particular, under this Nasdaq Stock Market rule, shareholder approval is generally required for: (i) an acquisition of shares/assets of another company that involves the issuance of 20% or more of the acquirer's shares or voting rights or if a director, officer or 5% shareholder has greater than a 5% interest in the target company or the consideration to be received; (ii) the issuance of shares leading to a change of control; (iii) adoption/amendment of equity compensation arrangements (although under the provisions of the Companies Law there is no requirement for shareholder approval for the adoption/amendment of the equity compensation plan); and (iv) issuances of 20% or more of the shares or voting rights (including securities convertible into, or exercisable for, equity) of a listed company via a private placement (and/or via sales by directors/officers/5% shareholders) if such equity is issued (or sold) at below the greater of the book or market value of shares. By contrast, under the Companies Law, shareholder approval is required for, among other things: (i) transactions with directors concerning the terms of their service or indemnification, exemption and insurance for their service (or for any other position that they may hold at a company), for which approvals of the compensation committee, board of directors and shareholders are all required, (ii) extraordinary transactions with controlling shareholders of publicly held companies, which require the special approval, and (iii) terms of employment or other engagement of the controlling shareholder of us or such controlling shareholder's relative, which require special approval. In addition, under the Companies Law, a merger requires approval of the shareholders of each of the merging companies.
- *Approval of Related Party Transactions.* All related party transactions are approved in accordance with the requirements and procedures for approval of interested party acts and transaction as set forth in the Companies Law, which requires the approval of the audit committee, or the compensation committee, as the case may be, the board of directors and shareholders, as may be applicable, for specified transactions, rather than approval by the audit committee or other independent body of our board of directors as required under the Nasdaq Stock Market rules.
- *Annual Shareholders Meeting.* As opposed to the Nasdaq Stock Market Rule 5620(a), which mandates that a listed company hold its annual shareholders meeting within one year of the company's fiscal year-end, we are required, under the Companies Law, to hold an annual shareholders meeting each calendar year and within 15 months of the last annual shareholders meeting.

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

PART III

ITEM 17. FINANCIAL STATEMENTS

We have elected to provide financial statements and related information pursuant to Item 18.

ITEM 18. FINANCIAL STATEMENTS

The consolidated financial statements and the related notes required by this Item are included in this annual report on Form 20-F beginning on page F-1.

ITEM 19. EXHIBITS.

<u>Exhibit</u>	<u>Description</u>
1.1	Amended and Restated Articles of Association of Nano Dimension Ltd., filed as Exhibit 99.1 to Form 6-K filed on November 24, 2017, and incorporated herein by reference.
2.1	Amended and Restated Form of Depositary Agreement among Nano Dimension Ltd., The Bank of New York Mellon as Depositary, and owners and holders from time to time of ADSs issued thereunder, including the Form of American Depositary Shares, filed as Exhibit 1 to the Post Effective Amendment No. 1 to Form F-6 (File No. 333-204797) filed on February 22, 2016, and incorporated herein by reference.
4.1 [^]	<u>Amended and Restated License Agreement, dated April 2, 2015, by and between the Company and Yissum Research Development Company of The Hebrew University of Jerusalem, Ltd., filed as Exhibit 4.1 to Form 20-F/A (File No. 001-37600) filed on February 29, 2016, and incorporated herein by reference.</u>
4.2	<u>Nano Dimension Ltd. Employee Stock Option Plan (2015), filed as Exhibit 4.4 to Form 20-F/A (File No. 001-37600) filed on February 29, 2016, and incorporated herein by reference.</u>
4.3	<u>Employment Agreement, dated October 13, 2015, between the Company and Amit Dror, filed as Exhibit 4.5 to Form 20-F (File No. 001-37600) filed on October 20, 2015, and incorporated herein by reference.</u>
4.4	<u>Form of Warrant to purchase Ordinary Shares Represented by American Depositary Shares filed as Exhibit 4.2 to Form F-1 (File No. 001-228521) filed on January 30, 2019, and incorporated herein by reference.</u>
4.5	<u>Form of Right to Purchase Ordinary Shares Represented by American Depositary Shares filed as Exhibit 4.3 to Form F-1 (File No. 001-228521) filed on January 30, 2019, and incorporated herein by reference.</u>
8.1	<u>List of Subsidiaries.</u>
12.1	<u>Certification of the Chief Executive Officer pursuant to rule 13a-14(a) of the Securities Exchange Act of 1934.</u>
12.2	<u>Certification of the Principal Financial and Accounting Officer pursuant to rule 13a-14(a) of the Securities Exchange Act of 1934.</u>
13.1	<u>Certification of the Chief Executive Officer pursuant to 18 U.S.C. 1350, furnished herewith.</u>
13.2	<u>Certification of the Principal Financial and Accounting Officer pursuant to 18 U.S.C. 1350, furnished herewith.</u>
15.1	<u>Consent of Somekh Chaikin (Member firm of KPMG International).</u>

[^] Portions of this exhibit have been omitted pursuant to a request for confidential treatment.

SIGNATURES

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

NANO DIMENSION LTD.

By: /s/ Amit Dror
Amit Dror
Chief Executive Officer

Date: March 14, 2019

Nano-Dimension Ltd.

Consolidated Financial Statements as of December 31, 2018

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Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
Nano Dimension Ltd.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of financial position of Nano Dimension Ltd. and subsidiaries (the “Company”) as of December 31, 2018, 2017 and 2016 the related consolidated statements of profit or loss and other comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended December 31, 2018, and the related notes (collectively, the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018, 2017 and 2016 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2018, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1B to the consolidated financial statements, the Company has suffered recurring losses from operations and have a lack of sufficient resources that raise substantial doubt about its ability to continue as a going concern. Management’s plans in regard to these matters are also described in Note 1B. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Change in Functional and Presentation Currency

As discussed in Note 1E to the consolidated financial statements, the Company’s management determined that as of January 1, 2018, its functional currency changed to the U.S. dollar. Management further decided to change its presentation currency to the U.S. dollar and has applied this change retrospectively to the earliest period presented.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Somekh Chaikin
Certified Public Accountants (Isr.)
Member firm of KPMG International

We have served as the Company’s auditor since 2015.

Tel-Aviv, Israel
March 13, 2019

Nano Dimension Ltd.
Consolidated Statements of Financial Position as at

	Note	December 31,		
		2016(*)	2017(*)	2018(*)
		Thousand USD	Thousand USD	Thousand USD
Assets				
Cash	3.A	12,379	6,103	3,753
Restricted deposits	3.B	130	107	21
Trade receivables	4.A	39	94	1,313
Other receivables	4.B	775	583	570
Inventory	5	-	2,336	3,116
Total current assets		13,323	9,223	8,773
Restricted deposits	3.B	110	346	347
Property plant and equipment, net	6	2,006	5,172	5,200
Intangible assets	7	6,787	6,755	5,983
Total non-current assets		8,903	12,273	11,530
Total assets		22,226	21,496	20,303
Liabilities				
Trade payables		679	512	1,414
Other payables	9	1,289	1,683	2,178
Total current liabilities		1,968	2,195	3,592
Liability in respect of government grants	10	629	833	895
Other long-term liabilities	11	326	302	244
Total non-current liabilities		955	1,135	1,139
Total liabilities		2,923	3,330	4,731
Equity				
Share capital	13	1,960	2,307	3,291
Share premium and capital reserves		37,893(**)	52,059(**)	63,969
Treasury shares		(1,509)	(1,509)	(1,509)
Presentation currency translation reserve		(422)	1,431	1,431
Accumulated loss		(18,619)	(36,122)	(51,610)
Total equity		19,303	18,166	15,572
Total liabilities and equity		22,226	21,496	20,303

(*) Presented according to the change in the Company's functional and presentation currency from NIS to U.S. dollars, effective January 1, 2018. See note 1.E.

(**) Reclassified, see note 1.D.

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

Nano Dimension Ltd.
Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Note	For the Year Ended December 31,		
		2016(*) Thousand USD	2017(*) Thousand USD	2018 Thousand USD
Revenues	14	46	829	5,100
Cost of revenues	15	19	409	3,594
Cost of revenues - amortization of intangible	7	174	743	772
Total cost of revenues		193	1,152	4,366
Gross profit (loss)		(147)	(323)	734
Research and development expenses, net	16.A	4,043	10,819	8,623
Sales and marketing expenses	16.B	1,006	2,183	4,259
General and administrative expenses	16.C	3,818	3,363	3,002
Operating loss		(9,014)	(16,688)	(15,150)
Finance income	16.D	181	102	54
Finance expense	16.D	143	917	392
Total comprehensive loss		(8,976)	(17,503)	(15,488)
Basic and diluted loss per share (USD)	18	(0.22)	(0.31)	(0.17)

(*) Presented according to the change in the Company's functional and presentation currency from NIS to U.S. dollars, effective January 1, 2018. See note 1.E.

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

Nano Dimension Ltd.
Consolidated Statements of Changes in Equity

	Share capital	Share premium and capital reserves	Treasury shares	Presentation currency translation reserve	Accumulated loss	Total equity
	Thousand USD	Thousand USD	Thousand USD	Thousand USD	Thousand USD	Thousand USD
For the year ended December 31, 2018:						
Balance as of January 1, 2018 (*)	2,307	52,059	(1,509)	1,431	(36,122)	18,166
Loss for the year	-	-	-	-	(15,488)	(15,488)
Issuance of Ordinary Shares, net	981	11,490	-	-	-	12,471
Exercise of warrants and options	3	(3)	-	-	-	-
Share-based payments	-	423	-	-	-	423
Balance as of December 31, 2018	3,291	63,969	(1,509)	1,431	(51,610)	15,572

(*) Presented according to the change in the Company's functional and presentation currency from NIS to U.S. dollars, effective January 1, 2018. See note 1.E.

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

Nano Dimension Ltd.
Consolidated Statements of Changes in Equity (Continued)

	Share capital	Share premium and capital reserves	Treasury shares	Presentation currency translation reserve	Accumulated loss	Total equity
	Thousand USD	Thousand USD	Thousand USD	Thousand USD	Thousand USD	Thousand USD
For the year ended December 31, 2017(*):						
Balance as of January 1, 2017	1,960	37,893	(1,509)	(422)	(18,619)	19,303
Loss for the year	-	-	-	-	(17,503)	(17,503)
Currency translation	-	-	-	1,853	-	1,853
Issuance of Ordinary Shares and warrants, net	324	12,096	-	-	-	12,420
Exercise of warrants and options	20	289	-	-	-	309
Share-based payments	3	1,781	-	-	-	1,784
Balance as of December 31, 2017	2,307	52,059	(1,509)	1,431	(36,122)	18,166

(*) Presented according to the change in the Company's functional and presentation currency from NIS to U.S. dollars, effective January 1, 2018. See note 1.E.

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

Nano Dimension Ltd.
Consolidated Statements of Changes in Equity (Continued)

	Share capital	Share premium and capital reserves	Treasury shares	Presentation currency translation reserve	Accumulated loss	Total equity
	Thousand USD	Thousand USD	Thousand USD	Thousand USD	Thousand USD	Thousand USD
For the year ended December 31, 2016(*):						
Balance as of January 1, 2016	1,545	22,012	(1,509)	(359)	(9,643)	12,046
Loss for the year	-	-	-	-	(8,976)	(8,976)
Currency translation	-	-	-	(63)	-	(63)
Issuance of Ordinary Shares and warrants, net	283	12,045	-	-	-	12,328
Exercise of warrants and options	132	1,315	-	-	-	1,447
Share-based payments	-	2,521	-	-	-	2,521
Balance as of December 31, 2016	<u>1,960</u>	<u>37,893</u>	<u>(1,509)</u>	<u>(422)</u>	<u>(18,619)</u>	<u>19,303</u>

(*) Presented according to the change in the Company's functional and presentation currency from NIS to U.S. dollars, effective January 1, 2018. See note 1.E.

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

Nano Dimension Ltd.
Consolidated Statements of Cash Flows

	For the Year Ended December 31,		
	2016(*)	2017(*)	2018
	Thousand USD	Thousand USD	Thousand USD
Cash flow from operating activities:			
Net loss	(8,976)	(17,503)	(15,488)
<u>Adjustments:</u>			
Depreciation and amortization	365	1,311	1,943
Revaluation of liability in respect of government grants	114	(91)	265
Financing expenses (income), net	(141)	888	147
Loss from disposal and sale of fixed assets	149	80	537
Share-based payments	2,027	1,750	402
	<u>2,514</u>	<u>3,938</u>	<u>3,294</u>
Changes in assets and liabilities:			
Increase in inventory	-	(2,230)	(1,410)
Decrease (increase) in other receivables	(491)	201	13
Increase in trade receivables	(39)	(49)	(1,219)
Increase in other payables	621	98	287
Increase (decrease) in trade payables	70	(193)	1,134
Increase (decrease) in other long term liabilities	381	(59)	(58)
	<u>542</u>	<u>(2,232)</u>	<u>(1,253)</u>
Net cash used in operating activities	<u>(5,920)</u>	<u>(15,797)</u>	<u>(13,447)</u>
Cash flow from investing activities:			
Change in restricted bank deposits	-	(179)	86
Development expenditure capitalized as intangible assets	(3,425)	-	-
Acquisition of property plant and equipment	(1,130)	(3,514)	(1,319)
Proceeds from sale of fixed assets	-	2	1
Net cash used in investing activities	<u>(4,555)</u>	<u>(3,691)</u>	<u>(1,232)</u>
Cash flow from financing activities:			
Proceeds from issuance of Ordinary Shares and warrants, net	12,328	12,420	12,471
Exercise of warrants and options	1,447	309	-
Amounts recognized in respect of government grants liability, net	384	379	9
Net cash provided by financing activities	<u>14,159</u>	<u>13,108</u>	<u>12,480</u>
Increase (decrease) in cash	<u>3,684</u>	<u>(6,380)</u>	<u>(2,199)</u>
Cash at beginning of the year	<u>8,665</u>	<u>12,379</u>	<u>6,103</u>
Effect of exchange rate fluctuations on cash	<u>30</u>	<u>104</u>	<u>(151)</u>
Cash at end of year	<u>12,379</u>	<u>6,103</u>	<u>3,753</u>
Non-cash transactions:			
Property plant and equipment acquired on credit	263	241	9

(*) Presented according to the change in the Company's functional and presentation currency from NIS to U.S. dollars, effective January 1, 2018. See note 1.E.

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

Nano Dimension Ltd.
Notes to the Consolidated Financial Statements

Note 1 – General

A. Reporting Entity

Nano Dimension Ltd. (the “Company”) is an Israeli resident company incorporated in Israel. The address of the Company’s registered office is 2 Ilan Ramon St., Ness Ziona, Israel. The consolidated financial statements of the Company as of December 31, 2018, comprise the Company and its subsidiaries in Israel, in the United States, and in Hong Kong (together referred to as the “Group”). The Company engages, by means of the subsidiary Nano Dimension Technologies Ltd. (“Nano-Technologies”), in the development of a three-dimensional (“3D”) printer and nanotechnology based conductive and dielectric inks, which are supplementary products to the 3D printer. The Ordinary Shares of the Company are registered for trade on the Tel Aviv Stock Exchange. In addition, since March 2016, the Company’s American Depositary Shares (“ADSs”) have been trading on the Nasdaq Capital Market.

- B. Since August 25, 2014, the Company has devoted substantially all of its financial resources to develop its products and has financed its operations primarily through the issuance of equity securities. The amount of the Company’s future net profits or losses will depend, in part, on the rate of its future expenditures, its ability to generate significant revenues from the sale of its products, and its ability to obtain funding through the issuance of securities, strategic collaborations or grants. Starting in the fourth quarter of 2017, the Group began to commercialize its products and has generated revenues, mainly from sales of its 3D printers. The Group’s ability to generate revenue and achieve profitability depends on its ability to successfully commercialize its products.

Based on the projected cash flows, cash balance as of December 31, 2018, and the public offering in February 2019, management is of the opinion that without further fund raising it will not have sufficient resources to enable it to continue its operating activities, including the development, manufacturing and marketing of its products for a period of at least 12 months from the sign-off date of these consolidated financial statements. As a result, there is a substantial doubt about the Company’s ability to continue as a going concern.

Management’s plans include continuing commercialization of the Group’s products and securing sufficient funding through the sale of additional equity securities. There are no assurances however, that the Group will be successful in obtaining the level of financing needed for its operations. If the Group is unsuccessful in commercializing its products and securing sufficient funding, it may need to reduce activities, curtail or even cease operations.

The consolidated financial statements do not include any adjustments relating to the recoverability and classification of assets and the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

C. Definitions

In these financial statements –

The Group – the Company, Nano Dimension Technologies Ltd., and Nano Dimension IP Ltd., all of which are Israeli corporations, Nano Dimension USA Inc., a Delaware corporation, and Nano Dimension (HK) Limited, a Hong Kong corporation.

Related Party – Within its meaning in International Accounting Standards (“IAS”) 24 (2009) *Related Party Disclosures*.

The Operating Cycle

The operating cycle period of the Group is 12 months.

Note 1 – General (Continued)

D. Reclassification

During 2018 the Group changed the Equity presentation in the Consolidated Statements of Financial Position. In order to simplify the presentation of the warrants and capital reserves for share based payments and from transactions with controlling shareholders, they were consolidated into the Share Premium section. This classification did not have any effect on the total comprehensive loss.

E. Change in functional and presentation currency

During 2018, considering the Company's business developments, the significant increase in revenues from printer sales, the increase in the Company's marketing activities in the United States and its recent fundraisings in U.S. dollar, the Company's management determined that based on such events and conditions, beginning January 1, 2018, the functional currency of the Company changed to the U.S. dollar that is the currency that most faithfully represents the economic effect of its activity. Management further decided to change its presentation currency to the U.S. dollar and has applied this change retrospectively to the earliest period presented. The change in functional currency is accounted for prospectively from the date of change. The effects of changes in the foreign exchange rates have been applied retrospectively as if the U.S. dollar had always been the Company's presentation currency. Accordingly, comparative profit or loss figures have been translated into U.S. dollars using average exchange rates for the reporting periods. Comparative assets and liabilities figures have been translated into the presentation currency at the rate of exchange prevailing at the reporting date. Components of equity have been translated at the exchange rates prevailing at the dates of the relevant transactions. The exchange rate differences arising on translation have been recorded as a part of the equity as "presentation currency translation reserve."

Note 2 – Summary of Significant Accounting Policies

Except for the change in accounting policy described in section B below, the accounting policies of the Group set out below have been applied consistently for all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

A. Basis for presentation of the financial statements

The Group's financial statements as of December 31, 2018, 2017 and 2016 and for each of the three years in the period ended on December 31, 2018, comply with International Financial Reporting Standard ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements have been prepared on the historical cost basis.

The consolidated financial statements were authorized for issuance by the Company's board of directors on March 13, 2019.

B. Changes in accounting policies

IFRS 9

As from January 1, 2018 the Group applies IFRS 9, Financial Instruments ("IFRS 9"), which replaces IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"). Furthermore, as from that date the Group applies the amendment to IFRS 9, Financial Instruments: Prepayment Features with "Negative Compensation."

The standard has no effect on the financial statements of the Group.

Note 2 – Summary of Significant Accounting Policies (Continued)

B. Changes in accounting policies (Continued)

IFRS 9 (Continued)

Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through profit or loss and fair value through other comprehensive income. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

IFRS 9 includes a new ‘expected credit loss’ model, which has no effect on the financial statements of the Group, since the Group does not expect to incur any credit losses.

IFRS 9 replaces the impairment model of IAS 39 with an ‘expected credit loss model. The model applies to financial assets measured at amortized cost, contract assets (as defined in IFRS 15) and lease receivables.

C. Use of estimates and judgments

The preparation of financial statements in conformity with IFRS as issued by the IASB requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The preparation of accounting estimates used in the preparation of the Group’s financial statements requires management of the Company to make assumptions regarding circumstances and events that involve considerable uncertainty. Management of the Company prepares the estimates on the basis of past experiences, various facts, external circumstances, and reasonable assumptions according to the pertinent circumstances of each estimate. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Below is information about significant assumptions made by the Group with respect to estimates and judgments:

- Intangible assets
Development expenses in the period until August 1, 2015 were expensed as incurred. On August 1, 2015, the Group met all the required conditions to recognize intangible assets in accordance with IAS 38 *Intangible Assets* and started recognizing intangible assets arising from internal development. The capitalization is the outcome of meeting all the criteria in IAS 38, which are (i) development costs that can be measured reliably, (ii) the product or process is technically and commercially feasible, (iii) future economic benefits are probable, and (iv) the Group has the intention and sufficient resources to complete development and to use or sell the asset. In the fourth quarter of 2016, the Company ceased to capitalize development cost and began to amortize its intangible assets. The estimated useful lives of the capitalized development expenses for the current period is 10 years. See also note 2.M and 2.N regarding research and development and amortization of intangible assets.
- Share-based payments
Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model, including the expected life of the share option and volatility and making assumptions about them. For the measurement of the fair value of equity-settled transactions at the grant date, the Group uses the Black-Scholes formula or the Binomial pricing model. See also note 19.
- Liability in respect of government grants
The Liability in respect of government grants is based on estimation of the discount rate that was used in evaluating the liability in respect of government grants, as well as the Group’s revenues forecast. See also note 10.

Note 2 – Summary of Significant Accounting Policies (Continued)

C. Use of estimates and judgments (Continued)

- Operating lease- Group as lessor

The Group has entered into leases of its 3D printers. The Group has determined, based on an evaluation of the terms and conditions of the agreements, such as the lease term not constituting a major part of the economic life of the printer and the present value of the minimum lease payments not amounting to substantially all of the fair value of the printer, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

- Revenue recognition

Effective January 1, 2017, the Company early adopted IFRS 15, Revenue from Contracts with Customers (“IFRS 15”), which provides new guidance on revenue recognition on a retrospective basis. The Company determines the appropriate revenue recognition for its contracts with customers by analyzing the type, terms and conditions of each contract or arrangement with a customer. As a part of the analysis, management is required to make judgments relating to whether an arrangement or contract is legally enforceable, and whether the arrangement include separate performance obligations. In addition, estimates are required in order to allocate the total transaction price to each performance obligation based on the estimated relative standalone selling prices of the promised goods or services underlying each performance obligation. See also note 2L.

D. Subsidiary

A subsidiary is an entity controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control is lost. The accounting policies of the subsidiaries are aligned with the policies adopted by the Group.

E. Functional currency and presentation currency

(1) Foreign currency transactions

Transactions in currencies other than the U.S. dollar are translated to the functional currency of the Group at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are recognized in profit or loss.

(2) Index linked financial items

Financial assets and liabilities which according to their terms are linked to changes in the Israeli Consumer Price Index (the “Index”) are adjusted according to the relevant Index on every reporting date in accordance with the terms of the agreement. Linkage differences deriving from said adjustment are recorded to profit and loss.

Note 2 – Summary of Significant Accounting Policies (Continued)

E. Functional currency and presentation currency (Continued)

(3) Below are details regarding the exchange rate of the NIS and the EURO and the index of the NIS:

	Consumer Price Index	Euro	NIS
December 31, 2018	100.2	1.14	0.27
December 31, 2017	100.4	1.20	0.29
December 31, 2016	100.87	1.05	0.26
Change in percentages:			
Year ended December 31, 2018	(0.19)	(5)	(6.89)
Year ended December 31, 2017	(0.47)	14.28	11.53
Year ended December 31, 2016	(0.3)	(3.2)	1.56

F. Financial instruments

(1) Non-derivative financial assets – policy applicable as from January 1, 2018

Initial recognition and measurement of financial assets

The Group initially recognizes trade receivables on the date that they are created. All other financial assets are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. A financial asset is initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issuance of the financial asset. A trade receivable without a significant financing component is initially measured at the transaction price. Receivables originating from contract assets are initially measured at the carrying amount of the contract assets on the date classification was changed from contract asset to receivables.

The Group does not expect to incur any credit loss, thus the financial statements does not include provision for expected credit loss.

Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the Group to the cash flows from the asset expire, or the Group transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. When the Group retains substantially all of the risks and rewards of ownership of the financial asset, it continues to recognize the financial asset.

Classification of financial assets into categories and the accounting treatment of each category

Financial assets are classified at initial recognition to one of the following measurement categories: amortized cost; fair value through other comprehensive income – investments in debt instruments; fair value through other comprehensive income – investments in equity instruments; or fair value through profit or loss.

Financial assets are not reclassified in subsequent periods unless, and only if, the Group changes its business model for the management of financial debt assets, in which case the affected financial debt assets are reclassified at the beginning of the period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at fair value through profit or loss:

- It is held within a business model whose objective is to hold assets so as to collect contractual cash flows; and
- The contractual terms of the financial asset give rise to cash flows representing solely payments of principal and interest on the principal amount outstanding on specified dates.

Note 2 – Summary of Significant Accounting Policies (Continued)

F. Financial instruments (Continued)

(1) Non-derivative financial assets – policy applicable as from January 1, 2018 (Continued)

All financial assets not classified as measured at amortized cost or fair value through other comprehensive income as described above, as well as financial assets designated at fair value through profit or loss, are measured at fair value through profit or loss. On initial recognition, the Group designates financial assets at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The Group has balances of trade and other receivables and deposits that are held within a business model whose objective is collecting contractual cash flows. The contractual cash flows of these financial assets represent solely payments of principal and interest that reflects consideration for the time value of money and the credit risk. Accordingly, these financial assets are measured at amortized cost.

Subsequent measurement and gains and losses

Financial assets at fair value through profit or loss

These assets are subsequently measured at fair value. Net gains and losses, including any interest income or dividend income, are recognized in profit or loss (other than certain derivatives designated as hedging instruments).

Financial assets at amortized cost

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(2) Non-derivative financial assets – policy applicable before January 1, 2018

Initial recognition and measurement of financial assets

The Group initially recognizes loans and receivables and deposits on the date that they are created. Non-derivative financial instruments are comprised of trade and other receivables, cash and deposits.

Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the Group to the cash flows from the asset expire, or the Group transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

When the Group retains substantially all of the risks and rewards of ownership of the financial asset, it continues to recognize the financial asset.

Classification of financial assets into categories and the accounting treatment of each category

The Group classifies its financial assets according to the following categories:

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy, providing that the designation is intended to prevent an accounting mismatch, or the asset is a combined instrument including an embedded derivative.

Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

Note 2 – Summary of Significant Accounting Policies (Continued)

F. Financial instruments (Continued)

(2) Non-derivative financial assets – policy applicable before January 1, 2018 (Continued)

Financial assets at fair value through profit or loss (Continued)

Financial assets designated at fair value through profit or loss also include equity investments that otherwise would have been classified as available for sale.

Financial assets classified as held-for-trading comprise securities that are held to support the Group's short-term liquidity needs.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash deposits and trade and other receivables.

Cash includes cash balances available for immediate use. Deposits include short-term deposits with banking corporations (with original maturities of three months or less) that are readily convertible into known amounts of cash and are exposed to insignificant risks of change in value.

(3) Non-derivative financial liabilities

Non-derivative financial liabilities include trade and other payables.

Initial recognition of financial liabilities

The Group initially recognizes financial liabilities on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

Subsequent measurement of financial liabilities

Financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method. Transaction costs directly attributable to an expected issuance of an instrument that will be classified as a financial liability are recognized as an asset in the framework of deferred expenses in the statement of financial position. These transaction costs are deducted from the financial liability upon its initial recognition, or are amortized as financing expenses in the statement of Profit or Loss and Other Comprehensive Income when the issuance is no longer expected to occur.

Derecognition of financial liabilities

Financial liabilities are derecognized when the obligation of the Group, as specified in the agreement, expires or when it is discharged or cancelled.

Note 2 – Summary of Significant Accounting Policies (Continued)

F. Financial instruments (Continued)

(4) Determination of fair value

Preparation of the financial statements requires the Group to determine the fair value of certain assets and liabilities.

When determining the fair value of an asset or liability, the Group uses observable market data as much as possible. There are three levels of fair value measurements in the fair value hierarchy that are based on the data used in the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.
- Level 3: inputs that are not based on observable market data (unobservable inputs).

Further information about fair value is included in Note 20 on financial instruments.

G. Property plant and equipment

Property plant and equipment are presented according to cost, including directly attributed acquisition costs, minus accumulated depreciation and losses from accrued decrease in value. Improvements and upgrades are included in the assets' costs whereas maintenance and repair costs are recognized in profit and loss as accrued

Gains and losses on disposal of a fixed asset item are determined by comparing the net proceeds from disposal with the carrying amount of the asset, and are recognized in their corresponding section, in profit or loss.

The cost of printers used for internal purposes, which are classified as property, plant and equipment, includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use.

The depreciation is calculated in equal yearly rates during the period of the useful life span of the assets, as follows:

	<u>%</u>
Machinery and equipment (mainly 7%)	7 – 50
Computers	20 - 33
Office furniture and equipment	7 - 15
Leasehold Improvements	7 - 10
Printers leased to clients- See note 2.L.	25

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting year and adjusted if appropriate.

Note 2 – Summary of Significant Accounting Policies (Continued)

H. Inventory

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted averages method, and includes expenditure incurred in acquiring the inventories and the costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

I. Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value, minus the costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the assessments of market participants regarding the time value of money and the risks specific to the asset, for which the estimated future cash flows from the asset were not adjusted.

An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

J. Provisions

A provision for claims is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. When the value of time is material, the provision is measured at its present value.

K. Treasury shares and Ordinary shares

When share capital recognized as equity is repurchased by the Group, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus on the transaction is carried to share premium, whereas a deficit on the transaction is deducted from retained earnings.

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

L. Revenue recognition

The Company early adopted IFRS 15 in the financial statements for the year ended December 31, 2017. IFRS 15 provides new guidance on revenue recognition, on a retrospective basis.

The Company recognizes revenue when the customer obtains control over the promised goods or services. The revenue is measured according to the amount of the consideration to which the Company expects to be entitled in exchange for the goods or services promised to the customer, other than amounts collected for third parties.

The Company accounts for a contract with a customer only when the following conditions are met:

- (a) The parties to the contract have approved the contract (in writing, orally or according to other customary business practices) and they are committed to satisfying the obligations attributable to them;
- (b) The Company can identify the rights of each party in relation to the goods or services that will be transferred;

Note 2 – Summary of Significant Accounting Policies (Continued)

L. Revenue recognition (Continued)

- (c) The Company can identify the payment terms for the goods or services that will be transferred;
- (d) The contract has a commercial substance (i.e. the risk, timing and amount of the entity's future cash flows are expected to change as a result of the contract); and
- (e) It is probable that the consideration, to which the Company is entitled to in exchange for the goods or services transferred to the customer, will be collected.

If a contract with a customer does not meet all of the above criteria, consideration received from the customer is recognized as a liability until the criteria are met or when one of the following events occurs: the Company has no remaining obligations to transfer goods or services to the customer and any consideration promised by the customer has been received and cannot be returned; or the contract has been terminated and the consideration received from the customer cannot be refunded.

On the contract's inception date the Company assesses the goods or services promised in the contract with the customer and identifies as a performance obligation any promise to transfer to the customer goods or services (or a bundle of goods or services) that are distinct.

The Company identifies goods or services promised to the customer as being distinct when the customer can benefit from the goods or services on their own or in conjunction with other readily available resources and the Company's promise to transfer the goods or services to the customer is separately identifiable from other promises in the contract. The Company's identified performance obligations includes: printer, ink, maintenance (which is generally provided for a period of up to one year), training and installation.

Revenue is allocated among performance obligations in a manner that reflects the consideration that the Company expects to be entitled to for the promised goods based on the standalone selling prices ("SSP") of the goods or service of each performance obligation. SSP are estimated for each distinct performance obligation and judgment may be required in their determination. The best evidence of SSP is the estimated price of a product or service if the Company would sell them separately in similar circumstances and to similar customers.

The Company allocates the transaction price to the identified performance obligations based on the residual approach, while allocating the estimated standalone selling prices for performance obligations relating to maintenance, training and installation services, and the residual is allocated to the printer.

Revenues allocated to the printers and ink are recognized when the control is passed at a point in time. Currently, the Company also sells its printers through resellers. The Company recognizes revenue to resellers at the time of sale to the resellers, assuming the Company has completed its obligations related to the sale.

Maintenance revenue is recognized ratably, on a straight-line basis, over the period of the services. Revenue from training and installation is recognized during the time of performance.

A contract asset is recognized when the Group has a right to consideration for goods or services it transferred to the customer that is conditional on other than the passing of time, such as future performance of the Group. Contract assets are classified as receivables when the rights in their respect become unconditional.

A contract liability is recognized when the Group has an obligation to transfer goods or services to the customer for which it received consideration (or the consideration is payable) from the customer.

Revenues from leases transactions are recognized on a straight-line basis over the term of the lease.

Note 2 – Summary of Significant Accounting Policies (Continued)

M. Research and development and Intangible assets

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group has the intention and sufficient resources to complete development and to use or sell the asset.

The expenditure capitalized in respect of development activities includes the cost of materials, direct labor and overhead costs that are directly attributable to preparing the asset for its intended use.

In the fourth quarter of 2016 the Group ceased to capitalize development expenses and began to amortize the intangible asset arising from capitalization of development expenses, upon the initiation of its beta program. In subsequent periods, capitalized development expenditure is measured at cost minus accumulated amortization and accumulated impairment losses.

N. Amortization

Amortization is a systematic allocation of the amortizable amount of an intangible asset over its useful life. The amortizable amount is the cost of the asset, minus its residual value. Amortization is recognized in profit or loss on a straight-line basis, over the estimated useful lives of the intangible assets from the date they are available for use, since these methods most closely reflect the expected pattern of consumption of the future economic benefits embodied in each asset.

The estimated useful lives of the capitalized development costs has been determined by the Company's management as 10 years. Amortization methods, useful lives and residual values are reviewed at the end of each reporting year and adjusted if appropriate.

O. Government grants

Government grants are recognized initially at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant.

Grants from the Israeli Innovation Authority (the "Innovation Authority"), with respect to research and development projects, are accounted for as forgivable loans according to IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*. Grants received from the Innovation Authority are recognized as a liability according to their fair value on the date of their receipt, unless it is reasonably certain, on that date, that the amount received will not be refunded. The amount of the liability is reexamined each period, and any changes in the present value of the cash flows discounted at the original interest rate of the grant are recognized in profit or loss. The difference between the amount received and the fair value on the date of receiving the grant is recognized as a deduction of research and development expenses. Expenses related to revaluation of the liability in respect of government grants were recognized in the statements of profit or loss and other comprehensive income as finance expenses.

P. Financing income and expenses

Financing income comprises interest income on deposits, revaluation of liability in respect of government grants, and foreign currency gains.

Financing expenses comprise bank fees, exchange rate differences, and revaluation of liability in respect of government grants.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either financing income or financing expenses depending on whether foreign currency movements are in a net gain or net loss position.

Note 2 – Summary of Significant Accounting Policies (Continued)

Q. Employee benefits

Severance pay

The Group's liability for severance pay for its employees is calculated pursuant to Israeli Severance Pay Law (1963) (the "Severance Pay Law"). The Group's liability is covered by monthly deposits with severance pay funds and insurance policies. For all of the Group's employees, the payments to pension funds and to insurance companies exempt the Group from any obligation towards its employees, in accordance with Section 14 of the Severance Pay Law, which is accounted for as a defined contribution plan (as defined below). Accumulated amounts in pension funds and in insurance companies are not under the Group's control or management and, accordingly, neither those amounts nor the corresponding accrual for severance pay are presented in the consolidated statements of financial position.

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an expense in profit or loss in the periods during which related services are rendered by employees.

Share-based payment transactions

The grant date fair value of share-based payment awards granted to employees is recognized as a salary expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. Share-based payment arrangements in which the subsidiary grants rights to parent company equity instruments to its employees are accounted for by the Group as equity-settled share-based payment transactions.

R. Loss per share

The Group presents basic and diluted loss per share for its Ordinary Shares. Basic loss per share is calculated by dividing the loss attributable to holders of Ordinary Shares of the Company by the weighted average number of Ordinary Shares outstanding during the year, adjusted for treasury shares. Diluted loss per share is determined by adjusting the loss attributable to holders of Ordinary Shares of the Company and the weighted average number of Ordinary Shares outstanding, after adjustment for treasury shares, for the effects of all dilutive potential Ordinary Shares, which comprise share options and share options granted to employees.

S. New standards and interpretations not yet adopted

(1) IFRS 16 – Leases

IFRS 16 replaces IAS 17, Leases and its related interpretations. IFRS 16's instructions annul the existing requirement from lessees to classify leases as operating or finance leases. Instead of this, for lessees, the new standard presents a unified model for the accounting treatment of all leases according to which the lessee has to recognize a right-of-use asset and a lease liability in its financial statements. Nonetheless, IFRS 16 includes two exceptions to the general model whereby a lessee may elect to not apply the requirements for recognizing a right-of-use asset and a liability with respect to short-term leases of up to one year and/or leases where the underlying asset has a low value.

In addition, IFRS 16 permits the lessee to apply the definition of the term lease according to one of the following two alternatives consistently for all leases: retrospective application for all the lease agreements, which means reassessing the existence of a lease for each separate contract, or alternatively to apply a practical expedient that permits continuing with the assessment made regarding existence of a lease based on the guidance in IAS 17, "Leases," and IFRIC 4, "Determining whether an Arrangement contains a Lease," with respect to leases entered into before the date of initial application. Furthermore, the standard determines new and expanded disclosure requirements from those required at present.

IFRS 16 is applicable for annual periods as of January 1, 2019.

Note 2 – Summary of Significant Accounting Policies (Continued)

S. New standards and interpretations not yet adopted (Continued)

Method of application and expected effects

The Group plans to adopt IFRS 16 as from January 1, 2019 using the cumulative effect method, with an adjustment to the balance of retained earnings as at January 1, 2019.

Expedients:

Expedients for each separate lease:

- (1) Excluding initial direct costs from measurement of the asset at the transition date.
- (2) Using hindsight when determining the lease term, meaning data presently available that may not have been available at the original date of entering into the agreement.

Expected effects:

The Group plans to elect to apply the transitional provision of recognizing a lease liability at the date of initial application, for all the leases that award it control over the use of identified assets for a specified period of time, and except for when the Group has elected to apply the standard's expedients as aforesaid, according to the present value of the future lease payments discounted at the incremental borrowing rate of the lessee at that date, and concurrently recognizing a right-of-use asset at the same amount of the liability, adjusted for any prepaid or accrued lease payments that were recognized as an asset or liability before the date of initial application. Therefore, application of IFRS 16 is not expected to have an effect on the balance of retained earnings at the date of initial application. These changes are expected to result in an increase of \$ 1,891 thousand in the balance of right-of-use assets at the date of initial application and an increase of \$ 2,192 thousand in the balance of the lease liability at the date of initial application. Accordingly, depreciation and amortization expenses will be recognized in subsequent periods in respect of the right-of-use asset, and the need for recognizing impairment of the right-of-use asset will be examined in accordance with IAS 36. Furthermore, financing expenses will be recognized in respect of the lease liability. Therefore, as from the date of initial application and in subsequent periods, depreciation expenses and financing expenses will be recognized instead of lease expenses relating to assets leased under an operating lease, which were presented as part of the general and administrative expenses item in the income statement.

In addition, the nominal discount rates used for measuring the lease liability are in the range of 11.2% to 39.16%. This range is affected by differences in the length of the lease term, differences between the various groups of assets, different discount rates of Group companies, and so forth.

Quantitative effect:

The table below presents the expected effect of the standard's application on the relevant items of the statement of financial position as at December 31, 2018:

	According to IAS 17	The change	According to IFRS 16
	USD	USD	USD
	thousands	thousands	thousands
Right-of-use asset	-	1,891	1,891
Other payables	(57)	57	-
Liability in respect to IFRS 16	-	(2,192)	(2,192)
Other long-term liabilities	(244)	244	-

Nano Dimension Ltd.
Notes to the Consolidated Financial Statements

Note 3.A – Cash

	December 31,	
	2017	2018
	Thousand USD	Thousand USD
Bank accounts- dominated in NIS	237	583
Bank accounts- dominated in USD	5,865	3,167
Bank accounts- other	1	3
	<u>6,103</u>	<u>3,753</u>

Note 3.B – Restricted deposits

1. The Group has restricted deposits for its credit cards in an amount of \$ 21,000. The deposits are not linked and bear an annual interest rate of 0.01%-0.05%.
2. The Group has a restricted deposit in the amount of \$ 347,000 for the lease of its offices and labs. The deposit is not linked and bears an annual interest rate of 0.01%. The Group expect to lease its offices and labs for a period of more than a year, thus the restricted deposit was classified as a non-current asset.

Note 4.A – Trade receivables

	December 31,	
	2017	2018
	Thousand USD	Thousand USD
Open balances	81	1,233
Income receivables	13	80
	<u>94</u>	<u>1,313</u>

Note 4.B – Other receivables

	December 31,	
	2017	2018
	Thousand USD	Thousand USD
Government authorities	345	354
Prepaid expenses	228	205
Others	10	11
	<u>583</u>	<u>570</u>

Nano Dimension Ltd.
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Note 5 – Inventory

	December 31,	
	2017	2018
	Thousand USD	Thousand USD
Raw and auxiliary materials, and consumables	1,587	1,863
Work in progress	291	342
Finished goods	458	911
	<u>2,336</u>	<u>3,116</u>

Note 6 – Property plant and equipment, net

During 2018 the Group derecognized fixed assets in the amount of \$ 1,044 thousand, that have been fully depreciated and are no longer used by the Group.

	Machinery and equipment	Computers	Office furniture and equipment	Leasehold improvements	Printers leased to clients	Raw Materials (*)	Total
	Thousand USD	Thousand USD	Thousand USD	Thousand USD	Thousand USD	Thousand USD	Thousand USD
<u>Cost</u>							
As of January 1, 2017	922	350	135	269	383	427	2,486
Additions	1,854	70	8	1,407	283	-	3,622
Reclassification	700	-	14	-	(287)	(427)	-
Disposals	(49)	(4)	(6)	-	(78)	-	(137)
As of December 31, 2017	<u>3,427</u>	<u>416</u>	<u>151</u>	<u>1,676</u>	<u>301</u>	<u>-</u>	<u>5,971</u>
Additions	1,551	61	7	43	90	-	1,752
Disposals	(846)	(6)	-	-	(192)	-	(1,044)
As of December 31, 2018	<u>4,132</u>	<u>471</u>	<u>158</u>	<u>1,719</u>	<u>199</u>	<u>-</u>	<u>6,679</u>
<u>Depreciation accrued</u>							
As of January 1, 2017	86	129	10	22	14	-	261
Additions	314	130	13	54	78	-	589
Reclassification	10	1	1	-	(12)	-	-
Disposals	(6)	(4)	(1)	-	(40)	-	(51)
As of December 31, 2017	<u>404</u>	<u>256</u>	<u>23</u>	<u>76</u>	<u>40</u>	<u>-</u>	<u>799</u>
Additions	855	112	14	162	43	-	1,186
Disposals	(467)	(3)	-	-	(36)	-	(506)
As of December 31, 2018	<u>792</u>	<u>365</u>	<u>37</u>	<u>238</u>	<u>47</u>	<u>-</u>	<u>1,479</u>
<u>Carrying amount</u>							
As of December 31, 2018	<u>3,340</u>	<u>106</u>	<u>121</u>	<u>1,481</u>	<u>152</u>	<u>-</u>	<u>5,200</u>
As of December 31, 2017	<u>3,023</u>	<u>160</u>	<u>128</u>	<u>1,600</u>	<u>261</u>	<u>-</u>	<u>5,172</u>

(*) During the year ended December 31, 2016, the Group acquired raw materials for the building of its 3D printers, with the intention of leasing those printers to clients as a part of the Company's beta plan. In 2017 the Company utilized the raw materials.

During the year ended December 31, 2018, the Group acquired property plant and equipment on credit in the amount of \$ 9,000 (During the year ended December 31, 2017: \$ 241,000).

Nano Dimension Ltd.
Notes to the Consolidated Financial Statements

Note 7 – Intangible assets

Intangible assets include development costs that were capitalized. The expenditure capitalized in respect of development activities includes the cost of materials, direct labor and overhead costs that are directly attributable to preparing the asset for its intended use. See also note 2.M.

	December 31,	
	2017	2018
	Thousand USD	Thousand USD
Balance as of January 1	7,498	6,755
Amortization	(743)	(772)
Balance as of December 31	<u>6,755</u>	<u>5,983</u>

Note 8 – Subsidiaries

Presented hereunder is a list of the Group's material subsidiaries:

Name of company	Principal location of the company's activity	The Group's ownership interest in the subsidiary for the year ended December 31	
		2017	2018
		%	%
Nano Dimension Technologies Ltd.	Israel	100%	100%
Nano Dimension IP Ltd. (*)	Israel	NA	100%
Nano Dimension USA Inc.	USA	100%	100%
Nano Dimension (HK) Limited (*)	Asia-Pacific	NA	100%

(*) Nano Dimension IP Ltd. and Nano Dimension (HK) Limited were incorporated by the Company in 2018 and had no material activity during 2018.

Note 9 – Other payables

	December 31,	
	2017	2018
	Thousand USD	Thousand USD
Accrued expenses	172	252
contract liabilities	76	355
Current portion of other long-term liability	59	57
Employees and related liabilities	672	665
Government authorities	338	272
Current maturities in respect of government grants	339	550
Others	27	27
	<u>1,683</u>	<u>2,178</u>

Nano Dimension Ltd.
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Note 10 – Liability in respect of government grants

	2017	2018
	Thousand USD	Thousand USD
Balance as of January 1	883	1,171
Amounts received during the year	551	121
Payment of Royalties	(10)	(70)
Amounts recognized as an offset from research and development expenses	(162)	(42)
Revaluation of the liability	(91)	265
Balance as of December 31	1,171	1,445
Current maturities in respect of government grants	339	550
Long term liability in respect of government grants	833	895

On September 30, 2014, Nano-Technologies received an approval from the Innovation Authority, to finance a development project in a scope of up to \$ 1,001,000, while the Innovation Authority share of financing the aforesaid amount would be up to 50%. In consideration, Nano-Technologies undertook to pay the Innovation Authority royalties in the rate of 3% of the future sales up to the amount of the grants received. On the date on which the grants were received, the Group recognized a liability using a discount rate of 30%,

On December 22, 2015, Nano- Technologies received an approval from the Innovation Authority to support its development of a 3D PCB printer. The approved budget is up to \$ 1,128,000, and the contribution by the Innovation Authority to the research and development budget is 50% of expenditures. On the date on which the grants were received, the Group recognized a liability using a discount rate of 19.5%.

In February 2017, Nano- Technologies received an approval from the Innovation Authority to support the development of 3D printing of advanced ceramic materials with inkjet technology. The approved budget is up to \$ 372,000, and the contribution by the Innovation Authority to the research and development budget is 50% of expenditures. On the date on which the grants were received, the Group recognized a liability using a discount rate of 19%.

In May 2017, Nano- Technologies received an approval from the Innovation Authority to support its development of a 3D PCB printer. The approved budget is up to \$ 1,445,000, and the contribution by the Innovation Authority to the research and development budget is 30% of expenditures. On the date on which the grants were received, the Group recognized a liability using a discount rate of 19%.

In June 2017, Nano- Technologies received an approval from the Innovation Authority to support its Project with Harris Corporation and Space Florida, Florida's aerospace economic development agency. The approved budget is up to \$ 87,000, and the contribution by the Innovation Authority to the research and development budget is 50% of expenditures. The project schedule was postponed and started on May 2018. On the date on which the grants were received, the Group recognized a liability using a discount rate of 19%.

Note 11 – Other Long-term Liabilities

Other long-term liabilities represent cash and property, plant and equipment items received in respect of lease of additional office space.

Nano Dimension Ltd.
Notes to the Consolidated Financial Statements

Note 12 – Commitments and contingent liabilities

Commitments

The Group leases its headquarters, manufacturing and research and development facility and cars under long-term non-cancelable operating leases, certain of which provide for renewal options.

Rental fees and maintenance expenses for the year 2018 were approximately \$1,062,000 (2017: \$990,000 2016: \$408,000).

Future minimum lease payments for all existing long-term, non-cancelable operating leases, as well as purchase orders and other contractual obligations as of December 31, 2018 are as follows:

	Thousand USD
2019	3,368
2020	622
2021	488
2022 and thereafter	1,073
Total	<u>5,551</u>

Note 13 – Equity

A. The Company's share capital (in thousands of Ordinary Shares)

	Ordinary Shares	
	2017	2018
Issued and paid-up share capital as at December 31	<u>62,511</u>	<u>97,099</u>
Authorized share capital	<u>200,000</u>	<u>200,000</u>

B. Transactions with issued and paid up share capital

On May 18, 2014, the Company engaged with Nano-Technologies and its shareholders in a contingent agreement for a private placement (the "Agreement"), such that after the completion of the transaction, the Company will hold all of the issued and paid up capital of Nano-Technologies, and the shareholders of Nano-Technologies (the "Offerees") will be related parties in the Company and will appoint directors on their behalf (the "Transaction" or the "Merger Transaction"). The completion of the Transaction was contingent upon the fulfillment of completion of raising capital in a total amount of \$1,500,000 that will be raised from investors in consideration of the allocation of shares ("Capital Raising"). On the date of the completion of the Transaction, and subject to the completion of the Capital Raising as stated, and subject to the fulfillment of the conditions precedent set forth in the Agreement, the Offerees will transfer to the Company all of their holdings in the shares of Nano-Technologies, constituting all of the issued and paid up capital, and in consideration the Company will allocate to Offerees 6,931,303 Ordinary Shares, which constituted, after their allocation, and after the allocation of the Capital Raising shares, holdings at a rate of approximately 37.38% of the issued and paid up share capital of the Company and 4,322,329 non-tradable warrants that are exercisable into 4,322,329 Ordinary Shares, at an exercise price of \$ 0.25 per share, provided that the Group meets the milestones set forth in the Agreement. As part of the Company's engagement in the Merger Transaction, the Company engaged on July 3, 2014 in a private placement agreement, whereby in consideration for a total of approximately \$ 750,000, the Company allocated 2,967,938 Ordinary Shares. In addition, the Company engaged in agreements with additional investors whereby in consideration for a total of approximately \$ 398,000, the Company will allocate to investors 1,592,143 Ordinary Shares and it was determined that as a part of raising the capital, the Company would allocate to Related Parties therein 1,375,794 Ordinary Shares in consideration for a total of approximately \$ 344,000.

Note 13 – Equity (Continued)

B. Transactions with issued and paid up share capital (Continued)

On August 17, 2014, the Company's shareholders approved the Merger Transaction, including the allocation of shares and non-tradable warrants to Offerees, and the allocation of shares to Investors and related parties. On August 25, 2014, the Merger Transaction, including the Capital Raising as stated was completed, and therefore, as of this date, the Company holds all of the issued and paid up capital of Nano-Technologies. This transaction was accounted for by analogy to a reverse acquisition, with the financial statements prepared as a continuation of Nano-Technologies' financial statements, while the equity was adjusted to reflect retroactively the legal share capital of the Company.

During 2015, the Company completed several rounds of fund raising, in which the Company issued to investors and related parties of the Company a total of 14,974,798 Ordinary Shares, and 6,406,273 non-tradable warrants, which are exercisable into 6,406,273 Ordinary Shares, according to the exercise terms determined. In addition, in some of the raises, the Company has undertaken vis-à-vis the investors a price adjustment mechanism. The aggregated consideration (gross) received from the funding rounds in 2015 amounted to a total of \$ 15,674,000. The aggregated consideration (net) received from the funding rounds in 2015 amounted to a total of \$ 14,555,000. From the net issuance consideration, a total of approximately \$ 377,000 was attributed to the fair value of a financial derivative (adjustment mechanism). The remainder of the issuance consideration was attributed to equity instruments (shares and warrants), based on their relative fair value near the issuance date. Accordingly, a total of \$ 12,988,000 was attributed to Ordinary Shares and a total of \$ 1,188,000 was attributed to warrants.

On September 29, 2016, the Company issued, pursuant to a public offering in the U.S., an aggregate of 9,250,000 Ordinary Shares. On October 11, 2016, the underwriters exercised their option to purchase an additional 1,376,375 Ordinary Shares, bringing the total gross proceeds from the offering to approximately \$ 13,800,000, before deducting underwriting discounts and commissions and other offering-related expenses. The total (net) consideration was approximately \$ 12,328,000.

On May 17, 2017, the Company announced that it signed a private placement agreement with Ayalim Trust Funds, an Israeli institutional investor. As a part of this transaction, the Company issued an aggregate of 3,430,000 Ordinary Shares at a price per share of \$ 1.17. The total (gross) consideration to the Company was approximately \$ 4,000,000. On June 1, 2017, the Company announced that it signed private placement agreements with Israeli and other non-U.S. investors. As a part of these transactions, the Company issued an aggregate of 4,044,050 Ordinary Shares at a price per share of \$ 1.17. The total (gross) consideration to the Company was approximately \$4,700,000. On June 14, 2017, the Company announced that it signed private placement agreements with several Israeli investors. As a part of these transactions, the Company issued an aggregate of 4,078,759 Ordinary Shares at a price per share of \$ 1.17. The total (gross) consideration to the Company was approximately \$4,800,000.

The total (net) consideration to the Company for the abovementioned placements was approximately \$12,420,000.

On February 19, 2018, the Company issued, pursuant to a public offering in the U.S., an aggregate of 30,000,000 Ordinary Shares (6,000,000 ADSs). Also, on February 28, 2018, the underwriters exercised their option to purchase an additional 4,500,000 Ordinary Shares (900,000 ADSs), bringing the total gross proceeds from the offering to approximately \$13,800,000, before deducting underwriting discounts and commissions and other offering-related expenses. The total (net) consideration was approximately \$12,471,000.

See also note 22 regarding a public offering after the reporting date.

Nano Dimension Ltd.
Notes to the Consolidated Financial Statements

Note 13 – Equity (Continued)

C. Treasury shares

As of December 31, 2018, the Company held 527,032 Ordinary Shares, constituting approximately 0.54% of its issued and paid up share capital.

Note 14 – Revenues

	For the year ended December 31		
	2016	2017	2018
	Thousand USD	Thousand USD	Thousand USD
Consumables	15	185	190
Support services (*)	-	-	400
Sales of printers (*)	-	276	4,320
Total	15	461	4,910
Printers rental	31	368	190
Total revenue	46	829	5,100

(*) The Company's identified separated distinct performance obligations that includes: Printer, maintenance, training and installation. The Company allocates the transaction price to the identified performance obligations based on the residual approach, while allocating the estimated standalone selling prices for performance obligations relating to maintenance, training and installation services, and the residual is allocated to the printer.

Revenues allocated to the printers and ink are recognized when the control is passed at a point in time. Maintenance revenue is recognized ratably, on a straight-line basis, over the period of the services. Revenue from training and installation is recognized during the time of performance.

Revenues per geographical locations:

	For the year ended December 31,		
	2016	2017	2018
	Thousands USD	Thousands USD	Thousands USD
USA	21	481	2,727
Asia Pacific	-	156	1,239
Europe and Israel(*)	25	192	1,134
Total revenue	46	829	5,100

(*) The Company combined all consumables revenues into the Europe and Israel geography, due to immateriality of the amounts.

Timing of revenue recognition:

	For the year ended December 31,		
	2016	2017	2018
	Thousands USD	Thousands USD	Thousands USD
Goods and services transferred over time	31	368	590
Goods transferred at a point in time	15	461	4,510
Total revenue	46	829	5,100

Nano Dimension Ltd.
Notes to the Consolidated Financial Statements

Note 14 – Revenues (Continued)

The table below provides information regarding receivables, contract assets and contract liabilities deriving from contracts with customers.

	December 31,	
	2017	2018
	Thousand USD	Thousand USD
Open balances	81	1,233
Income receivables	13	80
Contract liabilities	76	355

The contract liabilities primarily relate to the advance consideration received from customers for contracts giving yearly warranty and maintenance for the printer. The revenue is recognized in a straight line basis over the contracts period.

Contract costs

Management expects that commissions paid to agents for obtaining contracts are recoverable. The Group applies the expedient included in IFRS 15.94 and recognizes incremental costs for obtaining the contract as an expense as incurred, where the amortization period of the asset it would have otherwise recognized is one year or less.

Note 15 – Cost of revenues

	For the year ended December 31		
	2016	2017	2018
	Thousand USD	Thousand USD	Thousand USD
According to sources of revenue -			
Consumables	6	62	195
Support services	-	-	541
Sales of printers	-	228	2,800
Printers rental	13	119	58
Total	19	409	3,594

Nano Dimension Ltd.
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Note 16 – Further detail of profit or loss

	For the year ended December 31		
	2016	2017	2018
	Thousand USD	Thousand USD	Thousand USD
A. Research and development expenses, net			
Payroll	5,621	7,419	4,890
Materials	1,593	1,844	1,065
Subcontractors	307	151	70
Patent registration	34	57	70
Depreciation	178	442	880
Rental fees and maintenance	387	824	908
Other	379	244	782
	8,499	10,981	8,665
Less – Development expenditure capitalized as intangible and tangible assets	(4,237)	-	-
Less – government grants	(219)	(162)	(42)
	4,043	10,819	8,623
B. Sales and marketing expenses			
Payroll	748	1,497	2,226
Marketing and advertising	192	383	1,381
Rental fees and maintenance	21	59	64
Travel abroad	45	234	201
Depreciation	-	10	186
Other	-	-	201
	1,006	2,183	4,259
C. General and administrative expenses			
Payroll	822	762	996
Fees	45	68	32
Professional services	1,610	1,460	1,114
Directors pay	742	493	306
Office expenses	232	282	311
Travel abroad	148	86	45
Rental fees and maintenance	-	84	91
Other	219	128	107
	3,818	3,363	3,002
D. Finance income			
Exchange rate differences	181	-	-
Revaluation of liability in respect of government grants	-	102	-
Bank interest and fees	-	-	54
	181	102	54
Finance expense			
Exchange rate differences	-	889	127
Bank fees	29	28	-
Revaluation of liability in respect of government grants	114	-	265
	143	917	392

Note 17 – Taxes on income

A. Corporate tax rate

Presented hereunder are the tax rates relevant to the Company in the years 2016-2018:

2016 – 25%
2017 – 24%
2018 – 23%

On January 4, 2016 the Knesset plenum passed the Law for the Amendment of the Income Tax Ordinance (Amendment 216) - 2016, by which, inter alia, the corporate tax rate would be reduced by 1.5% to a rate of 25% as from January 1, 2016.

Furthermore, on December 22, 2016 the Knesset plenum passed the Economic Efficiency Law (Legislative Amendments for Achieving Budget Objectives in the Years 2017 and 2018) – 2016, by which, inter alia, the corporate tax rate would be reduced from 25% to 23% in two steps. The first step will be to a rate of 24% as of January 2017 and the second step will be to a rate of 23% as of January 2018.

These changes had no impact on the financial statements.

B. Benefits under the Law for the Encouragement of Industry (Taxes)

- (a) The Company and some of its subsidiaries qualify as “Industrial Companies” as defined in the Law for the Encouragement of Industry (Taxes) – 1969 and accordingly they are entitled to benefits, of which the most significant one is the possibility of submitting consolidated tax returns by companies in the same line of business.
- (b) The Company and certain subsidiaries are planning to submit a consolidated tax return to the Tax Authorities in accordance with the Law for the Encouragement of Industry (Taxes) – 1969. As a result, the companies are, inter alia, entitled to offset their losses from the taxable income of other companies, subject to compliance with certain conditions.

C. Theoretical tax

The following presents the adjustment between the theoretical tax amount and the tax amount included in the financial statements:

	For the year ended December 31,		
	2016	2017	2018
	Thousand USD	Thousand USD	Thousand USD
Loss before taxes on income	(8,976)	(17,503)	(15,488)
Statutory tax rate	25%	24%	23%
Theoretical tax benefit	(2,244)	(4,201)	(3,562)
Increase in tax liability due to:			
Unrecognized expenses	638	629	280
Losses and benefits for tax purposes for which no deferred taxes were recorded	1,606	3,572	3,282
Taxes on income	-	-	-

D. Tax assessments

The Company has final tax assessments until and including the 2013 tax year.

E. Accumulated losses for tax purposes and other deductible temporary differences

As of the reporting date, the Group has net operating loss for tax purposes in the amount of approximately \$ 40,000,000. The Israeli tax authorities may not permit the off-set of the accumulated losses that were incurred before the merger of the Company, in an amount of approximately \$ 6,010,000. (see Note 13.B).

As of December 31, 2018, the Group has deductible temporary differences in the amount of approximately \$ 2,169,000, mainly relating to R&D expenses which are deductible over a period of three years for tax purpose.

The Group has not recognized a tax asset for the aforesaid losses and deductible temporary differences, due to the uncertainty regarding the ability to utilize those losses and deductible of temporary differences in the future.

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Note 18 – Loss per share

	For the year ended December 31		
	2016	2017	2018
Weighted average of number of Ordinary Shares used in the calculation of the basic and diluted loss per share (in thousands)	40,760	56,540	91,799
Net loss used in calculation (thousand USD)	8,976	17,503	15,488

On December 31, 2018, 8,517,047 options and warrants (in 2017: 8,697,362, and 2016: 13,415,764) were excluded from the diluted weighted average number of Ordinary Shares calculation as their effect would have been anti-dilutive.

Weighted average number of ordinary shares:

	Year ended December 31		
	2016	2017	2018
	Thousands of shares of NIS 0.1 par value	Thousands of shares of NIS 0.1 par value	Thousands of shares of NIS 0.1 par value
Balance as at January 1	33,794	49,616	61,984
Effect of share options exercised	4,300	303	70
Effect of shares issued during the year	2,666	6,621	29,745
Weighted average number of ordinary shares used to calculate basic earnings (loss) per share as at December 31	40,760	56,540	91,799

Note 19 – Share-based payments

- A. During 2015, the Company's board of directors approved grants of an aggregated amount of 2,800,140 non-tradable share options to employees, officers, and consultants of the Company, which are exercisable into 2,800,140 Ordinary Shares. The exercise price of the options is between \$ 0.42 and \$ 2.30 for each share option. Some of the options include a cashless exercise mechanism.

On November 16, 2016, the Company granted to employees of the Company 976,500 share options (non-tradable), which are exercisable into 976,500 Ordinary Shares. One third of the share options will vest after one year from commencement of employment, and the remaining will vest in eight equal quarterly batches over a period of two years. The share options will be exercisable during the earlier of a period of four years from the vesting date, or 90 days from the end of employment date, in consideration for an exercise price of \$ 0.43 for each share option. The options include a cashless exercise mechanism.

On November 29, 2016, the Company issued non-tradable options to purchase 200,000 Ordinary Shares to four advisors (divided equally among them) at an exercise price of \$ 1.95 per share. Such options vest quarterly over one year and expire 3 years from the grant date.

Note 19 – Share-based payment (Continued)

On January 17, 2017, the Company issued 75,000 restricted Ordinary Shares (15,000 ADSs) and non-tradable options to purchase 75,000 Ordinary Shares (15,000 ADSs), to a service provider at an exercise price of \$ 10.00 per ADS. The options are exercisable immediately and will expire 18 months from the grant date. The options include a cashless exercise mechanism.

On March 21, 2017, the Company issued 25,000 restricted Ordinary Shares (5,000 ADSs) to a service provider.

On May 10, 2017, the Company issued 25,000 restricted Ordinary Shares (5,000 ADSs) to a service provider.

On May 24, 2017, the Company granted to employees of the Company 1,107,334 share options (non-tradable), which are exercisable into 1,107,334 Ordinary Shares. One third of the share options will vest after one year from commencement of employment, and the remaining will vest in eight equal quarterly batches over a period of two years. The share options will be exercisable during the earlier of a period of four years from the vesting date, or 90 days from the end of employment date, in consideration for an exercise price of \$ 0.46 for each share option. The options include a cashless exercise mechanism.

On November 20, 2017, the Company granted to employees and officer of the Company 710,000 share options (non-tradable), which are exercisable into 710,000 Ordinary Shares. For 460,000 options- One third of the share options will vest after one year from commencement of employment, and the remaining will vest in eight equal quarterly batches over a period of two years. For the remaining 250,000 options- the options will vest on a quarterly basis over a period of three years. The share options will be exercisable during the earlier of a period of four years from the vesting date, or 90 days from the end of employment date. The exercise price for 460,000 options is \$ 0.98 for each share option, and for the remaining 250,000 options- the exercise price is \$ 1.56 for each share option. The options include a cashless exercise mechanism.

In January 2018, the Company issued options (non-tradable) to purchase 525,000 Ordinary Shares to officers of the Company at an exercise price of \$ 1.59 per share. The share options will vest in 12 equal quarterly batches over a period of three years. The share options will be exercisable during the earlier of a period of four years from the vesting date, or 90 days from the end of employment date. The options include a cashless exercise mechanism.

In March 2018, the Company issued options (non-tradable) to purchase 30,000 Ordinary Shares to employee of the Company at an exercise price of \$ 0.43 per share. One third of the share options will vest after one year from commencement of employment, and the remaining will vest in eight equal quarterly batches over a period of two years. The share options will be exercisable during the earlier of a period of four years from the vesting date, or 90 days from the end of employment date.

In May 2018, the Company issued options (non-tradable) to purchase 653,000 Ordinary Shares to employees and consultant of the Company. 305,000 options are at an exercise price of \$ 0.28 per share and 348,000 options are at an exercise price of \$ 0.31 per share. For 603,00 options- One third of the share options will vest after one year from commencement of employment, and the remaining will vest in eight equal quarterly batches over a period of two years. The remaining 50,000 options will vest in four equal quarterly batches over a period of one year. The share options will be exercisable during the earlier of a period of four years from the vesting date, or 90 days from the end of employment date. 298,000 options include a cashless exercise mechanism.

In August 2018, the Company issued options (non-tradable) to purchase 463,000 Ordinary Shares to employees of the Company. 313,000 options are at an exercise price of \$ 0.42 per share and 150,000 options are at an exercise price of \$ 0.41 per share. One third of the share options will vest after one year from commencement of employment, and the remaining will vest in eight equal quarterly batches over a period of two years. The share options will be exercisable during the earlier of a period of four years from the vesting date, or 90 days from the end of employment date. 313,000 options include a cashless exercise mechanism.

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Note 19 – Share-based payment (Continued)

In November 2018, the Company issued options (non-tradable) to purchase 981,500 Ordinary Shares to employees and consultant of the Company. 897,500 options are at an exercise price of \$ 0.38 per share and 84,000 options are at an exercise price of \$ 0.41 per share. One third of the share options will vest after one year from commencement of employment, and the remaining will vest in eight equal quarterly batches over a period of two years. The share options will be exercisable during the earlier of a period of four years from the vesting date, or 90 days from the end of employment date. 837,500 options include a cashless exercise mechanism.

- B. During 2015, the Company's shareholders approved grants of an aggregated amount of 3,340,878 non-tradable share options to directors (including the chairman of the board), which are exercisable into 3,340,878 Ordinary Shares. The exercise price of the options is between \$ 0.44 and \$ 2.30 for each share option. The options include a cashless exercise mechanism.

On April 19, 2017, the Company's shareholders approved a grant of 275,000 share options (non-tradable) to a director, which are exercisable into 275,000 Ordinary Shares. The share options will vest in 12 equal quarterly batches over a period of three years, starting from April 20, 2017, and be exercisable during a period of five years from the grant date, in consideration for an exercise price of \$ 1.77 for each share option. The options include a cashless exercise mechanism.

In January 2018, the Company issued options (non-tradable) to purchase 300,000 Ordinary Shares to officers of the Company at an exercise price of \$ 1.59 per share. The share options will vest in 12 equal quarterly batches over a period of three years. The share options will be exercisable during the earlier of a period of four years from the vesting date, or 90 days from the end of employment date. 275,000 of the options include a cashless exercise mechanism.

- C. On April 2, 2015, the Company's board of directors approved a grant of 559,097 non-tradable share options to Yisum. 223,697 of those share options are currently outstanding and exercisable.
- D. The fair value of share options is measured using the Black-Scholes formula or Binomial pricing model. Measurement inputs include the share price on the measurement date, the exercise price of the instrument, expected volatility (based on the weighted average volatility of the Company's shares, over the expected term of the options), expected term of the options (based on general option holder behavior and expected share price), expected dividends, and the risk-free interest rate (based on government debentures).

The following is the data used in determining the fair value of the share options:

	19.A- Consultants and Employees	19.B- Directors	19.C- Yisum
Number of share options granted	8,396,222	3,545,000	559,097
Fair value in the grant date (thousand USD)	5,185	3,170	742
Range of share price (USD)	0.28 – 1.80	0.63 – 1.89	1.84
Range of exercise price (USD)	0.28 – 2.30	1.44 – 1.84	0.71
Range of expected share price volatility	40.3%-65.06%	53.75%-61.27%	57.26%
Range of estimated life (years)	1.5 – 9.01	4 – 5	5
Range of weighted average of risk-free interest rate	0.56%-1.98%	0.88%-1.32%	1.15%
Expected dividend yield	-	-	-
Outstanding as of December 31, 2018	5,647,175	2,070,000	223,697
Exercisable as of December 31, 2018	2,476,800	1,913,750	223,697

Nano Dimension Ltd.
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Note 19 – Share-based payment (Continued)

E. The number of share options granted to employees and consultants, and included in Note 19.A are as follows:

	2017	2018
Outstanding at January 1	3,799,892	4,609,634
Granted during the year	1,892,334	2,652,500
Exercised during the year	(348,314)	(590,292)
Forfeited during the year	(734,278)	(1,024,667)
Outstanding at December 31	4,609,634	5,647,175
Exercisable as of December 31	2,345,351	2,476,800

The number of share options granted to directors and included in Note 19.B are as follows:

	2017	2018
Outstanding at January 1	3,340,878	3,145,001
Granted during the year	275,000	300,000
Exercised during the year	(370,878)	-
Forfeited during the year	(99,999)	(1,375,001)
Outstanding at December 31	3,145,001	2,070,000
Exercisable as of December 31	2,176,672	1,913,750

F. The share based payments expenses in 2018 were \$ 403,000 (in 2017: \$ 1,755,000).

Expenses for share based payments in 2018 include expenses in an amount of approximately \$ 12,000 that were capitalized to property, plant and equipment and expenses in an amount of approximately \$ 9,000 that were capitalized to inventory.

Expenses for share based payments in 2017 include expenses in an amount of approximately \$ 14,000 that were capitalized to property, plant and equipment and expenses in an amount of approximately \$ 20,000 that were capitalized to inventory.

Nano Dimension Ltd.
Notes to the Consolidated Financial Statements

Note 20 – Financial instruments

A. Risk management policy

The actions of the Group expose it to various financial risks, such as a market risk (including a currency risk, fair value risk regarding interest rate and price risk), credit risk, liquidity risk and cash flow risk for the interest rate. The comprehensive risk-management policy of the Group focuses on actions to limit the potential negative impacts on financial performance of the Group to a minimum. The Group does not typically use derivative financial instruments in order to hedge exposures. Risk management is performed by the Group's Chief Executive Officer in accordance with the policy approved by the board of directors.

B. Credit risk

The Group does not have a significant concentration of credit risks.

The cash of the Group are deposited in Israeli and U.S. banking corporations. In the estimation of the Group's management, the credit risk for these financial instruments is low.

In the estimation of the Group's management, it does not have any expected credit losses.

C. Currency risk

A currency risk is the risk of fluctuations in a financial instrument, as a result of changes in the exchange rate of the foreign currency.

The following is the classification and linkage terms of the financial instruments of the Group (in thousand USD):

	NIS	Linked to the US dollar	Linked to the EURO and Other	Total
<u>December 31, 2018</u>				
Cash	583	3,169	1	3,753
Restricted deposits	347	21	-	368
Trade receivables	-	1,079	234	1,313
Other receivables	10	205	-	215
	<u>940</u>	<u>4,474</u>	<u>235</u>	<u>5,649</u>
Financial liabilities at amortized cost	<u>2,850</u>	<u>1,880</u>	<u>1</u>	<u>4,731</u>
Total net financial assets (liabilities)	<u>(1,910)</u>	<u>2,594</u>	<u>234</u>	<u>918</u>
<u>December 31, 2017</u>				
Cash	237	5,865	1	6,103
Restricted deposits	433	20	-	453
Trade receivables	-	21	73	94
Other receivables	238	-	-	238
	<u>908</u>	<u>5,906</u>	<u>74</u>	<u>6,888</u>
Financial liabilities at amortized cost	<u>2,001</u>	<u>1,329</u>	<u>-</u>	<u>3,330</u>
Total net financial assets (liabilities)	<u>(1,093)</u>	<u>4,577</u>	<u>74</u>	<u>3,558</u>

The following is a sensitivity analysis of changes in the exchange rate of the NIS as of the reporting date:

Nano Dimension Ltd.
Notes to the Consolidated Financial Statements

Note 20 – Financial instruments (Continued)

C. Currency risk (Continued)

	Profit (loss) from the change Thousand USD
Increase at a rate of 5%	(95)
Increase at a rate of 10%	(191)
Decrease at a rate of 5%	95
Decrease at a rate of 10%	191

D. Fair value of financial instruments

The fair value of the financial instruments of the Group is similar or equal to their book value.

E. Liquidity risk

The table below presents the repayment dates of the Group's financial liabilities based on the contractual terms in undiscounted amounts:

	First year	More than a year or undetermined	Total
<u>December 31, 2018</u>			
Trade payables	1,414	-	1,414
Other payables	2,150	28	2,178
Other long-term liabilities		244	244
Liability in respect of government grants	-	895	895
	<u>3,564</u>	<u>1,167</u>	<u>4,731</u>
<u>December 31, 2017</u>			
Trade payables	512	-	512
Other payables	1,655	28	1,683
Other long-term liabilities	-	302	302
Liability in respect of government grants	-	833	833
	<u>2,167</u>	<u>1,163</u>	<u>3,330</u>

Note 21 – Transactions and Balances with related parties

A. Balances with related parties

	December 31,	December 31,
	2017	2018
	Thousands	Thousands
	USD	USD
Other payables	<u>115</u>	<u>74</u>

Nano Dimension Ltd.
Notes to the Consolidated Financial Statements

Note 21 – Transactions and Balances with related parties (Continued)

B. Shareholders and other related parties benefits

	Year ended on December 31,		
	2016	2017	2018
	Thousand USD	Thousand USD	Thousand USD
Salaries and related expenses- related parties employed by the Group	1,501	1,138	829
Number of related parties	5	5	4
Compensation for directors not employed by the Group	739	494	311
Number of directors	8	9	7

C. During, 2015, the Company's shareholders approved a private placement of 285,715 Ordinary Shares to related parties.

In addition, during 2015, the Company's shareholders approved the terms of employment of the four founders of the Company and the Chairman of the board of directors, as well as grant of 2,360,000 stock options (non-tradable) to several directors, which were exercisable into 2,360,000 Ordinary Shares.

On December 2015, the Company's shareholders approved an amendment to the notice period for termination of the four founders of the Company, to a period of six months, as well as a corresponding amendment to the Company's compensation policy for office holders.

The Company's shareholders also approved to grant a director, 250,000 stock options (non-tradable), which are exercisable into 250,000 Ordinary Shares, at an exercise price of \$ 2.33 per share. On April 19, 2017, the Company's shareholders approved the reduction of exercise price to \$ 1.84 per share.

D. On January 27, 2016, pursuant to an exercise of 3,746,161 warrants by Mr. Amit Dror, who serves as Chief Executive Officer of the Company, Mr. Dagi Ben-Noon, who served as Chief Operating Officer, Mr. Simon Anthony-Fried, who serves as Chief Marketing Officer, and Mr. Sharon Fima, who served as Chief Technology Officer, and in consideration of approximately \$ 816 thousands, the Company issued 3,746,161 Ordinary Shares.

E. On April 19, 2017, the Company's shareholders approved the immediate acceleration of the unvested options granted to Yoel Yogev and Zvika Yemini in 2015, and that their options shall remain exercisable for an extended period of time until November 2020, subject to their resignation from the Company's board of directors.

F. On April 19, 2017, the Company's shareholders approved to grant Avi Reichental, a director, 275,000 stock options (non-tradable), which are exercisable into 275,000 Ordinary Shares, at an exercise price of \$ 1.77 per share.

On January 1, 2018, the Company's shareholders approved to grant Itzhak Shrem, a director, 275,000 stock options (non-tradable), which are exercisable into 275,000 Ordinary Shares, at an exercise price of \$ 1.59 per share and 25,000 stock options (non-tradable), which are exercisable into 25,000 Ordinary Shares to Avi Reichental, the Chairman of the board of directors, at similar exercise price.

Nano Dimension Ltd.
Notes to the Consolidated Financial Statements

Note 21 – Transactions and Balances with related parties (Continued)

- G. On November 20, 2017, the board of directors of the Company approved a non-exceptional transactions in which Mr. Avi Reichental, a director of the Company, has a personal interest, for an open innovation and show room agreements between Nano Dimension USA Inc. and XponentialWorks Inc. and Techniplas, LLC, whereby the Company will lease space and use sales and marketing services in favor of the customer experience center in Ventura, as well as establish a cooperation in the field of car electronics starting on December 1, 2017.

Note 22 – Events after the reporting date

- A. After the reporting period, in February 2019, the Company issued, pursuant to a public offering in the U.S., an aggregate of 80,000,000 Ordinary Shares (16,000,000 ADSs), 80,000,000 non-tradable warrants (exercisable into 80,000,000 Ordinary Shares) and 60,000,000 non-tradable rights to purchase (exercisable into 60,000,000 Ordinary Shares), according to the exercise terms determined. In case the Company will not have an effective registration statement in time of exercising of the rights to purchase or the warrants, they include a cashless exercise mechanism. Thus, the rights to purchase and the warrants will be classified as financial liability and will be measured at fair value through profit and loss. The total gross proceeds from the offering were approximately \$12,000,000, before deducting underwriting discounts and commissions and other offering-related expenses. The total (net) consideration was approximately \$10,600,000.

Nano Dimension Ltd.
(the "Company")
Employee Stock Option Plan (2015)

1. Name and Purpose of the Plan

- 1.1. This Plan, adopted by the board of directors of Nano Dimension Ltd. (hereinafter – the “**Company**”), as may be amended from time to time, shall be called the “Nano Dimension Ltd. Employee Stock Option Plan (2015)” (hereinafter – the “**Plan**”).
- 1.2. The purpose of the Plan is to compensate and provide incentive to employees, officers, consultants, and service providers of the Company and its Affiliated Companies (if any, as such term is defined hereunder), whether existing now and/or in the future, including the Controlling Shareholders of the Company, for their contribution and efforts in developing the Company’s business, and to reinforce their corporate identity.
- 1.3. Grants under the Plan made to service providers in various jurisdictions may be subject to special conditions, as may be set forth in separate appendixes to this Plan as approved by the Company’s Board.

2. Definitions

The following definitions shall apply to terms mentioned in the Plan:

“**Option**” – an option issued under the Plan to purchase Shares, while each option is exercisable into one ordinary Share of the Company (subject to adjustments) and subject to the provisions of this Plan.

“**RSU**” –Restricted Share Unit issued under the Plan.

“**3(i) Options**” – Options the exercise of which are subject to the tax regime set forth in Section 3(i) of the Income Tax Ordinance, allocated to persons who are not Eligible Participants.

“**3(i) RSUs**” – RSUs the settlement of which are subject to the tax regime set forth in Section 3(i) of the Income Tax Ordinance, allocated to persons who are not Eligible Participants.

“**Award**” – Options and RSUs granted pursuant to the terms of this Plan.

“**Choice of Course**” – the Company’s choice between two tax courses applicable to allocation of shares to employees through a trustee (the Capital Gains Course or the Ordinary Income Course), which shall be reported to the tax authorities, and according to which course Awards shall be allocated under the Plan.

“**Controlling Shareholder**” – as defined in Section 32(9) of the Ordinance.

“**Board**” – the Company’s board of directors.

“**Stock Exchange**” – the Tel Aviv Stock Exchange Ltd.

“**Nominee Company**” – any nominee company chosen by the Company.

“**Rules**” – the Income Tax Rules (Tax Benefits in Shares Issuance to Employees), 5763-2003.

“**Director**” – a director appointed under Section 229 of the Ordinance, including the deputy director.

“**Allocation without a Trustee**” – allocation to an Eligible Participant in accordance with Section 102(c) of the Income Tax Ordinance that is not held in trust by the Trustee.

“**Capital Gains Course Allocation**” – allocation to an Eligible Participant through a trustee, to which the Capital Gains Course tax arrangement applies.

“Ordinary Income Course Allocation” – allocation through a trustee, to which the Ordinary Income Course tax arrangement applies.

“Allocation through a Trustee” – allocation in accordance with Section 102(b) of the Income Tax Ordinance, while the Award or Share being allocated is held for the Participant by a trustee, including Ordinary Income Course Allocations and Capital Gains Course Allocations.

“Allocation Agreement” – an agreement or other document defining the terms of a certain Allocation under the Plan, including clauses in the employment agreement between the Company and the Participant that includes an undertaking to allocate Options, RSUs or Shares.

“Allocation” – an allocation of Options, RSUs or Shares under the Plan. Every allocation shall be confirmed by an Allocation Agreement setting forth the terms thereof.

“Company” – Nano Dimension Ltd., and any succeeding entity.

“Affiliated Company” – any Employer Company, as defined in Section 102(a) of the Income Tax Ordinance.

“Companies Law” – the Companies Law, 5759-1999, and its amendments.

“Shares” – ordinary shares of the Company, par value NIS 0.1 each (subject to adjustments and/or technical changes to the Company’s equity).

“Exercise Shares” – shares resulting from the exercise of Options.

“Capital Gains Course” – the tax arrangement set forth in Sections 102(b)(2) and 102(b)(3) of the Income Tax Ordinance.

“Ordinary Income Course” – the tax arrangement set forth in Section 102(b)(1) of the Income Tax Ordinance, whereby income generated by the sale of Shares or the transfer thereof from the Trustee to an employee shall be taxed as ordinary income.

“Participant” – any person receiving Allocation under the Plan and executing an Allocation Agreement.

“Eligible Participant” – an employee of the Company or of an Affiliated Company, or an individual serving as director or officer of the Company, but not a Controlling Shareholder.

“Trustee” – a person or corporation appointed by the Company’s Board to serve as trustee, and who has been approved by the tax authorities in accordance with Section 102 of the Ordinance.

“Income Tax Ordinance” or **“Ordinance”** – the Income Tax Ordinance [New Version], 5721-1961, and all rules, regulations, orders and decisions by virtue thereof, and all amendments thereto, and particularly the Rules (as defined above), as may be amended from time to time.

“Code” - Internal Revenue Code of 1986, as amended.

“Control” – as such term is defined in the Securities Law, 5728-1968.

“Plan” – this plan.

“Plan Administrator” – the Company’s Board.

“Restriction Period” – the period set forth in Section 102 of the Ordinance, or any other period required by the tax authorities in connection with Allocation through a Trustee, during which Options and/or RSUs allocated by the Company must be held by the Trustee for the benefit of the Eligible Participant. As of the date of adopting this Plan, the Restriction Period for Ordinary Income Course Allocations is 12 months from the date of allocating the Options and/or RSUs, and the Restriction Period for Capital Gains Course Allocations is 24 months from the date of allocating the Options and/or RSUs.

3. **Plan Administration**

- 3.1. The Company's Board is responsible for administering the Plan and for all actions required thereunder, including determining: (A) the identity of the Participants; (B) the number of Options and/or RSUs in each Allocation; (C) Allocation dates; (D) vesting terms for RSUs and Options, settlement terms for RSUs and regarding the Options, exercise price, exercise period (including timetables and conditions for exercising the right to Options, including determining defined periods (such as Blackout Periods) during which exercise notices may not be served), the manner of exercise and other conditions that apply to certain Allocations; (E) the form of the Allocation Agreement or other documents related to Allocations; (F) limitations and conditions that apply to Awards or their underlying Shares; (G) any other resolution necessary or related to the Plan, whether or not mentioned in this Plan, provided the terms of the Options and/or RSUs previously granted shall not be prejudiced without the Participant's consent; and any other matter necessary or fitting for arranging Allocations and/or for administering, clarifying, interpreting and implementing the Plan. Subject to the provisions of law, the Board's interpretation of any section of the Plan is absolute and final.
- 3.2. Board members shall bear no liability for any action or decision made in good faith in connection with the Plan or for any Allocation made in accordance with the Plan.
- 3.3. The Company's Board may delegate its authorities subject to the provisions of the Company's articles of association and applicable law, provided that in any event the Board shall be entitled to exercise its authorities under the Plan even if such authorities have been delegated.
- 3.4. Allocation of Awards to officers of the Company shall be made in accordance with, and subject to the Company's officers' compensation policy set forth and adopted by the Company from time to time ("**Compensation Policy**"), save for instances where the authorized organs of the Company have determined Allocation can be made not in accordance with the Compensation Policy. Resolutions requiring approval of the Audit Committee and/or the Compensation Committee under applicable law, shall be approved by the Audit Committee prior to approval by the Board, and where necessary also by the Company's general assembly.
- 3.5. The provisions of this Plan shall not derogate from the authorities of the Company's Compensation Committee under applicable law and/or the Company's compensation plan.

4. **Eligibility to Participate in the Plan**

- 4.1. Allocations under the Plan shall not be made to Board members or officers, unless such Allocations have been approved in accordance with the provisions of the Companies Law.
- 4.2. Subject to the provisions of Section 4.1 above and applicable law, Options and/or RSUs can be allocated to Eligible Participants and to service providers of the Company and/or Affiliated Companies, regardless whether they are serving as directors or officers.
- 4.3. Subject to the provisions of applicable law, the Company's Board shall determine the identity of Eligible Participants under the Plan. Eligibility for Allocation, its conditions, and the number of Shares or Awards of each Allocation shall be determined by the organs authorized under law.
- 4.4. Eligible Participants are only entitled to receive Allocations through a Trustee or Allocations without a Trustee. Participants who are not Eligible Participants can only be allocated Awards according to Section 3(i).
- 4.5. Granting Awards to Participants under this Plan does not confer nor does it negate from the recipient the right to participate in other Award Allocations under the Plan or under any other Award or share allocation plan of the Company or of its Affiliated Companies.

5. Shares Designated for the Plan

The Board is entitled to determine from time to time the number of Options, RSUs and Shares designated for Allocations in the framework of the Plan, and such number may be reduced or increased from time to time. Until termination of the Plan the Company shall reserve a suitable number of Shares from its registered and unissued share capital for purpose of allocating the total number of Shares underlying the Awards that have been granted, subject to adjustments resulting from changes in the equity of the Company, as set forth in Section 11 hereunder. Any such Shares that remain registered but unissued, and that upon termination of the Plan are not underlying Options and/or RSUs shall no longer be reserved for the Plan, however until termination of the Plan the Company shall at all times reserve a suitable number of Shares in accordance with the requirements of the Plan. In the event Options and/or RSUs granted in accordance with the Plan expire or are cancelled prior to exercise or settlement, as applicable, or in the event a Participant waives the exercise of such Options and/or waives the right to receive Shares subject to RSUs, the underlying Shares that were not purchased or settled shall be made available for the Plan and may be used including for allocation to other Participants.

6. Allocation Agreement

- 6.1. The Company's Board is entitled to approve Allocations to Participants under the Plan at its discretion and subject to the provisions of applicable law. Allocation terms shall be in accordance with the provisions of the Allocation Agreement in the form approved by the Board.
- 6.2. The Allocation date shall be the date determined by the Company's Board upon Allocation, provided it does not precede the date of Board's resolution, and in the absence of such determination shall be the date the Allocation was approved by the Board, and in any event subject to the provision of applicable law and any regulatory limitation relevant to the date of allocating the Options and/or RSUs.
- 6.3. The Allocation Agreement shall set forth, *inter alia*, the number of granted Shares or Options or RSUs and special conditions for Allocation (if any), as determined by the Board. Similarly, the Allocation Agreement shall indicate whether the Allocation is an Allocation through a Trustee, an Allocation without a Trustee, or Allocation of 3(i) Options; and in the event of Allocation through a Trustee – it shall also indicate the applicable tax regime, i.e. Capital Gains Course or Ordinary Income Course.
- 6.4. In addition, the Allocation Agreement shall include consents and undertakings of the Participant as follows: (A) the Participant's consent to all provisions of the Plan, including and without derogating from the generality of the aforementioned, its consent to bear all tax liabilities and other mandatory payments deriving from offering and allocating the Awards, their exercise, settlement or transfer or the delivery of Shares or Exercise Shares, including authorization of the Company to withhold at source (including if necessary – from the number of Options and/or RSUs and/or Exercise Shares or Shares allocated or issued, as applicable) any tax that applies as well as consent to indemnify the Company should it be sued for failure to pay such taxes. In the event that, at any time in the future, it is determined by any authorized tax authority and/or judgment that the Company is required to deduct tax for the Allocation prior to the Option exercise date or RSU settlement date, than the Participant undertakes to transfer to the Company, immediately upon its initial request, the amount of such tax liability; (B) undertaking to comply with the provisions of law prohibiting use of the Company's inside information; (C) undertaking to comply with the provisions of Section 102 of the Ordinance, the Rules and the Plan to the extent applicable; (D) the Participant's undertaking to comply with the procedure for exercise of the Awards and sale of the Exercise Shares or Shares, as agreed between the Company and the Trustee, the principles of which are specified in part in Sections 8 and 9 hereunder; (E) undertaking to release the Trustee from any liability with respect to any lawful and good faith action or decision in connection with the Plan or the Options and/or RSUs allocated to the Trustee on behalf of the Participant or the Exercise Shares or Shares granted to it by virtue thereof; (F) instructions to the Trustee with respect to the manner of exercising the voting rights attached to the Shares resulting from exercise of Options and/or when RSUs are settled, as applicable, during the Restriction Period.

7. Choice of Course under Section 102

- 7.1. Subject to the provisions hereunder, Allocations made in accordance with Section 102, shall be granted subject to: (A) Section 102(B)(2) of the Income Tax Ordinance – with respect to Capital Gains Course Allocations, or: (B) Section 102(B)(1) of the Income Tax Ordinance with respect to Ordinary Income Course Allocations. The Company's choice of tax course for allocating Shares to employees through a trustee shall be reported to the tax authorities. In accordance with the provisions of Section 102, once the Company has reported its chosen course to the tax authorities, changing the Company's chosen tax course shall only be permitted upon the lapse of at least 12 months from the end of the calendar year during which the first Allocation was made, according to the original choice of course. For avoidance of doubt, the Company's choice shall not prevent it from making Allocations without a Trustee to Eligible Participants at any time.
- 7.2. Eligible Participants are only entitled to receive Allocations through a Trustee or Allocations without a Trustee. Participants who are not Eligible Participants are only entitled to receive 3(i) Options and/or 3(i) RSUs. The Allocation Agreement or the documents evidencing the Allocation of Options and/or RSUs and/or Shares under the Plan shall indicate whether the Allocation is through a Trustee, without a Trustee, or 3(i) Options. In the event of Allocation through a Trustee, it shall also indicate whether Allocation is made under the Capital Gains Course or under the Ordinary Income Course.
- 7.3. Allocations through a trustee under this Plan can only be made upon the lapse of 30 days from filing the necessary reports to the tax authorities, and all subject to the provisions of the Income Tax Ordinance.

8. Terms of 102 Allocations Through a Trustee

- 8.1. The date set forth on the Allocation Agreement delivered to the Participant shall be deemed the allocation date for every Allocation through a Trustee (hereinafter: the "**Allocation Date**"), provided the two following conditions are met: (A) the Company provides notice to the Trustee indicating such date being the Allocation Date; and (B) the Participant executes the Allocation Agreement and all documents required by the Company or the Trustee.
- 8.2. The Allocation shall be deemed an Allocation through a Trustee in the event the Company, immediately pursuant to making the Allocation and in any event no later than the date determined by the tax authorities as updated from time to time: (A) notifies the Trustee of the Allocation and transfers to the Trustee a copy of the allocation resolution; and (B) submits the Allocation and the Allocation Agreement, including accompanying documents, to the Trustee as required by the tax authorities, and the Eligible Participant executes a confirmation in accordance with the provisions of Section 102 in the form required by the Trustee.
- 8.3. Upon making an Allocation through a Trustee the Trustee shall be allocated all the Options and/or RSUs and/or Shares to be issued as result of exercising the Options and/or settlement of RSUs, which shall be registered to the name of the Trustee and held by the Trustee in trust for the benefit of the Participant for the duration of the Restriction Period and thereafter, and the Shares resulting from exercise shall be held by the Trustee during the Restriction Period and thereafter whereby said Shares are registered in the Company's books to the name of a nominee company, and held by a member of the Stock Exchange in a deposit maintained to the name of the Trustee, while only the Trustee shall have signatory rights in the deposit. Upon the lapse of the Restriction Period, the Trustee shall be entitled to transfer the Awards or Shares (as applicable) to the Participant (through the nominee company), and/or sell them (including same day sale, to which the conditions set forth in Section 9.10 hereunder shall apply), all or part, as instructed by the Participant, only if: (A) the Trustee received confirmation from the tax authorities whereby all taxes due under the Income Tax Ordinance has been paid, or if the Trustee and/or the Company or Affiliated Company actually deducted taxes due under the Income Tax Ordinance; and (B) all actions were completed and all confirmations obtained as required by law in connection with such transfer and/or sale.
- 8.4. Any Allocation through a Trustee (whether according to the Capital Gains Course or the Ordinary Income Course) shall be subject to the relevant provisions of Section 102, the Income Tax Ordinance and the confirmation of the Assessing Officer, which shall constitute an integral part of the allocation terms, which in the event of discrepancy shall take precedent over the provisions of the Plan or the Allocation Agreement. All provisions of the Income Tax Ordinance, the regulations and rules thereunder as well as any confirmation or instruction of the tax authorities in accordance with Section 102 (even if not explicitly mentioned in the Plan or the Allocation Agreement) – shall be binding upon the Eligible Participants. The Trustee and any Eligible Participant receiving Allocation through a Trustee must comply with the provisions of the Income Tax Ordinance and shall be subject to all provisions of the trust agreement between the Company and the Trustee. In addition, the Eligible Participant hereby agrees to execute any document required by the Company or the Trustee for purpose of compliance with the provisions of applicable law, including Section 102.

- 8.5. During the Restriction Period, the Eligible Participant shall not be entitled to require the Trustee to release, transfer or sell the Awards the Eligible Participant has received, or Shares or other shares received pursuant to exercising rights deriving from Shares or Options (including bonus shares) and/or pursuant to settlement of RSUs to such Participant or to any third party, unless it is entitled to do so under Section 102 as set forth in the paragraph hereunder, and subject to applicable law.

Notwithstanding the aforementioned, the Trustee is entitled, subject to receiving a written request and further subject to the limitations of applicable law, to release and transfer such Shares to the Participant or to any third party, so long as the following two conditions are met prior to such release or transfer: (A) all taxes due for release and transfer of the Shares by the Participant, the Trustee or the Company were paid or deducted; and (B) the Trustee received written notice from the Company confirming that all conditions necessary for said release and transfer have been satisfied in accordance with the Company's articles of association, the Plan, the provisions of the relevant agreement and applicable law. For avoidance of doubt, any sale, transfer or release of such securities during the Restriction Period may result in tax consequences due to breach of the Restriction Period as set forth in Section 102. In any event, and without derogating from the provisions of Section 13 hereunder, the Eligible Participant shall be solely liable for all tax consequences deriving from transfer to third parties as set forth in this Section.

- 8.6. Without derogating from the aforementioned in Section 8.4, during the Restriction Period or prior to payment of tax or to securing payment of applicable tax, as set forth in Section 7 of the Rules, according to the later to occur, the Options and/or RSUs (including Exercise Shares or Shares received thereunder by the Trustee) shall not be transferred, assigned, pledged, attached or otherwise willfully encumbered, and no power of attorney or transfer deeds shall be granted thereunder, whether with immediate or prospective effect, save for transfer by will or by law; in the event of transfer of Options and/or RSUs and/or Exercise Shares or Shares received thereunder and/or Shares allocated (if shares are allocated) by virtue of will or by law as set forth above, the provisions of Section 102 of the Ordinance and the Rules shall apply to the Participant's heirs or transferees, as the case may be.
- 8.7. If Shares are held by a trustee on behalf of a Participant in the framework of this Plan, and the Company declares distribution of bonus shares and/or grants additional rights for the Shares, the provisions of this Plan shall apply to such bonus shares and/or rights. In addition, the commencement date of the Restriction Period for such rights shall be deemed the commencement date of the Restriction Period of the Allocation pursuant to which the bonus shares or additional rights were distributed. In the event of distribution of cash dividends for Shares held by the Trustee on behalf of the Eligible Participant, the Trustee shall transfer the income from the dividends to the Eligible Participant after lawfully deducting tax and mandatory payments.
- 8.8. In the event of exercising Options or settlement of RSUs allocated through a Trustee during the Restriction Period, the Exercise Shares or Shares resulting from such exercise or settlement shall be allocated to the name of the Trustee (and registered to the name of the nominee company) and held by it for the benefit of the Eligible Participant. If such Option or RSU is exercised or settled, as applicable, after the end of the Restriction Period, the Eligible Participant may choose whether the Exercise Shares or Shares resulting from such exercise (regarding Option) or settlement of RSUs be: (A) allocated to the name of the Trustee, or (B) transferred directly to the possession of the Eligible Participant, provided the Participant first complies with the conditions of the Plan and subject to payment of tax according to the tax course, or (C) sold by the Trustee on behalf of the Participant according to the arrangements set forth in this Plan.
- 8.9. Subject to the resolutions of the Board and obtaining confirmations from the tax authorities, the Trustee shall be conferred all powers according to Section 102 of the Ordinance and all other powers agreed between the Trustee and the Company in the trust agreement executed with the Company.
- 8.10. The Trustee shall be entitled to take measures it deems fit for purpose of withholding tax at source, as required by applicable law, due to exercise of the Options and/or vesting or settlement of RSUs or sale of the Exercise Shares or Shares or transfer of the Exercise Shares to the Participant.
- 8.11. The Company shall provide the Trustee any information that is relevant to the Plan and to Allocations thereunder it requires.

9. Exercise of Options

- 9.1. Options may be exercised in accordance with the conditions by which they were granted, subject to the conditions of the Plan and as set forth in the Allocation Agreement, while each Option may be exercised into one Share (subject to adjustments).
- 9.2. The exercise price for each Share shall be the price determined by the Board at its sole discretion, upon granting the Options, and provided the Share price is not lower than the minimum price for exercising options set forth in the bylaws and guidelines of the Stock Exchange, at the time the Board adopts the resolution to grant, or at the time of exercise, and all subject to the provisions of the Compensation Policy with respect to the exercise price of Options.

- 9.3. Participants wishing to exercise Options, or any part thereof, shall deliver to the Company (with copy to the Trustee (except for in the event of Allocation without a trustee)) an exercise notice specifying the number of Options it wishes to exercise. The exercise notice shall be delivered together with full payment of the exercise price multiplied by the number of Options the Participant wishes to exercise, in cash or any other way as determined by the Company from time to time.
- 9.4. The exercise notice may be amended or revoked only with the consent of the Company.
- 9.5. Options not exercised by the end of the exercise period shall immediately expire and not confer to its owner any rights whatsoever.
- 9.6. If the last date for exercising an Option is not a trading day, the last date shall be deferred to the next trading day immediately following.
- 9.7. Participants wishing to exercise Options into Exercise Shares as set forth above shall immediately execute, upon the Company's first request and as a condition precedent for exercise of such Option, any document it is required to execute in accordance with the Plan, the Company's articles of association and/or applicable law, in order to facilitate the exercise. Should the Participant fail to fully comply with all conditions for exercise of the Options, in a manner that is irremediable, then the exercise notice shall be deemed void and the exercise letters and funds attached to the exercise notice shall be returned to the Participant within two business days of the Company determining the notice is void.
- 9.8. Without derogating from the generality of the aforementioned in this Section 9, Options shall not be exercised on the effective date of distributing bonus shares, rights offering, distribution of dividends, capital consolidation, capital split or capital reduction (each a "**Corporate Event**"). In addition, should the X-day of a Corporate Event occur prior to the effective date of a Corporate Event, no conversion shall be made on such X-day. The limitations set forth in this Section 9.8 shall be in effect only so long as securities of the Company are traded on the Stock Market.
- 9.9. Notwithstanding the provisions of Sections 9.1 and 9.3 above, and according to the selection of the Eligible Participant as set forth in Subsection 9.9.1 hereunder, if not set forth otherwise by the Board in the specific Allocation Agreement with respect to any of the Participants, the exercise of Options into Shares shall be carried out subject to receiving a pre-ruling from the tax authorities based on cashless exercise, whereby the Participants are not required to actually pay the exercise price, except for the par value (as defined hereunder), and the number of Shares actually allocated to the Participant shall be calculated according to the difference between:

(A) The closing price of the Company's Shares on the Stock Exchange on the last trading day preceding the exercise date, multiplied by the number of Shares underlying the Options and with respect to which the exercise notice was provided, and between: (B) the exercise price, multiplied by the number of Options with respect to which the exercise notice was provided.

Such difference (if positive) shall constitute the value of the benefit to the Participant at the exercise date ("**Benefit Value**").

Hereunder is the formula for calculating the number of Shares a Participant is entitled to based on cashless exercise:

$$X = \frac{Y(A - B)}{A}$$

When:

X – the number of Shares the Participant is entitled to as result of exercise of the Options.

Y – the number of Options that can be exercised and which the Participant has asked to exercise.

A – the closing price of the Company's Shares par value NIS 0.1 each (subject to changes in par value in the event of capital consolidation or split) on the trading day preceding the exercise date.

B – the exercise price of each Option (subject to adjustments).

All assuming the par value of the Company's Shares on the exercise date remains NIS 0.1 (if not, the denominator of the fraction shall be adjusted accordingly).

- 9.9.1. It is clarified that using the cashless exercise mechanism shall be subject to the choice of the Participant, as set forth in its written notice to the Company, whereby the Eligible Participant may choose upon exercise between cashless exercise and ordinary exercise of the Options.
- 9.9.2. Immediately after the first trading day following receipt of the exercise notice, the Company shall inform the Participant of the partial number of Exercise Shares (as defined hereunder) the Participant is entitled to receive and of the par value sum the Participant must pay for such Allocations. On the first trading day after such notice, and subject to payment of the par value sum by the Participant, the Company shall allocate to the Participant (or to the Trustee on its behalf, as the case may be) such number of Exercise Shares with a market value according to the closing price of the Company's Shares on the Stock Exchange on the trading day preceding the date of the exercise notice, equal to the Benefit Value, while such number of Exercise Shares shall be supplemented by an additional number of Exercise Shares for the par value paid by the Participant on each Exercise Share allocated to it or for it in exercise of the Options according to this Section (in this Section – number of Exercise Shares received from the aforementioned shall be referred to as the “**partial number of Exercise Shares**” and the sum of the par value for the number of the partial Exercise Shares shall be referred to as the “**Par Value Sum**”). In any event the Company shall not allocate fractions of Shares and any Share fraction resulting from the aforementioned calculation or resulting from the provisions of this Section shall be rounded (up or down, as the case may be) to the nearest whole Share.
- 9.10. Exercise Shares shall not be allocated until delivery to the Company of the exercise price and/or the par value of the Shares, as applicable, as well as all documents, confirmations and payments required from the Participant as a condition for exercising the Options. The Company shall allocate the Exercise Shares for Options converted by the Participant to the nominee company, on behalf of the Trustee, who shall hold them for the Participant, and the Trustee shall act with respect to the Exercise Shares in accordance with the provisions of the trust deed executed with it and the provisions of Section 102 of the Ordinance.
- 9.11. Notwithstanding the provisions of Section 9.10 above, an Eligible Participant wishing to exercise Options, all or part, and sell the Exercise Shares resulting from such exercise, shall approach the Trustee (in the event of Allocation through a Trustee) with a written request to do so, in such form determined by the Company and/or the Trustee, which shall include *inter alia* the number of Options the participant wishes to Exercise. The Trustee shall deduct from the consideration received from the sale (A) the exercise price, or alternatively the Par Value Sum in the event of cashless exercise in accordance with Section 9.8 above and shall transfer such amount to the Company; and (B) the amount of tax due under the Income Tax Ordinance and other mandatory payments (including payments that apply to the Company, if any). The balance remaining after said deductions shall be transferred to the Eligible Participant, subject to completing all necessary actions and providing all necessary confirmations under applicable law in connection with such transfer and/or sale. For avoidance of doubt it is hereby clarified that an Eligible Participant shall not be entitled to approach the Trustee with a request to exercise Options, all or part, and to sale the Exercise Shares resulting from the exercise, as set forth above, should the anticipated consideration from the sale be lower than the amounts set forth in Subsections (A) and (B) above, and in such event this Section 9.11 shall not apply.
- 9.12. The Company shall act to allocate Exercise Shares immediately following exercise of Options and shall also act to register them for trade on the Stock Exchange, in accordance and subject to the bylaws and guidelines of the Stock Exchange. In accordance with the guidelines of the Stock Exchange the Company shall register the Exercise Shares resulting from exercise of the Options under this Plan to the name of a nominee company.
- 9.13. Until lawful allocation of the Exercise Shares the Participant shall not be entitled to vote or receive dividends or any other right conferred to shareholders in respect of such Shares.
- 9.14. Subject to the provisions of Section 9.15 hereunder with respect to providing power of attorney to vote for the Exercise Shares, following exercise of Options into the Exercise Shares and until the rights in the Exercise Shares are registered to the name of the Participant in the Company's shareholders' registry, the Participant shall not be conferred any rights that are attached to the Exercise Shares.

9.15. So long as the Exercise Shares are held by the Trustee, the Trustee shall be deemed the owner of the Exercise Shares towards the Company and towards any third parties, including and without derogating from the aforementioned for purpose of receiving notices from the Company. Notwithstanding the aforementioned, the Trustee shall not personally have the voting rights attached to the Exercise Shares however it shall be entitled, subject to receiving suitable written request from a Participant, grant such Participant power of attorney to vote the Exercise Shares it is entitled to and which are held by the Trustee at the Company's general assembly.

9.16. Subject to the provisions of law and/or agreement, the Company shall have preemptive rights to purchase any Exercise Shares resulting from exercise of Options by Participants having been allocated Options under this Plan, and this in the event of sale of the Exercise Shares by the Participant outside of trade on the Stock Exchange. Such preemptive rights shall apply for a period of 7 business days from the date the Participant provided notice to the Company and/or to the Trustee, as the case may be, with respect to its intentions to transfer and/or sell the Exercise Shares in its possession to a third party, including the identity of the third party and the terms of the sale (in this Section 9.16: the "**Participant's Notice**"). Should the Company decide to exercise its preemptive rights, such preemptive rights shall be exercised on the same terms specified in the Participant's Notice. Should the Company fail to respond to the Participant within 7 business days as of the date of the Participant's Notice, the Participant shall be entitled to sell the Exercise Shares to the third party on terms specified in the Participant's Notice and subject to complying with all its obligations under this Plan and/or the Allocation Agreement.

10. Termination of Employment / Engagement as Service Provider (Awards Cancellation / Expiration)

10.1. Validity of termination; exercise following termination. Unless set forth otherwise in the relevant Allocation Agreement:

- (A) In the event the Participant's employment with the Company or an Affiliated Company is terminated, or it ceases providing services for any reason (save for instances specified in Subsections (B) and (C) hereunder, to which the provisions therein shall apply), Options vested prior to the date of termination may be exercised, as applicable, within the earlier of six months from the date of termination of employment or the lapse of the Options period. RSUs that vested prior to termination or ceasing to provide services shall be settled as provided under the Allocation Agreement. Options and RSUs unvested upon termination of employment shall expire and be void.
- (B) In the event the Participant's employment with the Company is terminated "for cause" – Options shall not be exercised, and no RSUs shall be settled, whether or not vested, and the Options and/or RSUs shall expire upon termination of employment. In this Plan, termination "**for cause**" means any of these: (1) committing an offence (by act or omission) causing damage to the Company or a flagrant offence; (2) breach of fiduciary duty or duty of care towards the Company by a Participant who is an officer; breach of confidentiality or non-compete undertakings towards the Company, or breach of any other material undertaking towards the Company; (4) termination of work due to the Participant's conviction for committing a crime, fraud, *Mala in Se* conduct, and offences of comparable severity and/or conviction for any other flagrant offence.
- (C) In the event the Participant's employment with the Company is terminated due to loss of working capacity or death, Options vested prior to termination can be exercised until the earlier of: twelve (12) months from termination or the end of the Option exercise period. RSUs shall vest and settle as provided under the Allocation Agreement.

For avoidance of doubt it is clarified that vesting shall cease upon termination of employment, including during the 6 month period set forth in Subsection (A) above or during the 12 months set forth in Subsection (C) above.

10.2. Date of employment termination. Unless set forth otherwise in the relevant Allocation Agreement, for purpose of the Plan the "**date of employment termination**" (for any reason) shall be the date the Participant no longer receives wages from the Company, including the advanced notice period.

10.3. Unpaid leave. Unless the Board instructs otherwise and subject to applicable law, vesting of Allocations allocated under this Plan shall be suspended during any kind of unpaid leave.

10.4. Application to non-employee service providers. The provisions of this Section 10 shall apply *mutatis mutandis* to non-employee service provider Participants (consultants, contractors, non-employee officers, etc.) upon termination of their engagement with the Company, and in such case any reference in this Section 10 to the date of employment termination shall be deemed to refer to the earlier of date of providing notice with respect to termination of the engagement or the date the engagement is actually terminated.

- 10.5. **Status change.** Each of the following events shall not be deemed termination of employment or termination of engagement between the Participant and the Company or an Affiliated Company: (A) absence approved by the Company; (B) transfer from employment by the Company to employment by an Affiliated Company or vice versa; transfer from employment by an Affiliated Company to employment by another Affiliated Company; (C) change of status (employee changing to director, employee changing to service provider etc.), provided the change does not affect the special conditions of the Allocation related to same service provider or employee.
- 10.6. The provisions of this Plan and the Option agreement and/or grant of RSUs with or to any Participant shall not be construed as an undertaking and/or consent on behalf of the Company and/or Affiliated Company to continue employing the Participant or continue engaging with the Participant as service provider, and the provisions of the agreement and/or the Plan shall not be construed as to confer to the participant any right to continue being employed by the Company and/or Affiliated Companies or to continue providing services to the Company and/or Affiliated Companies, or as limiting the right of the Company and/or Affiliated Company to terminate the employment of and/or engagement with the Participant at any time.
- 10.7. **Expiration due to delisting.** In the event the Company's Shares are delisted for any reason, within 90 days from the date of delisting the Participant shall be entitled to exercise all the Options vested until the lapse of such 90-day period. After such date all Options and/or RSUs, whether or not vested until such date, shall expire. During said 90-day period the closing price of the Company's Shares for purpose of calculating the cashless exercise mechanism described in Section 9.8 shall be deemed the last known price of the Company's Shares on the Stock Exchange prior to delisting.

11. Adjustments

Upon occurrence of the events set forth hereunder during the period between the date of allocating Awards to a Participant under this Plan and between the date of exercise, adjustments shall be made to the Participant's rights as follow:

- 11.1. **Technical adjustments to the Company's equity.** In the event the number of Shares in the Company changes as result of a split, consolidation etc., the number of Shares resulting from exercise of any Option shall be adjusted proportionally (without change in the exercise price). The manner of adjustment in such event shall be determined by the Board, and its determination shall be final and binding. Except where explicitly set forth otherwise, allocation of any class of shares shall not cause adjustment of the exercise price or number of Shares resulting from exercise.
- 11.2. **Dividends.** In the event of distributing dividends in cash or in kind by the Company to all its shareholders (including distribution approved by court in accordance with Section 303 of the Companies Law, or any other applicable clause), while the effective date for eligibility to receive dividends (hereinafter – the “**Effective Date**”) occurs after the allocation date but prior to the exercise date, the exercise price of every Option that would be granted and not yet exercised into Shares of the Company on the Effective Date shall be reduced in the amount of the gross dividends per Share distributed by the Company (or the value of the dividends in case of distribution in kind), however in any event the exercise price shall not be lower than the par value of the Company's Shares. Save for adjustment to the exercise price as set forth in this Section, distribution of dividends by the Company (in cash and/or in kind) shall not affect the number of Exercise Shares and not require the Company to perform any adjustment in connection with the Options and/or RSUs and/or Exercise Shares. Such adjustment shall be subject to the bylaws and guidelines of the Stock Exchange in effect from time to time.
- 11.3. **Bonus shares.** In the event bonus shares are distributed, the number of Options and/or RSUs granted but not yet exercised or settled, as applicable, shall be adjusted, whereby the number of Shares the Option and/or RSU holder shall be entitled to as result of exercising the Options or settlement of the RSUs, as applicable, shall increase or decrease proportionally by such number of Shares of the same class the Participant would be entitled to as bonus shares had it exercised the Options held by it, and/or had the RSUs settled. It is clarified that so long as the Company's securities are traded on the Tel Aviv Stock Exchange this method of adjustment shall not be altered.

11.4. **Rights issue.** In the event, prior to exercising Options and/or settlement of RSUs, the Company offers securities to its ordinary shareholders by way of rights, than with respect to Options and/or RSUs not yet exercised or vested, as applicable, until the effective date for purpose of the rights issue, there shall be no adjustment to the exercise price of the Options and/or number of RSUs vested, rather the number of Shares resulting from exercise of each Option not yet exercised and/or vesting of such RSUs not yet settled on the eligibility date for participating in the rights issue – shall be adjusted to the benefit component of the rights, as expressed by the difference between the Share price on the Stock Exchange on the last day of trade before the X-day and between the base price of the Shares prior to the rights issue (the aforementioned calculation shall be made in accordance with the guidelines of the Stock Exchange, as amended from time to time). Such adjustment shall be subject to the bylaws and guidelines of the Stock Exchange as in effect from time to time.

11.5. **Mergers and acquisitions.** In the event of merger or consolidation of the Company with or into another company, when the other company is the surviving entity, or when the Company is the surviving entity but at least 50% of the existing voting rights in the Company changed due to the merger; or in the event all or an absolute majority of the Company's Shares are purchased by a third party; or sale of all or an absolute majority of the Company's assets (hereinafter: "**Transaction**"), all Options and/or RSUs shall be adopted or expire and exchanged automatically by alternate Allocations of the surviving entity.

In such event, the number of alternate Options and/or RSUs as set forth above shall be in accordance with the mechanism set forth in the merger transaction for exchanging the Company's Shares into shares of the surviving entity. Alternately, the Company's Board shall be entitled to determine, at its sole discretion, a different alternate consideration for the Options and/or RSUs, as close as possible to the exchange mechanism that applies to the shareholders of the Company so not to materially prejudice the financial equality of the Options and/or RSUs held by Participants immediately prior to the merger. All other provisions of this Plan, including with respect to vesting and exercise of Options and/or RSUs, as applicable, shall apply to the alternate options and/or RSUs, or their consideration, *mutatis mutandis*.

In the event the surviving entity refuses to adopt or exchange the Options or RSUs, the Company's Board shall be entitled to determine, at its sole discretion, the treatment of unexercised and/or unvested Awards, or Awards still subject to limitations at the time of the Transaction, which may include one or more of the following possibilities: (A) acceleration of the vesting dates of all or part of the Awards to a date that is at least two days before the date of completing the Transaction, provided the exercise and/or vesting of Awards that would not have been exercisable had it not been for the Transaction shall be contingent upon the actual completion of the Transaction, unless determined otherwise by the Board; (B) all, part or a certain category of Awards be cancelled and expire at the date of completing the Transaction in practice, while holders of Awards shall receive in consideration the value of the cancelled Awards (if any) in cash, shares, securities or other assets, or any combination thereof, on terms determined by the Board in its sole discretion (that may be based on the share price received or that should be received by the other shareholders of the Company in such event); and/or (C) all, part or a certain category of Awards, not yet vested, still subject to limitations and/or unexercised, be cancelled and expire at the date of completing the Transaction in practice, without any consideration to their holders.

In the event a Transaction is completed, and the Board determines in good faith that certain Shares have no pecuniary value and therefore do not confer upon their owners any consideration in the framework of the Transaction, the Board shall be entitled to determine that relevant Options expire upon the Transaction date.

11.6. **Authority of the Board to make adjustments.** The authority of the Board to interpret, determine, decide on making adjustments, shall be construed in a manner granting the Board the broadest possible authority, in order to grant the Board flexibility in interpreting and implementing the provisions of the Plan in the event of transactions of the Company or its shareholders, even without the explicit written consent of the Participants, whereby Allocation of Awards under this Plan shall in no way present an obstacle to completing a Transaction, and in such manner that allows the Company's Board to implement the Allocation of Awards and provide for their exercise and/or settlement in the event of amendment to the bylaws of the Stock Exchange or applicable law. The Board shall act in good faith so that Participants' rights are not unfairly prejudiced as result of such decisions.

11.7. Cancelled.

11.8. **Share fractions.** For avoidance of doubt, in the event of any change as set forth above in this Section 11, Participants shall not be entitled to exercise Options into Share fractions and the number of Shares each Participant is entitled to upon exercise of Options under the Plan shall be rounded (up or down, as applicable) to the nearest whole number.

12. Vesting of Awards

12.1. Subject to provisions pertaining to the Restriction Period and all other provisions of the Plan, unless set forth otherwise by the Board with respect to a certain Participant, as determined in the relevant Allocation agreement, each Option and/or RSU shall vest in accordance with vesting schedule set forth in Section 12.2 hereunder.

12.2. Options and RSUs shall vest in accordance with the following schedule, unless the Allocation Agreement specifies a different vesting schedule, in which case the provisions of the Allocation Agreement shall take precedent:

12.2.1. The first portion of the Options and/or RSUs, constituting one third (1/3) of the number of Options and/or RSUs allocated to the Participant shall vest (and that portion of Options can first be exercised) beginning on the date that is 12 months from the actual allocation date;

12.2.2. The second portion of the Options and/or RSUs, constituting one third (1/3) of the number of Options and/or RSUs allocated to the Participant shall vest on a quarterly basis following the lapse of 12 months from the actual allocation date, in four equal parts, whereby at the end of each quarter (3-month period) 1/12 of the Options and/or RSUs allocated to the Participant shall vest (and every such portion of Options first be exercisable).

12.2.3. The third portion of the Options and/or RSUs, constituting one third (1/3) of the number of Options and/or RSUs allocated to the Participant shall vest on a quarterly basis following the lapse of 24 months from the actual allocation date, in four equal parts, whereby at the end of each quarter (3-month period) 1/12 of the Options and/or RSUs allocated to the Participant shall vest (and every such portion of Options shall first be exercisable).

12.3. Acceleration of the vesting period

12.3.1. In the event the Participant's employment with the Company is terminated, due to or incidentally to: (i) change of control in the Company, or (ii) merger of the Company resulting in a change of control in the Company, or (iii) reorganization that is defined by the Company's Board as an event accelerating the vesting period, then the vesting period of the next portion of such participant's Options and/or RSUs shall accelerate and the Participant shall be entitled to exercise the Options in accordance with the provisions of Section 10 above. For example, in the event of termination of a Participant's employment with the Company for the reasons mentioned above during the second year after Allocation, vesting of the second portion of Options and/or RSUs shall accelerate while such Participant's third portion shall expire. RSUs shall continue to settle pursuant to the terms of the Allocation Agreement.

12.3.2. The Compensation Committee and the Board shall be entitled, at any time and at its sole discretion, to determine additional provisions regarding acceleration of the vesting period with respect to the grants or part of them, or with respect to removing limitations pertaining to exercise, and all subject to applicable law.

12.4. Options shall not be exercisable after the end of the Expiration Period, as defined in Section 13.1 hereunder.

13. The Exercise Period of Options

13.1. Unless the Board determined otherwise, Participants shall be entitled to exercise each portion of vested Options into the Company's Shares, beginning on the vesting date of each portion and until the lapse of four (4) years from the vesting date of such portion as set forth above (hereinafter with respect to vested Options: the "**Exercise Period**" and the "**Expiration Period**", respectively), except if the Options or part of them expired prior to the end of the Exercise Period and all in accordance with the provisions of Section 10 above. All Options granted to Participants and not exercised into the Company's Shares by the end of the Exercise Period shall expire and cease to be exercisable under this Plan and all the rights of such Participants with respect to such Options shall be void.

13.2. Options may be exercised by Participants at any time, in full or in part, from time to time, provided the vesting date has been reached and provided the vesting conditions set forth in the grant agreement have been fulfilled, and before the lapse of the Exercise Period, as set forth above. Unless set forth otherwise in the grant agreement of the Options, a condition for vesting each portion of Options is that the vesting date preceded termination of the employment relations (or engagement), as defined in Section 10.2 above.

14. Non-transferability

14.1. So long as the Trustee holds the Options and/or RSUs and/or Exercise Shares or Shares for the benefit of the Eligible Participant, the rights of such Participant in the Options and/or RSUs and/or Shares shall be personal rights that shall not be transferred, assigned, pledged, attached and/or given rights therein to any third party except by inheritance or operation of law. Any such action, direct or indirect, with immediate or prospective affect, shall be void.

14.2. Shares that are not fully paid up or settled may not be transferred, assigned, pledged and/or attached except by inheritance or operation of law. For avoidance of doubt, the aforementioned shall not limit transfer of the Participant's rights with respect to Options or Shares that can be purchased pursuant to exercise following the death of the Participant to its estate or its heirs by will or operation of law, which such rights shall be determined in accordance with Section 10.1 above, or as determined by the Board.

15. Additional Provisions on Restricted Share Units

15.1. Unless otherwise provided for in an Allocation Agreement or any applicable sub-plan to this Plan, delivery of Shares upon settlement of RSUs shall occur as soon as administratively practicable (e.g., following the close of the quarter or year in which the vesting period is completed), as shall be determined by the Board.

15.2. Until lawful settlement of the RSUs and the allocation of Shares, the Participant shall not be entitled to vote or receive dividends or any other right conferred to shareholders in respect of such Shares.

15.3. Subject to Section 15.3, following settlement of RSUs by delivering the Shares to the participant and registering the Shares in the name of the Participant in the Company's shareholders' registry, the Participant shall not be conferred any rights that are attached to the Shares subject to an RSU.

15.4. So long as the Shares delivered upon settlement of the RSUs are held by the Trustee, the Trustee shall be deemed the owner of the Shares towards the Company and towards any third parties, including and without derogating from the aforementioned for purpose of receiving notices from the Company. Notwithstanding the aforementioned, the Trustee shall not personally have the voting rights attached to the Shares however it shall be entitled, subject to receiving suitable written request from a Participant, grant such Participant power of attorney to vote the Shares it is entitled to and which are held by the Trustee at the Company's general assembly.

15.5. The Plan Administrator is authorized to make awards of RSUs, whether qualify under Section 102 of the Ordinance, or non-qualified under Section 422 of the Code, or under Section 3(i) of the Ordinance, to any employee or consultant (as applicable) in such amounts and subject to such terms and conditions as the Plan Administrator shall deem appropriate. On the settlement date of a RSU, unless otherwise noted in the Allocation Agreement, the Company shall transfer to the Participant one fully paid and non-assessable Shares for each RSU scheduled to be paid out on such date and not previously forfeited. RSUs shall settle following vesting and any other provisions, all as shall be provided in the Allocation Agreement.

- (i) All Awards of RSUs made pursuant to this Plan will be evidenced by an Allocation Agreement and will comply with and be subject to the terms and conditions of this Plan.
- (ii) RSUs shall be subject to such terms and conditions as the Plan Administrator may impose. These terms and conditions may include restrictions based upon completion of a specific period of service with the Company or an Affiliated Company as set out in advance in the Participant's individual Allocation Agreement.

15.6. RSUs shall be evidenced by the terms of the Allocation Agreements. Such agreement shall conform to the requirements of this Plan and may contain such other provisions, as the Board or the Compensation Committee (as applicable) shall deem advisable.

16. Period of the Plan

16.1. This Plan shall be in effect for a period of ten (10) years from its approval by the Company's Board, unless the Company's Board decides on earlier terminate. For avoidance of doubt it is clarified that no Options and/or RSUs shall be allocated under this Plan during the period later than 10 years from the date this Plan was approved by the Company's Board, however the provisions of the Plan shall continue to apply to Options and/or RSUs allocated under the Plan (even if the 10-year period from the date of approval has lapsed) until the end of the Expiration Period of the Options and/or RSUs in accordance with the Allocation Agreement.

16.2. Notwithstanding the provisions of the Plan, the Board is entitled, at any time, to change, suspend or cancel, retroactively or otherwise, the entire Plan or a part thereof (including any change meant to ensure the Company is in compliance with the provisions of law), provided that save for amending copying errors, amendment deriving from the requirements of applicable law or as explicitly set forth in the Plan, the rights of Participants with respect to Awards granted to them prior to the change, suspension or cancellation shall not be prejudiced without the consent of such Participants. The Board is entitled to change the terms of Awards granted to Participants, in retroactively or prospectively, provided that save for amending copying errors, amendment deriving from law, applicable accounting principles or as explicitly set forth in the Plan, the rights of Participants with respect to Awards granted to them prior to the change shall not be prejudiced without the consent of such Participants.

16.3. Notwithstanding the provisions of the Plan, the Board is entitled to perform the following actions: (A) increase the number of Shares that may be issued according to the Plan; (B) extend the validity of the Plan; (C) materially expand eligibility to participate in the Plan; (D) expand the class of Awards and/or benefits provided in the framework of the Plan.

17. Tax Consequences

17.1. The Participants shall be solely liable for any tax consequences deriving from Allocation of Options and/or RSUs and/or Shares in the framework of this Plan, vesting of any Award, exercise of any Option and/or settlement of any RSUs, sale or transfer of Shares or from any other event or activity (of the Company and/or its Affiliated Companies and/or the Trustee and/or the Participant) related to Awards of Options and/or RSUs or to Shares allocated under this Plan. The Company and/or its Affiliated Companies and/or the Trustee shall deduct tax as required by the Income Tax Ordinance and any applicable laws, regulations and rules. The Participants agree to indemnify the Company and/or its Affiliated Companies and/or the Trustee, and to release them from any liability for payment of any tax, fine or interest, including, and without limiting the generality of the aforementioned, any expense or payment related to the obligation to withhold tax at source from any payment made to the Participants or for any act related to Allocation, vesting, exercise, settlement, sale or transfer of Shares and/or Options and/or RSUs.

17.2. The Company or any Affiliated Company and the Trustee may determine conditions and take any action that according to their discretion is necessary or fit for purpose of deducting the tax that must be deducted in accordance with applicable law with respect to Allocations made under the Plan, as well as with respect to vesting, exercise, sale, transfer of any Award and/or Option and/or RSUs and/or Share, including, and without derogating from the generality of the aforementioned: (A) deducting the amount necessary from any other amount that must be paid now or in the future to any Participant, including by deducting the necessary amount from the salary of the Participant or from other amounts it is entitled to, up to the maximum amount permitted by law, and/or (B) requiring Participants to pay to the Company or Affiliated Company the amount that must be deducted as a condition for allocation, delivery and/or release of the Shares, and/or (C) cause the exercise of Options and/or settlement of RSUs and/or sell the Shares held by or on behalf of Participants in order to pay such liability. In addition, Participants shall be required to pay any amount that exceeds the tax deducted and transferred to the tax authorities, subject to applicable law.

17.3. With respect to Allocation without a Trustee, in the event any Eligible Participant ceases being an employee or officer of the Company or of any Affiliated Company, the Eligible Participant shall provide to the Company and/or such Affiliated Company collateral or surety to the satisfaction of the Company, for payment of the tax required upon sale of the Shares, all subject to the provisions of Section 102 of the Income Tax Ordinance and the Rules.

17.4. **The aforementioned does not purport to be an authorized interpretation of the provisions of law mentioned above, nor does it purport to be an exhausting description of all provisions of law pertaining to the taxes that may apply in connection with the Awards allocated to Participants, and does not substitute legal and professional consultation in such regard. Each Participant is urged to consult with a tax advisor with respect to the tax consequences deriving from receipt and/or exercise of any Award under this Plan.**

18. **Compliance with the Law**

Shares shall not be issued pursuant to exercise of Options and/or settlement of RSUs or in connection with other Award, unless the exercise of the Options and/or settlement of RSUs or grant of Award, and the issuance of Shares were carried out in accordance with the provision of applicable law, including securities law and the professional guidelines of the Stock Exchange.

19. **General Provisions**

19.1. Adoption of the Plan by the Board shall not be construed as limiting authority of the Board to adopt other incentive arrangements as it deems fit, including granting additional Options and/or RSUs and/or Shares and/or other securities not under the Plan, and such arrangement may apply in general or in certain instances.

19.2. The terms of each Award, granted under the Plan, may be different than other Awards simultaneously granted under the Plan. The Company's Board is entitled to grant more than one Option or one RSU to any Participant during the period of the Plan, whether in addition or substitution of one or more other Options or RSUs granted to such Participant.

19.3. Any income or profit attributed (or purported to be attributed) to any Participant for Options or RSUs or Shares under this Plan, shall not be deemed part of such Participant's salary for all intents and purposes (except for purpose of deducting tax and other mandatory deductions) and shall not be taken into account while calculating the basis for the Participants entitlement towards the Company to receive any social benefits (including, severance, social allocations, pension, etc.) or other rights or benefits deriving from the employment relationship.

20. **Applicable Law and Jurisdiction**

The laws of the State of Israel shall apply to the Plan and any document issued now or in the future in connection with or in the framework of the Plan.

LIST OF SUBSIDIARIES

Company Name	Jurisdiction of Incorporation
Nano Dimension Technologies Ltd.	Israel
Nano Dimension IP Ltd.	Israel
Nano Dimension (HK) Limited	Hong Kong
Nano Dimension USA Inc.	Delaware

CERTIFICATION PURSUANT TO EXCHANGE ACT RULE 13a-14(a) or 15d-14(a)

I, Amit Dror, certify that:

1. I have reviewed this annual report on Form 20-F of Nano Dimension Ltd.;
2. Based on my knowledge, this annual 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 annual 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 Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent function):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: March 14, 2019

/s/ Amit Dror

Amit Dror
Chief Executive Officer

CERTIFICATION PURSUANT TO EXCHANGE ACT RULE 13a-14(a) or 15d-14(a)

I, Yael Sandler, certify that:

1. I have reviewed this annual report on Form 20-F of Nano Dimension Ltd.;
2. Based on my knowledge, this annual 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 annual 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 Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent function):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: March 14, 2019

/s/ Yael Sandler

Yael Sandler

Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. Section 1350**

In connection with the filing of the Annual Report on Form 20-F for the period ended December 31, 2018 (the "Report") by Nano Dimension Ltd. (the "Company"), the undersigned, as the Chief Executive Officer of the Company, hereby certifies pursuant to 18 U.S.C. Section 1350, to my knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 14, 2019

/s/ Amit Dror

Amit Dror
Chief Executive Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. Section 1350**

In connection with the filing of the Annual Report on Form 20-F for the period ended December 31, 2018 (the "Report") by Nano Dimension Ltd. (the "Company"), the undersigned, as Chief Financial Officer of the Company, hereby certifies pursuant to 18 U.S.C. Section 1350, to my knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 14, 2019

/s/ Yael Sandler

Yael Sandler
Chief Financial Officer

Consent of Independent Registered Public Accounting Firm

The Board of Directors

Nano Dimension Ltd.:

We consent to the incorporation by reference in the registration statement (No. 333-217173) on Form F-3, and the registration statement (No. 333-214520) on Form S-8, of Nano Dimension Ltd. of our report dated March 13, 2019, with respect to the consolidated statements of financial position of Nano Dimension Ltd. and its subsidiaries as of December 31, 2016, 2017 and 2018 and the related consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for each of the years in the three-year period ended December 31, 2018, which report appears in the December 31, 2018 annual report on Form 20-F of Nano Dimension Ltd.

Our report dated March 13, 2019 contains an explanatory paragraph that states that Nano Dimension Ltd. has a lack of sufficient resources that raise substantial doubt about its ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Our report refers to a change in the functional and presentation currency from NIS to U.S. dollars as of January 1, 2018.

Somekh Chaikin
Certified Public Accountants (Israel)
A member firm of KPMG International

Tel Aviv, Israel
March 14, 2019