
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington D.C. 20549

FORM 20-F/A
(Amendment No. 1)

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

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2016

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Date of event requiring this shell company report _____

Commission file number: 001-20892

ATTUNITY LTD.

(Exact name of registrant as specified in its charter and translation of registrant's name into English)

Israel

(Jurisdiction of incorporation or organization)

16 Atir Yeda Street, Atir Yeda Industrial Park, Kfar Saba, 4464321, Israel
(Address of principal executive offices)

Dror Harel-Elkayam, CFO

Tel: +972-9-8993000; Fax: +972-9-8993001

Attunity Ltd, 16 Atir Yeda Street, Atir Yeda Industrial Park, Kfar Saba, 4464321, Israel
(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:

<u>Title of Each Class</u>	<u>Name of Each Exchange on which Registered</u>
Ordinary Shares, NIS 0.4 par value per share	The NASDAQ Stock Market LLC
Ordinary Share Bonus Rights	The NASDAQ Stock Market LLC

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

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

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report (December 31, 2016): 16,841,238

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

Yes No

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

Yes No

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

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

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

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer

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

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

If "Other" has been checked in response to the previous question indicate by check mark which financial statements the registrant has elected to follow:

Item 17 Item 18

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

Yes No

EXPLANATORY NOTE

This Amendment No. 1 on Form 20-F/A (this "Amendment") to the annual report on Form 20-F for the fiscal year ended December 31, 2016, as filed by Attunity Ltd. (the "Company" or "we") with the Securities and Exchange Commission (the "Commission") on March 1, 2017 (the "Form 20-F"), is being filed solely to correct clerical errors in the dates included in the electronic versions of the audit reports of Kost Forer Gabbay & Kasierer, a Member of Ernst & Young Global ("EY"), included in the Form 20-F (the "Audit Reports").

Therefore, we are filing this Amendment to our Form 20-F to include the corrected Audit Reports together with the consolidated financial statements to which the Audit Reports were attached in Item 18 of our Form 20-F. In addition, we are (i) refiling the consent of EY as Exhibit 15.1 and (ii) filing or furnishing, as indicated herein, as Exhibits 12.1, 12.2, 13.1 and 13.2, certain currently dated certifications.

This Amendment speaks as of the date of the initial filing of the Form 20-F and, other than as described above, this Amendment does not, and does not purport to, amend, update or restate any other information or disclosure included in the Form 20-F and does not, and does not purport to, reflect any events that have occurred after the date of the initial filing of the Form 20-F.

ITEM 18. FINANCIAL STATEMENTS

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ATTUNITY LTD. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2016
U.S. DOLLARS IN THOUSANDS

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of

ATTUNITY LTD.

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

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2016 based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria), and our report dated March 1, 2017, expressed an unqualified opinion thereon.

Tel-Aviv, Israel
March 1, 2017

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



REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of

ATTUNITY LTD.

We have audited Attunity Ltd. and subsidiaries (the "Company") internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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

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

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of the Company as of December 31, 2016 and 2015 and the related consolidated statements of operations, comprehensive income (loss), stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2016 of Attunity Ltd. and subsidiaries and our report dated March 1, 2017 expressed an unqualified opinion thereon.

Tel-Aviv, Israel
March 1, 2017

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

CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands

	December 31,	
	2016	2015
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 9,166	\$ 12,522
Trade receivables (net of allowance for doubtful accounts of \$15 at December 31, 2016 and 2015)	7,031	4,524
Other accounts receivable and prepaid expenses	663	639
Total current assets	16,860	17,685
Severance pay fund	3,770	3,513
Property and equipment, net	1,214	1,260
Intangible assets, net	2,778	9,272
Goodwill	30,929	30,844
Deferred taxes	2,248	415
Other assets	155	169
Total long-term assets	41,094	45,473
Total assets	\$ 57,954	\$ 63,158

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

CONSOLIDATED BALANCE SHEETS

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

	December 31,	
	2016	2015
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Trade payables	\$ 375	\$ 664
Payment obligation related to acquisitions	271	2,204
Deferred revenues	10,676	9,354
Employees and payroll accruals	4,741	4,012
Accrued expenses and other current liabilities	2,021	1,248
Total current liabilities	18,084	17,482
LONG-TERM LIABILITIES:		
Deferred revenues	1,438	1,348
Liability presented at fair value	512	719
Payment obligation related to acquisitions	-	254
Accrued severance pay	5,027	4,746
Other liabilities	277	318
Total long-term liabilities	7,254	7,385
SHAREHOLDERS' EQUITY:		
Share capital - Ordinary shares of NIS 0.4 par value - Authorized: 32,500,000 shares at December 31, 2016 and 2015; Issued and outstanding 16,841,238 shares at December 31, 2016 and 16,406,243 shares at December 31, 2015	1,921	1,876
Additional paid-in capital	149,685	144,836
Accumulated other comprehensive loss	(1,013)	(1,137)
Accumulated deficit	(117,977)	(107,284)
Total shareholders' equity	32,616	38,291
Total liabilities and shareholders' equity	\$ 57,954	\$ 63,158

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

CONSOLIDATED STATEMENTS OF OPERATIONS

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

	Year ended December 31,		
	2016	2015	2014
Revenues:			
Software licenses	\$ 28,653	\$ 26,568	\$ 20,128
Maintenance and services	25,841	21,600	15,524
Total revenues	54,494	48,168	35,652
Operating expenses:			
Cost of software licenses	2,143	2,518	890
Cost of maintenance and services	6,637	4,760	2,431
Research and development	13,283	11,139	9,316
Selling and marketing	35,089	27,381	19,136
General and administrative	4,594	4,857	3,944
Impairment of intangible assets	4,122	-	-
Total operating expenses	65,868	50,655	35,717
Operating loss	(11,374)	(2,487)	(65)
Financial expenses, net	(54)	(576)	(893)
Loss before taxes on income	(11,428)	(3,063)	(958)
Income tax benefit (taxes on income)	735	(546)	(734)
Net loss	\$ (10,693)	\$ (3,609)	\$ (1,692)
Basic and diluted net loss per share	\$ (0.64)	\$ (0.22)	\$ (0.11)
Weighted average number of shares used in computing basic and diluted net loss per share	16,739	16,183	15,024

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

U.S. dollars in thousands

	Year ended December 31,		
	2016	2015	2014
Net loss	\$ (10,693)	\$ (3,609)	\$ (1,692)
Other comprehensive income (loss):			
Cash flow hedges:			
Changes in unrealized (losses) gains	76	(64)	-
Reclassification adjustments for (gains) losses included in net loss	(24)	6	-
Net change	<u>52</u>	<u>(58)</u>	<u>-</u>
Foreign currency translation adjustment	<u>72</u>	<u>(208)</u>	<u>(250)</u>
Net change in accumulated comprehensive loss	<u>124</u>	<u>(266)</u>	<u>(250)</u>
Comprehensive loss	<u>\$ (10,569)</u>	<u>\$ (3,875)</u>	<u>\$ (1,942)</u>

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

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

U.S. dollars in thousands, except share data

	Ordinary Shares		Additional paid-in capital	Receipt on account of shares	Other Comprehensive Loss	Accumulated deficit	Total shareholders' Equity
	Number	Amount					
Balance as of January 1, 2014	14,527,292	1,677	130,944	81	(621)	(101,983)	30,098
Exercise of warrants and stock options	619,082	70	818	-	-	-	888
Tax benefit related to exercise of stock options	-	-	121	-	-	-	121
Share-based compensation	-	-	1,489	-	-	-	1,489
Receipt on account of shares	167,842	19	62	(81)	-	-	-
Issuance of shares related to Hayes acquisition	61,500	6	497	-	-	-	503
Other comprehensive loss	-	-	-	-	(250)	-	(250)
Net loss	-	-	-	-	-	(1,692)	(1,692)
Balance as of December 31, 2014	15,375,716	1,772	133,931	-	(871)	(103,675)	31,157
Exercise of warrants and stock options	434,477	45	1,119	-	-	-	1,164
Share-based compensation	-	-	2,827	-	-	-	2,827
Issuance of shares related to Appfluent acquisition, including retention plan paid in shares	596,050	59	5,488	-	-	-	5,547
Holdback shares to secure indemnity claims	-	-	1,253	-	-	-	1,253
Tax benefit related to exercise of stock options	-	-	218	-	-	-	218
Other comprehensive loss	-	-	-	-	(266)	-	(266)
Net loss	-	-	-	-	-	(3,609)	(3,609)
Balance as of December 31, 2015	16,406,243	\$ 1,876	\$ 144,836	-	\$ (1,137)	\$ (107,284)	\$ 38,291

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

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

U.S. dollars in thousands, except share data

	Ordinary Shares		Additional paid-in capital	Other Comprehensive Loss	Accumulated deficit	Total shareholders' Equity
	Number	Amount				
Balance as of January 1, 2016	16,406,243	\$ 1,876	\$ 144,836	\$ (1,137)	\$ (107,284)	\$ 38,291
Exercise of stock options and vesting of RSUs	182,313	19	270	-	-	289
Share-based compensation	-	-	3,880	-	-	3,880
Issuance of shares related to retention plan associated with acquisition and other share-based compensation	76,616	8	664	-	-	672
Issuance of shares related to BIReady acquisition	31,895	3	221	-	-	224
Issuance of holdback shares to secure indemnity claims	144,171	15	(15)	-	-	-
Tax deficiencies related to exercise of stock options	-	-	(171)	-	-	(171)
Other comprehensive loss	-	-	-	124	-	124
Net loss	-	-	-	-	(10,693)	(10,693)
Balance as of December 31, 2016	<u>16,841,238</u>	<u>1,921</u>	<u>149,685</u>	<u>(1,013)</u>	<u>(117,977)</u>	<u>32,616</u>

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Year ended December 31,		
	2016	2015	2014
Cash flows from operating activities:			
Net loss	\$ (10,693)	\$ (3,609)	\$ (1,692)
Adjustments required to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation	493	411	345
Share-based compensation	3,880	2,827	1,489
Retention plan associated with acquisition and other compensation in shares	370	502	-
Impairment of intangible assets	4,122	-	-
Amortization of intangible assets	2,372	2,862	1,215
Accretion of payment obligations related to acquisitions	(8)	477	682
Change in fair value of payment obligations	35	(2,067)	-
Change in:			
Accrued severance pay, net	24	184	(46)
Trade receivables	(2,544)	1,512	(767)
Other accounts receivable and prepaid expenses	(29)	(364)	265
Other long-term assets	14	(174)	(1)
Trade payables	(279)	343	(136)
Deferred revenues	1,570	2,533	1,674
Employees and payroll accruals	1,101	635	(187)
Accrued expenses and other current liabilities	594	(202)	782
Liability presented at fair value and other long-term liabilities	(185)	(91)	(187)
Tax deficiencies (benefit) related to exercise of stock options	171	(218)	(121)
Change in deferred taxes, net	(1,833)	(641)	(224)
Net cash provided by (used in) operating activities	(825)	4,920	3,091
Cash flows from investing activities:			
Purchase of property and equipment	(456)	(625)	(446)
Decrease (increase) in restricted cash	-	430	(430)
Cash paid in connection with acquisition, net of acquired cash (Note 3)	-	(10,402)	(748)
Net cash used in investing activities	(456)	(10,597)	(1,624)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Year ended December 31,		
	2016	2015	2014
<u>Cash flows from financing activities:</u>			
Proceeds from exercise of warrants and options	289	1,164	888
Payment of contingent consideration	(1,990)	(2,054)	-
Tax benefit (deficiencies) related to exercise of stock options	(171)	218	121
Net cash provided by (used in) financing activities	<u>(1,872)</u>	<u>(672)</u>	<u>1,009</u>
Foreign currency translation adjustments on cash and cash equivalents	(203)	(88)	2
Increase (decrease) in cash and cash equivalents	(3,356)	(6,437)	2,478
Cash and cash equivalents at the beginning of the year	<u>12,522</u>	<u>18,959</u>	<u>16,481</u>
Cash and cash equivalents at the end of the year	<u>\$ 9,166</u>	<u>\$ 12,522</u>	<u>\$ 18,959</u>
<u>Supplemental disclosure of cash flow activities:</u>			
Cash paid during the year for:			
Income taxes	<u>\$ 653</u>	<u>\$ 1,558</u>	<u>\$ 500</u>
<u>Supplemental disclosure of non-cash investing and financing activities:</u>			
Issuance of shares related to acquisition	<u>\$ 224</u>	<u>\$ 6,600</u>	<u>\$ 503</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands, except share and per share data**NOTE 1:- GENERAL**

Attunity Ltd. (the "Company" or "Attunity") develops, markets, sells and supports integration and Big Data management software solutions that enable availability, delivery and management of data across heterogeneous enterprise platforms, organizations, and the cloud. In addition, the Company provides maintenance, consulting and training for its products.

The Company has wholly-owned subsidiaries mainly in the United States, United Kingdom, Hong-Kong and Israel. The Company's subsidiaries are engaged primarily in sales, marketing and customer service.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"), followed on a consistent basis.

a. Use of estimates:

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The Company's management believes that the estimates, judgments and assumptions used are reasonable based upon information available at the time they are made. These estimates, judgments and assumptions can affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. On an ongoing basis, the Company's management evaluates estimates, including those related to valuation and impairments of goodwill and intangible assets, tax assets and liabilities, fair values of stock-based awards, estimates used in applying the revenue recognition policy related to separation of multiple elements, as well as certain financial instruments classified as liabilities. Such estimates are based on historical experience and on various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities.

b. Reclassifications:

Certain amounts in prior years' financial statements have been reclassified to reflect certain immaterial adjustments related to a business combination completed in 2015. The reclassification had no effect on previously reported net income, cash flows or shareholders' equity.

c. Financial statements in U.S. dollars ("dollars"):

A majority of the revenues of the Company and of certain of its subsidiaries is generated in dollars. In addition, a substantial portion of the Company's and certain subsidiaries' costs are denominated in dollars. Accordingly, the Company's management has determined that the dollar is the currency in the primary economic environment in which those companies operate. Thus, the functional and reporting currency of those companies is the dollar. Accordingly, monetary amounts denominated in a currency other than the functional currency are re-measured into the functional currency in accordance with Accounting Standards Codification ("ASC") No. 830, "Foreign Currency Matters," while all transaction gains and losses of the re-measured monetary balance sheet items are reflected in the statements of operations as financial income or expenses, as appropriate.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The financial statements of certain subsidiaries, whose functional currency is determined to be their local currency, have been translated into dollars. All balance sheet accounts have been translated using the exchange rates in effect at the balance sheet date. Statement of operations amounts have been translated using the average exchange rate for the applicable year. The resulting translation adjustments are reported as an accumulated other comprehensive loss component of shareholders' equity.

d. Principles of consolidation:

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. Intercompany balances and transactions have been eliminated in consolidation.

e. Cash equivalents:

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

f. Property and equipment, net:

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

	<u>Percentage</u>
Computers and peripheral equipment	20 – 33 (mainly 33)
Office furniture and equipment	10 – 20 (mainly 15)
Leasehold improvements	Over the shorter of the related lease period or the life of the asset

g. Goodwill and other intangible assets:

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The Company operates in one operating segment and this segment comprises the only reporting unit. The Company tests goodwill using the two-step process in accordance with ASC No. 350. The first step, identifying a potential impairment, compares the fair value of the reporting unit with its carrying amount. If the carrying amount exceeds its fair value, the second step would need to be performed; otherwise, no further step is required. The second step, measuring the impairment loss, compares the implied fair value of the goodwill with the carrying amount of the goodwill. Any excess of the goodwill carrying amount over the applied fair value is recognized as an impairment loss, and the carrying value of goodwill is written down to fair value. During the years ended December 31, 2016, 2015 and 2014, no impairment of goodwill has been identified.

The intangible assets of the Company are not considered to have an indefinite useful life and are amortized over their estimated useful lives. Intangible assets consist of core technology, customer relationships and non-competition agreement.

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

According to ASC No. 360, "Property, Plant and Equipment", the carrying amount of these assets to be held and used is reviewed whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Recoverability of these assets is measured by comparison of the carrying amount of each asset (or asset group) to the future undiscounted cash flows the asset (or asset group) is expected to generate. If the asset is considered to be impaired, the amount of any impairment is measured as the difference between the carrying value and the fair value of the impaired asset.

In 2016, as a result of reduced sales trends of products based on the technology of Appfluent, a U.S.-based corporation acquired by the Company in March 2015, the Company identified impairment indicators and performed an impairment test on the acquisition-related amortizable intangible for this acquisition. As a result, during the year ended in December, 31 2016, the Company recognized a \$3,919 impairment charge on core technology and a \$203 impairment loss on customer's relationship. The fair value of these assets was determined in accordance with a forecasted discounted cash flows model, using a discount rate reflecting the risk inherent in the projected cash flows. During the years ended December 31, 2015, and 2014, no impairment of long-lived assets and intangible assets was identified.

i. Business combinations:

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

Acquisition related costs are expensed to the statement of operations in the period incurred.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands, except share and per share data**NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

j. Research and development costs:

Research and development costs are charged to the statement of operations as incurred. ASC No. 985-20, "Software - Costs of Software to Be Sold, Leased, or Marketed", requires capitalization of certain software development costs subsequent to the establishment of technological feasibility. Based on the Company's product development process, technological feasibility is established upon completion of a working model. Costs incurred by the Company between completion of the working models and the point at which the products are ready for general release, have been insignificant. Therefore, all research and development costs are expensed as incurred.

k. Income taxes:

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

ASC No. 740 contains a two-step approach to recognizing and measuring a liability for uncertain tax positions. The first step is to evaluate the tax position taken or expected to be taken in a tax return by determining if the weight of available evidence indicates that it is more likely than not that, on an evaluation of the technical merits, the tax position will be sustained on audit, including resolution of any related appeals or litigation processes.

The second step is to measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement. The Company accrues interest related to unrecognized tax benefits in its taxes on income (income tax benefit).

l. Revenue recognition:

The Company generates revenues mainly from license fees and sublicense fees for the right to use its software products and maintenance, support, consulting and training services. The Company grants licenses to its products primarily through its direct sales force and indirectly through original equipment manufacturers ("OEMs"), distributors, resellers and value added resellers ("VARs"). The customers, OEMs, distributors, resellers or VARs, as the case may be, are generally considered to be end users for purposes of revenue recognition.

The Company accounts for software sales in accordance with ASC No. 985-605, "Software Revenue Recognition" ("ASC No. 985-605"). Revenue from license fees and services are recognized when persuasive evidence of an arrangement exists, delivery of the product has occurred or the services have been rendered, the fee is fixed or determinable and collectability is probable. The Company usually does not grant a right of return to its customers.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands, except share and per share data**NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

As required by ASC No. 985-605, the Company determines the value of the software component of its multiple-element arrangements using the residual method when vendor specific objective evidence ("VSOE") of fair value exists for all the undelivered elements of the arrangement. VSOE is based on the price charged when an element is sold separately or renewed. Under the residual method, the fair value of the undelivered elements is deferred and the remaining portion of the arrangement fee is allocated to the delivered elements and is recognized as revenue.

Maintenance and support agreements provide customers with rights to unspecified software product updates, if and when available. These services grant the customers on line and telephone access to technical support personnel during the term of the service. The Company recognizes maintenance and support services revenues ratably over the term of the agreement, usually one year.

Arrangements for the sale of software products that include consulting and training services are evaluated to determine whether those services are essential to the functionality of other delivered elements of the arrangement. The Company determined that these services are not considered essential to the functionality of other elements of the arrangement; therefore, these revenues are recognized as a separate element of the arrangement.

Service revenues are recognized as the services are performed.

Revenues from royalties are recognized according to quarterly royalty reports received from the applicable distributors and OEMs. The Company is entitled to either a percentage of the distributor or OEM's revenue from the combined product or to a percentage of the revenues of the product sold, as the case may be.

Deferred revenue includes unearned amounts paid under maintenance and support contracts and amounts received from customers under license agreements but not recognized as revenues.

m. **Cost of Revenues:**

Cost of software licenses is comprised of amortization of core technology acquired. Cost of maintenance and services is comprised mainly of post-sale customer support and professional services personnel.

n. **Concentrations of credit risks:**

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Cash and cash equivalents are invested in major banks mainly in Israel and the United States. Such deposits in the United States may be in excess of insured limits and are not insured in other jurisdictions, such as Israel. Generally these deposits may be redeemed upon demand and, therefore, bear low risk.

The Company's trade receivables are mainly derived from sales to customers located primarily in the United States, Europe and the Far East. The Company performs ongoing credit evaluations of its customers and, through December 31, 2016, has not experienced any material losses. An allowance for doubtful accounts is determined with respect to those amounts that the Company has determined to be doubtful of collection. There were no material bad debt expenses or write-offs recorded for the years ended December 31, 2016, 2015 and 2014.

o. Accounting for share-based compensation

The Company accounts for share-based compensation in accordance with ASC No. 718, "Compensation - Stock Compensation" ("ASC No. 718"). ASC No. 718 is applicable for stock-based awards exchanged for employees' services and for non-employee directors. Pursuant to ASC No. 718, share-based compensation cost is measured at the grant date, based on the fair value of the award, and is recognized as expense ratably on a straight line basis over the requisite service period, net of estimated forfeitures. ASC No. 718 requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Estimated forfeitures are based on actual historical pre-vesting forfeitures.

ASC No. 718 requires the cash flows resulting from tax deductions in excess of the equity-based compensation costs recognized for those equity-based awards to be classified as financing cash flows. During the years ended December 31, 2016, 2015 and 2014, the Company classified \$ (171), \$ 218 and \$ 121, respectively, of excess tax benefits (deficiencies) from equity-based compensation as financing cash flows.

The Company selected the Black-Scholes option pricing model as the most appropriate fair value method for its stock options awards. This option-pricing model requires a number of assumptions, of which the most significant are the expected stock price volatility and the expected option term. Expected volatility is calculated based upon actual historical stock price movements over the most recent periods ending on the grant date, equal to the expected option term. The expected term of options granted is derived from the historical option exercises, post-vesting cancellations, and estimates concerning future exercises and cancellations for vested and unvested options that remain outstanding. The risk-free interest rate is based on the yield from U.S. treasury bonds with an equivalent term to the expected life of the options. Historically, the Company has not paid dividends and in addition has no foreseeable plans to pay dividends, and therefore uses an expected dividend yield of zero in the option pricing model.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The fair value for options granted in 2016, 2015 and 2014 is estimated at the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	Year ended December 31,		
	2016	2015	2014
Dividend yield	0%	0%	0%
Expected volatility	53%	52%	61%
Risk-free interest	1.82%	1.29%	1.24%
Expected life (in years)	5.3	4	4

The fair value of each restricted stock unit ("RSU") is the market value as determined by the closing price of the common share prior to the day of grant.

p. Derivatives and hedging:

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

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

The Company entered into forward and option contracts to hedge against the risk of overall changes in future cash flow from payments of payroll and related expenses denominated in New Israeli Shekels ("NIS"). As of December 31, 2016 and 2015, the fair value of the Company's outstanding forward and option contracts amounted to \$ 7 and \$ 62, respectively, which is included within accrued expenses and other current liabilities in the balance sheets. The Company measured the fair value of these contracts in accordance with ASC No. 820, "Fair Value Measurements and Disclosures" ("ASC No. 820"), and they were classified as level 2. Net income (loss) from hedging transactions recognized in financial expenses, net during 2016, 2015 and 2014 was \$3, (\$30) and (\$201), respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

As of December 31, 2016 and 2015, the notional principal amount of the hedging contracts to sell U.S. dollars held by the Company was \$4,963 and \$6,471, respectively.

The fair value of the Company's outstanding derivative designated as cash flow hedging instruments was recorded as liability of \$7 and \$58, as of December 31, 2016 and 2015, respectively, which is included within "Accrued expenses and other current liabilities" in the balance sheet.

The fair value of the Company's outstanding hedging contracts that were not designated as hedging instruments as of December 31, 2016 and 2015 were immaterial.

q. Basic and diluted net loss per share:

Basic and diluted loss per ordinary share are presented in conformity with ASC No. 260 "Earnings Per Share", for all years presented. Basic loss per ordinary share is computed by dividing the net loss for each reporting period by the weighted average number of ordinary shares outstanding during the period. Diluted loss per ordinary share is computed by dividing the aggregation of the net loss for each reporting period plus additional expense or income that would have been outstanding if potentially dilutive securities had been exercised during the period, by the weighted average number of ordinary shares outstanding during the period plus any additional ordinary shares that would have been outstanding if potentially dilutive securities had been exercised during the period, calculated under the treasury stock method.

The total number of shares related to the outstanding stock options excluded from the calculation of diluted net loss per share due to their anti-dilutive effect was 1,902,934, 1,974,962 and 1,888,768 for the years ended December 31, 2016, 2015 and 2014, respectively.

r. Severance pay:

The Company's liability for severance pay for all employees located in Israel is calculated pursuant to Israel's Severance Pay Law based on the employees' most recent monthly salary multiplied by the number of years of employment, as of the balance sheet date. Upon termination by the Company, or other circumstances that are considered as termination under the Severance Pay Law, Israeli employees are generally entitled to one month's salary for each year of employment or a portion thereof. The Company's liability for all of its Israeli employees is fully provided by monthly deposits with a severance pay fund, pension policies and by an accrual.

The deposited funds include profits or losses accumulated up to the balance sheet date. The deposited funds may be withdrawn only upon the fulfillment of the employee's obligation pursuant to Israel's Severance Pay Law or employment agreements. The value of these policies is recorded as an asset in the Company's balance sheets. The Company's agreements with employees in Israel, who joined the Company after December 1, 2009, are in accordance with Section 14 of the Severance Pay Law, 1963, whereby the Company's contributions for severance pay fully cover its severance liability. Such deposits and related obligations are not stated on the balance sheet, as the Company is legally released from obligation to employees once the deposit amounts have been fully paid.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands, except share and per share data**NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

Severance pay expense for the years ended December 31, 2016, 2015 and 2014 amounted to \$ 645, \$ 682 and \$ 594, respectively.

s. Fair value of financial instruments:

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

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

Unobservable inputs are inputs that reflect the Company's assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

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

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.
- Level 2 - Valuations based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.
- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

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

The carrying amounts of cash and cash equivalents, restricted cash, trade receivables, trade payables, employees and payroll accruals, accrued expenses and other current liabilities approximate their fair values due to the short-term maturity of these instruments.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

t. Comprehensive income:

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

The following table summarizes the changes in accumulated balances of other comprehensive loss for 2016:

	Unrealized gains (losses) on cash flow hedges	Foreign currency translation adjustment	Total
Beginning balance	\$ (58)	\$ (1,079)	\$ (1,137)
Other comprehensive gain before reclassifications	76	72	148
Amounts reclassified from accumulated other comprehensive loss into earnings	(24)	-	(24)
Net current period other comprehensive	52	72	124
Ending balance	<u>\$ (6)</u>	<u>\$ (1,007)</u>	<u>\$ (1,013)</u>

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

- In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update ("ASU") No. 2016-02, "Leases". The updated standard aims to increase transparency and comparability among organizations by requiring lessees to recognize lease assets and lease liabilities on the balance sheet and requiring disclosure of key information about leasing arrangements. This update is effective for annual periods beginning after December 15, 2018, and interim periods within those annual periods; early adoption is permitted and modified retrospective application is required. The Company is in the process of evaluating this guidance to determine the impact it will have on its consolidated financial statements.
- In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)" ("ASU 2014-09"), which amends the existing accounting standards for revenue recognition. The FASB has recently issued several amendments to the standard, including clarification on accounting for licenses of intellectual property and identifying performance obligations. The new revenue recognition standard will be effective for the Company in the first quarter of 2018, with the option to adopt it in the first quarter of 2017.

The new standard also permits two methods of adoption: retrospectively to each prior reporting period presented (the so-called "full retrospective method"), or retrospectively with the cumulative effect of initially applying the new standard recognized at the date of initial application (the so-called "modified retrospective method"). The Company is currently evaluating the timing and method of adoption of the new revenue standard and also the impact that the standard will have on its consolidated financial statements and related disclosures.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands, except share and per share data**NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

3. In August 2016, the FASB issued ASU No. 2016-15, "Statement of Cash Flows (Topic 230)", which amends the guidance on the classification of certain cash receipts and payments in the statement of cash flows. This ASU is effective for annual and interim reporting periods beginning after December 15, 2017 and is applied retrospectively. Early adoption is permitted, including adoption in an interim period. The Company is currently evaluating the impact that this ASU will have on its consolidated financial statements.
4. In March 2016, the FASB issued ASU No. 2016-09, "Improvements to Employee Share-Based Payment Accounting." This ASU affects entities that issue share-based payment awards to their employees. The ASU is designed to simplify several aspects of accounting for share-based payment award transactions, which include the income tax consequences, classification of awards as either equity or liabilities, classification on the statement of cash flows and forfeiture rate calculations. The Company will adopt this ASU on its effective date of January 1, 2017. The Company is currently evaluating the impact that this guidance will have on its consolidated financial statements.
5. In January 2017, the FASB issued ASU No. 2017-04, "Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment." This ASU eliminates the requirement to measure the implied fair value of goodwill by assigning the fair value of a reporting unit to all assets and liabilities within that unit (the "Step 2 test") from the goodwill impairment test. Instead, if the carrying amount of a reporting unit exceeds its fair value, an impairment loss is recognized in an amount equal to that excess, limited by the amount of goodwill in that reporting unit. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the qualitative impairment test is necessary. This new standard should be applied on a prospective basis and the nature of and reason for the change in accounting principle should be disclosed upon transition. The amendments in this update should be adopted for annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. Early adoption is permitted on testing dates after January 1, 2017. The Company is currently evaluating the impact of adopting the new guidance on the consolidated financial statements and the timing of adoption.
6. In 2016, the Company adopted ASU No. 2014-15, "Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern" ("ASU 2014-15"), that provides guidance on management's responsibility in evaluating whether there is substantial doubt about a company's ability to continue as a going concern and to provide related footnote disclosures. The adoption of ASU 2014-15 does not have an impact on the Company's consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 3:- ACQUISITIONS

a. On March 18, 2015 (in this clause (a), the "Closing Date"), the Company completed, through the Company's wholly owned subsidiary, Attunity Inc., the acquisition of 100% of the shares of Appfluent Technology, Inc., a Delaware corporation ("Appfluent"), a U.S.-based provider of data usage analytics for Big Data environments, including data warehousing and Hadoop. Under the acquisition agreement, the total consideration is composed as follows:

- \$10,997 in cash paid on the Closing date, of which \$1,100 was held in escrow for one year following the Closing Date.
- 726,033 ordinary shares of the Company for total fair value of \$6,600, out of which 581,862 shares were issued on the Closing Date and 144,171 shares were held-back to secure indemnity claims and were issued on September 19, 2016. The held-back shares were recorded as equity at fair market value of \$1,253, taking into account, among other things, the market restrictions on these shares.
- Milestone-based contingent payments in a total of up to \$31,500, payable in 2016 and 2017. The milestone-based contingent payments were based on the Company's revenues recognized from sales of Appfluent products in the period between the Closing Date and December 31, 2015 and during 2016. These milestone-based contingent payments were measured at fair value at the Closing Date in the amount of \$1,616. At the end of 2015, the Company recorded a net gain of \$1,826 as a reversal of this previously accrued milestone-based contingent payment since the forecast of sales of Appfluent products for 2016 was lower than the revenue target required to be met in order to earn the milestone-based contingent payment. Such gain is included in selling and marketing expenses in the consolidated statement of operation for the year ended December 31, 2015.

In addition, certain key employees of Appfluent were entitled to retention payments in an aggregate amount of \$2,000, which was payable in cash over a period of 15 months following the Closing Date and, at the Company's discretion, up to 40% in ordinary shares of the Company based on the average price per share over a 30-day period prior to each applicable payment date.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 3:- ACQUISITIONS (Cont.)

During 2015, the Company paid \$300 in cash and issued 14,188 ordinary shares of the Company for total fair value of \$200. During 2016, the Company paid \$900 in cash and issued 68,616 ordinary shares of the Company for total fair value of \$600. Compensation costs recognized in 2016 and 2015 were \$744 and \$1,256 respectively.

Under business combination accounting principles, the total purchase price was allocated to Appfluent's net tangible and intangible assets based on their estimated fair values. At the Closing Date, the core technology and customers relationships, amounted to \$6,350 and \$382, respectively.

- b. On November 14, 2014 (in this clause (b), the "Closing Date"), the Company acquired the technology and certain related assets of BIReady B.V., a Netherlands-based developer of data warehouse automation technology, for EUR 600,000 (approximately \$748) in cash, 31,895 ordinary shares of the Company for total fair value of \$224, which have been held-back to secure indemnity claims and were issued in February 2016, and an earn-out potential of up to EUR 300,000 (approximately \$374) in cash over 2015 and 2016. In connection with this contingent payment consideration, the Company initially recorded at the Closing Date, an estimated liability of \$300 (\$271 and \$292 as of December 31, 2016 and 2015, respectively). The Company paid \$48 of the contingent consideration during the year ended December 31, 2016. The total purchase price was allocated to core technology based on its estimated fair value in the amount of \$ 1,272, which is amortized on a straight line basis over 5 years.
- c. On December 18, 2013 (in this clause (c), the "Closing Date"), the Company completed, through the Company's wholly owned subsidiary, Attunity Inc., the acquisition of 100% of the shares of Hayes Technology Group, Inc. ("Hayes"), a U.S.-based provider of data replication software solutions for SAP environments. The total consideration was composed as follows:
- \$ 4,500 in cash paid on the Closing Date;
 - 185,000 ordinary shares of the Company for total fair value of \$ 1,547, out of which 123,500 shares were issued on Closing Date and 61,500 shares were held-back to secure indemnity claims and were issued on December 18, 2014. The held-back shares were recorded at fair market value of \$ 503 under purchase obligations and were classified to equity upon issuance of the shares; and
 - Milestone-based contingent payments in a total of up to \$ 4,200, out of which up to \$ 2,100 is payable in 2015 and up to \$ 2,100 is payable in 2016. Contingent payment consideration was measured at fair value at the Closing Date and recorded as a liability on the balance sheet in the amount of \$ 3,251 (\$0 and \$1,942 as of December 31, 2016 and 2015, respectively). The Company paid \$1,942 and \$2,054 of the contingent consideration during the years ended 2016 and 2015, respectively. Changes in fair value of contingent liability in the amount of (\$35) and \$241 are included in selling and marketing expenses in the consolidated statement of operation for year ended December 31, 2016 and 2015, respectively.

NOTE 4:- FAIR VALUE MEASUREMENTS

The Company measures the contingent payment obligations payable, if any, in connection with acquisitions ("Contingent Considerations"), foreign currency derivative contracts and other derivative instruments at fair value. Foreign currency derivative contracts are classified within Level II as the valuation inputs are based on quoted prices and market observable data of similar instruments. The Contingent Considerations related to acquisitions and liability presented at fair value are classified within Level III as the valuation inputs are based on significant inputs not observable in the market.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 4:- FAIR VALUE MEASUREMENTS (Cont.)

There have been no transfers between fair value measurements levels during the years ended December 31, 2016, 2015 and 2014.

The below table sets forth the Company's assets and liabilities that were measured at fair value as of December 31, 2016 and 2015 by level within the fair value hierarchy. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	December 31, 2016			
	Level 1	Level 2	Level 3	Total
Liabilities:				
Contingent consideration related to acquisitions	\$ -	\$ -	\$ 271	\$ 271
Foreign exchange contracts	-	7	-	7
Liability presented at fair value	-	-	512	512
Total liabilities	\$ -	\$ 7	\$ 783	\$ 790
December 31, 2015				
	Level 1	Level 2	Level 3	Total
Liabilities:				
Contingent consideration related to acquisitions	\$ -	\$ -	\$ 2,458	\$ 2,458
Foreign exchange contracts	-	62	-	62
Liability presented at fair value	-	-	719	719
Total liabilities	\$ -	\$ 62	\$ 3,177	\$ 3,239

The following table set forth the change of fair value measurements that are categorized within Level 3:

Total fair value as of January 1, 2016	\$ 3,177
Cash settlements	(1,990)
Shares settlements	(224)
Revaluation of liability presented at fair value	(207)
Accretion of contingent payment obligations	(8)
Change in fair value of payment obligations	35
Total fair value as of December 31, 2016	\$ 783

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 5:- PROPERTY AND EQUIPMENT, NET

	December 31,	
	2016	2015
Cost:		
Computers and peripheral equipment	\$ 2,203	\$ 1,880
Office furniture and equipment	531	444
Leasehold improvements	473	453
	<u>3,207</u>	<u>2,777</u>
Accumulated depreciation	1,993	1,517
Property and equipment, net	<u>\$ 1,214</u>	<u>\$ 1,260</u>

As for charges on the Company's property and equipment, see Note 8.

NOTE 6:- GOODWILL AND OTHER INTANGIBLE ASSETS, NET

a. Goodwill:

Changes in goodwill during the years ended December 31, 2016 and 2015 are as follows:

	December 31,	
	2016	2015
Goodwill, beginning of year	\$ 30,844	\$ 17,467
Revaluation related to foreign currency exchange differences	85	(207)
Acquisition of Appfluent	-	13,584
Goodwill, end of year	<u>\$ 30,929</u>	<u>\$ 30,844</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 6:- GOODWILL AND OTHER INTANGIBLE ASSETS, NET (Cont.)

b. Other intangible assets, net:

Net other intangible assets consisted of the following:

	Weighted average amortization period (years)	December 31,	
		2016	2015
Original amount:			
Core technology	4.74	\$ 13,384	\$ 13,384
Customers relationship	5.84	1,981	1,981
Non-competition agreement	4	224	224
		<u>15,589</u>	<u>15,589</u>
Accumulated amortization:			
Core technology		6,977	4,834
Customers relationship		1,544	1,371
Non-competition agreement		168	112
		<u>8,689</u>	<u>6,317</u>
Impairment of intangible assets		4,122	-
Other Intangible assets ,net:			
Core technology		2,488	8,550
Customers relationship		234	610
Non-competition agreement		56	112
		<u>\$ 2,778</u>	<u>\$ 9,272</u>

The estimated future amortization expense of other intangible assets as of December 31, 2016 for the years ending:

Year ending December 31,	
2017	1,346
2018	943
2019	415
Thereafter	<u>74</u>
	<u>\$ 2,778</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands, except share and per share data**NOTE 7:- LIABILITY PRESENTED AT FAIR VALUE**

The Company entered into a Loan Agreement with Plenus Technologies Ltd. ("Plenus" or the "Lender"), on January 31, 2007 (as amended on March 30, 2009 and September 4, 2011, the "Loan Agreement"). According to the Loan Agreement if, during the period between March 19, 2009 and December 31, 2017, the Company enters into a "Fundamental Transaction" (which is defined in the Loan Agreement to include (i) the acquisition of the Company by means of a merger or other form of corporate reorganization in which 50% or more of the outstanding shares is exchanged for securities or other consideration issued or paid by the acquiring entity, (ii) the sale of all or substantially all of the assets of the Company, or (iii) a transaction or a series of transactions in which a person or entity acquires more than 50% of the outstanding shares of the Company), then the Lender shall be entitled to the following: (i) in the cases of merger or acquisition of shares, an amount equal to 15% of the aggregate proceeds payable in connection with such Fundamental Transaction to the shareholders, or (ii) in the case of the sale of substantially all of the Company's assets, an amount equal to 15% of the aggregate proceeds payable to the Company in connection with such Fundamental Transaction; the "aggregate proceeds" shall be calculated while subtracting any amount of debts, liabilities and obligations which have accrued prior to the closing of such Fundamental Transaction and have not been assumed by the purchaser in such Fundamental Transaction. During such period, the Lender may elect to receive \$300 in cash in lieu of such contingent payment right.

The Company accounted for the above mentioned contingent payment right as a liability presented at fair value on the balance sheet which is marked to market at each reporting period. As of December 31, 2016 and December 31, 2015, the liability amounted to \$512 and \$719, respectively. The fair value of this liability was performed by a third party valuation firm using the Binomial Model for options valuation based on assumptions provided by management.

NOTE 8:- CHARGES (ASSETS PLEDGED)

In July 2015, the Company secured a short-term line of credit that expires after one year in the amount of \$5,000 from an Israeli bank, which was extended in August 2016 for an additional one-year period ending in July 2017. To secure the credit line, the Company granted the bank a first priority floating charge on all of its assets (the agreements relating to such charges, being referred to as the "Security Agreements"). The Security Agreements contain various restrictive covenants, including limitations on the Company's ability to pledge additional assets, enter into affiliated party transactions, pay dividends or repurchase its shares, and subject to specified exceptions, a negative pledge on the assets of some of its subsidiaries. As of December 31, 2016 \$645 of the line of credit is used as collateral, mainly to secure the Company's obligations under the office lease agreement and its hedging transactions.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 9:- COMMITMENTS AND CONTINGENT LIABILITIES

a. Lease commitments:

The Company leases its operating facilities under non-cancelable operating lease agreements, which expire on various dates, the latest of which is in February 2021. In addition, the Company leases motor vehicles under non-cancelable operating leases for, generally, 3 years. Future minimum commitments under these leases as of December 31, 2016, are as follows:

Year ended December 31,	Operating Leases
2017	\$ 1,668
2018	1,220
2019	786
2020 and after	676
	\$ 4,350

- b. Rent expenses under facilities operating leases for the years ended December 31, 2016, 2015 and 2014 were \$ 1,541, \$ 1,346 and \$ 1,146, respectively.

NOTE 10:- SHAREHOLDERS' EQUITY

- a. The ordinary shares confer upon the holders the right to receive notice to participate and vote in general meetings of the Company, and the right to receive dividends, if declared.
- b. Equity Incentive Plans:

Under the Company's 2001 Stock Option Plan and 2003 Israeli Stock Option, the Company has granted options to purchase ordinary shares to employees, directors and officers as an incentive to attract and retain qualified personnel. The 2001 Plan does not have a specific expiration date (although the Company no longer grant awards under this plan) whereas the 2003 Plan was terminated in December 2013.

In December 2012, the Company adopted the 2012 Stock Incentive Plan (together with the 2001 and 2003 plans, the "Plans"), under which stock options, RSUs as well as other equity-based awards may be granted to employees, directors and consultants of the Company or its affiliates. The 2012 Stock Incentive Plan has a term of ten years and will terminate in December 2022.

In general, the exercise price of options granted under the Plans may not be less than 100% (110% in the case of a 10% shareholder) of the fair market value of the Company's ordinary shares on the date of grant for incentive stock options and 75% of the fair market for non-qualified options.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 10:- SHAREHOLDERS' EQUITY (Cont.)

Under the terms of the Plans, options generally become exercisable ratably over three years of employment, commencing with the date of grant or with the date of hire (for new employees at their first grant). The options generally expire no later than 6 years from the date of the grant, and are non-transferable, except under the laws of succession. Upon exercise of options, the Company issues ordinary shares for each option exercised.

Starting 2015, the Company also grants RSUs to its employees, which generally vest over three years with annual vesting dates.

Under the Plans, 4,453,240 ordinary shares were reserved for issuance of equity-based awards. Options and unvested RSUs that are canceled or forfeited before expiration become available for future grants. During 2016, the Company's Board of Directors approved an increase of 442,350 shares of the Company reserved for issuance under the Plans. As of December 31, 2016, there were 124,037 ordinary shares reserved and available for future grants.

The following is a summary of the Company's stock options granted under the Plans:

	Year ended December 31, 2016			
	Number of options (thousands)	Weighted average exercise price (per share)	Weighted- average remaining contractual term (in years)	Aggregate intrinsic value (*)
Outstanding at beginning of year	1,975	\$ 8.95	3.98	\$ 5,118
Granted	212	7.27		
Exercised	(108)	2.67		
Forfeited	(176)	11.33		
Outstanding at end of year	<u>1,903</u>	<u>\$ 8.90</u>	<u>3.35</u>	<u>\$ 1,136</u>
Exercisable at end of year	<u>1,324</u>	<u>\$ 8.43</u>	<u>2.72</u>	<u>\$ 1,092</u>
Vested and expected to vest at end of year	<u>1,852</u>	<u>\$ 8.89</u>	<u>3.30</u>	<u>\$ 1,130</u>

(*) Calculation of aggregate intrinsic value for options outstanding and exercisable is based on the share price of the Company's ordinary shares as of December 31, 2016 which was \$6.0 per share.

The weighted average fair value of options granted during the years ended December 31, 2016, 2015 and 2014 was \$3.33, \$4.94 and \$4.79 per share, respectively.

The weighted average fair value of options vested during the year ended December 31, 2016, 2015 and 2014 was \$2.45, \$4.80 and \$3.30, respectively.

The total intrinsic value of options exercised for the years ended December 31, 2016, 2015, and 2014 was \$ 361, \$ 3,430, and \$ 2,881, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 10:- SHAREHOLDERS' EQUITY (Cont.)

The options outstanding as of December 31, 2016, have been separated into ranges of exercise price per share as follows:

Exercise price \$	Outstanding			Exercisable		
	Number outstanding (thousands)	Weighted average remaining contractual life (years)	Weighted average exercise price \$	Number exercisable (thousands)	Weighted average remaining contractual life (years)	Weighted average exercise price \$
\$1.48 - \$5.68	478	2.25	3.62	346	0.82	2.84
\$5.72-\$10.03	482	3.31	8.72	394	3.17	8.75
\$10.06 - \$11.32	576	3.56	10.86	430	3.33	10.97
\$11.38 - \$14.68	367	4.48	12.92	154	4.13	12.98
	<u>1,903</u>	<u>3.35</u>	<u>\$ 8.90</u>	<u>1,324</u>	<u>2.72</u>	<u>\$ 8.43</u>

A summary of the Company's RSU activities and related information for the year ended December 31, 2016, is as follows:

	Number of RSUs (thousands)	Weighted average grant-date fair value
Outstanding at January 1, 2016	225	\$ 14.68
Granted	318	8.05
Vested	(74)	14.68
Forfeited	(33)	11.42
Non-vested at December 31, 2016	<u>436</u>	<u>\$ 10.09</u>

The weighted average fair value of RSUs granted during 2016 and 2015 was \$8.06 and \$14.68 per share, respectively.

The allocation of the share-based compensation, including compensation related to a retention plan associated with an acquisition (see also Note 3(b)) and other compensation in shares, is as follows:

	Year ended December 31,		
	2016	2015	2014
Cost of maintenance and services	\$ 148	\$ -	\$ -
Research and development	1,098	842	440
Selling and marketing	2,011	1,766	636
General and administrative	993	721	413
Total share-based compensation	<u>\$ 4,250</u>	<u>\$ 3,329</u>	<u>\$ 1,489</u>

As of December 31, 2016, there was \$ 4,784 of total unrecognized compensation cost related to non-vested share-based compensation that is expected to be recognized over a weighted average period of approximately 1.8 years.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 10:- SHAREHOLDERS' EQUITY (Cont.)

c. Warrants:

During 2015 and 2014, 19,701 and 78,828 warrants were exercised for proceeds of \$10 and \$ 38, respectively. During 2015, 7,881 warrants expired.

As of December 31, 2016 and 2015 there were no outstanding warrants to purchase Company's ordinary shares.

NOTE 11:- INCOME TAXES

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

	Year ended December 31,		
	2016	2015	2014
Deferred tax benefit	\$ (1,989)	\$ (777)	\$ (224)
Current taxes	1,254	1,323	958
	<u>(735)</u>	<u>\$ 546</u>	<u>\$ 734</u>
Domestic	285	\$ 209	\$ 140
Foreign	<u>(1,020)</u>	<u>337</u>	<u>594</u>
	<u>(735)</u>	<u>\$ 546</u>	<u>\$ 734</u>
Domestic taxes:			
Current	285	\$ 209	\$ 140
Deferred	-	-	-
	<u>285</u>	<u>209</u>	<u>140</u>
Foreign taxes:			
Current	969	1,114	818
Deferred	<u>(1,989)</u>	<u>(777)</u>	<u>(224)</u>
	<u>(1,020)</u>	<u>337</u>	<u>594</u>
Income taxes (income tax benefits)	<u>\$ (735)</u>	<u>\$ 546</u>	<u>\$ 734</u>

Loss before taxes on income attributable to domestic and foreign operations are as follows:

	Year ended December 31,		
	2016	2015	2014
Domestic	\$ (9,749)	\$ (4,624)	\$ (2,540)
Foreign	<u>(1,679)</u>	<u>1,561</u>	<u>1,582</u>
	<u>\$ (11,428)</u>	<u>\$ (3,063)</u>	<u>\$ (958)</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 11:- INCOME TAXES (Cont.)

- b. A reconciliation between the theoretical tax expense, assuming all income is taxed at the statutory tax rate applicable to income of the Company and the actual tax expense as reported in the statement of operations is as follows:

	December 31,		
	2016	2015	2014
Loss before taxes, as reported in the consolidated statements of income	\$ (11,428)	\$ (3,063)	\$ (958)
Statutory tax rate	25.0%	26.5%	26.5%
Theoretical tax benefit on the above amount at the Israeli statutory tax rate	\$ (2,857)	\$ (812)	\$ (254)
State taxes and tax adjustment in respect of different tax rate of foreign subsidiaries	(236)	307	112
Non-deductible expenses and other permanent differences	526	(26)	496
Losses and timing differences for which valuation allowance was provided	1,949	861	288
Utilization of tax losses for which valuation allowance was provided for in prior years	(334)	(14)	(52)
Withholding taxes	96	209	175
Other	121	21	(31)
Actual taxes on income (income tax benefit)	\$ (735)	\$ 546	\$ 734

- c. Israeli taxation:

The Israeli corporate income tax rate was 25% in 2016 and 26.5% in both 2015 and 2014.

In December 2016, the Israeli Parliament approved the Economic Efficiency Law (Legislative Amendments for Applying the Economic Policy for the 2017 and 2018 Budget Years), 2016 which reduces the corporate income tax rate to 24% (instead of 25%) effective from January 1, 2017 and to 23% effective from January 1, 2018.

The Company and its Israeli subsidiaries have not received final tax assessments since incorporation except that, in accordance with Israeli tax laws, tax returns submitted up to and including the 2012 tax year can be regarded as final. However, following an agreement signed with the Israeli Tax Authority ("ITA"), as described below, RepliWeb Ltd. tax returns up to the 2014 tax year are regarded as final.

Tax loss carryforward:

The Company's tax losses carryforward were approximately \$ 50,000 as of December 31, 2016. Such losses can be carried forward indefinitely to offset future taxable income of the Company.

- d. Income taxes of non-Israeli subsidiaries:

Non-Israeli subsidiaries are taxed according to the tax laws in their respective countries of residence. The U.S. tax returns for the years prior to 2012 are considered final.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 11:- INCOME TAXES (Cont.)

e. Deferred taxes:

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax liabilities and assets are as follows:

	December 31,	
	2016	2015
Net operating loss carry forwards	\$ 12,979	\$ 14,110
Research and development expenses	2,312	2,242
Employee related accruals	409	441
Deferred revenue and other	1,248	1,012
Total deferred tax asset before valuation allowance	<u>16,948</u>	<u>17,805</u>
Less - valuation allowance	<u>(14,481)</u>	<u>(15,045)</u>
Deferred tax asset	<u>2,467</u>	<u>2,760</u>
Deferred tax liability - Intangible assets and other	<u>(219)</u>	<u>(2,345)</u>
Deferred tax assets, net	<u>\$ 2,248</u>	<u>\$ 415</u>
Domestic:	<u>\$ -</u>	<u>\$ -</u>
Foreign:	<u>\$ 2,248</u>	<u>\$ 415</u>

The Company has provided valuation allowances in respect of deferred tax assets resulting from tax loss carry forwards and other temporary differences in Israel and in several of its subsidiaries. Management currently believes that since the Company has a history of losses it is more likely than not that the deferred tax regarding the loss carry forwards and other temporary differences will not be realized in the foreseeable future.

The increase in the valuation allowance relates to increase in net operating losses and other temporary differences for which full valuation allowance was recorded.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 11:- INCOME TAXES (Cont.)

- f. Accounting for uncertainty in income taxes:

A reconciliation of the beginning and ending amount of unrecognized tax benefits related to uncertain tax positions is as follows:

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
Opening balance	\$ 191	\$ 93
Additions for prior years' tax position	103	-
Additions related to the current year	96	113
Reduction of prior years' tax position due to lapse of statute of limitation	-	(15)
Closing balance	<u>\$ 390</u>	<u>\$ 191</u>
Included in accrued expenses and other current liabilities	<u>\$ 182</u>	<u>\$ 40</u>
Included in other long term liabilities	<u>\$ 208</u>	<u>\$ 151</u>

As of December 31, 2016, the entire amount of the unrecognized tax benefits could affect the Company's income tax provision and the effective tax rate.

During the years ended December 31, 2016 and 2015, the Company recorded immaterial expenses for interest and exchange rate differences, net related to prior years' uncertain tax positions. As of December 31, 2016 and 2015, the Company had accrued interest liability related to uncertain tax positions in the amount of \$ 43 and \$ 39, respectively, which is included in the liability balance.

In February 2017, the Company reached an agreement with the ITA related to the examination of income tax returns for 2011 through 2014 of RepliWeb Ltd., its subsidiary, whereby the Company agreed to pay approximately \$430 in connection with certain internal organizational changes the Company executed in RepliWeb Ltd. .

The Company believes that it has adequately provided for any reasonably foreseeable outcomes related to tax audits and settlement. However, the final tax outcome of its tax audits could be different from that which is reflected in the Company's income tax provisions and accruals. Such differences could have a material effect on the Company's income tax provision and net income in the period in which such determination is made.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 12:- ENTITY-WIDE DISCLOSURES

Revenues by geographical areas were as follows:

	Year ended December 31,		
	2016	2015	2014
North America	\$ 38,769	\$ 36,236	\$ 25,993
Europe	11,342	7,795	6,085
APAC	3,337	2,838	2,227
Israel	535	662	817
Other	511	637	530
	<u>\$ 54,494</u>	<u>\$ 48,168</u>	<u>\$ 35,652</u>

For the year ended December 31, 2015, one of the Company's customers accounted for approximately 12.6% of its revenues. For the years ended December 31, 2016 and 2014, no single customer accounted more than 10% of the Company's total revenues.

All of the Company's long-lived assets are located in Israel apart for assets in insignificant amounts which are located elsewhere.

NOTE 13:- FINANCIAL EXPENSE, NET

	Year ended December 31,		
	2016	2015	2014
Financial income:			
Interest	\$ -	\$ (3)	\$ (19)
Revaluation of liability presented at fair value	(207)	(187)	(187)
Accretion of payment obligations related to acquisitions	(35)	-	-
Hedging	(3)	-	-
	<u>(245)</u>	<u>(190)</u>	<u>(206)</u>
Financial expenses:			
Interest and bank charges	130	103	124
Hedging	-	30	201
Exchange rate differences, net	142	156	92
Accretion of payment obligations related to acquisitions	27	477	682
	<u>299</u>	<u>766</u>	<u>1,099</u>
	<u>\$ 54</u>	<u>\$ 576</u>	<u>\$ 893</u>

ITEM 19. EXHIBITS

Exhibit Description

- 1.1 Memorandum of Association of the Registrant, as amended and restated ¶ (1)
- 1.2 Amended and Restated Articles of Association of the Registrant (2)
- 1.3 Bonus Rights Agreement, dated as of June 7, 2016, between the Registrant and American Stock Transfer & Trust Company, LLC (3)
- 2.1 Specimen of Ordinary Share Certificate (4)
- 4.3 2001 Stock Option Plan, as amended (5)
- 4.4 2003 Israeli Stock Option Plan, as amended (6)
- 4.5 Loan Agreement dated January 31, 2007 among the Registrant and Plenus Technologies Ltd.; Form of First and Second Warrants to purchase Ordinary Shares issued by the Registrant to Plenus; Floating Charge Agreement dated January 31, 2007 among the Registrant, Plenus and its affiliates; and Fixed Charge Agreement dated January 31, 2007 among the Registrant, Plenus and its affiliates (7), as amended by Amendment to the Loan Agreement and Charge Agreements, dated March 30, 2009 (8), and by Amendment No. 2 to the Loan Agreement and Charge Agreements, dated September 4, 2011 (9)
- 4.6 Form of Indemnification Letter (10)
- 4.7 Change Data Capture OEM Agreement, dated as of December 14, 2010, by and between Attunity Inc. and Microsoft Corporation (11)
- 4.8 2012 Stock Incentive Plan (12)
- 4.9 Compensation Policy for Executive Officers and Directors, as amended (13)
- 4.10 Agreement and Plan of Merger, dated as of March 5, 2015, by and among the Registrant, Attunity Inc., Appfluent Technology, Inc. and the other signatories thereto (14)
- 4.11 Registration Rights Agreement, dated as of March 18, 2015, by and among the Registrant and the other signatories thereto (15)
- 8 List of Subsidiaries of the Registrant*
- 12.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended**
- 12.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended**
- 13.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350***
- 13.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350***
- 15.1 Consent of Kost Forer Gabbay & Kasierer, a Member of Ernst & Young Global**
- 101 The following financial information from the Registrant's Annual Report on Form 20-F for the year ended December 31, 2016, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets; (ii) Consolidated Statements of Operations; (iii) Consolidated Statement of Comprehensive Income (Loss); (iv) Statements of Changes in Shareholders' Equity; (v) Consolidated Statements of Cash Flows; and (vi) Notes to Consolidated Financial Statements, tagged as blocks of text and in detail*

- (1) Filed as Exhibit 3.1 to the Registrant's Registration Statement on Form F-3, filed with the SEC on September 27, 2012, and incorporated herein by reference.
- (2) Filed as Exhibit 3.2 to the Registrant's Registration Statement on Form F-3, filed with the SEC on September 27, 2012, and incorporated herein by reference.
- (3) Filed as Exhibit 99.2 to the Registrant's Report of Foreign Private Issuer on Form 6-K submitted to the SEC on June 8, 2016, and incorporated herein by reference
- (4) Filed as Exhibit 4.1 to the Registrant's Registration Statement on Form F-3, filed with the SEC on September 27, 2012, and incorporated herein by reference.

- (5) Filed as Exhibit 4.3 to the Registrant's Registration Statement on Form S-8, filed with the SEC on January 26, 2005, and incorporated herein by reference. The 2001 Stock Option Plan was amended in the annual general meetings of the Registrant's shareholders in December 2005 and December 2006, as reflected in Item 3 of the Registrant's Proxy Statement filed on Report of Foreign Private Issuer on Form 6-K submitted to the SEC on November 29, 2005, and in Item 2 of the Registrant's Proxy Statement filed on Report of Foreign Private Issuer on Form 6-K submitted to the SEC on November 22, 2006, which are incorporated herein by reference.
- (6) Filed as Exhibit 4.4 to the Registrant's Registration Statement on Form S-8, filed with the SEC on January 26, 2005, and incorporated herein by reference. The 2003 Israeli Stock Option Plan was amended in the annual general meetings of the Registrant's shareholders in December 2005 and December 2006, as reflected in Item 3 of the Registrant's Proxy Statement filed on Report of Foreign Private Issuer on Form 6-K submitted to the SEC on November 29, 2005, and in Item 2 of the Registrant's Proxy Statement filed on Report of Foreign Private Issuer on Form 6-K submitted to the SEC on November 22, 2006, which are incorporated herein by reference.
- (7) Filed as Exhibits 4.1, 4.2, 4.3, 4.4 and 4.5, respectively, to the Registrant's Report of Foreign Private Issuer on Form 6-K submitted to the SEC on February 6, 2007, and incorporated herein by reference.
- (8) Filed as Exhibit 4.6 to the Registrant's Annual Report on Form 20-F for the year ended December 31, 2008, and incorporated herein by reference.
- (9) Filed as Exhibit 4.6 to the Registrant's Annual Report on Form 20-F/A for the year ended December 31, 2011, and incorporated herein by reference.
- (10) Filed as Appendix B to the Registrant's Proxy Statement filed on Report of Foreign Private Issuer on Form 6-K submitted to the SEC on November 14, 2011, and incorporated herein by reference.
- (11) Filed as Exhibit 4.10 to the Registrant's Annual Report on Form 20-F for the year ended December 31, 2010, and incorporated herein by reference.
- (12) Filed as Appendix A to the Registrant's Proxy Statement filed on Report of Foreign Private Issuer on Form 6-K submitted to the SEC on November 20, 2012, and incorporated herein by reference.
- (13) Filed as Exhibit 4.9 to the Registrant's Annual Report on Form 20-F/A for the year ended December 31, 2015, and incorporated herein by reference.
- (14) Filed as Exhibit 4.11 to the Registrant's Annual Report on Form 20-F for the year ended December 31, 2014, and incorporated herein by reference.
- (15) Filed as Exhibit 4.12 to the Registrant's Annual Report on Form 20-F for the year ended December 31, 2014, and incorporated herein by reference.

¶ Translated from Hebrew

* Previously Filed.

** Filed herewith.

*** Furnished herewith.

SIGNATURES

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

ATTUNITY LTD.

By: /s/ Shimon Alon
Shimon Alon
Chief Executive Officer

Dated: March 6, 2017

CERTIFICATION

pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended

I, Shimon Alon, certify that:

1. I have reviewed this amendment no. 1 to annual report on Form 20-F/A of Attunity Ltd;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.]

Date: March 6, 2017

/s/ Shimon Alon
Shimon Alon
Chief Executive Officer

CERTIFICATION

pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended

I, Dror Harel-Elkayam, certify that:

1. I have reviewed this amendment no. 1 to annual report on Form 20-F/A of Attunity Ltd;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: March 6, 2017

/s/ Dror Harel-Elkayam
Dror Harel-Elkayam
Chief Financial Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350

In connection with the Amendment No. 1 to Annual Report of Attunity Ltd (the "Company") on Form 20-F/A for the period ended December 31, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Shimon Alon, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, that, to my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Shimon Alon
Shimon Alon
Chief Executive Officer

Date: March 6, 2017

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350

In connection with the Amendment No. 1 to Annual Report of Attunity Ltd (the "Company") on Form 20-F/A for the period ended December 31, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Dror Harel-Elkayam, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, that, to my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Dror Harel-Elkayam
Dror Harel-Elkayam
Chief Financial Officer

Date: March 6, 2017

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements on Form F-3 (Registration No. 333-205799, 333-205798, 333-173205, 333-138044, 333-122937 and 333-119157) and Registration Statements on Form S-8 (Registration No. 333-122302, 333-142284, 333-164656, 333-184136 and 333-193783) of Attunity Ltd of our reports dated March 1, 2017 with respect to the consolidated financial statements of Attunity Ltd and its subsidiaries and the effectiveness of internal control over financial reporting of Attunity Ltd and its subsidiaries for the year ended December 31, 2016 included in this Annual Report on Form 20-F for the year ended December 31, 2016.

Tel-Aviv, Israel
March 1, 2017

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